

**Hon'ble Speaker,**

Sir, it is indeed a rare privilege for me to present my second budget before this august House within the same financial year with the gap of only seven months. This may be too short a period for assessing the full impact of the budgetary measures announced by me during the last session. However, I will present the positive trends emanating from the measures effectively carried forward by the coalition government headed by our young & dynamic Chief Minister, Janab Omar Abdullah Sahib. These trends will indicate that the government is on the corrective path of fiscal management and economic development. I will be circulating details of action taken report on my last budgetary announcements alongwith the annual financial statements.

**Economic Scenarion:**

2. I have already presented the Economic Survey Report to hon'ble members of this House.

Because of the long gap in between the last day of sitting of the House and today, I couldn't lay this report earlier though it was ready with me. The preliminary estimates given in this Report place the State GSDP for the current financial year at Rs.38,298 crore in comparison to last year's figure of Rs.34,805 crore indicating a growth rate of 10.03%. At constant prices, the GSDP works out to Rs.26,153 crore. This indicates a growth rate of 6.87% which is higher than the growth rate registered last year.

3. The per capita gross income works out to Rs.33,285 at current prices and Rs.22,730 at constant prices. The last year's per capita income figure at current prices was Rs.30,665. Thus the per capita income has registered a growth of 8.54%.

4. A notable feature of these figures is that while the national GDP growth rate is being estimated at around 7.5% for the current fiscal – down from the last 5 years average of 8%, there is considerable improvement in current year's GSDP growth rate in our case. This is despite the fact that our exports have suffered for the second year in succession due to global economic meltdown and also that the

agricultural production has been hit by inadequate rainfall during the last kharief and by delayed rains during the current rabi season.

5. As per preliminary estimates, the primary sector has contributed 24.60% to our GSDP. Secondary sector has contributed 29.60% and the share of the tertiary sector has been 45.80%. As will be seen, the contribution of the primary sector comprising of agricultural and allied activities has slipped down from 25.82% registered last year. The secondary sector comprising of industry and manufacturing activities has improved from the last year's figure of 28.29%. There is a marginal lowering of contribution from the tertiary sector comprising of services from its last year's share of 45.89%. I may point out here that during the last 20 years counted from 1980-81, the share of primary sector has come down from the level of 47.40%. The secondary sector has substantially gained from 12.90% and the tertiary sector improved from 39.70%. While the shares of the secondary and tertiary sectors have improved because of growing number of manufacturing and service units, there is stagnancy in primary sector. This stagnancy calls

for our fullest attention for possible interventions and corrections.

**Thirteenth Finance Commission Award:**

6. Hon'ble members may kindly recall that we had made very elaborate, extensive and intensive efforts for presenting our state's case before the Thirteenth Finance Commission. The Commission appreciated our memorandum as one of the most comprehensive documents touching upon all the relevant issues and its Terms of Reference. During its visit to our State, the Commission held very detailed discussions with the Council of Ministers and various other stake-holders. The Members of the Commission visited all the three regions of the State to have first hand account of development issues and further interacted with various stake-holders locally. For the first time, we had arranged special meetings of the Commission with the representatives of all the political parties and some honorable members of this House. As per our information, all parties, individuals and groups made very effective and strong presentations before the Commission. I am really very happy to say that our joint efforts have yielded adequate dividends.

7. The Award of the Thirteenth Finance Commission has been laid by the Union government before the Parliament on 25<sup>th</sup> February, 2010. The Report reveals that the Commission has been particularly considerate in appreciating the needs of our State and, therefore, there are enough reasons to thank the Commission for their Award. Firstly, as against our share of 1.297% in the central taxes recommended by the previous Commission, the present Commission has enhanced our share to 1.551%. As a result of this enhancement, our share during the next financial year is estimated to increase to Rs.2,911 crore as against Rs.1,880 crore available during the current financial year. For the full period of the Award, we are likely to receive Rs.20,183 crore on this account, as compared to the amount of only Rs.7,442 crore available under the previous Award. This indicates a jump of 171%. The actual devolution shall be related to the actual realizations of taxes by the Union government. Secondly, the non-plan revenue deficit grant for the next five years has been increased to Rs.15,936 crore as against Rs.12,353 crore available under the previous Award indicating an increase of 29%.

Thirdly, in addition to the enhancement of the provision for Natural Calamities Relief by 155%, the Commission has also recommended specific needs grants of Rs.135 crore for Kashmir and Rs.120 crore for Jammu. For the first time, Rs.90 crore has been specifically allocated for Ladakh region as strongly advocated by the government. Fourthly, the Commission has also recommended a grant of Rs.1,000 crore for settling the state government's over draft with the J&K Bank. In totality, the Award of the Thirteenth Finance Commission works out to Rs.40,439 crore which is almost double of Rs.20,880 crore made available to us by the previous Commission.

8. We have noticed that the specific needs grants and some other sector specific components of the last Award were not utilized fully. This has resulted into great financial loss to the State as the un-utilized portion lapses at the end of the Award period. There are various stipulations attached to the release of such grants such as preparation of detailed plans of action, project reports, proper sanction by the prescribed committees at the Centre and periodical submission of progress reports and

utilization certificates in a time bound manner. In order to ensure 100% utilization of the grants awarded by the Thirteenth Finance Commission, the government shall constitute a High Level Empowered Committee headed by the Chief Secretary to monitor the progress of expenditure on all the relevant items. A Finance Commission Cell in the Department of Finance shall keep regular tab on the periodical progress registered by the concerned departments. Each department shall also make comprehensive quarterly review of the physical and financial progress and apprise hon'ble Chief Minister about such progress.

**Major Economic Infrastructure initiatives:**

9. The entire earth work for single lane of Rs.640 crore Mughal Road has been completed. We are hopeful that the consolidation and metalling of the road surface will be completed in the next financial year so that the road is thrown open for motorable traffic for the general public. This road will fulfill one of the many dreams of Sher-e-Kashmir Janab Sheikh Mohammad Abdullah Saheb and provide an alternative road connection between Kashmir and Jammu as well as to visitors from outside. The road

shall boost trade and commerce and further strengthen the emotional & cultural bonds between the two regions of the State. This road was being earlier funded by the State and the Central government on 50:50 basis. I am happy to state that on the personal intervention of Hon'ble Chief Minister, the Hon'ble Prime Minister of India, Dr Manmohan Singh Ji, during his visit to the State in October, 2009 has agreed to provide 100% funding for this road under PMRP.

10. The government has recently decided to explore PPP possibilities for execution of Rs.400 crore tunnel between Vailoo & Singhpora to provide all weather connectivity between the district of Kishtwar in Jammu Region with the Kashmir valley. The project report for its implementation in PPP mode has been prepared. It will be the earnest desire of the government to see this work getting started as early as possible.

11. The Qazigund- Khanabal segment of the railway line in Kashmir valley was formally dedicated to the people of the State in October 2009 by the Prime Minister Dr Manmohan Singh Ji in presence of the Chairperson of UPA Shrimati

Sonia Gandhi ji. The entire Qazigund Baramulla railway line now stands completed. The work on the railway line from Udhampur-Katra to Qazigund which remained suspended beyond Katra for about two years, has been resumed due to personal efforts made by our Chief Minister. It is now going on in full swing and is targeted for completion by the year 2017.

12. Four laning and upgradation of the National Highway from Lakhanpur to Srinagar is also progressing with good pace. The entire length has been divided into six segments. All these segments of the highway between Nagrota and Qazigund have been approved by the Central government for execution under PPP mode at a cost of Rs.9,700 crore.

13. Completion of Toll Plaza Complex at Lakhanpur is in its final stages and shall get commissioned early in next fiscal. Adequate funding for the same is being arranged.

