

Orissa @2022



Prepared by



Confederation of Indian Industry

Orissa State Council

State at a Glance

Capital – Bhubaneswar

Area – 1,55,707 square kilometres

Population 2001 – 3,68,04,660

Per capita income 2005-06 – Rs. 13,979

Urban population – 14.97%

Literacy rate – 63.08%

Number of districts – 30

Number of towns – 138

Number of villages – 51,350

Principal crops – Rice, Pulses, Oilseeds

Major industries – Steel, Aluminium, Power, Cement, Mineral-based, Paper

Social industry – Higher education

Connectivity –

Air: Bhubaneswar

Roads: Part of the golden quadrilateral

Rail: Part of the main Kolkata – Chennai & Kolkata – Mumbai networks

Major Port: Paradeep

Introduction

Located on India's east coast, between West Bengal and Andhra Pradesh, Orissa comprises 4.7% of India's land mass, 3.7% of the population (some 38 million people) and over 5% of India's poor. Despite its rich endowment of mineral wealth, forests, lakes, rivers and a long coastline facing South-East Asia, Orissa is still ranked amongst the poorer states in India.

The present government, led by the Biju Janata Dal, a regional party and an ally of the Bhartiya Janata Party, was elected in early 2000 for a five year term. Unlike in many other Indian states, elections held in Spring 2004 returned the incumbent Chief Minister and coalition in Orissa, for a second term that extends until 2008-09. The renewed mandate strengthened the commitment of the Chief Minister and his team to press ahead in implementing a multi-faceted reform program and to widen its scope.

In light of Orissa's fiscal crisis, the early phase of the reform program focused on the immediate necessity of fiscal correction. Orissa has achieved remarkable progress in its fiscal correction objectives, and has over fulfilled the targets set in its medium-term fiscal plan (2003-08). The focus of the reform effort has now shifted to support more rapid, broad based and inclusive economic growth. Substantial progress has already been made in the implementation of reforms in the regulatory environment for private investment. Economic growth has picked up, reaching an average of 8.4% over the past years; ahead of the All-India average, and nearly double the growth rate of the 1990s.

The immediate objective will be to progressively address the huge challenges the state continues to face in achieving sustainable, shared economic growth and accelerating human development. In this context, increased emphasis needs to be placed on measures to further improve the performance of agriculture and allied activities in which the majority of the poor are engaged, alongside continuing measures to improve the business climate, including measures to strengthen a regulatory framework for managing environmental and social impacts of resource-intensive investment. Government of Orissa has also initiated new actions to improve the performance of social protection, tribal development and women's empowerment. These include much greater attention to the impact of mining and allied private sector development on tribal communities and a better framework for greater sharing of benefits.

Orissa in Transition:

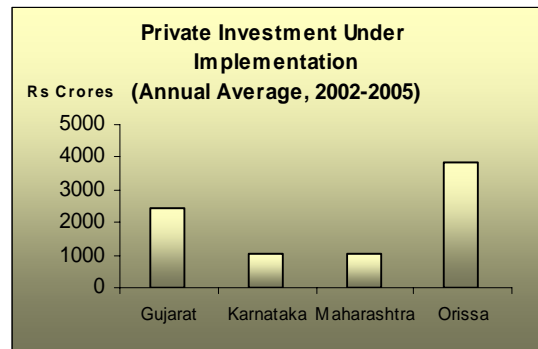
From Fiscal Turnaround to Rapid and Inclusive Growth

Orissa has transformed from a seriously lagging state to a state on the move. From being the poorest state of India in the mid 1990s, Orissa has become a state on the move. The state's economy has shifted gear and is on a higher growth trajectory. Gross state domestic product (GSDP) has grown at 8.5 percent on average during the Tenth Plan period (2002-07), compared to 5.5 percent during the previous plan (1997-2002) and even slower in the past.

Public investments in infrastructure have begun to rise, and private industrial investment is booming. The finances of the state have improved remarkably, creating fiscal space for expanding public investments.

