सत्यमेव जयते

SPEECH

BY

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OF

JAMMU & KASHMIR

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NATIONAL DEVELOPMENT COUNCIL

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Hon'ble Prime Minister, ladies and gentlemen

The meeting of this highest body on economic development of the nation is taking place under the stewardship of the Hon'ble Prime Minister when India and Pakistan have come closer to each other and the prospects of peace are visible though still at some distance. The State of Jammu and Kashmir, instead of being the bone of contention, is becoming a bridge of friendship among the two nations. I am mentioning this because the economic development of the two countries can get a boost if the scarce resources are invested in programmes of development and poverty alleviation rather than being spent on preparation for armed conflict. Peace is a sine qua non for the development of Jammu and Kashmir State/ where tourism has been a major source of income and employment.

While the findings of the MTA are thought provoking and should be implemented, I would like to mention a few issues of development indicated in the said report and some issues, which concern my state.

With the improvement in security environment and better prospects of peace and amity between the two neighboring countries, the number of tourists reached 69.21 lakh last year. This includes 7.67 lakh tourists who visited the valley and 61.45 lakh pilgrim-tourists coming to Mata Vaishno Devi Ji Shrine. The state expects the number of tourists to the valley to cross the one million mark this year. A favourable atmosphere for investment in the industrial sector has been created by the package of incentives announced by the Government of India and the subsequent industrial policy announced by the State Government. In the last two years, proposals for investment of Rs. 2500 crores have been approved and most of these projects are in place. We are expecting an investment of Rs. 5000 crores from private investors in the industrial sector this year.

The Reconstruction Plan, announced by the Hon'ble Prime Minister last year is expected to speed up the economic development of the State. As a result, the state is poised to achieve a growth rate much higher than the 6.1% envisaged in the Tenth Five Year Plan.

One of the areas of concern indicated in the Mid Term Appraisal is the deceleration in the growth in agriculture. The production of food crops, which occupy a major portion of the cultivated land, in Jammu & Kashmir was recorded during

1999-2000 to 2002-2003 at a lower level than the peak level achieved in 1998-99. However, the production reached another peak in 2003-04 and the production in 2004-05 is expected to go up further. Diversification of agriculture has been very useful to the farmers. The production of mushrooms and horticultural produce has gone up significantly in the recent past. However, the fruit crops in certain areas of the state have started getting affected by the law of diminishing returns since the plants have crossed the period of highest production and need replacement. There is vast untapped potential for the development of horticulture in the state and concerted efforts will have to be made to raise the production during the last years of the current plan and in the next Five Year Plan. The state has already created two separate directorates of horticulture and prepared zonal plans for the development of fruit crops. A Market Intervention scheme for the purchase of culled and C-grade apples and sandy pears to ensure that only quality fruit is sold in the market, has also been introduced.

Utilization of the irrigation potential created is of great importance to Jammu & Kashmir as is the case with the rest of the country. It is, however, equally important to increase the irrigation potential. The MTA rightly indicates that there is need for the central government's assistance in this respect and that the Accelerated Irrigation Benefit Programme (AIBP) alone will not suffice. It also suggests the funding of mega projects by the Union Government. The Jammu & Kashmir government has submitted a few projects to the Central Government for provision of funds. This was discussed with the Members of the Planning Commission when they had a meeting with the officers of the State Government recently. The Government of India should provide funds for the irrigation projects in the Special Category States, especially in J&K, since, as pointed out in the MTA, these projects are not viable from the purely financial angle.

As mentioned earlier, a favourable climate for investment in the industrial sector has been created in J&K probably for the first time at the present scale. In order that the new interest shown by the investors in the state is sustained, the incentives given to the state by the Government of India should not be diluted in any manner. Also the State Government is badly in need of some support for the creation of infrastructure for industrial development. The State Government has approached the Union Government for a special allocation of funds to establish new industrial areas to meet the demand of the industrial units, which are interested in setting up production facilities in the State. The Members of the Planning Commission were also requested for a special provision of Rs. 50 crores for this purpose, when they interacted with the officers of the State on 29th May, 2005.

The Union Government has extended substantial support to the State for the development of infrastructure for handicrafts development. Since handicrafts form the backbone of the valley's economy, it is necessary to strengthen this sector. The State Government has proposed that the Government of India, through the India Trade Promotion Organization, should establish an international trade centre at Pampore. The State Government has already earmarked 45 acres of prime land for this purpose.

Because of the disturbed conditions, the small-scale industrial units, especially in the valley, suffered a lot. There is urgent need to extend special support to these units in restarting their activities. This support has to be in the form of rescheduling of loans, providing additional loans and writing off interest.

