

OPPORTUNITY ORISSA

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The Government of Orissa holds out a plethora of possibilities adopting therewith a pragmatic approach to usher in balanced socio-economic growth in the State through industrialization, appropriate harnessing of natural resources and maximizing the employment potential of the local workforce. As part of this vision, in the year 2001, the Government announced the Industrial Policy Resolution (IPR) that marked a paradigm shift in the process of industrial growth, such as provision of enabling environment; private investment led growth and focus on sectors to benefit poor (examples - tourism, forestry, fisheries, horticulture, etc) and modern manufacturing and services sector. The State has a vision of creating a congenial business climate to attract investment in industry and infrastructure projects; raising income, employment and economic growth; and reducing regional disparities in economic development. The State initiated active investment promotion initiatives in reaching out to the private sector with concrete investment potential in sectors such as mineral value addition, power generation, cement, agro-processing, IT/ITES, etc.

"Team Orissa" constitutes the broad institutional framework of the Government that is engaged in industrial facilitation and investment promotion in all key areas of economic growth.

The Chief Minister is the captain of Team Orissa and the principal goal of the Team is to provide necessary synergies and convergence of all Government efforts to ensure Orissa's position at the vanguard of economic and social prosperity. The Orissa Industries (Facilitation) Act 2004 was enacted to provide single-window clearances and regulatory framework so as to reduce transaction costs and times for investors. The High Level Authority chaired by the Chief Minister and State Level Authority chaired by Chief Secretary have been constituted to evaluate investment proposals and accord clearances. Industrial Promotion and Investment Corporation of Orissa Limited (IPICOL) and Orissa Industrial Infrastructure Development Corporation (IDCO) have been entrusted with multi-faceted roles of investor support. At the District level, the General Managers of District Industries Centres (DIC) have similar roles. Since, the idea is to making "doing business" easy in Orissa, the Chief Secretary is leading the initiative of moving all Departments to simplify Acts, Rules, Policies or Procedures that may be a hindrance to business. The system of inspection is being rationalised to provide for common or joint inspections by all different Departments, Agencies or statutory Authorities. Grievance redressal for industries is being managed at the highest levels in the Government.

Today, Orissa is poised to add in excess of 50 million tones per annum (mtpa) capacity in steel making, 4 mtpa in alumina refining, 15 mtpa capacity in petrochemical refining and 5 mtpa in cement manufacture by the year 2010-11, with a direct employment forecast of 1,50,000 manpower and spawning the growth of indirect employment of multiple magnitudes. POSCO, Tata Steel, Jindal Stainless, Bhusan Steel, ESSAR, Indian Oil Corporation, Vedanta Industries, Hindalco, Grasim are among the blue-chip projects lined up for grounding.

The Morgan Stanley Global Economic Forum 2005 report forecasts that Orissa shall emerge as a centre for metals business in India and attract investments up to US\$ 30-40 billion over the next 5 years. Why so? The mere availability of mineral resources is not reason enough. The State offers immense prospects in terms of natural, institutional, developmental, economic and infrastructural advantages that give any investor a distinctive edge over other locations. Steel and aluminum makers located in Orissa shall be the lowest cost producers of primary metal. This shall enable them to survive and make normal profits, even during times of sectoral recession which ensures sustainability even for their vendors and customers. At other times, the cost economies shall enable these manufacturers to pass through the savings to their vendors, suppliers and business service providers.

The Government has clearly enunciated goals for the mining sector to propel economic growth by exploration, excavation & value addition of minerals; leverage mineral resources for all round development of the State and the people; and ensure significant job creation and increase in revenue for the Government. The strategy to realise the goals is multi-pronged and focuses on value addition; strong Government support for setting plants; monitoring of MoU milestones; captive mines for steel plants as against market price for ore; and stress on environment management and rehabilitation & resettlement. The steel sector has seen around 40 Memorandum of Understandings (MoUs) inked by the Government with involved investments exceeding US\$ 30 billion. The integrated steel project by POSCO India is the single-largest FDI in the entire country. The project includes establishment of mega infrastructures including a port, railway lines, roads, townships and is expected to give a major fillip to the capital buildup in the Paradeep region. It shall substantially contribute to the State and Nation's economic progress. It may not be wrong to view the POSCO project more as an infrastructure project rather than as a steel mill.

On these platforms, the State is in the process of building a strong base of ancillarisation and downstream industries that shall spread the economic fallouts of economic growth among a larger geographical and populace distribution. The ancillary, downstream and construction phase of steel, aluminum and petrochemical sectors are envisaged to be the largest contributors to employment generation and revenue resources in the State.

The spurt of growth in steel and aluminum sectors has necessitated the planning for quality manpower and human resources development.

