

MEMORANDUM FOR THE BUDGET COMMITTEE

BUDGET PROPOSALS FOR 1969-70

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Secretary to Government of West Pakistan,
Finance Department.

The following statements of analysis are placed below for information and consideration of the Budget Committee:—

- (a) Financial position from 1955-56 (year of integration of West Pakistan) to 1967-68;
- (b) Review of Revenue and Capital Account for the year 1968-69; and
- (c) Analysis of the proposals for Revenue and Capital Account for 1969-70.

FINANCIAL POSITION FOR 1955-56 TO 1967-68.

Since integration to the close of the Accounts of 1967-68 (Second Supplementary) the financial operations of the Provincial Government have been as follows:—

(In crores of rupees)

	As per Review 1966-67	Actuals 1967-68 (Second Supple- mentary,	Progressive totals since post integ- ration to the close of 1967-68 Second Supple- mentary)
A—Revenue Account—			
Revenue Receipts ..	12,74	1,83	14,57
Revenue Expenditure ..	11,52	1,86	13,38
Surplus (+) or Deficit (—) on Revenue Account ..			
	1,22	—3	1,19
B—Capital Expenditure—			
(a) Direct Investment ..	3,11	47	3,58
(b) Loans and Advances ..	3,19	73	3,92
(c) Miscellaneous Debt Deposit Transactions (Remittances (+) SBD (+) Contingencies) ..	39	—5	34
Total Capital Disbursement ..	6,69	1,15	7,84

In crores of rupees)

	As per Review 1966-67	Actuals 1967-68 Second Supple- mentary	Progressive totals since post integ- ration to the close of 1967-68 Second Supple- mentary)
C—Financed From—			
(a) Revenue Surplus ..	1,22	—3	1,19
(b) Public Debt ..	4,82	1,49	6,31
(c) State Trading ..	19	—38	—19
(d) Unfunded Debts ..	19	3	22
(e) Miscellaneous Debt Deposit Transactions (Deposit and Advances+ Suspense Account) ..	39	12	51
Total ..	6,81	1,23	8,04
Net Decrease (—) or increase (+) in the cash balance ..	+12	+8	+20
Add Opening Cash Balance adopted on 14th October 1955 ..	..	..	+10
Adjustments made upto 1967-68 ..	..	..	—19
Closing Balance ..			+11
Adjustment due to transfer of cash balance of P.W.R. in 1967-68 ..			—11
Net cash balance at the close of 1967-68			Nil

The Capital Expenditure of Rs. 750 crore has been financed to the extent of—

- (i) Rs. 6,31 crore from borrowings, and
- (ii) Rs. 1,19 crore from Revenue Surplus.

The financial position of the Government of West Pakistan since integration Up to date has been variously reported by the Audit on different arrears According to the latest position communicated by the Accountant-General, West Pakistan, the cash balance of the Provincial Government was Rs. (—) 9,98,221 at the close of the financial year 1967-68, as worked out below:—

	Rs.
(i) Cash in Treasuries ..	3,93,158
(ii) Cash in Transit ..	1,00,03,032
(iii) State Bank's Deposits ..	(—) 1,13,94,411
Total ..	(—) 9,98,221

The closing balance at the end of the financial year 1967-68 has now been shown as *nil*, as the figures have been rounded off in crores. The above break up would show that the deposits of the Government of West Pakistan with the State Bank of Pakistan at the end of the financial year 1967-68, as per books of the Audit, were *minus* Rs. 1,13,94,411 while the closing balance as reported by the State Bank of Pakistan was Rs. 3,96,62,349, resulting in a difference of Rs. 5,10,56,760. The Accountant-General, West Pakistan has stated that the difference between the two sets of figures is being reconciled by all the three Audit offices concerned.

The Budget Committee may like to direct the Audit to:—

- (a) achieve complete reconciliation in the Accounts and submit a compliance report in a month's time; and
- (b) ensure that no variation is allowed to arise in future.

The review of financial position in 1968-69 and the budget proposals for 1969-70 have been arranged in the following parts:—

- (i) Non-developmental, which is largely in the revenue account;
- (ii) Developmental, which is mainly in the capital account; and
- (iii) Summary of revenue accounts, including both developmental and non-developmental.

