CHAPTER - XVII

CONCLUDING REMARKS WITH A VISION STATEMENT

Even while the per capita income of Orissa is the second lowest (after Bihar), it is disturbing to note that the relative per capita income of Orissa has declined over the last two decades vis-a-vis all (except Bihar) other low-income States, namely, Madhya Pradesh, Rajasthan, and Uttar Pradesh. Again, Orissa's per capita income was around 75 per cent of that of all-India in 1981-82 and this has come down to about 63 per cent by mid-1990s. This means that the relative rate of growth of Orissa's economy has been quite slow and there is simply no sign of 'catching up' with the national average. Indeed, per capita income of Orissa relative to that of all-India has further come down to about 56 per cent, mainly due to a robust growth of more than 7 per cent in the case of a number of middle-income States (Gujarat, Karnataka, Tamil Nadu, West Bengal as well as relatively higher growth rate of low-income States of Rajasthan and U. P during the period 1993-94 to 1999-2000).

Orissa's financial position is so precarious that it is impossible to make any investment for economic development. Orissa had acquired a debt stock of Rs. 18,100 crore as on 31.3.2000 representing 46 per cent of GSDP estimated for the year 1999-2000. The debt burden has further hiked to Rs. 21,000 crore by 31.3.2001. Now it has gone up to 51 per cent of the estimated GSDP for the year 2000-2001. Each year, there is a net addition of more than Rs. 3,000 crore to the existing debt stock. Already a reverse flow has started in respect of receipt of central loan, which is almost 43 per cent of the total loan. The unsustainable debt position and high debt servicing liabilities have assumed such an alarming proportion that the gross loan incurred during a year is hardly sufficient to meet the interest payment and repayment of principal in that year. Orissa now has to borrow Rs. 424 crore to get funds for a development project of Rs. 100 crore.

It is pertinent to make one point here : a situation of crisis is both a challenge and an opportunity – an opportunity to change the situation to one's advantage, i. e., the challenge must be faced in an affirmative manner.

The slow growth of agricultural sector (a little over 2 per cent per annum of long-run growth and less than 2 per cent during 1980-96) has pulled down the aggregate rate of growth of NSDP. This has been somewhat compensated by relatively higher rate of growth in different components of the tertiary sector but then this sector absorbs not more than 12 per cent of the labour force in rural Orissa. The secondary sector's growth has been close to that of aggregate growth so that its share in NSDP has remained more or less stagnant. On the whole, there has not been much diversification of the economy in terms of labour force distribution, and agriculture remains the mainstay.

Perhaps more important than the slow growth rate of agriculture – from the point of view of food security – is the fact that there have been significant fluctuations in agricultural output and incomes due mainly to the impact of floods and droughts, the latter being particularly true of districts which remain in the rain shadow region of the southwestern monsoon. In addition, spatially unbalanced development of irrigation – more than 50 per cent of effective irrigated area being located in the four old and undivided coastal districts – has increased the vulnerability of crop production in many non-coastal districts (with the exception of undivided Sambalpur district in northwestern Orissa). Within the irrigation sector, the rate of exploitation of groundwater resources has remained the lowest even as compared to the other low-income States.

Again, land degradation and severe and widespread soil erosion problem in the non-coastal districts (mainly caused by rapid run-off of rain water with fast denudation of forest cover in the catchment areas of major rivers) on the one hand and severe waterlogging and soil salinity in parts of the otherwise fertile deltaic tracts of the coastal districts on the other – is likely to have pushed down yield significantly and permanently, reducing the 'carrying capacity' of the land and threatening food security.

While economic indicators of development are poor, which produce acute poverty conditions, there are a number of social conditions of deprivation that tend to perpetuate poverty which, in turn, hold back social development. This is a kind of vicious circle, which calls for stepping up investment in productive sectors like agriculture and physical and social infrastructure to increase the rate of growth and also to enable human resource development for enhancing the capability of the poor to effectively participate in the growth process and share in the fruits of growth.

A VISION STATEMENT

Broadly speaking, we may point out six critical areas in which public policies have a major role to play.

1. Agricultural Development to improve the economic wellbeing of the rural people to assist in the development processes both for agricultural and industrial development.
2. Infrastructural development, particularly rural Infrastructural development.
3. Improvement particularly in agro-based industries and small industries to utilise the by-products of agriculture and to increase employment opportunities.
4. Social sector development to improve the quality of life and promote productive sectors of the economy.

In the face of a severe fiscal crisis, as regards Infrastructural development, public-private partnership needs to be developed. In the case of social sector development, it has to be assumed that the budgetary allocation to social sector (primary health care; nutritional support programms; primary education) must be at least maintained in *real* terms.

