

CHAPTER 21

PROBLEMS AND PROSPECTS

21.01 The State of Orissa presents a paradoxical picture of poverty amidst plenty. Despite being endowed with vast human and natural resources and achieving substantial progress in many areas during the past 50 years of planned development, Orissa continues to be one of the less developed States plagued by acute and persistent poverty. High dependence on the low productivity primary sector has resulted in significant fluctuations in the growth rate from year to year with a bad crop year pulling it down. The State of Orissa is prone to multiple hazards. One calamity or another hits the State every year. Before recovering from the trauma of super cyclone of October 1999, the State was hit by a severe drought in the year 2000-01 followed by unprecedented floods during rainy season in the year 2001. During 2002 also the State has been hit by one of the worst droughts. 32,824 villages (32,580 villages and 244 wards) covering 29 districts have been declared as drought affected on the basis of the crop cutting experiments undertaken during the year 2002-03 (Kharif). During the year 2004-05 the production of Kharif crop is also affected due to late rainfall. The visitation of such severe natural calamities in quick succession has exacerbated the financial crisis faced by the State Government. Under such circumstances, it will be extremely difficult to restore the financial health of the State without infusion of substantial resources from outside sources and prudent utilisation of the resources.

21.02 While the Gross State Domestic Product (GSDP) increased from Rs.18,536.66 crore in 1993-94 to Rs.28,685.68 crore in 2003-04 at 1993-94 prices registering a compound annual growth rate of 4.46%, the NSDP commonly known as the State Income, increased from Rs.16,184.88 crore in 1993-94 to Rs.24,613.00 crore in 2003-04 at 1993-94 prices. The per capita income at 1993-94 prices increased from Rs.4,896 to Rs.6,487 during this period. The difference between the per capita income at State and National levels for 2002-03(Q) stood at Rs.5,128 at 1993-94 prices.

21.03 The State has been experiencing serious fiscal stress for several years and is currently facing a serious fiscal crisis. The burgeoning non-Plan expenditure arising out of

substantial increase in salaries and pensions and the widening gap between non-Plan revenue expenditure and receipts have necessitated higher borrowing and higher debt servicing liabilities. The fiscal situation in the State led the Ninth Finance Commission to observe that “the vicious circle of excessive growth of revenue expenditure, meagre or negative return from public enterprises, growing revenue deficit and large scale public borrowing resulting massive rise in interest burden, which, in turn, accentuates revenue deficit leading to higher borrowing, must be broken”. If the increasing dis-equilibrium between the revenue receipts and expenditure is not effectively corrected, it may be increasingly difficult to discharge the social and economic responsibilities of the Government.

21.04 The share of primary sector in Net State Domestic Product continues to be the highest even though it has declined from 46.41% in 1997-98 to 41.08% during 2003-04 at 1993-94 prices. On the other hand, the contribution of tertiary sector and services sector increased from 17.97% and 22.41% to 20.89% and 25.44% respectively, while that of secondary sector declined from 13.21% to 12.59% during the same period. Sectoral analysis thus reveals that there has been a substantial shift from primary and secondary sectors to tertiary & services sectors.

21.05 Though the share of the agricultural sector in NSDP has declined from 38.15% in 1993-94 to 25.97% in 2003-04 at 1993-94 prices, yet this sector continues to dominate State economy. Agriculture provides employment to around 65% of the workforce directly or indirectly as per 2001 Census. Since agriculture is mostly rainfed, erratic behaviours of the monsoons causes fluctuations in agricultural production in the absence of adequate irrigation facilities. Owing to the large contribution of the agricultural sector to NSDP and its linkages with other sectors of the economy, these fluctuations influence the overall growth rate of the State's economy to an appreciable degree.

21.06 The productivity of food grains in Orissa during 2003-04 was 1,327 kg per hectare which is much lower compared to some of the more developed States like Andhra Pradesh, Punjab, Haryana, Karnataka, West Bengal and Uttar Pradesh and also below the national average of 2,108 kg per hectare. The consumption of fertilisers, of about 39 kg per hectare during 2003-04 is also much below the national average of 84.82 kg per hectare.

Hence, there is substantial scope for raising agricultural productivity, particularly that of food grains by adopting a multi pronged strategy including expansion of the area under assured irrigation, application of recommended doses of fertilisers, use of HYV seeds, and application of modern technology. The varied agro-climatic conditions of the State provide excellent scope for horticulture, cultivation of vegetables, plantation crops, spices, flowers and medicinal herbs. Suitable cropping patterns have to be developed taking into account the agro-climatic conditions of different zones in the State, both for agricultural and horticultural crops. Agro-based industries have to be set up to absorb the unutilised manpower from the agricultural sector, generate income through value addition and to reduce unemployment, underemployment and disguised unemployment in the rural areas. These issues have been addressed under the Agricultural Policy Resolution, 1996 .

