

## **Regional Backwardness, Statehood Movement and State Response in Western Odisha**

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### **ABSTRACT**

The present paper attempts to analyse the state response towards Koshal movement in western Odisha. It will discuss the non state response as well. Like the other state in India, the state of Odisha has introduced several welfare measures to address the issue of economic underdevelopment and regional disparity. It analyse most of the state response in order to pacify and bridge regional disparity. Its main focus is on the scheme of Kolahandi, Bolangir and Koraput districts, backwards regions grant fund, Gopabandhu Grameen Yojna, Western Odisha development council, regional imbalance enquiry commission, perspective plans, etc.. It also analyse the response of the state government in the form of public policy intervention in order to minimise regional disparity and to address the problem of underdevelopment in Odisha. It focus how democratically govern state address to the question

**Key Words :** Odisha, Koshal, Western Odisha development council, Kolahandi, Bolangir and Koraput

### **INTRODUCTION**

Like many other states in India, Odisha has introduced several welfare measures to address the issue of economic underdevelopment and regional disparity. Many argue that it has a historical root. The state of Odisha witnessed acute regional, social and gender disparities which are the outcome of long term neglect of depressed regions and entitlement failures for marginalized sections. Wide variations have been observed in human development and infrastructure developments across the state. There is need for sustainable broad based inclusive growth for Odisha over a long period to deal with multi-dimensional disparities. The depressed regions and the social classes need greater attention. Removal of regional disparities has been one of the important strategies adopted by the state government during successive five year plans. However due to several economic, social and institutional obstacles all regions in Odisha have not shared the gains of development in an equitable manner. Some regions continue to languish in abject poverty.<sup>1</sup> The undivided districts of Koraput, Bolangir and Kalahandi (popularly known as KBK district) form one such region where incidence of poverty is highest in the state.

The underdevelopment of certain regions within the state could give rise to a severe dissentment. Backward region may demand development and adequate intervention of the state government. In most of the cases the demand for raising regional disparity, if not resolved proactively by the state and the problem lingers. People may get alienated from the development process and demand for a separate

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state. But this may not always be the case, because other issues get integrated into the issues of regional disparity. The non-economic issues gradually grow and influence sub-national politics. The issue of regional disparity or economic underdevelopment coupled with various other issues give direction to the process of articulation of statehood movement. The statehood movement is a process supported by certain structures. In the process of its evolution the power, nature, direction, motivation the central issues changes over a period of time. The movement is not very powerful or equally powerful or significant throughout the process of its evolution. Now the fundamental question is: In such a complex scenario how would state government respond to pacify the movement. How to respond to such movement by the government is a complex task because any preference of and ill conceived policies and schemes may produce negative consequences and further divide the people on various lines. Hence, it is an interesting area of study the responses of the state government to such movement. In the case of Odisha the government introduce many democratic equalizing policies of regions.

From the very beginning the government showed its commitment in order to bridge regional disparity. As a result of which the government of Odisha introduce many commissions to inquire the fundamental causes of regional disparities and to recommend how such disparity could be addressed within the framework of democratic governance. Of late, the government of Odisha has also set up Regional Development Council which is known as Western Odisha Development Council. Many policies and schemes have been specially introduced to develop some of the backward region like KBK in order to uplift the region at par with developed regions. And in this process some regions are politicised.

Though the representation of the members from the backward region is usually inadequate the members of legislative Assembly belonging to these regions have been raising the issue of under development on the floor of legislative Assembly of Odisha. They raise some of the common issues of their regions in the Assembly. The members/MLAs do so or raise questions on the floor of the house in the manner which is permissible by the party that are associated with. They do not demand separate state because most of the dominant political parties in Odisha are yet to directly include the demand for a separate state carving out some districts from Odisha.

