

SECRET

GOVERNMENT OF THE PUNJAB
FINANCE DEPARTMENT

MEMORANDUM
FOR THE
COUNCIL OF MINISTERS
ON THE
BUDGET ESTIMATES
FOR
1973-74
[JUNE, 1973]

MEMORANDUM FOR THE COUNCIL OF MINISTERS

Minister-in-Charge—Mr. Mohammad Haneef Ramay, Finance Minister.

Secretary-in-Charge—Mr. Asif Rahim, SK., CSP., Finance Secretary.

Subject—Budget Proposals for 1973-74.

For purposes of presentation, the present Memorandum has been divided into:—

- (i) A Review of the Revised Estimates for the current financial year;
- (ii) An Outline of the Budget Proposals for the next financial year.

For each financial year, the presentation have been sub-divided further into two distinct parts. The first part deals with the Non-Development Budgets and the second with the Annual Development Programmes. The Memorandum has to be read with the Budget documents being simultaneously placed before the Council of Ministers *viz.* :—

- (a) The Annual Budget Statement for 1973-74, which also gives details of the revised estimates of receipts and expenditures for the current financial year;
- (b) The Schedule of New Expenditure for 1973-74; and
- (c) The Annual Development Programme for 1973-74.

2. It is pertinent to point out here that the form of the Annual Budget Statement for 1973-74 (as also the form of all the other Budget documents to be placed before the Provincial Assembly at its next Budget Session) is fundamentally different from the form(s) used in the past. At the time of preparation of the Budget for the current financial year, a number of steps were taken to rationalize and simplify the format and presentation of the Budget documents. Amongst other things, the practice whereby certain receipts were shown as deductions from expenditure, and certain expenditures were shown as deductions from receipts, was discontinued and all receipts shown in the documents/columns for receipts and all expenditures shown in the documents/columns for expenditure. This was done in order to bring into its correct perspective the true volume of the receipts and expenditures of the Provincial Government. Similarly, a number of out-moded budgetary

and account procedures whereby receipts and expenditures were booked initially under one Head of Account and transferred subsequently through deduct entries to other (final) Heads of Account was discontinued. During the current financial year, the simplification and rationalization exercises set in motion during the previous year have been completed and important new changes initiated. These new changes are briefly outlined in the succeeding paras.

3. The bare outline of the Budget—both development and non-development—is contained in each year's Annual Budget Statement. Hitherto, this all-important document failed to distinguish clearly between non-development and development expenditures, as also between resources earmarked for financing the Annual Development Programmes and other General Receipts. In addition, various types of receipts and expenditures were grouped together in this document in a number of out-moded and uninformative categories that conveyed little either to the expert or to the lay-man. For the next financial year, the Annual Budget Statement has been wholly re-cast. All the receipts and expenditures have been re-grouped along economic-cum-functional lines. For example, the revenues received by the Province from its share in the centrally collected taxes have been exhibited in one place under the nomenclature "Central Tax Assignments". The receipts of the Province from provincial taxes have been distinguished (and shown separately) from various types of non-tax receipts. The latter have been further categorized according to the type of economic activity from which they are derived. It will now be possible to tell at a glance from this document how much the province receives from its various taxes and how much it spends in collecting taxes, these the amounts spent by the province on (say) Forests and the revenue earned by it from Forests, and so on. Finally, even the ordinary layman will henceforth be able to ascertain from a cursory perusal of the Annual Budget Statement as to what is the non-development expenditure of the Province on its Revenue and Capital Accounts, its development expenditure on the Revenue and Capital Accounts, the volume of receipts and expenditures pertaining to State Trading in Food-grains and Sugar, the anticipated borrowings from Commercial Banks for financing State Trading in Food-grains and Sugar, the sources for the financing of the Annual Development Programmes, the opening and closing balances of the Province with the State Bank of Pakistan, and so on.

4. In addition to the above, the Budget document entitled "Demands for Grants" has also been re-cast. For the first time, it will show full details of the number and type of various posts in the Province. For the

first time, it will also show full details of the various types of allowances admissible to Government Servants. Similarly, the Budget document entitled "Estimates of Receipts" has been re-cast. The nomenclature of a number of receipts has been changed in order to make more clear what they are about. Redundant entries have been dropped. Wherever necessary, the various types of receipts under each Head of Account have been grouped into more rational and meaningful categories. The other Budget documents, such as the Schedule of New Expenditure, have also been revised along more or less similar lines.

5. The object of this whole exercise has been, as stated earlier, to make the Budget documents more informative and simpler to understand. An equally important consideration has been to facilitate the process whereby the information contained in the Budget documents can eventually be computerized. In this connection, substantial work has already been done. The Report on the Computerization of the Motor Vehicles Taxation Records has been approved by the Finance Minister and the necessary additional staff sanctioned for taking this work in hand. The Report on the Computerization of the work relating to the Monitoring and Evaluation of Development Schemes has been finalized, and action initiated for introduction of the Computerized System with effect from the next financial year. The Report on the Computerization of Land Records has also been finalized. The scheme prepared for Computerization of Land Records will be given a trial run in two tehsils of the Province during the next financial year. Two further Reports—one on use of Computers for maintenance of Personnel Records and preparation of Pay-Rolls of the Secretariat Staff at Lahore, and the other for Computerization of Urban Immovable Property Taxation Records—are under preparation.

1972-73

NON-DEVELOPMENT BUDGET

6. As per Budget Estimates, 1972-73, the General Revenue Receipts of the Province were estimated at Rs. 1.45-23 crore. As per Revised Estimates,

1972-73, these are now estimated at Rs. 1,35.84 crore—a decline of Rs. 9.39 crore. The variations are summarized below:—

(Rupees in crores)				
		<i>Budget</i>	<i>Revised</i>	<i>Variation</i>
		1972-73	1972-73	
Central Tax Assignments	..	61.21	49.36	-11.85
Provincial Tax Receipts	..	37.35	36.56	-0.79
Interest Receipts	..	1.82	3.68	+1.86
Non-Tax Receipts of Civil Administration Departments.		1.79	1.82	+0.03
Non-Tax Receipts of Social Services Departments.		3.97	5.19	+1.22
Non-Tax Receipts of Economic Services Departments.		35.93	35.04	-0.89
Miscellaneous Non-Tax Receipts	..	2.54	1.84	-0.70
Contributions and Miscellaneous Adjustments		0.62	2.35	+1.73
Total General Revenue Receipts	..	1,45.23	1,35.84	-9.39

7. There is little that needs to be said about variations in figures for receipts under the direct control and administration of the Provincial Government. The declines here and there have been more than off-set by improvements elsewhere. There are three areas, however, that need specific mention:—

- (i) For the current financial year, receipts from Stamp Duties got over-estimated by about Rs. 0.98 crore largely as a result of faulty data supplied by the Board of Revenue. The Board were, in fact, initially suggesting a figure of over Rs. 8 crore for receipts from Stamp Duties whereas actual collections are likely to amount to Rs. 5.15 crore only. A detailed probe conducted by the Finance Department into this matter has revealed that (most unfortunately) the figures furnished by the District and Divisional Offices to the Board of Revenue are not properly scrutinized in the Board before being passed on to the Finance Department for incorporation in the Budget documents. To a somewhat lesser degree, this is also true of the estimates submitted by the Board in respect of other receipts such as Land Revenue, Development Cess, Consolidation Fees, etc. Finance Department is of the view that urgent action needs to be taken by the Board for strengthening and re-organizing its Budget Wing. The Board also needs to pay far greater attention than it has been giving of late to its role of a Revenue Collecting Department. Finance Department would submit

that in future the estimates of receipts should be examined and finalized in a meeting of the full Board before being sent to the Finance Department. In fact, it would be useful to issue instructions to all Administrative Departments on the same lines.