REVISED ESTIMATE, 1968-69 NON-DEVELOPMENT BUDGET

A—Revenue Receipts :

Revenue Receipts (excluding developmental grants) are estimated to decrease from Rs. 1,94·84 crore as per budget estimates to Rs. 1,86·55 crore according to the revised estimates. The variations are summarised below:—

		(In crores of rupees)		
		<i>Budget</i>	<i>Revised</i>	<i>Variation</i>
		1968-69	1968-69	
Provincial taxes	..	49·87	47·95	—1·92
Central tax assignments	..	59·16	56·75	—2·41
Central non-development grants	..	3·63	4·25	+0·62
Irrigation receipts (net)	..	14·24	14·16	—0·08
Other Provincial receipts	..	67·94	63·44	—4·50
Total		1,94·84	1,86·55	—8·29

The decrease in Provincial taxes is due to less receipts expected to be realised on account of consolidation of holdings, less receipts of motor vehicles and non-realization of property tax from Karachi area mainly due to the stay order issued by the High Court.

The decrease of Rs. 2.41 crore in the Central assignments is due to reduction in certain Central taxes, viz., Corporation tax, Central Excise Duty, Sales tax and taxes on income other than Corporation tax.

The increase in the Central non-development grants is due to anticipated recovery of arrears on account of subvention for maintenance of roads of central importance in the Frontier Regions.

The decrease in the net irrigation receipts is trifling.

Revenues expected from miscellaneous sources also show a net decrease of Rs. 4.50 crore. This is mainly due to less receipts of interest on lesser amount of advances made by the Provincial Government, and the conversion of interest bearing loans given to K. D. A. into grant, postponement of instalments as a result of recovery of outstanding arrears on account of sale of undeveloped agricultural land in barrage areas; less realisation of the receipts from K.D.A. on account of hire purchase instalments in its various township schemes; less receipts from sugarcane development cess on account of less crushing of sugarcane than originally anticipated and less receipt of royalty from the mines.

B—Revenue Expenditure :

Revenue expenditure on non-developmental account, decreased from the budget estimates of Rs. 1,48.28 crore to Rs. 1,46.33 crore as per revised estimates. The net decrease in revenue expenditure is of Rs. 11.95 crore which is mainly due to the fact that various measures to effect economy in non-developmental expenditure were adopted in the course of the current financial year.

The decrease in the revenue expenditure would have been greater but for increase as a result of additional expenditure sanctioned by Government by way of granting the following concession/relief to its low paid employees:—

(In crores of rupees)

- | | |
|---|---------|
| (1) <i>ad hoc</i> relief to Class IV and Class III employees drawing pay upto Rs. 500 per mensem with effect from the 1st March 1969; and | .. 2.24 |
| (ii) introduction of Group Insurance Scheme for the employees of the Provincial Government | .. 0.10 |

As a result of decrease in receipts, the revenue surplus for development has also decreased from Rs. 45·83 crore to Rs. 40·22 crore. This variation is mainly due to reduction in the Central tax assignments and other miscellaneous receipts.

C—Capital Account :

In the state trading budget, net receipts over expenditure were originally estimated at Rs. 1·43 crore. In the revised estimates, the net excess of expenditure over receipts has been estimated at Rs. 34·39 crore. This is mainly due to the proposed increase in the purchase of wheat from 7·35 lac tons to 11·46 lac tons and to the resumption of state trading in sugar necessitating the building of a reserve on this account as well.

Due to reduction in the price of wheat, the loss on account of subsidy on wheat during the current financial year is estimated at Rs. 4·72 crore. The position of subsidy on wheat has been explained, in detail, while dealing with the new budget for the year, 1969-70.

The expenditure on debt repayment has increased slightly from Rs. 16·57 crore estimated in the budget to Rs. 16·61 crore in the revised estimates. Details of debt repayment are as follows:—

	<i>(In crores of rupees)</i>
(1) Market Loan	6·34
(2) Central Government Loan (including foreign loan) ..	10·27
Total ..	16·61

D—Ways and Means Position :

The Ways and Means position of the Provincial Government remained difficult throughout the current financial year. We were running a *minus* balance with the State Bank of Pakistan from July, 1968, until the middle of August, 1968. Except for short periods of relief in October and December, the cash balance has been under heavy strain. In the last month and a half, the limit of overdrafts had to be exceeded almost continuously.