Eight key initiatives have been taken to address the problem of underdevelopment and regional disparities in Odisha. The first initiative is conceptualization and implementation of the Long Term Action Plan/Revised Long Term Action Plan for KBK districts. The KBK districts which are located in western Odisha is one of the poorest regions in India. The second initiative was inclusion of 19 additional districts: Bolangir, Boudh, Deogarh, Dhenkanal, Gajapati, Ganjam, Jharsuguda, Kalahandi, Kandhamal<sup>2</sup>, Keonjhar, Koraput, Malkangiri, Mayurbhanj, Nabrangpur, Nuapada, Nayagarh, Sambalpur, Sonepur and Sundargarh under "Backward Regions Grant Fund". Third, the state government have also launched GopabandhuGraminYojana in 11 additional districts including Bargarh and coastal districts that are not covered under backward region grant fund. Fourth, the Biju KBK Plan has been launched in the KBK districts to supplement development efforts under RLTA. Fifth, Western Odisha Development Council has been constituted for backward districts of the western part of Odisha to quicken the pace of development in these districts<sup>3</sup>. The sixth initiative is to bridge the critical infrastructure gaps in identified sectors in the TSP areas. Out of the grant-in-aid receipt under Article 275 (1) of the Constitution the seventh initiative is the implementation of development programmes in TSP areas funded out of Special Central Assistance. The Eight initiative is establishment of the Regional Imbalance Enquiry Commission headed by Justice S.K.Mohanty (Retd) with a view to (i) conducting free and fair investigation into the existing regional imbalances in the development process of the state and its trend in terms of different socio-economic parameters like agriculture, infrastructure, development, poverty, health care, literacy, population, employment etc and (ii) suggesting suitable measures to address the existing regional disparities as well as to halt this trend. In the mean time, the

commission has submitted its final report to the state government which is yet to be considered<sup>4</sup>.

#### **Western Odisha Development Council :**

The state government have constituted a Western Odisha Development Council (WODC), the jurisdiction of which extends over 10 districts, *i.e.* Bargarh, Bolangir, Boudh, Deogarh, Jharsuguda, Kalahandi, Nuapada, and Sambalpur, Sonpur and Sundargarh districts and Athamalik sub-division of Angul district<sup>5</sup>. The Western Odisha Development Council (WODC), the first of its kind for any region of the state, was formed with an aim to fulfil the regional hopes and aspiration of the people of that part of state. The objective was to bridge the development deficit by targeting balanced growth and mitigating regional disparities. The Council is mandated to develop appropriate long term and short term development plans and programmes for these districts.

Politics of allocation and utilization of funds and factors affecting the WODC in its achieving the desired result has been discussed in this section which is as follows: The government of Odisha initiated political actions in order to bridge regional disparity in terms of economic development. The rational intentions of the government have not produced anticipated outcomes. This is a serious issue for meticulous examination of how institutions like WODC functions on the ground. Institutions get affected by non-formal processes<sup>6</sup>. It is true in the case of WODC because the functioning of WODC is not free from the influence of various variables on the ground. The WODC has not produced intended outcomes. Many have started arguing that the ineffectiveness of WODC to address the question of regional disparities is meagre. It is also argued by some that it is due to lack of political will of state government to energise and enable WODC in achieving its objectives for which it was formed. The protagonists of the movement often consider the state government, political elites and political use of WODC as one of the main cause of failure of WODC. The fundamental question is, as we know that WODC is not free from the political uses of the state government. Often, the WODC is used by the ruling political party in order to accommodate some of the leaders who had lost in the elections.

