

CHAPTER 21

PROBLEMS AND PROSPECTS

21.01 In the Eastern Region, the State of Orissa is a treasure house of natural beauties. Blessed with lofty peaks, rich vegetation, rare flora & fauna, beautiful valleys criss crossed by perennial streams and rivers doted with cascades; Orissa is a paradise of nature. With about 4.7% of India's land mass and 3.58% of the population, the State is 8th largest and 11th most populous State in the Country. It has 11% of the total water resources of the Country with 21.01 lakh hectare meter of replenishable ground water to meet any magnitude of water requirement. There is a coastline of 480 kms with 24,000 sq. kms. of continental shelf area along the Bay of Bengal. It is also endowed with 6.70 lakh hectare of inland fresh water area and 4.18 lakh hectare of brackish water area which provide enormous potential for fish production. In the mineral side, Orissa is one of the richest States having Chromite, Nickel, Bauxite Iron ore and Coal deposits to the extent of 95.26%, 92.46%, 54.97%, 32.54% and 24.48% respectively of the total deposits of the Country. But in contrast to this richness in natural resources, Orissa continues to be an underdeveloped State. The per capita income of the State in 1999-2000 prices during 2007-08(A) was Rs.16,195 which was 66.8% of the national average of Rs.24,256. The average monthly

per capita consumer expenditure, as per 63rd round of NSS (July, 2006 to June, 2007) was Rs.458.56 in the rural areas and Rs.1072.13 in the urban areas of the State as compared to Rs.695.16 & Rs.1312.50 respectively at the National level. Consistent with this unfavourable macro parameters the over all poverty in the State has remained quite high with 39.90% of the population below the poverty line as compared to 21.80% at the National level, as per the last available estimates for 2004-05. Thus, Orissa economy reflects a paradoxical situation of poverty amidst plenty of resources.

21.02 The main factors contributing to the under-developed status of Orissa economy are the undiversified economy, low level of investment, slow economic growth and frequent occurrence of natural calamities. Orissa economy heavily depends on the primary sector which accounts around 30% of the GSDP as compared to 26% at the National level. Since the main constituent of the primary sector is Agriculture and Allied Activities which is susceptible to shocks caused by drought conditions and other natural calamities, the over-all macro economy has become prone to instability. Apart from this, because of inadequate investment in private sector and slow industrialisation process, dependence of the

State economy on primary sector has contained for a long time.

21.03 During Tenth Plan however, some positive changes have taken place in the State economy. The dominant development strategy of the State during the Tenth Plan was the sustained efforts to encourage private sector investment for rapid industrialisation. The Revised Industrial Policy, 2001 was put in place to reduce bureaucratic and procedural bottlenecks and to create an investment friendly industrial environment in the State to attract entrepreneurs. Simultaneously, State pursued a pragmatic fiscal and administrative reform process and continued with the high Government investment in social sectors. This policy shift has already created a positive impact on the economy as well as on human development scenario. The State has signed MoUs with around 71 industrial houses with an expected investment of about Rs.3,00,000 crore. The growth rate in GSDP during the Tenth Plan has been 8.59% as against the targeted growth rate of 6.2%. The life expectancy at birth in case of male has improved from 60.30 years in 2001-05 to 62.3 years in 2006-10 while the corresponding improvement in case of female is from 62.3 years to 64.8 years. The Infant Mortality Rate has come down from a level of 96 per thousand live births in 2000 to 71 per thousand live births in 2007. An outline of the present scenario, achievements already

made and the challenges ahead in different sectors is given below.

Macro Economy

21.04 As per Advance Estimate, the Gross State Domestic Product (GSDP) of Orissa has increased from Rs.42909.62 crore in 1999-2000 to Rs.73542.26 crore (AE) in 2007-08 at 1999-2000 prices registering a compound annual growth rate of 6.97%. The per capita income of Orissa has increased from Rs.13,096 in 2006-07 to Rs.16,195 in 2007-08 (Advanced Estimate) at constant (1999-2000) prices. There has been marginal fall in annual growth rate in GSDP of Orissa from 9.35% in 2006-07 to 8.67% in 2007-08. But the gap between per-capita income of Orissa and at the National level widened from Rs. 5314 in 1999-2000 to Rs.6366 in 2003-04 to Rs.8061 in 2007-08 at constant price. Downswing in the sectoral contribution of primary sector (by 1.70%) and increase in secondary sectors (by 0.95%) over previous year have led to the marginal fall in the growth rate in the State. However the overall macro-economic performance during 10th Plan has been quite good. As against 5.30% average annual growth rate during 9th Plan, a growth rate of 8.39% has been realised during the 10th Plan. The main constituent of this robust growth is 27.58% growth rate exhibited by the registered manufacturing sector. This shows that the State is in the process of improving to a higher sustainable growth rate mainly with the support of rapid industrialisation process.