Private investment is booming: Indian and foreign mega investments in the steel and power sectors and aluminum and chrome products are dominating the private investment boom. Industry has grown at 20 percent annually in 2002-07, compared to only 6 percent in 1997-2002. This is fuelled, in part, by the rise in world metal prices. Since 2004, Orissa has ranked as the country's premier investment destination, according to the Center for Monitoring the Indian Economy (CMIE).

Private investments under implementation in Orissa now total about US\$125 billion – which is about seven times the state's annual gross domestic product (GSDP). Many of these investments are at an advanced stage and expected to start production before 2012/13. This makes it likely that Orissa will enjoy high double digit growth, faster than the rest of India, for several years to come.



Source: Center for Monitoring the Indian Economy

Early signs of economic diversification: There are also some, albeit early signs of economic diversification. In the services sector for instance, Indian IT companies are entering Orissa as traditionally favored destinations become increasingly saturated. The services sector is now growing at a rapid clip, almost touching 10 percent. Even agriculture, traditionally beset by drought and floods, grew at 3 percent per year during 2002-07, which is better than the rest of India.

As a result, Orissa's per-capita income, which progressively fell behind the rest of the country during the past five decades, has begun to catch up. Inequalities within Orissa have also narrowed. The latest National Sample Survey data show that rural families in the southern region of the state - one of the poorest parts of the country without the mineral deposits of the north - are now spending up to 25 percent more on basic necessities like food, clothing, and schooling for their children, compared to just five years ago. Although average spending in rural Orissa is still low, it is moving up more rapidly than ever before.

A great deal still remains to be done. Despite recent progress, however, Orissa is still the second poorest state in the country with one of the lowest levels of urbanization. Over 45 percent of its people live in poverty with the scheduled tribes (STs) - who make up a sizeable 22

percent of the state's population – lagging far behind the rest of the population. Most STs live in tiny villages or remote habitations in the hills where their geographical isolation underlies much of their poverty. Rural electrification is among the lowest in the country; some 18,000 villages and 5 million households have yet to get electricity. Learning levels in schools are low, and the burden of ill health too high.

Capacity constraints in infrastructure: Capacity constraints in rail are increasing congestion on roads, and limited port capacity is diverting cargo from Paradip in Orissa to Haldia in West Bengal, and Vishakhapatnam in Andhra Pradesh. The state has yet to capitalize on its large coastline facing South East Asia.

Undoubtedly, much remains to be done. Given the state's recent growth, the time is now ripe to consolidate the gains of the past and devote public resources to building infrastructure, and reducing the gaps between the people - between rural and urban, between the interior and the coast, and between the scheduled tribes and the rest of the population.

Policies will need to unleash the full potential of agriculture, fisheries and forestry on which an overwhelming 85 percent of the state's people depend. Education and health will need urgent attention if the people are to benefit from the growing opportunities provided by the new economy. Roads, railways and ports will need major upgrades if the benefits of growth are to be spread more equitably and the state's natural resources effectively utilized. And, for all this to happen, the accountability of the government in the delivery of basic services must be increased.

While Orissa seeks to industrialize on the strength of its rich mineral wealth, it is important to ensure that those who live on mineral-rich land benefit adequately from the advent of large mineral-based industries. While the Orissa government has adopted a progressive rehabilitation and resettlement policy for the displaced, and legislated to ensure that a share of company profits are earmarked for development, the challenge ahead lies in the effective implementation of these promising policies.

As Orissa strives to build for the future and surpass average Indian living standards by 2020, it can take productive lessons from its recent successes. The open and consultative process that has served it well in the past will be necessary to deal effectively with the complex issues that lie ahead on the road to modernization.

Reforms Spur Faster Economic Growth: Since 2001, Orissa has achieved a remarkable fiscal turnaround. The ratio of the state's debt burden to annual GDP has fallen significantly, helping it transform from being one of the most fiscally-stressed states of the country in the late 1990s, with a primary (non-interest) fiscal deficit of 6 percent of GSDP, to a surplus of 3.4 percent.