5. Since Orissa is primarily an agrarian economy and per hectare productivity is dismally low, plan outlay of agricultural and allied services, rural development, irrigation and flood control must be stepped up on priority basis to provide the necessary rural infrastructure so that agricultural growth can be accelerated.

   Since a large number of households are now engaged in agriculture, the size of holdings of land per capita is gradually decreasing. The small and marginal cultivators are handicapped in applying modern technology to increase the productivity of land. Development of agro-based industries along with small industries in rural areas will reduce the pressure on land, provide additional employment and increase the income of the people who are residing in rural areas. The latest *Economic Survey* has indicated that agriculture, small and agro-industries would be the main route to generate adequate employment opportunities, eradication of poverty and increase the rate of growth of income.

   Improvement of infrastructure will assist in this process of development. In fact, lack of infrastructure development is one of the main reasons for the backwardness of the productive sectors of the economy.

6. Finally, as regards equity-oriented growth strategies, we present below an approach to plan investment where sectoral allocation decisions are based on both efficiency and equity considerations.

Planned Development for Faster Poverty Reduction

A high incidence of poverty poses the greatest challenge to development planning in the state. In this connection, there are two major factors, which can make an impact on poverty: Strengthening of the trickle down effect of growth and an objective criterion for sectoral investment planning. The first factor, in turn, depends on (i) human resource development and (ii) infrastructural development, which facilitate equitable and sustainable growth, while the second factor should be based on (i) responsiveness of poverty to growth in a particular sector and (ii) additional value added that can be generated for an additional unit of investment in a particular sector. The former can be captured by the elasticity of poverty with respect to growth in a sector while the latter can be captured by the inverse of capital-output ratio in a sector. These two parameters together define an equity-cum-efficiency index.

Thus, the idea is to keep in mind the requirements for an equity-oriented growth strategy as well as a rational sectoral investment allocation based on both efficiency and equity considerations. This has been presented in a schematic framework in Fig. 17.1.

A Schematic Framework of 'Desirable' Development in Orissa's Context

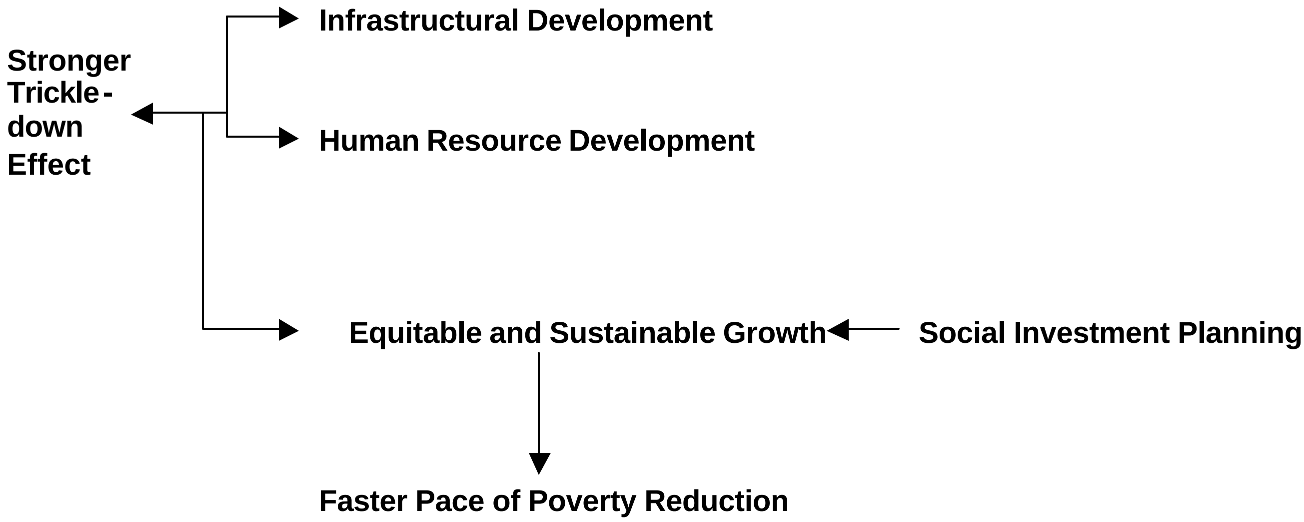

FIGURE –17.1

Growth Target

Growth rate pegged at 6.2 per cent per annum is basically contingent upon two sets of factors: i) Additional resource mobilisation effort; ii) Persisting with fiscal, governance and sectoral reforms and maintaining the pace of reforms with the broad objectives of more efficient utilisation of resources (partly taken care of by the abovementioned principle of sectoral resource allocation); cost savings through rationalisation of policies; productivity improvement through organisational and technological innovations. It is to be emphasised that all this requires a combination of political will and political pragmatism.