The directly elected representatives of the people often sidelined due to certain regions connected to the party concerned in power. It is natural that the political party in power accommodate some of the leaders who are not the members of the legislative Assembly or any other representative body of the government. This practice destroys the intention of WODC. However, this is one among other challenges that WODC faces at this juncture. For instance, the close examination of the functioning of WODC would reveal that the genuine issues routinely left out in the proceedings of the WODC meetings. There is no proper discussion and deliberation on these issues relating to development. Many un-substantive issues are often discussed in the council rather in a very acrimonious form. It is alleged that discriminations against certain members in allocating resources through the WODC is taking place. Though substantial resource is allocated for western Odisha no money is allocated for welfare of the marginal community. Some of the dalit activists are of the opinion that no activities of WODC directly benefit the weaker sections of the society. There is no statutory representation of weaker sections in WODC despite the fact western Odisha is a region where backward communities formed a significant chunk of the population of the backward region. As discussed above the backward communities are not actively involved in Koshal Movement. The WODC do not directly focus on the development of marginalized groups. Their association with the movement is getting further aggravated. The decision making of WODC is done on political lines. They are often used for promotion of the party interest.

The Western Odisha Development Council receipt Rs.157 crores from its inception to 2011. Major areas where its money was sanctioned were: communication, public roads, education sector, health sector, electrification, and drinking water and irrigation facilities. There is also emphasis on building of institutions especially on health and agricultural sector. Three medical institutions were conceived to be established in the backward western Odisha. The medical colleges were to be located

one each in Bolangir district, Bhawanipatna in Kalahandi district and Rourkela in Sundargarh district. These three districts are amongst the 69 most backward districts of the country listed by renowned economist BibekDev Roy on behalf of Rajiv Gandhi Foundation. In this regard 15.00 crores have already been released. Apart from this the council may consider setting new hospital at district headquarters on public private partnership model. Similarly at Chiplima, in Sambalpur district 6 crores and 50 lakhs have been sanctioned to Odisha University of Agriculture Technology for establishment of a Horticulture degree college. Roads and communications have got major share *i.e.* about 36.14% of the budget amount. Though there is great emphasis by the State government and Central government on this aspect, which should have been easily avoided by the Western Odisha Development Council and instead thrust should have been given to particular areas for governmental measures are not able to reach out.

The Western Odisha Development Council consists of four important committees. They are (i) Finance Committee (ii) Advisory Committee (iii) Work Committee and (iv) Education Committee<sup>7</sup>. This committee have hardly met in the past. Finance committee for instance had hardly met only once till 2009-10. In 2010 March, Dr. Hamid Hussain took over member of Finance committee and within three years he conducted and presided over seven meetings of Finance committee and all the proposals and projects have to be approved and passed through Finance committee before placement in the council meeting and then in the assembly. Then there is no perspective planning. The Finance committee prepared a three year perspective plan for WODC to emphasise on agriculture, education, and health service and employment generation. Earlier lakhs of money seems to have been earmarked for trivial activities which have little precious to do with real development and issue of the areas.

These activities were constructing community centre, kalyanmandap, temples, boundaries of schools and graveyards etc. In addition major portion of money were spent on activities which already are focus area of the government like construction of roads and drinking water facilities. Some of the MLAs had given their proposals which included 80-90% of road construction only. The perspective planning limited the budgetary provisions for road construction to 20%. Thus the proposals of the MLAs and expert members which curtail higher percentage of proposals of road construction returned in 2011 for reconciliation. Another area of concern for WODC is that the WODC over the year has become an extension of MLAs and MPs fund. Each member roughly and formally gets a quota of 1.5 crores each. The process has become virtually institutionalised and it would be very difficult to alter and reverse the process. There is no equal allocation in matters of fund to underdeveloped areas. The constituency which are ruled by the ruling party members are getting more funds. Thus most of the projects has become politically motivated and thus are populist one. In this situation the real issues of removing regional disparity in terms of development gets sidelined.