The cash balance of the Provincial Government consists of three Accounts with the State Bank of Pakistan, *viz.*, the Non-Food Account, Railways and the Food Account. Generally, we have been running a *minus* balance of varying sizes in our Non-Food Account. The Railways have on average had a *minus* balance of about 400 lacs on every day of the current financial year. The combined effect of the *minus* balance in the Non-Food Account and the Railways Account has in the past been offset by the balance in the Food Account.

It was decided in February, 1968, to completely segregate the operation of the Food Account from the Non-Food Account of the Government of West Pakistan; and with effect from the 1st March 1969, the State Bank of Pakistan has physically separated the Food Account from the Non-Food Account.

The result of the first decision is that borrowings from and retirement of loans to the Commercial Banks for financing food procurement are now arranged by the Food Department direct. This credit facility is thus used exclusively for maintaining food stocks. The risk of diverting these funds for general expenditure has now been completely eliminated.

The second decision has taken the balance in the Food Account out of the cash balance for all practical purposes. Consequently, the overdraft with the State Bank is now linked with only the Non-Food and the Railways Accounts both of which are in deficit.

We have been running an unusually large *minus* balance with the State Bank since 10th April, 1969. On the 15th May, 1969, the *minus* balance stood at Rs. 853 lacs. The State Bank charges us penal interest at the rate of 6% per annum, escalating by 1% every month on the unauthorised over-drafts. So far a penal interest of Rs. 4,53,578.90 on such overdrafts has been paid in the current financial year.

Suitable action is being taken in stages to meet the situation.

The burden of the Railways Account is particularly severe as its *minus* balance has been both permanent and large. Unlike other Autonomous Bodies, the Railways have the right of making unlimited drawals on the Government funds (subject of course, to the budget provision). Their heavy expenditure has, therefore, been taking place at the expense of other liabilities of the Government. To rectify this position, arrangements were made earlier this year that the power of the Railways to draw on the Government resources beyond the balance in the Railways account be restricted to Rs. 1 crore. This limit was to be enforced with effect from the 1st April, 1969, but on the re-representation of the Railway Board, the decision is now proposed to be enforced with effect from the 1st July, 1969.

It is hoped that in future the General Account of the Government will have greater lee-way, and, therefore, the present position of a acute imbalance should not arise.

The second aspect of the problem concerns the flow of receipts. Our receipts from tax and other sources are spread evenly over the year, and except in the case of some particularly difficult items (e.g. the Cotton Cess) there are no special problems to report in this regard. But our receipts from the Central Government have been posing great difficulties, and in spite of correspondence with the Centre, we are experiencing shortfalls. Our additional borrowings from the State Bank, to an extent, reflect this gap.

The major shortfalls as on the 30th May 1969 in our receipts from the Centre are:—

	Rs.	
(i) U. S. Counter-Part Fund Loan	2,83·00	lacs.
(ii) U.S. Counter-Part Grant	3·96	lacs.
(iii) Canadian Counter-Part Grant.	54·50	lacs.
(iv) Australian Counter-Part Grant.	48·61	lacs.
(v) Central Road Fund ..	5,05·00	lacs. (excluding arrear).
(vi) Grant for Roads of Central Importance (Frontier Regions).	1,34·00	lacs.
(vii) Funds for Roads of National Importance.	15·00	lacs (excluding arrears).
(viii) Subsidy on fertilizers ..	1,06·00	lacs.
(ix) Cash Development Loan (Shortfall on account of revised procedure)	2,37·18	lacs.
Total ..	12,02·25	lacs.

The first two shortfalls are the result of difficulties raised by U.S. AID, while the others have arisen because of difficult if not unworkable procedures imposed by the Centre, or because of the failure of various Agencies to maintain and supply properly audited accounts of expenditure.

In addition, there has been an accounting adjustment whereby the effect of the double credit of Rs. 4,94 crores afforded to us in May 1968, by the comptroller, Southern Area has been rectified. Consequently, as unscheduled debt of Rs. 4.93 crore was effected in October 1968, and this has caused a further pressure on the cash position of the Provincial Government in the current financial year.

