

SPEECH OF SH. NAVEEN PATNAIL, HON'BLE CHIEF MINISTER, ODISHA AT THE 57th MEETING OF NATIONAL DEVELOPMENT COUNCIL ON 27th December, 2012

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 convey my thanks to Hon'ble Prime Minister for convening this meeting of the National Development Council to consider and approve the Twelfth Five Year Plan. I would also like to compliment the Planning Commission for producing a well conceived document for the 12th Five Year Plan in a consultative manner.

3. I take this opportunity to highlight some of our achievements during the 11th Plan. Odisha's economy has grown at a real annual average rate of 8.23 percent at 2004-05 prices during the 11th Plan period. Significantly, the real annual growth rate of the agriculture and allied sectors in the State has been 3.4 percent during the 11th Plan.

4. It is worthwhile to mention here that human development indicators have also improved across all regions and all classes in Odisha. The overall literacy rate for Odisha is 73.45 percent against the national average of 74.04 percent in 2011, male literacy being 82.40 percent and female literacy 64.36 percent. The gender gap in literacy has come down from 24.84 percentage points in 2001 to 18.04 in 2011. The rural-urban gap in literacy levels has reduced from about 21 percentage points in 2001 to about 16 percentage points in 2011. Infant mortality rate and maternal mortality ratio have declined from 73 and 303 respectively in 2006 to 61 and 258 respectively in 2011.

5. The poverty in Odisha has declined by 20.2 percentage points from 57.2 percent in 2004-05 to 37 percent in 2009-10. This is the highest reduction in poverty among all States during the reference period. Poverty has also reduced across all regions, that is, Northern, Southern and Coastal Odisha and among different social groups, that is, Scheduled Tribes, Scheduled Castes, Other Backward Castes and others. This indicates that growth has been inclusive in the State.

6. In consultation with the Planning Commission, Odisha has proposed an outlay of Rs.1,24,373 crore for the 12th Plan and envisages an average annual growth rate of 9 percent during the Plan. The State has also projected a growth target 4.5 percent per annum for the agriculture and allied sectors.

7. A daunting challenge is to transform rural economies and achieve higher sustainable growth in agriculture and allied sectors. This would significantly contribute to the objective of more inclusive growth and require appropriate measures to raise productivity of the agriculture and allied sectors so that the income and employment opportunities in these sectors are enhanced in a sustained manner. Sustainable growth in agriculture will depend upon large scale public investment in expanding irrigation facilities. Increasing irrigation potential and drought proofing are critical pre-requisites to enhance agricultural productivity. A renewed thrust is needed to expand irrigation, promote watershed development at a massive scale in rain-fed areas, diversify crops, strengthen rural marketing, encourage agricultural extension and technology transfer, expand crop insurance and improve rural

infrastructure. Higher growth targets for agriculture and allied sectors can be achieved if public and private investments in these sectors are substantially augmented and appropriate institutional reforms are undertaken in an expeditious manner.

8. There is an urgent need to ensure that Long Term Farm Credit is available and made affordable to farmers with a view to encourage capital formation in the farm sector. More specifically, we would suggest that long term credit for agriculture and allied sectors should be made available by the banks at a rate not exceeding seven percent. I would also like to emphasize that there is a need to substantially enhance the scope of, and central funding for, Integrated Watershed Management Programme in rain-fed areas and to extend AIBP or other central funding to support Mega Lift Projects. The central initiative to propel green revolution in the eastern region was a welcome move during the 11th Plan. This effort should continue with increased vigour in the 12th Plan.

9. The 12th Plan document has rightly put emphasis on sustainability of economic development which underscores the need for sustainable management of natural resources including biodiversity, environment, forests, land and water. A National Action Plan for Climate Change has also been put in place. But the "Green India Mission" which is a part of the National Action Plan for Climate Change does not, however, appear to have adequate funding support. This is a matter of concern. Strangely CAMPA funds are not being allowed to be utilized for undertaking massive afforestation programme. These funds are being allowed to be used for almost all other activities except afforestation! We strongly urge that CAMPA funds should be liberally used for afforestation that would contribute to the greening of India.