- (ii) Receipts from Irrigation have declined by about Rs. 0.49 crore. In the case of this receipt also, the 'decline' would have been much more pronounced had the Finance Department accepted the figures indicated by the Irrigation and Power Department at the time of preparation of the current year's Budget. A detailed analysis conducted by the Finance Department in this matter reveals that the annual demands created by the field formations of the Irrigation and Power Department are invariably Rs. 3-4 crore higher than the amount actually realized by the Revenue Department. This suggests possible annual leakage of revenues of equivalent magnitude. This also points to the urgent need for better co-ordination between the Revenue and Irrigation and Power Departments at all levels from the Secretariat down to the Tehsil. Finally, this state of affairs highlights the imperative necessity of effective levy and collection of Reclamation Fees and Abiana Rates in the SCARP areas (because the indications are that much of the 'leakage' pertains to the SCARP areas).
- (iii) The non-tax receipts of the Agriculture Department have declined by Rs. 0.90 crore partly on account of the Department's failure to take effective steps for the recovery of arrears of Cotton Fee, but mainly because of the Department's inability to hire and to utilize to capacity its fairly large fleet of bull-dozers and other earth-moving equipment. As regards the Cotton Fee, Finance Department is of the opinion that the Agriculture Department, being primarily a Development Department, is simply not geared for what is essentially a revenue collection activity. Finance Department would, therefore, suggest that the Council may consider transfer of this work to the Excise and Taxation Department. As regards the partial non-utilization of the agricultural machinery, Finance Department would point out that during the current financial year, the Agriculture Department was given all that it asked by way of funds for maintenance and operation of this machinery. The Agriculture Department has separately surrendered Rs. 0.57 crore out of the funds allocated to them in the non-development Budget. In the circumstances, it is clear that the failure to utilize agricultural machinery to capacity has been caused by organizational and

not financial factors. The nature of these organizational deficiencies needs to be investigated. In this connection, the proposal mooted by the Finance Department on previous occasions *viz.*, that there should be an independent, autonomous and commercially run/organized Agency for the maintenance and operation of the agricultural machinery, would perhaps deserve re-consideration.

8. As would be evident from the figures given in the Table at para. 6, the main reason for the decline in the General Revenue Receipts of the Province is the very large shortfall in Central Tax Assignments over which we exercise no control whatsoever. In accordance with past practice, the Federal Government will make good this shortfall through an equivalent increase in the amount of Cash Development Loan for 1972-73. In resource terms, therefore, the shortfall is of little consequence for the current financial year. It would be appreciated, however, that Cash Development Loans, which have to be re-paid with interest, are simply not the same thing as Central Tax Assignments, which constitute a part of revenues. Further, it is against all canons of financial prudence to finance un-productive non-development expenditures through interest-bearing loans. For the above reasons, efforts are being made to persuade the Central Ministry of Finance to make good through compensatory grants-in-aid at least that part of the shortfall in Central Tax Assignments as has been caused by the unilateral decisions taken by the Central Government to reduce the Export Duty on cotton, to reduce the Sales Tax on iron and steel wire and to exempt tractors, fertilizer, tea, poultry feed, tin containers and tin plates and a number of other commodities from payment of Sales Tax.

(b) Non-Development Revenue Expenditure :

9. As per Budget Estimates, 1972-73, the non-development revenue expenditure of the Province was estimated at Rs. 1,45.55 crore. As per Revised Estimates, 1972-73, this expenditure is now estimated at Rs. 1,44.75 crore. The variations are summarized below:—

	(Rupees in crores)		
	<i>Budget</i> 1972-73	<i>Revised</i> 1972-73	<i>Variation</i>
Tax-Collecting Departments ..	3.08	3.03	—0.05
Debt Services ..	19.04	18.79	—0.25
Civil Administration Departments ..	20.14	19.79	—0.35
Social Services Departments ..	46.85	47.67	+0.82
Economic Services Departments ..	45.20	43.26	—1.94
Miscellaneous ..	11.24	12.21	+0.97
Total Non-Development Revenue Expenditure.	1,45.55	1,44.75	—0.80

10. There is little that needs to be said about expenditure on the Tax-Collecting Departments and Debt Services—the Revised Estimates being more or less the same as the budgetted figures. In the case of expenditure on the Civil Administration Departments, the revised estimate figure of Rs. 19.79 crore though lower than the budgetted figure includes nevertheless a significant increase in expenditure on the Police Forces. The Revised Estimates figure for expenditure on the Punjab Police Force stands at Rs. 10.66 crore as against the budgetted figure of Rs. 8.89 crore—an increase of Rs. 1.77 crore. The whole of this increase is accounted for by extra-budgetary allocations for the creation of the Provincial Armed Reserve (Rs. 81.97 lac), purchase of 125 Isuzu trucks for increasing the mobility of the Police Force (Rs. 63.04 lac) and purchase of VHF Sets and other communications equipment for improving the communications net-work of the Police Force (Rs. 54.50 lac). These additional allocations were allowed by us on the assumption that the expenditure involved would be re-imbursed by the Centre through equivalent grant-in-aid. While the Federal Government have agreed to meet this extra expenditure, they have decided to do so through interest-bearing loan and not grants-in-aid notwithstanding the fact that the expenditure on the expansion and modernization of the Police Force is completely un-productive and cannot possibly be expected to generate resources for repayment of the Loan. Efforts are underway to persuade the Central Ministry of Finance for conversion of this loan into grant-in-aid.

11. As regards the Social Services Departments, the bulk of the increase in expenditure is accounted for by increase in expenditure on the General Health Services. Here, in line with the recommendations of the New Health Policy (and in partial compliance with the directives received from the Central Health Minister) Finance Department sanctioned an additional amount of Rs. 50 lac for purchase and supply of medicines in Government hospitals and dispensaries. An additional amount of Rs. 30 lac was also allowed for purchase and supply of medicines to Government servants. Revised Estimates of expenditure on the General Health Services now stand at Rs. 6.62 crore as against the budgetted figure of Rs. 5.80 crore. In the category of Social Services Departments, expenditure on payment of pensions to Government servants has also recorded an increase from Rs. 3.33 crore to Rs. 3.81 crore, largely on account of arrears drawn by the retired teachers of the Provincialized Primary Schools. This increase has, however, been off-set by a decline in the expenditure on Education from the budgetted figure of Rs. 35.01 crore to the Revised Estimates figure of Rs. 34.54 crore. The lumpsum provision of Rs. 3.21 crore made by us for nationalization of private colleges and schools and for other schemes connected with the New Education Policy proved more than

adequate. The Education Department has been able to utilize only Rs. 2.94 crore out of this provision for the nationalization of 78 private Colleges, 560 private High Schools and 771 private Primary and Middle Schools.

12. As regards the Economic Services Departments, the over-all decline in expenditure of the order of Rs. 1.94 crore is largely accounted for by surrenders from the budgetted provisions for the Irrigation and Power Department (Rs. 1.12 crore), the Agriculture Department (Rs. 0.57 crore) and the Forest Department (Rs. 0.30 crore). The shortfall pertaining to the Agriculture Department has already been discussed in sub-para. (iii) of para. 7. As regards the Irrigation and Power Department the shortfall is mainly accounted for by the surrenders from the budgetted provisions for the maintenance and operation of the Public Sector tube-wells in SCARP II-B (Kot Momin, Ara and Shah Jewana Units), SCARP III (Lower Thal) and SCARP IV (Muridke Unit). All these three SCARP Projects are under the control and management of WAPDA whose demand for funds appears greater than its capacity to utilize the same. It is for consideration of the Council of Ministers whether these three Projects should now be taken over by the Irrigation and Power Department (given that the development works pertaining to these Projects have been more or less completed). As regards the Forest Department, the main reason for the shortfall in expenditure has been the non-supply of rosin by the Abbotabad Forest Circle of N.-W.F. Province to the Jallo Rosin Factory. This suggests that in future we will have to rely primarily on our rosin resources in the Murree Forest Circle.

