



GOVERNMENT OF ORISSA

**SPEECH OF
SHRI RAM KRUSHNA PATTNAIK,
MINISTER, FINANCE IN THE
ORISSA LEGISLATIVE ASSEMBLY
ON THE EVE OF PRESENTATION
OF THE BUDGET
FOR THE YEAR 2002-2003**

The 6th March, 2002

Mr. Speaker Sir,

The Biju Janata Dal and Bharatiya Janata Party were voted to power with a massive mandate through the goodwill, love and affection of the people of the State. I had the privilege, as the Finance Minister of the BJD-BJP Government, to present the Vote on Account for four months for the financial year, 2000-01 in March, 2000. Thereafter, I had the opportunity to present the full-fledged budget for 2000-01 in July, 2000 and for 2001-02 in March, 2001. Now I have the privilege of presenting the full-fledged budget for the year 2002-03 in this august House. The coming financial year would be an acid test for all of us. While expressing my gratitude to all the Hon'ble Members of the august house, I seek your valuable advice and constructive suggestions for effective handling of a very critical and grave financial situation in the coming days.

2. When the State was reeling under a severe financial crisis', the Super Cyclone of October, 1999, the unprecedented Draught of 2000 and the Mega Flood of July, 2001 have shaken the financial backbone of the State. I had indicated earlier in my Budget Speeches about the disastrous financial position inherited by this Government from the previous Congress Government. I do not think necessary to repeat that.

3. The Revenue Expenditure for the year 2000-01 was originally estimated at Rs.9641.45 crore. By enforcing economy and fiscal discipline, it was reduced to Rs.8828.79 crore, thus achieving a saving of Rs.812.66 crore. Similarly, during 1999-2000 collection of State's own tax revenue was Rs.1704.08 crore. This has been increased to Rs.2184.03 crore in 2000-01. During 1999-2000 the growth rate of State's own tax revenue over the previous year was 14.5%, but in 2000-01 an all time high growth of 28.16% has been achieved.

Similarly, in 1999-2000, collection of State's own tax and non-tax revenue together was Rs.2420.56 crore. This has been enhanced to Rs.2869.48 crore in 2000-01. In one year, the revenue deficit and fiscal deficit have been appreciably reduced because of the unqualified help and co-operation extended by all the Hon'ble Members of this August House. While in 1999-2000, the revenue deficit was 6.53% of Gross State Domestic Product (GSDP), this deficits have been reduced to 4.43 % during 2000-01. Similarly, in 1999-2000, while State's own tax revenue was 4.32% of the GSDP , this has been enhanced to 5.05% in 2000-01.

4. The 11th Finance Commission have recommended that the revenue deficit as a percentage of revenue receipt for each state should be reduced by 5% annually on the average. In 1999-2000, the

revenue deficit as a percentage of revenue receipt had reached as high as 43.74%, but after one year of BJD-BJP Coalition Government coming to power, this ratio has been reduced to 27.92%. An improvement of 15.82% has been achieved against 5% recommended by Eleventh Finance Commission (EFC). Our State has achieved a unique and respectable position in bringing about this fiscal discipline which has been appreciated by the Planning Commission and Government of India. For this, Govt. of India have provided a sum of Rs. 77.95 crore as incentive grant during the current financial year, 2001-02.

5. Despite this impressive improvement in fiscal discipline, the State Government has been facing extremely critical situation in managing the day-to-day ways & means position on account of the widening gap between the income and expenditure liabilities towards payment of interest and repayment

of principal arising out of the unsustainable debt burden, payment of salary and pension. On more than one occasion I have stated in this august house that State Government have to resort to overdraft for 241 days and ways and means advance for 121 days from RBI in a year. The State Government is facing serious liquidity problem for release of fund for developmental works and Anti-poverty programmes etc. It is evident that State Government on its own can not overcome this critical financial position unless the Government of India provides special dispensations and Central Assistance as a special case.