The turnaround has been triggered by a number of factors. Policy reforms at the central and state level have spurred the arrival of industry, the state government's strong resolve has helped to complete long pending infrastructure projects despite a resource crunch, and its consultative approach has enabled it to reduce expenditures:

National level reforms: The central government's elimination of the freight equalization subsidy - that prevented Orissa from becoming an attractive location for mineral based manufacturing in the past – paved the way for arrival of the metal industry in the state.

State government efforts to improve the investment climate: This was followed by a wave of well-sequenced state level reforms. In the first instance, from 2000 to 2003, the government mainly concentrated on raising its revenues through tax reforms and improving the investment climate by simplifying the regulations.

Between 2004 and 2006, it undertook significant measures to contain unproductive public expenditures. Through a consultative and transparent process, the state government took the people on board in its efforts to rightsize the civil service, retrench employees of loss making public enterprises, and rationalize grants to non-government high schools and colleges. The growing private sector presence that had already begun to open up new job opportunities for the people, helped gain their acceptance for the government's efforts to downsize the public sector.

Improved connectivity: Strong resolve and a focus on outcomes rather than outlays helped the government to complete long-pending construction projects - roads, bridges and irrigation canals - despite constrained budgets. As a result, the number of bridges completed rose from 19 in 2004 to over 100 in 2006.

Challenges Ahead

Over 45 percent of Orissa's people still live in poverty with almost half of them belonging to the Scheduled Tribes, most of whom live in remote villages with little migration to the cities. There are large gaps in the delivery of basic services. The state still has large untapped potential for economic growth.

Improved transport and power connectivity: Almost half the villages in Orissa are small and isolated – with less than 500 residents. As geographical isolation poses a big challenge for connectivity, adequate road, rail, and port infrastructure is essential for inclusive growth as well as to benefit from the state's mineral endowments.

Urban infrastructure: Although Orissa has one of India's lowest levels of urbanization - 15% - its urban centers are growing rapidly. With the growing advent of industry, tourism and IT services, the demand for urban housing, water and power services is likely to increase many times over. Massive upgrading of urban infrastructure is therefore needed to attract and retain the skilled labor force demanded by modern industry and services.

Agricultural and forestry growth: While some 85% of the state's population remains dependent on agriculture, fisheries and forestry, these sectors are beset by low yields, excessive middlemen, poor connectivity, and lack of storage facilities. The ban on land leasing has resulted in informal and illegal share-cropping arrangements that are harmful to cultivators. To improve the rates of return from farming, the state has amended the agricultural products marketing act to permit privately run mandis and contract farming. The computerization of land records is ongoing. Yet, reforms in land tenure and land administration are needed so that small farmers can access bank credit and make

productive investments in the land. For the mostly tribal populations that are dependent on forest produce, joint forest management practices can be a promising route to higher incomes.

Education: While school enrollment has risen, learning levels remain very low. While the state government has launched bold measures to improve teacher accountability, strong educational fundamentals from the earliest years, supplemented by some public and mostly private efforts in training and skill development are needed.

Health: Despite dramatic improvements in overall infant mortality rates in the past 5–10 years, the predominantly tribal districts lag behind. They have the poorest immunization rates and least access to antenatal care. While the state government's health sector plan for 2005 envisages a decentralized and participatory approach to service delivery, innovative and flexible approaches will be required to reach geographically isolated villages. Importantly, systems of accountability will need to be strengthened before budget allocations to education, healthcare, and anti-poverty programs are increased.

Small and Medium Enterprises: With the arrival of new mega projects, the demand for a wide range of goods and services will rise, generating opportunities for small investors as well as new avenues for employment. To capitalize on these opportunities, an improved regulatory climate for SMEs is called for.

Environmental considerations while tapping mineral rich areas: Given that mineral-based industries impact the environment, there is need to strengthen environmental institutions. Ongoing plans and current efforts of the government toward strengthening public

consultation mechanisms will play a crucial role in determining the sustainability of mineral sector investments in Orissa.

The recent successes in Orissa on the socio-economic front have also led to many questions and doubts.

