



GOVERNMENT OF ORISSA

***SPEECH OF
SHRI NAVEEN PATNAIK
CHIEF MINISTER
IN THE
ORISSA LEGISLATIVE ASSEMBLY
ON THE OCCASION OF PRESENTATION
OF THE BUDGET
FOR THE YEAR 2003-04***

The 3rd March, 2003



Mr. Speaker Sir,

I am grateful to you and all the Hon'ble Members for giving me the privilege of presenting the Annual Budget for the year 2003-2004 in this august House. I would only be stating the obvious when I say that the State was undergoing a serious financial crisis when the current financial year started, because of the heavy burden of salary, pension and debt servicing liabilities. Most other States are also in dire financial straits. I will be failing in my duty if I do not record my heartfelt gratitude to all of you for extending your constructive support in handling our fiscal problem.

Revised
Estimates
for 2002-03

2. The financial year 2001-02 closed with a large deficit of Rupees One thousand thirty eight crore and fifty two lakh against the estimated closing deficit of Rupees six hundred three crore and fifty two lakh. This closing deficit of 2001-02 got carried forward as opening deficit for the financial year 2002-03. This deficit was the cumulative outcome of the damages suffered by the State economy because of the Super Cyclone of 1999 followed by a

series of natural calamities like drought in 2000, severe floods in 2001 and again drought in 2002.

3. I am happy to inform the House that collection of State's own tax and non-tax revenue taken together has registered a growth rate of more than 22% over the collection of corresponding period of the previous year. Thus, higher collection of State's own revenue has helped in managing the difficult ways and means position to some extent. With liberal advance releases of the State's share in Central taxes, State Plan assistance and other entitlements in difficult times and permission to the State Government to go for a higher open market borrowing, Government of India have come to the aid of the State Government in keeping up the pace of expenditure in development projects and anti-poverty programmes.

4. In 2002-03 the total resource estimated for the annual plan was Rs.3100.00 crore out of which Rs.169.71 crore was in the account of the PSUs' and the balance Rs.2930.29 crore was in the State Government Budget. Since funds were required to

Anticipated
Closing
Deficit

be provided in the original Budget for essential requirements outside the Centrally Sponsored schemes and Externally Assisted Projects, against availability of Rs.305 crore of untied resource in the original Budget, outlay of nearly Rs.738 crore was provided for. Besides this, as per the 1st Supplementary statement of expenditure, there has been a net addition of around Rs.578 crore towards scholarship for ST & SC students, State share under Indira Awas Yojana, Old Age Pension, remuneration to Sikhya Sahayaks and requirement for payment of Dearness Allowance to State Government employees. Hence, the total deficit, works out to nearly Rs.2050 crore which includes the opening deficit of nearly Rs.1040 crore.

5. To help us out of this position of recurring overdrafts, Government of India, in the meantime, have released Rs.692 crore as a Medium Term Loan to cover a part of the opening deficit for the financial year 2002-03. Further, in response to the request of the State Government, Government of India have also sanctioned additional market borrowing of Rs.700 crore, out of which Rs.400

crore will be utilized in the prepayment of the high cost Small Saving loan under a Debt Swapping Scheme, 2002. The balance Rs.300 crore of market borrowing would be available over and above the net market borrowing of Rs.514 crore 71 lakh as originally assumed. Thus, the closing deficit would be reduced by Rs.992. crore.

6. It is expected that the collection of State's own tax and non-tax revenue may exceed the original Budget estimate by Rs.140 crore. The loan on Small Savings may also exceed the Budget estimate by Rs.200 crore out of which Rs.100 crore would be utilized in repayment of earlier high cost borrowings from Government of India. It is expected that the closing deficit for the year 2002-03 may be reduced to around Rs.600 crore compared*to around Rs.1040 crore of deficit for the year 2001-02.

Now let me come to the estimates for 2003-04.

Estimates
for
2003-04

7. I want to inform this august House that the Budget proposal for 2003-04 has been formulated and guided by the fiscal targets and various

stipulations incorporated in the Medium Term Fiscal Plan (MTFP) which has been worked out pursuant to the MoU signed on 11.10.2001 with the Ministry of Finance, Department of Expenditure, Government of India. Hon'ble Members may kindly recollect that this Medium Term Fiscal Plan (MTFP) was laid in this august House on 18.12.2001, along with the Memorandum of Understanding signed with Government of India. As per the said MoU, State Government is committed to take various expenditure compression and revenue generation measures in order to achieve the specified fiscal targets in the respective years starting from 2000-01 to 2004-05. In case State Government fails to implement such measures the State will not only not be entitled to receive fiscal incentive grants from the Government of India but also external financial assistance, so essential to accelerate the pace of socio-economic development of our State.