### **Impact Assessment :**

The Western Odisha Development Council has been established and constituted by an act known as Western Odisha Development Council Act, 2000 (Odisha Act, 10 of 2000) legislature for the accelerated development and advancement of Western Odisha. The objective is to upgrade the level of development and remove regional imbalances in holistic development. But considering the performance of the Western Odisha Development Council in the last several years, it is clear that the council is nowhere near the goal it had set for itself. The lacklustre performance of the WODC can be ascribed to its non representative character. The chairman and the members are neither elected nor does the council have any autonomy. The nominated body is functioning as an appendage of the planning and coordination department of the government. Surprisingly the party currently in power had rejected the council branding it as a signboard council. Of course the party was in the opposition at the time when the council was formed and it's been persistent on the demand for an elected and autonomous council. Surprisingly having been in power for almost one decade now the party has

forgotten its own stand. The government has not shown any interest to bring about any structural changes to transform the character of the council.

The body continues to be an entity in signboard only. As if this was not enough, the ruling dispensation has seen to it that it degenerate further. Over the years the body has been reduced to a rehabilitation centre for the rejected politicians of the party in power. Most of the candidates of the ruling party, who lost in the battle of votes in last elections, have found their way to the council. No one can say as to what is the area of their specialization and in what way the people of the region are benefitted by their expertise. Possibly, their only field of specialization is contesting elections and being rejected by the people. It is natural that a nominated council without any autonomy and as such with no accountability cannot live up to the expectation of the people and the area. The council continues to be indifferent and insensitive to the needs of the people and the area it is supposed to serve. The council, despite having substantial rise in grants from a paltry rupee 3 crores in 1999 to Rs.100 crores annually, appears rudderless in the absence of a roadmap for the development of the designated region. It must have a perspective macro picture of development with priorities fixed. The council cannot meet the hopes and aspirations of the people and bring about a change in development scenario, unless it is made an elected body with autonomy.

The proposals for consideration therefore should not be from limed number of people but may encompass proposals from Ex-MLAs Ex-MPs, representative of local bodies, social scientists, intellectuals and professionals. Priority should be given to projects which are of urgent need and have possible long term impact on welfare and development especially with regard to education, employment, health, irrigation, agriculture and agro-based sectors. It is an irony that the head office of both WODC and the KBK authority function at Bhubaneswar miles away from the operational area. Then it is no surprise that the two bodies so away and detached from the collective sentiments of the people of that region, obviously resulting in further alienation.

#### **Backward Region Grants Fund (BRGF) :**

Government of India have launched a new initiative called Backward Region Grant Fund (BRGF) during the year 2006-07 with a view to redressing regional imbalance in development. The BRGF will provide united grants for supplementing existing development inflows into identified districts. The main objectives of this component are:

- Bridge critical gaps in local infrastructure and other developmental requirements that are not being adequately met through existing inflows.
- Strengthen to this end Panchayat and Municipality level governance with more appropriate capacity building, to facilitate participatory planning, decision-making and implementation and monitoring to reflect local felt needs.
- Provide professional support to local bodies for planning implementation and monitoring their plans.
- Improve the performance and delivery of critical functions assigned to Panchayats and counter possible efficiency in equity loss on account of inadequate local capacity.

A well conceived participatory district development perspective plan is required to be formulated to address the backwardness during the 2006-07 and the 11<sup>th</sup> five year plan. The participatory plans prepared by each panchayats and municipality would be consolidated into the district plan by the district planning committees (DPCs). BRGF consists of two funding windows such as:

- Capacity building
- Substantially united fund grant

The government of India have included 19 districts of Odisha under BRGF. They are: Bolangir, Boudh, Deogarh, Dhenkanal, Gajapati, Ganjam, Jharsuguda, Kalahandi, Keonjhar, Koraput, Malkangiri, Mayubhanj, Nabrangpur, Nuapada, Phulbani, Rayagada, Sambalpur, Sonpur and Sundargarh. These

