

Hon'ble Speaker,

1. I rise to present the Annual Financial Statements relating to receipts and expenditures for the current fiscal and the next.
2. The Budget that I am going to lay on the table of the House today is the culmination of sustained work in building new systems for public expenditure management. Over the last three years, we have made concerted and coordinated efforts to overhaul the style and substance of financial management of the state.
3. The journey which started off with macroeconomic stabilisation, has been complemented by structural reform and followed by systemic changes. All these

reforms, which are sequential and interconnected, took time but are necessary to undertake. They have now set the stage for meaningful public policy interventions.

4. While the destination of an adequately funded, transparent and sustainable system of financing socio-economic development is still far, I can assure you that we have traversed quite a distance on the right path. I am happy to inform the House that all the systematic changes been made so far have started paying off. I can see some green shoots of fiscal order.

System Building: Positive Impact

5. The biggest proof is that, perhaps for the first time in the budgetary history of J&K, the revised estimates for the current year are much better than the budget estimates that I had presented

last year! Three numbers stand out: tax revenues were estimated to be Rs. 9,931 crore. These have been exceeded and in the process, we have crossed the Rs. 10,000 crore mark of own tax collection.

6. Second, I had estimated an unfunded resource gap of over Rs. 3,000 crore. As the year comes to an end, I have a surplus of more than Rs. 1,300 crore.
7. Third, the fiscal deficit which is regarded to be the single most important indicator of fiscal performance, was estimated at around 9.5 per cent but has actually turned out to be around 5.7 per cent; an improvement of nearly 400 basis points. This is unprecedented.
8. While undoubtedly these numbers may accord professional pride, the job satisfaction comes from the fact that

because of a well-run financial set up, we are able to take decisions that change lives for good, especially of the most vulnerable and marginalised.

9. A few months ago, we hiked the minimum wages of the working class substantially. The minimum wages of unskilled workers were raised from Rs. 150 to Rs. 225, while those of skilled labour to Rs. 350 from Rs. 225. A new category of highly skilled worker was introduced and Rs. 400 was fixed as the minimum wage. The nebulous category of "semi-skilled" which was prone to misuse was abolished. This move will in turn raise the market wages prevailing in the state thereby increasing the incomes of the poorest.
10. This week we have woven a social security net around the poorest of the poor; the construction workers. We

have insured their lives, protected them against disability, disease and death, provided for their children's education and given them access to small credit. I am sure this will make life simpler and more secure for 3 lakh families; that is 15 lakh people.

11. The decision to provide regular engagement for the casual, ad hoc, and others is also more about the ability to take socially relevant and meaningful decisions on the back of a better managed expenditure system. Good finance is not an end in itself; it is a means to a social and humanitarian end. This is especially so in J&K which has gone through unimaginable troubled times.
12. It is in this context that the visible improvement in two budgetary parameters - monthly spending and outstanding financial liability of the

Government – has given me a lot of joy. A system that is historically used to the “March Madness” – anywhere between Rs. 3,000 crore or 20 per cent of the total capital expenditure used to be spent in the last month of the fiscal year, i.e. March. Indeed, in the last two days up until midnight hundreds of crore of claims would land up at the treasuries. All that is history now.

13. An early budget combined with a new system of releases – all monies were released on the 10th and 11th of February, 2017 – along with the strict discipline of no re-appropriation after December 31st 2017 has resulted in more than 50 per cent of the outlays being spent by December 31st, 2017.
14. Apart from public finance management, the evenly spread spending by Government has very positive macroeconomic implications. The

growth impulses that a sustained spending over the year can generate is far more disaggregated than a bunched payment at the end of the year. The latter distorts the investment and growth relationship, and through that income generation, especially in a highly seasonal economy with a limited working season.

15. It goes without saying that the requirements mandated to verify the spending are much better enforced when spending is spread equally over the days and months. On the contrary, year-end bunching of expenditure facilitates and indeed, encourages leakages, a euphemism for corruption. As such, under the new regime of financial management there is a perceptible improvement in efficiency of expenditure.

16. The House would recall that when I took over as the Finance Minister, there were huge departmental liabilities, in particular the accumulated power purchase liabilities. We had liabilities of more than Rs. 11,000 crores of which Rs. 7,000 crore were of power and Rs. 4,000 crore across all departments. Worse still, many bills had been pending for months at the treasuries for want of liquidity.
17. Today, the departmental liabilities have come down to just Rs. 600 crore or so of works done and power purchase liabilities have been reduced to a little more than Rs. 3,000 crore. While even this is not acceptable, the good part is that both these liabilities are covered by resources in sight; power bonds to defray power liabilities and a surplus of Rs. 1,319 crore to more than cover up the work done liabilities.

18. Though we could have used the resource surplus to increase our expenditure or cash balance position, I have decided to use it to clean up the archaic system of off-budget liabilities in the form of hundis. This should liquidate our deferred liabilities giving us greater flexibility in liquidity management.
19. Further, the off-take and implementation of centrally sponsored schemes has improved as appropriate state share funding had been provisioned and provided for. Earlier, these schemes were suffering due to lack of budgetary provisioning. This year we are well positioned to get the highest ever CSS inflows into the state.
20. The real budgetary anomaly of capital expenditure being one fifth of the current expenditure had crippled the

macroeconomic growth potential of the state. In 2014-15, for instance, the Government was incurring Rs. 5.62 as overheads on Rs. 1 of core developmental expenditure!

21. In three years our Government has managed to restore the balance to a large extent. In 2017-18, the overheads per unit of developmental expenditure has come down sharply to Rs. 1.70. Even though this has to be rationalised further, there can be no better indicator of an improved fiscal management.
22. In all my budgets so far, there has been an element of work in progress as far clean-up is concerned. For example, with three years of strenuous efforts, finally a neat and clean division of revenue and capital expenditure has been achieved. Earlier, a lot of current

expenses were put under capital thereby distorting the public investment profile of the state.

23. We have moved almost Rs. 2,000 crore of non-plan expenditure, which was erroneously classified as plan expenditure, to the revenue side. What this really means is that Rs. 100 of capital expenditure today is really comparable to Rs. 120 of that of the earlier years.
24. This year, in a significant clean up, we have aligned the fiscal deficit with an internationally accepted definition. Earlier the repayments of loans used to be excluded from the fiscal deficit which is technically incorrect. But it was overlooked because it gave greater headroom for borrowings within the stipulated ceiling set by the Union Government.

25. This year, we have removed this last vestige of distortionary fiscal arithmetic from our budget. With this done, let me assert that this Budget is by far the most transparent and technically correct budget presented to this House. Underlying this change is a robust system of public finance management that has now been built.
26. With the budgetary edifice in place, now is the time to consolidate the fiscal and budgetary reforms at the departmental level for sustained and self-generating efficiency gains. In this Budget, I will spell out how this fiscal consolidation will be achieved.

Fiscal Reforms: Update & Way Ahead

27. In my previous Budget, I had announced an integrated digital system of allocations, sanctions, verifications and payments. The allocations and

sanctions are now running on BEAMS and PFMS. For the verifications and payments system of IFMS substantial progress has been made and from 1st April, 2018 all financial entitlements to all sections of people will be delivered only through PFMS or DBT portal.

28. This will coincide with the abolition of treasuries and replacing them with a Pay and Accounts (PAO) system. Being a radical departure from the existing century- old system, it has taken some time to get all stakeholders on board, work out the payment process structure and IT solutions for it.
29. I am happy to inform that two departments, namely, R&B and PHE, Irrigation & Flood Control will move to PAO system by mid-February and will not operate upon treasuries anymore. This phased roll out will help us

in identifying deficiencies and technological glitches if any. The full system will be rolled out thereafter in all other departments by April 2018.

30. This will automatically reduce the transactional touch points of Government with the people which will not only reduce the cost of delivery and make it more efficient, it will also eliminate corruption.
31. Sixty years of diverse experience tell us that you cannot stop corruption; you have to eliminate the opportunity, the possibility and indeed the scope for corruption. This can only be done by changing the systems.
32. I have initiated the process of financial engineering in Public Enterprises. J&K SPDC, for instance, has made considerable progress in this regard. Their Balance sheet at the end of the

year will show that the Corporation a debt free company.