DEVELOPMENT BUDGET

Development Expenditure :

The Annual Development Programme for 1968-69 provided for a gross expenditure of Rs. 2,38·57 crore and net expenditure of Rs. 2,12·57 crore. The revised estimates for developmental expenditure during 1968-69 are Rs. 1,87·91 crore. The sector-wise break down is as follows:—

		(In crores of rupees)	
		<i>Budget</i>	<i>Revised</i>
		1968-69	1968-69
Water and Power	.. ..	80·31	60·86
Agriculture	.. ..	34·86	27·79
Physical Planning and Housing	.. ..	13·33	9·15
Industries, Fuel and Minerals	.. ..	17·74	17·08
Education and Training	.. ..	14·90	11·27
Health	.. ..	9·95	9·74
Transport and Communications	.. ..	48·33	38·85
Social Welfare and Manpower	.. ..	1·42	0·85
Frontier Regions	.. ..	2·23	1·32
Works Programme	.. ..	15·00	11·00
Block provision for Quetta/Kalat Divisions	.. ..	0·50	..
Gross Total	.. ..	238·57	187·91
Less Shortfall	.. ..	-26·00	..
Net Total	.. ..	212·57	187·91

The decrease in the revised estimates is due to the following factors:—

- (i) In the case of schemes which were approved in the course of the year, funds were released proportionately.
- (ii) Difficulties due to non-availability or late availability of foreign exchange/foreign aid.
- (iii) Change in the import policy under cash-cum-bonus arrangements.

In spite of these factors, the revised estimates of 1968-69 are the highest ever in the Province.

The position of releases to autonomous bodies and others on comparative basis upto the middle of May each year has been as follows:—

Name of Autonomous Body	Mid May Cash Release 1964-65	Mid May Cash Release 1965-66	Mid May Cash Release 1966-67	Mid May Cash Release 1967-68	Mid May Cash Release 1968-69
A—Loans					
1. W.A.P.D.A.	22,36,88,066	19,33,32,000	23,71,03,600	25,02,08,340	14,74,00,000
2. A.D.C.	4,03,80,000	4,08,85,000	4,37,00,100	3,31,84,710	5,63,17,000
3. W.P.S.I.C.	29,29,000	16,23,450	29,26,530	31,12,460	..
4. Industrial Estates	..	..	26,20,000	10,32,600	..
5. K.D.A.	..	..	83,00,000	62,16,500	67,50,000
6. Lahore Milk Board	6,88,434	9,59,000	12,83,600	6,73,180	..
7. Karachi Milk Board	10,53,000	4,04,000	11,20,000	5,95,200	1,18,000
8. Lahore Improvement Trust.	25,00,000	15,00,000	14,21,060	67,61,640	59,00,000
Total	27,12,38,500	23,87,03,450	29,84,74,890	30,17,84,630	21,64,85,000

		1964-65 (Full year)	1965-66 (Full year)	1966-67 (Full year)	1967-68 (Full year)	Mid May cash release 1968-69
B— Grants and Subsidies						
1.	W.P.I.D.C. | Grant	1,49,85,000	1,50,27,000	2,63,90,000	8,37,27,554	1,60,00,000
	| Subsidy	4,21,38,000	3,78,83,000	3,47,49,000	3,50,00,000	4,46,92,861
2.	W.P.S.I.C. Grant	29,04,000	38,46,000	38,86,000	65,48,700	42,38,000
3.	Rural Works Programme. Grant	Not available.	10,22,00,000	4,81,00,000	7,16,11,775	8,84,00,000
4.	K. D. A. Grant	1,84,48,000	49,50,000	55,00,000	47,68,000	17,81,900
5.	Malaria Eradication Board. Grant	3,00,43,000	3,00,00,000	1,00,00,000	2,80,17,000	1,46,00,000
6.	Family Planning Board. Grant	13,05,490	1,97,50,000	1,95,50,000	2,03,73,000	2,71,37,000
7.	A.D.C. | Grant	5,31,71,000	4,53,98,000	7,12,69,000	4,84,92,020	2,04,32,900
	| Subsidy	2,29,00,000	4,29,35,000	7,72,70,000	4,68,57,540	2,30,38,000
8.	Universities Grant	2,13,22,500	2,64,81,530	2,32,28,000	2,81,13,460	2,91,01,990 (Non-Development Grant). 1,79,69,000 1,17,63,000 (Development Grant).
9.	Land and Water Development Board. Grant	2,58,42,175	2,77,63,950	2,62,66,230	2,31,87,095	2,17,67,000
Total		23,30,59,165	35,62,34,480	34,62,08,230	41,46,65,144	30,29,52,651

Statement "A" shows the releases made to various bodies on account of Development Loans.

