CHAPTER - III

FINANCIAL POSITION AND RESOURCE ANALYSIS OF THE STATE

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INTRODUCTION :

3.1 Endowed with 98% of Country's Chromite, 92% of Nickel ore, 65% of Graphite and Pyrophylite, 60% of Buxite, 31% of Mineral Sand, 28% each of Manganese and Iron Ore, 24% of coal, 8% of forest area of the country, 10% of country's water resources, 450 Kms. of coast line, 4.78% of country's land area and 3.6% of population, that Orissa languishes in abysmal poverty and deprivation, no doubt, is a paradox. Every second family i.e. 47.2% of population in Orissa does not get a square meal a day as against average of 26% of the country's population living below poverty line. In Goa, Punjab, Himachal Pradesh, Haryana and Kerala, the BPL population is 4.4%, 6.2%, 7.6%, 8.7% and 12.7% respectively. The infant mortality rate per 1000 children under one year of age is 87 being the highest in the country, while in Kerala the IMR is only 14, one of the lowest in the world. Regarding rural mal-nutrition of expectant mothers and children, Orissa unfortunately tops the list in the country. 37% of the population above the age of six are illiterate, whereas in Kerala it is only 9%. With more than 38% of State's population (2001 census) belonging to S.T. (22.2%) and S.C. (16.20%) categories, Orissa has the highest incidence of ST and SC population among the non-special category states. In per capita income, though a deceptive economic indicator, because it suffers both from conceptual limitation and deficiency in methodology of measurement, Orissa stands at the bottom with Rs.9273 in 2000-01 at current prices sans Bihar.

3.2 More than eight decades before it was observed by Mahatma Gandhi ---- the Father of the Nation in 'Young India' dated 6.4.1921:

"The picture of the crowd of men, women and children in their fleshless ribs, under the very shadow of Jagannath haunts me. I invite the sceptics to visit Orissa, penetrate its villages and find out for themselves where India stands".

3.3 Fifty eight years after independence, Orissa is no better so far as poverty is concerned. Wrath of frequent flood drought and cyclone has ravaged the economic backbone of Orissans. Flood could have been controlled and drought could have been averted by suitable measures, had adequate finance been made available to the State over the years.

3.4 Even with the passage of time of ten five year plan periods and a few annual plans and the awards of eleven successive Finance Commissions, neither the economy of the State could look up nor the fiscal position of the State Government improve to a sustainable level. Poverty and deprivation of the State became more and more perceptible and inter state economic disparity increased at galloping speed.

3.5 Continuous deficits on Revenue Account of a Government testify the fact of consistent fiscal mismanagement and establish the serious malady of the fiscal health of the State. In Orissa out of fifty seven years after independence till 2004-05, the State has suffered from forty-three years of deficits on revenue account and the amount of total revenue deficit stands at more than twenty thousand crore of rupees.

Table No. – 3 A

REVENUE DEFICIT

(Rs. in crore)

Year	Revenue Receipt	Revenue Expenditure	Revenue Surplus / Deficit -
(1)	(2)	(3)	(4)
1936-37	1.70	1.55	0.15
1937-38	1.85	1.76	0.09
1938-39	1.82	1.81	0.01
1939-40	1.88	1.84	0.04
1940-41	1.99	1.88	0.11
1941-42	2.07	1.92	0.15
1942-43	2.24	2.17	0.07
1943-44	2.56	2.54	0.02
1944-45	3.18	3.00	0.18
1945-46	3.61	3.44	0.17
1946-47	4.60	4.49	0.11
Year	Revenue Receipt	Revenue Expenditure	Revenue Surplus / Deficit -
1947-48	6.04	5.84	0.20

1948-49	6.44	7.58	-1.14
1949-50	10.82	11.71	-0.89
1950-51	10.31	12.01	-1.70
1951-52	11.96	10.86	1.10
1952-53	12.62	11.52	1.10
1953-54	12.27	13.21	-0.94
1954-55	13.99	15.48	-1.49
1955-56	16.11	23.19	-7.08
1956-57	16.56	22.74	-6.18
1957-58	22.03	23.47	-1.44
1958-59	27.48	25.87	1.61
1959-60	28.56	28.72	-0.16
1960-61	35.47	35.55	-0.08
1961-62	37.15	52.36	-15.21
1962-63	62.27	65.99	-3.72
1963-64	69.29	72.01	-2.72
1964-65	74.97	79.20	-4.23
1965-66	80.39	91.31	-10.92
1966-67	106.80	104.42	2.38
1967-68	109.03	113.20	-4.17
1968-69	116.61	131.77	-15.16
1969-70	131.12	131.00	0.12
1970-71	135.83	139.88	-4.05
1972-73	168.13	192.78	-24.65
1973-74	174.62	212.46	-37.84
1974-75	227.37	223.51	3.86
1975-76	277.46	276.18	1.28
1976-77	325.80	308.17	17.63
1977-78	368.86	341.03	27.83
1978-79	447.44	402.34	45.10
1979-80	469.90	449.31	20.59
1980-81	621.35	546.85	74.50
1981-82	601.54	573.56	27.98
1982-83	801.62	824.60	-22.98
1983-84	783.11	782.91	0.20
1984-85	823.51	897.25	-73.74
1985-86	940.84	1000.93	-60.09
1986-87	1228.22	1247.96	-19.74
1987-88	1333.08	1407.59	-74.51
1988-89	1550.93	1658.72	-107.79
1989-90	1740.72	1846.11	-105.39
1990-91	2170.94	2190.53	-19.59
1991-92	2447.31	2635.02	-187.71
1992-93	2913.16	3048.88	-135.72
1993-94	3208.23	3479.37	-271.14
1994-95	3575.87	4035.52	-459.65
1995-96	3890.71	4697.81	-807.10
1996-97	4286.76	5117.25	-830.49
1997-98	4632.03	5535.17	-903.14
1998-99	4554.40	6816.90	-2262.50

Year	Revenue Receipt	Revenue Expenditure	Revenue Surplus / Deficit -
1999-2000	5884.64	8458.83	-2574.19
2000-01	6902.02	8833.99	-1931.97
2001-02	7047.99	9881.73	-2833.74
2002-03	8438.77	10014.68	-1575.91
2003-04 (R.E.)	9680.17	12642.82	-2962.65
2004-05 (B.E.)	11463.11	14083.90	-2620.79

Source - Orissa Budgets

3.6 Not only the revenue account should be balanced, but also there should be substantial surpluses on the revenue budgets so as to provide resources for infrastructural development and for creation of productive assets. The growing need for health care and family welfare facilities and development in quality education could have been met out of the surpluses created on revenue accounts. The chronic fiscal ill health owing to continuous huge revenue deficits has hamstrung the human resource development in health and education and has also fettered the long needed social and economic infrastructure provisions in areas like irrigation, roads and power. Orissa stands far behind other States in socio economic development because of continuous revenue deficits and huge borrowings to meet the current consumption expenditures. Table below No.- 3 B stands testimony to the seriousness of the malady.

Table No. 3 B

(Rs. in crore)

Year	Total revenue receipt	Total revenue expenditure	Revenue surplus (+) / revenue deficit	Total loan incurred	% of the loan diverted to meet the revenue deficit	Loan outstanding at the end of the year 31.03
1980-81	621.35	546.85	74.50	194.81	No diversion	1277.05
1981-82	601.54	573.56	27.98	185.75	No diversion	1312.55
1982-83	801.62	824.60	-22.98	249.75	9%	1498.72
1983-84	783.11	782.91	0.20	335.94	No diversion	1749.77
1984-85	823.51	897.25	-73.74	308.06	24%	1944.14
1985-86	940.84	1000.93	-60.09	427.09	14%	2270.39
1986-87	1228.22	1247.96	-19.74	373.24	5%	2540.94
1987-88	1333.08	1407.59	-74.51	503.36	15%	2917.56
1988-89	1550.93	1658.72	-107.79	597.04	18%	3377.25
1989-90	1740.72	1846.11	-105.39	637.36	17%	3870.84
1990-91	2170.94	2190.53	-19.59	898.8	2%	4538.58
1991-92	2447.26	2635.02	-187.76	908.04	21%	5213.33
1992-93	2913.16	3048.88	-135.72	1023.11	13%	6050.06
1993-94	3208.23	3479.37	-271.14	1164.23	23%	6916.15
1994-95	3575.88	4035.52	-459.64	1243.94	37%	7958.01
1995-96	3890.71	4697.81	-807.10	1486.98	54%	9219.91
1996-97	4286.76	5117.25	-830.49	1474.52	56%	10493.75
1998-99	4554.40	6816.90	-2262.50	2924.96	77%	14751.14
1999-2000	5884.64	8458.83	-2574.19	3734.74	69%	18100.80
2000-01	6902.02	8833.99	-1931.97	3644.59	53%	21001.90
2001-02	7047.99	9881.73	-2833.74	3952.56	72%	24033.62
2002-03 Actual	8438.77	10014.68	-1575.91	476012	33%	27801.19
2003-04 (R.E.)	9680.17	12642.82	-2962.65	6432.63	46%	32312.49
2004-05 (B.E.)	11463.11	14003.90	-2540.79	6110.19	42%	37007.56

Source : Finance Department, Government of Orissa

3.7 Though surpluses on revenue account are ideal and zero revenue deficit is a minimum necessary condition for good fiscal management, during last few years almost all the States of the country are suffering from deficits on revenue account. The relative position of Orissa vis- a- vis other States shows how alarming is Orissa's fiscal problem. The revenue deficit as percentage of State's total revenue and Net State Domestic Product as depicted in Table Nos. 3 C & 3 D below are quite revealing.

Table No. 3 C

REVENUE DEFICIT AS % OF STATES TOTAL REVENUE

Sl. No.	Name of the States	1995-96 (Actuals)	1996-97 (Actuals)	1997-98 (Actuals)	1998-99 (Actuals)	1999-2000 (Actuals)	2000-01 (Actuals)	2001-02 (R.E.)	2002-03 (R.E.)	2003-04 (B.E.)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1.	Andhra Pradesh	-7.48	-28.57	-5.08	-18.82	-7.34	-18.46	-13.19	-13.13	-7.27
2.	Bihar	-14.61	-2.69	-3.04	-14.57	-28.21	-26.00	-22.91	-21.23	-11.19
3.	Gujarat	-2.60	-6.11	-9.14	-22.48	-26.01	-40.04	-42.11	-36.13	-28.36
4.	Hariyana	-6.92	-11.89	-12.19	-28.11	-20.55	9.23	-41.15	-12.33	-9.38
5.	Karnataka	0.74	-6.01	-2.61	-10.83	-18.02	-12.56	-21.44	-20.06	-10.76
6.	Kerala	-7.43	-10.46	-15.78	-28.20	-45.63	-36.04	-28.78	-16.58	-20.98
7.	Madhya Pradesh	-5.51	-14.46	-4.17	-25.31	-22.21	-9.65	-28.28	-10.68	-3.88
8.	Maharastra	-3.68	-8.26	-12.70	-18.06	-16.89	-26.50	-27.21	-22.29	-11.86
9.	Orissa	-20.74	-19.36	-19.54	-49.70	-43.74	-27.99	-40.21	-24.77	-27.18
10.	Punjab	-8.68	-24.39	-23.37	-45.66	-36.52	-24.91	-42.35	-27.36	-22.97
11.	Rajasthan	-9.20	-11.46	-6.93	-34.92	-37.18	-21.23	-31.24	-30.19	-23.81
12.	Tamil Nadu	-2.94	-9.23	-10.04	-24.09	-26.95	-18.75	-19.56	-28.6	-17.35
13.	Uttar Pradesh	-15.39	-19.84	-26.32	-50.04	-33.74	-25.42	-24.15	-28.15	-22.13
14.	West Bengal	-16.95	-25.95	-25.41	-51.73	-90.95	-52.20	-60.92	-58.5	-57.49

Source : Annual Issues of R.B.I. State Finances.

Table No. – 3 D

REVENUE DEFICIT AS % OF NSDP AT CURRENT PRICE

Sl. No.	Name of the States	1995-96 (Actuals)	1996-97 (Actuals)	1997-98 (Actuals)	1998-99 (Actuals)	1999-2000 (Actuals)	2000-01 (Actuals)	2001-02 (R.E.)	2002-03 (R.E.)	2003-04 (B.E.)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1.	Andhra Pradesh	-1.03	-3.92	-0.82	-2.58	-1.09	-2.86	-2.29	N.A.	N.A.
2.	Bihar	-4.94	*0.73	-0.87	-3.9	-9.26	-7.08	-5.08	-4.78	N.A.
3.	Gujarat	-0.36	-0.08	-1.32	-3.22	-4.04	-6.73	-6.41	N.A.	N.A.
4.	Hariyana	-1.31	-2.29	-2.12	-4.02	-2.76	-1.26	-5.95	1.87	N.A.
5.	Karnataka	0.13	-1	-0.44	-1.54	-2.7	-1.97	-3.38	N.A.	N.A.
6.	Kerala	-1.14	-1.58	-2.5	-3.98	-6.37	-4.99	-3.74	N.A.	N.A.
7.	Madhya Pradesh	-1.13	-2.98	-0.8	-4.68	-4.25	-2.06	-4.42	N.A.	N.A.
8.	Maharastra	-0.43	-1	-1.5	-2.06	-1.97	-3.68	-3.39	N.A.	N.A.
9.	Orissa	-3.39	-3.66	-3.23	-7.25	-7.52	-5.7	-7.49	-5.24	-5.95
10.	Punjab	-1.89	-5.94	-5.3	-8.42	-7.97	-6.9	-9.99	N.A.	N.A.
11.	Rajasthan	-1.68	-1.7	-1.02	-4.57	-5.13	-3.93	-5.05	-5.3	N.A.
12.	Tamil Nadu	-0.45	-1.39	-1.47	-3.21	-3.85	-2.79	-2.09	-4.32	N.A.
13.	Uttar Pradesh	-2.52	-2.82	-3.87	-6.43	-4.86	-3.95	-3.77	-4.73	N.A.
14.	West Bengal	-1.83	-2.87	-2.56	-4.57	-7.94	-5.89	-6.17	N.A.	N.A.

Source : 1. Economic Surveys, Govt. of India. 2. Reserve Bank of India, State Finances

3.8 When compared to other States, Orissa stands in a very precarious position. In 2001-02 for which accounts figures of all the States are available, revenue deficit as percentage of total revenue in Maharashtra was 27.21% and as percentage of its NSDP was 3.39; in Andhra Pradesh the respective figures were 13.19% and 2.29% and in Bihar 22.91% and 5.08% whereas these proportions for Orissa were 40.21% and 7.49% respectively in the same year 2001-02. These three States were representative in nature; Maharashtra belonging to High Income Group of States, Andhra Pradesh belonging to Middle Income Group and Bihar to the Low Income Group. Orissa as one of the low income States in the relative position, stands in most miserable fiscal health.

3.9 The social and economic needs of a State, though in varied degrees among them are no doubt immense. From social security to human resource development like health and education; from good governance to State's law and order; from preservation of heritage to cultural development; from irrigation to road development; from augmentation in agricultural productivity to rapid industrial advancement; from inter-State and intra State trade growth to software development and the like, States have many demands. All said and done, the prime responsibility of the State Government is to check profligacy in government spending and encourage thrift and cut the expenditure as per the resources available. Striking a balance between the demand or need of the society and the affordability of the State is the hallmark of a prudent fiscal management. In a federal country, like that of India, the role of the Centre is to help the less privileged State in education and health, irrigation and flood control and road development. Besides, the potentially rich regions endowed with enormous natural resources but with low economic growth, should be assisted through budgetary allocations and extra budgetary resource investments, by the Central Government who hold the key to larger finances and control and regulate the planning in order to help the States to make a galloping stride in there economy. The region having larger concentration of population of Scheduled Tribes and Scheduled Castes and having education and health in least developed stage, should have received liberal central assistance. But things have gone otherwise over the years. A lip sympathy and only a marginal tilt towards weaker regions have jeopardized the whole planning process and pushed back the society to an abject and disturbing point of hunger, ill health, ignorance and deprivation. Time is not far off, when the Society, sitting on a live volcano of utter discontentment and abysmal deprivation of its substantial population, would see it erupt and explode; in the process drawing down everybody into the precipice. It is not a prediction of holocaust, but a warning for the masters of the State and the Nation to take urgent necessary corrective measures before every thing ends in total chaos.

3.10 Balancing revenue accounts and making Capital investments for faster growth should be undertaken with an eye on the downtrodden, such that benefit would accrue to them not only for their sustenance but also for raising there respectability with high productive capacity. Some argue that it is easier dreaming than achieving. But let every body be frank enough to admit that volumes have been spoken in the past as decisions and declarations but nothing tangible has been done so far. The Centre and the State should sit together as harmonious partners of development, to address the alarming position of State finances and deprivation, but not as superior ruler and servile subject. Prosperous States – they are of course not as much prosperous States as they ought to be – should consider with empathy the problems of their weaker brothers. In fact, the latter are not non-performing States, as believed by some, they are in essence neglected and deprived. Vidharva region and its people in Maharastra and Gulbarga district in Karnataka are glaring examples of economic deprivation amidst plenty and prosperity. They and many other such places and their people justify that fruits of planning not flouted equitably and have not reached the lowest of the low. The Growth and Investments have benefited a few. Equity is still a far cry.