14. Two Central universities have been approved by the Union government – one each for Kashmir Valley and Jammu region. Suitable sites have been

selected by the central team which visited the State for looking into the suitability of various sites suggested by the State Government each covering about 500 acres of land. It is hoped that these universities shall become functional very soon and they will take care of the growing needs of higher education and research, particularly in the non conventional and sunrise areas as well as in educational fields of modern relevance.

15. Urban Transport System for Srinagar and Jammu cities requires special focus. Apart from the regular interventions being made by the government to tackle the ever growing traffic needs for these cities such as construction of a fly over from Jahangir Chowk to Rambagh in Srinagar and construction of another bridge over river Tawi for Jammu city, a long term solution to this problem is also called for. The government accordingly intends to engage M/S RITES to prepare reports for creating Metro systems for both these cities on the pattern of Delhi.

**Broad Budgetary features: revised estimates for the current fiscal (2009-10)**

16. As per revised estimates, the current year's receipts total to Rs.22,885 crore in comparison to Rs.22,739 crore adopted in the budget estimates, up by Rs.146 crore. The tax receipts are estimated at Rs.3,075 crore in comparison to BE of Rs.3,011 crore showing a further improvement of Rs.64 crore. I may mention here that in comparison to last year's tax revenue of Rs.2,683 crore, the current year's tax revenue is up by Rs.392 crore, registering an increase of over 14%. The non-tax revenue figures proposed in the RE are Rs.1,294 crore in comparison to budget estimates of Rs.1,219 crore indicating an improvement of Rs.75 crore. The fiscal deficit has been reworked at Rs.2,090 crore in comparison to the figure of Rs.2,081 crore in budget estimates indicating a very small variation of Rs.9 crore.

**Expenses on salaries and establishment:**

17. As is well known to the Hon'ble Members of this August House, there is a spiralling effect on the cost of establishment because of its big size, implementation of the Sixth Central Pay

Commission Award and release of two new installments of DA every year. The total salary expenditure is estimated at Rs.6,629 crore as per revised estimates. The expenditure on pension payment is now estimated at Rs.1,495 crore in the revised estimates.

**New Pension Scheme:**

18. I had announced introduction of the New Pension Scheme for the employees who would be recruited after 01.01.2010. A Bill incorporating this scheme was passed by this House during the last session. The scheme has come into operation with effect from the first January 2010. The introduction of this scheme and gradual building of a massive Fund outside the annual state budget shall be insulating the employees recruited in future from the regular budgetary pressures of the government on year to year basis. On the other hand, the ever mounting demand of funds for the old pensioners and the existing employees retiring in near future shall be gradually contained in a long-term perspective, indirectly ensuring that the existing employees also continue to get their pensionery

benefits and regular monthly pension when they retire.

**Budget Estimates 2010-11:**

19. I now take up broad budgetary features of the budget for the next financial year. The total budgetary receipts have been kept at Rs.25,984 crore. Out of this, an amount of Rs.22,849 crore is expected as revenue receipts and Rs.3,135 crore as capital receipt. Out of the total expenditure, also estimated at Rs.25,984 crore, the revenue expenditure will be Rs.17,698 crore both on account of plan and non-plan. The total capital expenditure is estimated at Rs.8,286 crore both on account of plan and non-plan.

20. The State's own revenue comprising of tax revenue, non-tax revenue and share of central taxes totals to Rs.7,873 crore and represents over 30% of the total receipts. Exclusive of our share of central taxes, the state's own tax & non-tax revenue comes to Rs.4,962 crore which is about 19% of the total budgetary receipts. I have accounted for the non plan revenue deficit grant of Rs.3,940 available under the TFC Award. The inter se breakup of the

remaining receipt figures shall be finalized by the Planning Commission at the time of determining the scheme of financing of the next year's plan. The scheme of financing shall also determine the level of our next year's loans and market borrowings. For the time being, I have based my assessment of these figures on the pattern of financing of our current year's plan.

**Tax Revenue:**

21. The next year's estimates of tax revenue are Rs.3,655 crore indicating an increase of about 19%. The next year's estimates of VAT receipts are being placed at Rs.2,611 crore indicating increase of Rs.545 crore over the current year's BE of Rs.2,066 crore. I am targeting a growth rate of over 26%. Excise revenue target for the next year is Rs.280 crore. The target of collection of taxes on goods & passengers has been kept at Rs.384 crore. Duties on electricity are likely to yield Rs.206 crore. Taxes on vehicles and stamps duties are expected to yield Rs.101 crore and Rs.67 crore respectively.

**Non –Tax Revenue:**

22. The next year's budget estimates for non-tax revenue have been kept at Rs.1,307 crore indicating a negligible growth. The main item is power receipt for which next year's target has been kept at Rs.1,055 crore. Receipts from mining, forestry, water supply and health sectors have been kept at Rs.30 crore, Rs.38 crore, Rs.27 crore and Rs.15 crore respectively.

**Expenditure:**

23. The total expenditure of Rs.25,984 crore is divided between plan Rs.6,000 crore, PMRP Rs.1,206 crore, centrally sponsored schemes Rs.850 crore and non plan expenditure of Rs.17,928 crore. In revenue & capital terms, the break up is Rs.17,698 crore on revenue account and Rs.8,286 crore on capital account. Out of the total revenue expenditure, about Rs.8,200 crore is estimated to be spent on pay and allowances of the government employees including Rs.725 crore on two new installments of DA and Rs.129 crore on migrant salaries. A provision of Rs.482 crore has been kept as grant-in-aid, mostly for government

aided institutions which use it mainly for salary payments. Rs.1,800 crore have been kept for pensions and retirement benefits. Rs.2,251 crore is earmarked for payment of interest. Expenditure on power purchase is another major item and the next year's provision on this account is Rs.2,051 crore. As far as capital expenditure is concerned, Rs.959 crore are estimated to be spent on repayment of loans and Rs.7,327 crore on various capital formation schemes including capital component of the plan.

**Annual Plan 2010-11:**

24. Despite the delay in sanctioning of the current year's plan outlay by the Planning Commission, we hope to meet the physical and financial targets assigned to us under the plan. As such, the government has decided to ask for about 10% step up in the next year over the current year's plan. We feel that our request shall surely meet acceptance of the Planning Commission. As such, the plan outlay for the next financial year has been kept at Rs.6,000 crore. The working group meetings of all our concerned officers with their counterparts in the Planning Commission have already taken place

yesterday and day before yesterday. We hope that the Plan outlay shall be settled very soon in the meeting of our Chief Minister with the Deputy Chairman of the Planning Commission as per past practice.

25. Out of the total plan outlay, the capital expenditure is estimated at Rs.5,073 crore forming 84.55% of the total plan outlay. The revenue expenditure is estimated at Rs.927 crore forming 15.45% of the out lay. The increase in the revenue expenditures is mainly on account of creation of a large number of plan posts for the new districts and establishments including upgradation of the existing establishments such as those in health and education sector.

26. Over and above the plan out lay of Rs.6,000 crore, a sum of Rs.1,206 crore has been proposed to complete the schemes taken-up under PMRP. A provision of Rs.721 crore has been kept under the next year's state plan as the State share for the centrally sponsored schemes. This provision is expected to provide access to about Rs.2,377 crore as central share from various ministries. A component of Rs.118 crore out of PMRP is being

kept as state counter part share to enable the Economic Reconstruction Agency (ERA) to raise matching loans from the World Bank.