Frequently asked Questions

Q: How many people have been brought out of poverty in recent years?

A: Between 1999/00 and 2004/05, based on NSS data estimates using 'mixed reference period', the proportion of people in poverty in rural Orissa declined by 8 percentage points compared to 5 percentage points in rural India as a whole. Despite this progress, however, the level of poverty in Orissa remains significantly higher than the rest of India. According to the latest calculation based on official figures released recently by the Planning Commission, the number of poor in Orissa has come down by about 1.5 million between 1999/00 and 2004/05.

Q: By how much has Orissa's economy grown in recent years?

A: The rate of economic growth depends on the period one considers. According to the latest data released by the Directorate of Economics and Statistics, Government of Orissa, the state GDP grew at 10.5 percent annually on average during the most recent five years, that is 2003/04 to 2007/08. During the Tenth Five-Year Plan period, that is 2002/03 to 2006/07, the average growth rate was 8.5 percent. Clearly, Orissa, which grew much slower than the rest of India during the 1990s, has now caught up. From about 2004 onwards, it has begun to overtake the national average.

Q: What is the state's current debt burden?

A: How the debt burden has moved can be appreciated by comparing not rupee figures but the ratio of the debt burden to annual GDP or annual revenue. As a proportion of revenue, Orissa's debt has fallen from 343 percent in 2001/02 to 201 percent in 2007/08. As a proportion of GSDP, it has declined from 63 percent to 50 percent. This is a major correction, and reflects responsible fiscal management to lift the state out of a crisis situation.

Q: Has the government achieved a revenue surplus by curtailing capital expenditure and squeezing development expenditure?

A: The revenue surplus has been achieved as a result of 3 factors: improved performance of the state's own taxes, enhanced central transfers and external donor support, and curtailing of expenditure. The capital budget was constrained during 2002-05, but still outcomes improved due to emphasis on project completion. There was undoubtedly a lot of flab in the administrative machinery, and Orissa was more over-staffed than other states. The government undertook major surgery to trim the fat, and in the process some muscle also got cut, which needs to be rebuilt now. The Government of Orissa has been hiring a large number of para-teachers, and the teacher-pupil ratio is 40 on average, ranging from 31 in the best served district to 60 in the worst. This is far better than the situation in Bihar, Jharkhand, Karnataka Madhya Pradesh, Uttar Pradesh and West Bengal.

Q: Has the signing of MOUs been interpreted as industrial growth?

A: The reported industrial growth in recent years is based on actual and officially estimated GSDP figures, not on MOUs. Assessment of future prospects has been informed by CMIE's projections using detailed information on the status of each investment project under

implementation, and its likely date of completion based on historical experience and informed judgment in exceptional cases.

Q: What is the evidence of crop diversification?

A: For instance, the output of maize and cotton has increased in some areas; this is reflected in official agricultural crop statistics.

Orissa Vision 2022

“To usher in balanced socio-economic growth of Orissa that hinges on sustainable development with strong fundamentals of industrial growth, right harnessing of natural resources and actualization of employment potential.”

Strategy to achieve this vision is leveraged on seven main planks:

- Making community a development partner through benefit sharing
- Fostering the technical and vocational education sectors
- Integrated infrastructure development – urban, industrial and social – to promote planned and coherent economic growth
- Mainstreaming large employment generating sectors such as agriculture, horticulture, forestry, fisheries, tourism, etc
- Special interventions for the backward districts
- Strengthening public institutions and efficacy of programmes

- Responsible and accountable fiscal and public systems management

Role of CII in Orissa

The role of CII is critical in ensuring that industrialisation is viewed as a platform to jumpstart the process of inclusive and sustainable growth. The goals for CII is to be a catalyst in the entire efforts towards eradication of poverty, generation of employment and promotion of entrepreneurship to ensure enhanced quality of life for the populace.

The acceptability of industrialisation as the mainstream development strategy has critics too. CII appreciates that there has recently been "audible" resistance to acquisition of large tracts of land for industrial usage. And, the phenomenon is not restricted to Orissa alone.