33. In a significant and far reaching move, all the decks have been cleared for a complete revamp of the corporate governance structure of the J&K SPDC. With a professional Chairman and Chief Executive at the helm and an independent board we should see a dramatic turnaround in the performance of not only the corporation but also the harnessing of our water resources for hydro power generation.
34. With this, along with a refurbished balance sheet, a large equity base and a slew of projects in pipeline, J&K SPDC will be all set to grow and compete with the J&K Bank Ltd for the top slot profitable company owned by the J&K Government.

35. A serious restructuring of the J&K State Finance Corporation has been started. They have issued a share buyback offer and have got an unexpectedly good response. J&K SFC is in the process of buying out the shareholding of institutions like SIDBI and LIC. Once they consolidate their shareholding, it is proposed to divest 49 per cent to a strategic partner who will not only bring in some fresh equity but also domain and management expertise to revive this financial institution which is in an existential crisis. I am making a provision of Rs. 15 crore to fund the share buyback.
36. To provide financial institutions like J&K SFC and commercial banks a market route and avenues for recovery of toxic assets, I have set up the J&K Asset Reconstruction Company with an authorised capital of Rs. 100 crore and a paid-up capital of Rs. 2 crore.

37. J&K Government's stake in the company is 51 per cent while the stake of the J&K Bank Ltd. is capped at 49 per cent. The Board of Directors of the Company stands constituted. To allow the company to start operations, I propose to set aside a sum of Rs. 8 crore as one time equity support from the Government.
38. I am providing Rs. 5 crore each to the Handicraft Development and Handloom Development Corporations for raw material and inventory upgradation. This will set them on a path of recovery and from there we will clean their balance sheets and restructure their business operations as is underway in the case of J&K HPMC.
39. The J&K SRTC is up for focussed attention and in the course of this year, it shall be our endeavour to strengthen its balance sheet and clear off its

liabilities before showcasing it for a public-private partnership while retaining majority control.

40. The process to clean up the balance sheets and improve bottomlines of other PEs, prior to bringing them under a new Holding Company structure, is underway. All loans given by the Government to the PSEs have been converted into equity.
41. With the Hon'ble Chief Minister and the Hon'ble Deputy Chief Minister setting the standards and relinquishing their ex-officio positions as Chairman and Vice Chairman of the J&K SPDC board respectively, I am emulating them and stepping down from my ex-officio position as Chairman of the J&K State Finance Corporation.
42. This should now set the trend and make it easier to professionalising the boards and management structure of

all corporations dominated, as they are by, departmental secretaries on ex-officio basis. This existing model conveniently lent itself to ex ante controls of Government in the management of these corporations.

43. These companies now need to be freed from the control of the Government and domain professionals need to be on the Boards of these Companies with no or minimum representation from the Government.
44. Plus, instead of MDs, these companies should be administered by CMDs, who have to be professionals in the companys' verticals, so that they could be run on professional lines.
45. A similar exercise, but much larger in scope, has been initiated in the Government. A Committee of Secretaries headed by the Chief

Secretary is now reviewing Recruitment Rules of various departments on the ongoing basis in order to align them with the changed job requirements and academic qualifications so as to bring in an element of professionalism into decision making.

46. Along with this, an EoI for a Manpower Audit across the Government departments is being floated to invite offers from eligible concerned agencies. The objective of the Manpower Audit is to study the existing hierarchical pyramids of the departments and suggest ways not only to rationalise the same, but also to align them with the felt requirements facing the departments.

Fiscal discipline: Consolidation & Enforcement Initiatives:

47. In my previous Budget speech, I had drawn attention to the way General

Provident Fund system had been managed for the last 60 years. Given that there was no proper accounting of outflows and inflows of funds as also no dedicated provisioning for funding the outgo on GP Fund advances/withdrawals, I had apprehended an imminent fiscal crisis.

48. Detailed actuarial calculations will prove me correct. For the moment, while the inflows to the Fund have expectedly decreased, outflows are steadily increasing. Time is not far off when the State will have to spend not less than 25 percent of its earnings on funding the outgo on GPF if anticipatory corrective action is not taken.
49. To start with, I am now accounting the fresh inflows as borrowing and these are matched by investments on the capital expenditure. The interest outgo and receipts are accounted for on the

revenue account of the Government.
Hence, these are fully funded.

50. Yet, the problem of the earlier stock of Rs. 20,000 crore remains. While I had no hand in creating the problem, I consider it fortuitous that I have got the opportunity to secure the future of lakhs of dedicated employees who have served the state with zeal and dedication. This Government will not keep their financial future in darkness.
51. To address this problem, I have decided to set up a corpus fund of Rs. 12,000 crore, which will be used for making GPF payments to the Government employees in future. In fact, this mechanism should have been adopted long time back as has been done by the Central Government and many State Governments.

52. Over long years of ad hoc management, a culture of financial indiscipline has evolved. Towards the end of financial year, funds meant for capital expenditure funds are diverted to meet the non-developmental needs like purchase of vehicles, furniture etc.
53. This happens largely due to the fact that plan allocations do not reflect complete schematic breakup. Towards better utilisation of capital funds for optimum outcomes, I have decided that diversion of capex funds for any other purposes shall not be concurred to and will not be allowed.
54. In order to institutionalise this, Planning and Monitoring department shall reflect the schematic breakup in their authorizations and releases and upload the same on its website mandatorily by 15th March, 2018. It shall be clearly mentioned in the

allocation orders that any deviation shall be dealt with appropriate disciplinary action.

55. To ensure compliance and financial discipline, I propose to back these processes through enabling legislative clauses in the appropriation bill.
56. Large sums of moneys are parked by various departments in the civil deposits. It is generally done as the funds are received towards the end of the financial year and the departments are not ready to spend them as they have not taken the necessary steps by then.
57. Consequently, instead of surrendering the funds, they take the easier option of keeping them with themselves through the civil deposit route. I have decided to recall all the money parked in the civil deposits except in cases

where it is assured by the departments that they will use them in the next two months. I have also decided to put in place a framework of rules for parking of funds in the deposits.

58. Huge volumes of dead stock are presently stored in the Government offices all across the State. While advisories have been issued from time to time in the past to all the departments to have it auctioned, there has not been much headway in the matter. Part of the problem is that the process of auction is not amenable to easy implementation.
59. To unlock the value unnecessarily tied up in these stocks and to free up the spaces occupied by them in the Government offices, the existing framework of rules relating to auctions shall be revisited and made easy to

implement. Also, the existing delegations in favour of the officers shall be appropriately enhanced, if necessary.

Stakeholders

Government Employees:

60. During the last three years, Government has received excellent cooperation from employees. There has never been a situation of discord between the Government and the employees. To express my gratitude to all the employees of the state Government, I am announcing release of 1 per cent Dearness Allowance due to the employees from 1st July, 2017.
61. Our Government is already committed to the implementation of 7th Pay Commission Recommendations from April 1, 2018, which will be effective from 1st January, 2016.

62. While the Pay Committee has been constituted to recommend the revised pay structures for the State Government employees, it shall also, side by side, examine the various anomalies in different departments and try to address them during the course of implementation of 7th Pay Revision. Similarly, in the next couple of weeks, cadre review issues of the Secretariat employees shall also be appropriately addressed.
63. In line with it, being an employee friendly Government, we recently reduced the eligibility for full pension from 28 years of qualifying service to 20 years of qualifying service. This measure alone will benefit more than half of the number of employees on the rolls of the Government, as they were denied full pension for want of qualifying service.

64. Similarly, “unmarried daughters” of the employees, who were hitherto not entitled to receive pension, have now been made eligible to receive pension once the employee and his/her spouse is no more. This is a step towards promoting gender equity as well.
65. Hon’ble Members know that the Government employees face considerable difficulties in the settlement of their GP Fund cases at the time of their retirement. At the time of final GP Fund withdrawal, they are asked to produce a certificate relating to withdrawals since their joining of service. This is not only cumbersome but unnecessary.
66. I am of the view that we have to keep procedures simple and make processes easy. When the employees retire, after having served for more than three decades and more, they should not be

harassed in anything more so in getting their own hard-earned money back! This is no way to express gratitude!