27. Some of the salient features pertaining to various sectors need to be summarized by me.

**Agriculture:**

28. Primary sector consisting of agricultural and allied services sustains 75% of our population and engages 50% of our total work force. The natural factors have not been favourable for agricultural operations in the current financial year. Scarcity of rain during the last kharief and delayed rains during the current rabi have caused substantial loss of production. The government has decided to give thrust to paddy-wheat rotation techniques which will be now carried into the next year. The agricultural department has gone ahead with the acquisition of three units of paddy transplanters for mass demonstration during the next kharief 2010. Likewise, the department has also procured fourteen wheat thrashers for popularizing paddy wheat rotation and farm mechanization. About nine

thousand kanals of land has been covered under this scheme during the current rabi season.

29. The government is providing subsidy on purchase of agricultural machinery and farm equipments such as sprayers, irrigation pump sets, tillers, thrashers, shellers, reapers, potato planters, seed cum fertilizer drills etc in order to encourage farm mechanization. In respect of tractors, the amount of subsidy is as high as Rs. 45,000. For horticulture farm management equipment and power tillers the subsidy amount is Rs.15000. For seed cum fertilizer drills, the amount of subsidy is Rs.20,000 and on potato planters, potato diggers, strip till drill, Dal mill etc the amount of subsidy is Rs.15000.

**Horticulture:**

30. I had stated last time that the productivity of our orchards can be improved by providing root stock for high density plantation from our departmental nurseries as also by encouraging the private nurseries to join in this effort. The initiative taken by the government is showing encouraging signs. The availability of root stocks and planting

material in the next year is expected to increase by more than 60%. The Horticulture Department is going to install micro irrigation system at its Zainpora farm with a view to popularizing drip irrigation amongst the horticulturists. The Department is going to extend its activities in difficult terrains such as Gurez and Uri. While Apricot has been introduced in Gurez, additional area is being brought under olive plantation in Uri. Kiwi is also being popularized amongst private orchardists. Stone fruits, pears, peaches and olive are being promoted in the hilly regions of Jammu. New varieties of apricots are being introduced in Ladakh region. Cluster approach is being followed so that technical know-how to the farmers can be effectively imparted. A MoU has been signed by the Department with APEDA for arranging consultancy for setting up cold atmospheric stores and cold chain in the State.

**Sericulture Industry:**

31. As stated by me before this House in last August, the government is giving lot of importance to this traditional industry of Jammu and Kashmir. A Multi Task Force has been constituted to work out

strategies for holistic development of mulberry, cocoon production, silk reeling, weaving of silk fabric and other down stream products. Four clusters of 100 sheds each are being established in the State for intensification of cocoon rearing. The next year's target for production of cocoons has been kept at 9 lakh kilograms.

**Floriculture:**

32. After signing a Memorandum of Understanding with Airport Authority at Srinagar, land measuring 150 square metre has been leased out to the Department of Floriculture. APEDA has been approached to provide financial assistance and set-up a walk in type cooling chamber on this piece of land for stocking perishable commodities like flowers, fresh fruits and trout fish. The cooling chamber shall be managed by the Floriculturists Association on no profit, no loss basis.

**Poultry:**

33. Poultry farming has lot of potential for generation of employment opportunities for our youth. The government's policy of encouraging this industry has started showing results. Several

initiatives by the private sector are in the offing. In the meanwhile the government initiative of using taxation as an economic tool by abolishing toll tax on import of day old chicks and enhancing toll tax on import of poultry birds has started showing positive results. After my announcements to this effect in the month of August 2009, Lakhanpur check post has recorded a decline of 23% in the import of poultry birds and an increase of 22.5% in the import of day old chicks upto the end of February 2010. In terms of number, the increase in import of chicks is 24.69 lakh and the decline in the number of poultry birds is 15.85 lakh.

34. Simultaneously, the government is also encouraging establishment of backyard poultry units for which the department is gearing-up its production for supply of low tech poultry birds from the departmental hatcheries to the BPL families. The Department is working on a PPP initiative for developing hi-tech parent stock.

35. The Central Government has offered to extend financial assistance for setting up of poultry estates. However, as availability of chunks of land around the growth centers is limited, the State

Government is trying to persuade the Central Government not to insist on providing chunks of land for establishment of poultry estates and to extend financial assistance for units set up on private lands by the entrepreneurs in clusters around identified growth centers.

### **Irrigation Schemes :**

36. Under the Indus Waters Treaty, the State can irrigate 13.96 lakh acres of agricultural land. We have covered an area of 12.65 lakh acres so far. In the current year, we hope to add another 34000 acres to our irrigation potential. In Kashmir, Jammu and Ladakh region, 12 major/medium irrigation schemes are under execution at a cost of Rs.614 crore. Further more, five new schemes are in the process of approval. About 507 minor irrigation schemes are under execution at an estimated cost of nearly Rs.900 crore. Out of them, 100 schemes are expected to be completed in the current financial year. While more schemes are being formulated and regularly sanctioned to bring more area under irrigation, efforts shall be made to compress the period of execution of the on going schemes and all the requisite funds as may be

needed for the purpose shall be made available by the government on priority basis.

37. For kandi areas of Jammu region, 9 check dams are proposed to be constructed at a cost of Rs.80 crores under BADP and AIBP. Additionally 18 more check dams on rivers Basantar, Ujh, Devak, Tarna and Yak are under examination of the Central Groundwater Board for artificial recharge of ground water.

**Forestry:**

38. Forestry alongwith conservation of environment and ecology, wild life, forest protection and research shall be provided due attention under plan development. A sum of Rs.23.25 crore is proposed to be allocated in the next year's plan for this sector. The forest sector has also been allocated a sum of Rs.133 crore by TFC for the five year's period of the Award.

**Power Sector:**

39. As the Hon'ble Members are aware, wide gap between demand and supply has been in existence in power sector. The present restricted peak

demand is estimated at 1450 MW where-as the total availability from state's sources comes to about 945.70 MW. The balance of the demand is met on payment against state's allocation in projects outside the State and by special adhoc allocations from the Centre. The total availability of power comprises of State's own installed capacity of 758.70 MW and 12% free power available from the central projects located within the State equivalent to 187 MW. The gap between demand and supply becomes precarious during winter months when the generation from the local hydel stations, owned by State as well as the Centre, is reduced to almost one third of the installed capacity and the power demand goes up primarily because of heating needs. The long term answer lies in the expeditious exploitation of our own hydel resources. The 450 MW Baghlihar HEP-II is estimated to cost Rs. 2800 cr and the work on execution of this project is already going on. We also hope to start work on execution of 1200 MW Sawalkot HEP in near future for which the work on Rs.119 crore access road is going on in full swing. Bidding process for 690 MW Ratle HEP in IPP mode is in its final stage. Three

projects with an aggregate capacity of 2120 MW at Kiru, Kawar and Pakaldul shall be taken-up by the JK SPDC with participation of NHPC. Preparatory works on 93 MW new Ganderbal HEP, 240 MW Kirthai HEP, 50 MW Lower Kalnai HEP and 37.50 MW Parnai HEP to be executed by our JKSPDC are in full swing. The installed capacity of all the HEP's to be executed by JKSPDC totals to 2070 MW involving capital investment of over Rs.15000 crore. Installed capacity of joint sector and IPP project adds to an additional figure of 2810 MW. Many other smaller HEP's are under execution by JKSPDC as also by the private sector under IPP mode. A plan provision of Rs.519 crore has been kept under power generation in the current year and the same is proposed at Rs.567 crore in the next year.

40. In the transmission and distribution sector, the state government has engaged M/s TERI as consultants to prepare a comprehensive turn around plan. Simultaneously, 30 towns are being covered under restructured APDRP at a cost of Rs.144 crore as part B of this scheme. The state intends to install high voltage distribution system

and aerial bunched cables to avoid thefts and control the mounting T&D losses. Under PMRP, 77 schemes of T&D stand approved at a cost of Rs.707 crore. The cost has been revised to Rs.1350 crore. Ten grid stations are targeted for completion on turnkey basis in current year and the remaining six grid stations shall be completed next year. Thirteen grid stations are being completed departmentally. Fifteen Transmission Lines are being completed in the current & next financial year on turnkey basis and twenty one transmission lines are under execution departmentally.