One must understand that many of the minerals processing industries are proposed in hitherto under-developed and backward regions. If it has taken a long fifty years since independence for such regions to make the transition from a barter nature of economy & sustenance to a monetised economy, the recent glut of investments proposes a transition from a monetised economy to an industrial economy in a span of a mere five years. Such rapid developments indeed pose a challenge and consequently resistance across the entire globe. Besides, land has not only been an economic asset in these backward regions, but also been one of sentimental and emotional significance. Also, direct employment in exchange of land for each project-affected person has become impossible due to the nature of modern technology-intensive and less employment-friendly projects.

CII shall encourage handling of the entire matter of large-scale land acquisition by the concerned stakeholders in a sensitive and innovative

manner. The challenge onto the private sector is to first economise on land needs on the basis of realistic assessments and then secondly is to create the necessary "connect" with the people around. Ensuring appropriate equity and sustainable flow of benefits for the public is a goal that CII shall work towards.

Clusterisation is another initiative that CII shall take up in Orissa and especially those that are geared towards MSMEs. Functional and vibrant clusters with common infrastructure, quality service delivery, organised marketing linkages and pooled technical knowledge is the route to making the Orissa MSMEs competitive. In this direction, CII shall act as a bridge between large member companies to enable adoption of MSME clusters while dovetailing various Government programmes.

CII Orissa State Council shall attempt to take up two demonstration projects during the course of each year. These projects shall be vehicles to showcase the value-add for the State through industrial interventions. The projects shall be chosen on the basis of their social influence too. CII shall advise it's member companies to actively participate in peripheral development activities thereby improving the very environment in which they exist & operate in because contributing to peripheral infrastructures and community capacity buildup is viewed as the long-term way to increasing returns to scale in business.

Preparation of Orissa Vision 2022

IBS, Bhubaneswar was the Institutional Partner and State Facilitation Agency for developing the state level vision elements, in coordination with BCG. The vision elements were collated through a number of workshops in different districts, interviews through various radio channels and consultation with a cross-section of society members including students, farmers, informal businesses, etc. Suggestions and recommendations of the different thematic panels as well as industry houses were invited.







Annexure – Consolidated Vision Elements from Workshops & Interview

Infrastructure

- Improvement in state wide connectivity networks
- Road and rail density across the state to be substantially augmented
- Universal access to power and irrigation
- Urban infrastructure such as piped water supply, sewerage and drainage to be installed
- Strategic use of the Rural Infrastructure Development Fund
- Improvement in passenger services by bus and train services
- Need for a clear framework for making available land as well as for land acquisition in the case of infrastructure projects
- The state must make the most of it's natural advantage of a long coastline by promoting ports, marine based industries, shipbuilding and port based integrated industrial townships

Health

- Rural health care system improvement through the primary and secondary health care establishments needs to be implemented through a mission mode
- Each district headquarters and large town must have quality emergency health care facilities
- Augmentation of state budget from the current 3% to 7%
- School education system to incorporate a strong content on health & hygiene and family planning
- Number of medical colleges and seats therein to be increased manifold and a clear direction to establish new colleges with appropriate geographic spread
- Malaria and malnutrition need specialised attention
- Making immunisation compulsory
- Health insurance to be patronised under the aegis of government
- Encourage establishment of old age homes and shelter homes by providing free land and tax breaks

Education & Skill Development

- Mainstreaming vocational education and skills development programmes
- Establishment of Education and Health Townships
- Revamping of the administrative setup for education departments
- Modernisation of state level syllabi across board, need for wide-scale consultations in design of syllabi
- Encouraging establishment of Universities – state level and unitary
- Government institutions suffering from availability of quality faculty. Faculty development programmes and making teaching profession attractive are the way forward

- The Government run vernacular medium schools are languishing from lack of funds and attention. If need be, a specially funded programme may be accessed to systematically overhaul the school education system and address the various bottlenecks
- Improving access to education for the under-privileged