The Government envisages a "model technical university" in the next 5 years for developing quality technical manpower to suit the needs of steel & alumina plants for which IIT Kharagpur and XLRI Jamshedpur have been roped in as partners to Biju Patnaik University of Technology (BPUT). The Vedanta Group has signed an MoU with for establishing a world-class technical university with 1,00,000 students' intake per annum in 95 disciplines for which the site selection has been finalised. The Directorate of Technical Education and Training (DTET) has also launched ambitious reform programmes for the ITIs, polytechnics and other centres of vocational education. The J.N. Tata Technical Education Centre at Gopalpur, being managed and operated by the Nettur Technical Training Foundation (NTTF) is evolving as one of the finest centres in India for providing practical & employment-related disciplines catering to the steel, mining and metal sectors. Many of the upcoming industrial projects are taking keen interest in supporting the local ITIs to improve their infrastructure, training facilities, laboratories, syllabi in order to build the capacities and skills of the local workforce making them highly employable.



As per the proposed policy of Government of India, Orissa is among the foremost States to ground a Petroleum, Chemicals and Petrochemicals Investment Region (PCPIR) at Paradeep. The proposed IR shall have Indian

Oil's 15 mtpa petrochemical refinery as the anchor tenant. A world-class developer shall be in place to provide for internal infrastructures and undertake marketing of the region to potential investors across the globe. Immense opportunities shall emerge for downstream chemical manufacturers and the converters & plastics industry.

Orissa was the first State to initiate reforms in the power sector. Today, the State is power surplus to the tune of 500 Megawatts (MWs) and offers the most competitive tariff amongst the mainland States. However, with the increased industrial demand, Orissa needs additional generating capacity of 9,000 MWs by 2010-11. The State offers coal deposits of 45 billion tonnes to sustain generation of 2,25,000 MWs for 30 years and a hydro potential of 2,850 MWs. With 100 per cent FDI allowed, opportunities exist across the entire value chain of the power sector and there is an increased thrust on mega projects and modernisation of existing units. Looking at the demand position, the Government has entered into 13 MoUs with independent power producers (IPPs) for combined capacity in excess of 13,000 MWs. What will be important is to find adequate use for the flyash generated by various independent power producers (IPPs) and captive power plants (CPPs). With these developments, technical studies have been commenced to determine infrastructure requirements for evacuation of power by proposed IPPs. The studies include examination of existing networks and proposed expanded networks to integrate new IPPs. The IPPs are being encouraged to promote industrial parks in adjacent 200-250 acres for developing power-intensive & value-adding industries to ensure maximum economic growth of the region. The cement projects encouraged are precisely for this purpose, i.e. to ensure utilization of flyash and blast furnace slag.

Another development which shall completely change the energy availability scenario and propel the State into the forefront of country's economic progress is the discovery of natural gas off the coast of Orissa. Leading gas and energy majors like Gas Authority of India Limited (GAIL) and Reliance Industries have proposed to establish statewide gas grids and networks, including piped gas supply to cities and towns. This shall support an energy sector growth plan that is leveraged upon energy availability, energy efficiency, energy conservation and green technologies.

A cluster approach to development of micro, medium and small enterprises is gradually being adopted in sectors like handloom & textiles, handicrafts & cottage industries, ancillary and downstream / upstream industries. With the inherent skills in handloom and handicrafts available in the State, at this juncture, the sectors need further development and augmentation in the links of the overall value-chain. Better market linkages, access to finance, new designs incorporation and patenting of product lines are the critical challenges. Establishment of a branch of National Institute of Design, Ahmedabad in Orissa will boost the sectoral initiatives. The textiles and crafts are huge employment sectors in the State and are on top of the Government's growth planning agenda. To this end, an integrated textiles park is being set up at Choudwar by Welspun Group, the leading sectoral player in the country.

Keeping Information Technology (IT) / IT Enabled Services (ITES) as a priority sector, the State has endeavored to triple engineering / MCA technical education capacity since 2001. Today, Orissa is home to the big 4 Indian IT majors - Satyam, Infosys, TCS & WIPRO and also is a primary recruitment center for IT personnel. Other leading Indian IT players like Hexaware, Mindtree, Ramitech are part of

Bhubaneswar's IT horizon. A mega InfoPark is under development for which the reputed DLF has been finalized as the concessionaire. This shall pave the way for availability of ready-to-occupy office space for the IT sector SMEs which are showing keen interest of operating from Bhubaneswar. The city shall be home to more than 20,000 software professionals by the year 2008 and 100,000 by 2015. The Department of IT has an ongoing partnership with leading training service providers to build the capacity of the educated youth for the BPO sector, which will be further boosted by the advent of Genpact (the largest BPO corporate in India). Now, it is imperative for the State to do a masterplan and implement the same towards making Bhubaneswar the new knowledge and IT hub. A big stride has been taken with the forging of partnership with IIIT, Bangalore to set up an IIIT at Bhubaneswar. All stakeholders are working on creation of IT-specific SEZs in the State.

In the last two years, an increasing realization among policy framers and programme managers in Orissa has been the growing importance of infrastructure to sustain and power this emergent trend of growth. After all, it is infrastructure which shall provide the base to industrial development. Moreover, it is infrastructure that shall ensure that the State's different industrial regions / clusters emerge as vibrant & throbbing centres of economic growth, rather than as industrial slums. At this stage, it is on the Government's topmost agenda to add to the social overhead capital buildup in the State that shall create inter-sectoral linkages and provide outstanding technical and economic features to the industries located in our State. It is infrastructure development that shall ensure that the current crop of industrial projects are not isolated entities, but built into the socio-economic framework of the State by ensuring spillover from users to non-users and increasing returns to scale.