41. An allocation of Rs.504.13 crore has been proposed for next year for strengthening of T&D System, under PMRP.

**Power Sector reforms and recoveries of dues:**

42. Power sector is in need of major and basic reforms, particularly because of ever growing and unmanageable gap between the amounts annually spent on power purchases and the total recoveries made by the department. The position can be better understood from the facts that six years ago the expenditure on power purchase was Rs.882 crore

and the revenue realized by the department was Rs.607 crore leaving a gap of only Rs.275 crore which amounted to 31.12 % of the expenditure on power purchases. As compared to these figures, the expenditure on power purchases in the year 2008-09 was Rs.2034 crore and the recovery was only Rs. 630 crore leaving a gap of Rs. 1404 crore which amounts to 69.30% of the expenditure on power purchase.

43. Under the Constituency Development Fund Hon'ble Legislators have been authorised to utilize upto Rs.8.50 lakh for improvement of HT/LT net work in their areas against which power development department will provide Rs.25.50 lakh. An amount of Rs.30 crore has been proposed in the transmission and distribution sector for improving HT/LT net work through constituency development route. Rs.20 crore allocation has been proposed for creation of a transformer bank to take care of replacement, augmentation of capacities and longer shut downs for repairs so that the inconvenience caused to the consumers on this account is minimized.

44. I have earlier mentioned that the next year's power purchase budget has been kept at Rs.2050 crore. Against this figure, the revenue realization target is only Rs.1055 crore. This means a loss of Rs.1000 crore. I am excluding the energy available free of cost as well as operation and maintenance expenses from my calculations. It is clear that such heavy recurring losses in power sector are not sustainable. To grapple with this alarming situation, some fundamental changes have become inevitable. Hon'ble Chief Minister has already announced in this House that the government shall be bringing a new Electricity Bill and an Electricity Conservation Bill before this House for consideration during the current session. Unbundling of Transmission and Distribution functions shall be carried out and responsibilities of the individuals and the organizations shall be pinpointed. Greater thrust shall be given to the recovery of outstanding arrears. A system of incentives for prompt payments and recoveries coupled with an effective system of penalties for delays and non recovery shall be put into place. Billing and collection of dues and settlement of

disputes shall be made transparent and user friendly.

45. In the meanwhile, the State Hydel Policy is being revised to make it simpler, more attractive and practicable for private investors in micro and mini hydel area.

**Tourism:**

46. Tourism is one of the most crucial economic sectors for the State. Apart from sight seeing and adventure sports, the pilgrim tourism has become the biggest component of visitors to the State. The government is encouraging and supporting the private sector with financial incentives and development of infrastructure. Massive government effort is also involved in providing regulatory and security cover to the tourists. The government has also been undertaking promotional activities and organizing publicity to attract tourists to our beautiful state.

47. The government has almost completed the project of widening and upgradation of Khanabal-Pahalgam road at a cost of Rs.110 crore. The work on Narbal-Tangmarg road is in full swing and is

expected to be completed by June 2010 at an estimated cost of Rs.116 crore. The work on widening and upgradation of Domel-Katra road is under execution through Border Roads Organization. These three roads are being funded under PMRP.

48. Completion of Rs.640 crore Mughal road between Bafliaz in Poonch District of Jammu Division with Shopian town in Kashmir Valley will open-up new vistas for tourism promotion in the State.

49. The government has sanctioned 22 local development authorities at important tourist spots so that the tourists are attracted to various other beautiful corners of the State apart from the traditional tourists sites. The plan allocation in tourism sector is proposed to be enhanced to Rs.161 crore in the next year. Additionally, the Thirteenth Finance Commission has provided Rs.50 crore for Mubarak Mandi Complex and Rs.25 crore for development and conservation of Tawi front. Rs.15 crore allocation has been proposed under the Plan for the Cable Car Corporation to take up new

projects including one for Makhdoom Sahib in Srinagar and Mubarak Mandi at Jammu.

50. Apart from developing facilities and places of attraction at various places, the government is presently engaged in preparation of a vision document and master plan for sustainable tourism for all the three regions of the State. Eleven experienced and professional consultants have been shortlisted by the Department. Technical and Financial bids have been received from them. Action has also been initiated for collecting the necessary data for undertaking break even analysis of various tourism related activities so as to formulate an appropriate insurance mechanism for various groups of investors in tourism sector.

**Industry sector:**

51. Hon'ble Members may kindly recall that the Central Government had extended a special package of incentives for new industrial units to be set up in J&K. Part of the package pertaining to excise duty exemption was withdrawn without completing the prescribed period. The State government had been vigorously pursuing the case

with the central Government for restoration of the original package of incentives and its extension by a further period of 10 years. Our Hon'ble Chief Minister, Janab Omar Abdullah Saheb had personally taken up the matter with the Central government. I am happy to report that the excise duty exemption for value addition within J&K has been restored and the benefit has been extended by a further period of 10 years.

52. The government has constituted two Rehabilitation Task Forces for Kashmir and Jammu Divisions respectively with a view to revive the closed and sick units. The Task Force constituted by the Prime Minister has recommended soft loans for revival of sick units for which creation of a corpus of Rs.100 crore has also been recommended. A Standing Forum for simplification of procedures and removal of bottlenecks is also being created. An Industrial Advisory Board stands constituted where policy matters and macro level issues can be projected and promptly decided. The government is conscious of the fact that speedy industrialization will help in employment generation

consistent with the policy frame work outlined in SKEWPY.

53. The Common Effluent Treatment Plant under execution at Lassipora through the Central Leather Institute at a cost of Rs.6.42 crore is expected to be completed by June, 2010. The construction of Inland Container Depot at Rangreth is making steady progress.

54. The government has approved construction of a Rs.24 crore Udyog Bhavan for Kashmir. This was a long pending demand of entrepreneurs. Food processing industry which is one of our thrust area shall receive a boost after the new promotional policy recommended by the Task Force appointed by the Prime Minister for J&K is formally approved.

55. The government intends to maintain the focus on promotion of handicrafts and handloom Sector. Six handloom clusters are being operationalised. There is a plan to modernize 40,000 carpet looms at a cost of Rs.120 crore for which a prototype is being developed in the Institute of Carpet Technology at Srinagar. The government has decided to provide 50% to 75% subsidy on premium for health

insurance cover to the handicrafts artisans which will provide much needed relief to this segment of the population.

56. Crafts of Kanishawl, Pashmina and Sozni have been brought under the purview of Geographical Indicators or GI. A pashmina testing lab is being established at a cost of Rs.4.62 crore. The government intends to facilitate a mega marketing campaign during common wealth games and other festive occasions to enable the craftsmen and small traders of handicrafts to clear their stocks.

57. The current year's plan allocation for industrial sector is Rs.93.12 crore. During the next year's plan, outlay of Rs.111 crore has been proposed for this sector.

58. The J&K State Finance Corporation has gone out of way to help out the industrial units which suffered due to law and order problems and other reasons during the last 20 years. Various exit schemes were sanctioned and implemented. I had announced a one time settlement scheme during the last budget session which is presently under implementation. In the process of helping out the

assisted units, the Corporation got drained out of its resources, particularly because Small Industries Development Bank of India (SIDBI) which is its co-owner stopped further funding and refinancing of the Corporation. We are seriously pursuing the case of revival of the Corporation with SIDBI and hope for a positive outcome in near future. In the meanwhile, the Board of Directors of the Corporation approved a comprehensive revival plan for the Corporation. As the first step in that direction, the government proposes to contribute Rs.35 crore towards its additional share capital for which an initial provision of Rs.5 crore has been proposed in the next year's plan.