67. As such, I propose to dispense with this practice. Government employees will, henceforth, be required to furnish only credit and debit statements for the last five years for their final GP fund withdrawal. Once our IT systems and processes improve next year, I will dispense with this also.
68. Employees, who have a certain percentage of balance always available within their GP Fund accounts for three consecutive years, are entitled to Deposit Linked Insurance of Rs. 10 lakh. I propose to enhance the Deposit Linked Insurance of GP Fund subscribers from Rs. 10 lakh to Rs. 50 lakh. Similar scheme shall be framed for the employees covered under New Pension Scheme (NPS). GP Fund rules

shall be amended accordingly during the next financial year.

69. The Government is launching an improved and enhanced Group Mediclaim Insurance Policy. Unlike in the past when only gazetted employees were insured, now all the Government employees including pensioners have been covered along with 5 family members. Given the fact that there are 4.5 lakh employees, and about 1.5 lakh pensioners, this insurance cover extends to about 30 lakh people.
70. The employees of autonomous bodies, PSUs, Local Bodies etc. are free to voluntarily opt for this scheme. I am making this scheme applicable to accredited working journalists also.
71. Government has increased the Personal Accidental Insurance from Rs. 5.00 lakh to Rs. 10.00 lakh.

72. The security guards detailed for the security of VVIPs and various vital installations live in the tents outside the premises of their protectees. These personnel, who protect us and other VVIPs live in conditions that are sometimes subhuman. In order to ensure that they have proper living conditions, I propose to set aside a sum of Rs. 2.00 crore for construction of prefab huts for these personnel.
73. While these measures should send cheers all around to more than 6 lakh families of serving and retired Government employees, what I am going to announce gives me a lot of personal joy as I would have addressed an impending social issue.
74. As a society we still aspire our children to be doctors and engineers. This is our wish for the best and brightest. Yet the Government in complete denial of this

civil society value system has been treating the same best and brightest very shabbily. Not anymore.

75. Organised Departmental Services in the State don't have an assured career progression since they came into existence. At present, only non-gazetted cadres and Medical, ISM and Veterinary Doctors have this dispensation.
76. It is a matter of shame that a bright young professional joining as Junior Engineer often retires as an Assistant Engineer or a Chief Engineer retires only in the substantive grade of AEE. Such prolonged stagnation in one post or little or no career elevation has discouraged our professionals, be they doctors or engineers or teachers. It has also set in an all-round social discontentment.

77. To start addressing these concerns, I have worked out an "Assured Career Progression Scheme" for all the Gazetted cadres of engineering departments on the analogy of MACP in the Government of India. This shall be notified shortly.
78. To address the wider aspirations, I propose to extend benefit of Assured Career Progression to other technical cadres like Agriculture, Horticulture, Animal & Sheep Husbandry etc. as well. A Career Progression Scheme for all Gazetted Services in the State who do not have time bound Career Progression avenues has probably never been even thought of in the last sixty years, let alone be done in one go!
79. Under the scheme, three financial up-gradations counted from the direct

entry grade shall be assured to Gazetted Officers on completion of 10, 20 and 30 years' service strictly on the pattern existing in Government of India. The details of the scheme shall be notified separately and the scheme shall come into effect from 1st April, 2018.

80. Every Government employee today seeks posting in the twin cities of Jammu and Srinagar. Sadly, nobody wants to serve in the remote areas of the State. This has impacted the service delivery adversely in the remote areas. In order to incentivise transfers and postings in rural areas, Government shall come out with a scheme to incentivise the postings in the remote areas.
81. The Scheme shall, besides having rational framework of allowances, also

have a built-in incentive for postings in the rural areas, while dis-incentivising "deployment" in urban areas. Finance Department shall work out the details of the Scheme and notify it before March 31st, 2018.

82. In order to address the acute shortage of housing for the Government employees, particularly in Jammu and Srinagar cities, Directorate of Estates shall create an SPV in partnership with the J&K Bank and undertake all the pending housing projects. Over the next two years, around Rs. 500 crore is expected to be invested for creation of new housing facilities for the Government employees.
83. As you are all aware, the Government has put in place a comprehensive policy for regular engagement of various categories of casual labourers, need based workers, NYCs, Land donors etc.

This policy seeks to address a social and humanitarian issue and genuine grievances of not receiving proper wages despite being engaged for several years in one form or the other. The implementation of the roadmap for the regular engagement will ensure sustained livelihood for them.

84. Having said this, the fact is that our experience with the engagement of casual workers, need based workers, seasonal workers etc. has been anything but proper and pleasant. Their engagements in the past have followed no particular pattern and have generally been done with complete disregard to all kinds of restrictions, diktats and policies.
85. As such, it is imperative to put in place, post the roll out of the scheme of engagement, a foolproof mechanism to ensure that there aren't any more such

engagements in future. To start with, the budget head of “outsourcing and maintenance” has been done away with. Therefore, from now on, money can’t be drawn to pay wages to those engaged illegally.

86. Further, the departments shall clearly mention in the allocations to be made under CSS, State Plans or any other developmental programmes that no casual worker shall be engaged under these schemes or projects. If there is a need under these schemes, Departments will have to make an indent for labour to the Manpower Supply Corporation that has been already approved by the Government.

Stakeholders:

Businessmen, Traders.

87. The last few years have been very damaging for business in general. Be it

tourism, manufacturing, or household enterprises, all are in one kind of a distress or the other. First the localised factors; floods of 2014, and then the disturbances of 2016. Then came the policy shock of demonetisation which was followed by a major regime change, the Goods and Services Tax. The short term disruptive influence has been more pronounced on the SMEs all around the country, more so in J&K.

88. Although some enabling measures have been taken in the interim by the Central Government, trade and businesses have not shown any signs of looking up as yet. They would need our support at this hour of weak growth and uncertainty. While growth hasn't picked up, the tailwinds, of late, seem to be favourable for a take-off. I want to aid this take-off of trade and business in the state.

Incentives & Exemptions

89. Government had made a commitment to mitigate the loss of competitiveness of the industries as a result of GST implementation in the State. In accordance with our commitment, two SROs namely SRO 519 and SRO 521 have been issued to provide for 42% of CGST reimbursement as the Central Government has only committed to reimburse 58% of CGST to such industries which are eligible under the guidelines issued by the Central Government and also reimbursing SGST to such eligible industries. However, we recognise that these measures are not enough to restore full competitiveness of the industries post GST implementation. Accordingly, I propose few more measures in this regard.

90. Industrial Units in J&K were exempted from payment of 2% CST which was providing an edge to the J&K industry over its competitors in the neighbouring states in view of additional freight and associated costs. This incentive is not available after implementation of GST and has, therefore, eroded competitiveness of the industry. Government will consider providing suitable incentive in lieu of CST exemption to the industrial units in the State.
91. The State Government shall also provide freight subsidy to the industrial units located in the State and transporting their manufactured goods beyond 1000 kilometres outside the state. A suitable scheme will be notified in this regard by the Finance Department in consultation with Industries and Commerce Department.

92. The State Government shall make available refund of SGST on value addition to all the industrial units, which were hitherto eligible for VAT exemption. I hope these measures will adequately restore the competitiveness enjoyed by our industries in pre-GST era.
93. Due to the intervention of the State Government, the threshold of annual turnover for the handicrafts businesses of the State has been kept at Rs. 20 lakhs in the GST regime compared to Rs. 10 lakhs for entrepreneurs of other States. The decision will benefit small handicraft traders, who deal in papier mache items, carpets, shawls etc. GST Council has also, on the request of the State Government, brought down the rate of tax on walnuts, papier mache and willow wicker from 12 percent to 5 percent. GST on Carpets will also be

brought down within 5 percent tax bracket.