3.11 The prosperous States are not good Public Finance Managers either. Revenue deficit of Punjab as a percentage of its GSDP in 2001-02 was almost 10%. Its performance in the preceding years were also not much to be praised. In 1998-99 the proportion was 8.42%, in 1999-2000 it was 7.97% and in 2000-01 it was 6.90%. Similarly in Gujarat another prosperous State, the Revenue deficit as % GSDP in 2001-02 was 7.49%. In W. B. the proportion in the same year 2001-02 was 6.17%. Revenue deficit as percentage of the State's total revenue in 2001-02 was;

for Gujrat - 42.11%

for Punjab - 42.35%

for Haryana - 41.15%

for West Bengal - 60.92%; and

for Orissa, the Revenue deficits as percentage of State's total revenue in 2001-02 was 40.21%. Thus in Fiscal Management, the prosperous States – some say performing States, are far worse than a low income State like Orissa.

FISCAL DEFICIT:

3.12 Fiscal deficit is a new terminology used in Public Finance in India particularly after liberalization period of Indian economy in 1991. It is, in fact the total borrowings and liabilities of the State during the fiscal and is measured as Revenue Receipt plus recovery of loan and other receipts like disinvestments minus total expenditure on both Revenue and Capital accounts. Gross Fiscal Deficit has recently been measured as Revenue Deficit + Capital outlay + net lending. Capital outlay has been clearly identified in `capital disbursement' of the `capital account' of the budget. Repayment of Public Debt has been shown under Capital Account of the Budget, but not as Capital Outlay. In recent dispensation, at the instance of World Bank and D.F.I.D, Public Debt repayment under major heads of 6003 and 6004 have been excluded from total expenditure for the purpose of G.F.D. (Gross Fiscal Deficit) measurement, which does not seem to be of sound justification. Net lending means Loans and Advances from capital account disbursements minus recovery of loan by the State and miscellaneous capital receipts like disinvestments. This part of the measurement does not affect the original definition of G.F.D. Ways and Means Advances (WMA) should be excluded from total expenditure, because in real sense it is not a loan, but is a temporary arrangement to tide over the mismatch between inflow and outflow of state resources, though WMA and Overdrafts bear interest on them. It has, however, become a regular phenomenon in State financial transactions and even at the end of the year there are outstanding WMAs and Overdrafts, which were not allowed previously. Be that as it may, Revenue Deficits have become a regular feature in the State Budget for a number of years now and Revenue Deficit is the major content of Fiscal Deficit. Revenue Deficit constitutes 55 to 70% of Fiscal Deficit in different years in Orissa. Besides, Fiscal Deficit as percentage of State's Gross State Domestic Product (GSDP) varies from 6 to 11% in different years from 1999-2000 (Acc) to 2003-04 (R.E.). Looking at the relative position of Fiscal Deficit as proportion of respective State's GSDP, during 2000-01, G.F.D. of Orissa was 8.3% of its GSDP whereas that of Madhya Pradesh and Tamil Nadu was 3.7%; of Maharashtra 3.8% ; of Andhra Pradesh 5.3% and of Uttar Pradesh 5.5%. Similarly, G.F.D. as a percentage of State's total revenue for Orissa in 2000-01 was 48.2%, whereas for Madhya Pradesh it was 19.84%; for Tamil Nadu 27.71%; for Maharashtra 30.4%; for Andhra Pradesh 37.5% and for U.P. 41.1%.

3.13 For sustainability of the state finance, it is prudent to bring down fiscal deficit to 2.5% of G.S.D.P. of the State. It cannot be brought down to that level over a period of one year. Government should put sincere efforts to reduce fiscal deficit every year. First of all, zero deficit on revenue account and then revenue surplus should be achieved. A period of atleast ten years shall be required to dispel fiscal imbalance in the State Budget, if sincerely and carefully tried.

WAYS & MEANS ADVANCE & OVER DRAFT FROM RBI

3.14 Ways and Means Advance is a fiscal instrument in the hand of the State Government to tide over short term mismatch between cash in banks and cash out -go. When cash inflow on certain days falls far short of cash disbursal demand such that the deposits of the State Government in Banks fall below the deposit limit so fixed by an agreement between R.B.I. and the State Government, the State avails of Ways and Means Advance to meet the expenditure demand on such days.

3.15 In terms of section 17(5) of the Reserve Bank of India Act, 1934, the Reserve Bank is authorised to release, to the Central and State Governments, WMA which are repayable not later than three months from the date of making the advance. There is no statutory provision as regards either the maximum amount of the advance or the rate of interest to be charged. These matters are, therefore, regulated by the respective agreements – or arrangements which the R.B.I. has made with the Central and State Governments. There are two types of WMA – normal and special. The normal WMA are clean or insecured advances while special WMA are given against the pledge of the Central Government securities held by State Governments.

3.16 As per the provision of the R.B.I. Act, the State Government have entered into an agreement with the R.B.I. by which the R.B.I is authorized to receive all money payable to the State Government, make payment of money payable by Government and hold the cash balance on behalf of Government. These receipts, payments and holdings of the cash balance are effected by the R.B.I. through its various branches or agencies appointed by it for that purpose.

3.17 As per the scheme in existence prior to March 1, 1999, both normal and special WMA were linked with the minimum cash balances of States required to be maintained with the R.B.I. and the limits for normal and special WMA were revised from time to time depending on the evolving liquidity situation faced by State Governments. 11 revisions were effected to the limits of WMA available to States, between April 1937 and February 1,2001. Two more revisions on the limits of WMA have also been effected thereafter.

3.18 The financial transactions of the State Governments are carried on simultaneously at a large number of disbursing offices, including those of RBI, State Bank, and other agency Banks, Treasuries etc. The Government transactions conducted at all such places are allowed to proceed without any reference to the actual position of the cash balance of the State Government, the accounts of which are maintained at the Bank's Central Accounts Section at Nagpur . When , on the compilation of accounts each day, the net debits against a State Government result in its account going into the red, after the limits of normal and special ways and means advances have been exhausted, an overdraft emerges.

3.19 The discharge of the Bank's functions as Banker to Government involves the receipt and payment of money on behalf of the various Government Departments. The work relating to Government business is attended to by the Public Accounts Department of R.B.I in Ahmedabad, Bangalore, Bhubaneswar etc.. Under Section 45 of RBI Act it was obligatory on the part of RBI to appoint SBI as its sole agent. The associate Banks of SBI have also entered into agreement with RBI to function as its agent Banks. After the Bank nationalization in 1969, Government issued a notification under Section 45(1) of RBI Act authorizing the Bank to appoint any of the nationalized banks as its agents at the places specified therein. By an amendment to Section 45(1) made in July, 1998, the Bank has now been authorized to appoint not only the SBI and the 19 nationalised banks but, any of the associate Banks also directly and the NABARD as its agent at any place, for such purposes as it may specify, having regard to public interest, convenience of handling, banking development and other relevant functions.

3.20 The use of WMA facility and emergence of over-drafts by States have become more frequent in recent years, reflecting stress as much on liquidity management as on the underlying structural imbalances in state finances. After 1st February, 2001, WMA limits have been revised twice.

3.21 As per the terms of the agreement, Government of Orissa is to maintain a minimum cash balance of Rs.128.00 lakhs daily with them. In case of balance falling short of the minimum agreed to, R.B.I. shall provide Ways & Means advance to the State Government which shall carry interest at the rate to be fixed by R.B.I. from time to time. While providing Ways & Means Advance to maintain minimum balance the R.B.I. shall re-discount the Treasury Bill holdings of State Government. When that is not sufficient, Ways and Means Advance shall be provided by the R.B.I. to the extent necessary to maintain the daily minimum balance. The limit of the Ways & Means advance is Rs.215.00 crore at a stretch. This advance is termed as "Normal Ways & Means Advance" and required to be cleared up within 90 working days.

3.22 When Normal Ways & Means advance is fully covered and there is further requirement to maintain minimum balance, RBI provides special Ways & Means advance for the purpose. The limit of Special Ways & Means Advance is at present Rs.24.65 crore. This is required to be cleared along with the Normal Ways & Means Advance.

3.23 On any day, if the State Government Account is overdawn and the drawal is not covered by the Normal & Special Ways & Means Advance taken together to maintain the minimum daily balance of Rs.128.00 lakh, R.B.I. allows Over Draft to the extent required to maintain the same. Currently the minimum permissible days of Over Draft is 36 working days in a quarter of a particular financial year. If the Over Draft croses the permissible limit of Rs.215.00 Cr at any time, it shall have to be brought down to the permissible limit within 5 working days. Failure to adhere to the above stipulations shall cause stoppage of government transaction.

3.24 When the inflow-outflow mismatch continued for long in a year, so that the State had to survive on Ways and Means Advances and Over drafts for 345 days in 2000-01; 364 days in 2001-02; 358 days in 2002-03 and 321 days in 2003-04, out of 365 days of the year, it has become evidently clear that the fiscal health of the State is in a most precarious condition. Immediate intensive care is urgently warranted.

Table No. – 3 E

(Rs. in crores)

Year	Ways and Means Advance					Over-draft				
	Outsta-nding	Availed	No. of Days	Re-Paid	Interest Paid	Outsta-nding	Availed	No. of Days	Re-paid	Interest Paid
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
80-81	-	22.74	6	22.74	-	-	-	-	-	-
81-82	-	238.93	206	238.93	-	-	-	-	-	0.1
82-83	-	308.35	194	308.35	1.01	-	-	-	-	0.56
83-84	-	817.38	35	817.38	3.12	-	-	300	-	1.01
84-85	-	579.6	73	549.22	0.76	-	-	154	-	3.68
85-86	30.38	275.5	39	305.88	2.36	-	-	113	-	1.84
86-87	-	220.78	60	220.78	0.99	-	-	5	-	-
87-88	-	460.42	253	444.05	1.35	-	77.47	13	77.47	-
88-89	16.37	494.21	213	505.17	1.28	-	133.37	31	133.37	0.16
89-90	5.41	417.77	133	379.13	1	-	165.02	41	151.4	0.18
90-91	44.05	346.32	81	346.18	1.32	13.61	283.73	63	281.74	0.28
91-92	44.19	371.9	115	371.72	0.59	15.6	321.97	33	260.02	0.35
92-93	44.37	665.91	163	666.01	3.06	77.54	571.04	93	580.39	0.53
93-94	44.27	447.74	106	431.7	4.31	68.19	481.83	64	514.37	0.23
94-95	60.31	318.14	78	378.45	2.52	35.66	265.98	48	301.64	0.7
95-96	-	479.04	47	336.77	4.27	-	136.52	15	113.78	0.45
96-97	142.27	1462.8	95	1485.7	6.33	22.73	820.99	93	522.97	0.84
97-98	119.36	1295.1	220	1398.9	10.56	320.74	871.74	104	1192.5	2.24
99-00	160.2	1867.4	144	1821.6	10.4	144.13	1867.7	141	2011.8	3.07
00-01	206.03	2137.6	142	2164.4	11.71	-	3828.3	203	2995.4	4.13
01-02	179.25	1354.6	112	1354.5	11.59	832.93	5393.1	252	5162.3	8.32
02-03	179.31	1999.7	170	1940.3	10.88	1063.72	4722.8	188	5576.9	8.75
03-04	238.73	3204	152	3442.8	10.34	209.67	3809	169	4018.7	7.01

Source : Orissa Budget At a Glance-2004-05

Table No. – 3 F

WMA SCHEME FOR THE GOVERNMENT OF ORISSA

(Rs. In Crores)

(A)						
SL No	Type of WMA & OD	Before 1.3.1999	From 1.3.1999	From 1.2.2001	From 1.4.2002	From 3.3.2003
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1.	Mini-mum Bala-nce		1.28	1.28	1.28	1.28
2.	Normal WMA	100.8	141	159	185	215
3.	Special WMA	19.20	19.20 20.10 cr (w.e.f 26.6.99) 20.32 cr. (w.e.f 8.5.2000)	20.25 crs. w.e.f 15.2.01 19.29 crs. w.e.f 10.5.01 18.47 crs w.e.f 16.7.01 19.40 crs w.e.f 23.10.01 20.31 crs w.e.f 01.02.02	20.84 crs w.e.f 10.4.02 17.58 crs w.e.f 18.07.02 21.33 crs w.e.f 14.10.02 23.73 crs w.e.f 13.01.03	23.73 (13.1.03) 23.70 crs w.e.f 12.05.03 24.28 crs w.e.f 1.7.03 24.71 crs w.e.f 01.10.03 24.65 crs w.e.f 1.1.04
4.	Over draft	No Limit	Equal to Normal WMA (Rs.141.00 Crs)	Equal to Normal WMA (Rs.159.00 Crs)	Equal to Normal WMA (Rs.185.00 Crs)	Equal to Normal WMA (Rs.215.00 Crs)
5.	Mini-mum permi-ssible days of over-draft	10 Working days	10 Working days (If OD crosses the above limit,Normal Ways & Means Advance limit of Rs.141.00 crore) it has to be brought down to the permissible limit within 3 working days)	12 Working days (If OD crosses the above limit, normal Ways & Means Advance limit of Rs.159.00 crore) it has to be brought down to the permissible limit within 5 working days.	12 Working days (If OD crosses the above limit, normal Ways & Means Advance limit of Rs.185.00 crore) it has to be brought down to the permissible limit within 5 working days	14 Working days (If OD crosses the above limit, normal Ways & Means Advance limit of Rs.215.00 crore) it has to be brought down to the permissible limit within 5 working days. From 1st April ,2004 overdraft is to be allowed for 36 working days in a quarter.

Source- Finance Department, Government of Orissa

Table No. – 3 G

RATE OF INTEREST APPLICABLE TO WAYS & MEANS ADVANCE AND OVERDRAFT AT PRESENT.

(B)

1.	Shortfall in minimum balance in R.B.I	6% (Bank rate)
2.	Special WMA from RBI	5% (1% less than Bank rate)
3.	Normal Ways & Means Advance from Reserve Bank of India up to 90 days	6% Bank rate
4.	Normal Ways & Means Advance from Reserve Bank of India beyond 91 days	7% (1% more than Bank rate)
5.	Over draft from R.B.I. up to prescribed limit	9% (3% more than Bank rate)
6.	Overdraft from R.B.I. exceeding prescribed limit.	12% (6% more than Bank rate)

Source- Finance Department, Government of Orissa

WAYS AND MEANS ADVANCE FROM GOVERNMENT OF INDIA

3.25 Apart from the W & M Advance availed by the State Government from the Reserve Bank of India to maintain the daily balance as per agreement, the State Government used to avail ways and means advance sanctioned by Government of India. The broad break-up of the W & M advance sanctioned to State Government by the Centre are as follows: -

1. W & M advance for Plan schemes.
2. W & M advance towards expenditure on up-gradation of standard of administration.
3. W & M advance towards expenditure on Net Interest Liabilities on account of fresh borrowings and lendings.
4. Other W & M advances.

3.26 The Plan Finance –I Division of the Ministry of Finance handles matters relating to overall financial position and plan outlays of States. It monitors the W & M and resource position of States, advises the States to take appropriate action whenever they face problems relating to cash management. If necessary, rescheduling release of funds and other possible measures are planned by this Division, to help the States to tide over their W & M difficulties, subject to Centre's own resource position.

3.27 It is not only the responsibility of the Central Government to keep a close watch over the financial stability of the State Government, but also to see that developmental, plan activities do not suffer due to non-availability of adequate funds for timely execution of the same. Therefore, to start with, for the developmental activities, for which Central Assistance in form of Grant / Loan is admissible, an advance release is made by the Central Government subject to adjustment within the same financial year, out of amount payable to State Government. These advances are normally termed as W & M advances released to State Governments and debited to the Central Head of Account under "7601-Loans and Advances to State Governments –06- Ways and Means Advances" etc. The amount so released is credited as Receipt under the State Account" 6004 – Loans and Advances from Central Government – 06 – Ways and Means Advances – 800 – Other Ways and Means Advances". The rate of interest on the Ways and Means advance sanctioned / released by Government of India is far less than the rate of interest charged on other loans sanctioned by Government of India for different purposes under Non-Plan and Plan. The rate of interest is reviewed and re-fixed every year. A comparative statement indicating the rate of interest charged on W & M advance and other loans provided by Central Government is enclosed for reference.