13. In the Miscellaneous Group, the increase in expenditure is largely accounted for by the increase in expenditure on the wheat subsidy. During the current financial year, the incidental charges on the procurement, handling and storage of wheat have increased from Rs. 4.57 per maund to Rs. 5.30 per maund partly as a result of the increase in the price of gunny bags and partly as a result of higher interest charges on larger borrowings necessitated by the increase in the procurement price.

(c) Revenue Surplus :

14. As a consequence of the changes detailed in the Sections dealing with the General Revenue Receipts and the Non-Development Revenue

Expenditure, the Revenue Surplus which was estimated at Rs. (—) 0·32 crore as per Budget Estimates, 1972-73, has declined further to Rs. (—) 8·91 crore as per Revised Estimates, 1972-73. The variations are summarized below:—

(Rupees in crores)			
	<i>Budget</i>	<i>Revised</i>	<i>Variation</i>
	1972-73	1972-73	
General Revenue Receipts ..	145·23	135·84	—9·39
<i>Deduct</i> —Non-Development Revenue Expenditure.	145·55	144·75	+0·80
Total Revenue Surplus ..	—0·32	—8·91	—8·59

(d) General Capital Receipts :

15. As per Budget Estimates, 1972-73, the General Capital Receipts of the Province (pertaining to its Account No. 1 with the State Bank of Pakistan) were estimated at Rs. 47·99 crore. As per Revised Estimates, 1972-73, these are now estimated at Rs. 23·19 crore. The variations are summarized below:—

(Rupees in crores)			
	<i>Budget</i>	<i>Revised</i>	<i>Variation</i>
	1972-73	1972-73	
Extraordinary items ..	3·45	3·61	+0·16
Public Debt (Incurred) ..	43·64	13·68	—29·96
Recovery of Loans and Advances ..	0·90	5·90	+5·00
Total General Capital Receipts ..	47·99	23·19	—24·80

16. The variation in the case of Extraordinary Receipts is minor and calls for no explanation. In the case of Public Debt (Incurred) the shortfall—and this shortfall is a most welcome one—is entirely accounted for by the fact that at no stage during the current financial year has the Provincial Government had to resort to borrowings from the State Bank of Pakistan to cover temporary over-drafts in its Account with this Bank. The over-all decline also conceals another welcome development *viz.*, over-subscription of the order of Rs. 0·88 crore in respect of the Market Loan floated by the Provincial Government during the current financial year. The said Market Loan bears a lower rate of interest (6¼%) than that payable by the Provincial Government on Federal Government Loans (7¼%). The increase in the figures for Recovery of Loans and Advances is largely accounted for by recovery of outstanding amounts payable by the defunct Thal Development Authority. It has been possible to effect this recovery through encashment of the amounts placed by this Body in fixed deposits with various Commercial Banks. Part of the recovery from this Body, however, is a mere book-adjustment—the defunct T.D.A. being given credit for the assets taken over from it by various Government Departments.

(e) Non-Development Capital Expenditure :

17. As per Budget Estimates, 1972-73, the non-development capital expenditure of the Province was estimated at Rs. 46.52 crore. The corresponding figure as per Revised Estimates, 1972-73, is Rs. 18.31 crore. The variations are summarized below:—

	(Rupees in crores)		
	<i>Budget</i> 1972-73	<i>Revised</i> 1972-73	<i>Variation</i>
Economic Services Departments ..	—2.46	2.94	+5.40
Public Debt (Discharged) ..	48.75	12.83	—35.92
Loans and Advances ..	0.66	2.80	+2.14
State Trading in Coal and Medical Stores (Net).	—0.43	—0.26	+0.17
Total Non-Development Capital Expenditure.	46.52	18.31	—28.21

18. The increase in the case of the Economic Services Departments has already been partly explained in para. 16. Various Administrative Departments have been allowed extra-budgetary allocations in order to pay for T.D.A. assets, which payments are simultaneously recovered at source for adjustment against loans payable by the T.D.A. to the Provincial Government. The other element of the increase pertaining to the Economic Services Departments relates to another budgetary reform viz., the transfer of the expenditure on the Priority Road Schemes from the Public Account of the Province to its Capital Account. During the current financial year, the Province will be spending Rs. 2.26 crore on the Priority Road Schemes which are being financed through non-development releases from the Central Road Fund. The decline in the case of Public Debt (Discharged) has also been implicitly explained in para. 16. As the Provincial Government did not resort to any temporary borrowings from the State Bank, it has not had to repay the borrowings estimated at the time of preparation of the current year's Budget. The increase in the figure for Loans and Advances is on account of the temporary loan of Rs. 1.50 crore advanced to the Punjab Road Transport Board.

(f) Net Capital Receipts :

19. As a consequence of the changes detailed in the Sections pertaining to the General Capital Receipts and the Non-Development Capital Expenditure, the net Capital Receipts which were estimated at Rs. 1.47 crore as per Budget Estimates, 1972-73, have increased to Rs. 4.88 crore.

(g) Public Account Transactions :

20. As per Budget Estimates, 1972-73, the net receipts from Public Account Transactions were estimated at Rs. (—) 3.76 crore. This figure differs

from the one indicated in the Annual Budget Statement *viz.*, Rs. (—) 1.42 crore because at the time of preparation of the current year's Budget (under a complicated accounting procedure since discontinued by us) foreign aid grants amounting to Rs. 2.34 crore were booked as receipts under the Public Account though not properly forming part thereof. For purposes of this Memorandum, the said grants have been shown separately as part of Central and Foreign Aid resources for financing of the Annual Development Programme. As per Revised Estimates, 1972-73, the net receipts from Public Account Transactions are estimated at Rs. (—) 1.22 crore.

(h) Provincial contribution towards the Financing of the Annual Development Programme :

21. At the time of presentation of the Budget, the Provincial Government announced a deficit of Rs. 2.61 crore which it was intended to meet through economies in non-development expenditure and by improving the collection of Provincial taxes. The Provincial Government has more than fulfilled the undertaking given by it in this behalf in respect of receipts and expenditures under its own control. Unfortunately, the unprecedented shortfall in Central Tax Assignments (Rs. 11.85 crore) has set these efforts at naught. The over-all deficit for the current financial year is now estimated at Rs. (—) 5.25 crore (inclusive of over-subscription to the Market Loan of the order of Rs. 0.88 crore). But for the short-fall in Central Tax Assignments, the Provincial Government would have been able to announce an over-all surplus of Rs. 6.60 crore.

(i) State Trading in Food-Grains and Sugar :

22. As per Budget Estimates, 1972-73, expenditure connected with the purchase, handling and storage of wheat and rice was estimated at Rs. 50.16 crore. Receipts from sale of wheat, transfer of the wheat subsidy from the Non-Food to the Food Account and recovery of expenditure incurred on behalf of the Centre on account of procurement of rice, were estimated at Rs. 55.98 crore. As per Revised Estimates, the corresponding figures are Rs. 79.74 crore and Rs. 53.70 crore respectively. The increase in expenditure is accounted for by the increase in the procurement price of wheat from Rs. 17.00 per maund to Rs. 22.50 per maund, as also the anticipation that we will purchase 11.33 lac tons of wheat during the current financial year (including imported stock = 4.15 lac tons) as against the original figure of 8.00 lac tons. In addition, there has also been an increase in the incidental charges incurred on the handling and storage of wheat partly because of higher amounts of interest payable on larger borrowings necessitated by the increase in the procurement price, but mainly because of the increase in the price of gunny bags which are now estimated to cost Rs. 700 per 100 bags or about Rs. 2.50 per maund of wheat. The decrease in

receipts is accounted for by lower than anticipated internal sales of wheat within the territory of the Punjab Province.

23. As per Budget Estimates, 1972-73, expenditure connected with the purchase, handling, storage and distribution of sugar was estimated at Rs. 13.73 crore. Receipts from sale of sugar were estimated at Rs. 10.30 crore. As per Revised Estimates, the corresponding figures are Rs. 51.80 crore and Rs. 40.77 crore. The increases in both expenditures and receipts are a direct consequence of the increase in the sugar prices coupled with Government's decision to introduce 100% rationing of the sugar stocks. During the current financial year, the Provincial Government will be purchasing 2.23 lac tons of sugar (including imported stocks = 0.43 lac tons) and selling 1.61 lac tons through the Ration Depots.