59. Revitalization of the public sector units remains in our focus. Rejuvenation of economically viable units, disposal of unused assets particularly the real estate for mobilization of resources, disposal of the closed units unfit for revival and policy of golden handshake and voluntary retirement schemes are the hallmarks of the government approach in this direction. A sum of Rs.60 crore has been proposed in the next year's budget for this purpose.

60. Disinvestment in the public sector is an area which has not been attended to so far. The government intends to make a beginning in this direction in near future.

61. The government is providing financial support to the local industry in the shape of exemption from taxes on raw materials and finished products in order to make them competitive. CST and VAT exemption for industry now costs Rs.375 crore. The toll exemption alone accounted for Rs.90 crore during last year. For market promotion, the government has maintained a policy of price preference and purchase preference to the local SSI units in all government purchases. Adoption of quality standards has been encouraged with financial support. The government has initiated steps for setting up of two Tool Rooms in the State for the benefit of industry. However, in a global scenario of competition, the industry will have to come forward in a big way for brand promotion, as a very sizeable non-government market lies ahead for them both within and outside the state. The financial requirements for this purpose shall be fully met by the government.

**Trade Policy:**

62. A new trade policy is under formulation for which a Committee stands constituted involving all concerned officers and representatives of trade & commerce. In the meanwhile proposals have been sent to Government of India for approval and allocation of funds, for creation of infrastructure for promoting trade across LOC. Special phone lines have been authorised for reliable communication for trade.

**Restoring Industrial Climate:**

63. A very encouraging and promising industrial climate was created by the strenuous efforts of the government in the seventies and eighties. Unfortunately, eruption of militancy wrecked that climate. With the large scale closure of industrial activities, premises of many industrial units and industrial estates as well as other public and private properties have been used for accommodating security forces. The government has decided to gradually restore the original activities in the interest of industrial development of the State as well as for restoration of normalcy. Hon'ble Chief Minister has

himself taken the initiative in his hand and has constituted three Standing Committees at the State and Divisional levels for regularly monitoring the progress of vacation of the industrial estates, industrial units and other properties in a gradual manner by providing alternative accommodation to the security forces. Significant progress has already been made in this direction and more is expected to follow shortly.

**Road sector:**

64. Road sector, particularly the rural roads are the life line of the community. They also make very valuable indirect contribution to the growth of the economy. We have 9,933 habitations in the State out of which 4,163 habitations were unconnected as on 1.4.2000. The R&B department aims to cover 1,426 habitations under phases I to VI of PMGSY at a cost of Rs.4,772 crore. Out of this target, 776 habitations have been connected ending January, 2010, taking total connected habitations to 6,546. Under PMGSY, the current year's expenditure ending January, 2010 is Rs.700 crore and 743 more habitations are expected to be taken up under phases VII and VIII. The next year's plan provision

for R&B has been proposed at Rs.687.93 crore. The Thirteenth Finance Commission has awarded Rs.140 crore for maintenance of roads & bridges.

**PHE, Health and Education:**

65. Drinking water, health cover and primary education are the socio economic activities on which lot of emphasis is being given by the government. The number of rural water supply schemes completed so far is 2,283.

66. Accelerated Rural Water Supply Scheme has been renamed as National Rural Drinking Water Programme and made a part of Bharat Nirman Programme. The current year's estimated expenditure on this scheme is Rs.447.74 crore and 400 schemes are expected to be completed this year. Additionally, urban water supply schemes are being executed under the state plan and ERA.

67. Upto the current year, 17.70 Million Gallons per day capacity has been added to the system in Jammu City and 12.25 MGD added for Srinagar City. Rupees 46 crore are being spent in current year for other towns in Jammu Division on 6 projects estimated to cost Rs.116.43 crore. Similar

projects are on the anvil for Kashmir under UID SS MT. A scheme for Sopore town has been cleared for Rs.33.53 crore. Schemes for Anantnag and Dooru costing Rs.72.69 crore are expected to be cleared soon. Projects for Baramulla, Bijbehara, Awantipora, Pulwama, Shopian, Khansahib and Chrar-i-sherief have been sent to the Centre for clearance.

### **Urban Development:**

68. The Housing & Urban Development Department is charged with the responsibility of housing, execution of schemes under various components of JNNURM, Urban Local Bodies and environmental engineering works. It has taken up a scheme for conservation of Tawi waters by diverting nallahs and drains. Protection of water bodies is likely to receive momentum with the initiatives taken by the central government as also the funding expected to be provided under the Award of the Thirteenth Finance Commission. Two abattoirs are being constructed at Srinagar and Jammu. Provision has been made in the Master Plans for developing warehousing facilities in the capital cities. Many parking sites have been already developed in both the

cities and more sites have been planned for execution in government sector as well as in PPP mode.

**Science and Technology:**

69. Remote villages and hamlets numbering 27 in Gurez tehsil have been provided 3,726 solar home lighting systems. Additionally, 68 remote villages have been identified under this scheme. The Ministry of New and Renewable Energy has agreed to provide 41,000 additional solar home lighting systems to 191 remote villages and hamlets at a cost of Rs.54 crores under this scheme. The beneficiary is required to meet a small component of about Rs.750 where as assistance of more than Rs.11,000 is available from the central government.

70. Solar power plants are being provided to Dargah Sharif Hazratbal, Shri Mata Vaishno Devi ji Shrine and Ziarat Charisharief. The Rajbhawans at Srinagar and Jammu and the Legislature Complexes at Srinagar and Jammu, together with 22 health institutions are also being provided solar power plants. The Union Ministry for New and Renewable Energy has also agreed to provide assistance of Rs.45 crore for implementation of 56 micro Hydel projects. It has

further indicated a target of upgrading 2000 water mills and installation of 3000 biogas plants during the next two years.

**Rural Development:**

71. During the last year, 79.25 lacs mandays were generated, 13,122 works were taken up and funds to the tune of Rs.86.90 crore were utilized under National Rural Employment Guarantee Scheme. This year, we increased the daily wage rate from Rs.70 to Rs.110 per day. This has expectedly resulted into improved performance. During the current year, till date 101.03 lacs mandays have been generated and 6,48,196 Households have been provided Job Cards. Number of works taken up for execution is 24,459 out of which 10,029 works have been completed and funds to the tune of Rs.132.16 crore have been absorbed in the Scheme. This is a very significant improvement over the last year.

72. Under Indira Awas Yojana (IAY) 26,804 houses were taken up for construction out of which 19,010 were completed last year. During the current financial year 38,968 houses were taken up for construction out of which 15,005 have been already completed.

73. Similar achievements and improvements have been made in implementation of Swaranjayanti Gram Swarozgar Jojana (SGSY), and Total Sanitation Campaign (TSC).

**Welfare Sector:**

74. Welfare of weaker sections of the society like scheduled castes, scheduled tribes, backward classes etc and attending to the special needs of women and children is amongst the top most priorities of the government. Talking of all these segments together in my budget speech does not in any way reduce the importance which the government attaches to each individual constituent of this group. The government is, in fact, attending to the needs of each and every constituent separately. A sum of Rs.253.73 crore is proposed to be kept in the next year's plan for ameliorating the conditions of the weaker sections of the society and for welfare of women and children.

75. The State Women Commission organized two workshops for the senior officers of the government for highlighting the principles of gender budgeting and incorporating the same in budget formulation. In

view of the importance of this concept, I have included a separate report in the budget documents for information of the Members.

76. The government has sanctioned 3,094 new Anganwari Centres in the current financial year, taking the total number to 28,577. The government has further decided to enhance the remuneration of Anganwari Workers and Anganwari Helpers. I accordingly announce increase of Rs.300 PM in the remuneration of Anganwari Workers and Rs.200 PM in respect of Anganwari Helpers. The total financial implications on this account are Rs.15.30 crore per annum.