Table No. – 3 H

RATE OF INTEREST OF DIFFERENT LOANS
SANCTIONED BY GOVERNMENT OF INDIA

Year	Types of Loan		
	W & M Advance from Government of India	Small Savings	Other Loans
(1)	(2)	(3)	(4)
1990-1991	4%	13%	9.75%
1991-1992	5%	13.5%	10.75%
1992-1993	6%	14.5%	11.75%

1993-1994	7.5%	15%	12%
1994-1995	7.5%	14.5%	12%
1995-1996	8.5%	14.5%	13%
1996-1997	8.5%	14.5%	13%
1997-1998	8.5%	14.5%	13%
1998-1999	9%	14.5%	12.5%
1999-2000	9%	12.5%	12.5%
2000-2001	9%	12.5%	12.5%
2001-2002	8.5%	12%	12%
2002-2003	8%	10.5%	11.5%
2003-2004	7%	9.5%	10.5%

Source: Finance Department, Government of Orissa.

3.28 At present advance release of Shared Tax and other Central Assistance for execution of development works are made by Central Government in a phased manner without treating the same as Ways and Means advance. When (i) the advance released is inadequate to tide over the W & M difficulties of the State Government, (ii) further release of Central assistance is not possible, as the State Government has already availed of the total Assistance tentatively calculated for the whole financial year and (iii) the State Account which is under over-draft and is expected not to be cleared up within the stipulated period, W & M advance is sanctioned by the Government of India for smooth cash management of the State Government.

3.29 However, there is no standing order or circular to the effect as to how the quantum of W & M advance is to be decided for release by the Central Government in the above circumstances. Hence it is purely the discretion of the Plan-I Division to decide the quantum of W & M to be released to any particular State taking into account the need of the time and circumstances.

3.30 Further, under some special circumstances, Extended Ways and Means advances are sanctioned by Central Government to the States to meet any particular expenditure. In this case the advances sanctioned are specially treated and not required to be repaid within the same financial year. This Extended W & M advances are as good as Short / Medium term loans and special terms and conditions are decided for repayment of the same.

3.31 During the year 1999-2000, Extended Ways and Means advance of Rs.200.00 crore was sanctioned by the Government of India for implementation of Fiscal Reform / Restructuring Programme. A sum of Rs.400.00 crore has been sanctioned as Extended W & M advance by the Central Government during the year 2003-2004. (Rs.200.00 crore in June, 2003 and Rs.200.00 crore in October, 2003).

SALARY, WAGES AND PENSION :

3.32 The salary component (including Pension) has turned to be the single largest pressure on revenue expenditure of the State of Orissa. The Government staff in non-plan sector, State Plan, Central Plan and centrally sponsored plan schemes implemented by State Government as well as the employees receiving their salaries through grants-in-aid constitute salary holders. Out of them some of them belong to All India Services working under the State Government, and receiving their emoluments from the Consolidated Fund of the State. Besides, thousands of DLR and NMR employees are there receiving their monthly wages. Employees – technical and non-technical are always necessary and would always be needed for good governance and to further the developmental activities and to provide quality education and health services. They are no doubt the necessary instruments for the functioning of the State. However, it is the responsibility of the State to plan their size and derive the optimum output from them. Employees have not entered into the jobs on their own, they have been employed by the State through various mechanisms. In a State like Orissa, where secondary sector has not developed despite being endowed with immense natural resources, and agriculture and allied sectors have not made good strides in achieving higher productivity as compared to other States, the young people naturally generate tremendous demand to enter into secured government jobs.

3.33 Be that as it may, in 1972 the total number of employees was 2.81 lakhs and thirty years after there were 5.4 lakh employees including NMR / DLR receiving their salary from Consolidated Fund of Orissa i.e. an increase of 1.9 times in the size of employment; the salary component in the meantime has increased 80 times whereas the NSDP of the State has increased only 30 times and State's own and total revenue only 49 and 50 times respectively. Population of the State has increased during this period (between 1972-73 and 2002-03) only 1.7 times. While own revenue of Orissa has increased 49 times during thirty -one years from 1972-73 to 2002-03 (both years inclusive) between the same two financial years, State's own revenue in Kerala had increased 69 times, in Punjab 57 times, in Maharastra 75 times; in Andhra Pradesh 82 times and in Rajsthan 62 times.

Table No. – 3 I

Kerala		1972 -73	2002-03	
	State's own Revenue	118.00 (Rs.crore)	8141 (Rs.crore)	69 times rise
		1971-72	2001-02	
	Net State Domestic Product (NSDP)	1276 (Rs.crore)	69602 (Rs.crore)	55 times rise
Punjab		1972-73	2002-03	
	Own Revenue	153 (Rs.crore)	8676 (Rs.crore)	57 times rise
	NSDP	1737 (Rs.crore)	62968 (Rs.crore)	36 times rise
Maharastra		1972-73	2002-03	
	Own Revenue	382 (Rs.crore)	28576 (Rs.crore)	75 times rise.
		1971-72	2001-02	
	NSDP	4094 (Rs.crore)	241877 (Rs.crore)	59 times rise
		1972-73	2002-03(R.E.)	
Andhra Pradesh	Own Revenue	211 (Rs.crore)	17229 (Rs. crore)	82 times rise
		1971-72	2001-02	
	NSDP	2758 (Rs.crore)	125878 (Rs.crore)	46 times rise
Orissa		1972-73	2002-03	
	Own Revenue	78 (Rs.crore)	3833 (Rs. crore)	49 times rise
	NSDP	1297 (Rs.crore)	38737 (Rs.crore)	30 times rise
Orissa		1972-73	2002-03	
	Population	2.28 crore	3.78 crore	1.7 times rise
	Employees	2.81 lakh	5.40 lakh	1.9 times rise
		1972-73	2002-03	
Rajsthan	Own Revenue	131 (Rs.crore)	8120 (Rs.crore)	62 times rise
	NSDP	1661 (Rs. crore)	76888 (Rs.crore)	46 times rise.

3.34 Similarly while Net State Domestic Product (NSDP) has increased 29 times in Orissa between 1972-73 and 2002-03, a period of thirty- one years, in Kerala the increase during thirty-one years, that is between 1971-72 and 2001-02 (NSDP of Kerala for 2002-03 is not available) was 54 times; in Andhra Pradesh it was 45 times and in Maharastra and Rajsthan during the same period of 31 years between 1972-73 and 2002-03 the increase was 58 and 46 times respectively. The above comparative figures stand testimony to the slower growth of our economy and to the low return of revenue year after year. Here in Orissa, the State has failed as a good planner and effective facilitator.

3.35 Now, going by government statistics, for each 78 persons (as on 1.03.03) there is one employee receiving emoluments directly or indirectly from the Consolidated Fund of the State. The agony is that the existing employees are not fully satisfied since, they fail to receive a fair deal from the State Government in matters of service conditions and emoluments vis-a-vis the Central Government employees serving in the same cities or towns. People are discontented that the recruitment of employees has not been done equitably. There are some regions in the State which are more privileged to have a substantial proportion of employees whereas others are neglected. There are certain communities which are more fortunate in having access to secured employment while others are unlucky. State Government on the other hand is over burdened with financial pressures caused by the overwhelming quantum of emoluments. The Government feel the size of service holders as alarmingly large. In an atmosphere of discontentment, how can optimum positive output be expected from the employees?

3.36 Number of employees receiving salary from the State Consolidated Fund either directly or through grant-in-aid has been presented in Table No.3 J from 1972 onwards and upto 1.3.2003. The Fifth Pay Commission's recommendation had a very adverse effect on the budgetary balance due to unusual hike in emoluments of employees particularly from the year 1997-98.

Table No. – 3 J

Years	Total Number of Employees
1972	280712
1974	316132
1978	342628
1979	348473
1985	414241
1990	492962
1991	526390
1992	527659
2001	543841 (Excludes DLR/NMR 36251 and includes Grant-in-aid 30899)
2002	518787 (Excludes 31933 DLR/NMR Employees and includes 31777 Grant-in-Aid employees)
As on 1.3.2003	4,79,437 (Govt. Staff) + GIA Staff 29,295 = 5,08,732

Source : Data Centre, Finance Department, Government of Orissa

3.37 With a persisting backward economy (due to low investments in primary and secondary sectors) further aggravated by continuous natural calamities like flood, drought and cyclone, revenue receipt is not rising perceptively. It is an admitted fact that a low and slow growing economy weakens the revenue base of the State. Added to that more elastic sources of revenue fall under the control of the Central Government and areas which should have naturally and legally come under state subjects, like royalty on minerals, tax on exported items etc, have been taken over by the Central Government. On the other hand, more number of areas of expenditure have been kept as state subjects and as a result State expenditures are rising at a faster rate with galloping speed every year on account of sudden and unusual rise in salary and pension due to the award of the Fifth Pay Commission and huge rise in interest payments – areas in which State Government has no control.

3.38 All said and done, salary as a percentage of State's (Orissa) own revenue and salary and pension together as a proportion (%) of State's own revenue have already reached an unsustainable level as revealed in the Table No. 3 K. They have no doubt shown some declining trend recently, but no where in near future are they expected to come down to a comfortable level. Efforts are to be made for accelerating the pace of economic growth in the State to achieve a rapid increase in State's own revenue. Stop and think how to effect the big leap !.

Table No. – 3 K

(Rs. in crore)

Year	State's Own Revenue	Salary	Salary as % of State's Own Revenue	Pension	Pension as % of State's Own Revenue	Salary + Pension	Salary + Pension as % of State's Own Revenue
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1995-1996	1755.42	1767.60	101%	194.35	11%	1961.95	112%
1996-1997	1823.82	2064.03	113%	252.72	14%	2316.75	127%
1997-1998	1962.66	2623.36	134%	316.83	16%	2940.19	150%
1998-1999	2044.62	3399.06	166%	475.30	23%	3874.36	189%

1999-2000	2420.56	3886.77	161%	688.41	28%	4575.18	189%
2000-2001	2869.50	3802.84	133%	832.07	29%	4634.91	162%
2001-2002	3158.63	3735.90	118%	1003.22	32%	4739.12	150%
2002-2003 Actual	3833.01	3814.29	100%	1029.80	27%	4844.09	126%
2003-2004 (R.E.)	4085.14	4094.78	100%	1631.48	40%	5726.26	140%
2004-2005 (B.E.)	4452.67	4141.66	93%	1597.94	36%	5739.60	129%

Source : Finance Department, Government of Orissa

INTEREST PAYMENT :

3.39 Interest payment for quite some years now is another area of concern, responsible for creating serious financial crisis. The first as noted earlier, is huge outgo on account of salary, wages and pension. Government need people in employment for providing services, governance and development activities, and therefore salary is to be paid. It does not however, cause a problem so long as the outgo due to salary and pension is within sustainable limits. Similarly when the State borrows, it has to repay the capital as well as interest thereof. All borrowed money in Indian budgetary parlance is termed as capital and has been put under capital account. Therefore borrowed money as the capital should be invested in a manner such that it would generate sufficient return to make payment of annual interest and repayment instalments. Till then it would cause no problem. Otherwise it shall start snow balling the financial crisis. Again, investment in certain areas like social sector may not generate sufficient return directly, but it would help faster economic growth, thus indirectly helping revenue growth. Therefore the prudent management of borrowed money is an essential factor in fiscal management science. A part of the borrowed money should be passed on to individuals or / and institutions as loan on a slightly higher rate of interest than at which the State has borrowed, so that State would receive interest on its revenue account and capital repayment instalment on capital account of its receipt. Some portion of the money should have been invested in profitable concerns where from dividends and profits could have been earned. The rest of borrowed money should have been invested in socio-economic infrastructure projects so as to accelerate the pace of economic growth and in consequence raising more revenue for the State. But it has been found that very often than not, the projects or schemes in which borrowed money has been spent are not at all worth it and therefore, do not yield desired results. This is not a generalized statement but a statement of facts. In selfish moments of power, people forget the greater interests of the State and the society. The declaration of prosperity of the State dissipates into the extravagant luxuries of a few.

3.40 In 1951-52 the interest payment stood as a proportion of State's own revenue at 12.5% in Orissa. In 1961-62 it was 7.7% and the capital repayment and interest payment together as a percentage of State's own revenue stood at 47.06%. From 1971-72 the ratios did increase exponentially, which may be appreciated from the following Table No.3 L

Table No. – 3 L

ORISSA			
	Year	Interest payment as % of State's Total Revenue	Interest Payment of Capital Repayment as % of State's Own Revenue
	1951-52	12.5	N.A.
	1956-57	7.7	46.15
	1961-62	7.41	47.06
	1971-72	18.57	97.1
	1981-82	25.8	43.24
	1991-92	52.5	76.45
	2001-02	89.74	118.90
	2002-03 Acc.	75.2	123.14
MAHARASTRA			
Bombay Maharashtra + Gujarat	1951-52	4.8	8.16
Maharashtra	1961-62	15.5	25.5
	1971-72	8.02	26.6

	1981-82	7.73	14.26
	1991-92	14.9	20.02
	2001-02	24.78	29.37
	202-03 R.E.	25.27	3.19

Source: Calculated from RBI State Budgets.

3.41 These figures when compared with those of Maharashtra, one of the high income States, reveal how Maharastra's interest payments as a percentage of total revenue have been increasing at a slow pace. Facts, also reveal that the total revenue of Maharashtra is increasing at a faster pace, than rise in interest payments which is rather slow due to a low debt burden. In case of Orissa, the position is the reverse. Due to higher increasing debt at a faster pace, interest burden in Orissa is increasing at a higher rate while due to weak economy, growth of revenue is slow.

3.42 State endeavour alone in this case of alarming financial crisis cannot address the problem squarely. Centre ought to come forward to bail out this low income State from this staggering fiscal problem.

SALARY, PENSION, CAPITAL REPAYMENT AND INTEREST PAYMENT :

3.43 When the major crisis factors like salary, pension, capital repayment and interest payment are taken together into account and compared with State's own revenue and State's total revenue, it stands crystal clear that during 2003-04 (R.E.), the proportion of all the crisis factors stands at 281.68% and 119% of State's own revenue and State's total revenue respectively. The following Table No.3 M depicts the size of fiscal problem of Orissa over the last ten years in terms of expenditure on salary, pension, capital repayment and interest payment of Orissa Government. It may further be observed from the table as to how these payments have increased to 106 percent of state's total revenue and 265.10% of State's own revenue in 2004-05 (B.E.).

Table No. – 3 M

(Rs. in crore)

Sl. No.	Source	Year									
		1995-96 Actual	1996-97 Actual	1997-98 Actual	1998-99 Actual	1999-00 Actual	2000-01 Actual	2001-02 Actual	2002-03 Actual	2003-04 R.E.	2004-05 B.E.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1	Salary	1767.60	2064.03	2623.36	3399.06	3886.77	3802.84	3735.9	3814.29	4094.78	4141.66
2	Pension	194.35	252.72	316.83	475.30	688.41	832.07	103.22	1029.80	1631.48	1597.94
3	Principal Rep.	225.08	200.68	295.62	561.32	386.09	743.49	920.84	1934.62	2495.11	2602.59
4	Interest Payment	929.33	1079.44	1291.81	1482.92	1237.77	2286.88	2834.96	2885.58	3285.59	3461.91
A	Total	3116.36	3596.87	4527.62	5918.60	6199.04	7665.28	7594.92	9664.29	11506.96	11804.10
1	State's Own Tax	1127.19	1342.04	1421.73	1487.13	1704.08	2184.03	2466.88	2871.84	3168.00	3476.47
2	State's Own Non-Tax	628.23	481.78	540.93	557.49	716.48	685.47	691.75	961.17	917.14	976.20
3	Shared Tax from Centre	1284.93	1565.98	1563.61	1694.52	1748.45	2603.97	2648.72	2805.58	3225.14	4141.64
4	Grants-in-aid from Centre	850.36	896.96	1105.70	815.26	1715.63	1428.55	1240.63	1800.18	2369.89	2568.80
B.	Total	3890.71	4286.76	4631.97	4554.4	5884.64	6902.02	7047.98	8438.77	9680.17	11163.11
Difference		774.35	689.89	104.35	-1364.20	-314.40	-763.26	-546.94	-1225.52	-1826.79	-640.99
Percentage of Salary, Pernsion, Principal Repayment and Interest payment to State's Total Revenue		80%	84%	98%	130%	105%	111%	108%	115%	119%	106%
Percentage of Salary, Pernsion, Principal Repayment and Interest payment to State's Own Revenue		177.53%	197.22%	230.69%	289.47%	256.10%	267.13%	240.45%	252.13%	281.68%	265.10%

Source : Finance Department, Government of Orissa

3.44 Given the staggering height of the financial crisis in Orissa at the current stage, it is impossible on the part of any Public Finance Expert with whatever national / international reputation he may have, to suggest a feasible solution of the problem with the State's own effort only. A powerful outside intervention is warranted to address the financial crisis of Orissa. In order to help sustain the federal character of our national polity, the Centre must stand guarantee on no fallible terms, to establish horizontal equity, by prescribing vertical justice of desirable devolution of central resources in favour of the States, who need them most for survival, sustenance and growth with equity. The situation has reached a stage, where any lip sympathy or marginal tilt in favour of backward States like Orissa in matters of transfer of resources from the center would not help solve the problem. The matter is to be appreciated in proper perspective and action taken to address the alarming problem of debt burden and debt clearance in their totality neither casually nor partially.