24. Since State Trading in Foodgrains is financed through loans from the Commercial Banks, expenditures in connection with procurement of foodgrains are accompanied by equivalent increase in such borrowing and receipts on account of sale of foodgrains result in decrease in borrowings.

1972-73

DEVELOPMENT BUDGET

(j) Financing of the Annual Development Programme, 1972-73 :

25. The availability of resources for financing the Annual Development Programme for 1972-73 was originally estimated at Rs. 78.90 crore. As per Revised Estimates, 1972-73, the resource availability is estimated at Rs. 104.36 crore. The variations are summarized below :

(Rupees in crores)				
		<i>Budget</i>	<i>Revised</i>	<i>Variation</i>
		1972-73	1972-73	
A.	Provincial Contribution ..	Nil*	-5.25	-5.25
B.	Central Assistance—			
	Grant for Fertilizer subsidy ..	5.00	8.66	+3.66
	Grant for Family Planning ..	0.65	0.65	..
	Grant for Tube-well subsidy ..	..	1.00	+1.00
	Grant for Road Development ..	..	0.41	+0.41
	Cash Development Loan ..	68.13	94.26	+26.13
	Foreign Rupee Grants ..	2.13	2.13	..
C.	Foreign Aid ..	2.99	2.50	-0.49
	Total Resources Availability ..	78.90	1,04.36	+25.46

* Deficit of Rs. 2.61 crore was to be made good through economies in non-development expenditure and improvement in the collection of Provincial receipts.

26. The variation in respect of the Provincial Contribution has already been explained in the preceding paras. The decrease in respect of Foreign Aid is largely accounted for by WAPDA's inability to fully utilize available US-Aid Loans for the SCARP Projects. The increase in the quantum of Central Assistance (Rs. 31.20 crore in all) is accounted for as under:—

- (i) Extra-budgetary allocations amounting to Rs. 20.23 crore as per details given below:—

	(Rupees in crores)
People's Works Programme	8.00
Low Income Housing ..	3.00
Tube-well subsidy ..	2.00
SCARP Projects ..	2.60
Buses for P.R.T.B. ..	4.22
Indus Highway ..	0.41
Total ..	<u>20.23</u>

- (ii) Increase in the Cash Development Loan to the extent of Rs. 11.85 crore to 'compensate' for equivalent decline in the volume of Central Tax Assignments.

- (iii) Decrease in the Cash Development Loan to the extent of Rs. 0.88 crore to adjust for equivalent over-subscription of the Market Loan floated by the Province.

(k) Annual Development Programme, 1972-73 :

27. The size of the Annual Development Programme, 1972-73, was originally fixed at Rs. 78.90 crore. As a consequence of the extra-budgetary allocations made by the Centre, as also the 'compensatory' increase in the amount of Cash Development Loan to off-set the shortfall in Central Tax Assignments, the revised size of the Annual Development Programme for the current financial year has been fixed at Rs. 1,06.69 crore. Inevitable operational shortfalls in the implementation of an Annual Development Programme of this size is expected to take care of the difference between the revised Annual Development Programme figure of Rs. 1,06.69 crore and revised resource availability figure of Rs. 1,04.36 crore. The variations between

the original and revised Annual Development Programme figures are summarized below:—

(Rupees in crores)			
	<i>Budget</i> 1972-73	<i>Revised</i> 1972-73	<i>Variation</i>
I. AGRICULTURE ..	19.00	28.59	+9.59
Agriculture and Agricultural Credits.	15.60	25.48	+9.88
Animal Husbandry ..	1.45	1.53	-0.12
Forestry ..	1.00	0.98	-0.02
Fisheries ..	0.10	0.09	-0.01
Co-operatives and Rural Credit ..	0.35	0.21	-0.14
Food Storage ..	0.05	0.04	-0.01
Land Consolidation ...	0.45	0.46	+0.01
II. PEOPLE'S WORKS PROGRAMME ..	6.00	14.00	+8.00
III. INDUSTRIES AND MINERALS ..	0.30	0.26	-0.04
IV. WATER ..	15.60	16.99	+1.39
Irrigation Department ..	5.60	5.04	-0.56
WAPDA ..	10.00	11.95	+1.95
V. TRANSPORT AND COMMUNICATIONS	9.50	15.92	+6.42
Roads and Bridges ..	9.50	11.70	+2.20
Buses for PRTB ..	..	4.22	+4.22
VI. PHYSICAL PLANNING AND HOUSING	8.00	11.12	+3.12
Town Planning and Research	0.20	0.16	-0.04
Low Income Housing ..	2.58	5.58	+3.00
Rural Water Supplies ..	0.35	0.56	+0.21
Urban Water Supplies ..	3.35	3.25	-0.10
Government Buildings ..	1.52	1.57	+0.05
VII. EDUCATION AND TRAINING ..	12.50	11.96	-0.54
VIII. HEALTH ..	7.00	7.00	...
IX. SOCIAL WELFARE ..	0.50	0.51	+0.01
X. MANPOWER TRAINING ..	0.50	0.33	-0.17
Total Development Programme ..	78.90	1,06.69	+27.79

28. The Planning and Development Department will be circulating separately a detailed paper setting out the achievements and shortcoming of each Department and each Sector in both physical and financial terms. Consequently, Finance Department will confine its comments here to the following broad observations on the implementation of the current year's Annual Development Programme:—

- (i) The allocation for the fertilizer subsidy has been raised from Rs. 10 crore to Rs. 17 crore. This enhancement will enable more or less full payment of the fertilizer subsidy bills likely to be submitted by the WPASO and the WPIDC upto the end of the current financial year.
- (ii) The revised allocation for the tube-well subsidy schemes is Rs. 2.03 crore. It is highly unlikely that actual disbursement of the tube-well subsidy grant will be anywhere near this figure. However, for the current financial year, necessary action has been taken to save the funds from lapsing by allowing the Secretaries of the District People's Works Councils to draw the amounts from Government Account as soon as the allotment orders have been issued. The amounts so drawn will be kept by the Secretaries/Deputy Commissioners in Personal Ledger Accounts pending disbursement to the allottees.
- (iii) An amount of Rs. 60 lac is being spent on lining of water courses in the Punjab. This amount was originally placed at the disposal of the Irrigation and Power Department but later transferred to the Project Director I.R.D.P. after the former expressed its inability to execute this scheme and the latter indicated both ability and willingness to undertake the scheme in the I. R. D. P. areas.
- (iv) The revised allocation for procurement of pesticides has been fixed at Rs. 4.08 crore as against budgetted figure of Rs. 3.56 crore. The additional allocation has been made possible through diversion of equivalent funds from the Irrigation Sector. The original diversion from this Sector was in favour of the tube-well subsidy schemes. Later (on receipt of extra-budgetary allocation from the Centre for the tube-well subsidy schemes) the amount diverted from the Irrigation Sector was re-allocated to the scheme for procurement of pesticides as the Irrigation and Power Department was no longer in a position to utilize the diverted amount.