**Inclusive Development:**

77. The government is committed to balanced regional development for all regions and sub regions of the State. The government would like to do it in a systematic and structured manner. The State Finance Commission constituted to study the issue and suggest solutions to the problem alongwith the related issues of financial restructuring, economic development, decentralization, good governance, empowerment,

employment issues etc has concluded its field visits, meetings with all strata of the society, studies and debates. They are in the process of analyzing the collected data and preparing the final report. Accordingly, the government would now be keenly awaiting their recommendations after which this important task shall be attended to in right earnestness in a systematic manner.

78. In the meanwhile, the State Government has provided Rs.10 crore under BADP for development of areas adjoining international border, line of control and line of actual control. A similar amount is expected to be available under this programme during the next financial year as well.

**Employment issues:**

79. During my last budget speech, I had drawn the kind attention of the hon'ble members of this august House towards the growing unemployment in the State, particularly amongst our educated youth. In this connection I had also enumerated various steps which the government intended to take to tackle this problem in a systematic and holistic manner. I am glad to announce that all those

measures have been placed on the ground for fulfillment of their declared objectives.

80. The government's announcement about the policy evoked a very positive response from the unemployed youth who came forward in large numbers to get themselves registered in the District Employment and Counseling Centres. As per the latest figures available with us, the number of youth registered in these centres is 5.84 lakh, comprising of 3.08 lakh in Kashmir and 2.76 Lakh in Jammu division. These figures have given us a fair idea of the size and nature of the problem now. This information input shall be utilized to work out feasible solutions suiting to various segments of unemployed youth.

81. As promised, the government has announced the "Sher-e-Kashmir Employment and Welfare Programme for the Youth" on 5<sup>th</sup> December, 2009. It is for the first time the government has documented a well thought out plan of action to specifically deal with all aspects of un-employment and laid for itself not only a number of pre-identified tasks to be performed in the coming years but also fixed the numerical targets for generation of employment in

various fields and sectors. An innervated self employment programme and a massive skill upgradation programme for improving employability of our educated youth are in the offing.

82. Five Rural Self Employment & Training Institutes (RSETIs) are being established by the J&K Bank and the State Bank of India in collaboration with the Ministry of Rural Development, Government of India in the current year. In the coming years, all the remaining districts shall be covered by such institutes. The government has started a process of creating mass awareness amongst the youth about the bright prospects in self-employment programme to be undertaken under the seed capital scheme of the J&K Entrepreneurship Development Institute. A sum of Rs. 50 crores has been provided as Entrepreneurship Development Fund to be operationalised through J&K Entrepreneurship Development Institute. (JK EDI) for this purpose. The JKEDI has already finalized the procedural aspects in consultation with the concerned state government departments and J&K Bank for

implementation of the programme and the same is expected to be on the ground very shortly.

83. The employment department has been organizing District Level Employment fairs as part of its efforts to create mass awareness amongst the youth about various aspects of SKEWPY and to set up their own enterprises with the help of government's active support and financial help.

84. An Overseas Employment Corporation has been approved by the government and the same shall come into existence very soon after completion of legal formalities. The procedural formalities for its registration under the Company's Act are also under finalization. The process for setting up of an Empowered Employment Facilitating Agency is also on.

85. A sum of Rs.10 crore has been sanctioned by the government in favour of J&K Women Development Corporation for setting up self employment enterprises by the girls and women. The Women Development Corporation is presently engaged in the process of identifying entrepreneurs

and selecting appropriate schemes for them for setting up women specific entrepreneurial ventures.

86. The government has already instituted 5 awards in the field of innovations with a prize of Rs. 1 lakh each as announced by me during the last budget session. A committee has also been constituted for selecting the best innovations every year.

87. As per the declared policy of the government, the selections by the PSC, SSSB and the Police Recruitment Board have been fast tracked. As per the figures available for the year 2009, 1300 candidates have been selected by the PSC, 10,045 candidates have been selected by SSSB and 7499 candidates selected by the Police Recruitment Board after first January, 2009. The government has simultaneously settled 2912 cases of compassionate appointments under SRO-43. Out of this number, employment has been provided in 1,362 cases and cash assistance in the remaining cases. This takes the total figure of employment to 20,206, the highest ever in a single year.

88. The government has created around 6,500 new posts since January 2009. Currently, 20,665 vacancies have been identified and accordingly over 20,000 youth are likely to get government jobs in the year 2010. The government has additionally created 3000 posts exclusively for the migrants which are to be filled up shortly through a special recruitment drive.

89. The government has taken a bold and historical initiative of introducing Voluntary Service Allowance for the unemployed youth hailing from financially weaker families from the next financial year. The details of the VSA form part of the policy document on SKEWPY copies of which had been sent by the government to the hon'ble members. The government considers that this support extended to the most deserving boys and girls among the educated unemployed youth shall prove to be an important hand holding measure in the interim, till they get absorbed in their self employment ventures or get a government or private sector job during their eligibility period. This measure is also in consonance with the popular

demand made by many members of this august House during the last session.

90. The policy document released by the government was mostly welcomed, though criticized by some. We have tried to pick up all constructive suggestions for further improvements in our plan of action reflected in SKEWPY. In fact, I will be very keen to listen to more suggestions from the Hon'ble members on making further improvements in the scheme shaped up by the government and gratefully acknowledge well meaning practical and concrete suggestions forthcoming from any quarter on this engaging issue which is our common problem regardless of the positions of the chairs we occupy in this House.

91. A provision of Rs.113.80 crore has been kept under plan and non-plan for implementation of various schemes falling under SKEWPY. The government shall not hesitate in supplementing these allocations to any extent as per actual need.

**Welfare of Cancer Patients:**

92. Apart from providing infrastructure for long-term benefits to the society, it also becomes

necessary for the government to give lead in such philanthropic measures as are generally initiated and carried out by conscientious members of the society. Cancer is a malady which cannot be handled merely by making available infrastructure and diagnostic facilities in government institutes or private sector mainly because the treatment and management of cancer is expensive and beyond the financial means of poor and even middle class families. Accordingly, the government has decided to create a Cancer Treatment and Management Fund designed to run on voluntary donations qualifying for income tax rebate. The Fund shall be managed under the advice of experts and philanthropists with the active involvement of the government. Assistance from the Fund shall be targeted toward poor and lower middle class families. I announce an initial contribution of Rs100 lakh for corpus of this Fund.

93. There are a large number of employees in the government and autonomous bodies who are drawing a substantial amount in the name of monthly medical allowance. I appeal to them to get a small amount ranging between Rs.10 per month

to Rs.50 per month deducted at source from this allowance as contribution towards the Cancer Treatment & Management Fund to help their less fortunate brothers and sisters. I will be issuing instructions to the DDOs on these lines.

94. As the proposed donations shall be purely voluntary, any employee may ask his DDO in writing not to make such deductions. However, I am sure that all our government employees have a human heart full of compassion and such exceptions would be rare. The Fund shall seek voluntary donations from individuals and philanthropic institutions as well.

**The Fourth Estate:**

95. The Press is recognized as the Fourth estate in our democratic set up. Apart from serving as a potent medium for expressing public opinion, it also provides an effective medium of communication between the government and the people in respect of government policies and programmes. Often this objective is achieved through government advertisements. With the ever increasing costs of printing, the need for

making an increase in the advertisement rates was felt and the same has been already notified by the government. With a view to ensuring that no shortage of funds is faced in making timely payments to the newspapers and magazines, I have already enhanced the budgetary allocation of Information Department from the existing level of Rs.530 lakh to Rs. 680 lakh in the revised estimates of the current financial year. For the next year, a provision of Rs.925 lakh has been proposed.

