

CHAPTER – X

RECOMMENDATIONS
TO THE
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10.1 The fiscal situation of the State of Orissa is quite precarious. Its revenue base is very weak because of slow pace of economic development. Its economic backwardness is mainly due to low investments both in agricultural and industrial sectors over the years resulting in low per capita SDP. It continues to have problems in raising revenue at the State level as well as at the level of local bodies.

10.2 Notwithstanding the grim revenue position of the State, Government of Orissa have been spending substantial portions of their own revenue and of the total revenue through Local Bodies for the minimum needs of the rural and urban people and in the process incurring a revenue deficit of Rs.2500 crore on an average for the last five years. The critically high incidence of revenue deficit to its own and to its total revenue is a chronic problem of the State of Orissa. The revenue deficits of other States, however, are of recent origin. It may be pointed out that the prosperous States i.e. the States belonging to higher income group suffer from a recent fiscal imbalance due to their wasteful expenditure including a high and growing percentage of expenditure on non-merit goods and services. Overt and covert subsidies on non-merit goods and services given in these States deserve close scrutiny. Orissa's case is different. Orissa was created as a deficit State in 1936 with provision for subvention under section 142 of the Government of India Act of 1935. It still continues a deficit State, 67 years after. The plight of Orissa both economic and financial are partly due to historical reasons and partly due to apathy and negligence of the Centre in ensuring enhanced budgetary and non-budgetary transfers into the State. The Centre has also not taken a keen interest in transferring larger amount of resources into the State while transferring through statutory institutions like the Finance Commissions and political institutions like Planning Commission. Added to it, the State suffered for long from non-committed leadership. The Center also took full advantage of a people known for their peaceful living and non-aggressive nature in depriving the state of its rightful share in the nation's income and wealth. Long ago Lord Curzon, the Viceroy of India rightly remarked in the House of Lords on 21.2.1912. "If the Orissans were an agitating people, which they are not, they would soon make their protests heard".

10.3 The debt burden of the State has reached staggering heights and the debt clearances in shape of capital repayment and interest payment have gone up more than State's own revenue. It has gone from bad to worse with the award periods of successive Finance Commissions, because of their faulty debt relief/debt corrective measures. During the 10th Finance Commission award period i.e. 1995-96 to 1999-2000, outflow of resources from the Consolidated Fund of Orissa in shape of capital repayment and interest payment as proportion of State's total revenue was, on an average, 32.94% and as proportion of State's own revenue 76.54%. These figures are higher compared to the debt service payment in the Ninth Finance Commission award period i.e. 1990-91 to 1994-95, when it was on an average 68% of State's own revenue between 1990-91 and 1994-95. The debt service situation during the Eleventh Finance Commission award period is still worse. Average out flow of resources from the state exchequer in terms of interest payment went up to unmanageable proportion of 115.86% of State's own revenue – on an average of three available accounts years i.e. 2000-01 to 2002-03. In so far as only interest payment is concerned it was on an average 60.34% of its own revenue and 26.11% of State's total revenue during the 10th Finance Commission award period i.e. 1995-96 to 1999-2000 and during the 11th Finance Commission award period the situation worsened and rose to 81.56% of State's own revenue and 36.2% of State's total revenue.

10.4 Salary and pension of State Government employees and employees depending upon the grants-in-aid of the State for their salary constitute more than 150% of State's own revenue and about 65% of State's total revenue. Interest payment and salary and pension taken together are more than State's total revenue. Average of State's total revenue of last three years i.e. 2000-01, 2001-02 and 2003-03 (Accounts figures of these latest three years only are available) is Rs.7379.22 crore whereas the average expenditure of these three years on Interest Payment, Salary and Pensions is Rs.7507.44 crore. Hence, expenditure on Interest payment, Salary and Pension is 101.74% of the total revenue receipt of the State on an average of last three years.

10.5 Chronic and ever increasing revenue deficits now testify to the precarious fiscal health of the State Government. The proportion of revenue deficit to its total revenue or own revenue on GSDP is the highest sans Bihar in the country contributing to high magnitude of the fiscal problem. It thus makes it clear that the revenue deficit shown in CAG Accounts is only an apparent Revenue Deficit. The real Revenue Deficit is much more. The worst is yet to come.

