

Hon'ble Chairman, Shri Vijay Kelkar Ji, distinguished Members and officers of the Thirteenth Finance Commission.

I, on behalf of my cabinet colleagues and the State Administration, would like to extend a very warm and personal welcome to you sir the distinguished Members and indeed to the entire team on your visit to Jammu and Kashmir. For me in particular, the occasion is momentous as it is for the whole State. My government assumed office in January 2009 and, therefore, term of my government will by and large be concurrent with the award period of the 13th Finance Commission from 2010 to 2015. It is for this reason that the visit of the Commission is all the more significant for my Government. While my government will try its utmost to serve the people and solve their problems, our request to the Commission would be to be generous in supporting us.

(2) As is well known, the people of Jammu and Kashmir have gone through a lot of suffering during the last twenty years. The administration which was expected to attend to the issues of governance and fulfill the day to day needs of the people, had to devote most of its resources, time and energy in fighting separatism, militancy and terrorism. In the process, most institutions of the state suffered and performed much below par. It will not be an exaggeration to say that while the administration geared up to face new and difficult challenges, it faltered when it came to

dealing with the issues of development and delivery of public services. Naturally, today we are confronted with a greater challenge and that is to do extra so as to make up for the lost time and opportunity.

(3) So, while the rest of the country was marching ahead, witnessing unprecedented development in infrastructure and social and educational sectors in the wake of economic liberalization, we almost lost out completely on this great opportunity for development. Our people have, however, shown exemplary courage and maturity in defeating the sinister designs of those who tried to divide them. Notwithstanding this, we continue to remain committed to the highest ideals of democracy, secularism and socialism which constitute the basic spirit of our constitution.

(4) In this background, I see the visit of the Thirteenth Finance Commission to the State as very timely and a God send opportunity. At a time when the State and its people are trying to emerge from the shadow of violence, we need hand holding with compassion and understanding.

(5) Hon'ble Chairman and Members. The long agitation faced by the State during the summer of 2008 completely crippled normal life for nearly three months and led to economic losses running into hundreds of crores. The other losses that we suffered for example in education, services, image and reputation are difficult to quantify. Thereafter, we had abnormally protracted

Assembly Elections spread over seven phases for nearly two and half months followed by another spell of five phases of Lok Sabha elections. Thus for seven months in 2008-09, the State experienced low level of economic activity, tax generation and employment. The impact of global meltdown is also gradually showing on our economy as exports of carpets, handicrafts, walnut kernels have slowed down. As a consequence, many of our weavers and artisans have lost jobs and income. The purpose of highlighting this is to drive home the point that the complexities of our situation hamper our effectiveness in development and delivery of public services. This is not to justify our occasional lapses in performance but nonetheless these are the real limiting factors that have to be kept in mind. This is only to provide a background to the presentation that is being made to the Commission and to help the Commission in appreciating the problems, limitations, concerns and expectations.

(6) In his speech, my Finance Minister has presented a comprehensive picture of the various problems faced by the State which we would like the Commission to address in a sympathetic manner. I have no doubt that given our unique resources, wealth of specialized talent and the rich traditions, the State has the capacity to bounce back and move forward steadily on the path of development and prosperity. Return of peace and rule of law is a sine-qua-non for achieving these objectives and therefore we need Commission's full support in this endeavour.

(7) The Task Force for economic development of J&K under the Chairmanship of Dr. S. Rangaranjan set up by the Hon'ble Prime Minister has studied the problems of the State in depth and has made a number of recommendations to enable the State to generate more income, attract investment and achieve self-reliance. Support of the Thirteenth Finance Commission in fulfilling these goals is solicited.

(8) It is relevant to highlight here that even before the onset of militancy in 1989, our State had lagged behind the rest of the country in infrastructure and economic development. While the public sector investments in other States were aggregating into thousands of crores, our State almost got nothing. The Green Revolution did not benefit us fully and the White Revolution touched us only on the peripheries. But now we need to shift our focus so as to build on our strengths and resources. Our traditional approach of planning is too regimented to allow us to focus on our core competencies. I will, therefore, take this opportunity to present before the Commission for its consideration the following priority areas of development:

Hydel Power Generation

(9) Much has been said and written on the subject of Hydel potential of the State but we have not made much progress in harnessing it. This is one area which we

have to address with a sense of urgency as this has the potential to turn around the fortunes of the state. It is one sector which will make sufficient energy available not only to the state but also to the rest of the country and have a multiplier effect on the growth of industry, tourism and services sector in the State. However, the limitations imposed by the Indus Water Treaty have hampered exploitation of this vital resource thus far. The Rangrajan Committee has emphasized that “As a long term measure, Jammu and Kashmir should try and exploit fully the hydro- potential of the State”. But how we do that? It is a catch twenty-two situation that the State finds itself in. The day to day life of the people has to go on and, therefore, the resources of today cannot be only committed for the prosperity of tomorrow. Given our social indicators, we can ill afford diverting our resources from the basic services to be provided now. Therefore, in the period of transition, additional resources need to be found and made available for hydel power generation which in turn will provide regular income to the state. Regular income will in turn help us to pay off our debt and generate surplus resources which could be deployed in core sectors. However, I am fully conscious that this cannot happen through the debt route alone as the servicing of debt will keep the state and its finances under stress. For exploiting this potential, a corpus fund of Rs 15,000 crores is required to be created to finance the equity of the State in future hydroelectric power projects. The State intends to create atleast 1500 MW potential over the Thirteenth Finance Commission award period.

Therefore, the State should be provided full equity as grant- in- aid to create this additional capacity. This process must continue over the next 15 to 20 years to convert the State into an energy and resource surplus State. Even at the cost of repetition, I will emphasize that this is what should be our vision 2020 for the state and to realize this vision whatever financial and managerial capacity building is required, it ought be done with undivided attention.

Tourism

(10) Tourism is another area which is a gift of nature to the State. But unless we are able to create the requisite infrastructure and facilities for the tourists, the real benefits will not flow to our people. As is well known, the downstream multiplier effect of tourism is perhaps the most wide spectrummed and equitable. Realizing the potential impact of this sector on the economy of the State, the State Government established 19 Tourism Development Authorities at places having very good tourism potential. With normalcy gradually returning, the State Government will like to take major initiatives in creating the requisite infrastructure for tourism. We have projected our requirement in this regard which deserves sympathetic consideration. A small gift by the 11th Finance Commission in the shape of Gandola project at Gulmarg is a huge success story today.

Forest, Ecology & Environment

(11) Forest and environment is our natural wealth and a unique gift of God. It is a wealth from which several benefits flow, directly and indirectly, not only to the people of our State but also to other parts of the country. However, this resource cannot be taken for granted. The benefit would be sustainable only if significant and continuous investment is made in preserving and conserving the natural resources. On our own, we cannot afford to spare enough money for proper maintenance, up keep, development and conservation of the forest wealth. For preservation of our most famous water bodies namely Wullar, Tsomoriri & Mansar-Surinsar lakes which could not be fully funded under Prime Minister's Reconstruction Programme (PMRP), we need an amount of about Rs.419 crores on urgent basis. Dal is life for the people of Kashmir. A major project for saving this glorious and ancient lake is underway. However, for successful completion of project a resource gap of Rs. 725 crore needs to be met. I would urge the Commission to kindly provide this grant and help us in conserving and preserving the Dal. In our memorandum, we have indicated the extent of help that is required. The Finance Commission, is therefore, requested to provide adequate funds. This investment is crucial and unless the state is supported by a generous award of the Thirteenth Finance Commission, we would be risking posterity and its future.

Social Sector

(12) People are the biggest resource of any society provided they are healthy and educated. Given the difficult terrain of our State, remoteness of many areas and harsh climatic conditions, we need adequate resources for education and health care facilities. The per capita cost of providing these services is higher in our State for obvious reasons. Our memorandum has made a specific mention of the requirements in the social sector and I would fervently urge the commission to consider the same sympathetically.

Infrastructure & Communication

(13) As already stated, the development of infrastructure in Jammu & Kashmir has lagged behind other parts of the country. Our road connectivity is poor. At an average of 13% road density, we are amongst the lowest in the country. In many parts of the State, we have road density as low as 2.6% (Leh) and just over 5% (Kargil and Doda). Similarly, in our rural areas with more than seventy percent population, we do not have good road connectivity. Even for existing roads, we do not have enough resources for maintenance. On this account the State has presented its requirement in a comprehensive manner both for Rural as well as Urban areas, for which we need full support of the Commission.