21.07 The main objectives of the Agricultural Policy, 1996 are to generate adequate employment opportunities, by making agriculture a profitable and commercially viable venture through application of modern farming technology, encouragement of entrepreneurship in the sector, establishment of agro-based and food processing industries, achieving self sufficiency in fruits, flowers, vegetables, poultry and dairy products and provision of irrigation to 50% of the cultivated area.

21.08 The thrust areas of the strategy for achieving the objectives of the new Agricultural Policy are production and supply of quality seeds, efficient distribution of fertilisers, production of bio-fertilisers, supply of soil health cards to each farmer, involvement of private sector for production of agricultural implements, giving more attention to commercial crops, reclamation of problematic soils, provision of adequate agricultural extension services, coverage of more crops under crop insurance, and taking up several programmes for fisheries and animal resources development. Government have established the Agricultural Promotion and Investment Corporation Orissa Ltd. (APICOL) on the pattern of the Industrial Promotion and Investment Corporation Limited (IPICOL) for promoting investment in agriculture and agri-businesses. This new policy visualises revamping of the existing administrative structure and establishment of Agricultural Aid Centres at the block level. Agriculture has been given the status of an industry under the new Agricultural Policy.

21.09 The proportion of net area irrigated to net area-sown in the State was 34.40% during 1999-00 as against 40.53% at the All-India level, and was much below the corresponding proportion in agriculturally advanced States like Punjab (94.48%), Haryana (81.31%), Tamil Nadu (54.39%), Andhra Pradesh (41.32%). In order to insulate agriculture from the vagaries of monsoon, it is necessary to set up the assured irrigation from different

sources. In view of adequate surface water resources complied with favourable ground water potential there is excellent scope for stepping up the area under irrigation in the State. Therefore, the State Government continue to attach high priority to creation of additional irrigation potential as well as optimum utilization of available water resources. Long-term measures have also to be taken for drought proofing the agricultural production. Optimum and conjunctive use of surface water as well as ground water based on scientific data has to be assigned high priority. Watershed development for prevention of water and soil loss also needs to be addressed on priority basis. The State Government have an ambitious target to create additional irrigation potential of 5.40 lakh hectares for kharif crops from different sources during Tenth Five Year Plan, including 46.49 thousand hectares during 2004-05 and 50.24 thousand hectares during 2005-06.

21.10 The annual per capita availability of milk and eggs was 27.01 kg and 25 numbers respectively in the State during 2003-04 (P) which was much below the national average of 82.49 kg and 40 numbers respectively in 2002-03 (P). Animal Husbandry and Diary Development being two important rural oriented income generating sectors, offer ample opportunities for steady household income and employment. As part of the 10th Plan strategy, the emphasis has been given to the plan programmes of this sector in the successive Annual Plans.

21.11 The annual percapita consumption of fish has increased from 7.71 kg. in 2000-01 to 8.28 kg during 2003-04 (P). In view of long coastline of 480 kms, there is considerable potential for both inland and marine fish production. Higher production will help boost exports and earn more foreign exchange. With a view to increasing fish production in the State, The State Government have formulated the policy for Fishery Development as a part of the agriculture policy, 1996 which emphasises adoption of scientific methods of pisciculture, provision of assistance to fishermen, intensive fishing operations in deep sea, imparting training to fishermen both in respect of culture and capture of fish and establishment of fish-feed mills.

21.12 Although Orissa is endowed with rich mineral resources, the rate of exploitation, when compared to total reserves, is quite low for most minerals due to resource constraints. During the year 2003-04, except for chromite ore, manganese ore graphite and china clay the rate of exploitation of other minerals remained below 1.00%. In case of some important minerals such as dolomite, iron ore, bauxite and coal, the rate of exploitation was only 0.14%, 0.72%, 0.28% and 0.12% respectively of the total reserves. The mining sector contributes substantial income to the State exchequer. During the year 2003-04, it

contributed Rs.550.76 crore to the State revenue which is about 60% of the State's own non-tax revenue. Efficient exploitation of mineral resources also generates large-scale employment avenues. There is need to attract greater investment in this sector so as to increase the rate of exploitation of minerals leading to generation of further employment opportunity. Emphasis is given an exploration of precious and semi-precious stones like diamond and gem stones apart from iron ore, chromite ore, coal, mineral sands, bauxite and lime stone etc.. State Government have also initiated efforts to promote establishment of mineral based industries in the State.