10. The need of the hour is to substantially augment human resource development capacities at both national and state levels. More and more institutions of higher technical and managerial learning and massive networks of ITI, tool rooms, centres of excellence and other training facilities are required to be established throughout the country, particularly in less developed states such as Odisha with a view to enhancing employable technical and soft skills of unemployed youth. Odisha has put employment generation on a mission mode by way of convergence of resources and activities under different programmes and aims at generating at least one million self employment and employment opportunities for unemployed people. The efforts of Odisha and other States need to be supported by Government of India through appropriate resource flows and policy backups. All left out blocks should have Government ITI.

11. The 12th Plan should also focus on substantially improving human development indicators and stepping up investments in social sectors, particularly health, education, poverty eradication and other social safety nets. We suggest that subsidized LPG connections should be provided for implementation of Mid-Day-Meal programme and supplementary nutrition programme so that cooking is undertaken in an eco-friendly environment. There is also need to make adequate provisions for gender equality and child and women welfare. Special efforts are needed to arrest fast declining sex ratio among children in 0-6 year age group and to improve the welfare of girl children. As far as the health sector is concerned, the 12th Five Year Plan rightly focuses on the delivery of affordable and quality healthcare services to the citizens both in the rural as well as urban areas. In this context, I would strongly urge the NDC to endorse a time-bound plan during this plan period for moving

towards Universal Health Care (UHC) throughout the country. For this purpose, one of the most critical requirements, among other things, is to develop a crash plan for substantial augmentation of health care professionals, particularly doctors. The WHO organization recommends 2.5 doctors, nurses and midwives for every 1000 people. USA and Britain have more than 12. India has just 1.6. Further, cross country comparison indicates that while there are as many as 34 doctors for ten thousand population in the European Union, availability of doctors for ten thousand population in India is only 6. Even in Brazil and China availability of doctors per ten thousand population is substantially higher than India – 18 and 14 respectively. Therefore, unless we develop short and medium term strategies to overcome the shortage of supply of doctors delivery of all our healthcare programmes would be severely handicapped.

12. Greater attention is needed to substantially improve human development indicators and welfare of disadvantaged sections, particularly Scheduled Castes and Scheduled Tribes. A conditional cash transfer scheme for promoting girls' education in the educationally backward blocks would be really worthwhile. The physical infrastructure and Human Development Index of the tribal areas calls for massive public investment. My Government has embarked upon an ambitious plan to provide hostel facilities to 5 lakh girl children belonging to Schedules Tribes and Scheduled Castes. The 12th Plan should recognise this initiative as vital to tribal development and liberally support the initiative by not only providing for infrastructure for the hostels but also providing stipend to the inmates of the hostels.

13. The growth strategy for the 12th Plan focuses on raising the productivity of the economy and creating an environment which enables private and public sectors to realize their full potential. The Plan document also highlights various dimensions of inclusiveness and accords very high priority to develop human capabilities, particularly those of marginalized and disadvantaged sections so that they are enabled to take advantage of emerging opportunities. These are challenging tasks and would require greater attention and immediate actions on several fronts including enabling policies and programmes. It is also necessary that the objective of high growth is complemented by appropriate and adequate social protection measures.

14. We suggest that the 12th Plan should ensure a basket of primary entitlements to every citizen irrespective of his or her place of residence. Such a basket of primary entitlements should include, among other things, universal access to safe drinking water and sanitation, primary and secondary education, food and nutrition security, healthcare services, electricity and all weather road connectivity. This would call for appropriate modifications in different programme guidelines so that all habitations and habitants all over the country could access these basic public services. This would significantly contribute to the objective of more inclusiveness.