8. The average annual growth rate of own tax revenue from 1991-92 to 2000-01 was 12.85%. Taking into account the various reform initiatives and enforcement measures, 13% growth rate per year

has been assumed over the actual collection of 2001-02 for arriving at the estimates for the year 2003-04. The collection of State's own tax revenue during 2001-02 was around Rs.2467 crore. While the Budget estimate for 2002-03 was kept at Rs.2880 crore for tax-revenues, the revised estimate for 2002-03 and Budget estimate for 2003-04 has been kept at Rs.2980 crore and Rs.3168 crore respectively.

9. The collection of State's own non-tax revenue during 2000-01 was around Rs. 676 crore and Rs. 620 crore in 2001-02. Against the Budget estimate of Rs. 834 crore and revised estimate of Rs. 874 crore for 2002-03, the Budget estimate for 2003-04 has been kept at Rs. 917.13 crore.

Introduction
of VAT with
effect from
1.4.2003

10. In accordance with the consensus reached among all States, the existing retail Sales tax will be replaced by the Value Added Tax (VAT) with effect from 1.4.2003. VAT is, in essence, a destination-based tax on consumption with set off provided for tax paid in the intermediate stages. Introduction of

VAT in all States will help creation of a unified market in the entire country. Taxation of business transactions will be made simple, transparent and less discretionary. There are apprehensions in some quarters that switching over to VAT may entail enormous revenue loss for the State. Such apprehensions are not well founded. The new tax rates under the VAT regime will be fixed so as to neutralize the anticipated revenue losses. Besides, in the spirit of Co-operative Federalism, the Central Government has assured the States to compensate the consequential revenue loss to the extent of 100 percent in the first year, 75 percent in the second year and 50 percent in the third year. I take this opportunity to seek full cooperation of the Honourable Members, traders, retailers, manufacturers, Chambers of Trade and Commerce and most importantly, of the consumers for successful implementation of VAT with effect from 2003-04.

11. A growth rate of 12% has been assumed while estimating share in Central Taxes, Central

Assistance and Loans. The estimate for 2003-04 has been kept around Rs.3431 crore.

12. The estimate of Non-Plan grant for 2003-04 has been arrived at Rs.169 crore in conformity with the recommendation of the 11th Finance Commission and after taking into account other miscellaneous Non-Plan grant.

Total Non-Plan revenue Expenditure

13. The total non-plan revenue expenditure in 1998-99 was Rs.5170.50 crore and this has increased to Rs.8061.16 crore in 2001-02, Rs.9,310.68 crore as per the revised estimate for 2002-03. This has been estimated to increase to Rs.9811.59 crore for the year 2003-04, the major rise being on pension and interest.

Important items of Non-Plan Revenue Expenditure for 2003-04

14. The important items of non-plan revenue expenditure include Salary, Pension, Interest Payment, Food Subsidy, Relief Expenditure, Maintenance of Capital Assets, etc. Members would

be happy to know that Salary, Interest, Pension, Relief Expenditures etc. have been adequately provided for and maintenance of Capital Assets has been kept at a much higher level than last year.

15. The total resource estimated for the Annual Plan 2003-04 has been worked out at Rs.3400 crore. Out of this, resource in the State Government account is Rs.3209.92 crore and the balance Rs.190.08 crore is in the account of Public Sector Undertakings.

16. Let me now dwell upon some important Highlights of the Budget proposal for 2003-04

- In Orissa when most of us start a new work or propose to celebrate an auspicious occasion, we invoke the blessings of LORD JAGANNATH. I have no hesitation to say on the floor of this august House that it is the Lord who has stood behind us in all our trials and tribulations. I am sure that members of

this House would be happy to know that my Government has made a provision of Rs.5 crore in the State Budget for supplementing a Special Corpus Fund already created for management of the Lord Jagannath Temple.

- The old, the destitute and the widows who are living in distress need care and help from all segments of society. During 2002-03 the target for coverage under the State Old Age Pension (SOAP) Scheme has been increased by fifty thousand for the State raising the total coverage to six lakh forty thousand. For this purpose, Rs.76.80 crore has been provided for the year, 2003-04.
- Coverage under the Orissa Disability Pension Scheme has been enhanced by 30,000 beneficiaries bringing the total coverage of physically challenged persons to one lakh. Rs.12 crore has been provided for this purpose for the year 2003-04.

