



Government of Orissa

**Speech of**  
**SHRI NAVEEN PATNAIK**  
**Chief Minister, Orissa**

*in the*

**54<sup>th</sup> Meeting of**  
**The National Development Council**  
**at Vigyan Bhawan, New Delhi**

---

**19<sup>th</sup> December, 2007**

**Hon'ble Prime Minister, Deputy Chairman and Members of the Planning Commission, Union Ministers, Colleague Chief Ministers, Senior Officers and other distinguished participants.**

2. At the outset, I extend my thanks to Hon'ble Prime Minister for convening this meeting of the NDC to finalize the 11<sup>th</sup> Five Year Plan. I would also like to convey my compliments to the Planning Commission for carrying out this stupendous task of formulation of the 11<sup>th</sup> Five Year Plan. The Approach Paper to the 11<sup>th</sup> Plan was appreciated by all for its innovative approach and focus on more broad based and inclusive growth strategy.

3. Having taken into account current strengths of the economy, the 11<sup>th</sup> Plan aims at a sustainable average annual growth rate of 9%. The Approach Paper highlights the need for inclusive growth with a view to reducing regional, social and gender disparities. This is, however, a challenging task and would require greater attention to bridge the widening gap between the poor and rich States; to reduce poverty substantially and to achieve other MDG targets. While the less developed States would have to make all out efforts to raise the resources needed for public investment amidst numerous constraints, there would still be a substantial gap between the investment requirements and the investible funds that can be mobilized by them. This calls for evolving a national mandate for

ensuring larger resource flows to less developed States like Orissa.

4. We propose this national mandate to be based on a three-pronged strategy. First, there should be an increased flow of central assistance to the less developed States, particularly to the most depressed regions. Second, there is an urgent need to provide greater fiscal space to the States so that they can mobilize higher resources of their own. Third, with a view to reducing their heavy debt burden, States may be given more scope to swap their high cost Central debt including outstanding debt under National Small Savings Fund so that resultant interest savings could be utilized for capital expenditure.

5. Orissa has achieved almost all the targets set out in the fiscal correction path with the support provided under the Structural Adjustment Programme and the Debt Consolidation and Relief Facility. However, its debt burden and interest payment liability still pose formidable challenges. These are at an unsustainable level. Therefore, the swapping of high cost loans will help reduce the interest burden of the state and create fiscal space for plan programmes.

6. On the basis of the strengths and weaknesses of regional economies and keeping in view the existing regional disparities, differential growth rates have been prescribed by the Planning Commission for different states for the 11<sup>th</sup> Plan. Also, State-wise overall human development and

several monitorable targets have been set. Social sector investments in areas of health, education, poverty eradication as well as adequate provision for social safety net, promotion of gender equality, child and women welfare, development of disadvantaged sections, creation of income and employment opportunities for Scheduled Castes and Scheduled Tribes have been rightly accorded prime focus in the 11<sup>th</sup> Plan.

7. In consultation with Planning Commission, Orissa has proposed an outlay of Rs.32,225 crore and envisaged an average annual growth rate of 9% during the 11<sup>th</sup> Plan against 7.26% achieved during the 1<sup>st</sup> four years of the 10<sup>th</sup> Plan. The State is now passing through a transition phase from an underdeveloped slow growing agrarian economy to a rapidly growing industrial

economy. It has come a long way in implementation of fiscal reform measures, which have started showing positive results and our endeavor during the 11<sup>th</sup> Plan will be to consolidate these gains.

8. The NDC in their last meeting resolved to target doubling the growth rate in Agriculture and Allied Sectors during the 11<sup>th</sup> Plan. A vibrant rural economy is needed to ensure increased rural incomes and employment which would be a strong contributor for poverty reduction. Accordingly increased productivity in agriculture, substantive expansion of irrigation facilities, watershed development and saturation of watersheds, diversification of crops, strengthening of rural marketing and agricultural extension, technology transfer, crop insurance, and rural infrastructure would

be needed. Two new initiatives viz "the National Food Security Mission" and "Rastriya Krishi Vikash Yojana", launched by Government of India, are steps in right direction to promote agricultural growth. Orissa has also undertaken several reform measures including improving marketing opportunities for agricultural produce, promoting contract farming and increasing credit facilities for the farm sector.