21.13 The new Industrial Policy, 2001, formulated in the context of ongoing process of globalization as well as economic liberalization, reflects the State Government's commitment to growth and development of industries. The objectives of the new Industrial Policy are to create a business climate conducive to accelerate private sector investment in industry and infrastructure projects, to raise income, employment and economic growth in the State, to reduce regional disparities in economic development and to balance utilization of the natural resources for sustainable development.

21.14 In order to achieve these objectives, the strategies to be adopted by the State Government include measures to develop infrastructural facilities like power, railways, telecommunication, ports, airport and road network by roping in private sector. Equally important is the need to create atmosphere conducive for industrial development, provide support to export oriented units to boost export earnings, provide incentive to industries generating large employment opportunities and rehabilitate sick industries. All the more, priority is attached to improvement of quality, productivity and skill development. In view of resources constraint in the Public sector, it is necessary to encourage private and foreign investment in a big way for rapid industrialisation in the State. With the introduction of the new Industrial Policy, there has been a surge in investment proposals in the Private sector involving huge investment, particularly in the areas of steel, power generation, alumina / aluminum, fertiliser and oil refining. Expeditions clearance of proposals is of prime importance to the promoters of industries. Therefore, "Single Window" concept will be implemented for faster and one-point project clearance. The emphasis during 2005-06 would be on sustaining the momentum already generated and providing all necessary support to facilitate early grounding of these projects.

21.15 Power is one of the most crucial inputs for development as well as overall well being of the people. The availability of power in the State was 1,826 MW during 2003-04. The State Government have been making substantial investment in the energy sector in the

successive Plans and have undertaken pioneering steps in reforming the power sector by enacting the Orissa Electricity Reform Act, 1995. Private investment in power sector is being encouraged. Consequently, a number of private investment proposals for setting up power projects in Orissa have been received. In addition, a number of projects like Ib valley T.P.S. units 3, 4, 5 and 6 and Duburi T.P.S. are in pipeline to meet the enhanced requirement of power. The expected power generation from these projects is about 1,420 MW. The State Government have also been attaching considerable importance to tapping energy from the non-conventional sources that are renewable and environment friendly. Government of Orissa is committed to electrify all the villages in the State by March, 2007.

21.16 While there is imperative need for accelerated development in various sectors, the development has to be sustainable and eco-friendly as far as practicable. In this context conservation and protection of environment has to be given due priority. Rise in population, urbanisation, vehicular traffic, industrial and mining activities etc. tends to create pollution. Deforestation also contributes to pollution. 28,769 hectares of forest land have been diverted to non-forest use as on 01.04.2004 for a variety of reasons. Hence environmental planning, joint forest management (that is management of forests by involving people as well as Government agencies), and wildlife conservation need to form an integral part of development strategies in the State. The forest sector objective in the annual Plan 2005-06 and Tenth Plan Period is to promote sustainable forest management in the state with a larger goal of supporting the rural livelihoods.

21.17 The credit deposit ratio in the State was 39.75 in 1999-2000, which was raised to 57.32 during 2003-04 against the All-India average of 58.72. The ratio is low when compared with States like Tamil Nadu (89.63), Maharashtra (81.35), Andhra Pradesh (66.03) and Karanatak (62.89). Further, the population covered per bank is 17.0 thousand as compared to 15.9 thousand at the All-India level. Hence, there is scope for improving the banking facilities in the State for stimulating and mopping up the domestic savings. Private investment in manufacturing, mining and infrastructure sectors has been stimulated by the emergence of a free and liberalised policy regime offered by the State Government. Organisations such as Industrial Promotion and Investment Corporation Limited (IPICOL), Industrial Development Corporation Limited (IDCOL), Industrial Infrastructure Development Corporation (IIDCO), Orissa State Financial Corporation (OSFC) and Orissa Small Industries Corporation (OSIC) are playing an important role in promoting new projects.

21.18 The projected values of expectancy of life (at birth) in Orissa is 60.1 years in case of males and 59.7 years in case of females during 2001-06 as compared to 64.1 years and 65.4 years for males and females respectively at the All-India level during the same period. The infant mortality rate in Orissa is estimated at 87 per thousand during 2002 as compared to the All-India average of 63. The percapita expenditure on health including family welfare, water supply and sanitation has to be stepped up for improving health facilities and services in the State. The Tenth Plan emphasises on improved access to health care facilities in the rural and tribal areas. The State Government have set up an Infant Mortality Reduction Mission with the objective of reducing the IMR substantially.

21.19 Though the decennial growth rate of population in the State was 16.25% during the period 1991-2001, which is lower than the national average of 21.54% and lower than the growth rate of 20.06% observed during the previous decade, it is still on the higher side as compared to the growth rate of some other States like Kerala, Tamil Nadu and Assam. Family Welfare measures have to be intensified with more emphasis in rural areas.