Agriculture

- To make the agriculture sector more productive and the surplus unproductive labour being fruitfully engaged in industries oriented vocations which shall enable optimization of Orissa's valuable human resources
- Addressing the main sectoral bottleneck by putting in place a framework for contract farming and increased private sector production
- Improving the influence region of planned irrigation activities
- To encourage modern agricultural practices through innovative techniques so as to enable multiple cropping
- Rain water harvesting technologies to be propagated
- Insurance schemes for farmers against natural disasters
- Strengthening the institutions and agencies of the state government engaged in agriculture sector promotion
- Development of appropriately located agricultural infrastructure and terminal markets
- Timely access to adequate line of credit facilities and raw material inputs
- Unlocking of huge tracts of fallow land in the coastal districts so as make extra land available for fisheries and aquaculture sectors

Government Services & Public Administration

- Comprehensive administrative reforms
- Enable quick decision making process

- Use of I.T. to ensure transparency and speed in communications
- Outsourcing of non-core functions to professional services providers and private sector partners
- Minimising interface between public and Government for commercial transactions – most transactions to be carried out through e-sevas
- Judicial reforms to make the process of delivery of justice timebound
- Functionalisation of Panchayats in the true sense of the law
- Establishment of accountability norms and exemplary punishment for non-performing & errant officials

Science & Technology

- Encourage education in pure sciences – role of Institute of Mathematics, Institute of Physics and NISER critical in this regard
- The process of science education in schools needs to be more interesting and practical oriented
- Lack of a R&D culture in most sectoral initiatives by public institutions. Fostering a culture of R&D
- Propagating the use of internet and computer based applications
- Incentivising use of non-conventional energy sources in day-to-day activities

Manufacturing & Services

- Role of Industrial Parks with pre-acquired land and quality infrastructure is critical to promote the manufacturing sector
- Encouraging micro-enterprises as ancillaries
- A dedicated policy framework for the manufacturing sector
- Competitiveness is the key to success in the sector. So, there needs to be appropriate cost and technology orientation by the sector players

- Means to address bottlenecks such availability of quality manpower, access to finances, etc

Arts, Sports & Literature

- Historical monuments to be protected through proper renovation so as to keep the heritage alive and promote tourism
- Classical music, dance and literature of the state to be nurtured and promoted in a way, so that it is popularised at the national and international levels
- Establishment of sports hostels and sports academies through public private partnerships

Growth, Development & Well-Being

- A concerted strategy towards addressing the issues of educated unemployment, under-employment, disguised unemployment and seasonal unemployment
- SHG - Bank Linkage Programme can be a major initiative to empower people by inculcating the sense of dynamism to address their livelihood issues and thereby helping in improvement of overall well-being
- Holistic strategies by all stakeholders to address the varied issues affecting the rural well-being
- Growth with inequity is an emerging concern of vital import. Ensuring appropriate equity in all programmatic interventions of the Government and the private sector is necessary.
- The collaboration between the poor, civil society organisations, governments and large firms can create the largest and fastest growing markets in the world. Such collaborations have the potential to engender large-scale and wide-spread entrepreneurship that is at the heart of the solution to poverty in the state. Such an approach exists and has, in several instances,

gone well past the idea stage as private enterprises, both large & small, have begun to successfully build markets at the Bottom of Pyramid as a way of eradicating poverty

Religion, Ethics & Moral Leadership

- Need for moral leadership by sterling personalities at the societal level
- Theme of state and nation building must emerge as priority over sectarian and partisan considerations
- Need for a strong role for Civil Society and Media in this regard
- Need for exemplary punishment to people engaged in supporting caste and religion based dissensions and violence, as well as for public figures engaged in moral turpitude. The government must brook no such breakdown of the well-established secular and law & order frameworks

World-Class Innovation

- Enabling framework for cost-effective transfer of technology from the laboratories to the market so that it can be upscaled and gain wider acceptance
- Incentivising innovations in any sphere of professional activity

Business

- Acceptance of business, trade & commerce as a paradigm for Orissa's move towards an enlightened and egalitarian state