Industrial Upswing

21.05 The process of industrialization in Orissa has all along been slow rendering the economy to depend heavily on primary sector in general and Agriculture and Allied Activities in particular. In order to change this impasse and transform the industrial sector to become the main stream of growth, State put in place a Revised Industrial Policy Resolution, 2001 which emphasized deregulation, simplification of Rules and Procedures to create a conducive business climate and to facilitate ease of doing business in the State. To attract investments, keeping in view the gains of this Resolution and changed economic scenario, State has put in place a more liberalized Industrial Policy Resolution, 2007.

21.06 In response to the initiatives taken by the State, large number of investment proposals in different sectors, have been received. In the steel sector, 28 projects out of 48 nos. of MoU signed have commenced partial production with an investment of Rs.19282.48 crore generating direct and indirect employment for about 47181 number of persons. The State has also been the destination for quality investment in IT and IT enabled services sector. Large Industrial Houses/ Multi-National Companies, like. POSCO, Arcelor Mittal, Jindal Steel & Power, Jindal Stainless, Vedanta Alumina etc. are in the process of setting up of their industries in the State.

21.07 Keeping in view the export potential of the State, an Export Policy is in the anvil. To maximize the impact of the current flow of investment in the industrial sector, thrust is being given to promote forward and back ward linkages between large, medium and small industries through ancillary and down stream industries and a comprehensive MSME policy is being put in place for the sustained growth of MSME sector.

21.08 The share of Manufacturing and Minerals sector together was 13.18% of the NSDP (in 1999-2000 price) at the beginning of 10th Plan. This has increased to 20.82% of NSDP by the end of the 10th Plan, i.e. 2006-07. The Average Annual Growth Rate of GSDP of mining and manufacturing (regd.) sector have also gone up from 6.30% and 5.63% in 9th Plan to 17.49% and 27.58% during the 10th Plan i.e. 2002-07.

Agricultural Growth

21.09 With 65% work force, directly and indirectly engaged in agriculture sector, Orissa remains an agrarian economy. But the agricultural practices remain very traditional and dependent on rainfall. The overall productivity of the sector is, therefore, low as compared to the agriculturally developed States like Punjab and Haryana. The State is continuously trying to bring about technological and structural improvement in the thrust areas of agriculture sector to counter the climatic uncertainties, uneven distribution of precipitations during monsoon; traditional

practices of operation etc. There is need to promote cash crops, develop small and medium irrigation facilities and harness available ground water resources, educate farmers on adoption of advanced technology and implement appropriate land reform measures in the State to ensure increased agricultural production and productivity. with this perspective Agricultural Policy, 1996 was launched which envisaged more income generation in agricultural sector; extensive application of advanced farming technology; creation of better environment for entrepreneurs in the agro-based and food processing industries, self sufficiency in production of fruits, vegetables, flowers, poultry and dairy products and extension of irrigation potential up to 50% of total cultivated area of the State. The Policy also focused to ensure efficient production and management of quality seeds, fertilizers, bio-fertilizers, making available of soil health cards to farmers, soil reclamation, crop insurance, promotion of fisheries and animal resources etc. The Policy also visualized revamping the existing administrative structure and establishment of Agricultural Aid Centers at the block level. Agriculture was given the status of industry under the Agricultural Policy, 1996. In order to continue the momentum of gains of this Policy a new Agricultural Policy- 2008 has been launched by the State Govt. taking note of the changed economic scenario.

Fisheries & Livestock Development

21.10 Animal resources and Fisheries sector has substantial employment and income generating potential in Orissa. Rivers along-with 480 kms. long coastline of Orissa have considerable potential for inland and marine fish production that can boost exports to generate income for the State. Incorporating fishery development as a major policy measure, emphasis is being given on adoption of scientific methods of pisciculture, provision of assistance to fishermen, intensive fishing operation in deep sea, training of fishermen on pisciculture and capture. Next to crop production, animal husbandry is the most important income generating activity in rural household. During 2007-08, 1549.48 TMT of milk were produced in the State with per capita availability of 115 gms./day, which lags behind the All India figures. This is due to genetic erosion and fodder scarcity. As per Livestock Census 2003, out of total cattle and buffalo population, only 7.6% were cross-breed/ improved varieties and 1.69% belonged to crossbreed milch category. In order to boost up milk production to a significant level, large scale artificial insemination is being emphasized in the ongoing Plan Programmes. During 2007-08, about 1549 million eggs were produced in the State with per-capita availability of 40 eggs per annum.