3.45 Borrowing power of the State is not absolute . As per the provisions of the Constitution, a pre condition of the State's availing of a loan is to get the consent of the Central government. There is, however, a condition under Article 293 (3) of the Constitution of India for the States to obtain such 'consent,' i.e. if the State has still outstanding any part of a loan which had been made to the State by the Government of India or by the predecessor Government. All the states have outstanding loans from GOI at any point of time after the adoption of the Constitution of India and therefore no State Government can borrow within the territory of India even a single 'rupee' without the consent of Government of India. And hence for raising huge amount of loans year after year both the State and Central Governments are equally responsible. The Central Government whose 'consent' is mandatory should have to monitor regularly and should have to caution and when it becomes necessary not to accord further consent and control further debt of the State. Government of India's role here is like a Controller of State Debt till any limit to State borrowing has been prescribed by law, as required under Article 293 (1) of the Constitution of India. Central Government are more responsible for the rise of public debt receipt year after year thus raising the debt stock to such staggering heights. In this process, gross negligence of proper fiscal management by the successive governments of the State can not also be ignored.

3.46 Be that as it may, the financial crisis of the State of Orissa has reached such an alarming stage that it deserves effective attention for putting back its fiscal management on an even keel.

3.47 During 1980-81 to 1984-85 i.e. from 1.4.1980 till 31.3.1985, the public debt receipt including net GPF was Rs.1274.31 crores which was much more than the total debt stock of Rs.1077.91 crore from 1st April, 1936 (when separate Orissa Province was created during British Rule) till 31.3.1980. During the subsequent five years from 1985-86 till 1989-90, the State almost doubled (99% rise) the debt inflow with GPF at Rs.2538.09 crore and without GPF the rise was 89%. From 1990-91 to 1994-95 the debt was increased 126% i.e. more than double at Rs.5738.12 crore. From 1995-96 till 1999-2000, debt receipt during these five years totalled Rs.11810.57 crore, at more than double i.e. 106% of that of the previous five years. From 2000-01 till 2004-05 (B.E.) the total receipt of debt has further increased by 108% of the total debt of preceding five years. Given the high continuous revenue deficit with interest payment and huge capital repayments, the financial crisis of the State is worsening year after without any respite or sign of recovery.

Table No. – 3 N

DEBT TRAP

(Rs. in crores)

Year	Total Revenue Receipt	Total Revenue Expendi-ture	Reve-nue Surplus (+) / Deficit (-)	Repayment of Principal	Total Gap Revenue Surplus –Repay-ment or (Revenue Deficit + Repay-ment)	Gross Public Debt Receipt (Including Net GPF)	Five year's debt received	% Growth over prece-ding five years	% of Debt diver-ted to meet the Gap
1	2	3	4	5	6	7	8	9	10
1980-81	621.35	546.85	74.50	95.67	-21.17	194.81			-11%
1981-82	601.54	573.56	27.98	50.23	-22.25	185.75			-12%
1982-83	801.62	824.60	-22.98	63.59	-86.57	249.75	1274.31		-35%
1983-84	783.11	782.91	0.20	84.87	-84.67	335.94			-25%
1984-85	823.51	897.25	-73.74	113.68	-187.42	308.06			-61%
1985-86	940.84	1000.93	-60.09	100.86	-160.95	427.09			-38%
1986-87	1228.22	1247.96	-19.74	102.69	-122.43	373.24			-33%
1987-88	1333.08	1407.59	-74.51	126.75	-201.26	503.36	2538.09	99.17%	-40%
1988-89	1550.93	1658.72	-107.79	137.35	-245.14	597.04			-41%
1989-90	1740.72	1846.11	-105.39	143.79	-249.18	637.36			-39%
1990-91	2170.94	2190.53	-19.59	231.06	-250.65	898.80			-28%
1991-92	2447.26	2635.02	-187.76	233.29	-421.05	908.04	5738.12	126.08%	-46%
1992-93	2913.16	3048.88	-135.72	186.38	-322.10	1023.11			-31%
1993-94	3208.23	3479.37	-271.14	290.57	-561.71	1664.23			-48%
1994-95	3575.88	4035.52	-459.64	209.65	-669.29	1243.94			-54%
1995-96	3890.71	4697.81	-807.10	225.08	-1032.18	1486.98			-69%
1996-97	4286.76	5117.25	-830.49	200.68	-1031.17	1474.52			-70%
1997-98	4632.03	5535.17	-903.14	295.62	-1198.76	2189.37	11810.57	105.83%	-55%
1998-99	4554.40	6816.90	-2262.50	561.32	-2823.82	2924.96			-97%
1999-00	5884.63	8458.83	-2574.20	386.09	-2960.29	3734.74			-79%
2000-01	6902.02	8833.99	-1931.97	743.49	-2675.46	3644.59			-73%
2001-02	7047.98	9881.73	-2833.75	920.84	-3754.59	3952.56 *			-95%
2002-03	8438.77	10014.68	-1575.91	1360.06 *	-2935.97	5127.63 *	24553.80	107.90%	-57%
2003-04 R.E.	9680.17	1264.81	-2962.65	1631.32 *	-5457.76	6368.83 *			-72%
2004-05 B.E.	11463.11	14083.91	-2620.79	1152.59 *	5222.38	5460.19 *			-69%

* Excludes Ways & Means Advance from GOI for Rs.695.00 crore Loans repayment as debt swap excluded

* Loans repayment as debt swap excluded, Open Market loan incurred as Debt Swap excluded

Source: Calculated from Orissa Budgets

3.48 This table (Table No.3 N) also reveals that a part of the public debt is diverted to meet revenue deficit and capital repayment. These two liabilities are "consumption" in nature and high cost borrowed capital has been used to meet such current expenditures. During seventies and first part of eighties when there were either revenue surpluses or small revenue deficits and small capital repayment, smaller portion of the debt incurred was diverted to meet the gap caused by revenue deficit / surplus and capital repayment taken together. Had the greater part of borrowed capital been utilized on profitable projects to fetch better returns, things would have been different. During nineties and the first part of the first decade of the twenty first century, the R.D. grew larger, so also the amount of capital repayment. Larger portion of the borrowed money was transferred to meet the gap so much so that diversion of the capital went beyond ninety percent. During last three years the situation has not shown much improvements. Seventy five percent of the total debt has been used to cover revenue deficit and capital repayment taken together. Government of India must come forward to help the State to tide over the acute crisis of alarming debt burden and huge debt services which cripple the budgets year after year with high revenue deficits. A one time solution is sought for. State Government on their part should also enact 'Fiscal Responsibility and Budget Management Law' as early as possible with determination to follow the track enshrined in the said legislation.

3.49 (Transfer of resources from Centre to States is an usual practice in federal polity. Such a transfer is intended to bring about horizontal fiscal balance. In order to effect transfer of resources and allied matters, Finance Commission is constituted after the expiry of every fifth year (may also be earlier) under Article 280 of the Constitution of India. This constitutional body would assess the needs of the individual State and its capacity to raise resources. Thereafter, it decides the principle of devolution. The inherent philosophy of such a distribution of central resources is to see that a State with weak resource base gets access to larger resources in order to meet its minimum needs. Secondly, the resource mobilization capacity of the State is to be adequately strengthened, so that the State becomes less and less dependent on the Centre. It is evident that the revenue base of a State is directly dependent on its economic performance. More prosperous the State is, stronger shall be its revenue base. The State which starts with a weak revenue base and yet has high potentiality of economic development should be appropriately assisted to effect faster economic growth and this is expected to result in higher revenue collection. However, no Finance Commission has followed this intrinsic philosophy so far). One example would be enough to mention that Orissa was the only State which was left with deficit on non-plan revenue account after the devolution award of all the ten Finance Commissions – 1st to Tenth. It is in this context of a continuously deteriorating fiscal position, Orissa was demanding for a long time with successive Finance Commissions that their devolution formula should be so designed that after devolution of taxes and duties, its per capita revenue surplus on non-plan revenue account should be almost equal for all States. The Eleventh Finance Commission wanted at long last in the first year of the 21st century to correct the wrong meted out to Orissa by past ten Finance Commissions. The result was, after the devolution of taxes as awarded by the Eleventh Finance Commission, the per capita revenue surplus on non-plan revenue account remained Rs.1358.16 per annum for Maharashtra, Rs.1336.40 for Gugarat, Rs.1045.51 for Andhra Pradesh and Rs.400.36 for Bihar, whereas in case of Orissa the per capita post-devolution surplus on non-plan revenue account was only Rs.9.42 per annum. This is a glaring example of negligence and discrimination by the successive constitutional bodies meted out to a backward State like Orissa.

Table No. – 3 O
Per Capita Post Devolution Non- Plan Revenue Surplus
per annum(Eleventh Finance Commission Award)

Sl. No.	Name of the State	(Rs.)
1.	Maharastra	1358.16
2.	Gujarat	1336.40
3.	Karnatak	1174.56
4.	Haryana	1052.04
5.	Andhra Pradesh	1045.51
6.	Tamil Nadu	649.99
7.	Madhya Pradesh	637.16
8.	Kerala	490.10
9.	Bihar	400.36
10.	Assam	265.68
11.	Punjab	202.77
12.	Uttar Pradesh	187.30
13.	Rajsthan	108.55
14.	Orissa	9.42

Source: Eleventh Finance Commission: Calculations by the State Finance Commission

3.50 After the Constitution of India was adopted, Government of India thought of introducing planning into the economic activities of the nation. A permanent institution -- Planning Commission was constituted in 1951 not as a statutory body but under an executive fiat. Thereafter, planning became central theme to economic development in India. The dream was to end disease, hunger, poverty, and illiteracy and foster equal opportunity, if not equality, for all. The objective, after more than half a century of economic planning has remained largely unfulfilled. On spatial consideration, the socio-economic disparity among various regions of the nation would be substantially reduced – thereby bringing about balanced development all over. This loud proclamation also remained a far cry. Also, the rate of growth hardly touched the target over the plan period. Neither prosperity showered, nor poverty vanished. Planning which was meant to achieve the desired end could not fulfill its promises. Not that planning has achieved nothing, but it did not progress in the desired direction, let alone achieve the desired end. Backward States like Orissa suffered most which has been discussed in Chapter-II. Skewed distribution of budgetary and non-budgetary resources; erroneous prioritization of functional areas; bias in favour of powerful interest sections, negligence shown to the geographical areas with high potentiality of development and inappropriate implementation of programmes are some of the important factors for un-success in desired line.

3.51 Apart from that, the planning process being a centralized exercise has increased the debt burden of States particularly of backward States with seventy percent loan component in the plan assistance. Thus direct central government loan with NSS fund is estimated to be Rs.14,297 crore out of the total loan of Rs.27,717 crore (without GPF) in 2004-05 (B.E.) i.e. 52% of the total loan in Orissa. In 1995-96, however, the percentage of GoI loan to total loan (without GPF) was 62%. Planning for weaker States like Orissa has provided lesser economic growth, and has increased the debt stress of the State by bringing it to unsustainable position.

3.52 Another area of concern so far as State finance is concerned is in the fixation and revision of royalty on coal and other minerals. Fixation of royalty or tax on minerals is a State subject as is evident from item No.50 of State List (List II), but Central Government has enacted The Mines and Minerals (Development and Regulation), Act, 1957 in which Central Government has made provision under section 9 of the Act for the fixation and upward revision of minerals with a proviso that upward revision of royalty cannot be made within a period of three years from the date of last revision. First, in this said Act, the Central Government should not have made provision for royalty fixation as it was a State subject. Secondly because of the proviso the Central Government gets a handle to effect the revision as per their caprices, as a result GoI is revising royalty most irregularly to the detriment of State's financial interest. Thirdly fixation of royalty on different grades of minerals, coal in particular has been done most arbitrarily. This has caused immense harm to Orissa in getting its due share. Orissa has a large deposit and production of E and F grade of coal for power generation. Rate of royalty on select grade of coal has increased 132 times in 2002 over 1971; during the same period the rate of royalty on 'E' and 'F' grade coal has increased only 38 times. Such an unfair treatment meted out to Orissa must find an end as immediately as possible.

3.53 The following table (Table No.3 P) on revision of royalty on different grades of coal from 1971 till August, 2002 is quite revealing.

Table No. – 3 P
Rate of royalty of different grades of coal and growing disparities over successive revision

From 1.3.1971		From 12.2.1981		From 1.8.1991			From 11.10.1994			From Aug.2002
Grade	Rate of Royalty (Rs./ tonne)	Grade	Rate of Royalty (Rs./ tonne)	Grade	Rate of Royalty (Rs./ tonne)	Increase of Royalty Col.6 over Col.2	Grade	Rate of Roya-lty (Rs./ tonne)	Increase of Royalty Col.6 over Col.2	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
a) Selec-ted Grade	1.90	Gr.A Gr.B	6.50 (3.42)	Gr.A Gr.B	120.00	63.16 times	Gr.A Gr.B	195	102.63 times	250.00 (131.58) 165.00 (94.28)
b) Grade – I	1.75	Gr.C	5.50 (3.14)	Gr.C	75.0	42.85 times	Gr.C	135	71.05 times	115.00 (65.70)
c) Grade – II, III	1.70	Gr.D	4.30 (2.52)	Gr.D	45.0	25.71 times	Gr.D & E	70	41.18 times	85.00 (50)
and ungraded		Gr.E & F	2.50 (1.47)	Gr.E & F		14.71 times	Gr.F & G	50 times	29.41 times	65.00 (38.23)
	11.76% over the lowest royalty rate		160% more than the lowest royalty rate		380% more than the lowest royalty rate			290% more than the lowest royalty rate		300% more than the lowest royalty rate

SOURCE : Government of India Notifications

N.B. Prior to 1971, the royalty on Coal was fixed at 5% of the sale price of Coal (f.o.r. = free on rail) subject to minimum of 0.50 rupee per tonne. For other minerals such advalorem basis was in vogue till 1962, after which flat rate for tonne was introduce. But flat rate per tonne was introduced for Coal with effect from 1.3.1971.

Figures in brackets under Col. 4 & Col.11 denote increase of royalty of different grades of Coal in 1981 and 2002 over those of l971.

3.54 Justice Sarkaria, the Chairman of Commission on Centre-State relations had recommended in 1988 to revise royalty every two years positively and the Eleventh Finance Commission had recommended in 2000 that for the sake of transparency and fairness, the task of making recommendations on royalty rates should be entrusted to an independent body. GoI has declined to act positively on both these important recommendations.

3.55 Last, but not the least 'Taxes on the sale or purchase of goods' taking place in the course of inter- State trade or commerce was incorporated in the Constitution of India as an amendment to Article 269 in 1956. In the following year Central Sales Tax Act was enacted by the Parliament empowering the concerned States to collect and appropriate the collection. Rate of CST was 1% of sale or purchase value and the objective was that small percentage of 1% was meant as an expenditure to measure the quantum and direction of sale or purchase of goods in the course of inter-State trade or commerce. Subsequently, it was raised to 4% thereby converting the original objective of using the collection as a service expenditure to a revenue earning source. This amendment to the Constitution and the enactment of Central Sales Tax Act 1957 stood in good stead for producing prosperous states and their revenue became fatter and fatter at the cost of backward consumer states. It shall be interesting to note that while Maharastra receives as three years' average (1998-99 to 2000-01) 21% of total C.S.T. collection in the country followed by Tamil Nadu with 16%, Gujrat 12%, Haryana 9% and so on, Orissa receives only 0.40% of the total collection of C.S.T. In other words, Maharastra has garnered Rs.2037 crore in 2001-02 and Tamil Nadu has collected Rs.1537 crore, while Orissa has got only Rs.52 crore from C.S.T. the same year. Either C.S.T. should be abolished or be brought to the common divisible pool. The tax is collected from the people or traders in the backward States like Orissa and Bihar and helps Maharashtra, Tamil Nadu etc to fatten their exchequer more and more - carrying coal to New Castle. This becomes evident from the table given below.