19 districts also include 5 Rashtriya Sam Vikas Yojana (RSVY) district during the 11<sup>th</sup> plan *i.e.* the five RSVY district will be subsumed into the BRGF in the 11<sup>th</sup> plan. During 2006-07 against the entitlement of Rs.324.67 crores, Rs.43.59 crores was made available for 8 backward districts for infrastructure development and capacity building under the BRGF component. Similarly during 2007-08 as against the entitlement of Rs.324.67 crores, Rs.252.50 crores has been received so far in respect of 17 districts as on 31<sup>st</sup> December 2008. Out of the available amount utilization certificates for Rs.54.55 crores have been furnished for the year 2006-07 and 2007-08 (up to 31/12/2008)<sup>8</sup>. The details of receipt of funds are given in the following table 5.10. In order to undertake schemes/programmes to be proposed by district plans under BRGF an outlay of Rs. 32,400.00 lakhs had been proposed for annual plan 2009-10 with a flow of funds to the tune of Rs.6869.00 lakhs and Rs.5892.00 lakhs to TSP and SCSP, respectively. The action plans relating schemes/programmes under district window of BRGF will be formulated and implemented at the district level after the same are approved by district planning committees (DPCs), state government and Government of India.

#### **The Gopabandhu Gramin Yojana (GGY):**

The government of Odisha have also launched “The Gopabandhu Gramin Yojana (GGY)” during the year 2006-07 with a view to providing additional developmental assistance to the targeted 11 additional districts including Bargarh and coastal districts which are not covered under the Backward Region Grant Fund (BRGF). The scheme will continue during the 11<sup>th</sup> five year plan 2007-12. The GGY shall be implemented in the following 11 districts (i) Angul (ii) Balasore (iii) Bargarh (iv) Bhadrak (v) Cuttack (vi) Jajpur (vii) Jagatsinghpur (viii) Kendrapada (ix) Khurda (x) Nayagarh and (xi) Puri.

#### **Regional Imbalance Enquiry commission :**

The eight initiatives is the establishment of the Regional imbalance enquiry commission headed by Justice S.K.Mohanty (Retd.). It graded all CD blocks on a development scale and suggested measures to reduce regional disparities. The commission has been established with a view to

- Conducting free and fair investigation into the existing regional imbalances in the development process of the state and its trends in terms of different socio-economic parameters like agriculture, infrastructure, development, poverty, health care, literacy, population, employment etc.
- The cause of simmering discontent among people of different areas of the state and
- Suggesting suitable measures to address the existing regional disparities and equitable and balanced development of all the regions. In the meantime the commission has submitted its final report to the state government<sup>9</sup>.

The Chief Minister had announced the setting up of this commission in February 2004. The state went to the polls after 2 months. In the same year and same month too, the Chief Minister has also laid the foundation for the establishment of three medical colleges in the backward Western Odisha. The medical colleges were to be located one each in Bolangir, Kalahandi and Sundargarh districts, respectively. Doled out as poll gifts the three medical colleges promised better health services for the people of backward western Odisha. In the meanwhile, many years have passed the medical colleges are yet to see the light of the day. None of the medical college is off the ground yet. However, in the meanwhile, during the same time period, three medical colleges in the private sector have come up in and around the capital city of Bhubaneswar. In a related development during the same period public demands for the establishment of medical colleges in two major centres-Balasore and Baripada in northern Odisha have snowballed into a public movement.

However, the reactions of the government to the demand of the people of north Odisha have remained largely cool and indifferent. On the other hand, as if rubbing salt into the injury, the government decided to upgrade the Capital hospital at Bhubaneswar into a full-fledged medical college. It is a admitted fact that development in education and health sector is intimately linked to the overall

growth and prosperity of a particular region. The Chief Minister is having with him not one but two copies of the report of Justice Mohanty Commission. However, it is not known, whether the Chief Minister has had the time to go through these reports. But, if the Chief Minister looks little deeper into the issue of medical colleges and analyzes the resultant disappointment among the people of western Odisha, he would definitely understand as to where lies the route of the regional imbalance, even without having to read the commission's report.