The MTA refers to the Power sector reforms. In J&K, we have amended the Electricity Act during the current year to ensure stringent and quick action in case of theft of power. In addition, the state has launched a drive for effective metering of consumer installations and 100% metering of all feeders for energy accounting and auditing. Where 100% metering of consumers on a particular KV feeder is achieved, it is exempted from scheduled curtailments to ensure round the clock power supply. This has improved consumer satisfaction, improved quality of power, reduced failure rate of transformers from 25% to almost nil and reduced losses. The APDRP funds released till the end of 2004-05 were fully utilized by the end of March 2005. The Government of India has sanctioned projects to cover all the districts except those of Leh & Kargil. The projects for these districts should also be sanctioned urgently.

The MTA has indicated that the investment in the planned activities was short of the Tenth Plan projections. To avid such a situation, allocations should be fully backed by resources. The funds sanctioned by the Planning Commission last year for the Prime Minister's Reconstruction Plan were not released during the last year and have been received by the State on 27th May this year. We had geared up the machinery and taken all requisite preparatory actions to implement the Reconstruction Plan but the tempo got the set back because of the non release of funds last year.

The MTA also mentions that there has been much more reliance on borrowed resources than was intended, leading to a rise in the public debt. The state's Tenth Plan had anticipated an amount of Rs. 1424 crores to be borrowed from the financial institutions. However, the scheme of financing of the annual plans of J&K for the first four years has included negotiated loans at *Rs.* 1582.72 crores. It may be mentioned that there has been an increasing emphasis on institutional finances as a source of financing of Annual Plans. While the institutional loans constitute 3.65% of the J&K States plan outlay in 1996-97, these constitute 10.83% of the approved outlay of the current year. The growing amount of loan distorts the 90:10 pattern of financing of the State Plan. The GOI should either borrow the money from the financial institutions or provide it to the special category states on 90:10 basis or the GOI should repay 90% of the loan obtained by such states with interest. The State Government has never defaulted in servicing its debt. However, the rise in the debt as a source of plan finance may make it increasingly difficult to service it when repayment along with interest becomes due. It may adversely affect the States credibility since the capacity of additional resource mobilization of a hilly state, like ours is very limited. While deciding the scheme of financing, the Planning Commission not only decides the amount of loan to be lifted by the State for financing the plan but also the amount to be obtained from each such institution. This reduces the choice of the state in getting the loan from the institutions which charge the least and which is the most convenient to it. The choice of financial institution should be left to the States.

The pattern of financing of various Centrally Sponsored Schemes varies from scheme to scheme. In the case of special category states, the pattern of financing for all the Centrally sponsored Schemes should confirm to the 90:10 pattern. Because of this, the state like J&.K which have been having a serious resource constraint, have not been able to get the benefit of the Centrally Sponsored Schemes to the full extent. The funds under Centrally Sponsored Schemes are often provided towards the end of the year. It takes quite time in getting these revalidated in the next year. It may be useful if the funds under Centrally Sponsored Schemes are sanctioned in the beginning of the year or at least 50% are released in April and the balance after the stipulated percentage of available funds are utilized by the State.

In 1969, when the Gadgil formula for distribution of central assistance for state plans was evolved, there were only three special category states viz. J&K, Assam and Nagaland. The number of special category states has gone upto 11. At present, in accordance with the Gadgil formula, after setting aside funds for externally aided projects and a reasonable amount for special area programmes, 30% of the balance of central assistance for state plans is provided to special category states. The pegging of 30% of the central assistance for special category states, means a reduction in the central assistance to each special category state. The NDC should therefore consider revising the said allocation from 30% upwards.

The 12th Finance Commission has recommended that the external financial institutions shall provide funds to the States on the same terms and conditions on which the said institutions lend to the GOI, J&K and the Himalayan States falling in the special category states have not been able to get the benefit of external assistance for various reasons. While these cover about 10% of the country's geographical area, they have been getting less than 2% of the amount made available for externally aided projects. Because of the intervention of the Union Government, a loan have been approved by the Asian Development Bank for a multi sector project for J&K and a few projects like sewerage and drainage for Srinagar and Jammu have been approved by the Union Ministry concerned and have been submitted to the Department of Economic Affairs of the Ministry of Finance for being sponsored to an external financial institution. If the projects do not get financed on the existing pattern it may cause a serious setback to the process of development and the expectations of the people of the State. On the otherside it may not be possible for the state to repay the loan. In case of the Special Category States, therefore, the existing system of loan being borrowed by the Government of India and passing it on to the State on 90:10 pattern of sharing should continue.

Because of the Indus Water Treaty, Jammu & Kashmir has been placed in a disadvantaged position and has not been able to use the water of its rivers either for irrigation of for generation of power by storage. Power generation during the winter goes down substantially in all the run of the river projects reducing the revenue earnings from these projects. The Government of India should compensate the State by returning the projects commissioned on the State rivers, after operating these and earning a reasonable profit on the investment made in such projects. To begin with, Salal HEP could be transferred to the State Government.

I hope this august body and the Government of India will consider the suggestions made by me and help accelerate the economic development of Jammu & Kashmir.

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