Table No. – 3 Q

STATE WISE DISTRIBUTION OF POPULATION, SDP AND REVENUE
FROM GENERAL SALES TAX AND CENTRAL SALES TAX

(Per cent)

State	Population 1991	Population percentage 2001	SDP percentage 1988-89 to 1990-91 Average	SDP 2000-01 percentage	G.S.T. Average 1988-89 to 1990-91	GST Average of 3 years 1998-99 to 2000-01	C.S.T. Average of 1988-89 to 1990-91	CST Average of 3 years 1998-99 to 2000-01
1	2	3	4	5	6	7	8	9
High Income States								
1.Maharastra	9.46	9.4	15.30	16.81	17.37	13.43	21.78	20.70
2. Gujrat	4.95	4.9	6.81	7.79	9.57	7.14	11.89	11.76
3. Hariyana	1.97	2.1	3.12	2.83	2.13	2.98	6.19	8.63
4.Punjab	2.48	2.4	4.72	4.51	3.09	3.84	5.22	2.72
Sub Total	18.80	18.8	29.95	31.94	32.16	27.39	45.08	43.81
Middle Income Groupse								
5. Andhra Pradesh	7.79	7.4	8.31	9.16	8.82	11.88	5.07	8.49
6. Karnatak	5.39	5.1	5.89	6.99	7.28	9.08	7.84	7.55
7. Kerala	3.49	3.1	3.17	4.45	5.57	7.67	2.87	3.91
8.West Bengal	8.15	7.8	8.73	9.23	6.75	6.71	8.82	3.62
9. Tamil Nadu	6.69	6.1	6.86	9.27	11.47	12.66	9.71	15.9
Sub Total	31.68	29.5	32.95	39.1	39.89	48.00	34.31	39.47
Low Income States								
10. Bihar	10.35	10.7	6.01	3.08	4.25	3.81	5.22	3.30
11. Madhya Pradesh	7.9	7.9	6.36	5.32	4.22	4.75	6.85	5.93
12. Orissa	3.79	3.6	2.74	2.73	2.21	2.4	0.56	0.40
13.Uttar Pradesh	16.66	16.99	13.27	12.21	9.88	8.70	4.15	5.14
14. Rajsthan	5.27	5.5	4.85	5.55	4.39	4.95	1.32	1.94
Sub Total	44.00	44.69	33.23	28.89	24.95	24.61	18.10	16.71

1. Census of India, 1991, 2001
2. G.S.T., C.S.T.-Average for the years 1988-89 to 1990-91 and 1998-99 to 2000-01
3. SDP (State Domestic Product) at current prices for the year 1990-91 Classification of states as per Ninth Finance Commission.

GOVERNMENT GUARANTEE AND RELATED ISSUES THEREOF :

3.56 The State Government are required to provide guarantee cover to PSUs, Co-operatives, Urban Local Bodies, other institutions and even individuals to borrow from various Finance Institutions for their different activities, under Article 293 (1) of the Constitution of India. Normally guarantee is not considered as a part of borrowing liability of the State Government but in the event of default on part of the borrowing organization failing to make timely payment of loan instalments along with the interest due, loans ultimately become the contingent liability of State Government when guarantee is invoked. This affects the State Finance adversely.

3.57 The statement placed below indicates the total maximum amount guaranted, loan availed by the borrowing organizations against the guarantee sanctioned, and the amount of loan outstanding for repayment. The total progressive amount of guarantee provided by the end of 2003-04 comes to Rs.9473.30 cr. (PSU 7184.84 cr. + Co-op. 1848.38 cr. + ULBs Rs.440.08 cr.). Against the progressive guarantee of Rs.9473.30 cr. provided, the total loan outstanding for repayment is calculated at Rs.5172.91 cr. (PSUs Rs.4368.88 cr. + Co-op. Rs.609.33 cr. + ULBs Rs.194.70 cr.).

3.58 When Government take the responsibility of the contingent liability by providing guarantee cover to the organizations as indicated above, Guarantee Fee maximum @ 1% of the maximum of guarantee sanctioned is charged to be payable to Government. The guarantee fee due at the end of 2003-04 was Rs.131.83 cr. (PSUs Rs.116.37 cr. + Co-op. Rs.4.81 cr. + ULBs Rs.10.66 cr.) Out of the total Guarantee Fee due (Rs.131.83 cr.) the balance outstanding to be recovered is calculated at Rs.65.44 Cr. (PSUs Rs.56.10 cr. + Co-op. Rs.3.50 cr. + ULBs Rs. 5.84 cr.). The statement indicating the year wise break up of Guarantee Fee due and outstanding (From 98-99 to 2003-04) is enclosed for reference.

Table No. – 3 R

Statement Showing the Year wise and Sector wise progressive Amount of Guarantee sanctioned and outstanding Loan position

(Rs. in Crores)

Sl. No.	Year of Guarantee	Progressive Amount of Guarantee provided			Progressive Amount of Govt. Guaranteed Loan outstanding		
		Public Sector Under takings	Co-operative Sector	Urban Local Bodies Sector	Public Sector Under takings	Co-operative Sectors	Urban Local Bodies Sector
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1.	1990-91	2255.84	255.13	76.44	1373.12	109.88	34.13
2.	1991-92	1132.31	254.87	70.94	994.78	104.98	27.67
3.	1992-93	1326.37	375.85	105.03	896.47	141.33	49.75
4.	1993-94	1589.67	397.34	95.55	1169.57	142.86	42.50
5.	1994-95	1864.25	418.78	125.80	1111.56	190.94	46.21
6.	1995-96	2582.03	507.58	296.40	1490.45	245.99	137.18
7.	1996-97	2991.12	409.98	318.00	1548.74	251.03	142.77
8.	1997-98	3198.91	618.17	409.29	2010.15	339.40	235.31
9.	1998-99	4997.68	793.67	373.39	3094.05	366.26	231.55
10.	1999-00	5596.21	818.69	422.26	3287.88	316.80	223.87
11.	2000-01	5451.16	1172.52	441.69	3327.39	308.05	151.15
12.	2001-02	6762.77	1353.74	405.90	3833.93	1299.12	176.40
13.	2002-03	6741.01	1644.64	407.18	4569.86	751.64	177.04
14.	2003-04	7184.84	1848.38	440.08	4368.88	609.33	194.70

Source: Finance Department, Government of Orissa.

Table No. – 3 S

The Guarantee Position as a percentage of Revenue Receipt (Without Grants-in-Aid) of the 2nd Preceding Year (Actuals) From 1998-99 to 2003-04 as on 1st day of March

(Rs.in Crore)

Reference Year to take the proportion	Own Revenue receipt + share tax (Actuals) Total-(Without Grants-in-aid)	Year as on 31st March	Guaranteed Loan Outstanding as on 1st day of March	Percentage of Outstanding Guarantee in Relation of Revenue Receipt	Limitation of Govt. Guarantee
(1)	(2)	(3)	(4)	(5)	(6)
1996-1997	3389.8	1998-1999	3691.86	108.91	
1997-1998	3526.27	1999-2000	3828.55	108.57	
1998-1999	3739.14	2000-2001	3786.58	101.27	
1999-2000	4169.01	2001-2002	5310	127.34	
2000-2001	5473.47	2002-2003	5498.53	100.46	100%
2001-2002	5807.35	2003-2004	5177.91	89.16	96%
2002-2003	8438.75	2004-2005 as on 15.4.04	5177.91	61.37	92%

N.B.:- As against the limitation of Govt. Guarantee 92% of Revenue Receipt during the year 2004-2005 as fixed by State Cabinet

Source: Finance Department, Government of Orissa.

Table No. – 3 T

STATEMENT SHOWING THE YEAR WISE & SECTOR WISE PROGRESSIVE ACCOUNT OF GUARANTEE FEE DUE AND OUTSTANDING GUARANTEE FEE POSITION

(Rs. in crores)

Year	Guarantee Fee Due			Guarantee Fee Outstanding		
	PSU Sector	Co-op. Sector	ULB Sector	PSU Sector	Co-op. Sector	ULB Sector
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1998-1999	52.68	1.79	5.91	21.46	1.53	4.40
1999-2000	55.21	2.85	6.13	19.84	1.70	4.24
2000-2001	82.91	3.52	8.71	43.22	3.04	4.46
2001-2002	99.19	3.11	9.61	47.30	2.21	7.19
2002-2003	109.05	3.23	10.27	52.69	1.99	5.54
2003-2004	116.37	4.81	10.65	56.10	3.50	5.84

Source: Finance Department, Government of Orissa.

Table No. – 3 U

YEAR WISE, SECTOR WISE PAYMENT OF OUTSTANDING DUES TO THE FI/BANKS FROM STATE BUDGET THROUGH OTS ROUTE

Rs. in crores)

Year	PSU Sector	Co-op. Sector	ULB Sector	Total Amount
(1)	(2)	(3)	(4)	(5)
Up to1999-2000	19.49	65.01	1.00	85.50
2001-2002	4.92	-	-	4.92
2002-2003	27.24	17.85	-	45.09
2003-2004	21.03	17.09	-	38.12
TOTAL	72.68	99.95	1.00	173.63

* Out of Finance Department Budgets	23.10 Cr.
Out of Forest & Animal Resources Development Department Budget	0.08 CR.
Paid by IDC	14.94 Cr.
TOTAL	38.12 Cr.

Source: Finance Department, Government of Orissa.

3.59 As indicated above, the guarantee becomes contingent liability when the borrowing organization fails to repay the principal instalments along with interest accrued thereon. From the year 1999 to 2003-04, State Government have already discharged the guarantee liabilities amounting to Rs.173.63 cr. to different Financing Institutions, representing guarantee liabilities for PSUs at Rs.72.68 cr., for Co-operatives at Rs.99.95 cr. & for ULBs at Rs.1.00 cr. Payment of guarantee liability of different Financing Institutions amounting to Rs.19.13 cr. is under consideration of Government. The final payment and the quantum of outstanding dues to be paid shall be decided after negotiation with the Financing Institution for onetime settlement (OTS) during 2004-05 out of the budget provision made for the purpose.

3.60 As already indicated in the foregoing paragraphs, the invocation of the guarantee has a serious impact on State Finance, which not only drains out the State resource on payment of outstanding principal and interest where guarantee is invoked but also it spoils the image of Government at times when payment is not immediately made available to Financing Institutions due to certain financial constraints, at the time of Market Borrowing Programmes launched by State Government. In order to avoid such contingencies in future and to save the face of Government in the financial market, Government have decided to pay the outstanding guarantee liabilities of Financing Institutions through One Time Settlement (OTS) route where the repayment by the borrowing organizations is remote. Further a Guarantee Redemption Fund has been created with an initial investment of Rs.20.00 cr. in 2002-03 & Rs.40.00 cr. in 2003-04. The fund will be operated by the RBI for payment of contingent liability arising out of invocation of guarantee.

3.61 To reduce payment of huge contingent liability arising out of guarantee in future, State Government have formulated a policy to provide guarantee cover. The criteria and guidelines to provide guarantee by State Government have been issued in Finance Department Resolution Dt.12.11.2002 (Copy enclosed). According to the guidelines it has been decided that Finance Department while examining the guarantee proposed will ensure that the total outstanding Government guarantee as on 1st day of April every year shall not exceed 100% of the State revenue receipt (including devolution of Shared Tax under the award of Finance Commission but without grants-in-aid) of the 2nd preceding year, as reflected in the books of accounts maintained by the Accountant General. Attempt should be made to bring it gradually to a reduced level of 80% over the next five years. During the year 2000-2001 the percentage of outstanding guarantee was 100.46% in relation to Revenue receipt as indicated above. The percentage was reduced to 89.16% in 2001-02 and in 2002-03 it was 61.37% as on 15.4.2004. A statement indicating the percentage of outstanding guarantee from 1998-99 is enclosed for reference.

Table No. – 3 V

RURAL INFRASTRUCTURE DEVELOPMENT FUND - SYNOPSIS AS ON 31.03.2004

RIDF Tranches	Implementing Deptt.	Project Compo-nent	No. of Projects Sanct-ioned	Projects Withdrawn / Dropped	Projects Under Impleme-ntation	No. of Projects Comp-leted	No. of Incomp-lete Projects
(1)	(2)	(3)	(4)	(5)	(6) (4-5)	(7)	(8) (6-7)
RIDF - I 1995-96 to 31.12.2000 Rate of Int. 13%	Works	Bridges	18	2	16	16	0
	Water Resources	Mjnor. / Medium Irr.	5		5	5	0
		Minor Irr.	50	8	42	42	0
		Lift Irr. Point	2491	49	2442	2442	0
TOTAL - RIDF - I			2564	59	2505	2505	0
RIDF - II 1996-97 to 30.06.2002 Rate of Int. 12%	Works	Roads	2		2	2	0
		Bridges	15		15	15	0
	Water Resources	Mjnor. / Medium Irr.	9	1	8	8	0
	Rural Devt.	Bridges	20	1	19	19	0
TOTAL - RIDF - II			46	2	44	44	0
RIDF - III	Works	Roads	2		2	2	0

1997-98 to 31.12.2002 Rate of Int. 12%		Bridges	10		10	9	1
	Water Resources	Mjnor. / Medium Irr.	6		6	5	1
		Minor Irr.	16		16	8	8
	Rural Devt.	Roads	2		2	1	1
		Bridges	17		17	6	11
TOTAL - RIDF - III			53	0	53	31	22
RIDF - IV 1998-99 to 31.3.2004 Rate of Int. 7%	Works	Roads	2		2		2
		Bridges	9		9	5	4
	Water Resources	Mjnor. / Medium Irr.	9	1	8	2	6
		Minor Irr.	15	7	8		8
	Rural Devt.	Bridges	13	1	12	5	7
TOTAL - RIDF - IV			48	9	39	12	27
(1)	(2)	(3)	(4)	(5)	(6) (4-5)	(7)	(8) (6-7)
RIDF - V 1999-2000 to 31.3.2004 Rate of Int. 7%	Works	Roads	2		2		2
		Bridges	6		6	1	5
	Water Resources	Mjr. / Medium Irr.	2		2		2
		Minor Irr.	13		13		13
		Cyclone affected Med.Irr. Projects	4		4	1	3
		Cyclone affected Min.Irr. Projects	12		12		12
	Rural Devt.	Bridges	12		12	8	4
	Agriculture	Cyclone affected Agril. farm Projects	26		26	26	0
		Cyclone affected Horti. Farm Projects	15	15			0
TOTAL - RIDF - V			92	15	77	36	41
RIDF - VI 2000-01 to 31.3.2004 Rate of Int. 7%	Works	Roads					0
		Bridges	4		4		4
	Water Resources	Cyclone affected Med.Irr. Projects	1		1		1
		Minor Irr.	5		5		5
	Rural Devt.	Bridges	27		27	15	12
	Agriculture	Wells	16084		16084	12571	3513
		Soil Conserv. Farms	1	1			0
TOTAL - RIDF - VI			16122	1	16121	12586	3535
RIDF - VII 2001-02 to 31.03.2004 Rate of Int. 7%	Works	Roads	18		18	4	14
		Bridges	23	1	22	4	18
	Water Resources	Mjr./Medium Irr.	1		1		1

		Minor Irr.	67		67	1	66
	Rural Devt.	Bridges	39		39	16	23
TOTAL - RIDF - VII			148	1	147	25	122
RIDF - VIII 2002-03 to 31.03.2004 (Road Projects) 31.03.2005 (Bridge Projects) Rate of Int. 6.5%	Works	Roads	16	0	16	0	16
		Bridges	7	0	7	1	6
	Water Resources	Mjr./Medium Irr.	4	0	4	0	4
		Minor Irr.	22	0	22	0	22

(1)	(2)	(3)	(4)	(5)	(6) (4-5)	(7)	(8) (6-7)
		River Lift Irr.	257	0	257	0	257
	Rural Devt.	Roads	26	0	26	0	26
		Bridges	63	0	63	8	55
TOTAL - RIDF - VIII			395	0	395	9	386
RIDF - IX 2003-04 to 31.03.2006 Rate of Int. 6.5%	Works	Roads	16	0	16	0	16
		Bridges	2	0	2	0	2
	Water Resources	Mjr./Medium Irr.	2	0	2	0	2
		Minor Irr.	5	0	5	0	5
		River Lift Irr.	0	0	0	0	0
	Rural Devt.	Roads	7	0	7	0	7
		Bridges	18	0	18	0	18
TOTAL - RIDF - IX			50	0	50	0	50
GRAND TOTAL - (RIDF - I to IX)			19518	87	19431	15248	4183

Table No. - 3 W

Outstanding Position of RIDF Loan

(Rs.in Crore)

RIDF Scheme	Rate of Interest	Outstanding as on 31.03.2004	Receipt upto 31.03.2004	Repayment upto 31.03.2004	Outstanding as on 01.09.2004
(1)	(2)	(3)	(4)	(5)	(6)
1	13	8.38	0.00	2.21	6.17
2	12	48.02	0.00	7.54	40.48
3	12	99.00	0.00	15.33	83.67
4	7	8.06	3.32	0.00	11.38
	12	56.83	0.00	5.17	51.66
5	7	5.37	1.97	0.00	7.34
	9	2.61	0.00	0.00	2.61

	12	60.03	0.00	0.98	59.05
6	7	7.01	2.23	0.00	9.24
	9	11.68	0.00	0.00	11.68
	11.5	50.57	0.00	0.53	50.04
7	7	8.44	0.00	0.00	8.44
	9	4.22	4.51	0.00	8.73
	10.5	68.90	0.00	0.00	68.90
8	6.5	10.39	8.39	0.00	18.78
	8.5	65.96	0.00	0.00	65.96
9	6.5	15.48	6.55	0.00	22.03
Total		530.95	26.97	31.76	526.16

Table No.- 3 X

AMOUNT TO BE CLEARED UP BY GOVERNMENT TO FI / BANKS
THROUGH ONE TIME SETTLEMENT AS ON 31.3.2004

(Rs. in Crores)

Name of the Banks / FI	Amount	Borrowing Institutions
(1)	(2)	
United Bank of India	2.80	Konark TV
Allahabad Bank	4.05	Orissa Textile Mile
State Bank of India	6.17	
UCO Bank	0.69	Bhaskar Textile Mile
IDBI	4.42	Jagannath WCS 202.00 Utkal WCS 240.00
TOTAL	18.13	

Source: Finance Department, Government of Orissa.

