



**ADDRESS**

BY

**SHRI NAVEEN PATNAIK**

**CHIEF MINISTER ORISSA**

AT THE 51 "MEETING OF  
THE NATIONAL DEVELOPMENT COUNCIL

NEW DELHI

**27-28<sup>TM</sup> JUNE, 2005**

**Hon'ble Prime Minister, Deputy Chairman and Members, Planning Commission, Union Ministers, Colleague Chief Ministers, Distinguished Members of the National Development Council, Dignitaries and Friends !**

2. I must, at the outset, compliment Planning Commission for undertaking the stupendous task of Mid Term .Appraisal of the Tenth Plan in consultation with State Governments and providing this opportunity for all of us to deliberate the critical issues and concerns that have emerged from this Appraisal. My Government is in general agreement with the observations and concerns that have emerged out of this Appraisal.

3. Several recommendations including: launching of "Sarva Swasthya Abhiyan", implementing National Mission on Sanitation and Public Health (NMSPH), sharing of the cost of Supplementary Nutrition by the Central Government, providing 100% Central funding for AIBP, covering the pre-school component of ICDS under SSA, fixing the royalty on coal on ad-valorem basis appear to be in the right direction and will certainly help those States which are facing a severe resource crunch. Other initiatives recommended including Bharat Nirman, Backward Region Grant Fund and National Food for Work Programme shall also considerably help those states which are deficient in infrastructure, prone to natural calamities, witness acute regional disparities and suffer from heavy incidence and persistence of poverty.

4. Orissa has been making consistent efforts in reducing fiscal imbalance, mitigating regional disparities and enhancing development performance levels. A number of expenditure compression and revenue generation measures have been taken. As a result, ratio of revenue deficit to revenue receipt has been reduced from 43.7% in 1999-2000 to 0.6% in 2004-05, the annual average improvement being 8.6% compared to 5% recommended by the 11th Finance Commission. Orissa aims to reduce poverty by at least 7% by the end of 10th Plan. We are also committed to improve literacy in general and female and tribal literacy in particular, generate massive employment opportunities for both educated and uneducated youths with emphasis on self employment, reduce Infant Mortality Rate (IMR) and Maternal Mortality Ratio' (MMR) in line with the monitorable targets set in the 10th Plan and improve access of the rural people to quality health services and safe drinking water.

5. The average annual growth rate of the State Gross Domestic Product during the 1st two years of the Tenth Plan was 5.58% against 6.2% projected by the

Planning Commission for the State. Despite our best efforts, finances of the State continue to be under severe strain. It is a matter of great concern to us that our revenue deficit and increased dependence on borrowed capital has considerably increased our debt and interest burdens. As per 12th Finance Commission estimates, Orissa has the highest Debt-GSDP Ratio of 62.93% as on 31.3.2003 compared to all States' average of 34.21%. The unsustainable macro-financial imbalances have adversely affected the development performance, poverty reduction efforts and infrastructure and social sector investments. Visitation of frequent natural calamities, in quick succession, have further worsened the situation. The State Government is not in a position to adequately fund the State share to leverage higher allocations from Government of India for several important centrally sponsored plan schemes including Sarva Sikhya Abhiyan, Grameen Vidut Karan Yojana, Poverty Alleviation Programmes and most of other centrally sponsored plan schemes. This is perhaps the situation in other resource hit States also. We, therefore, consider it highly desirable that Government of India should fully fund these crucially important schemes.

6. The planning process in this country has not so far been able to address adequately the specific needs of the backward areas and regions in different States, which need special focus and attention. There are areas which are chronically drought or flood affected and there are also areas which are affected due to extremist. These would call for a separate type of intervention and investment decisions as well. The Long Term Action Plan (LTAP) for the KBK districts and the Rastriya Sama Vikas Yojana for five other districts in the State are initiatives in the right direction, but there is a crying need for inclusion of more districts of Orissa in these programmes. Mounting regional disparities in the levels of development will have to be eliminated and such areas should be considered under the Special Category for providing appropriate Central Assistance for their holistic and integrated development.