15. The 12th Plan document takes note of growing burden of subsidies as a percentage of Gross Domestic Product. With a view to improving targeting of subsidies, Government of India has given thrust on direct cash transfer to the target population. We strongly believe that this move needs a careful consideration of all aspects and a considerable preparation to roll out the intervention in an equitable, effective and efficient manner. We suggest that "one solution fits all approach" should not be attempted. Different development programmes require differentiated approaches. For example, in the matters of food security, cash transfer approach

may not be appropriate in many parts of the country, particularly in those regions which have poor connectivity, difficult access and lack adequate banking facilities. My Government is of the view that the objective of food and nutritional security should be effectively addressed by way of bringing appropriate improvements in the existing Public Distribution System. In other cases, banking infrastructure needs to be substantially augmented in the unbanked and under-banked areas. Even for the business correspondent model to succeed, we need physical presence of a brick and mortar branch at least at the Gram Panchayat level. Without setting up such a minimum backbone of banking infrastructure, implementation of direct cash transfer scheme is fraught with serious last mile delivery risks.

16. A major challenge of the 12th Plan would be to enhance the economy's capacity for growth, to deal with the issues of regional disparities, particularly those of widening gap between more developed and less developed states, and to mobilize adequate resources from various sources. While the less developed States like Odisha would have to make all out efforts to raise the resources needed for public investment amidst numerous constraints including their limited capacities to raise own resources, there would still be a substantial gap between their investment requirements and the investible funds that can be mobilized by them.

17. Several Central Policies and institutional arrangements have adversely impacted, and continue to adversely impact, less developed states like Odisha that have rich natural resource endowment. These states have not benefited from their rich natural resource endowment. Their comparative advantage was, and has been, of no significant value. In the past when the Freight Equalization Policy was in place, more developed states benefited at the cost of less developed states. The rich states reaped the benefits of early private investments in manufacturing and other sectors as they were compensated the differential costs of transportation of minerals mostly from less developed states. The less developed states could not avail location advantage and thus continued to lag behind the rich states.

18. At present also, 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 from mineral resources which could have funded higher plan sizes and triggered development has been kept persistently low in spite of several requests made by me in the past. Due to prolonged efforts by mineral bearing states, the royalty rates have been shifted to an *ad valorem* regime but the impact of this change has been dented by an artificially low price of minerals as determined by the IBM. This matter has been taken up with Government of India on a number of occasions but the results have not been encouraging. Mining companies have run away with super normal profits while the Ministry of Mines has been dithering about revision of the royalty structure. Surprisingly, the fact that super normal profits are being earned by the mining companies is visible and evident to almost everyone except possibly to the Ministry of Mines!

19. The powers for allocating and regulating most natural resources are vested with Government of India. The states have no or little role in allocating their own resources to most efficient and equitable uses. For example, the states cannot tax minerals directly within the framework of the Central Laws. The states cannot even levy sales tax on iron ore and other minerals at a rate higher than two percent since bulk of these minerals are exported to other states. Nor can the states auction the lease rights for mining to capture the economic rent from these scarce natural

resources. The mineral rich states have repeatedly expressed their concerns in this regard. In particular, Odisha has been broadly following a policy of encouraging value addition in the mineral sector and that the states should have a say in assigning mineral concessions. The people of the mineral rich states rightfully deserve to benefit from their resource endowments.

20. Against this background, I have suggested that in addition to the upward revision of royalty rates in tandem with market prices of minerals, there should a Mineral Resources Rent Tax to be charged at 50% of the surplus rent. This will help Odisha and other mineral bearing states to raise the much needed resources for building the vital infrastructure and take up other developmental activities. We, therefore, re-iterate our suggestion for imposition of the Mineral Resources Rent Tax.

21. Government of India have introduced levy of Export Duty on iron ore and chrome ore, which will be distributed among all States on the basis of tax devolution formula fixed by the Finance Commission. But the states like Odisha having large iron ore and chrome deposits will not get adequate compensation for such exports, although they will bear the brunt of pollution and depletion of their natural resources. The export duty being levied on these minerals should be fully passed on to the states having iron and chrome deposits.