Table No.- 3 Y

OUTSTANDING DUES OF THE BORROWING ORGANISATIONS
IN RESPECT OF S.B.I. AS ON 31.03.2004

(Rs. in Crores)

Sl. No	Name of the Borrowing Organisation	Amount Claimed by the SBI	Outstanding position and confirmed by A/D		70% Amount paid by Govt. during 03-04	Balance amount to be paid during 04-05	Whether confirmed by the A/D	Name of the A/D	Remarks
			100%	70%					
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1.	Utkal Gomangal Samiti	1.12	0.00	0.00	0.00	0.78	No	FARD Deptt.	
2.	Leather Industry Corporation	0.62	0.00	0.00	0.00	0.43	No 70%	Industries Deptt.	
3.	Otissa Lift Irrigation Corporation	0.52	0.00	0.00	0.00	0.36	No	W/R Deptt.	
4.	Donpur Jute Marketing Co-op Societies	0.15	0.00	0.00	0.00	0.11	No	Co-operation Deptt.	
5.	Konark T.V. Ltd.	5.14	4.10	2.87	2.87	1.23	Yes	I.T. Deptt.	Case is under DRT
6.	E.L. COSMOS Electronics Ltd.	1.97	0.96	0.67	0.67	0.29	Yes	I.T. Deptt.	Case is under DRT
7.	IPITRON TIMES Ltd.	1.59	1.52	1.06	1.06	0.46	Yes	I.T. Deptt.	Case is under DRT
8.	OSCHC Ltd.	2.75	2.55	1.79	1.79	0.77	30% Yes	Industries Deptt.	Confirmed by Deptt. through their File No.1.H.C.I16/2004
9.	Utkal W.C.S.	3.39	3.39	2.37	2.37	1.02	Yes	T & H. Deptt.	
10	Kalinga W.C.S.	2.43	2.43	1.70	1.70	0.73	Yes	T & H. Deptt.	
	TOTAL	19.68	14.95	10.46	10.46	6.17			

Source: Finance Department, Government of Orissa.
A.D. : Administrative Department

<u>OFF BUDGET BORROWINGS</u> :

3.62 State's Revenue Receipts are inadequate to meet the Non-Plan Revenue expenditure on their own and practically no surplus is available for funding the State Plan Schemes and the State's matching share required for schemes under centrally sponsored plan. Most of the State Plan Schemes are funded through borrowings. As the borrowings are specified and earmarked for specific purpose, the developmental activities not covered within the specified amount have remote chance to be funded out of own resources. In order to execute these developmental schemes, State Government decided to borrow funds from various Financing Institutions / issue Bonds through different corporations / Public Sector Undertakings against the guarantee cover of the State Government. But as it appears, no scheme has been formulated nor any policy decision has been approved in general for off Budget borrowing by State Government nor any rule has been framed in this regard. The concept of off Budget Borrowing was initiated during the year 1990-91 for execution of additional Water Supply Schemes in New Capital, Bhubaneswar, taking Naraj as source. Thereafter a number of schemes were taken up for execution through out-sourcing. A comprehensive statement indicating the details of off Budget Borrowing is enclosed. The margin money, where necessary, is being provided as grants-in-aid. For payment of interest and repayment of loan / redemption of Bonds, funds are also being provided as grants-in-aid to the borrowing institutions. By this arrangement, no doubt, Government are able to finance and execute the schemes having public interest by arranging funds from out-sources, which could not have been funded from own resources. But in the process of providing margin money, and grants-in-aid for payment of interest and repayment of loan, the revenue expenditure of the State Government is increasing leading to high revenue deficit. Besides the above, it may be indicated here that though capital assets are created by utilising the funds raised, the same is not being accounted for in the accounts of the State Government, since the expenditure are being booked as revenue expenditure. Though it increases the loan burden of the State Government, the liability is not shown in the budget and as such violates the fundamental principle of budgeting. As the fund is arranged through loan or floatation of Bonds on behalf of the Government., the money so received is not passed to the Consolidated Fund of the State. The funds are being kept with the borrowing institutions for execution of specific schemes / projects. As the funds are kept outside the government account, there is a chance of mis-utililisation / temporary mis-appropriation of the fund by the institution concerned. Even the Government have neither proper control over the expenditure nor the accounts are subject to regular audit by the Accountant General. Though the Off-Budget borrowing is, on the one hand, beneficial for execution of schemes / programmes having public interest, on the otherhand, it creates so many accounting irregularities and specially increases revenue deficit which is not a healthy symptom so far as the State Finance is concerned. Therefore, the State Government need to move a legislation on Off-Budget Borrowings prior to the adoption of the procedure for funding of any scheme / project in future through outsourcing for the same with a view to limiting the borrowing and ensuring accountability.

Table No.- 3 Z

OFF BUDGET BORROWING OF THE STATE (As on 31.3.2004)

(Rs in Crores)

Sl. No	Name of the Government Project	Name of the Imple-menting Agency	Year of imple-mentation	Estimated Project Cost	Govt. guarantee Provided for availing Loan	G.O. No. & Date	Margin Money to be provided for the Project	Margin money availed	Guarantee Loan availed	Principal Out-standing for Repayment
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1.	Naraj W/S Scheme No. -10806	B.D.A., BBSR	1990-91	55.71	29.45	3614/ 29.01.1991	26.26	26.26	29.45	21.33
2.	Ganjam Flood Phase - I Scheme No. -8471	OSHB	1991-92	1.00	1.00	21488/ 20.05.1991	0.00	0.00	1.00	0.74
(a)	W/S to Cuttack Scheme No. -9425	Orissa W.S. & Sewerage Board	1992-93	28.57	20.00	39306/ 24.09.1992	9.43	9.43	19.30	8.14
(b)	W/S to Kendrapara Scheme No. -9427	Orissa W.S. & Sewerage Board	1992-93	12.84	8.99	39298/24.09.1992 34152/ 07.05.2002	3.85	3.85	7.47	3.36
(c)	W/S to Sambalpur Scheme No. -9816	Orissa W.S. & Sewerage Board	1993-94	35.45	17.97	22194/ 01.09.1993 Nil/ 27.08.2002	17.48	16.48	15.43	7.46
(d)	W/S to Jajpur Road Scheme No. -9984	Orissa W.S. & Sewerage Board	1992-93	5.06	3.54	32463/ 09.01.1993	1.52	1.52	2.89	1.05
(e)	W/S to Rourkella Scheme No. -11327	Orissa W.S. & Sewerage Board	1994-95	33.96	23.77	42208/ 28.12.1994 34165/ 09.05.2002	10.19	9.55	12.92	7.16
(f)	W/S to Jeypore Scheme No. -10015	Orissa W.S. & Sewerage Board	1993-94	16.19	11.01	45220/ 15.12.1993 34165/ 09.05.2002	5.18	4.85	7.90	4.33
(g)	W/S to Angul Scheme No. -14888	Orissa W.S. & Sewerage Board	2001-02	4.90	3.92	39789/ 27.10.2001	0.98	0.99	0.25	0.25

(h)	W/S to Sewerage Board, Titilagarh, Scheme No. - 17302	Orissa W.S. & Sewerage Board	2002-03	13.60	10.88	26999/ 17.07.2002	2.72	2.36	3.20	3.20
3.	Sainik School Government Qr.	B.D.A., BBSR	1997-98	0.00	45.09	7499(ECA)/07.03.1998	0.00	0.00	8.33	8.25
4.	Providing Infrastructure for Dev. of I.T. in the State	OSEDC	1999-2000	20.00	20.00	914/ 13.01.2000	0.00	0.00	20.00	0.00
5.	Providing Infrastructure of Estt. of Steel Industries at Duburi	IPICOL	1994-95	130.00	130.00	8816/ 07.03.1994	0.00	0.00	130.00	0.00
6.	Clearance of N.T.P.C. dues of GRIDCO	GRIDCO	2003-04	1102.87	1102.87		0.00	0.00	1102.87	Not due
	T O T A L			1460.16	1428.49		77.61	75.29	1361.01	65.25

N.B. : - The deem date of Power Bond flotation will be started from 2001-02 and Payment will be made after five years Moratorium Period that is for 2006-07

<u>CURRENT POSITION OF PUBLIC ENTERPRISES AND NEED FOR REFORMS</u> :

3.63 As per available information from Public Enterprise Department there are seventy one Government companies including four Statutory Corporations as on 31st March, 2003. The total investment in these companies was of the order of Rs.12435.74 CRORE Out of which paid up capital was to the tune of Rs.2483.03 and loan was to the tune of Rs.995.28 respectively. The Power Sector absorbs nearly 70% of the total Public Sector investment of the State.

3.64 It is well known fact that the State is passing through a financial crisis un-precedented in nature characterised by increasing revenue deficits year after year leading to repeated borrowings. The outstanding debt burden at the end of the 2003-2004 is of the order of 32312.49 crores (As per information available in Orissa Budget 2004-2005 - At A Glance published by Finance Department, Govt. of Orissa) and if not arrested, this is likely to go up to Rs.37,063 crore by 2005-2006. At present, the State's own revenue together with its share of central taxes and grants from the center falls short of the expenditure on salary, pension, interest payment and repayment of principal by more than Rs.150 crore and to meet this deficit and other expenses, the State is borrowing heavily. Out go on account of interest payment alone is likely to increase to Rs.3,945 crore by 2005-06, amounting to about 70% to 80% of the State's total revenue.

3.65 The social sector in Orissa is in urgent need of new investments in Primary and Secondary education, health, housing, infrastructure etc. Independent professional estimates show that if only the hidden subsidies enjoyed by the PSEs were diverted to these sectors, it would have led to creation of about 21,000 new primary schools, 26,000, kilometers of metal roads, 17,000 new doctors, nearly one lakh resettlement houses or five lakh new jobs over the three years, 1997-1999.

3.66 The State is no longer in a position to pay for the increasing needs of PSEs, which have huge accumulated losses and require infusion of fresh equity capital and loans for continuation. The Government cannot afford such expenditure at the cost of development in the much-needed social sector. The Government have to prioritise the use of available resources for the benefit of the poor. It is a well-realised and accepted fact that the ultimate aim of the Reform Programme is to help the poor and backward people in the State. This objective can be achieved in the following manner.

a) Due to non-payment of salaries and lack of work, employees of many PSEs and Co-operatives are suffering and the PE Reform Programme has been putting a check on their sufferings by offering VR.

b) The resources / finances of by PSEs are being made available for social development such as construction of roads, schools and hospitals etc. which will benefit the poorest of the poor in far flung rural areas. This endeavour will also see a manifold increase in employment avenues.

3.67 While the State Government intend to divert more funds for social sectors of the State economy, the PSEs are also experiencing major financial crises of an unprecedented nature with most of them facing huge recurring losses. Due to poor financial performance, the PSEs have run into financial problems and data for the five years (1995-2000) show that year after year the State Government have been trying to bail out these undertakings by infusing fresh capital, loan, subsidies and waivers. Hidden subsidies by way of unabsorbed interests and guarantees have created additional burdens as are shown in the following table.

Table No.- 3 AA

BUDGETARY SUPPORT TO PSEs INCLUDING SUBSIDIES

(Rs. in crore))

Sl. No.	Name of the Enterprises	Year	BUDGETARY SUPPORT RECEIVED IN FORM OF					
			Equity	Loan	Subsidy	Grant	Subvention	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1	Orissa State Financial Corporation	1993-94	2.49	0.00	2.67	0.00	3.00	8.16
		1994-95	4.89	1.50	3.50	0.00	1.45	11.34
		1995-96	2.49	0.00	8.97	0.00	0.50	11.96
		1996-97	0.00	0.00	5.16	0.00	0.50	5.66
		1997-98	0.00	0.00	3.20	0.00	2.00	5.20
		1998-99	0.00	0.00	2.25	0.00	0.00	2.25
		1999-00	0.00	0.00	0.75	0.00	1.00	1.75
		2000-01	0.00	0.00	1.75	0.00	1.08	2.83
		2001-02	0.00	0.00	0.20	0.00	0.30	0.50
		2002-03	0.00	0.25	0.40	0.00	0.00	0.65
2	Orissa State Warehousing Corporation	1993-94	0.09	0.00	0.00	0.00	0.00	0.09
		1994-95	0.20	0.00	0.00	0.00	0.00	0.20
		1995-96	0.00	0.00	0.00	0.00	0.00	0.00
		1996-97	0.00	0.00	0.00	0.00	0.00	0.00
		1997-98	0.10	0.00	0.00	0.00	0.00	0.10
		1998-99	0.00	0.00	0.00	0.00	0.00	0.00
		1999-00	0.00	0.00	0.00	0.00	0.00	0.00
		2000-01	0.20	0.00	0.00	0.00	0.00	0.20
		2001-02	0.00	0.00	0.00	0.00	0.00	0.00
		2002-03	0.00	0.00	0.00	6.00	0.00	6.00
3	IDCO	1993-94	0.00	0.00	0.00	0.20	0.00	0.20
		1994-95	0.00	0.00	0.00	0.00	0.00	0.00
		1995-96	0.00	0.00	0.00	1.68	0.00	1.68
		1996-97	0.00	0.00	0.00	7.32	0.00	7.32
		1997-98	0.00	0.00	0.00	1.14	0.00	1.14
		1998-99	0.00	0.00	0.00	2.00	0.00	2.00
		1999-00	0.00	0.00	0.00	0.60	0.00	0.60
		2000-01	0.50	5.00	0.00	0.00	0.00	5.50
		2001-02	2.86	0.30	0.00	0.00	0.00	3.16

		2002-03	1.20	0.10	0.00	0.00	0.00	1.30
4	Orissa State Road Transport Corporation	1993-94	2.30	0.00	2.60	0.06	0.00	4.96
		1994-95	7.20	0.00	3.60	0.06	0.00	10.86
		1995-96	3.95	0.00	1.60	0.03	0.00	5.58
		1996-97	8.95	0.00	1.60	0.14	0.00	10.69
		1997-98	3.00	0.00	1.60	0.24	0.00	4.84
		1998-99	3.60	0.00	1.60	0.00	0.00	5.20
		1999-00	6.98	0.00	1.60	0.00	0.00	8.58
		2000-01	0.00	0.00	1.60	0.00	0.00	1.60
		2001-02	0.00	0.00	1.60	0.00	0.00	1.60
		2002-03	0.00	0.00	1.60	0.00	0.00	1.60
5	GRIDCO	1993-94	0.00	10.10	226.03	0.00	0.37	236.50
		1994-95	0.00	15.30	160.98	0.00	0.19	176.47
		1995-96	0.00	8.45	257.62	0.00	47.39	313.45
		1996-97	343.69	2.00	11.38	0.00	4.99	362.06
		1997-98	40.55	33.63	5.31	0.00	6.99	86.48
		1998-99	73.72	203.80	5.29	0.00	14.50	297.31
		1999-00	29.91	78.41	5.00	0.00	0.15	113.47
		2000-01	0.25	231.99	0.00	0.00	0.00	232.24
		2001-02	2.89	61.62	0.00	0.00	0.00	64.51
		2002-03	5.45	111.08	33.33	0.00	0.00	149.85
6	Orissa Agro Industries Corporation	1993-94	0.54	1.03	0.00	0.03	0.00	1.61
		1994-95	1.55	0.00	0.07	0.08	0.00	1.71
		1995-96	1.10	0.00	0.01	0.01	0.00	1.12
		1996-97	0.09	0.00	0.04	0.00	0.00	0.13
		1997-98	0.00	0.00	0.00	0.00	0.00	0.00
		1998-99	0.00	0.00	0.00	0.00	0.00	0.00
		1999-00	0.00	0.00	0.00	0.00	0.00	0.00
		2000-01	0.00	0.00	0.00	0.00	0.00	0.00
		2001-02	0.00	0.00	0.00	0.00	0.00	0.00
		2002-03	0.00	0.00	0.00	0.00	0.00	0.00
7	Orissa Construction Corporation	1993-94	8.00	0.00	0.00	0.00	0.00	8.00
		1994-95	8.00	0.00	0.00	0.00	0.00	8.00
		1995-96	9.00	0.00	0.00	0.00	0.00	9.00
		1996-97	10.00	0.00	0.00	0.00	0.00	10.00
		1997-98	10.50	0.00	0.00	0.00	0.00	10.50
		1998-99	10.50	0.00	0.00	0.00	0.00	10.50
		1999-00	11.00	0.00	0.00	0.00	0.00	11.00
		2000-01	11.50	0.00	0.00	0.00	0.00	11.50
		2001-02	10.50	0.00	0.00	0.00	0.00	10.50
		2002-03	0.00	0.00	0.00	0.00	0.00	0.00
8	Orissa Forest Development Corporation	1993-94	0.00	0.00	0.00	0.00	0.00	0.00
		1994-95	0.00	20.00	0.00	0.00	0.00	20.00
		1995-96	0.00	6.25	0.00	0.00	0.00	6.25