7. I would like to seek your indulgence to invite attention to a few special issues relating to Orissa.

(i) Share in Power Produced in the State:

In view of the abundant availability of coal deposits and water, Orissa has the potential to be the power house of the country. But the existing electricity laws do not

allow power producing States to collect any tax from consumers outside the State.

Thus, the power producing States are in an unenviable position in which they bear the brunt of pollution and displacement of persons without any compensation whereas the consuming States derive the cream of the benefit. This imbalance in revenue sharing should be rectified and States like Orissa should receive due share of revenues from power produced in the State.

(ii) Availability of coal to local industries:

Coal India has allocated 50,000 Metric Tones of coal in favour of Orissa Small Industries Corporation (OS 1C) for the current year to meet the requirement of tiny and small industries. However, it will be difficult on the part of OSIC to purchase this quantity of coal from Coal India at electronic auction price which varies from week to week. It is necessary that Coal India should supply coal to OSIC at fixed price. Besides, Coal India should offer more quantity of coal under Open Sales System (OSS). Some of the refractory units have lost linkages with the Coal India. The linkages of these units need to be restored. Since the problem is slowly assuming alarming proportions, immediate corrective action by the Ministry of Coal is necessary.

(iii) Support for Augmenting Non-Tax Revenue and Other Macro Policies:

Orissa has been very adversely affected due to inordinate delays and inadequate increases in royalty on major minerals and branch transfer of minerals and mineral products. The 12th Finance Commission have recommended that since royalty is an important source of non-tax revenue for some States, the rates of royalty should be fixed on ad valorem basis. We, therefore, urge that the revision of royalties on major minerals should be based on ad valorem basis and effected at regular intervals.

(iv) Need for Additional Measures for Debt Relief to States:

Recently, 12th Finance Commission have provided some conditional debt relief to State Governments. Orissa is striving hard to achieve the fiscal targets recommended by the 12th Finance Commission in order to avail the debt relief of Rs. 1,751.29 crore during the period from 2005-06 to 2009-10. Though the State Government gratefully acknowledges this support, this is highly

inadequate for the State which is reeling under heavy debt burden. We, therefore, request that Government of India should urgently take some additional measures to provide further debt relief to those States which are very heavily indebted. We in fact urge that Government of India should write off an additional amount of Central loan of Rs.13,684 crore outstanding as on 01.04.2005.

(v) Market Borrowing for Financing State Plans:

Government of India have accepted the 12th Finance Commission recommendation that Central Government should not act as an intermediary in providing the loan portion of Normal Central Assistance and ACA to States, who have been asked to raise their own resources through Open Market Borrowing. We are of the view that while dis-intermediation by the Centre could be the medium to long term goal, the sudden switch over to the new regime whereby the States will have to raise the entire loan component of State Plan Assistance, may. create serious operational difficulties.

If financially weak States are left to themselves to borrow funds from the Open Market, their plan performance is bound to suffer. We, therefore, strongly urge that the previous practice of intermediation by the Centre should continue for some more time for Normal Central Assistance and ACA until some agreed mechanism is put in place to meet the shortfall.

Government of India could also consider reducing the interest on small savings when it is lent to the States. I would like to draw the kind attention and intervention of the Hon'ble Prime Minister in this issue.

8. Before I conclude I extend my sincere thanks to the Hon'ble Prime Minister and the Deputy Chairman, Planning Commission for convening this NDC meeting to enable us to place our views on national important issues outlined in the Mid-Term Appraisal Report for rectifying development policies for the 10th Five Year Plan. I would like to assure that my State will extend full support and co-operation to the Central Government in their endeavour to implement various initiatives and recommendations outlined in the Mid Term Appraisal report.

**JAIHIND**