Local Self Government

(14) To support local self government in rural and urban areas, the 12th Finance Commission had awarded Rs.319 crore to J&K. However, against this award, the State Government is yet to receive Rs.254 crores. The reason for non-release of this money has been linked to non-holding of elections for Panchayats. Frankly speaking, this is extremely harsh on the people of State who have participated in Assembly and Parliamentary elections braving many difficulties. To inform the Hon'ble Chairman and Members, the State made a sincere effort to hold panchayat elections in 2001 and actually held elections in 1693 panchayats out of 2651 panchayats which was the total number of Panchayats then. However, midway the process had to be abandoned due to mindless and dastardly acts of violence. We lost precious lives of several political persons. We need to appreciate these ground realities and help in strengthening the resolve of the people rather than depriving them of their due share. My government is committed to empowering grass root level democratic institutions. Holding panchayat elections is on top of the agenda of my government. I would therefore request 13th Finance Commission to help in securing release of the balance award amount of 12th Finance Commission. Even for future, an appropriate provision, without restrictive conditionalities, needs to be incorporated in the

recommendations so that the people of the state are not deprived of their legitimate rights and claims.

Strengthening Administrative Infrastructure

(15) To deliver public services and in the discharge of its duties, the State needs to put in place efficient administrative mechanism. Many of our Districts, Tehsils and Blocks lack even basic administrative infrastructure which affects public service delivery, development and redressal of public grievances. The State has another unique legacy of 'Darbar Move' in which the entire State level offices move from Srinagar to Jammu and Jammu to Srinagar every six months. At present, the infrastructure in the form of offices and residential accommodation is woefully short of requirement. Ever since the onset of militancy, the State is spending crores every year in hiring hotels for accommodating move officials. Now, there is a definite need to construct accommodation and spare the hotel accommodation for tourists. This will not only generate more jobs and income to the public at large but also make administration more efficient and effective. The State Memorandum has dealt with both the issues requiring support of the Commission for building infrastructure at the State as well as at the district level. The Commission is requested to support the proposals of the State government by way of appropriate provisions in their award.

(16) Likewise, having an efficient Judicial Administration is critical. Creation and upgradation of infrastructure in judiciary has not kept pace with the requirements. We now need to provide good infrastructure by way of construction of court buildings and residential accommodation so that justice is not only made accessible but also made available to ordinary citizens. Our requirements in this regard as projected in the memorandum may kindly be favourably considered.

Security needs

(17) Due to violence, militancy and terrorism security became the highest concern and everything became subsidiary to security needs. As a result, the security apparatus of the State had to be strengthened and in the process apart from enhancing recruitment in the police, additional India Reserve Battalions have been raised. The non-plan expenditure on security related initiatives has to be compensated as under the present dispensation it is not being met under the Security Related Expenditure (SRE) reimbursed by the MHA. This is a very legitimate charge which we would urge the Finance Commission to incorporate in their award.

Sixth Pay Commission

(18) I would like to make a mention of the additional financial burden that the State has to bear because of the implementation of the 6th Pay Commission recommendations. The Commission has been studying the Finances of the state for quite sometime now and is fully aware of the precarious state of our finances. This additional burden of over Rs.1700 crores per annum and arrears of over Rs.4200 crores is not something that the State can bear. Nonetheless, it is the obligation of the State to honour its commitment and I see no reason to escape from this. We would request the Commission to steer the state clear out of this additional burden by making a generous award. Likewise, the State is keen to implement the New Pension Scheme which, however, our resources do not permit us to implement and, therefore, we would like the Thirteenth Finance Commission to make full provision in their award as requested in our memorandum.

Structural correction in J&K Finances

(19) As the finances of the State continue to be under constant pressure, over-draft from J&K Bank has become a structural reality rather than an interim necessity. At no point of time the overdraft has gone below Rs.1500 crores and therefore this fiscal imbalance needs correction. Even though in the Memorandum a request for one time support of Rs.750

crore has been made but I would strongly plead for one time grant of Rs.1500 crores to wipe out the over-draft so that a new beginning could be made in reshaping the finances of the State.

(20) In conclusion, while once again thanking the Hon'ble Chairman, distinguished Members and officers of the Commission for their visit, I would make a sincere request to please consider our submissions in the backdrop of our difficulties and extend your whole-hearted support so that the State and its people could move towards self sufficiency, self-reliance and economic well being.

Thank you very much for giving me a patient hearing.