6. This improvement in fiscal discipline has been possible only because of unstinted help, co-operation and valuable advice of all the Members. While expressing my heart-felt gratitude to the Hon'ble Members, I solicit their co-operation and advice for the fiscal management of the State in the coming

year. With these hopes in mind, I am going to present the full-fledged budget of the financial year, 2002-03

7. Before I proceed to throw light on the shape of the budget of 2002-03, I feel necessary to indicate, in brief, the present position of the current financial year. In the estimate of State's own tax and non-tax revenue for the year, 2001-02 Rs.535.00 crore was assumed from various additional resource mobilisation measures contemplated in the budget. But these new measures could not be implemented in full during the current financial year. In some cases these measures have been implemented at a belated stage. The measures which have not yet been implemented have been indicated in **Table – 1**.

TABLE - 1.**Position of additional Tax and Non-Tax revenue**

(Rs. in Crores)

New Revenue Generation Measures 2001-02	Additional Amount estimated for 2001-02	Name of the Department
Enhancement of Cess on land revenue from 75% to 150%. Sale of Surplus land. Premium on conversion of agricultural land for non-agricultural purpose.	Rs. 37.00 crore	Revenue Department (Not-implemented)
Enhancement of Tax on Urban Water Supply.	Rs.5.00crore	H & U.D. Department (Not-implemented)
Enhancement of Industrial Water Rate and collection of arrear.	Rs.19.00 crore	Water resources Department (Not-implemented)
Enhancement of fees for Technical and Higher Education.	Rs.10.00 crore	Industry Department and Higher Education Department. (Not-implemented)
Registration fees on Motor Vehicle from flat rate to advalorem basis etc.	Rs.50.00 crore	Transport Department (Partially implemented.)

8. The collection of Professional Tax has suffered badly, because of litigation pending in the

High Court with regard to payment of Professional Tax by Lawyers and other non-service professionals. Against the Budget Estimate of Rs.60.00 crore for the year, 2001-02, the collection of Professional Tax up to January, 2002 is Rs.31.32 crore and there may be short-fall up to Rs.15.00 to Rs.20.00 crore. Orissa High Court have observed that the physical lifting of stock of Kendu Leaf by outside parties after auction sale from Orissa would be treated as an Inter-State trade and hence, Central Sales Tax @ 4% is to be paid but not @ 20% of the Local Sales Tax hitherto being paid. On this account, it is estimated that there would be loss of Sales Tax ranging from Rs.20 to 30 crore on Kendu Leaf alone. Under the State Excise against the Budget Estimate of Rs.300.00 crores , collection up to January,2002 is Rs.150.00 crore and there would be a short-fall of nearly Rs.75.00 crores under this head.

A sum of Rs.60.24 crore was assumed towards interest receipt on the loans given to various

Corporations and Co-operatives and other organisations. The collection of interest up to January, 2002 is Rs.9.01 crore. A sum of Rs.50.00 crore was assumed towards dividend, but by the end of January, 2002, the payment of dividend is only Rs.8.74 crore. Government have decided to make a through review and to initiate strict action against the Government servants, if they are found negligent for the shortfall in collection. However, for the reasons stated above, there may be a short-fall of Rs.241.00 crore under State's own tax revenue and Rs.113.00 crore towards State's non-tax revenue.

Against the recovery of loan and advances estimated at Rs.227.93 crore, collection up to January,2002 is Rs.104.68 crore and by the end of this financial year, there may be short-fall of Rs.78.00 crore on this account. There is a sluggish trend in collection of various Central taxes and there may be short-fall of Rs.184.00 crore towards State

share in Central taxes during the current financial year. In this way, there may be a short-fall of Rs.636.00 crores under State's own tax revenue, non-tax revenue, recovery of loans and advances and share in Central taxes. The break up of short-fall of Rs.636.00 crore are given in **Table - 2**.

TABLE - 2.