In this context, the role of the private sector in infrastructure development and management assumes great significance. With limited public resources available for the purpose, the State now wishes to leverage upon private capital to develop world-class infrastructure in areas like road corridors, ports, power transmission, rail linkages, industrial water supply, industrial clusters, etc. The successful conclusion of the shareholders' agreement for developing an 82 kilometer rail link between Paradeep and Haridaspur, connecting the iron ore hinterland with the port is considered as a major landmark because 9 parties including steel projects, mining companies, port trust and Government agencies have joined hands for the US\$ 133 million infrastructure creation. Similarly, the 98 kilometre Angul - Duburi - Sukinda rail link project between the coal bearing areas and the iron ore belt, with an estimated cost of US\$ 117 million is in the stage of finalization involving participation of 9 private steel companies.

The Government has taken many initiatives in recent times. These include turnkey port development in Gopalpur and Dhamra, augmentation and strengthening of the road network, power sector improvement, industrial water supply schemes, etc. But, there is still scope in improving the quality of infrastructure provision. And, that is precisely the reason why the Government seeks and welcomes the role of quality private sector service providers. It will be critical in the times ahead to be able to configure infrastructure projects through the MoU route, rather than through circuitous and long-winded bidding process. This shall increase developers' confidence and also accelerate the pace of project development in the infrastructure sector, which can otherwise have long gestation periods. The Infrastructure Policy that is on the anvil, provides for a transparent, fair and commercially sound framework for the private sector's participation. The Policy also purports for independent

regulatory mechanisms as well as an institutional mechanism to configure and accelerate the pace of projects through Public - Private Participation (PPP).

Due priority is being accorded to social infrastructure such as health service, education service, housing, etc besides the typical industrial infrastructure. Many private education service providers have established centres in Orissa. Modern health service providers like L.V.Prasad EyeCare Institute and Apollo Group, have started making proposals to the Government and some of them have already been allotted land in Bhubaneswar. But, there is a need to increase efforts to get more numbers of such service providers and not just restricted to Bhubaneswar. It shall be the Government's responsibility to create an enabling environment for private sector investment in these social infrastructures. While trying to address the issues faced by such investors through adequate policy and institutional backup, a level playing field must be provided to them which shall ensure their commercial viability. A mechanism for accessing land for such service provision on a large scale basis, will need to be evolved.

Agriculture growth leveraged upon greater private investment in the entire value chain of agro and food processing has been initiated through Amendment of the Orissa Agricultural Produce Markets Act, 1956. The State is embarking on contract farming for crucial crops like cotton and oilseeds from 2006-07 rabi season with the objective of increasing crop area and productivity and a MoU is proposed with NAFED to start contract farming of groundnut and til. The Centre and State have come together to promote Koraput ginger and Phulbani turmeric and two distinct agro-processing zones are being established to fill sectoral infrastructure gaps. Similarly, in the case of fisheries and aquaculture, a vision and action plan has been drawn up for boosting

exports from the State. The ambitious action plan envisages a three-fold increase of exports within the next 5 years. The Centre would provide finance for the establishment of two cold chains, one at Paradeep port and the other at Bhubaneswar airport for the export of marine and agro-products from the State. This shall also actualize the true employment potential exceeding 2,00,000 workforce. While these developments provide the initial fillip, the Government will however need to take urgent and strong steps to develop the various facets of agro and food processing sectors. Further legal and regulatory barriers may need to be removed to enable the



growth of private sector and indigenous enterprise / entrepreneurship in these sectors, in line with best global practices and modern paradigms.

The Action Agenda today for all stakeholders includes realisation and grounding of investment proposals; addressing investors' concerns; providing special thrust on small & medium scale industries; cluster development; leveraging natural resource endowments of mineral, forest and coastline resources for greater value addition and employment generation; developing agriculture & agro-processing; and strengthening infrastructure. The next 5 years are very critical for Orissa when most of the planning for industrial growth shall fructify and Orissa shall

make the transition to a vibrant and industrially developed State.

Team Orissa invites all Entrepreneurs & Promoters to make the most of the emerging opportunities in Orissa and partner in:

- * Ancillary, downstream and construction phase projects of mining, steel, aluminium and petrochemicals sectors
- * Equipment and technology suppliers & vendors
- * Applications of blast furnace slag and flyash
- * Engineering and fabrication
- * Power projects - fuel options like coal washing and hydropower
- * Tourism
- * Information Technology
- * Agro and marine products processing

Team Orissa welcomes private investments in infrastructure buildup :

- * Operations, maintenance and development of ports
- * Development of industrial parks, IT parks and SEZs
- * Power evacuation infrastructure
- * Critical economic & social infrastructures in industrial and mining corridors - roads, water supply, housing, hospitals, etc
- * Technical / vocational education and healthcare service providers to forge linkages / partnerships for establishing centres in Orissa

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