Power

21.11 Power sector reform in Orissa has succeeded in making it a power surplus State with availability of Power of 2381 MW during 2007-08 as against an estimated requirement of 1997 MW. The problem areas in power sector are its over dependency on Hydropower projects which is prone to Climatic uncertainties, transmission loss and resource crunch. The dependence on Hydro power is however reducing gradually with generation of more and more of thermal power in the State. The State is promoting power generation by encouraging private investment in the sector envisaged under Orissa Electricity Reform Act, 1995. The State Government is also keen to promote renewable and eco-friendly non-conventional sources of energy. As per new definition, by the end of 2007-08 about 60% of the total villages have been electrified. The State Government is committed to achieve 100% village electrification by 2012. In the consumption side, one disturbing fact is that Agriculture sector accounts for a meager 1.23% of total power consumption even though it contributes a major share to the NSDP of the State. Further, it is also in a declining trend over the years. It is a matter of concern which needs to be addressed with priority.

Road Transport

21.12 Road transport plays the anchor role in economic development of the State because of limited network of other modes of transport like railways, airways, water ways.

The sector also generates substantial revenue for the State exchequer. But the rapid increase in traffic has led to menace of road accidents and auto pollution for which an improved transport system management is called for. Stringent road safety measures, including control of overloading, control of auto pollution measures and modernization process of transport sector have been contemplated and initiated by the State Government. Introduction of a State Transport Policy is under active consideration of the State Govt., which would aim at ensuring efficiency, expansion and transparency in transport administration and management.

Irrigation & Water Management

21.13 Water is the most important input for agriculture. But agriculture is still carried out mostly in rainfed condition in the State as adequate irrigation facilities have not been made available in all areas. As on March, 2007, about 29% of net area sown of Orissa has been brought under assured irrigation which is much lower than Punjab and Haryana. The utilization of available irrigation potential is also very low in the State. Also severe water loggings as well as water losses in many areas and recurring soil-losses due to soil erosion adversely affect fertility of land. In order to insulate agriculture against the climatic uncertainty through provision of assured irrigation, there is need to develop cost-effective micro watersheds.

Banking

21.14 Credit-deposit ratio in Orissa has decreased from 79.51% during 2006-07 to 73.97% in 2007-08. The average population served per Bank Branch stood at 14.12 thousand during 2007-08, as against 14.37 thousand in 2006-07. There is need to expand and modernize banking facilities to raise domestic savings. Timely repayment of loans acts like a catalyst for the progress of Banking Sector. Unfortunately performance of the State in this regard is not satisfactory. As a result of this, the Non Performing Assets (NPA) of different Orissa based banks have increased, affecting the resource position as well as profitability of Banks. In a poverty stricken State like Orissa, where public sector investment is inadequate to meet the requirement, the recovery position needs to be improved for expanding credit facilities towards developmental investment. To realise this, coordinated approach by Government, Banks and PRIs, is called for.

Outlook in Forestry Sector

21.15 Rapid deforestation is a major concern for Orissa. With a series of mining and large scale industrial projects in the pipeline, the rate of deforestation is expected to increase at a faster rate in future. While the recorded forest area of the State is 37.34%, the effective forest area has reduced below the minimum prescribed limit of 33% of total geographical area. The forest area diverted to non-forest use accounted for 35,587 hectares by the end of 2007-08 including 2425 ha during 2007-08. This has

resulted in serious environmental degradation which has put a question mark on ongoing sustainable development process in the State. Perspective environmental planning, massive afforestation, joint forest management (JFM), pollution control measures and provision of mandatory green budget for the ongoing large scale industrial projects etc. are the specific measures that are being taken to revive the forest cover in the State. The tenth plan aimed at promoting sustainable forest management in the State with a larger goal of supporting the rural livelihoods.

Poverty & Standard of Living

21.16 Poverty has been the most intractable problem of the State and primary concern of the State Government. Orissa exhibits large scale poverty both in terms of intensity and extent of spread. This has adversely affected the overall human development in the State. The angel's ratio, which indicates standard of living in an inverse way, is very high in Orissa. Taking note of this, the State Government has been pursuing a multi-pronged strategy for poverty alleviation. Apart from the normal target group oriented poverty alleviation programmes State Government has been focusing on poverty reduction among depressed social groups like Scheduled Castes and Scheduled Tribes and backward areas like KBK region. A Poverty Task Force (PTF) has been constituted, which is actively examining the nature of poverty in the State and advising the Government in specific

measures that need to be taken. The State Govt. has also been giving thrust on generation of adequate gainful wage employment opportunities for unorganized labor force; development of social sector infrastructure base and provision of universal access to the Basic Minimum Services like health care, education, sanitation etc. that would ensure an acceptable human development index and quality of life for the people of Orissa. Besides, the State has made significant progress in organizing Self Help Groups to promote entrepreneurship and employment, which is helpful in reducing extent of poverty in rural areas. These measures have generated a positive impact. The Human Development Index (HDI) value, indicative of overall development in Human development has improved from 0.345 in 1981 to 0.404 in 2001.