96. These allocations are in addition to the funds drawn for meeting department specific needs from the allocations under individual schemes and projects. I intend to create a mechanism for ensuring that no liabilities are carried forward by any department on account of costs of advertisements and all bills are paid off in a timely manner from the budgetary allocations of the same financial year.

**Good Governance:**

97. The government is committed to bring in good governance at the door steps of the people.

Transparency in the functioning of the government, Right to Information Act, effective monitoring of all government schemes and programmes are hallmark of realizing goals of good governance. Hon'ble members will be happy to know that for the first time a sizeable chunk of our plan projects numbering 150 and costing Rs.744 crore have been assigned for monitoring to independent professional agencies in consultation with the Planning Commission.

98. The Unique Identification scheme for all citizens has been launched by the central government. A Unique Identification Authority of India (UIDAI) has been already created. The State Government is in close touch with this Authority and would like to take a lead in getting the first set of UID numbers in our State. This scheme shall provide an effective platform for financial inclusion and targeted subsidy payments. The Voluntary Service Allowance announced as part of SKEWPY shall be brought into the ambit of this scheme. The Public Distribution System shall be our another major initiative for electronically controlling the movement and stocking of food grains, issuance to

the dealers and monitoring of distribution of food grains to the targeted population which shall be linked to UID scheme. Matters of Permanent Resident Certificates are being linked to this scheme, resulting into lot of convenience to the people.

99. The government is also examining the possibility of introducing e-tendering with a view to make tendering of works speedier, transparent and more efficient.

**Entry Tax:**

100. The State Government is heavily investing in infrastructure developmental programmes to change the economic landscape. The Government granted exemption from payment of Entry Tax, (subject to the fulfillment of certain conditions) on 'earthmoving machines' required by registered contractors for execution of works contract in respect of Centrally Sponsored Schemes, Mega Flagship and other Central Schemes. It has been experienced that the procedure in vogue, for grant of such exemption is time consuming. I, accordingly propose to simplify the procedure by a suitable

regulation. This shall ensure speedy completion of development projects in the State for the benefit of its economic development and prosperity.

**Simplification of Tax Administration:**

101. During my pre-budget discussions, the need to bring about several amendments, in various taxation laws and rules pertaining to Excise and Commercial Taxes Departments was emphasized by representatives of trade and industry. Many of these suggestions are seemingly logical and need mutual understanding. Dynamism lies at the core of every taxation law. As a consequence, the law keeps on evolving. With the twin objective of a better tax administration and a hassle free compliance, I propose to constitute a Committee, comprising of senior officers of the Commercial Taxes, Excise and Finance Departments to revisit various provisions and to propose changes, wherever required.

**Value Added Tax and proposed Goods & Services Tax Act.**

102. Successful transition from the State General Sales Tax Act to the Value Added Tax regime has

been experienced in our state. Now transformation of Value Added Tax into a much more comprehensive Goods and Services Tax is under consideration of the Empowered Committee of State finance ministers of which I am also a member. A lot of debate has already taken place on this subject. The Union Finance Minister has announced that GST Act may be considered for adoption with effect from 01.04.2011.

103. The SSI units operating in the state were enjoying Sales Tax exemption on raw material and finished goods for the periods prescribed in the package of incentives sanctioned by the government from time to time. With the transition from the State GST Act to VAT regime, exemption from general sales tax was automatically withdrawn. In order to protect the industry from the additional burden falling on account of imposition of VAT, I continued exemption favouring industry even under the VAT regime. Now that the proposal for application of the new Goods and Services Tax Act has been deferred by one year and VAT Act shall continue to be in force, I propose to extend the

benefit of this exemption to the eligible industry by one more year.

**Taxes on room rent charged by hotels, lodges and guest houses:**

104. Income arising out of room rent by hotels, lodges and guesthouses is liable to tax. With a view to support the tourism industry, I had agreed to exempt such income from any tax leviable under the General Sales Tax Act. We are hoping for better tourist arrivals during the next financial year. However, in order to continue support to this sector and the hotel industry, I announce continuation of such exemption from General Sales Tax Act for another period of one year commencing from 01.04.2010.

**Additional Resource Mobilization (ARM):**

105. It is part of my inescapable duty to periodically initiate measures which would improve the internal resources of the government. The

state's income comes from two categories classified as tax revenue and non-tax revenue. The structure of non tax revenue requires a systematic revamping. However, I refrain from touching the rates, fees, tariff applicable in various sector of non-tax revenue for the time being. I have already stated that I am targeting a 23% increase in the tax revenue collection during the next financial year. Part of this growth shall be achieved by better management and expected growth in economy. However, a portion will have to be contributed by introducing changes in the existing taxation rates. I propose to touch only two items for meeting my instant objective.

106. The Value Added Tax or VAT is being administered under the policy frame work designed by the Empowered Committee of the State Finance Ministers constituted at the national level so as to maintain uniformity in taxation rates for important commodities all over the country and avoid tax war between neighboring states. The rates are enforced by all the states on a system of Uniform Floor Rates for various categories. The individual states are free to go above the Uniform Floor Rates. We have

maintained a large number of items at the Uniform Floor Rate of 4%. Now the Empowered Committee has decided to increase the UFR for this category to 5%. I propose the enhancement of the existing rate of 4% to 5% accordingly. On a proportionate basis, the rate of service tax chargeable under GST act is proposed to be increased from 8% to 10%. I did not intend to change the existing VAT rate of 12.5%. However, our neighboring states have gone for a 10% surcharge on this rate which means an increase of 1.25%. I have no option but to fall in line keeping in view the understanding in the Empowered Committee and, therefore, propose an increase of only 1%.

107. The rate of toll tax chargeable by weight and fixed at Rs.40 per quintal more than seven years ago has not been revised for a considerably long time though the cost of goods has increased by now several times. I propose to increase it to Rs.50 per quintal.

**Relief to Farmers:**

108. I mentioned in the beginning that the agriculture and horticulture sector needs

stimulation. I intend to start the process by abolishing VAT on Agricultural tools & implements because these items are already being subsidized by the government for popularizing mechanization of agricultural and horticultural farms. The proposed measure shall make them still cheaper and their use will, hopefully, become more popular. The toll tax on these items shall also be abolished.

109. Pesticides, weedicides and insecticides are essential for disease control in agriculture, horticulture and allied sectors. As a support to the farmers in crop protection, I propose to abolish toll tax on these items as well.

110. During the last budget session, I had experimented with using toll tax as a tool for stimulating economic activity by abolishing toll tax on day old chicks and increasing the rate of toll tax on poultry birds. Encouraged by the success of that experiment, I propose to abolish toll tax on all types of fertilizers w.e.f. 01.04.2010. I hope that this measure shall provide a much-needed major stimulus to the agriculture sector as the cost of all fertilizers including urea shall be now lower by Rs.500 per MT.

111. The state is supporting a large animal population, almost equal in number to the human population. However, the land available for feeding them is far from being adequate. It is estimated that about 60% of our requirement of green and dry fodder is met by purchases from outside the state. I accordingly announce abolition of toll tax on fodder as well.

112. Bee hives and bee colonies are often required to be transported across the state border. The movement of these items is currently subjected to toll tax. The bee colonies and bee hives are also subjected to VAT. In order to encourage beekeeping, I announce abolition of both toll tax as well as VAT on bee hives as well as bee colonies.

113. Solar energy equipment including solar cookers, solar heaters, solar dryers, solar lantern, solar street lighting etc need to be encouraged in the interest of keeping our planet green and to help a large number of our people living in remote villages. Even in urban areas such equipments need to be encouraged. Accordingly, I propose to abolish VAT as well as toll tax on these items.