Statement 'B' represents releases made on account of grants and subsidy. In this statement the accounts represent releases made up to the 30th of June in the case of the years 1964 to 1968 but in the case of 1968-69 figures are only up to the 14th of May, 1969.

Other receipts of the Government are expected to go up by Rs. 6.83 crore over the revised estimates for 1968-69. The principal increase will occur on account of anticipated recovery of outstandings interest charges on loans advanced by the Provincial Government. This is estimated at Rs. 2.52 crore. There will also be some increase in the receipts from the beneficent departments; recovery of outstanding arrears in respect of cotton cess and on account of sale on undeveloped agricultural land in barrage areas and sale of more Government land. The increase in the receipts from the beneficent departments is estimated at Rs. 1.80 crore and from the sale of land Rs. 1.40 crore.

B—Revenue Expenditure

Non-developmental revenue expenditure is expected to increase from Rs. 1,46.33 crore in the revised estimates for 1968-69 to Rs. 1,73.81 crore in the budget estimates for 1969-70. The increase of Rs. 27.48 crore is broadly due to the following factors:—

	(In crores of rupees)
(i) Increase in interest	13.15
(ii) Grant of <i>ad hoc</i> relief to Class III and Class IV Government servants drawing pay upto Rs. 500/- per mensem.	6.53
(iii) Rest and recreation allowance to the Provincial Government employees.	1.45
(iv) Payment of premia for Group Insurance of Government employees of Class IV and Class III categories drawing pay upto Rs. 300/ per mensem.	0.29
(v) Miscellaneous increases in continuing expenditure	1.20
(vi) New expenditure other than Rest and Recreation Allowance and Group Insurance (subject to the approval of the Budget Committee)	4.86
Total	27.48

The increase in interest charges is mainly due to increase on account of fresh borrowings for development.

Miscellaneous increases in the existing expenditure fall mainly under Police and Border Forces. There is increase under Education also which is due to the fact that full provision has been made in the new budget for such Schools as were opened at a very late stage or could not be opened and provision for such institutions was made for two or three months during the current financial year. Additional grants have also been provided to various Universities.

The new expenditure proposals for 1969-70 other than Rest and Recreation Allowance and premia for the Group Insurance Scheme have been restricted to Rs. 4.86 crore only. The important new expendi-

ture proposals are summarised below, the details of which are given in the volume of New Expenditure for 1969-70:—

(In lakhs of rupees)

Land Revenue	..	..	..	..	21·23
Forests	..	..	..	..	24·59
Irrigation—Working Expenses	..	..	..	..	52·70
Police	..	..	..	..	97·30
Provincial Border Forces	..	..	..	..	81·93
Education	..	..	..	..	72·22
Health Services	..	..	..	..	29·80
Public Health	..	..	..	..	20·55
Miscellaneous Department	..	..	..	..	54·00
Communications	..	..	..	..	52·69
Miscellaneous	..	..	..	..	53·27

The expenditure on the revenue account is likely to be reduced as soon as the report of the High Powered Committee on economy in non-development expenditure is finalized. The Committee has since been re-constituted to examine the whole range of Provincial non-developmental expenditure. A series of meetings are proposed to be held to finalize the issues expeditiously.

Subsidy on Wheat

The issue price of wheat has been reduced by Rs. 2·00 per maund with effect from the 12th April 1969. The procurement price of wheat for 1968-69 crop in West Pakistan has also been reduced by Rs. 2·00 i.e., from Rs. 17·00 to Rs. 15·00 per maund. As a result of this decision the value of stocks in hand with the West Pakistan Government is reduced.