Unemployment and under employment

21.17 Large scale unemployment and under-employment is the main cause of poverty. The unemployment situation arises when the growth in labour force outstrips the new employment opportunities coming up in the economy, which has been the case in Orissa. As the State has been successful in controlling population growth the decadal growth has come down to 16% as compared to all India average of 21.05% (DGR). It is expected that annual addition to the labour force will come down because of this, thereby reducing the size of unemployment to some extent. Another outcome of this which has become a matter of serious

concern is the growing joblessness among the educated youth. This calls for higher level of investments to create more gainful employment opportunities. But the issue needs to be approached at regional and sectoral level rather than at macro level. The solution to this problem lies in labour intensive rural development and wage-employment programmes. Capital intensive Industrialization process will certainly have a positive impact in reducing unemployment among skilled manpower. But, it is equally important that the State needs to emphasize on extending agro based industries which have more spread effect. State Government have launched an Employment Mission to address the unemployment problems in the State.

Education

21.18 The literacy rate of Orissa (63.1%) is close to all India rates (64.8%). Low women literacy rate and high drop out of children at primary education level are major factors responsible for low level of human development index. The State Government is therefore keen to universalize primary education as a part of Millennium Development Goals. The State has launched various schemes for achieving reduction in dropout rates with focus on Scheduled Caste, Scheduled Tribe and girl students.

Health Care

21.19 State Government has been making constant and sincere efforts to ensure

adequate Health Care Services to the people. Steps are being taken to bring about improvement in the Health Care System of the State with special attention towards Tribal and Backward Regions.

21.20 The birth rate, death rate and infant mortality rate are the crucial determinants of human development. While the birth rate in the State is lying below the National level, IMR is still higher than the national average. The IMR in Orissa during 2007 stood at 71 as against 55 at National level. The State Government has launched an Infant Mortality Reduction Mission with the objective of reducing IMR substantially. It has been targeted to reduce IMR to 37 and Maternity Mortality Rate (MMR) to 1.9 per 1000 live birth and to reduce the fertility rate to 2.1. A new scheme "NAVAJYOTI" is being implemented in the State under IMR Mission since 1st April, 2005 to reduce Neonatal, Mortality and Morbidity in 14 districts where the IMR are above the State average (as 60% death occurs in the neonatal period).

21.21 Besides, a number of National Health Programmes are in operation in the State to combat important communicable, non-communicable and other major diseases. These programmes will help to reduce the mortality and morbidity and contribute to improve the quality of life of the common man.

Welfare of ST & SC Communities

21.22 Orissa occupies a unique position among the Indian State and Union Territories for having a rich and colourful tribal scenario. There are 62 Scheduled Tribes, each one different from the other and 93 Scheduled Castes in the State. The ST & SC together constitute 38.66% of the State's population. Majority of Scheduled Tribes live in hilly and forest regions. Their economy is largely subsistence oriented, non stratified and non-specialised. They have been suffering from social, educational and economic backwardness. Development of SC/ ST and other Backward Classes & Minor Communities are essential for achieving all round and sustainable development in the State.

21.23 State Government has accepted the development of SC/ST communities as its core strategy and has adopted Tribal Sub Plan (TSP) and Special Component Plan (SCP) approach from 5th and 6th Five Year Plan respectively. The objectives of the TSP strategy are the socio-economic development of the STs and their habitats and to protect them from exploitation.

21.24 The State Government, in its pursuit to bring about socio-economic development of the ST communities, have launched special programmes which include legal aid, rehabilitation of victims, housing facilities, establishment of special employment exchanges, reservation in the employment, establishment of residential schools and

hostels etc. Besides, particular attention is being given for the development of Primitive Tribal Groups (PTGs) so that their mainstreaming is ensured. A new Central Scheme for conservation–cum- development of PTGs has been launched from 2007-08.

Fiscal Reforms

21.25 Savings and investment are core input for growth of out put and employment. High rate of domestic savings and adequate mobilization of resources are essential requisites for macro–economic stability of the State. This necessitates significant and sustained reduction in the revenue and fiscal

deficit of Government. There is need to increase public savings and reduce the deficit by augmenting tax and non-tax revenue. Steps are also necessary to curb low priority expenditure and to enhance the financial efficiency of public enterprises. The State has been addressing this resolutely through ongoing fiscal reform process. The strategy of large scale private sector participation in many economic sectors during 10th Plan period has accelerated the process of economic development and reduced the level of poverty in the State to a great extent.