- (v) Keeping in view what has been stated at (iv) above, the performance of the Irrigation and Power Department is satisfactory as they were required to spend a reduced allocation of Rs. 5.10 crore only and not the original Rs. 5.60 crore.
- (vi) Actual expenditure from funds released under the People's Works Programme is not likely to exceed about Rs. 8.00—8.50 crore. As the funds released to the People's District Councils will not lapse, this means that the actual expenditure during the next financial year should be equal to the allocation of Rs. 12.00 crore for the next year plus the carry-over of Rs. 5.50—6.00 crore from the current financial year.
- (vii) Extra-budgetary allocations not backed by additional resources were placed at the disposal of the Highways Department during the course of the current financial year partly to guard against operational shortfalls in other Sectors and partly to facilitate early achievement of the 1000 miles of new roads target prescribed by the President for the Punjab Province.
- (viii) The loan given to the Punjab Road Transport Board (Rs. 4.22 crore) is in connection with the purchase of 1154 Bedford Buses and 300 BLMC buses from manufacturers within the country. Next year's requirement on this account (Rs. 11.77 crore) will have to be met by the Punjab Road Transport Board through floatation of debentures of equivalent amount on the guarantee of the Provincial Government. This floatation will be over and above the floatation of Rs. 6.00 crore during the current year for repayment of Provincial Government loan, for import of British Leyland Buses and for financing expenditure on assembly of Fiat Buses imported under the Italian Suppliers Credits.
- (ix) An additional amount of Rs. 3.00 crore has been released in favour of the new Housing and Physical Planning Department for 10 separate schemes—9 of which are low income housing schemes. During the current financial year, the best that the new Department can hope to do with this amount is to acquire the land required for all 9 schemes.
- (x) The performance of the Education Sector has been somewhat less satisfactory. The net surrender in this Sector is as much as Rs. 0.54 crore *even after* allowing the massive transfer of Rs. 72 lac from various sub-sectors within the Education Sec-

tor, in particular the primary Education sub-sector, in favour of the Universities. The fact of the matter is, however, that even the Universities will not be able to spend the re-allocated amount of Rs. 72.00 lac during 1972-73. All that the Education Department have succeeded in doing through this re-allocation is to save the funds from lapsing at the end of the year. This is no real substitute for proper/ meaningful expenditure in accordance with the priorities of the New Education Policy.

1973-74

NON-DEVELOPMENT BUDGET

(i) General Revenue Receipts :

29. The General Revenue Receipts of the Province are estimated to increase from Rs. 1,35.84 crore as per Revised Estimates, 1972-73, to Rs. 1,49.85 crore as per Budget Estimates, 1973-74—an increase of Rs. 14.01 crore. The Revised Estimates for the current financial year compare with the Budget Estimates for the next financial year, as follows:—

<i>(Rupees in crores)</i>				
	<i>Revised</i>	<i>Budget</i>		
	1972-73	1973-74	<i>Increase</i>	
Central Tax Assignments ..	49.36	51.67	4.67%	
Provincial Tax Receipts ..	36.56	37.79	3.36%	
Interest Receipts ..	3.68	3.73	1.35%	
Non-Tax Receipts of Civil Administration Departments.	1.82	1.96	7.69%	
Non-Tax Receipts of Social Services Departments.	5.19	6.67	28.51%	
Non-Tax Receipts of Economic Services Departments.	35.04	36.12	3.08%	
Miscellaneous ...	1.84	8.63	3,69.02%	
Contributions and Miscellaneous Adjustments.	2.35	3.28	39.57%	
Total General Revenue Receipts ..	1,35.84	1,49.85	10.31%	

30. The increase in Central Tax Assignments both in absolute and relative terms is nominal. The figure of Rs. 51.67 crore indicated by the Centre for the next financial year is Rs. 9.54 crore less than the one indicated by them at the time of framing of the current year's budget. The Provincial Government very naturally framed its estimates of expenditure for 1972-73 and thereby entered into irreversible expenditure commitments for the future on the assumption that the centre would fulfil its promise of giving us Rs. 61.21 crore during the current financial year and that the level of Central Tax Assignments in future years would *increase* from this base figure. In these circumstances, when the level of our Central Tax Assignments has gone down instead of going up with reference to the base figure of Rs. 61.21 crore the Provincial Government is faced with a very difficult financial situation. As will become clear a little later, this shortfall in Central Tax Assignments *vis-a-vis* anticipations in respect thereof is the primary reason for the emergence of the massive deficit in the Non-Development Budget of the Provincial Government for the year 1973-74.

31. The projected increase in the receipts from Provincial Taxes is in accordance with the normal growth potential of these taxes and calls for no real explanation.

32. The projected increase in the receipts from the Social Services Departments is entirely accounted for by estimated receipts of Rs. 1.70 crore from the new/proposed Education Cess. Finance Department has circulated separately another Summary for the consideration of the Council of Ministers regarding the Rules to be notified for the levy and collection of this Cess.

33. The estimated increase in receipts from the Economic Services Departments will depend largely on the ability of the Agriculture Department to bring all its equipment and machinery into working order, and to hire and utilize it to a more substantial degree than has been possible during the current financial year. Normal increases have also been assumed in the case of Irrigation receipts and income from Forests.

34. As regards the seemingly remarkable increase of Rs. 6.79 crore in Miscellaneous receipts, as much as Rs. 6.56 crore represents profits on State Trading in Food-grains and Sugar. The figure of Rs. 6.56 crore includes unplanned profit of Rs. 1.56 crore on State Trading in wheat during 1971-72, profit of Rs. 3.00 crore on State Trading in Sugar during 1972-73 and anticipated profit of Rs. 2.00 crore on State Trading in Sugar during 1973-74. All these profits both accumulated and anticipated will be transferred from the Food Account to the Non-Food Account of the Provincial Government during the course of the next financial year.

35. The Receipts figure of Rs. 3.28 crore in respect of Contributions

and Miscellaneous Adjustments between the Central and Provincial Governments includes:—

- (i) Grant-in-aid of Rs. 2.11 crore from the Central Road Fund (Non-developmental) for the Priority Roads Phase-II List B-I Schemes.
- (ii) Grant-in-aid of Rs. 0.08 crore for the subjects transferred from the Centre to the Provinces under the 1962 Constitution.
- (iii) Re-imburement of expenditure amounting to Rs. 0.52 crore likely to be incurred by the Province during 1973-74 on performance of Agency Functions in Islamabad.
- (iv) Re-imburement of expenditure amounting to Rs. 0.57 crore likely to be incurred by the Province during 1973-74 on subjects/matters transferred to the Centre under the Interim Constitution.

(m) Non-Development Revenue Expenditure :

36. The Non-Development Revenue Expenditure of the Province is estimated to increase from Rs. 1,44.75 crore as per Revised Estimates, 1972-73, to Rs. 1,69.39 crore as per Budget Estimates, 1973-74—an increase of Rs. 24.64 crore. The Revised Estimates for the current financial year compare with the Budget Estimates for the next financial year, as under:—

	(Rupees in crores)		
	<i>Revised</i> 1972-73	<i>Budget</i> 1973-74	<i>Increase</i>
Tax Collecting Departments ..	3.03	3.24	6.93%
Debt Services ..	18.79	27.61	46.92%
Civil Administration Departments ..	19.79	20.29	2.52%
Social Services Departments ..	47.67	56.77	19.08%
Economic Services Departments ..	43.26	48.08	11.14%
Miscellaneous ..	12.21	13.40	9.74%
Total Non-Development Revenue Expenditure.	1,44.75	1,69.39	17.02%

37. The Non-Development Revenue Expenditure of the Provincial Government increases automatically from year to year on account of built-in wage increments as also on account of the general increases in the prices of goods, commodities, etc, purchased by the Provincial Government for its normal day-to-day activities. Apart from these automatic built-in increases, full details of the new expenditure admitted by the Finance Department for the next financial year may be seen in the Budget document entitled "Schedule

of New Expenditure for 1973-74". The major increases are summarized below:—

- (i) An increase of Rs. 8.82 crore in the expenditure on Debt Services. During the current and the next financial years, the Provincial Government will be borrowing funds, mainly from the Centre, for financing its Development expenditures to the extent of about Rs. 100 crore in each of these two years. The average rate of interest payable on these borrowings works out as 7½%. As a result, the interest payments to the Centre will increase by Rs. 8.86 crore during the next year over and above the level for the current one. This increase will be partly off-set through a lower provision for the Appropriation for Reduction or Avoidance of Debt.
- (ii) An increase of Rs. 7.86 crore in the expenditure on Education. The full burden of nationalization of private schools and colleges is falling on provincial resources during the next financial year for the first time because during the current year these institutions were a burden on Provincial finances for a comparatively limited period of time. Similarly, the 3300 Primary Schools that have been opened, the 1200 Primary Schools that have been improved and the 200 Primary Schools that have been up-graded during 1972-73, are being funded for a full period of 12 months as against provisions for 1½ months only during the current year. The Permanent Budget of the Education Department coupled with the continued items for the current year are by themselves taking up the expenditure on Education to the figure of Rs. 40.48 crore during 1973-74. For the 'New' element in the Education Budget, the provision is Rs. 1.91 crore. This amount includes provision of Rs. 25 lac for enhancement of grants to the Universities, Rs. 7 lac for up-grading of 200 Government Primary Schools, Rs. 10 lac for purchase of Science Equipment and Library Books for Educational Institutions with particular reference to Government Colleges, and Rs. 7 lac for additional teaching staff for the Provincialized Schools. The 'New' element also includes a lump sum provision of Rs. 100 lac for implementation of schemes relating to the New Education Policy. Provision has been made for this purpose on a lump sum basis in order to allow the Education Department a certain amount of flexibility in re-defining its priorities in the light of provisions being made

for the Education Sector in the Annual Development Programme, 1973-74.

