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Promoting Inclusive Growth in Odisha

PROJECT AT A GLANCE

COUNTRY/REGION ODISHA, INDIA/SOUTH ASIA

PRODUCT INDUSTRY-SPECIFIC INVESTMENT CLIMATE/
AGRIBUSINESS, INVESTMENT PROMOTION

The Odisha Inclusive Growth Partnership project aims to help the government of Odisha diversify the state's economic base and catalyze private investments in non-natural resource sectors such as agribusiness. These objectives will be addressed by tackling upstream policy and regulatory constraints, as well as identifying and marketing the state's strengths in agribusiness. The project aims to identify investors for key sub-sectors and help the state generate investments.

CONTEXT

Odisha is the second poorest state in India. It has a per capita income of \$470, and 40 percent of its population lives below the poverty line. Odisha, however, has emerged as a top investment destination, attracting investment proposals worth \$215 billion in mostly extractive industries.

RESULTS AND IMPACTS

- Around 12,000 rice millers were able to access open markets and directly reach end consumers when the government made the rice sector more competitive by lowering its share in rice procurement.
- An additional 50,000 metric tons of storage capacity will be generated.
- Investments totaling \$80 million will be generated in non-natural resource-based sectors by 2016.
- Direct private sector compliance savings of \$5 million are expected as a result of regulatory simplification and other upstream policy work.

IN PARTNERSHIP WITH **GOVERNMENT OF ODISHA**

Odisha has a fragmented agricultural marketing system. Over one-third of the state's blocks (the state is divided into districts which are further divided into blocks) do not have one market yard, which is a government notified area where trade of agricultural produce takes place. Private participation in agricultural value chains is still limited because of restrictive agriculture provisions, such as compulsory licensing requirements and lack of infrastructure, which deter private investment. Odisha also suffers from a lack of high-quality storage, both temperature-controlled and dry. Government support for developing critical storage infrastructure has been inadequate. The state, despite its agricultural potential, attracts insignificant private investment to the agribusiness sector. It attracts less than 5 percent of food processing investment in India and less than 1 percent of total foreign direct investment. While the state aims to attract more investment in inputs and food processing, investment promotion efforts have been piecemeal rather than targeted at specific sectors.

OUR ROLE

The government of Odisha requested the World Bank Group's assistance in diversifying the state's economic base by supporting the development of agribusiness, tourism, and renewable energy sectors. Investment climate teams of the Bank Group are working closely with the government on a two-pronged approach to addressing regulatory constraints and facilitating much-needed

"With IFC's experience in facilitating sustainable, private sector-led growth, we aim to develop inclusive and broad-based growth across the entire state in accordance with the State Industrial policy."

SHRI. B.K.PATNAIK
Former Chief Secretary
Government of Odisha

private investments in agribusiness. The teams are helping implement reforms in several areas to streamline the state's agriculture supply chains:

- Revising the Odisha Agricultural Produce Marketing Act to encourage private sector participation along the value chain and enable procurement at farm gates. With the revisions, farmers and private sector are free to trade anywhere in the state and not bound to operate in a market yard. This reduces transportation burden for producers and enables transactions even at the farm gate.
- Eliminating upstream policy impediments and improving competitiveness in each sector.



- Streamlining administrative and licensing procedures for agribusinesses.
- Improving the tax regime.
- Marketing Odisha's strengths to targeted investors and converting leads into investments.

As a first step, the government has reduced the threshold limit for its rice procurement in the state from 75 to 16 percent. This improvement has enabled around 12,000 millers to process rice, and sell it in open markets, rather than to the government. Millers are now able to choose their markets and set their own prices, thereby making Odisha's rice sector more competitive.

CONTACT

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