These of course do not apply to the present regime alone. All the previous governments since independence have to share the scene and can be held guilty of contributing to regional imbalance. Neither any political party nor any political group, whoever tasted power can absolve itself of the charge of perpetuating lopsided growth depriving the backward regions of their share thereby perpetuating the irritating backwardness and deepening the feeling of alienation. The commission has directly and indirectly blamed the insensitive, hollow governance for the present crisis. By recommending the formation of special councils or boards for better administration of different backward and border areas, the commission has cast serious doubts over the efficacy of the existing system<sup>10</sup>. The panel dropped enough hints that the present system of governance is not adequately equipped to sand up to the issue of regional aspirations. The commission has also suggested total revamping and more importantly reorientation of the planning board to address the issue of balanced regional development. The degree of failure in answering balanced and equitable development can be measured from the fact that the commission identified 40% of 314 blocks as either backward or extremely backward<sup>11</sup>.

#### **Ghadei Commission Report :**

The Committee on the Constitution of Separate Development Board in Odisha set up by the Government of Odisha and chaired by former planning minister P.C.Ghadei in 1994. The Committee listed all 314 blocks of Odisha according to a development index based on 13 socio-economic indicators: population density, percentage of agricultural workers to total men workers, net area sown per agricultural worker, percentage of net area irrigated to net area sown, cropping intensity (%), literacy (%), number of primary schools per lakh population, percentage of village connected with all weather roads, percentage of village electrified, percentage of problem village provided with safe drinking water facilities and number of medical institutions per lakh of population. The committee had submitted its report on 27<sup>th</sup> September 1994. According to this report out of total 314 blocks in the state, there are 75 developed blocks, 70 are developing 87 as backward and 82 are very backward. Out of these 82 most backward blocks 32 (out of total 87) belonged to the western part of the state. Similarly, according to the report 96% of CD blocks in KBK districts are either very backward or backward. To be specific, 49 CD blocks of KBK district are regarded as very backward and 28 CD blocks are considered as backward. Only 3 CD blocks *i.e.* Karlamunda in Kalahandi, Dungiropali in Sonapur and Podia in Malkangiri are treated as developing blocks. No CD blocks are considered as developed in these districts. It indicates that there has been no change in the fortunes of these districts during the last 15 years<sup>12</sup>.

#### **Koshal in Western Odisha Public Sphere :**

The issue of Koshal sentiment has already raised the awareness and debate in the public sphere. Despite the fact that progress has been slow on this front the extent of awareness on the Koshal issue has definitely increased. There is clear understanding among the common people about the main issues *i.e.* backwardness and underdevelopment leading to marginalization through dispossession from forest, land and culture. It is in this context that support for the Koshal cause of a separate state is going to become a political compulsion for all political parties. A look at movement's leaders, workers, and party programme however suggest that the intensity of the awareness is more in urban

areas than in rural areas. Currently the movement is largely urban phenomena mostly felt in the urban areas.

Its workforce is comprised largely of urban youth. The rural masses are yet to be involved in any significant way. It draws its support from the people who generally reside in the urban or semi urban areas. This has largely occurred because the Koshal leaders continue to mobilise in urban and semi urban areas. The analysis of the support base of the movement suggests that mostly the youngsters are supporting the Koshal movement. This has happened because the younger generation see the formation of a separate state as a solution to their problems such as unemployment and education. However, the response suggests that the people of western Odisha do not fully endorse all the demands of the movement. Like some people are not in favour of the bifurcation of the state as claimed by leaders. Thus the partial support to the movement is high. Similarly very few people support the argument that the people of coastal Odisha are responsible for everything that happens to the western part of the state.

The people's perceptions about the major problems of the region are under development, poverty, unemployment and disease. Most of the people of the Koshal region feel that the step motherly treatment is meted to their region in comparison to other regions. This impression has taken firm root due to persistent mobilization of the people by the local elites. As happens in all sub-regional movement, the role of local elite in sustaining certain point of view regarding their conditions cannot be ignored. Most of the respondents were in favour of bifurcation of state on the basis of region. They feel that bifurcation of the state will mitigate their problem and brought the desired development of the state. Thus the pattern of political mobilization has revolved round the issue of the western regions neglect at the hands of the coastal regions.