The incidence of existing subsidy of Rs. 2·50 per maund (Rs. 19·50 per maund pooled cost price of indigenous/imported wheat less issue price of Rs. 17·00 per maund) being subsidised by the Provincial Government has further gone up to Rs. 4·50 per maund. The total element of subsidy involved on wheat for the year, 1968-69 and 1969-70 will be as follows:—

1968-69	Amount of subsidy Rs.
Opening balance on 1st July 1968	.. 8,65,800
On purchases upto 30th June 1969	..
Indigenous	.. 11,00,000
Imported	.. 46,400
Total	.. 20,12,200

Off-take upto 30th June 1969	..	9,97,200	4,72,18,000
Closing Balance on 30th June 1969	..	10,15,000	

1969-70

Carry over on 1st July 1969	..	10,15,000	
Purchases upto June, 30th, 1970	..	13,00,000	
Off-take upto 30th June 1970	..	12,50,000	6,13,00,000
Closing balance on 30th June 1970	..	10,65,000	

In nut shell the total subsidy as worked out on the basis of the off-take of wheat would be :—

1968-69	..	4,72,18,000
1969-70	..	6,13,00,000

Debt Servicing Liability

The total debt liability after accounting for repayment of the Provincial Government as on 30th June, 1969, is estimated to be Rs. 778.48 crore, and will rise to Rs. 907.38 crore on 30th June, 1970. The break-up of these figures is as follows :—

(In crores of rupees)

	As on 30th June, 1969	As on 30th June, 1970
(1) Loans from the Central Government	497.50	584.50
(2) Market Loans	61.34	66.35
(3) Rupee Loans from Foreign Agencies received through the Central Government.	86.01	96.18
(4) Foreign Exchange Loans to the Government of West Pakistan.	133.63	160.35
Total	778.48	907.38

Most of these loans are utilized by the Autonomous Bodies like WAPDA, WPIDC, etc., for financing the development projects and the Autonomous Bodies are responsible for servicing them.

Foreign Loans

A substantial portion of the debt burden relates to foreign economic assistance for our developmental projects, which is mostly in the form of Project Loans. The total project assistance received by the Provincial Government over the years is as under:—

<i>Actuals upto 30th June 1968</i>	<i>Revised Estimates, 1968-69</i>	<i>Budget Estimates, 1969-70</i>
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(In lacs of rupees)

1,55,08·98	28,01·73	30,22·48
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Repayment of these project loans and payment of interest at rates between $\frac{3}{4}\%$ and $6\frac{3}{4}\%$ is being made according to the stipulated terms. The burden of this debt servicing is, however, rising steadily, as will be seen from the following figures :

<i>Accounts/ Actuals 1967-68</i>	<i>Revised Estimates 1968-69</i>	<i>Budget Estimates 1969-70</i>
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(In lacs of rupees)

Repayment ..	251·53	259·83	329·00
Interest ..	297·44	282·55	350·85

The contribution made by the Agencies utilising these foreign loans towards their servicing is given below:—

<i>Revised Estimates 1967-68</i>	<i>Revised Estimates 1968-69</i>	<i>Budget Estimates 1969-70</i>
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(In lacs of rupees)

Repayment ..	410·13	477·50	471·58
Interest ..	273·60	750·00	511·99

The higher recovery as compared to the figures of payments by the Government is only an indication of phasing prescribed by the re-lending terms. This does not indicate any margin of profit for the Provincial Government.

The element of foreign grants, which was never substantial, is now progressively decreasing. These grants are either in the form of supply of equipment and material, or in the shape of consulting services and training facilities. Their amount has fallen from Rs. 176 lacs (revised estimates 1968-69) to Rs. 64 lacs expected in 1969-70.

Although no comprehensive appraisal of foreign economic assistance has so far been made, the loans have generally been well-spent. Most of the projects executed with foreign economic assistance are posi-

tively productive, while others have contributed towards the building up of infra-structure so essential for economic growth. The expansion in industrial and consumer goods production as well as the excellent agricultural crops in recent years can be directly traced to the judicious use of foreign assistance.

There is a substantial gap between interest receipts and interest payments of the Provincial Government as indicated below—

(In crores of rupees)				
<i>Year</i>		<i>Interest receipts</i>	<i>Interest payments</i>	<i>Gap</i>
1968-69 (Revised)	..	28·19	43·54	15·35
1969-70 (Budget)	..	30·71	51·20	20·49

Interest receipts of the Provincial Government fall short of interest payments primarily for the reason that considerable sums are expended every year on Departments and Agencies in the form of grants and interest-free loans, although the Government itself has to raise these funds in the form of interest-bearing loans. In 1968-69, interest-bearing loans amounting to Rs. 45 crore are being spent through the Departments, and will thus not earn any interest for the Government.