		1996-97	0.00	0.00	0.00	0.00	0.00	0.00
		1997-98	0.00	6.75	0.00	0.00	0.00	6.75
		1998-99	0.00	1.25	0.00	0.00	0.00	1.25
		1999-00	0.00	19.00	0.00	0.00	0.00	19.00
		2000-01	0.00	6.77	0.00	0.00	0.00	6.77
		2001-02	0.00	0.00	0.00	0.00	0.00	0.00
		2002-03	0.00	0.00	0.00	0.00	0.00	0.00
9	Industrial Development Corporation	1993-94	52.72	59.90	0.00	5.00	0.00	117.61
		1994-95	53.53	67.42	0.00	5.00	0.00	125.95
		1995-96	55.52	85.05	0.00	5.00	0.00	145.57
		1996-97	56.52	86.23	0.00	5.00	0.00	147.75
		1997-98	20.37	179.10	0.00	5.00	0.00	204.47
		1998-99	20.37	182.15	0.00	5.00	0.00	207.53
		1999-00	20.39	320.52	0.00	7.57	0.00	348.48
		2000-01	20.50	325.22	0.00	7.57	0.00	353.28
		2001-02	20.60	350.49	0.00	2.57	0.00	373.66
		2002-03	0.00	0.00	0.00	0.00	0.00	0.00
10	Orissa Small Industries Corporation	1993-94	1.00	0.00	0.00	0.00	0.00	1.00
		1994-95	0.82	0.00	0.00	0.00	0.00	0.82
		1995-96	0.00	0.50	0.00	0.00	0.00	0.50
		1996-97	0.00	0.70	0.00	0.00	0.00	0.70
		1997-98	0.00	0.25	0.00	0.00	0.00	0.25
		1998-99	0.00	0.25	0.00	0.00	0.00	0.25
		1999-00	0.00	0.00	0.00	0.00	0.00	0.00
		2000-01	0.00	0.00	0.00	0.00	0.00	0.00
		2001-02	0.00	0.00	0.00	0.00	0.00	0.00
		2002-03	0.00	0.00	0.00	0.00	0.00	0.00
11	IPICOL	1993-94	0.00	1.00	0.00	0.00	0.00	1.00
		1994-95	0.00	2.00	0.00	0.00	0.00	2.00
		1995-96	0.00	2.80	0.00	0.00	0.00	2.80
		1996-97	0.00	5.00	0.00	0.00	0.00	5.00
		1997-98	0.00	0.50	0.00	0.00	0.00	0.50
		1998-99	1.00	7.20	0.00	0.00	0.00	8.20
		1999-00	0.00	0.56	0.00	0.10	0.00	0.66
		2000-01	0.00	0.57	0.00	0.00	0.00	0.57
		2001-02	0.00	0.00	0.00	0.00	0.00	0.00
		2002-03	0.00	0.25	0.00	0.00	0.00	0.25
12	Orissa Film Development Corporation	1993-94	0.45	0.00	0.20	0.05	0.00	0.70
		1994-95	0.00	0.30	0.25	0.10	0.00	0.65
		1995-96	0.45	0.30	0.15	0.03	0.00	0.93
		1996-97	0.00	0.65	0.20	0.05	0.00	0.90
		1997-98	0.00	0.00	0.26	0.06	0.00	0.32
		1998-99	0.00	0.25	0.00	0.25	0.00	0.50
		1999-00	0.00	0.00	0.00	0.20	0.00	0.20

		2000-01	0.00	0.00	0.00	0.10	0.00	0.10
		2001-02	0.00	0.00	0.00	0.05	0.00	0.05
		2002-03	0.00	0.00	0.00	0.53	0.00	0.53
13	Orissa State Seeds Corporation	1993-94	0.04	1.66	0.00	0.00	0.00	1.70
		1994-95	0.08	0.00	0.00	0.00	0.00	0.08
		1995-96	0.24	0.00	0.00	0.00	3.00	3.24
		1996-97	0.00	0.00	0.00	0.00	0.00	0.00
		1997-98	0.00	0.00	0.00	0.00	0.00	0.00
		1998-99	0.05	0.00	0.00	0.00	0.00	0.05
		1999-00	0.00	0.00	0.00	0.00	0.00	0.00
		2000-01	0.00	0.00	0.00	0.00	0.00	0.00
		2001-02	0.00	0.00	0.00	0.00	0.00	0.00
		2002-03	0.00	0.00	0.12	0.00	0.00	0.12
14	Orissa Pisciculture Development Corporation (Fish Seed Corpn. & OMCAD merged to form the Corporation on 15.10.1998)	1999-00	0.00	2.91	0.00	0.14	0.00	3.04
		2000-01	0.00	0.00	0.00	0.15	0.00	0.15
		2001-02	0.00	0.00	0.00	0.00	0.00	0.00
		2002-03	0.00	0.00	0.00	0.00	0.00	0.00
A)	OMCAD	1993-94	0.44	0.00	0.00	0.53	0.00	0.97
	(Fish Seed Corpn. & OMCAD merged to form the Corporation on 15.10.1998)	1994-95	1.47	0.00	0.00	0.00	0.00	1.47
		1995-96	0.10	0.00	0.00	0.05	0.00	0.15
		1996-97	0.00	0.00	0.00	0.00	0.00	0.00
		1997-98	0.05	0.00	0.00	0.00	0.00	0.05
		1998-99	0.00	0.00	0.00	0.00	0.00	0.00
		1999-00	0.00	0.00	0.00	0.00	0.00	0.00
		2000-01	0.00	0.00	0.00	0.00	0.00	0.00
		2001-02	0.00	0.00	0.00	0.00	0.00	0.00
		2002-03	0.00	0.00	0.00	0.00	0.00	0.00
B)	Orissa Fish Seed Development Corporation	1993-94	0.00	0.00	0.70	0.00	0.00	0.70
	(Fish Seed Corpn. & OMCAD merged to form the Corporation on 15.10.1998)	1994-95	0.00	0.00	0.50	0.00	0.00	0.50
		1995-96	0.00	0.00	0.25	0.00	0.00	0.25
		1996-97	0.00	0.00	0.25	0.00	0.00	0.25
		1997-98	0.00	0.00	0.20	0.00	0.00	0.20
		1998-99	0.00	0.00	0.15	0.00	0.00	0.15
		1999-00	0.00	0.00	0.00	0.00	0.00	0.00
		2000-01	0.00	0.00	0.00	0.00	0.00	0.00
		2001-02	0.00	0.00	0.00	0.00	0.00	0.00
		2002-03	0.00	0.00	0.00	0.00	0.00	0.00

15	Orissa Tourism Development Corporation	1993-94	0.50	0.00	0.00	0.00	0.00	0.50
		1994-95	0.60	0.00	0.00	0.00	0.00	0.60
		1995-96	0.10	0.00	0.00	0.00	0.00	0.10
		1996-97	1.00	0.00	0.00	0.00	0.00	1.00
		1997-98	0.00	0.00	0.00	0.00	0.00	0.00
		1998-99	0.15	0.00	0.00	0.00	0.00	0.15
		1999-00	0.15	0.00	0.00	0.00	0.00	0.15
		2000-01	0.10	0.00	0.00	0.00	0.00	0.10
		2001-02	0.00	0.00	0.00	0.00	0.00	0.00
		2002-03	0.00	0.00	0.00	0.00	0.00	0.00
16	Orissa State Civil Supplies Corporation	1993-94	0.00	1.34	2.80	1.34	0.00	5.48
		1994-95	0.00	0.20	8.94	0.20	0.00	9.34
		1995-96	0.00	0.00	98.79	0.00	0.00	98.79
		1996-97	0.00	0.00	85.00	0.00	0.00	85.00
		1997-98	0.00	0.60	62.15	0.60	0.00	63.35
		1998-99	0.00	0.00	90.00	0.00	0.00	90.00
		1999-00	0.00	0.00	84.00	0.00	0.00	84.00
		2000-01	0.00	4.56	56.00	4.56	0.00	65.12
		2001-02	0.00	2.21	23.00	2.21	0.00	27.42
		2002-03	0.00	0.00	57.27	0.00	0.00	57.27
17	Orissa State Electronics Development Corporation	1993-94	2.50	0.00	0.00	0.00	0.00	2.50
		1994-95	1.01	0.00	0.00	0.70	0.00	1.71
		1995-96	0.21	0.00	0.00	0.70	0.00	0.91
		1996-97	0.90	0.00	0.00	0.70	0.00	1.60
		1997-98	0.00	0.00	0.00	0.65	0.00	0.65
		1998-99	1.50	0.00	0.00	0.79	0.00	2.29
		1999-00	0.40	0.00	0.00	0.85	0.00	1.25
		2000-01	0.00	0.00	0.00	0.72	0.00	0.72
		2001-02	0.00	0.00	0.00	0.74	0.00	0.74
		2002-03	0.00	0.00	0.00	0.00	0.00	0.00
18	Orissa Power Generation Corporation	1993-94	117.32	0.00	0.00	0.00	0.00	117.32
		1994-95	99.35	99.35	0.00	0.00	0.00	198.70
		1995-96	0.00	0.00	0.00	0.00	0.00	0.00
		1996-97	0.00	0.00	0.00	0.00	0.00	0.00
		1997-98	1.00	0.00	0.00	0.00	0.00	1.00
		1998-99	200.99	0.00	0.00	0.00	0.00	200.99
		1999-00	0.00	0.00	0.00	0.00	0.00	0.00
		2000-01	0.00	0.00	0.00	0.00	0.00	0.00
		2001-02	0.00	0.00	0.00	0.00	0.00	0.00
		2002-03	0.00	0.00	0.00	0.00	0.00	0.00
19	Orissa Lift Irrigation Corporation	1993-94	0.00	0.00	24.85	12.65	0.00	37.50
		1994-95	0.00	0.00	26.50	11.95	0.00	38.45
		1995-96	0.00	0.00	26.90	24.16	0.00	51.06
		1996-97	0.00	0.00	39.00	40.06	0.00	79.06

		1997-98	0.00	0.00	28.00	25.00	0.00	53.00
		1998-99	0.00	0.00	31.00	40.00	0.00	71.00
		1999-00	0.00	0.00	36.95	16.81	0.00	53.76
		2000-01	0.00	0.00	29.50	13.58	0.00	43.08
		2001-02	0.00	0.00	30.00	8.27	0.00	38.27
		2002-03	0.00	0.00	31.00	0.00	0.00	31.00
20	New Mayurbhanja Textiles (Defunct since 1992-93)	1993-94	0.00	0.00	0.00	0.00	0.00	0.00
		1994-95	0.00	0.00	0.00	0.00	0.00	0.00
		1995-96	0.00	0.00	0.00	0.00	0.00	0.00
		1996-97	0.00	0.00	0.00	0.00	0.00	0.00
		1997-98	0.00	0.00	0.00	0.00	0.00	0.00
		1998-99	0.00	0.00	0.00	0.00	0.00	0.00
		1999-00	0.00	0.00	0.00	0.00	0.00	0.00
		2000-01	0.00	0.00	0.00	0.00	0.00	0.00
		2001-02	0.00	0.00	0.00	0.00	0.00	0.00
		2002-03	0.00	0.00	0.00	0.00	0.00	0.00
21	Orissa State Textile Corporation (Defunct since 1998-99)	1993-94	0.18	0.00	0.00	0.00	0.00	0.18
		1994-95	1.75	0.00	0.00	0.00	0.00	1.75
		1995-96	0.00	0.62	0.00	0.00	0.00	0.62
		1996-97	0.00	0.20	0.00	0.00	0.00	0.20
		1997-98	0.00	0.00	0.00	0.00	0.00	0.00
		1998-99	0.00	0.00	0.00	0.05	0.00	0.05
		1999-00	0.00	0.00	0.00	0.10	0.00	0.10
		2000-01	0.00	0.00	0.00	0.20	0.00	0.20
		2001-02	0.00	0.00	0.00	0.09	0.00	0.09
		2002-03	0.00	0.00	0.00	0.00	0.00	0.00
22	Orissa Rural Housing & Development Corporation	1993-94	0.00	0.00	0.00	0.00	0.00	0.00
		1994-95	2.00	8.44	7.05	0.00	0.00	17.49
		1995-96	2.00	2.00	5.09	0.00	0.00	9.09
		1996-97	1.00	5.04	3.70	0.00	0.00	9.74
		1997-98	1.50	5.00	0.92	0.00	0.00	7.42
		1998-99	0.00	0.00	3.63	0.00	0.00	3.63
		1999-00	0.50	0.00	6.68	0.00	0.00	7.18
		2000-01	2.40	0.00	11.43	0.00	0.00	13.83
		2001-02	10.00	0.00	4.05	0.00	0.00	14.05
		2002-03	14.00	0.00	0.00	0.00	0.00	14.00
23	APICOL	1993-94	0.00	0.00	0.00	0.00	0.00	0.00
		1994-95	0.00	0.00	0.00	0.00	0.00	0.00
		1995-96	0.00	0.00	0.00	0.00	0.00	0.00
		1996-97	0.00	0.00	0.00	0.30	0.00	0.30
		1997-98	0.00	0.00	0.00	0.00	0.00	0.00
		1998-99	0.00	0.00	0.00	0.30	0.00	0.30
		1999-00	0.00	0.00	0.00	0.30	0.00	0.30
		2000-01	0.00	0.00	0.00	0.10	0.00	0.10

		2001-02	0.00	0.00	0.00	0.20	0.00	0.20
		2002-03	0.00	0.00	0.00	0.20	0.00	0.20
24	Orissa State Beverages Corporation	2000-01	1.00	0.00	0.00	0.00	0.00	1.00
		2001-02	0.00	1.00	0.00	0.00	0.00	1.00
		2002-03	0.00	0.00	0.00	0.00	0.00	0.00
Source - Public Enterprises Department, Government Of Orissa								

3.68 The Co-operative enterprises have also played a vital role in providing essential and allied services to member producers of various agriculture and allied product sectors. Although these enterprises have catered to the needs of the people in the State, most of these due to a host of internal and external factors have become unviable and have become a burden on the State exchequer as they failed to generate even the minimum cash to meet their operating expenses and protect the interest of their producer members

3.69 As per the report of the Comptroller and Auditor General of India (CAG) for the year ending 31.3.2001 realization of loans, interests, dividend and other revenue from Co-operatives has continuously declined during 1995-96 to 1999-2000 with the percentage of recovery plunging from 14.30 in 1995-96 to 3.72 in 1999-2000 to the total demands.

3.70 In view of the above, there is no alternative but to carry out Public Enterprises Reforms Programme for the overall benefit of the State. The Government of Orissa appears to be fully conscious of this necessity and is determined to develop an appropriate disinvestments strategy and carry through its implementation.

3.71 It may be stated here that Orissa is not the only State where Public Enterprise Reform is taking place. States like Punjab and Karnataka are aggressively pursuing privatization of even profit-making PSUs. Tamilnadu has recently advertised sale of a profit making PSU. The Left Front Government in West Bengal has started privatization process of 16 loss making PSUs and is even negotiating £20 Million assistance from DFID.

3.72

PRIME OBJECTIVES OF PUBLIC ENTERPRISE REFORM

- Releasing large amount of public resources locked up in non-core PSUs for redeployment in areas that are much higher on the social priority such as primary health, primary education, rural roads, rural drinking water supply, nutrition, livelihood and food security.
- Stemming up of future overflow of public resources for sustaining un-viable PSUs, which are not in the core sector.
- Reducing public debt, which has already assumed unsustainable proportions.
- Transferring the commercial risks to be attached to money locked up in the PSUs and to the private sector wherever the private sector is willing and able to step in.
- Releasing other tangible and non-tangible resources for re-deployment in other high priority social sectors.

REFORM IN POWER SECTOR ;

3.73 Encouraged by the Government of India, assisted by the World Bank, and supported with grants from the Government of U.K. (DFID), Orissa took the initiative and became the first State to reform its electricity industry. The Orissa Electricity Reform Act, setting out the basic framework of the reform, enacted in 1995 came into force from 1st April, 1996. The principal objectives of the reforms are as follows.