#### **Perception of Coastal Region :**

The leaders of coastal Odisha wish away the demand for separate Koshal state as a non-issue raised by some disgruntled politicians to score political mileage. Some also remarked that it is the handy work of some people who do not have political or social base in western Odisha. The Koshal movement is the indication of a divisive force and is preached and spread by vested political interests. According to them, it does not represent a genuine case of distinct identity. There have been arguments that acceptance of demand of separate statehood of Koshal movement will result in loss of administrative efficiency and come in the way of integration of the state. It will upset the larger interest of Odia nationalism and Odisha as a unified state. They reject the demand of the Koshal protagonist for a separate Koshal state on the basis of Koshli nationalism and Odisha as a bilingual state. Most of the Odia intellectuals have articulated that it is just a dialect of Odia and is not strong as the Odia language. The language does not have a reach vocabulary and has a distinct style.

#### **Conclusion :**

To conclude, underdevelopment across the districts in Odisha, it may be noted that the growth process cannot be inclusive without reducing different types of disparities. It is not that specific programmes targeting the weakest sections and the under developed regions have not been taken up in the state. But they have never yielded desired results. There have always been gaps in envisaged goals and actual realization in various programmes launched by both the government of India and the state government from time to time. The region differs in resource endowment and for historical reasons, also differs in terms of development of infrastructure base. Without the state intervention, the market driven growth forces in any economy leads to a skewed development pattern. This happens because under market forces investments tend to gravitate towards the region that are already developed and therefore provide better infrastructure and other supporting services. In view of this, in all welfare states, it is expected as a state policy to pursue a development process that reduces

regional disparities in development. While the historical process and the natural resource endowments place different regions in different levels of development, the market mechanism has an inherent bias towards the regions which are already developed and therefore have improved infrastructure base, skilled manpower, resource and effective market support.

There are thus important issues which are pertinent while addressing to the problems of regional disparities, whether at state level or desegregated district level. The first issue relates to the flow of funds into different regions. The existing practice very often is based on political consideration with major part of flow of funds determined by dominant pressure groups of different regions. The flow of funds needs to be directed bypassing the pressures. Important source of public funds flowing to districts are plan and non-planned budgetary provisions of the state government, budgetary provisions of government of India for central and centrally sponsored plans, schemes and investments made by state and central PSUs. Out of these, funds flowing through non-plan budget are normally meant for maintenance of the development already achieved and not for new development initiatives. Likewise PSU investments are decided on the basis of overall state or national level considerations. Therefore, flow of funds from these two sources is either not relevant or not amenable for subjection to regional disparity consideration.

The flow of funds from the rest of the sources, determined by the State and Central government, though amenable is rarely based on the objective of reducing regional disparities. On the contrary, flow of funds from these sources further accentuates development disparities with more funds allocation for the regions that are already developed and getting higher flow of private investments. A reversal of the approach is necessitated particularly in respect of state plan which accounts for the major part of the flow of funds flow to the district and over which state government has its control. This calls for earmarking of greater portion of the state plan funds both in the district sector and the state sector sides for backward and very backward districts. In case of Central planned schemes government of India should be persuaded to take note of the regional disparity, concern of the state government and accordingly ensure higher funds provision for backward region. The flow of funds to different regions may be undertaken following a scientific procedure that ensures a balanced regional development. The other issues relate to the efficiency of public investment, which is basically a problem of governance. There may be many backward regions where a number of programmes are being implemented with massive public investment that are rendered ineffective due to huge leakage of funds at different levels. Another pertinent problem is the continuance of a dual system of governance *i.e.* through the officers of All India cadre and also through the officers of states own administrative and professional cadres. The consequences of such a system of governance are many. Therefore restructuring the system of governance is required.

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