Ad hoc Relief to low paid Government servants :

Government have announced the grant of *ad hoc* relief to Class IV and Class III Government servants drawing pay up to Rs. 500 per mensem. The marginal adjustment would, however, be made in the case of officials drawing pay upto Rs. 550 per mensem. The relief is effective from the 1st of March, 1969. It is also admissible to the work-charged establishment as well as the establishment paid from contingencies on the same scale and subject to the same conditions. The approximate liability during 1969-70 would be of the order of Rs. 8·77 crore in respect of regular Government servants.

Rest and Recreation Allowance :

Government have also sanctioned the concession for the grant of rest and recreation allowance to its employees which would be admissible once in three years. The amount to be allowed by way of rest and recreation allowance will be the basic pay per month of the Government servants concerned or Rs. 1,000 whichever is less. An amount of Rs. 1·45 crore has been provided on this account.

Group Insurance Scheme—

In order to provide for some financial relief in the event of death of a Government servant, Government have introduced the Scheme of Group Insurance for its employees with effect from the 18th March, 1969. Under this scheme, in the event of death (while in service) of the employees insured, the family/nominee would receive the benefits at the following rates:—

	Rs.
Class I	20,000
Class II	15,000
Class III	5,000
Class IV	3,000

Government servants of Class IV and Class III categories drawing pay up to Rs. 300 per mensem would not be required to pay the premium. This premium will be paid by Government. All other Government servants would pay the premium at the rate of Rs. 2.75 per thousand sum insured per annum.

According to the data collected by Government, the premium required to be paid by Government will be as follows:—

	Rs.
1968-69	9.91 lacs.
1969-70	39.38 lacs.

C—Revenue Surplus for Development—

The surplus for development expenditure will decrease from Rs. 45.83 crore in the budget estimates to Rs. 40.22 crore in 1968-69 (Revised) and will further decrease to Rs. 23.05 crore in 1969-70. This huge shortfall in the Provincial Contribution towards financing the Development Programme for 1969-70 is chiefly due to increase in interest charges on account of huge borrowings for development and also due to various relief/concessions announced by Government for its low paid employees.

D—Capital Account—

The state trading of the Provincial Government includes : -

- (1) Food Department's transactions ;
- (2) Medical Stores Depots ;
- (3) Coal Control Organization ; and
- (4) Associated Cement.

Expenditure on re-payment of loans will amount to Rs. 21.25 crore in the next year. A provision of Rs. 15.89 crore has been made for re-payment of Central Government loans, including foreign loans. The re-payment will be met from miscellaneous Capital receipts, including recoveries from semi-autonomous bodies. An amount of Rs. 5.63 crore is needed for re-payment of Market Loan, Land Commission's Compensation Bonds and payment of instalments in respect of acquisition of A. C. C. Factories. The repayment of Market Loan will have to be accommodated in fresh borrowings. The instalments to the A. C. C. would be met from the cash reserves taken over by Government at the time of acquisition.

DEVELOPMENT BUDGET

Annual Development Programme

The sectoral break down of the Development Programme for 1969-70 along with comparative figures for 1965-66, 1966-67, 1967-68, 1968-69 and for the revised allocations in the 3rd Plan are summarised below :—

(In crores of rupees)

Sector	Third Plan (Revised allocation)	Revised 1965-66	Revised 1966-67	Revised 1967-68	Revised 1968-69	Budget 1969-70 (Gross)
Water and Power ..	410.70	51.92	55.99	66.07	60.86	70.94
Agriculture ..	1,62.20	20.86	22.86	23.72	27.79	27.90
Physical Planning and Housing ..	73.90	4.94	6.80	7.94	9.15	10.06
Industries, Fuel and Minerals ..	1,02.60	7.68	15.43	11.48	17.08	12.46
Education and Training ..	98.80	7.69	7.01	9.11	11.27	13.82
Health ..	50.80	6.62	4.48	7.70	9.74	9.17
Transport and Communications ..	2,35.00	29.46	36.51	39.00	38.85	41.80
Social Welfare and Manpower ..	8.00	0.35	0.60	0.83	0.85	1.61
Frontier Regions ..	..	..	..	1.51	1.32	1.84
Works Programme ..	60.00	12.22	5.00	10.00	11.00	5.00
Block provision for Quetta and Kalat Division.	..	..	..	..	..	0.40
Total ..	12,00.00	1,41.74	1,54.66	1,77.36	1,87.91	1,95.00