114. Fresh cheese or paneer is a very important source of protein and particularly important in a vegetarian diet. I propose abolition of VAT on this item. Incidentally, this should also help in promotion of D-Industry in the state.

**Some other relief:**

115. Feni or Femian is an item consumed particularly on some special occasions by our mothers and sisters when they take to fasting to celebrate some very pious occasions. The item presently attracts VAT rate of 12.5%. I propose to abolish VAT on this item all together. Similarly dhoop and agarbatti are popularly used for cleaning up the air and environment. Accordingly, it has come to be associated with worship and important social occasions in all regions of the State and all religions. I propose to do away with the VAT on this item as well.

116. Guchchi or Gushian, Gul Banafsha or Banaksa and Anardana are items from forests and barren lands which are collected by a large number of people living in villages for their livelihood. The VAT rate on these items is 12.5%. In view of labour

intensive process of collection of these items, I propose to include this item in 0% category of VAT schedule.

117. Wheat, flour, suji, besan, paddy and rice are presently in 0% VAT category. I propose to continue them in the exempted category for another year.

**Gender Budgeting:**

118. I have mentioned about creation of additional Anganwari Centres and increase in honorarium of Anganwari Workers and Helpers. Mention has been made by me about employment programme for women under SKEWPY. In our society, most of the landed property is held in the names of men folk. Transfer of ownership rights to women in the family will result into positive socio economic changes and qualitative shift in the attitude of the male dominated society toward the female members of the families. In order to encourage adopting of such a practice by the society, I propose to provide concession of 25% in the amount of chargeable stamp duty if the land is purchased in the name of a female member of any

family. This will empower our women folk in real sense.

**Relief to traders:**

119. Every trader with a turnover exceeding Rs.40 lakh is required to file an audited report under section 60 of J&K VAT Act, 2005. With the passage of time, this limit needs to be increased. I propose to increase this limit to Rs.60 lakh.

120. As per rule 9A of J&K VAT Rules, 2005, the practice of replacement of defective parts is recognized and no VAT is chargeable on the new parts if the defective part is returned within 90 days of purchase. It has been observed that in some cases this time period may not be sufficient. I propose to extend the time limit to 180 days.

**Arrears of pay revision:**

121. As the Hon'ble Members are already aware, the government sanctioned the revised pay scales recommended by the Sixth Central Pay Commission to the state government employees, retrospectively from 1.1.2006 and released cash benefits from the first of July, 2009. I had stated in

this house during the last budget session that the requirement of funds to clear the arrears comes to over Rs.4000 crore. I had also stated that the demand for allocation of this amount had been projected to the Thirteenth Finance Commission adding further that if this amount is made available to the government in one go, I would be the happiest person to release 100% arrears in cash. I had accordingly appealed to the government employees to wait till the picture becomes clear with the Thirteenth Finance Commission's Award.

122. The Commission has been fairly appreciative of our financial needs and has accommodated us to a great extent in respect of many other demands made through our Memorandum, as I have already stated. In respect of the arrears of pay revision, the Commission has considered our demand alongwith similar demands made by other states. It has made very categorical observations on this demand and I quote,

“In our discussions with State Governments, a significant portion of the memoranda presented and the discussions on the future fiscal roadmap centred around the impact of

this award on state finances. For the Centre, arrears alone amounted to Rs.28,160 crore on a salary base of Rs.44,360 crore. While many reforms can and should be, contemplated to end this self-inflicted distortion, one action that could be taken immediately is that of making the pay award commence from the date on which the recommendations of future Pay Commissions are accepted by the government. In effect, this would do away with the need for arrears. Since state governments' awards typically follow those of the central government, this would allow states to time their awards such that the need for arrears does not arise. In our view, if Finance Commissions are able to present their inter-governmental recommendations without any need for retrospective fiscal transactions, then the same should be possible in the case of Pay Commission as well".

123. I may also share with the Hon'ble members that all Finance Commissions give Awards keeping

in view a basic common objective to put the states under pressure to improve their own resources and fiscal performance during the next five years of Award. Accordingly, they normally provide higher non plan revenue deficit grants in the first year and gradually reduce the same to a lower level in each successive year. The state governments are consequently bound to improve their own resources and to cut their non plan expenditure. Any increases in expenditure such as incremental growth in salary expenditure, additional DA installments, office expenses and other establishment costs etc have to be fully matched by improvements in their own tax and non tax revenues. The Thirteenth Finance Commission has chosen to give this message rather more loudly and strongly. Speaking of my own state, I may point out that our non plan revenue deficit grant in the year 2010-11 has been fixed at Rs.3940 crore which sharply declines to Rs.2096 crore in the last and the final year of the Award. It is a dip of Rs.1856 crore. Not only this, the Commission has also stipulated that the fiscal deficit in respect of our state should be reduced to 3% in the final year of the Award. Therefore, our

borrowing capacity shall also get reduced gradually. Intermediate targets for reduction of fiscal deficit from its current level of 5.5% to 3% have also been prescribed by the Commission.

124. I am sure that the Hon'ble members of this August House understand the position clearly. I appeal to the government employees who have been resorting to frequent strikes on this issue to understand the position with the same clarity. The government earlier committed to pay the arrears as soon as the resources for the same would be found. The government would like to reiterate its commitment with the same degree of conviction. After we found that the issue has been closed by the Thirteenth Finance Commission, our Hon'ble Chief Minister has raised this demand at the highest level asking for additional funds specifically for liquidation of these arrears. We have not lost our hope nor I would like the fraternity of the government employees to think differently. Without arranging the requisite additional funds, issuing a government sanction shall be meaningless. Similarly no amount of strikes or agitations can generate resources. Either we get the requisite

additional funds in near future or we sit across together and mutually look into any practicable alternatives. I accordingly appeal to the employees to cooperate with the government on this issue. All of us sitting in this House and the government employees who are on the streets today, are accountable to the people and also duty bound to work for their welfare. Even if a single individual member of the public suffers because of abstention of employees from work, it would be an unpardonable sin. I would appeal to the striking employees to return to work forthwith on this single consideration alone.

**Conclusion:**

125. During my pre budget discussions with representatives of the trade and industry, tourism, economists, intellectuals and academicians etc, very valuable suggestions were made by the participants. For the first time in the history of budget preparation, I also held detailed interactive sessions with the representatives of farming community representing diverse interests like agriculture, horticulture, sericulture, vegetable growers, floriculturists, sheep and cattle breeders,

poultry, milk processing, cooperation and credit, bee keeping etc. I would be failing in my duty if I do not express my appreciation for the knowledge they exhibited about the government functioning and programmes and the awareness of the national and in some cases global environment in which they are operating. Some of the Hon'ble Members of the House chose to address communications to me through print media. They were also joined by economists, intellectuals and activists from various fields. I have studied their communications with interest and reverence. The valuable information collected through all these interactions has been preserved by us and shall continue to guide us in future.

126. The first year of functioning of the coalition government has been momentous in many respects, inclusive of fiscal corrections and consolidation of financial management. Apart from what I have been able to do within one year, I am fully conscious that a lot more remains to be done quickly. All that remains will have to be done with patience, understanding and dispassion to enable the people of the state to become equal and

effective partners in the national economy in the global context. The solutions to all our socio-economic problems will continue to be searched in progressive, scientific, transparent and pragmatic manner by utilizing the latest skills, tools and technology available across the globe. This vision of the coalition government headed by our dynamic and young Chief Minister Janab Omar Abdullah Sahib will continue to guide all our policies and programmes.

127. I conclude my speech by reciting a famous couplet,

*(I have presented to thee whatever I had to;*

*Now you be the judge)*

128. With these words, I present the Annual Financial Statement for the year 2010-11 and commend the same.