9. Increasing irrigation potential and drought proofing are critical pre-requisites to enhance agricultural productivity. In Orissa, the area which can be brought under assured irrigation is quite substantial. Potential for irrigation is around 59 lakh hectares, of which only 27.5 lakh hectares has so far been tapped. We plan to step up irrigation potential substantially



during the 11<sup>th</sup> Plan and have targeted to complete all the major and medium irrigation projects that have spilled over from the 10<sup>th</sup> Plan. It has been further envisaged to ensure at least 35% of the net sown area in each block under assured irrigation during 11<sup>th</sup> Plan. Since most of the ongoing irrigation projects in Orissa are being funded under AIBP, there is a massive requirement of funds under this scheme. We, therefore, urge that the funding under AIBP for Orissa should be substantially increased over and above the current level of allocation. Besides, I suggest that the scope of AIBP may be expanded to include Lift Irrigation Projects at such locations, where flow irrigation is not possible. These measures will go a long way in increasing assured irrigation in Orissa.

10. Orissa and many other States are making concerted efforts to improve investment climate with a view to attracting private investment. In this regard, we have taken a number of initiatives including single window clearance mechanism, transparent procedures and well thought out R & R policy. Because of these and other investor friendly initiatives, there has been substantial improvement in the private sector investment in the State, particularly in mining and mineral based industries. But to support upcoming industries and other related economic activities, it has become urgently necessary to improve and upgrade the physical infrastructure base. There is, therefore, immediate need for high level of investment in infrastructure like roads, ports, railways, power generation and distribution

etc. My state has already put in place an appropriate Public-Private-Partnership (PPP) mechanism for infrastructure development, particularly for development of ports and road infrastructure. But PPP alone cannot address the entire gamut of infrastructure requirements. Poor states like Orissa need greater investments in the non-PPP mode.

11. My Government has proposed for construction of Vijaywada-Ranchi Highway which is an important and basic infrastructure project for the areas affected by the extremism. The Orissa portion of this Highway is 1219 Km. which includes a stretch of National Highway of 239 Km and PMGSY road of 186 Km. Since Government of India have agreed that the road should be a 2 - lane Highway, it is necessary that the existing 239 Km stretch of National Highway

and 186 Km of PMGSY road should be upgraded to the 2-lane standard. Accordingly, the concerned Ministries may provide additional allocation for improvement/up-gradation of NH stretch and PMGSY stretch from out of concerned Ministry's fund.

12. The roads identified under Orissa State Road Project with the assistance of World Bank are high density corridors and their improvement will contribute to the socio economic growth of the State besides catering to the present traffic needs as well as to support up-coming industries. Government of India, Ministry of Finance may ,therefore, consider for enhancement of loan amount from US \$ 250 million to US \$ 360 million in order to enable State Government to implement the road project for which the MOSRTH and the Planning

Commission, Government of Indian have given their in principle approval.

13. Orissa is in the process of achieving large scale industrialization through mega-investments in steel, aluminum, cement and power generation and promoting industries in other sectors like auto-components, petroleum, chemicals and information technology. The need of the hour is to substantially augment the State's human resource development capacities, thereby ensuring inclusive growth. The State Government has embarked upon an ambitious programme to upscale the vocational and technical education sector, of which many of the interventions are also under the PPP mode. At this juncture, I request that Government of India may extend necessary support to Orissa's efforts

by grounding prestigious Central institutes like IIT, IIM, and IIIT in the state.

14. A growth strategy that promotes employment has been rightly given prominence in the 11<sup>th</sup> Plan. Orissa has also put Employment Generation on a mission mode for achieving convergence of resources and activities under different programmes to generate more self employment opportunities for unemployed people. Development of small scale industries in clusters, ancillarisation, linking industries to supply chains are going to be given more attention in the 11<sup>th</sup> Plan. The efforts of the State in this regard need to be supported by Govt. of India through appropriate resource flows and policy backups.

15. Government of India has introduced incentives by way of Central Excise Duty concessions for industries in certain regions. The KBK region in Orissa with practically no industrial base deserves to be treated fairly under such provisions. Government of India may grant special industrial incentive package for this region at par with other backward regions. Industries in the KBK region may be exempted from income Tax and Central Excise at least for a period of 10 years.