(Rs. in crore)

Items	Collection in 2000-01	Budget Provision in 2001-02	Collection upto January, 2002	Likely level of collection in 2001-02	Likely level of short fall in 2001-02
(1)	(2)	(3)	(4)	(5)	(6)
1. Share in Central Taxes	2603.97	3187.00	2469.66 (Rs. 2099.28 cr + Advances Feb. and March Rs. 370.38 cr)	3003.39	183.61 or say 184.00
2. State's Own Tax revenue	2184.03	2841.00	1828.19	2600.00	241.00
3. State's own Non Tax revenue	685.47	813.29	461.97	700.00	113.29
4. Total (1 to 3)	5473.47	6841.29	4959.82	6028.05	557.90
5. Recovery of Loans & advances	94.59	227.93	104.68	150.00	77.93
3. Total Short Fall (4+5)					635.83 or say Rs.636.00 crores

9. Non-Plan revenue expenditure for the year, 2001-02 was originally estimated at Rs.8473.64

crore. During 2000-01, D.A. on pay and T.I. on pension @ 38% was paid. With release of additional doses of D.A & T.I. in May, 2001, this has been enhanced to 41% with retrospective effect from 1.7.2000. On account of arrear payment of salary on UGC scales of pay and release of DA in May, 2001, the additional expenditure has been estimated at Rs.257.00 crore. For payment of pension, there was a budget provision of Rs.998.84 crore, but keeping in view the expenditure incurred upto October on this account, it has been estimated that the expenditure by end of March, 2002 would be Rs.1242.89 crore. Hence on this account there would be an additional requirement of **Rs.244.05 crore or say Rs.244.00 crore**. On all these account taken together, the additional requirement would be Rs.496.00cr. But through economy, a saving of Rs.406.00 crore has been estimated from other items. After taking into account the estimated saving of Rs.406.00 crores the additional requirement works out to Rs.90.00 crores.

In other words, the revised estimate of Non-plan Revenue Expenditure for the year 2001-02 would be Rs.8563.31 crore in place of the original estimate of Rs.8473.64 crore

10. After taking into account the short-fall of Rs.636.00 crore towards State's own tax revenue, Non-tax revenue, share in Central taxes, recovery of loans and advances and estimated additional expenditure of Rs.90.00 crore , there would be a short-fall of Rs.726.00 crore from the resource originally estimated for the State Plan. Besides this, due to heavy with-drawal from the GPF Accounts , Civil Deposit Accounts and other factors, there would be a net short-fall of Rs.81.98 crore or say Rs.82.00 crore. Hence, on all these accounts, the total **short-fall** works out to Rs.807.98 crores or say Rs.808.00 crore. But against the estimate of Rs.365.00 **crores** towards loan under Small Savings, we have already received Rs.471.00 crore by the end of January, 2002 and the total receipt of loan under

Small Savings may go up to Rs.550.00 crore by the end of the current year and there would additional receipt of Rs.185.00 crore on this account. Through this August House I express my gratitude to the people of our State for their wholehearted support for success of the Small Savings schemes despite reduction of interest rates.

Market borrowing for the year, 2001-02 was originally fixed at Rs.610.79 crore and in the meantime, Government of India have directed Reserve Bank of India to raise additional market borrowing of Rs.227.28crore. There would be an additional receipt of Rs.412.28 crore on account of Small Savings, and an additional Market Borrowing of Rs.227.28crore. Therefore, the net short-fall in the resource for the State Plan works out to Rs.395.70 crore or say Rs.396.00 crore in the State Budget. Besides this, against the original estimate of receipt of Rs.452.58 crore in the accounts of GRIDCO,

OPGC, OHPC and OSRTC etc., the revised resource from PSUs has been estimated at Rs.148.28cr . Hence, on the whole, the availability of resources in the State Government Account would be Rs.2151.72 crore and the resource from PSUs would be of the order of Rs.148.28 crores . Accordingly, keeping in view the revised estimate of resources, the revised State Plan outlay would be limited to Rs.2300.00 crore.

11. The Planning Commission have approved a State Plan Outlay of Rs.3000 crore for the current financial year 2001-02, consisting Rs.2547.42 crore is in the State Government budget and the balance of Rs.452.58 crore in the budget of PSUs.