21.20 As per the latest estimates of Planning Commission available for the State the percentage of population below the poverty line was 48.01 in rural areas and 42.83 in urban areas in 1999-00 as against the All-India averages of 27.09 and 23.62 respectively. The State Government have adopted a multi-pronged strategy for ameliorating poverty. In order to improve the economic condition of the rural poor, programmes for creating avenues of gainful employment, improving social and economic infrastructure and providing universal access to the basic minimum services have been accorded very high priority in the successive Annual Plans of the 10th Plan.

21.21 Education is a key input for breaking the vicious circle of ignorance and poverty. The literacy rate in the State as per the 2001 Census was 63.1% as against 64.8% at All-India level. Universalisation of primary education has been included as a component of the basic minimum services programme. Several schemes aiming at reducing the drop-out

rate and providing incentives to scheduled caste and scheduled tribe students have been launched in the State. Greater attention needs to be paid to this sector.

21.22 The problem of unemployment and under employment deserves special attention. The dependency ratio in Orissa is higher than most other States. The estimated quantum of unemployment at the end of 2003-04 are expected at 9.97 lakh person years. The Tenth Plan strategies outlined in Approach Paper, rightly focus on the quality and productivity aspects of employment along with its growth. In consonance with the above national objectives, the State Government have adopted strategies for rapid expansion of employment opportunities during the Tenth Plan so that the goals of development planning like elimination of poverty, reduction in inequality and access to the benefits of growth are achieved. To mitigate the problem of growing unemployment, the Government have initiated a number of steps as a part of the over all plan strategy. Given the limited avenues for regular employment in the public sector due to resource constraints, stress is being given to enlarge employment avenues in the private sector. The Government have also accorded high priority to generation of employment opportunities through self-employment ventures. Besides, it has been projected that during 2004-05, wage employment to the tune of 568.51 lakh mandays will be generated through SGRY Programme.

21.23 The problem of unemployment among educated persons is often a consequence of mis-match between the demand for and supply of skills. Even though registration in Employment Exchange is not mandatory for the job seekers the number of educated un-employed is 6.11 lakh in Orissa as per the Live Register Position as on December, 2003. The education system in the State needs to be re-oriented so as to supply trained manpower in vocational, professional and technical fields in tune with the emerging needs.

21.24 Although the availability of percapita own resources has improved from Rs.234.40 in 1992-93 to Rs.1028.69 in 2002-03, the relative position of Orissa among different States is low as shown in Annexure 21.2. Resources transferred from the Centre to the State through shared taxes, Plan and non-Plan grants etc. have not been able to correct

this imbalance. Hence, there is need for better resource planning to improve the resource position of the State. Considering the economic scenario and resource position of the State, an outlay of Rs.19,000 crore has been approved for the State's Tenth Plan with emphasis on irrigation, energy, basic minimum services, rural infrastructure etc. Approach paper envisages a growth projection of 6.2% per annum for Orissa during Tenth Plan.

21.25 Development of Scheduled Castes, Scheduled Tribes, other back word classes and minorities is a matter of priority for the State. The Tribal Sub-Plan (TSP) strategy has been adopted since the beginning of the 5th five year plan (1974-75). It forms the core strategy for all round development of the tribals and tribal areas. It takes a total and comprehensive view of tribal problems with the objective to narrow down the gap of socio economic development between tribal and others, within the frame work of five year plans. The tribal sub plan (TSP) approach envisages integrated development of the Tribal areas, where in all programmes irrespective of their sources of funding operate in unison to achieve the common goal of bringing the tribal area at par with the rest of the state and to improve the quality of life of the tribals. Besides, Special Central Assistance is being released by Government of India to SCP for SCs for implementation of various economic development programmes under different income generating schemes.

21.26 Sustaining high growth of output and employment in an environment of macro-stability requires high rate of domestic savings, supplemented by adequate mobilisation of resources from outside the State. This necessitates a significant and sustained reduction in revenue and fiscal deficit of Government. To reduce the debt burden, selective disinvestment in public enterprises may have to be pursued. Public savings have to be increased and deficit reduced through measures for augmenting States own tax and non-tax revenues. Steps have to be initiated to curb low priority expenditure and to enhance the financial efficiency of public enterprises. The Ninth Plan assigned a significant role to the private sector. Economic liberalisation has led to progressive dilution of the regulatory regime of the pre-liberalisation era thereby creating an opportunity for large private sector participation in the process of development. This will greatly help in accelerating growth of the economy and in reducing poverty.

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