94. Considering the importance of industries for employment generation, I also propose an incentive for SMEs and industrial units to get themselves listed at SME Exchange and other Stock Exchanges in the country to raise capital through IPOs or other market tools. I make an initial budgetary provision of Rs. 1.00 crore and will provide additional money, if required.
95. The J&K Employees' Provident Fund Organisation (EPFO) is charging 5 per cent as administrative charges on the monthly Provident Fund amounts deposited by the employers on behalf of their employees. The Government is undertaking organisational restructuring of many of its departments including of the said organisation. Till the time the

organisational restructuring and Business Process re-engineering of the EPFO is completed, I propose to reduce the 5 per cent administrative charges by 150 Basis points. This will not only provide further reprieve to the private sector but shall also motivate more employers to duly deposit the employee provident fund with the EPFO.

96. I have decided to treat hotels and resorts at par with the industries so far as payment of power tariff is concerned. Tourism was declared "industry" with much fanfare. The idea was to extend benefits of industry to the tourism businesses. Yet, the only meaningful benefit, power tariff, was not given. From 1st April, 2018, they will now have to pay the same power tariff as is applicable to the industries.

Debt Relief:

97. Hon'ble Members may recall that industries and businesses suffered badly during the floods of 2014. While substantial relief was given to them from CM's Relief Fund and also through Prime Minister's Interest Subvention Scheme, it wasn't enough to compensate them fully.
98. Post floods, RBI approved a loan restructuring package for borrowers in the state. As a result, stressed loans of many businesses were restructured up to December 2017.
99. However, instead of a post flood recovery, the unrest of 2016 further impaired the capacity of these businesses to repay their loans.
100. While the State Government has requested the Central Government and

the RBI for a suitable financial package for these businesses given that the general sentiment of trade and business has not improved much, the Hon'ble Chief Minister decided and announced in her meeting with industry and trade bodies that I should find some fiscal space and extend whatever support is possible to the business fraternity.

101. I am cutting a big cheque to honour the commitment made by the Hon'ble CM.
102. I have decided to rollout a "CM's Business Interest Relief Scheme". For all the RBI approved restructured accounts, the Government will contribute one third of the total interest payment of all these borrowers. In other words, one third of the monthly instalment will be paid by the state

Government and two thirds will be paid by the borrowers.

103. This scheme will also be beneficial to banks which are facing huge NPA build up. To avail of the scheme, Banks will have to offer a percentage point reduction in their weighted average interest rate on the restructured portfolio. This scheme will be operative for two calendar years starting January 1, 2018 to December 31, 2020.
104. I have set aside an initial provision of Rs. 200 crore for the purpose.
105. I am sure this will provide a huge relief to the borrowers and provide the necessary impetus to the trade and business activities in the State.
106. Detailed guidelines will be issued by the Finance Department in consultation with the State Level Bankers Committee shortly.

107. While Government has gone out of its way and pocket to provide some relief to the industry in view of the exceptional circumstances involved, it will also be ensured that a culture of reneging on the loan commitments is not inadvertently encouraged, leading to accumulation of NPAs in the banking sector.
108. Under erstwhile Prime Ministers Package 2014, soft loans were advanced by different Banks to Houseboat owners which became NPAs due to non-repayment by the borrowers. I cleared the liability last year. This year, however, Tourism Department has forwarded a fresh claim of Rs. 147.23 lakh regarding waiver of soft loans in respect of 19 Houseboat owners who had taken loans from Banks other than J&K Bank and SBI. I hereby propose one-time waiver

of all such loan cases on the pattern of the previous Budget announcement.

Amnesty:

109. Industrialists and hoteliers have for long requested a Power Amnesty scheme. Contrary to the stereotypical hard-nosed Finance Minister, I have been liberal with amnesties. But then, when times are hard, as they have been for all of us in the state, our attitude should be soft!

110. Amnesties per se make for bad economics. But sometimes they are necessary to help the sector make a clean break with the past and move on. This is good time to clean the slate because public finance management, taxation system, and expenditure management are all getting into a new frame.

111. The State, as also the country, is operating a new indirect tax regime. Yet a considerable amount of arrears belong to the old tax regime. I propose to grant waiver of penalty and interest on arrears of tax in respect of all the dealers registered under the provisions of J&K Value Added Tax, 2005 and J&K General Sales Tax Act, 1962. This amnesty will also apply to Telecom Operators registered under the provisions of J&K General Sales Tax Act, 1962.
112. To support industrial and tourism sector, I have decided to waive off interest and penalty on all the power arrears owed to the Government by the industrialists and hoteliers and tourist resort owners. A circular detailing out the exact modalities of the settlement will be issued by the Finance Department.

113. Recognising the need to facilitate the Small Scale Industries to overcome the existing distress due to unprecedented floods of 2014 and abnormal conditions of 2016, I have decided to offer power amnesty to all the small scale industrial units of the State. Accordingly, I propose to waive off interest and penal charges on the power arrears of these units till 31st December, 2017.
114. For all those industrial units that have been declared sick by the department of Industries and Commerce, I have decided to waive off the penal interest and surcharge on power dues.
115. The unrest in the State during the last few decades has had a debilitating impact on the transport sector. To address the concerns of the sector, I had waived off the token tax and

passenger tax for six months from 1st July, 2016 to 31st December, 2016.

116. These measures have not alleviated the pain of the transporters as such, to give them complete relief, I propose to waive off all past arrears of passenger tax up to 31st December, 2017.
117. While this fiscal intervention is necessary to stimulate the fresh impulses in the sector, there is still a lot to be done to get the sector up and running. During my pre-budget discussions with the transporters' associations, I realised that the transport sector can be revived only if its linkages with trade and tourism sectors are organically established in a mutually reinforcing manner and the sectoral complementarities are appropriately leveraged. But this will require a holistic approach.

118. As such, I propose constitution of a high-level committee under the chairmanship of Principal Secretary to the Government, Finance Department and comprising the representatives of the departments of Transport, Tourism, Commercial Taxes and Industries and the stakeholders of the relevant sectors. The committee shall identify the issues facing the transport sector and make recommendations of an actionable roadmap for the revival of the sector within the next three months.

Stakeholders: Youth

119. A good number of students from our state aspire for higher intellectual pursuits in top most universities of the world but are not able to realize their dreams due to financial constraints. There are many instances of bright students who qualify top most exams

of the country and abroad are not able to attend their courses for lack of finances.

120. Even as Education loans available from banks have the repayments deferred till completion of course, the interest during the moratorium period is back-breaking for most of the students.
121. Those students belonging to weaker sections, SC, ST and Children of single mothers, who after qualifying examinations like CAT/GMAT/GRE/CFA/GATE/CLAT/USMLE/PLAB secure admissions in different Universities in the country and abroad, at post-graduation and PhD levels shall be provided interest subvention on the education loans till the completion of the course.
122. A large number of scholarships are presently being provided to the

students by many departments. In order to avoid duplicity and ensure their proper management, an initiative is currently underway to collapse dozens of such scholarship schemes into a basket of three to four schemes. This exercise is expected to be completed in the next few weeks.

123. It has been observed by the Department of Technical Education that due to availability of lesser number of trades having the requisite qualification of higher than middle pass, major chunk of the unemployed under-matric youth are deprived of opportunities to get themselves enrolled and acquire vocational skills for sustainable livelihood.
124. In order to widen the platform of vocational training opportunities to the lesser educated youth, I propose that

more trades having entry qualification as 8th pass, both under NCVT/SCVT norms, be introduced. This will be backed by the required additional funding.

125. Further, the existing trades functioning under State Council of Vocational Training Norms with entry qualification as 10th Pass and above are proposed to be run with entry qualification as 8th Pass only.
126. These proposals shall not only enhance the existing seating capacity but will also help in increasing the roll position in existing trades as well. This will increase the number of trained youth in the age group of 14-16, thereby creating an opportunity for their meaningful employment.
127. The youth in our State are extremely talented. However, for want of

appropriate career counselling opportunities, they are deprived of multitude of opportunities, which exist both in public and private sector. To address the career counselling gaps in our employment sector, I have decided to institutionally intervene by putting in place a proper career counselling framework in the State at different levels. I, accordingly, propose to make an initial provision of Rs. 5 crore for the purpose.