In the 1st Supplementary Statement of Expenditure , a net sum of Rs.500.03 crore was also provided . This includes Rs.20 crore towards grant to Western Orissa Development Council, Rs.29.40 crore

towards enhancement of MLA-LAD Fund from Rs.20.00 lakh to Rs.40.00 lakh per MLA, Rs.22.05 crore towards Grants-in-aid to private Colleges, Rs.16.28 crore towards grant to private Schools, Rs.17.00 crore towards Scholarship for SC & ST students, Rs.98.68 crore towards salary of the State Government employees, Rs.20.07 crore towards State's share under SGSY, JGSY and other different Centrally Sponsored Plan Schemes executed through Panchayati Raj Department. Rs.155.00 crore towards PMGY etc.

12. Besides an additional provision of Rs.506.53 crore has also been provided in the 2nd Supplementary Statement of Expenditure of 2001-02. This additional provision of Rs.506.53 crore has been necessitated to match of the funding in the resource tied-up schemes and also to meet the requirement on different accounts. The programmes and the grounds for which this additional provision of

Rs. 506.53 crore was necessitated have been indicated at **Table – 3** given below:

TABLE – 3**(Rs. in Crore)**

1.	Accelerated Irrigation Benefit Project (AIBP)	103.17
2.	Externally Aided Projects(EAP)	8.04
3.	NABARD assisted RIDF Projects:	6.29
4.	Additional Central Assistance for KBK Districts	67.40
5.	For utilisation of the grant for upgradation of standard of administration and special problem recommended by the Eleventh Finance Commission.	12.12
6.	State's Share under different Centrally Sponsored Plan Schemes	142.42
7.	Scholarship for ST & SC students	10.00
8.	Mid-day meal	10.00
9.	Salary and allowances of employees under State Plan	115.80
10.	Subsidy	14.47
11.	State's Share under National Old Age Pension	4.00
12.	Empowerment of Women through National safety	1.50
13.	Others	21.22
	TOTAL	506.53

13. As per the original Budget Estimate and the additional provision made in the 1st Supplementary and 2nd Supplementary Statement of Expenditure, the

total out-lay arithmetically comes to Rs.4006.53 crores . But keeping in view the availability of resources and after adjusting the savings in some Schemes, the total State Plan out-lay would be limited to Rs.2300.00 crores for the current financial year,2001-02.

14. Sir, the budget which I am presenting for the financial year, 2002-03 is based on the following considerations.

(1) In order to bring rapid improvement in State's economy a Medium Term Fiscal Plan has been worked out in consultation with Government of India as per the recommendation of the Eleventh Finance Commission and accordingly an MoU has been signed on 11.10.2001 with Ministry of Finance, Government. of India.

The said MoU elaborately deals with measures to reduce revenue expenditure and increase State's

revenue. It has been committed in the MoU to reduce the un-affordable staff strength of the State Government by 20%.

Similarly, the Voluntary Retirement Scheme will be extended. Of course primary school teachers, doctors, nurses, drivers and striking police forces will be exempted from the aforesaid scheme of reduction of staff strength.

(II) At present, Government is giving D.A. & T.I. @41%. Provision has been made in the Budget to give D.A. & T.I. @45% from the next financial year.

(III) In the MTFP, the revenue receipt projected is based on various Additional Resource Generation Measures (ARM) assumed. But the revenue collection for the financial year 2002-03 has been estimated realistically taking into consideration the possible level of revenue collection during the financial year 2001-02 . **It may kindly be**

appreciated that realistic estimate of Revenue Receipt is the lynchpin of realistic budgeting and providing outlay in accordance with the realistic assessment of revenue is the essence of fiscal restructuring.

(IV) In view of the unsustainable debt burden and the rising debt servicing liabilities, Government contemplates to obtain soft loan to reduce high cost borrowing. The debt burden of the State as on 31.3.2001 in Rs.21076.58 crore which constitutes 48.5% of GSDP. There has been urgent need to keep the debt burden at around 52% of GSDP in 2002-03 as per the Medium Term Fiscal Plan. For the reason stated above, it has been decided to obtain loan on low interest rate for the year 2002-03.

(V) **Freezing the grant-in-aids** to Non-govt educational institutions is one of the most important stipulations in the MoU signed with Government of India. But Keeping in view the realistic requirement