10.6 The regular mismatch between the inflow and outgo of resources forces the State Government to take resort to overdraft and Ways and Means Advances for the whole year – 364 days out 365 days of the year. This arrangement is designed to be used on very rare occasions of contingent mismatch between inflow and a pressing demand on resources. In case of Orissa it has been turned into insulin required to be regularly applied to a highly affected diabetic patient. A cure has to be invented. The cause of such ailment is, however, the faulty scheme of transfer of resources both by the Constitutional institutions like the Finance Commissions and the wicket gate of Art 282 of the Constitution of India, which has been widened through breaches by the politicians at the Centre – be they Government of India or the Planning Commission.

10.7 No State in the country, let alone Orissa are able to assess the demand of Panchayati Raj Institutions because of serious limitations in the database. Therefore, the State Finance Commissions' awards and the awards of the Tenth and Eleventh Finance Commissions at the national level have become allocation oriented rather than demand driven. Perhaps governments at state and national level are frightened to face the horrendous challenge of Rural India, when all the problems – infrastructure, developmental needs as well as welfare needs of the targetted people are made known in real terms. They are to be addressed some day; why not start now, addressing the problems one after another after assessing the magnitude of the problems collectively and also at the disintegrated micro level?

10.8 Be that as it may, any additional burden on the State Exchequer should be supported by the 12th Finance Commission. The Second State Finance Commission has recommended Rs.211.83 Crore per annum i.e. Rs.1059.15 Crore for the five years of award period from 2005-06 to 2009-10. This amount is suggested to be awarded by the 12th Finance Commission for augmenting the Consolidated Fund of the State of Orissa in order to save the State from reeling under further deficit.

SPECIAL PROBLEMS FOR FUNDING ON PRIORITY BASIS

10.9 As discussed in the previous chapters, despite rich natural resources, mineral wealth, power potential and deep-sea port facilities, Orissa has not been able to tackle many of the serious problems that the people of the State experience in general and the people of certain localities in particular. While it is not possible to redress all such problems within a short span of time, it is certainly possible to tackle a few of such local problems in certain specific areas to give slight luster to the sunken faces and eyes of the people. In this context it is urged upon the Twelfth Finance Commission that they may sympathetically consider the following specific area problems and provide funds for improving the local conditions during their period of award.

10.10 Extreme leftist activities commonly called Naxal or Peoples' War Group (PWG) movement has made its unwelcome entry into certain hilly terrains of the State spreading over the scheduled districts of Rayagada, Gajapati and Malkangiri. These districts are adjacently situated to the naxal infested areas of neighboring Andhra Pradesh and such unruly atrocious anti-socials of the neighboring areas escape into the hilly and forest areas of the State taking advantage of their inaccessibility. Anti-socials of the State by joining their hands with the ultra left naxals create massive law and order problem in these districts. The poor hapless scheduled tribes of the area are victims of such people and are subjected to extortion by them. It is needless to say that a network of good rural road communication if provided to these districts can not only improve the law and order situation, but also ultimately will help the tribals to protect them from the present miserable sufferings to a great extent and help bring the PWG revolutionaries to the mainstream of peace and progress. This will benefit a total population of 18,21,699 and the quality of their life will also improve. The 12th Finance Commission may, therefore, consider granting a total amount of Rs.30 crores for construction of rural roads in the inaccessible areas of the three districts namely Rayagada, Gajapati and Malkangiri @ Rs.10 crore to each. This grant should be spread over three years.

10.11 Konark, known for the famous Sun Temple and declared by UNESCO as World Heritage Centre since 1984 with a pleasant sea beach, unfortunately has no potential to draw tourists for lack of comfortable accommodation for the outside tourists, particularly the foreigners. For lack of such facility, foreign tourists never like to stay there and enjoy the beauties of Nature as well as the supreme architectural art depicted on stones used in constructing the famous temple. A good and comfortable complex for stay and a water-sports-complex for recreation can attract tourists to this place and thereby provide substantial income generation to the N.A.C. It is, therefore, suggested that the Commission may consider a grant of Rs.5 crore for up lifting the face of Konark and developing such complexes.

10.12 Sambalpur Municipality, which is the most important town of Western Orissa and is considered as its nerve centre, has a population of 1,57,763 as per 2001 census (provisional). It is one of the oldest municipalities in the State and was constituted long back in 1883. The town virtually is a centre of administration, culture, education, health services and trade and commerce for Western part of Orissa. A railway division, headquarters of Mahanadi Coalfields and headquarters of Sambalpur University are located there. This town has as many as 88 slums with a population of 73001. Thus, a large percentage of the people are slum dwellers. This town has a major problem of flood and water logging caused by storm water of river Mahanadi as well as of excess local rainfall.