128. A vast majority of our population has not stepped beyond Lakhanpur to see not only our country's recent economic development, but also its great cultural diversity. It's my firm belief that if our youth are exposed to the mainland, this will have positive impact on the situation in the State as well. This can be fostered by arranging educational/learning tours for our

students to different cities of the country. Each MLA/ MLC can nominate 50 boys and 50 girls from his/her constituency for such educational/ learning tours. This year, around 13000 students shall be sent on such tours to different cities of our country. I, accordingly, propose an initial sum of Rs. 10 crore for the purpose.

129. In my last budget speech, I had spoken about consolidation of different employment schemes implemented by different departments. During the course of the exercise, it has been realised that the centrally administered employment schemes cannot be either structurally or functionally changed to fit into any state specific arrangement. However, a Committee under the chairmanship of Commissioner/ Secretary, Industries and Commerce and comprising representatives from

Labour & Employment and Finance Departments is presently working on evolving a mechanism by which these schemes can be reduced to a bare minimum number to make them effective. This exercise shall be completed in the course of this fiscal and a new scheme will be launched from 1st April, 2018.

130. Cluster approach in the shape of SHGs and JLGs is being followed in many rural livelihood programmes to improve the incomes of the ruralities. These groups have started making an impact.
131. To motivate youth for collective action, I have decided to grant stamp duty exemption up to Rs. 3 lakhs to all the Self Help Groups (SHGs) and Joint Liability Groups(JLGs) promoted by NABARD so as to ensure that the stamp duty costs don't become impediment for these entities.

132. The Chief Minister's Scooty Programme for college going girls has been extremely popular. It has fostered a sense of independence amongst the girls. There is now an increased demand to extend this programme to other districts as well. In view of overwhelming response, it is proposed to extend this programme to other districts as well. I, accordingly, propose a sum of Rs. 5.00 crore for distribution of scooties to college going girls in other districts of the State.

Stakeholders: Poor & Marginalised

133. In these times of rising health care costs, the poor and the downtrodden have been deprived of basic healthcare. I propose to extend a Group Insurance Policy to all the people living Below the Poverty Line by combining all the schemes like Rashtriya Swasthiya Bima

Yojna and topping it up with additional money from the State Government. The Finance Department shall frame a proposal for providing insurance coverage of Rs. 1 lakh to all the BPL families of the State as certified by the FCS&P Department.

134. One of the most marginalised sections of our society are the transgenders. Their plight is pathetic especially when they are past their prime as social attitudes towards them are quite unfriendly, if not hostile. With no one to look after them, no shelter to live in and no apparent source of income they are forced to live the last days of their life in abject penury.
135. I propose every transgender shall be treated as living under BPL unless indicated otherwise. As such, he/she will be entitled to all such Government

amenities and programs that are available for the BPL category like cheap food-grains, LPG, electricity connections, IAY scheme etc.

136. I also propose free life and medical insurance cover and a monthly sustenance pension on the pattern of old age pension scheme for all transgender people above the age of 60 who are registered with the Social Welfare Department.
137. In all cases where gender re-assignment surgeries can be undertaken, entire cost of treatment would be borne by the state Government. I propose to make an initial provision of Rs. 1.00 crore for their welfare.
138. The orphanages and old age homes in our State are in dilapidated conditions. For their maintenance and repair

and other associated infrastructural requirements of these homes, I make a provision of Rs. 5.00 crore.

139. Low cost housing is a priority sector for the Government. Accordingly, in the next couple of years, a minimum of 15,000 low cost houses shall be constructed in 35 cities/towns in the State for which DPRs have been prepared. The scheme being beneficiary led shall reduce the scope of the Government intervention and by implication, the consequent likely corruption.

Developmental Strategy and Sectoral Initiatives:

140. There are two basic reasons for the development deficit of the state: cost structure and the missing multiplier.

141. Being geographically disadvantaged, the cost structure of our economy is high which impacts margins of all small businesses making them operate on wafer thin margins. Any shock to the system renders them unprofitable and they fall into a debt trap and are unable to service their borrowings.
142. At the heart of this handicap lies the major gap in our infrastructure: a logistics network. The logistics costs amount to about 25 to 30 per cent of delivered costs in our economy.
143. The big idea of this budget is to move the economy to a frontier of lower logistics costs. The only way to reduce transactional and inventory management costs which are hurting our businesses is to bring down the logistics costs to sub 10 per cent levels.

144. A well-developed logistic sector will not only increase our trade activity across all sectors but will also enhance the competitiveness of our businesses. I propose to change the relationship between the level of economic development (as measured in terms of GDP per capita), the composition of the state economy and logistics costs by proposing one dry port in Jammu and another one in Kashmir.
145. We have already moved forward on this and have an in principle understanding with the Government of Dubai. Government of J&K and the logistics arm of the Government of Dubai, DP World, will get into a joint venture partnership for construction of a logistic hub, including an integrated dry port in the state.
146. Apart from the lack of logistic network, the big developmental deficit faced by

the state is the missing multiplier. This is a direct consequence of the high degree of import intensity of the state. The total value of imports is Rs. 40,000 crore. With the SDP at Rs. 1,20,000 crore, the import intensity of our economy is very high. In an earlier era, we should have gone in for import substitution. But in the emerging new India and world that I see, this is neither possible nor practicable.

147. As such, we need to build 'forward and backward' linkages within the economic system without trying to be autarkic. Towards this end, I propose to start a series of coordinated interventions across sectors to build a strong network of forward and backward linkages.
148. The State produces 973 MT of Cocoon, significant part of which is sold outside the State on a very low price. Only 90

MT of Cocoon is consumed by local units. Raw silk produced in the State is to the tune of 145 MT, including that of 30 MT as Yarn.

149. In order to give a boost to the silk trade in the State, Government shall appropriately provide for the revival and re-commissioning of the following projects:

- a) Revival of Woollen Spinning Plant (Shoddy) at Solina Srinagar with an estimated cost of Rs. 5.56 crore.
- b) Re-commissioning of Spinning Mills, Nowshera with an estimated cost of approximately Rs. 5.00 crore.
- c) Setting up of Silk Factory, Bari Brahmana with an estimated cost of Rs.10.00 crore

150. The Common Facility Centre (CFC) for Cricket Bat Industry at Sethar, Anantnag with facilities like Seasoning Plant, Testing Laboratory, and Computer Aided Design Centre and Internet Facility had the potential to grow the bat industry in J&K. However, the floods had a devastating impact on this infrastructure. The World Bank has in principle agreed to fund the renovation and recommissioning project which costs Rs 4.34 crore. I propose to support the creation of this infrastructure by making an attractive public-private partnership offer post its completion.
151. It is ironic, indeed tragic, that the largest walnut producing state in the country - 2.66 lakh MT of walnut every year account for 98 percent of total walnut output in India - we don't have any processing capacity in the State. It

is, indeed, a sad story that the value addition to the walnuts is happening elsewhere. Imagine the impact it has had on our trade volumes and employment in this sector.

152. This sector is crying for transformative solutions, both at back end and front end of the supply chain. I have, accordingly, decided to apply fixes at both the ends of the spectrum.
153. At the back end, there is a need to institutionally intervene to ensure the supply of quality walnut plant material. Our walnut growers need disease resistant and high yielding plant material to scale up production. As such, I have decided to set up a walnut nursery in the public sector. In the days ahead and depending upon the response from the orchardists, I will be open to consider facilitating the

setting up of more such walnut nurseries in the private sector supporting it with an attractive interest subvention scheme.

154. Recognising the need for urgent intervention in this sector, I have decided to facilitate setting up of walnut processing units in the private sector through an enabling interest subvention scheme. The details will be notified by Horticulture Department in consultation with Finance Department.
155. The National Saffron Mission does not seem to have achieved the desired results. Indeed, despite enormous amounts of money being spent on creation of irrigation infrastructure for saffron, the sector saw one of its worse ever crop failures this year.