The target growth rates can be quantified for each of the five years of the Tenth Plan Period by programming a 'target run'; but here the growth target has been based on poverty reduction target (see below). However, this is precisely the Planning Commission's projected growth rate during the Tenth Plan Period, based on past trends (namely, 6.2%).

Poverty Reduction Target

This is the 'primitive' target – 7 percentage points reduction over the Tenth Five Year Plan Period (this target is roughly in line with the national target of reducing the poverty ratio by half by 2015; in the case of Orissa, if this target is achieved and sustained, the incidence of poverty would come down from the present 47.2 per cent to about 26 per cent) – from which the 'required' rate of growth of 6.2 per cent has been derived (using the implicit elasticity of poverty with respect to growth) which can be financed by a plan outlay of Rs. 20,000 crore. Since sectoral allocation approach above is based on the equity index, the poverty reduction target may be reached at a lower than 6.2 per cent growth rate per annum, provided the reform process does not affect the poor adversely, directly or indirectly. (in point of fact the states of Bihar, Rajasthan and Karnataka have been able to achieve more than 20 per cent reduction in poverty ratio during 1990s with relatively lower rates of growth); particularly notable is the fact that two low-income States of Bihar and Rajasthan have achieved similar magnitude of reduction of poverty (as several middle-income States with growth rates exceeding 6 per cent p. a.) inspite of a meagre growth rate of less than 2 per cent per annum.

i) **Agricultural Growth**

Agricultural growth should at least be increased from about 2 per cent to 4.5 per cent in conformity with all India target for the Tenth Plan.

ii) Inter-District Disparity

Reduction of inter-district disparity in infrastructural development (measured in terms of coefficient of variation) from the present 30 per cent to 15 per cent in the next 10 years.

iii) Industrial Growth

A targeted growth of 8 per cent of industrial development per year more or less in conformity with all-India average in the Eighth Plan Period which is not only to accelerate the process of economic growth but also to provide scope for additional employment to both skilled and unskilled labour. A growth rate of 8 per cent or so would be possible provided more emphasis is given on agro-based and small industries where output capital ratio is higher.

iv) Drought-prone Area

Within physical infrastructure, a target of at least 75 per cent share of drought-prone districts in incremental irrigated area.

v) Natural Disaster Management

It is necessary to effectively manage and control natural disaster like flood and cyclone through strengthening of traditional coping strategies as well as long-term institutional means to combat such disasters.

vi) Education

Target of achieving at least five mean years of continuos schooling (regarded as necessary for effective literacy and numeracy), particularly of girl children, as against the present 3.5 years.

vi) Targeted Reduction in Infant Mortality Rate

As regards infant mortality rate (IMR), it needs to be noted that ante-natal and peri-natal conditions are important determinants of IMR. From the National Family Health Survey 1 (NFHS 1) for the 1993-94 and NFHS 2 for 1998-99, we have estimated the implicit elasticities of IMR with respect to institutional delivery, attendance of trained professional at birth and ante-natal care. If we set the target of reduction of IMR at the 3.5 per cent per annum (from the current rate of 1.6 per cent p. a.) so as to bring it down to a tolerable level of 46 per 1000 live births in the next 15 years, this would require an annual rate of increase of institutional deliveries by 6.03 per cent, of attendance by trained professional at birth by 5.2 per cent and ANC by 1.61 per cent (the differences are due to different elasticities).

vii) Medical Facility

One medical institution per 20 sq. km. of area, within less than 5 km. radius (as against the present density of 100 sq. km.) in a spatially phased manner in the next 10 years.

viii) Tourism

Targeted growth of tourism to the extent of 10 per cent per year can increase employment (direct and indirect) and income of different sectors of the community and utilise the capacity of hotels, which are not fully utilised now. As the past experience shows there is considerable scope to increase tourism, both internal and external provided adequate infrastructure is created.

ix) Handloom and Handicrafts

Increase in handloom and handicraft products will not only increase rural employment but also provide additional income to those who are now underemployed. Educated people can be attracted to this provided improvement is made in technical skill and marketing facility. There is scope to increase handloom and handicraft production to the extent of 20 per cent within a period of 5 years.

The targets are achievable provided the efficiency-cum-equity index is, as analysed above, pursued by developmental agencies.