22. Odisha has been contributing to the national efforts for augmenting power generation. Thermal power plants and mining activities, however, impose significant economic, environmental and social costs in terms of displacement of people on account of land acquisition, loss of their livelihoods and mounting pollution problems. Whereas power and coal consuming states benefit because of revenues from electricity duty on consumption and revenue from sales of surplus power, the host states like Odisha bear most of the economic, environmental and social costs. This scenario leads to an inequitable sharing of costs and benefits from the coal mining and thermal power generation and discriminates power generating states vis-à-vis power consuming states. We have been repeatedly requesting the Government of India to put in place, by way of suitable amendments to the Electricity Act 2003 and the National Thermal Power Policy, appropriate institutional arrangements which result in fair and equitable sharing of costs and benefits of coal mining and thermal power generation. The host states should be entitled to 25 percent free thermal power as in case of hydro power.

23. It may be further added that the share of normal central assistance to the general category states as proportion of total central plan assistance, which is determined as per Gadgil-Mukherjee Formula has been declining over the years and the share of discretionary plan grants has been increasing. The share of normal central assistance to general category states was 34.61 percent during the 10th Plan and came down to 24.90 per cent during the 11th Plan. During the 12th Plan, this share is expected to further come down to 22 per cent of the total central plan assistance to the states. Continued shrinkage of formula-driven plan assistance to the states and expansion of discretionary assistance does not appear to be a healthy trend. There is need for a national framework, which pays special attention, and ensures flow of larger central resources, to less developed states having special development needs. Such states need to be given special dispensation as these states have to make greater efforts to catch up with the rest of the nation. There are several studies that suggest that higher devolution of central assistance to less

developed states would not only be equitable, but also welfare enhancing. Liberal transfer of central resources to less developed states can help improve the provision of public services such as education and health and promote capital formation.

24. We would also like to place on record before this august house that our long pending demand for declaring Odisha as a Special Category State has not yet been favourably considered by Government of India though the State satisfies most of the criteria for Special Category Status except that it does not have an international boundary. Odisha has a very high concentration of ST and SC population; is one of the poorest major states; has very adverse socio-economic and human development indicators and its per capita income is still about two-third of the national average despite our best development efforts during the last decade. To be specific, during early 1950s, Odisha's real per capita income was about 90 percent of the national average. However, the same continued to slide and became about 60 percent of the national average in 2002-03. Because of very high growth achieved by the State during the last decade, its real per capita income has increased to only about 70 percent in 2010-11. This implies that the State may take, at this rate, at least three decades to catch up with the national average. Therefore, a very rigid approach in this regard would not be appropriate and desirable. We strongly urge this august body to revisit and redefine criteria for according Special Category Status to a state and that the less developed states should be given special dispensation. We reiterate our legitimate claim for Odisha to be treated as a Special Category State.

25. To begin with, Odisha and other less developed states should be given reasonable tax breaks for attracting private investment in labour intensive manufacturing, agro-processing, tourism and other employment generating sectors.

26. The removal of intra-state imbalances has been receiving special attention in the plan strategy of my State. As you are aware, the Koraput-Bolangir-Kalahandi (i.e., KBK) region of Odisha still considerably lags behind in terms of most development indicators. Heavy incidence and persistence of poverty in the KBK region of Odisha has been a cause of serious concern. Though the region has improved through implementation of the Revised Long Term Action Plan (RLTAP), it still lags behind many other regions of the State. I am thankful to the Planning Commission for enhancing the Special Central Assistance from Rs.130 crore to Rs.250 crore for implementation of the Special Plan for KBK districts of Odisha during 2012-13. I earnestly request that the Special Plan (i.e., Revised Long Term Action Plan) for the KBK region should be extended for another ten years with enhanced funding in order to bring this region at par with other areas of the State.

27. Before I conclude, I once again urge that the 12th Plan should focus on achieving faster, sustainable and more inclusive growth and bridging the regional, social and gender disparities.

Thanking you all,

Jai Hind.