156. I propose a small initiative to encourage saffron growers to go back to the traditional system of cultivation. Along with this, a community based marketing network will be set up. For these initiatives, I am earmarking Rs. 5 crores.
157. Our famed, indeed fabled, apple seems to be finally in a resurgence mode. The High-Density initiative has picked up and reports from the field are very encouraging. However, the initiative is nowhere near the scale that is required for optimum results.
158. To give further boost to this initiative which will transform the rural economy of J&K, I propose to set aside a sum of Rs. 25.00 crore to finance orchard re-plantation/high density plantation initiative. This shall be administered by the Horticulture Department.

159. Even as the orchards are seeing a transformation, the lack of adequate post-harvest agricultural infrastructure in the form of CA stores and associated facilities persists and is a handicap to realising more value and income of the growers.
160. To address this long-standing problem, the state Government has decided to facilitate private players to establish more CA stores in the State by providing capital support and interest subvention. The details of this scheme shall be notified in consultation with the Horticulture Department.
161. In the interim, till the scheme is designed and operationalised, the hiring of CA stores, for the use of apple growers of the state, in the areas adjacent to the NCR shall be facilitated by the horticulture

department. I propose to adequately fund the said facilitation.

162. In addition to CA store, an important element of cold chains is refrigerated vans, which are effective medium for transportation of perishable commodities like milk, vegetables, fruits, flowers etc to the markets located over short and medium distances.
163. Accordingly, I propose 50 per cent interest subvention for procurement of refrigerated vans by the Farmers' Cooperatives or private entrepreneurs. Priority shall be given to the procurement of such vans by farmers' Producer Organisations and Self-Help groups.
164. I propose to set aside an appropriate sum for the purpose after holding discussions with the Horticulture

Department and the relevant stakeholders, if necessary.

165. Most of our horticultural produce, be it apple or walnut, prices itself out of competition due to the poor packaging and grading. You will be surprised to know that there are no proper storage containers to carry apples after they are plucked from trees immediately before being transported. To address this value loss at the farms, I have decided to earmark one-time grant of Rs. 2 crore for the procurement of carriage containers for apple crop at the farms.
166. In this thrust on horticulture, I propose to include the cultivation of Mango, and Litchi. Accordingly, I propose development of nurseries for Mango, and Litchi in the Government sector. Also, Horticulture Department shall

work out a comprehensive scheme in consultation with SKUAST Jammu for promoting Aloe Vera cultivation both in public and private sector.

167. Most of the orchards in the State are located away from the main roads and highways. Consequently, the carriage of inputs and farm produce to and from the orchards increases the costs for the orchardists. To reduce the input costs and to improve market access, I am willing to finance an Orchard Connectivity Plan. The financing of the plan shall be sourced from MGNREGA and PWD as well. The Plan shall be prepared by Horticulture Department in consultation with the Public Works Department and Finance Department.
168. In addition to these physical investments, I propose to invest in developing of soft and managerial skills

of the farmers and associated public sector personnel through appropriate training programmes. I propose to make an initial allocation of Rs.2 crore for this purpose.

169. These multiple interventions in horticulture - orchard replacement, high density plantation, post-harvest practices of grading and packaging and efficient and cost-effective storage practices - shall see a complete transformation of the rural economy.
170. Even as the Handicrafts form part of Industries Department, the Handicrafts units are not covered under the industrial policy as the Industries Department does not register them under MSME Act. Because of this the Handicrafts units are unable to avail various incentives provided to MSME units. The Handicrafts units registered

with Handicrafts Department shall be considered at par with Industrial units for the purpose of availing incentives under the extant industrial policy.

171. The heritage craft of carpets is in the throes of a crisis and needs urgent attention. I had set up a Government-Trade working group on revival of carpet industry, which has submitted its report. The recommendations made in the report will be examined by the Industries and Commerce department.
172. Pending a comprehensive plan for supporting the carpet industry, I am making a provision of Rs. 5.00 crore to begin with. This shall be utilized for providing support to manufacturing and marketing activities.
173. Meanwhile, I propose geographical clusters where the carpet weaving is the major activity be designated as

carpet villages. The villages can have Common Facility Centers (CFCs) with facilities like Raw Material Bank, Testing laboratory, Dye House with ETP, Modern Washing & Drying Facility and, carpet manufacturing workshops wherein artisans can come to work around against daily wages.

174. All such facilities which shall be created in private sector and shall be funded through J&K Bank with adequate interest subvention from the Government. Areas like Sonawari, Khan Sahib, Saida-Kadal shall be initially considered for the purpose.
175. The State Government shall take up the matter with Ministry of Textiles, Government of India for extending the Mill Gate Price Scheme for procurement of yarn to carpet manufacturers as well.

176. Training to carpet artisans shall be bundled with credit linked schemes of the Banks. In order to overcome the difficulty of training at a place nearby to the artisans dwellings, IICT and JKBRSETI shall collaborate for the training component of the artisans' finance.
177. There is a need to coordinate the carpet design activities currently performed in isolation by independent designers, IICT and School of Design. A coordinated effort is required to create a design bank for which I will provide Rs. 1 crore. Not only will it preserve our heritage it will also be commensurate with the market trends.
178. The Hand knotted Kashmir silk carpets are already registered under GI Act. There is an urgent need for promotion of the same. Also, the small

laboratories at IICT and CDI shall be upgraded to handle large number of product certifications. The proposed up-gradation shall be fully provided for.

179. Trout fish has a huge demand both within and outside the State. While there is huge a potential for production, the existing production is unable to meet even the local demand.
180. To promote trout farming, I announce 50 per cent Interest Subvention on bank finance for development of fish farms and also 50 per cent Air freight subsidy on the export from the State for the first two years.
181. Jammu & Kashmir leans heavily towards large and mega hydropower resource. There is an urgent need to accurately assess the small hydel potential in the State and harness it expeditiously in view of its importance

and functional utility both from power as well as development needs perspective of the local area. Small hydel development will also result in meeting the statutory purchase requirements of renewable power.

182. As such the State has to aggressively pursue the development of renewable energy resources i.e. primarily small hydro and solar since there is hardly any potential in other renewable areas like wind etc.
183. Under the “Renewable Energy Mission”, MN&RE has set a target of 5,000 MW upto 2022 in the small hydel category. This has presented the State with a great opportunity to capitalize on various incentives of the Ministry and achieve this target. In fact it has been indicated to the Ministry that the State will develop about 500 MW under this mission.

184. JAKEDA, the State Nodal Agency mandated with development of small hydel (upto 10 MW), Solar, Wind and other renewable projects is not oriented on commercial lines. It can also not raise debt without which the development of projects is impossible.
185. In this context, I propose setting up of a J&K Renewal Energy Corporation which will catalyze the development of renewable energy resources. The present environment in the country is highly conducive for development of renewable energy resources and there are various kinds of subsidies/ incentives/ assistance available under Central Sector for the renewable sources.
186. Besides enhancing business and administrative credibility, the forming of the Corporation would more

importantly result in easier access to capital; so very essential for development of infrastructure projects.

187. The "Grid Connected Solar Rooftop Scheme" of the Ministry of New & Renewable Energy, GoI is aimed at incentivising installation of solar panels on existing rooftops to harness solar radiation and convert it into electrical energy. The attractiveness of the scheme is greatly enhanced by the subsidy for the scheme which is 60 per cent for Government buildings and 70 per cent for domestic buildings. An additional benefit of the scheme is that the distribution utility will be able to meet renewable purchase obligations.
188. To avail of this scheme, I propose setting up of a solar fund of Rs 50 crore and keep it at the disposal of the Finance Department for periodic release to JAKEDA for installation of

solar PV panels on Government buildings in a systematic manner. This investment is recoverable in less than three years' time and more importantly reduces the expenditure for by 90 per cent for the next 25 years.

