
CASE SCENARIO

ORISSA, INDIA: PUBLIC ENTERPRISE REFORM

Orissa is one of India's poorer states. It is located on the east coast just south of West Bengal and north of Andhra Pradesh. On the eve of the new millennium, the state government's financial woes and the condition of its public enterprises were sources of great concern. The new chief minister, Naveen Patnaik, inherited a political machine that lacked discipline. Even among Orissa state legislators and many senior civil servants, there was neither an appreciation of the size and scope of the public enterprise problem nor the resolve to confront it. Yet the new chief minister, together with a small group of senior civil servants, championed needed reforms, took the debate to the people, and built a statewide consensus.

Orissa published white papers on state finances in 1999 and 2001, which admitted that government's indiscriminate borrowing had not yielded expected results in terms of development, growth, and poverty alleviation. Instead, the state was in a debt trap and at a crisis point. The papers called for immediate and drastic steps to turn the fiscal situation around and proposed public debate on the issue. The need for enterprise reform, part of a much broader government drive toward solvency, began to resonate inside and outside government. One Indian economist commented: "The fact that Naveen Patnaik is among the few chief ministers to be returned to power after a state election is a testament to the fact that the people supported the tough approach taken by his government in its previous tenure". That success was, first and foremost, the result of competent communication.

–Masty S. (2008), Odugbemi S. and Jacobson T. eds,
Governance Reform Under Real-World Conditions

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