- All old age and disabled pensioners are getting their pension every month on one single day called "Jana Seva Divas" – which is the 15th of each month – throughout the State. This would be continued.
- About 73,000 new Women's Self Help Groups (SHGs) have been formed in the State under 'Mission Shakti'. Around 10 lakh members have generated savings amounting to Rs.30 crore. 18,000 Women's SHGs have been provided financial assistance amounting to Rs.2 crore 25 lakh for initiating them into sustainable income generating activities during 2002-03.
- Under the various nutrition and food security programmes, Rs.5 crore has been provided for the Supplementary Nutrition Programme under the ICDS implemented through the Anganwadi Centres; Rs.27 crore 50 lakh for the 'Nutrition Component' under the Prime

Minister's Gramodaya Yojana (PMGY) for feeding the vulnerable population of women and children; Rs.9 crore 50 lakh for the Mid-Day Meal Programme in the KBK and ITDA Blocks throughout the State and Rs.15 crore 71 lakh for the Emergency Feeding Programme in the KBK areas. Besides, an amount of Rs.10 crore 84 lakh has been provided for the Special Nutrition Programme for children under age of three in the Revised Long Term Action Plan (RLTAP) for the KBK districts.

- A Pilot Project under the 'National Nutrition Mission' has been launched in Koraput and Kalahandi districts to provide free food-grains to about ninety six thousand under-nourished adolescent girls and pregnant women and lactating mothers. The scheme shall continue during 2003-04 for which Rs.537.51 lakh has been provided.

Scholarship
for
ST & SC
students

- Pre-Matric and Post-Matric Scholarships of S.T. & S.C. students have been fully provided for.
- The Orissa Tribal Empowerment and Livelihood Programme with a proposed out-lay of Rs.430 crore is being launched in 30 Tribal Blocks of 7 Southern Districts with assistance from IFAD, DFID & World Food Programme. Rs.21 crore 47 lakh has been kept in the budget of S.T. & S.C. Development Department for 2003-04 under the State Plan.
- Under the ongoing programme of tackling food insecurity in the tribal areas, 700 Grain Banks are proposed to be set up in 2003-04 for which provision has been made in this Budget.

Agriculture

17. Agriculture sector occupies an important place in the State's economy. It contributes 33% to the net State Domestic Product and provides employment directly or indirectly to about 64% of the total work force.

- Our Government has provided Rs.5 crore 19 lakh in the budget of Agriculture Department under State Plan to assist and encourage the young entrepreneurs to take to horticulture, floriculture, farm mechanization, cultivation of vegetables and pisciculture. The fund is to be routed through APICOL as incentive to individual entrepreneurs based on their actual performance. The areas in which such incentive can be provided includes private lift irrigation, establishment of food processing units, vegetable grading, food-grain grading units, chilling transit centres and transport of vegetables, milk and milk products, agriculture service centre, floriculture, horticulture, establishment of hatchery, milk bi-product unit for preparation of paneer, ghee, curd etc.
- Horticulture for self-employment will be encouraged by our Government. Orissa is the first State to get varieties of organic ginger and turmeric notified in the country.

Agreement for setting up of Agri-Export Zone (AEZ) has been recently signed by the State Government for "Turmeric and Ginger" with Agricultural Processing and Export Development Agency (APEDA). Our Government stands committed to developing this zone covering Kandhamal and Koraput districts. Processing industries will be encouraged by the Government in this zone by way of providing specified facilities and incentives.

The major thrust of our Government is creation of additional irrigation potential and proper management and use of water resources. A special drive will be taken to install one lakh shallow tube wells and dug wells during the years 2003 and 2004 and Rs.15 crore has been provided towards negotiable loan to create irrigation potential by exploiting groundwater potential for increasing agricultural productivity in the State.

Irrigation

18. The total irrigation potential created till June, 2002 is 25 lakh 31 thousand and 100 hectares. It has been targeted to create additional potential of 43 thousand and 40 hectares till June, 2003. During the irrigation year 2003-04 starting from July, 2003, it has been proposed to create additional irrigation potential of 36 thousand 7 hundred and 61 hectares.

The outlay provided under irrigation sector is Rs. 548 crore and 31 lakh, which constitutes nearly 17.5 percent of the total State Plan Outlay. I will give you the breakup.

- Rs.427.74 crore has been provided under Major & Medium Irrigation;
- Rs.93.89 crore on Minor Irrigation;
- Rs.16.78 crore on Lift Irrigation;
- Rs.4 crore on Flood Control and Drainage and lastly,
- Rs.5.90 crore on Groundwater Survey & other miscellaneous items.