189. While all my predecessors got good money from the ownership of banks, be it commercial or cooperative, I am unfortunately having to give them money. This is the season, nationally and internationally, for helping banks with recapitalisation.
190. I propose a capital infusion of Rs. 255 crore in Anantnag Central Cooperative Bank, Baramulla Central Cooperative Bank, and Jammu Central Cooperative Bank.
191. For the capital that I am infusing to be secure, I intend to support and strengthen the top 100 functional PACS

by giving Rs. 2 lac each as a budgetary support. Eligible PACS shall be identified by a Committee headed by CGM, NABARD, J&K and comprising Secretary Cooperatives and Registrar, Cooperatives and a representative of J&K Bank.

192. With these measures, I am confident that these banks will regain their lost glory and will partner the State Government and the other financial sectors in the development of priority sector in the State.
193. The role and responsibility of Cooperatives and PACs, post capital infusion and attendant reform, will be outlined in Part II of my budget.
194. The drains in the narrow roads/lanes in Srinagar and Jammu cities need to be cleaned. Accordingly, I have set aside a sum of Rs. 4.00 crore to procure 20

small machines for the mechanised cleaning of drains in narrow roads and lanes.

195. The functionaries of the Revenue Department constitute direct interface with the people. Be it law and order issues or relief operations or elections or provision of land documents etc., they are the first ones to establish contact with the people.
196. Despite the fact that they are doing sensitive work in the field, the departmental functionaries like Tehsildars etc. do not have even such basic facilities as vehicles. In order to help the department to improve infrastructure in the field, I propose to make an initial provision of Rs. 10 crore.
197. Over the years, the Revenue Department seems to have lost the

glory that it historically had. "Musheer-e-Maal" had a stature of its own in the good old days. To help the Revenue Department regain its primacy, I announce the creation of a "Revenue Infrastructure Development Fund".

198. The fund shall be credited with 5 per cent of the compensation on account of State land/Kahcharai land received from Central Government Departments and Agencies.
199. The Revenue Department shall also charge minimum 2 percent of the amount involved in the land acquisition in each case as Service fee. Fund accruals will be available to the department for meeting its infrastructural needs with the consent of Finance Department.
200. Till now Government has been more focused on the promotion of industries

in the urban areas. There has been very little fiscal intervention in the Industrial sector in the rural areas. The provision of industrial infrastructure in the rural areas has dual advantage: It can create gainful employment as well as improve the rural economy of the State. There is an urgent need to set up small industrial estates in rural areas across the state. I, accordingly, make an initial provision of Rs.10 crore for facilitating the setting up rural Industrial Estates.

201. The green spaces in the form of public parks in our cities and urban areas are not properly cared for. I propose to allocate Rs. 2.00 crore for plantation and for adding the green cover in the public parks.
202. Urdu is not just the official language of the state and spoken in all its

regions, it is also a vast repository of the cultural heritage of Indian sub-continent, popularly known as Ganga-Jamuni Tehzeeb. Last year the Government had announced constitution of a Council for Promotion of Urdu Language. This could not get fructified in time. This year, the proposed Council shall be got formed without any further delay. I have set aside Rs. 2.00 crore for the purpose.

203. Our State falls in Seismic Zone VI, which is considered a "Very High Damage Risk Zone". While there are fiscal arrangements in place to enable the State to respond to the disasters, there presently is no fiscal mechanism for prevention and mitigation of disasters. Recognising the need for the State to better prepare itself for likely disasters, I have decided to set up a Disaster Mitigation Fund with an initial corpus of Rs. 10.00 crore.

204. School Education and Social Welfare departments have been working together to pool their resources to implement the Mid-Day Meal Scheme effectively. However, even the new institutional arrangement has not fully stopped the leakages in the system. Also, as the Scheme is managed by the teachers at the school level, it wastes a lot of their teaching hours.
205. Therefore, there is a need to adopt the best practices or a successful Mid-Day Meal Model followed by other States. In some states, the Scheme is mediated by NGOs like Akshay Patra Foundation, which has reportedly managed the Scheme very well.
206. For better management of the Scheme, I propose that the Scheme may be managed by some well-regarded NGOs like Akshay Patra Foundation in Jammu and Samba Districts on a pilot basis.

207. In the alternative, Social Welfare and School Education Departments can also consider including Village Committees in the management of the Scheme.
208. Hon'ble Prime Minister of India has repeatedly directed all the Departments of the Union Government as well as the State Government to make procurements through GEM portal to the extent possible.
209. In order to ensure that our industrial and services units do not lose out on business relating to procurement of public goods and services, Government will create a state specific GEM portal immediately and facilitate registration of all SMEs, industrial units etc. to enable their participation in procurement of public goods and services.

210. A good number of items will be reserved for procurement only through J&K GEM portal which will provide comfort of assured and predictable Government supplies to our industrial units. Necessary guidelines will be issued on urgent basis in this regard.

211. Hon'ble Members may recall my intervention in Budget Speech of 2015-16 for providing funds to Police Station to meet their administrative cost of investigation. This has significantly improved the image of these police stations. In this Budget I propose better toilet facilities and sanitation in police stations and police lines to provide for better living conditions for police personnel. Accordingly, I propose a sum of Rs. 3 crore for this purpose.

Legislative & Institutional Initiatives:

212. The bane of multiple labour laws has been their poor implementation and the resultant inadequate impact on the ground. Labour Law reforms are critical to ushering in real ease of doing business in the State, besides, of course, addressing the aspirations of the labour class.
213. However, these reforms have been long overdue. While the whole country currently grapples with the issue of labour law reforms, I have decided that the State should take the lead and show the way to the country. A multi-disciplinary Committee has been set up to frame the J&K Employment Code for the State.
214. I propose to frame a uniform Employment Code for the State, containing all the labour laws in force in

the State. The proposed Employment Code shall set out the framework for terms of employment and service of all the workers except domestic workers and agricultural labour and a strong, independent and separate labour judiciary.

215. For reasons unknown, Law and Justice Department of the Government has remained clubbed with Parliamentary Affairs since long. This affects the working on the either side. During sessions of Legislation, normal functioning of the Law Department suffers a lot. There is case of separation of these two departments as is the case elsewhere in the Country.

216. Therefore, I propose creation of separate Department of Parliamentary Affairs for which necessary manpower will be provided.

217. Government is required to constitute a State Finance Commission in terms of the Jammu and Kashmir State Finance Commission for Panchayats and Municipalities Act, 2011.
218. As the Panchayats are expected to be in place in the State in May 2019, and ULBs, hopefully, not long thereafter, State Finance Commission needs to be in place to evolve an appropriate mechanism for sharing of Government revenues with the PRIs and ULBs.
219. Constitution of the State Finance Commission for PRIs and ULBs is also imperative as per the recommendations made by the various central Finance Commissions from time to time. I, accordingly, propose the constitution of the State Finance Commission in the State. The composition and the Terms of Reference of the Commission shall be notified shortly.

220. The jurisdiction of divisions and sub-divisions of various developmental departments is not co-terminus with the jurisdiction of the administrative units. This results in huge difficulties to the people availing Government services as well as in supervision of such units. There is an urgent need to redraw the jurisdiction of divisions and sub-divisions of various developmental departments at the field level to address such incongruities.

221. The boundaries of units of different departments need to be aligned keeping the Assembly Constituencies as the next sub unit for a district. Within the Assembly Constituencies, all departments need to set up their basic units as per norms without overlapping with any other Constituency. I propose to initiate the necessary groundwork in this regard.

222. A sub-group under my chairmanship will go into the entire issue. Chief Secretary, Administrative Secretary, Finance, Administrative Secretary, PD&MD, Administrative Secretary, Revenue and Administrative Secretary, GAD will be the Members of this sub-group which will undertake a comprehensive review of the jurisdiction of divisions and sub-divisions in various developmental departments and other such departments so as to bring their jurisdiction in harmony with the administrative revenue units in a time bound manner.
223. A major indirect tax reform has already been undertaken by implementing the GST in the State. The interface between the tax payer and tax collector has already got reduced to a large extent in the areas of taxation under

GST. This approach needs to be carried further and applied in the areas of taxation outside the GST which can also be consolidated and administered by the State Tax Department on the pattern of GST.