- (iii) An increase of Rs. 3.14 crore in the expenditure on the Irrigation system. During the current financial year, 1843 tubewells have been energized and made operational in the SCARP II, III and IV areas through funds placed at the disposal of WAPDA for this purpose. In addition, as per decisions taken at the second meeting of the Economy Committee on the 12th December, 1972, the yard-stick for the operation and maintenance of tubewells has been revised and funds provided in accordance with the revised yard-stick. The above factors have led to an increase in the expenditure on maintenance and operation of tubewells in the SCARP areas from Rs. 8.63 crore during the current financial year to Rs. 11.06 crore during the next one. The expenditure on the Establishment of the Irrigation Department is also anticipated to increase by as much as Rs. 0.59 crore as a result of the decision to revise upwards the rates of Travelling Allowance and Daily Allowance. As regards maintenance and operation of Canals, Finance Department regrets to report that notwithstanding the decision taken at the meeting of the Economy Committee on the 12th December, 1972, the Irrigation Department have not as yet come up with a revised yard-stick for provision of funds for this purpose. As a result, provision is being made for maintenance and repair of canals on an *ad hoc* basis.
- (iv) An increase of Rs. 1.13 crore in the expenditure on the General Health Services. During the current financial year, a sum of Rs. 1.64 crore was provided to our hospitals and dispensaries for purchase of medicines. This figure has been further enhanced to Rs. 1.86 crore for the next financial year. In addition, a special allocation of Rs. 18 lac is being made for purchase of bedding and clothing in the various hospitals and dispensaries. Provisions of Rs. 16.50 lac and Rs. 5.00 lac have also been made for creation of staff for 18 Rural Health Centres and 54 Sub-Centres and for the new Medical College at Lyallpur respectively. In addition, an amount of Rs. 2.50 lac is being provided for increasing the number of teaching posts in the existing Medical Colleges.
- (v) An increase of Rs. 1.04 crore in the expenditure on General Administration. This increase includes a lump sum provision

of Rs. 60 lac for meeting anticipated expenditure connected with the revision of the pay-scales and allowances of the Gazetted employees of the Provincial Government. A lump sum provision of a little over Rs. 5 lac has also been made for establishment of Planning, Monitoring and Evaluation Cells in the various Administrative Departments. The bulk of the remaining increase is accounted for by additional amounts provided for Travelling Allowance as a consequence of the decision taken for revision of Travelling Allowance/Daily Allowance rates.

- (vi) An increase of Rs. 0.90 crore in the expenditure on the wheat subsidy. As already indicated in an earlier para, the incidental charges on the handling, storage and distribution of wheat have increased from Rs. 4.57 per maund in respect of stocks purchased from last year's wheat crop to Rs. 5.30 per maund in respect of stocks being purchased from current year's wheat crop. The internal off-take of wheat within the territory of the Punjab Province is estimated at 7.50 lac tons during 1973-74. As a result the total wheat subsidy bill for the next financial year works out as Rs. 10.82 crore. It needs to be mentioned here that as a consequence of the Government's decision to increase the procurement price while keeping the issue price unchanged, the actual burden of the wheat subsidy for the next financial year works out as Rs. 22.05 crore. Fortunately, we have been able to persuade the Centre to relieve us of this burden to the extent of the difference of Rs. 5.50 per maund between the procurement and the issue price.
- (vii) An increase of Rs. 0.67 crore in the expenditure on the repair and maintenance of roads and bridges. As a consequence of the increase in the price of bitumen and other materials, as also the increase in the wage-rates of work-charged labour, the yard-stick for the repair and maintenance of roads has been revised upwards from Rs. 3,500 per mile to Rs. 4,000 per mile and funds provided in accordance with the revised yard-stick. In addition, a sum of 35 lac has been provided for purchase of road rollers and spare parts.
- (viii) An increase of Rs. 0.33 crore in the expenditure on the Animal Husbandry and Veterinary Services. The bulk of this increase is accounted for by transfer of 3 completed development schemes viz., Modernization of Animal Husbandry Health Laboratories, employment of 567 Stock Assistants at Union Council level and

additional staff for the existing Veterinary Hospitals, from the Development to the Non-Development Budget.

- (ix) An increase of Rs. 0.29 crore in the expenditure on Forests. The provision for the purchase of rosin for the Jallo Rosin Factory has been enhanced from Rs. 20 lac during the current year to Rs. 37 lac during the next one. Expenditure on the Establishment of the Forests Department is also anticipated to increase substantially during 1973-74 as the result of the filling up of a fairly large number of vacant posts.
- (x) An increase of Rs. 0.29 crore in the expenditure on the Establishment of the Public Works Departments. Here, the major part of the increase is accounted for by the anticipated expenditure of Rs. 33 lac on the Head Office and field formations of the new Housing and Physical Planning Department as against current year's level of about Rs. 7 lac. The reason for this increase is, of course, the fact that next year's provision is for the full period of 12 months whereas current year's provision was for 2 to 3 months only.
- (xi) An increase of Rs. 0.29 crore in the expenditure on repair and maintenance of Government buildings. The expenditure on this account is going up from Rs. 2.35 crore during the current financial year to Rs. 2.64 crore during the next one mainly because of the rising prices of labour and materials. The provision for 1973-74 includes a special allocation of Rs. 22 lac for special repairs to the buildings of the Nationalized Schools and Colleges.

38. The increases detailed in the preceding para have been partially off-set by decreases in the non-recurring components of the expenditure on Police Forces and the Agricultural Engineering Department.

(n) Revenue Surplus :

39. As a concomitant of the figures detailed in the Sections relating to General Revenue Receipts and Non-Development Revenue Expenditure, the Revenue Surplus of the Province during 1973-74 works out as Rs. (—) 19.54 crore as against Rs. (—) 8.91 crore for 1972-73.

(o) General Capital Receipts :

40. The General Capital Receipts of the Province are estimated to increase from Rs. 23.19 crore as per Revised Estimates, 1972-73, to Rs. 36.61 crore as per Budget Estimates, 1973-74. The Revised Estimates for the

current financial year compare with the Budget Estimates for the next financial year, as under:—

(Rupees in crore)			
	<i>Revised</i> 1972-73	<i>Budget</i> 1973-74	<i>Increase</i>
Extraordinary Items ..	3·61	4·54	25·76%
Public Debt (Incurred) ..	13·68	30·14	120·32%
Recovery of Loans and Advances ...	5·90	1·93	—67·28%
Total General Capital Receipts ...	23·19	36·61	57·86%

41. The increase in the receipts from Extraordinary Items is more illusory than real. All that has in fact happened is that as a result of a budgetary reform, receipts from sale of town sites, etc., previously booked as a deduct entry under a Capital Expenditure Head of Account are now being shown as part of Extraordinary Receipts. The increase in the figure for Public Debt (Incurred) also does not represent any real change or increase in resources. Although we hope not to resort to temporary borrowings from the State Bank of Pakistan to any great extent during the next financial year also, provision is being made for such borrowings just in case they become necessary. The decrease in the figure for Recovery of Loans and Advances is explained by the fact that during the current financial year we managed to effect once-and-for-all recoveries from the T.D.A., which recoveries have thus 'inflated' the figure for the current year when compared to that for the next one.