16. Several Central Policies have adversely impacted, and continue to adversely impact, States like Orissa. For example, mineral rich States have not been able to reap full benefits of their endowments because of distortions in, and delayed implementation of, mineral royalty policies. Royalty structures

are such that the mineral rich States including Orissa are losing out substantially in resource generation potential for public investments. The mineral rich States do not get commensurate royalty for exploitation of several major minerals as the rates of royalty are not being revised in time. The central statute on mineral development and regulation provides for revision in royalty rates at an interval of 3 years. The 12<sup>th</sup> Finance Commission has also recommended that the rates of royalty should be revised on ad valorem basis. However, these provisions are not followed. The delays in the revision of royalty rates on coal and other major minerals and inadequate revisions in royalties cause substantial loss of revenues to the mineral rich states. For example, Government of India have recently revised



royalty on coal after a gap of five years and the upward revision barely takes care of inflation. This is clearly a case of too little too late. —We, therefore, urge upon the Government of India to make revision of royalty on coal and other major minerals at an interval of every 3 years and determine the rate of royalty @ 20% ad valorem instead of the hybrid system that has been recently introduced since 1<sup>st</sup> August, 2007 and does not compensate the mineral rich states in a fair manner. Further, tax levied by states on mineral bearing lands are also adjusted against the royalties. Such a practice unfairly constrains the constitutional powers of the states to levy tax on land, including mineral bearing land, within their own jurisdictions..

17. Government of India have introduced levy of Export Duty on iron ore and chrome

19. Likewise, the power producing States such as Orissa are being discriminated compared to the power consuming States in matters of revenue sharing. As the existing electricity laws do not allow power producing States to collect any tax from consumers outside the State, the power producing States bear the brunt of pollution and displacement of persons without any compensation, whereas the consuming States derive the cream of benefit. To correct this unfair system, the power producing States should be adequately compensated for environmental degradation and displacement of people on account of coming up of successive power plants. A Central Legislation may be passed providing for (a) levy of duty on generation of power by the Central Government which can be

-: 20 :-

passed on to the concerned State Government, and (b) allocation of an appropriate portion of power generated to the host State at variable cost.

20. As per decision of the Government of India, Central Sales Tax (CST) is to be phased out by 2010 by reducing the rate by 1% annually, because of which the States will sustain huge revenue loss. This needs to be compensated by evolving a direct cash compensation package for the States equivalent to the loss on account of CST phased out. Without this there will be sudden fall in revenues of the States directly affecting availability of resources for plan programmes.

21. Regional imbalances have grown over the years with ever widening gaps between

the rich and poor States. The Plan strategy should address reduction of these distortions by region-specific interventions.

22. With a view to encouraging urban renewal, Government of India has launched an initiative called Jawaharlal Nehru National Urban Renewal Mission (JNNURM) and appreciated the efforts made by Orissa to undertake various urban reforms mandated under JNNURM. However, a meager allocation of Rs.231 crore has been indicated by the Planning Commission under the programme for the entire Mission period: 2005-2012 against the minimum requirement of about Rs.2,500 crore. We, therefore, request Government of India to substantially enhance allocations under JNNURM. Further, only three towns of Orissa have been included under Urban Infrastructure

Development Schemes for Small and Medium Towns (UIDSSMT). Considering the number of municipalities and notified area councils (NAC) in Orissa and in order to enable the State to achieve the Mission objectives of creating sustainable and inclusive cities and towns by way of providing basic infrastructure facilities, more number of towns need be included under this programme.

23. Under Rajiv Gandhi Gramya Vidyutkaran Yojana (RGGVY) project proposals for all the 30 districts of Orissa have already been sent to Govt. of India. Though Orissa has more than 18,000 un-electrified villages and less than 25% of households have electric connections, only 4 districts have so far been covered. The first tranche of funds for only 4 districts has

been released by Govt. of India. This has hampered the progress of implementation of rural electrification programmes. Government of India are requested to expedite the coverage of the remaining 26 districts and release of funds for the same for implementation of RGGVY in Orissa.

24. I would also like to place on record before this august house that even though Orissa satisfies most criteria for Special Category Status, the proposal for declaring Orissa as a Special Category State has not yet been favourably considered by Government of India. Orissa is one of the most debt stressed States. The State is the poorest major State and has very adverse socio-economic and human development indicators. Orissa also satisfies all criteria for Special Category Status except that it does

not have an international boundary. We would urge this august body to redefine criteria for according Special Category Status to a State. We also reiterate our legitimate claim to be treated as a Special Category State.

25. Before I conclude, let me once again extend my sincere thanks to the Hon'ble Prime Minister and Deputy Chairman, Planning Commission for giving us this opportunity to deliberate on the 11<sup>th</sup> Plan. My Government endorses the 11<sup>th</sup> Five Year Plan and commends to this august house for its approval. Lastly, I would like to assure that my State will extend full support and cooperation to the Central Government in their endeavour for achieving more broad based and inclusive growth during the 11<sup>th</sup> Plan and bridging the rural-urban divides and

-: 25 :-

inter-regional disparities as envisaged in the approach paper.

Thanking you all,

***Jai Hind.***

- 0 -