224. A consolidated State Tax can be legislated to achieve the goals of simplicity, ease of doing business, Warehousing of data, self-policing, plugging of leakages, consolidated reporting, least interface between the tax payer and tax collector, etc.
225. It is in the above context that an exercise to consolidate various taxes, fee and duties outside the purview of GST as also to identify the contours of legislations required to protect the interest of the State from deliberate attempts of tax evasion has been initiated by the Department of Finance.

226. The basic idea is to try and bring real estate, electricity, alcohol and Petroleum under a J&K GST. A committee of officers and professionals in the area of taxation and industry has been constituted to work out the framework in this regard. Further work on legislations and IT frame work for seamless working and ease of doing business can then be initiated on the basis of the report of the Committee.
227. I am very keen to bring electricity under the ambit of our GST. The reason being that under GST Input Tax Credit can be availed for electricity. This will boost the industrial sector and also encourage investment in power projects in the State.
228. It is also important to design a GST for sale and purchase of real estate. At present various taxes applicable on real

estate are in the form of stamp duty, property tax, registration fees and cess on cost of construction. With the introduction of our GST all such taxes and duties can be subsumed.

229. While as Power and Real Estates legislations to plug loop holes can be the areas to start with, we can include petroleum products, liquor etc. in this scheme in the next phase.
230. Post roll out of Goods & Services Tax in the State, there has been a lot of debate in certain sections of trade and business community regarding the continuance of toll in the State. During my pre-budget consultations, the representatives of a few trade and business organisations have even opposed its continuance. As the debate still rages, I will choose this opportunity to set the record straight.

231. The imposition of toll is well within the legislative competence of the State Government and while entry tax and octroi have been subsumed in the GST, toll has been kept outside its scope. There are many States in the country, which continue to levy toll outside the framework of the GST. I hope this clarification will help finally lay all questions surrounding the issue at rest.

232. Meanwhile, after careful consideration, I have decided to do away with toll on following commodities:

- (i) Vegetables,
- (ii) Medicines,
- (iii) Sugar,
- (iv) Salt,
- (v) Tea,

- (vi) Soaps/Detergents,
- (vii) Sanitary items,
- (viii) Water coconut,
- (ix) Wheat seeds,
- (x) Tree spray oil,
- (xi) Newsprint
- (xii) Jaggery (Gur).

233. On all other products manufactured by local industry toll will continue to be levied. Further, these products should be taken as identified for purchase through Government departments.

234. Basic toll @ Rs. 80 is presently levied on all Light Motor Vehicles crossing Lakhanpur and Lower Munda. With a view to extending relief to general commuters and tourists visiting the State in their own vehicles, I propose

abolition of basic toll on all non-commercial, private light motor vehicles.

235. While there is no toll on export of apples, other fruits being exported outside State are charged toll @ Rs. 80 per quintal. On equity, I have decided to abolish toll on export of all types of fruits produced within the State. I am also abolishing toll on export of gypsum. All the above exemptions will cause a revenue loss of more than Rs. 100 crore.

236. Under the J&K Levy of Tolls Act, toll is charged at Lower Munda and Heerpur Toll Posts on intra-state movement of vehicles. The annual toll revenue from these two posts is Rs. 22 crore. I have had people telling me that they

encounter a lot of hassles at these posts at the time of commuting. In order to create a unified single market within J&K and to extend relief to the general commuters/ transporters, I have decided to abolish Lower Munda and Heerpur Toll Posts.

237. While toll is proposed to be abolished, the toll posts and the personnel deployed there shall continue to function for the purpose of general superintendence and enforcement. Also, Government shall be open to appropriately considering concerns of the local shopkeepers/ traders arising from this measure.
238. At the same time though, I am also obliged to take adequate protectionist measures to protect the local industry from the onslaught of the competing

demands from outside the State. To protect the local industry and encourage local manufacturers, I have decided to raise toll from existing slab of Rs. 80 per quintal to Rs. 100 per quintal. I also propose to include wheat bran in this slab.

239. Post GST, it has been noticed that IGST settlement in some cases is not being received by the State. The purchaser/ dealer is either not declaring the State of destination or takes delivery of the commodities outside the State, thereby, depriving the state of its legitimate share of taxes.
240. I, therefore, propose to impose additional tax on such goods, having destination of sale outside State but being brought for consumption in the State, equivalent to the rate of State

Goods and Service Tax. This measure will also protect the interests of local traders. The mechanism under Section 5 of Constitution of J&K shall be worked out and made effective from 1st April, 2018.

241. Tobacco is hazardous for health. While cigarette, being similarly hazardous, is charged a toll of Rs. 4000 per quintal, tobacco (other than chewable) is charged a toll of Rs. 290 per quintal. In the larger health interest, I propose to raise the toll on tobacco, in all forms, from the existing Rs. 290 per quintal to Rs. 400 per quintal.
242. After the implementation of GST, there is an urgent need to reorganize the Commercial Taxes Department and redefine its mandate in a policy advisory and enforcement role rather

than let it continue in the existing policy making and implementation role.

243. I, therefore, propose a comprehensive reorganization of the department along the above lines to enable it to be adequately responsive to the challenges of the new tax regime.

Budget Estimates: 2018-19

244. Despite being liberal, my budget numbers for the year 2018-19 are looking good. I propose to spend Rs 80,313 crore in the course of the year. Of this Rs 29,128 crore is going to be the capital spending. This is by far the highest capital spend in the economy of J&K.
245. The market borrowings that I propose to raise this year are about Rs. 9,000 crore which is Rs. 331 crore higher

than the last year. What this means is that compared to last year, I am financing an additional capital expenditure of Rs. 3282 crore with an additional borrowing of only Rs. 331 crore. The incremental borrowing to capex ratio is 1:10. This must be the best ratio anywhere in the country.

246. The revenue receipts position is looking even better. The aggregate revenue receipts are estimated to be Rs. 64,269 crore compared to Rs. 55,307 crores this year. The states own tax revenue is estimated to be more than Rs. 11,000 crore. As a result, I am not leaving any funded gap in the budget this year.

247. For 2018-19, Government has decided to launch a Completion Plan with

impetus to complete languishing bridges, schools and water supply schemes.

248. There are about 200 bridges under construction requiring about Rs. 445 crores for completion in next three years. While an amount of about Rs. 75 crore is committed under NABARD, the balance amount of Rs. 370 crore has to be arranged out of State Capex. I propose to complete about 50 bridges in next budget.
249. During the public outreach programs by the Hon'ble Chief Minister, it has been observed that public is facing a lot of hardship in respect of water supply. I propose Rs. 200 crore under NABARD for taking up major Water Supply Schemes in next year.

250. Besides there are 1069 ongoing water supply schemes under NRDP at various stages of execution (upto 25%, 25-50%, 50-75 % and 75% above). I propose to allocate Rs. 50 crore for expediting completion of such schemes; 21 schemes in 25-50% range (Rs. 29.30 Cr) and 33 schemes 50-75 % range (Rs. 21.65 Cr).
251. For upgradation of 400 Schools, expediting the execution of 22 Model Schools, and completion of another 50 under construction School buildings, I propose allocation of Rs. 150 crore. For 17 new Degree Colleges, I propose to allocate another Rs. 50 crore.
252. I am sure all of you would have noted that this Budget gives much more than it takes. This idea of giving more and

taking less doesn't come naturally to a finance person; it has come from the Hon'ble Chief Minister. In my budget approach meeting with her earlier last month, she told me what is best captured by a couplet of Allama Iqbal:

Acha hai dil kay saath rahay pasban-e aql,

Lekin kabhi kabhi isey tanha bhi choad dey!

اچھا ہے دل کے ساتھ رہے پاسبان عقل
لیکن کبھی کبھی اسے تنہا بھی چھوڑ دے

253. Speaker Sir, that pretty much sums up the sentiment and substance underlying the budget!

254. With these words, I commend the budget and all the related documents to this august house!