(p) Non-Development Capital Expenditure :

42. The Non-Development Capital Expenditures of the Province are estimated to increase from Rs. 18·31 crore as per Revised Estimates, 1972-73, to Rs. 36·69 crore as per Budget Estimates, 1973-74. The Revised Estimates

for the current financial year compare with the Budget Estimates for the next financial year, as under:—

	(Rupees in crores)		
	<i>Revised</i>	<i>Budget</i>	<i>Increase</i>
	1972-73	1973-74	
Economic Services Departments ..	2·94	1·41	—52·04%
Public Debt (Discharged) ..	12·83	34·71	170·53%
Loans and Advances ..	2·80	0·92	—67·14%
State Trading in Coal and Medical stores (Net).	—0·26	—0·35	—34·61%
Total Non-Development Capital Expenditure.	13·31	36·69	100·38%

43. The decrease in the expenditure on the Economic Services Departments is accounted for by the fact that the current year's figure is unduly 'inflated' as a result of the once-and-for-all provisions made for purchase of the assets of the defunct T. D. A. The over-all provision for the Economic Services Departments includes a provision of Rs. 2·70 crore for continuation of the work on the Priority Roads Phase-II Lists B-I and B-II Schemes. The increase in the figure for Public Debt (Discharged) has been implicitly explained in para. 41. The increase represents provision made for repayment of temporary borrowings from the State Bank of Pakistan. As regards the figure for Loans and Advances, although the over-all figure for 1973-74 is less than that for 1972-73, nevertheless it includes an increase to the extent of Rs. 10 lac in the provision for loans and advances to Government servants for purposes of house-building. State Trading in Coal (50,000 tons of hard coke and 10,000 tons of steam coal) is expected to throw up a trading surplus/profit of Rs. 35 lac during 1973-74 as compared with Rs. 26 lac during 1972-73.

(q) Net Capital Receipts :

44. As a concomitant of the figures detailed in the Sections dealing with the General Capital Receipts and the Non-Development Capital Expenditure, the net Capital Receipts of the Province will amount to Rs. (—) 0·07 crore during 1973-74 as against Rs. 4·88 crore during 1972-73.

(r) Public Account Transactions :

45. The net receipts from the Public Account Transactions of the Province are estimated to amount to Rs. 0·14 crore during 1973-74 as against Rs. (—) 1·22 crore during 1972-73.

(s) Provincial contribution towards Financing of the Annual Development Programme :

46. The negative revenue surplus taken together with the net capital receipts and the receipts from the Public Accounts Transactions of the Province indicate that the Provincial Government is faced with a massive deficit of the order of Rs. 19.47 crore for the next financial year. As already stated earlier this highly undesirable state of affairs has come about because the Provincial Government has entered into irreversible expenditure commitments anticipating normal increases in the level of Central Tax Assignments. Had this justifiable anticipation materialized, we would have been able to balance our non-Development Budget.

(t) State Trading in Food-Grains and Sugar :

47. A provision of Rs. 80.37 crore has been made for the purchase, handling, storage and distribution of 10 lac tons of wheat and for transfer of the profits (Rs. 1.56 crore) to the Non-Food-Account in the Budget for the next financial year. Receipts from internal sales of 7.50 lac tons, external sales to other Provinces, Azad Kashmir and Defence Forces of 2.50 lac tons, transfer of the wheat subsidy (Rs. 10.82 crore) from the Non-Food Account to the Food Account, compensatory grant from the Centre on account of the difference between the procurement and issue prices (Rs. 11.23 crore), and other miscellaneous receipts, are estimated at Rs. 78.53 crore.

48. In the case of State Trading in Sugar, a provision of Rs. 56.13 crore has been made for handling, storage and distribution of 2.00 lac tons of sugar and for transfer of the profits (Rs. 5.00 crore) to the Non-Food Account, in the Budget for 1973-74. Receipts from sale of the 2.00 lac tons of sugar are estimated at Rs. 53.91 crore.

49. As in previous years, the initial outlay on purchase, etc., of the stocks of wheat and sugar will be financed through borrowings from Commercial Banks under the Counter-Finance Arrangements with the State Bank of Pakistan. However, an effort will be made to keep such borrowings to a minimum by giving temporary loans to the Food Account from the balances available from time to time in the Non-Food Account.

1973-74

DEVELOPMENT BUDGET

(u) Financing of the Annual Development Programme, 1973-74 :

50. The Annual Development Programme for the next financial year will be financed entirely from Central Loans and Grants, and Foreign Aid.

The Province is not in a position to make any contribution of its own towards the financing of next year's Annual Development Programme on account of the massive deficit of Rs. 19.47 crore in the Non-Development Budget.

51. Details of the Central Assistance and Foreign Aid resources for financing of the Annual Development Programme for 1973-74 have been firmed up in consultation with the Central Ministries concerned. The same are summarized below:—

	(Rupees in crores)
<i>A. Central Assistance—</i>	
Grant for fertilizer subsidy	.. 10.00
Grant for tube-well subsidy	.. 1.00
Grant for Road Development	.. 0.81
Cash Development Loan	.. 98.40
Foreign Rupee Grants	.. 3.10
<i>B. Foreign Aid—</i>	
Foreign Loans	.. 1.62
Foreign Grants	.. 0.07
Total Resource Availability	.. 1,15.00

52. Adequate provisions have been made in the Annual Development Programme for the next financial year to match the grants and foreign loans for various specific schemes and projects. As such, no difficulty is anticipated in ensuring the due release and utilization of these grants and foreign loans.

(v) Annual Development Programme, 1973-74 :

53. At its meeting on the 17th May, 1973, the National Economic Council has determined the size of the Public Sector Programme for the country as a whole at Rs. 5.45 crore. Out of this amount Rs. 3.38 crore has been allocated for Central Programmes and the balance Rs. 2.07 crore for the

Programmes of the four Provinces. The said amount of Rs. 2,07 crore has been divided between the four Provinces as under:—

	(Rupees in crores)	
Punjab	115·00	55·5%
Sind	44·00	21·3%
N.-W.F.P.	30·00	14·5%
Baluchistan	18·00	8·7%
Total	2,07·00	1,00·0%

54. The ratios derived from the population of the Provinces as per 1972 Census compare with the ratios derived from their Annual Development Programme allocations for 1973-74, as under:—

	Population Ratio	A. D. P. allocation ratio	Difference
Punjab	60·1	55·5	—4·6
Sind	22·5	21·3	—1·2
N.-W.F.P.	13·5	14·5	+1·0
Baluchistan	3·9	8·7	+4·8
Total	1,00·0	1,00·0	

It would be seen from the above that although we are getting less than our due share in terms of population we have more or less won acceptance of two important principles. First, the burden of the edge to be given to the two backward Provinces of N.W.F. and Baluchistan must be shared by both Punjab and Sind, and not Punjab alone. Secondly, the said burden must be shared by the Punjab and Sind on the basis of their population ratios viz., 3 : 1.