FINANCING OF THE A.D.P. 1969-70

A series of discussions have been held in the Resources Committee of the Central Government as well as separately in the Ministry of Finance, in which the size of the Provincial contribution to the Annual Development Programme was discussed on the basis of an elaborate analysis of every item of Provincial receipt and expenditure. In spite of the expectation of some improvement in Provincial receipts, the trend of non-developmental expenditure has been extremely adverse. In consequence, the Revenue surplus available for developmental expenditure is substantially smaller as compared to the current year. The major heads of Provincial receipt and expenditure were subjected to rigorous scrutiny to ensure the maximum possible saving, but it has not been found possible to obtain a Revenue surplus larger than Rs. 23·05 crore.

In addition, the following other items of financing are likely to be available for the Annual Development Programme :—

	Rs.
Railway Reserves ..	0·19 crore.
Unfunded Debt ..	3·41 crore.
Other Capital Receipts ..	(-)11·69 crore.
A.D.P. expenditure by the Railway from their three Funds.	6·64 crore.

The Provincial available resources would, therefore, (after offsetting the effect of minus Rs. 11·69 crores of Other Capital Receipts) come to Rs. 21·61 crores. However, a further reduction is expected on account of the subsidy on wheat, the case for the re-imbusement of which has so far not been accepted by the Centre. Allowing for this reduction, the Provincial contribution to the Annual Development Programme is estimated to be Rs. 15·39 crore.

Since the size of our contribution along with the contribution from the Central and East Pakistan Governments still left a gap of almost Rs. 66 crore in the Annual Plan financing of rupee expenditure, the Finance Secretaries' Conference decided that an additional effort for the mobilisation of Rs. 15 crore be mounted by West Pakistan for meeting this gap. Similar action is being taken by the other two Governments. It is, therefore, proposed to raise fresh resources of upto Rs. 15 crore. In actual fact, fresh resources amounting to Rs. 22 crore are being raised. But of these Rs. 7 crore will go to meet the deficit that the Railways will incur in 1969-70. The net addition on this account would, therefore, be Rs. 15 crore.

That, together with the figure of Rs. 15·39 crore indicated above, would make available a total Provincial contribution of about Rs. 30 crore.

The details of the fresh effort at resource mobilisation are being submitted separately.

OVERALL REVENUE BUDGET

The overall picture of the revenue account, including both developmental and non-developmental items, is as follows :—

		(In crores of rupees)
		Budget Estimates, 1969-70
Revenue Receipts :		
(i) Development Grants	..	8.77
(ii) Other Receipts	..	1,96.86
	Total	2,05.63
Revenue Expenditure :		
(i) Developmental	..	..
(ii) Non-developmental	..	1,73.81
	Total	1,73.81
	Surplus	31.82

Contingency Item—

In the current year's budget a provision of Rs. 11.00 crore was made for the Contingency Item to meet un-expected expenditure in the course of the year. It is recommended that the same provision may be repeated for the next year and exhibited in the budget as under :

		(In crores of rupees)
Revenue Account	..	3.00
Capital Account	..	8.00
	Total	11.00

Central Government have decided to announce the Central Budget on the 29th of June 1969 and have directed the Provincial Governments to announce the Provincial Budgets on the 30th June 1969 along with the respective Railway Budgets.

Conclusion—

The Budget Committee is requested to approve the :

- (1) Annual Development Programme for 1969-70.
- (2) Phasing of expenditure on new schemes for subsequent years;
and
- (3) Schedule of New Expenditure for 1969-70.

Twelve Budget documents including the White Paper are to be compiled. The Committee is requested to permit the Finance Department to put them in print. The printing of the entire material require about 25 days.

LAHORE :

TAJAMMUL HUSSAIN

The 2nd June, 1969.

} Secretary to the Government of West Pakistan,
Finance Department.