10.13 There is a stream named Dhobijor Nullah, which passes through the town and intersects the town at several places. Presently, due to silted condition the nullah does not allow disposal of excess water from the town during rainy season and the situation worsens at the time of flood in the river Mahanadi. It is also the main drain of the town, which opens up at Binakhandi to river Mahanadi. During high floods river water enters into the town through this mouth instead of rainwater passing out to the river. The Municipality desperately needs an amount of Rs.25 crore for 'renovation of Dhobijor Nullah'. The Municipality has to incur expenditure on cleaning all deposited silt, construction of drains including retaining walls and installation of pumps of high capacity etc, for smooth discharge of sewerage and excess water during rainy season in particular.

10.14 Chhatrapur N.A.C., which is the headquarters of Ganjam district, has an area of 6.44 sq. k.ms. only with a population of 20288 as per 2001 Census (provisional). Major industries like Indian Rare Earth and Gopalpur Port are in the vicinity of this small town. A Military Cantonment is about 12 k.m. away from the town. This town is also famous for scented oil extraction from Pine Screw Flower. There is no sewerage system in the town. The common rural scenario of open generation of sewerage including open disposal of filth is prevalent in the town area. The wastewater is left open into the land causing pollution. For sewerage system the N.A.C. needs Rs.23 crore including cost of consultancy, escalation, contingency and pro rata charges.

10.15 Paralakhemundi which is the district headquarters of Gajapati District is another important town of southern Orissa with 17.89 sq. k.ms. area and a population of 42991 as per 2001 census (provisional). It is a place of high cultural heritage and provides higher educational facilities to the tribal districts of Gajapati and Rayagada. In spite of its rich culture, it has no sewerage system and no concrete drain worth mentioning. Disposal of filth and excess rainwater is a major problem in the town. It is, therefore, urged upon that the Commission may consider to give a grant of one crore to this Municipality for this purpose.

10.16 Berhampur Municipality with an area of 79.80 Sq. k.ms. and a population of 289724 as per 2001 Census (provisional) is the oldest municipality in the State, which was constituted in 1867. This is the most important town and business centre of southern Orissa. The town experiences large pressure on account of floating population, as it is a very important trade and commerce and educational and cultural centre. It has a slum population of 97018 in 100 pockets, which accounts for a large percentage of the total population. The town has no systematic drainage system for discharge of filth and excess wastewater. The municipality needs Rs.4.13 crore for improving the drainage system, which they are unable to manage from their resources.

10.17 Phulbani N.A.C., the district headquarters of Kandhamal district that is within scheduled area has a population of 33887 as per 2001 census (provisional) figures. It has a large S.T and S.C. population and S.C. population accounts for 20.70 percent while S.T. population 9.25 percent. The N.A.C. has 32 slum pockets located scatterly which need improvement including supply of potable water through renovation and deepening of existing dug wells. The N.A.C. needs a meagre amount of Rs.50lakh only for this purpose.

10.18 Boudhgarh N.A.C. with an area of 20.70 Sq. k.ms and a population of 17996 as per the 2001 census (provisional) is a district headquarters town finding it difficult to provide minimum basic amenities to the people because of resource constraints. This town faces acute shortage of drinking water. At present, the N.A.C. is able to supply water only to 3 percent of the population through house service connections. The N.A.C. needs an amount of Rs.1.30crore for augmenting water supply, which is no doubt a basic need.

10.19 Bargarh, the district headquarters of Bargarh is another important trade and commerce centre of western Orissa. This town and its neighboring area are famous for weaving of Sambalpuri handloom sarees. Its area is 16.72 Sq. k.ms. with a population of 63,651 as per the 2001 census (provisional). The municipality has no drainage system. Solid waste and filth disposal is in very poor condition and the town has become very un-healthy because of garbages. It needs a good sanitation and solid waste management scheme. An assistance of Rs. 2.00 crore may be considered for giving a face-lift to this town.

10.20 Balangir Municipality is also district headquarters and is an important town of western Orissa. This town with a population of 85203 as per the 2001 census (provisional) has no drainage or sewerage system. Parts of the town become water logged during rains. A grant of Rs.30.00 crore may be considered for developing a sewerage and drainage system in the town.

10.21 On the whole the State Finance Commission urge upon the Twelfth Finance Commission to consider a grant of Rs.1181.08 crore during the award period of five years from 2005-06 to 2009-10.