55. As against an allocation of Rs. 1,15·00 crore, and resource availability of equivalent amount, the Planning and Development Department has prepared with the concurrence of the Finance Department an Annual Development Programme of the gross size of Rs. 1,20·00 crore. It is anticipated that operational short-falls during the course of implementation of an Annual Development Programme of this size will take care of the difference between the gross size of the Annual Development Programme and the availability of resources for financing the same. The Sectoral distribution of the

Annual Development Programme for 1973-74 alongwith the revised Annual Development Programme figures for 1972-73, are detailed below:—

(Rupees in crores)

	Revised 1972-73	Budget 1973-74	Increase
I. AGRICULTURE ..	28.59	33.00	15.42%
Agriculture and Agricultural Credits	25.48	29.45*	15.58%
Animal Husbandry ..	1.33	1.50	12.78%
Forestry ..	0.98	1.00	2.04%
Fisheries ..	.09	0.20*	122.22%
Co-operatives and Rural Credit ..	0.21	0.25	19.04%
Food Storage ..	0.04	0.10	150.00%
Land Consolidation ..	0.46	0.50	8.69%
II. PEOPLE'S WORKS PROGRAMME	14.00	12.00	-14.28%
III. INDUSTRIES AND MINERALS ..	0.26	5.00	1823.07%
IV. WATER ..	16.99	13.00	-23.48%
Irrigation Department ..	5.04	6.00	19.04%
WAPDA ..	11.95	7.00	-41.42%
V. TRANSPORT AND COMMUNICATIONS	15.92	21.50	35.05%
Roads and Bridges ..	11.70	21.50	83.76%
Buses for PRTB ..	4.22	..	-100.00%
VI. PHYSICAL PLANNING AND HOUSING ..	11.12	13.00	16.90%
Town Planning and Research ..	0.16	0.20	25.00%
Low Income Housing ..	5.58	7.25	29.92%
Agrovilles ..	..	0.15	..
Rural Water Supplies ..	0.56	1.00	78.57%
Urban Water Supplies ..	3.25	3.00	-7.69%
Government Buildings ..	1.57	1.40	-10.82%
VII. EDUCATION AND TRAINING ..	11.96	12.50	4.51%
VIII. HEALTH ..	7.00	9.00	28.57%
IX. SOCIAL WELFARE ..	0.51	0.50	-2.00%
X. MANPOWER TRAINING ..	0.33	0.50	51.51%
Total Development Programme ..	106.69	120.00	12.47%

*The figures differ from the ones indicated in the Annual Development Programme document for 1973-74 to the extent of Rs. 10.00 lac in each case on account of changes made subsequent to the printing of this document.

56. The Planning and Development Department will be circulating separately a detailed document setting out the targets for the various Sectors in physical and financial terms. Finance Department will, therefore, confine itself here to the following broad observations on the sectorwise allocations and targets for the next financial year:—

- (i) In the Agriculture Sector, the various subsidies — fertilizers (Rs. 20·00 crore), pesticides (Rs. 5·00 crore), tube-wells (Rs. 2·00 crore) plant protection equipment (Rs. 0·30 crore) and seed (Rs. 0·26 crore)—account for Rs. 27·56 crore of the total allocation of Rs. 33·00 crore. The room for maneuverability in this Sector is, therefore, very limited. Nevertheless, substantial provisions have been made for the Integrated Rural Development Programme (Rs. 0·65 crore), import of bulldozers and agricultural machinery (Rs. 0·40 crore) and agricultural research (Rs. 0·55 crore).
- (ii) As already indicated in an earlier para. the seemingly lower allocation for the People's Works Programme has to be adjudged with reference to the fact that this Programme will have unspent (non-lapseable) balances of about Rs. 5·50 — 6·00 crore spilling over into the next financial year.
- (iii) The allocation for the Industries and Minerals Sector includes a provision of Rs. 3·40 crore for new Industries — Textile Mills, Sugar Mills, Cotton Ginning Factories, etc.—to be set up in the Public Sector. These Industrial Projects will be undertaken by the Punjab Industrial Development Board which is expected to be established shortly. This Board should be able to attract an amount at least equal to the provision of Rs. 3·40 crore from the semi-public and private sector through issue of debentures, shares, etc. in respect of the Industrial Projects undertaken by it. The allocation for the Industries Sector also includes provisions amounting to Rs. 1·00 crore for the schemes of the Punjab Small Industries Corporation. The bulk of the provisions for the P. S. I. C. have been earmarked for setting up 35 Carpet Development Centres in various parts of the Province.
- (iv) In the Water Sector, the allocation for WAPDA has been reduced because the SCARP II, III and IV schemes have been more or less completed while the new SCARP schemes are still on the anvil. As such, WAPDA will not be in a position to spend more than Rs. 7·00 crore during the next financial year on the various Water Projects entrusted to it.

- (v) The allocation for the Irrigation Department does not include any provision for the lining of water-courses. This scheme will henceforth have to be accommodated within the allocations of the People's Works Programme.
- (vi) The allocation for the Highways Department is consistent with the target approved by the Council of Ministers for construction of 20 miles of new roads in each of the 19 districts. The allocation of Rs. 21.50 crore will also permit the Department to take in hand a number of important new schemes for the widening and strengthening of the existing road net-work.
- (vii) As already indicated in an earlier para, Punjab Road Transport Board's requirement of funds during 1973-74 for payment of the price of the 1154 Bedford buses and 300 BLMC buses will have to be met through floatation of additional debentures on the guarantee of the Provincial Government.
- (viii) It will not be possible to meet the Presidential targets relating to development of residential plots, etc., within the allocation for low income housing. The requirement of funds for meeting these targets is so large that it cannot possibly be accommodated within the constraints of the Annual Development Programmes. The Housing and Physical Planning Department will have to give serious thought to the setting up of an autonomous Housing Corporation which should be able to effect recoveries through sale of plots, etc., in as short a time as possible in order to 'unblock' its funds for expenditure on other Housing schemes.
- (ix) The substantial increase in the allocation for Rural Water Supply Schemes is consistent with the demands made during the Budget Session last year for giving greater priority and allocation to the drinking water needs of the rural areas.
- (x) The allocation for Government buildings includes a provision of Rs. 20 lac for Jails.
- (xi) The allocation for the Education Sector has to be adjudged with reference to the fact that the Universities will be carrying over unspent balances equal to about Rs. 72 lac into the next financial year. Actual expenditure in this Sector during 1973-74 should, therefore, be of the order of Rs. 13.20 crore approximately.
- (xii) The increase in the allocation for the Health Sector is even larger than would appear to be the case at first sight because with effect from the next financial year, the Federal Government will

be taking on the full responsibility and liability for the Family Planning Programme. The revised allocation of Rs. 7.00 crore for the current financial year includes provision for the Family Planning Programme. Next year's allocation of Rs. 9.00 crore does not include any provision for this programme.

CONCLUSION

57. The Council of Ministers is requested to approve:—

- (i) The Non-Development Budget for 1973-74.
- (ii) The Annual Development Programme for 1973-74.
- (iii) The presentation of the Budget in the revised format as per details given at paras. 2, 3 and 4.
- (iv) The action being taken for introduction of Computers in various Government activities as per details given at para. 5.
- (v) The issue of directives to all Administrative Departments to pay greater attention to collection of Government revenues in line with the contents of para. 7 (i).
- (vi) The issue of directives to the Revenue and Irrigation and Power Departments for checking the leakage of Irrigation receipts and for effective levy and collection of abiana rates and reclamation fees in the SCARP Areas in line with the contents of para. 7 (ii).
- (vii) The transfer of the work relating to the levy and the collection of the Cotton Fee from the Agriculture Department to the Excise and Taxation Department in line with the contents of para. 7 (iii).
- (viii) The efforts being made to persuade the Centre to make good the shortfall in Central Tax Assignments through compensatory grants-in-aid, as per details given at para. 8.
- (ix) The efforts being made to persuade the Centre to convert the Loan of Rs. 2.00 crore for the Police Forces into grant-in-aid of equivalent amount, as per details given at para. 9.
- (x) Keeping in view the very heavy increase in the price of gunny bags, the proposal that the Food Department should devise ways and means of recovering these bags from the Ration Depot Holders to the maximum number/extent possible in order to reduce the burden of the wheat subsidy on this account.

58. The Finance Minister has seen and authorized the submission of this Summary before the Council of Ministers.

Dated the 1st June, 1973.

} ASIF RAHIM, SK., CSP.,
Secretary to Government of the Punjab,
Finance Department.