(a) Restructuring of the electricity industry for rationalization of generation, transmission, distribution and supply of electricity.

(b) Development of the industry in an efficient, economic and competitive manner.

(c) To provide avenues for participation in the industry by private entrepreneurs, attract private investment and reduce the need for Government funding of the electricity sector.

(d) To improve the quality of service to the consumer.

(e) To enhance operational efficiency and reduce losses.

(f) To provide for a transparent mechanism for development and regulation of the industry, including tariff fixation and dispute settlement, through an independent statutory body, the Orissa Electricity Regulatory Commission.

(g) To contribute to economic growth of the State by ensuring efficient electricity supply and

(h) To create opportunities for increasingly rewarding employment for technical personnel and provide a stable environment for career development in the electricity sector.

3.74 All the major steps in the restructuring process have since been taken as envisaged under the reform scheme:

- OSEB was restructured and corporatised into Grid Corporation of Orissa (GRIDCO) and Orissa Hydro Power Corporation (OHPC) in April 1996.
- The Orissa Electricity Regulatory Commission (OERC) was established in August 1996.
- Orissa Power Generation Corporation(OPGC) was privatized with disinvestments of 49% stake and transfer of management control to a private operator, AES in January 1999.
- Four distribution companies (DISTCOs), incorporated as wholly owned subsidiaries of GRIDCO, were privatized with transfer of 51% stake to private operators: three of these, namely, NESCO, WESCO and SOUTHCO were acquired by BSES in April 1999 and fourth, viz., CESCO by AES in September 1999.

3.75 Tariff revision, which is required to be cost related at efficient levels of operation, is among the most difficult tasks which the Orissa Electricity Regulatory Commission has accomplished by trying to balance conflicting interests of the utilities and different categories of consumers. This has pleased none. The utilities are aggrieved that the tariff falls far short of revenue requirements while the consumers, particularly those in the domestic category, bitterly resent the tariff hikes. In the post-reform period (1996-01) there have been five tariff revisions over and above four revisions in the immediate pre-reform period (1992-95) made by OSEB. The first tariff revision, after commencement of the reform was done by GRIDCO. Thereafter OERC has issued four tariff orders. The average increases in tariff were:

Table No. – 3 AB

Year	Increase in Average Tariff	Index of Increase
1991		100
1992	29.42%	129
1993	28.58%	166
1994	15.73%	193
1995	17.47%	226
1996	17.00%	264
1997	10.33%	293
1998	09.30%	320
2000	03.92%	333
2001	10.23%	367

Source : Report of the Committee on Power Sector Reforms in Orissa, 2001

3.76 If 1991 were to be taken as the base year, the average tariff has registered an increase of 267% at a cumulative annual growth rate of 15.54%.

3.77 Energy Billing and actual collection from 1999-2000 till 2003-04 has been furnished below Table No.3 AC.

Table No. – 3 AC
BST BILLING & COLLECTION, RST BILLING & COLLECTION

(Rs. in crores)

Year	BST Bill	BST collection	BST collection efficiency	Retail Bill	Retail collection	Retail collection efficiency.
1999-2000	1230	944	77%	1454	1098	76%
2000-2001	1413	1047	74%	1653	1276	77%
2001-2002	1519	1078	71%	1752	1300	74%
2002-2003	1476	1357	92%	1969	1608	82%
2003-2004	1557	1485	95%	2099	1776	85%

3.78 The tariff setting by the Regulatory Commission has brought about reduction in cross-subsidisation of the domestic consumers by the industrial consumers. The table below indicates the declining trend of cross-subsidy -

Table No. – 3 AD

Year	As % of revenue from HT/ EHT Consumers	As % total revenue from all Consumers
1997-98	53.2	34.0
1998-99	52.6	31.4
1999-00	57.7	32.3
2000-01	52.0	28.3

Source : Information on Topics Presented to Twelfth Finance Commission, Finance Department, Government of Orissa.

3.79 Among the major benefits expected from reform was reduction in T&D losses which had assumed unacceptable proportion under OSEB. The World Bank's Staff Appraisal Report (SAR) which spelt out the reform scheme and set the targets and milestones, envisaged reduction in, T&D loss from a level of 39.5% in 1996-97 to 35% in the following year, ultimately coming down to 23% by 2002-03. But, actual T & D losses from 1996-1997 to 2003-2004 i.e. during the unbundling period of OSEB have been presented in the following table.

Table No. – 3 AE
T & D LOSSES OF GRIDCO & DISTCOS

Year	Actual
1996-1997	47.26%
1997-1998	47.31%
1998-1999	49.59%
1999-2000	46.71%
2000-2001	46.92%
2001-2002	50.20%
2002-2003	43.155
2003-2004	41.5%

3.80 The following measures are being taken to minimize T&D losses:

i. The World Bank fund are being utilized for system improvement.

ii. As per the recommendation of the Committee of Independent experts, Distribution Companies have been instructed in Energy Department Notification No. 1068 Dated 29.1.2003 to reduce distribution losses @5% each year.

iii. The Distribution Companies have been instructed to achieve 100% feeder metering and consumer metering.

iv. The State Government have been empowered under the Electricity Act 2003 to establish special courts for trial of offences relating to theft of electricity. Therefore, it is contemplated to establish 8 Special Courts having jurisdiction over all the 30 Districts for trial of offences relating to offences under the Electricity Act, especially theft of electricity. It is also contemplated to establish 30 police stations one in each district to investigate offences under the Electricity Act, 2003.

<u>PROVISION FOR ENERGY AUDIT</u> :

3.81 Energy Audit has been started in all the four distribution companies. Pilot study for assessment of distribution loss has been taken up by OERC through independent consultant for 21 nos. of 11KV feeder in four distribution companies.

<u>REFORM INITIATIVES IN NON-POWER SECTOR</u> :

3.82 Historically, the Public Sector in the State has played a key role in the growth of State Economy but in course of time these PSUs while performing their social role could not generate required commercial returns. Most of them became sick and unviable. Accordingly, a Task Force was constituted by Government of Orissa to study and recommend strategies for reforms in the State Public Sector Undertakings. The following reform initiatives have been undertaken by the Government of Orissa.

(a) Signing of MoU

The Government of Orissa and the Department of Expenditure, Ministry of Finance, Government of India have signed a Memorandum of Understanding on 11the October, 2001 that the Government of Orissa and the Ministry of Finance, Government of India will work together to enable the Government of Orissa to achieve fiscal sustainability on the medium term in accordance with the Orissa Medium Term Fiscal Reforms Programme.

(b) Publication of White Paper :

In pursuance of the agreement, a White paper was released by the State Government in the State Assembly indicating its commitment for Public Enterprise Reform Programme. This White Paper was released in consonance with the "Strategy paper on Public Enterprises Reform" prepared by Finance Department, Government of Orissa in November 2001 as a part of Medium Term Fiscal Reform Programme of the State Government. The Programme for disinvestments/asset sale and restructuring of state Public Enterprises is annexed. According to this programme, altogether 11 PSUs have been identified for disinvestments/ privatization including asset sale, 15 enterprises for winding up including closure & liquidation and 8 enterprise for restructuring. The main plank of PE Reform strategy in the state is to safeguard the interest of the employees of state PSUs identified for disinvestments/ privatization. DFID, UK Government is providing a £ 13.6 million grant for the State Public Enterprises Reform programme. The said PE Reform programme also includes reforms in selected Co-operative enterprises.

(c) Voluntary Retirement / Separation Scheme :

Under the VRS/VSS, 26319 number of employees (either out of State Government assistance of DFID/ State Government assistance or Own source of State PSUs) have already been separated from various state PSEs and Co-operative enterprises with a total benefit of Rs.28914.32 lakh upto 31.03.2004.

(d) Social Safety Net Programme (SSNP) :

The PE Reforms programme has a component termed as the Social Safety Net Programme (fully funded by DFID) intended to train and rehabilitate the displaced employees. Such a programme is assisting a large number of skilled and capable retired persons to take up alternative employment and thus enable them to mitigate the trauma of joblessness. The programme includes the following

- Survey/ counselling for adjudging the skill set, aptitude capability and needs of individual workers and offering them vocational guidance.
- In depth counselling for identifying available options for workers and exploration of opportunities including judgment of capability and offering skill up-gradation or acquiring new skills, which could improve one's chances for alternative source of earning.
- Free vocational training orientation and guidance for alternative livelihood through either wage-employment or self-employment venture.

3.83 Under the Social Safety Net Programme (SSNP), out of the target group of voluntarily retired workers, 10.003 had been surveyed, 9488 have been counseled and 2876 have been retrained. Out of those who have received in depth counseling or training, 3447 have been re-deployed (self employment + Wage employment). Due to the success of the programme, the State Government intend to continue the programme and for this additional financial assistance was sought from DFID through Government of India during phase-II of the DFID assisted PE Reform Programme.

(e) Effective Communication Strategy:

In order to build consensus amongst the various stakeholders and enhance the pace of reforms a strategic communications campaign has been taken up covering various sections of stakeholders. Films, brochures, newspaper articles etc. have been disseminated at various levels including MLAs, workers and SSNP trainees through this campaign. Sensitization programme for PSE heads and journalists have been undertaken. Workshops and seminars involving different stakeholders are organized from time to time to aware the stakeholders about the intentions of the State Government.

(f) Status of Privatisation of Enterprises in the Non-power Sector

The State Government have pursued a policy of selective privatization/ disinvestments of loss making Public & Co-operative Enterprises operating in non-core sectors. Accordingly, the State Government initially have approved selective privatization/ disinvestments of 10(ten) loss making public/ co-operative enterprises. The progress made in this direction is illustrated below :

3.84 The Cabinet Committee on Disinvestment has taken decision to transfer the ownership of the following 3 (three) enterprises to the strategic investors.

Table No. – 3 AF

Sl. No.	Name of the Enterprise	Present Status
01	IDCOL Cement Ltd.(ICL)	Transfer of ownership to M/s ACC Ltd. completed on 22.12.2003
02	Co-operative Sugar Industries, Nayagarh	Transfer of Assets & Business to M/s ECP Industries Limited completed on 20.06.2004.
03	Co-operative Sugar Industries, Baramba	The State Government had taken the decision to transfer of Assets & Business in favour of M/s Shakti Sugars Ltd (a private entrepreneur). But the entrepreneur withdrew from the deal at the last moment.

Source : Public Enterprises Department, Govt. of Orissa

3.85 Significant Progress for transfer of ownership to private entrepreneurs (four enterprises) has been achieved.

Table No. – 3 AG

Sl. No.	Name of the Enterprise	Present Status
01	IDCOL Rolling Mill	UTI Bank Ltd. appointed as the advisor to manage the disinvestments transaction. Negotiation with the highest bidder is already over. PCERC has recommended for approval of Cabinet Committee on Disinvestment.
02	Hirakud Industrial Works Ltd.(HIWL)	UTI Bank Ltd. appointed as the advisor to manage the disinvestment transaction. Negotiation with the highest bidder is over. Public & Co-operative Enterprises Restructuring Committee has already recommended for approval of the Cabinet Committee on Disinvestment.
03	Kalinga Spinning Mills, Dhenkanal	Recommended for liquidation as no entrepreneur evinced any interest to acquire the assets & business of the Spinning Mill.
04	Orissa Weaver's Cooperative Spinning mill, Tora, Bargarh	Privatisation process initiated as per the provisions of Orissa Co-operative Societies Act-1962.

Source : Public Enterprises Department, Govt. of Orissa

3.86 In addition to the above, the progress of privatization of other 3(three) enterprises has been stated below.

Table No. – 3 AH

Sl. No.	Name of the Enterprise	Present Status
01	IDCOL Ferro Chrome & Alloys Ltd (IFCAL)	IDBI has been appointed as Advisor to manage the disinvestments. Qualified interested parties have been short – listed. Further processing is yet to be started.
02	Sree Gopinath W. Coop. Spinning Mill, Baliapal	Valuation of fixed assets completed by BITRA
03	Kalinga Studios Limited	Asset valuation with title scrutiny of title completed.

Source : Public Enterprises Department, Govt. of Orissa

<u>STATUS OF RESTRUCTURING PROGRAMMES</u> :

3.87 The Government have also identified a number of core enterprises, which will continue to operate in the domain of the Public Sector. Its endeavour will be to institute a system of good Corporate Governance coupled with optimum managerial autonomy in these Core Enterprises, so that they achieve better performance with enhanced transparency and accountability. The progress of Restructuring of three Corporations is placed below :

Table No. – 3 AI

Sl. No.	Name of the Enterprise	Present Status
01	Orissa Lift Irrigation Corporation	Restructuring plan approved by Government VR financial assistance provided for 5452 employees by the State Government. A total of 8675 Pani Panchayats have been formed and 6867 Lift Irrigation Points have been handed over to Pani Panchayats.
02	Orissa State Road Transport Corporation	Restructuring plan approved by the State Government Action initiated on the Restructuring plan. VSS Scheme is in operation to get rid of surplus staff.
03	Orissa State Finance Corporation	UTI Bank Ltd. has been selected as consultant for Restructuring of the Corporation. After receipt of the Restructuring plan decision will be taken to implement the same.

Source : Public Enterprises Department, Govt. of Orissa

STATUS OF CLOSED / DEFUNCT ENTERPRISES :

3.88 The following ten unviable enterprises have been operationally closed. The Government have also constituted Asset Disposal Committee to expedite the sale of assets of these enterprises. Progress of sale of assets of these enterprises is as follows:

Table No. – 3 AJ

Sl. No.	Name of the Closed/ Defunct Enterprise	Date of Closure under ID Act	Present Staturs
1	Orissa Instruments Company Ltd.	20.05.1998	OIC Ltd. moved IDCO fro execution of lease agreement to transfer of sheds and the land in favour of highest bidder. Four bidders were asked to revalidate their offer for purchase of assets of the Company
2	General Engineering & Scientific Company Ltd.	11.06.1998	Sale completed
3.	Orissa Timber & Engineering Works Ltd.	20.07.2002	Proposal for Employee Buy out pending for final decision with Industries Department.
4.	Orissa State Leather Corporation	18.06.1998	Action to be initiated for sale of Assets.
5.	K.S. Refractories	04.12.1998	Decided to sale Plant & Machinery to the highest bidder but to revalue the land & building before disposal.
6.	Orissa State Handloom Development Corporation	-	Action to be initiated for sale of Assets.
7.	New Mayurbhanj Textiles	-	Advertisement released for sale of assets. Asset Disposal Committee to take a decision on the matter.
8.	Konark TV Ltd.	-	Government has taken a decision in principle to close the enterprise as per law. Action to be initiated for Asset Sale.
9.	Kalinga Times Ltd.	-	Action to be initiated for sale of Assets.
10.	Orissa State Commercial Transport Corporation	30.05.1998	Action to be initiated for sale of Assets.

Source : Public Enterprises Department, Govt. of Orissa

Table No. - AK

FINANCIAL STATUS OF PUBLIC SECTOR ENTERPRISES

(Rs. in crore)

Sl. No.	Name of the Corporation	2002-03 (PROFIT / LOSS)	Cumulative up to 2002-03	Remarks
(1)	(2)	(3)	(4)	(5)
1	ORISSA STATE WAREHOUSING CORPORATION	1.15	14.60	
2	IDCO	3.13	18.60	
3	ORISAA MINING CORPORATION	13.91	54.03	
4	ORISSA CONSTRUCTION CORPORATION	0.14	1.84	
5	ORISSA FILM DEVELOPMENTAL CORPORATION	0.021	0.168	
6	ORISSA STATE SEEDS CORPORATION	2.20	10.47	
7	ORISSA STATE CASHEW DEV.CORPORATION	1.05	7.28	
8	ORISSA STATE CIVIL SUPPLIES CORPORATION	0.00	3.00	
9	ORISSA STATE POLICE HOUSING & WELF.CORPN.	0.38	0.65	
10	ORISSA POWER GENERATION CORPORATION	181.70	303.81	
11	ORISSA RURAL HOUSING & DEV. CORPN.	-1.14	3.82	
12	ORISSA HYDRO POWER CORPORATION	-41.92	179.98	
13	ORISSA STATE BEVERAGES CORPORATION	0.52	192.01 Inc. on 06.11.2000	
14	INDUSTRIAL DEV. CORPORATION OF ORISSA			
15	ORISSA STATE FINANCIAL CORPORATION	1.30	-371.08	
16	GRIDCO			
17	ORISSA STATE ROAD TRANSPORT CORPN.	0.56	-269.40	
18	ORISSA AGRO INDUSTRIES CORPORATION	-2.23	-43.69	
19	ORISSA FOREST DEV.CORPORATION	-12.95	-108.26	
20	ORISSA SMALL INDUSTRIES CORPORATION	-1.73	-8.54	