

GOVERNMENT OF WEST PAKISTAN

FINANCE DEPARTMENT

MEMORANDUM

FOR THE

COUNCIL OF MINISTERS

BUDGET ESTIMATES

1968-69

MEMORANDUM FOR THE COUNCIL OF MINISTERS

BUDGET PROPOSALS FOR 1968-69.

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Secretary-in-Charge—Mr. Tajammul Hussain, P.M.A.S.,
Secretary to Government of West Pakistan,
Finance Department.

The following statements of analysis are placed below for information and consideration of the Council of Ministers:—

- (a) Financial position from 1955-56 (year of integration of West Pakistan) to 1966-67 ;
- (b) Review of Revenue and Capital account for the year 1967-68; and
- (c) Analysis of the proposals for Revenue and Capital account for 1968-69.

FINANCIAL POSITION FROM 1955-56 TO 1966-67

The accounts for 1966-67 along with a summary of the financial operations of the Provincial Government from the date of integration to the end of 1966-67 (1st Supplementary) are reproduced below:—

		(In crores of rupees)	
		Actuals of 1966-67	1955-56 to 1966-67
A—Revenue Account :			
Revenue Receipts	.. .. .	1,61	12,93
Revenue Expenditure	.. .. .	1,65	11,72
Revenue Surplus(+)			1,21
Deficit (—)	.. .. .	—4	
B—Capital Expenditure :			
(a) Direct Investment	.. .. .	37	4,09
(b) Loans and Advances	.. .. .	92	3,25
(c) Miscellaneous Debt, Deposits Transactions	.. .. .	3	28
Total Capital Account Disbursements	.. .. .	1,32	7,62
C—Financed from :			
(1) Revenue Surplus	.. .. .	—4	1,21
(2) Public Debt	.. .. .	1,10	4,74
(3) State Trading Surplus	.. .. .	20	30
(4) Unfunded Debt	.. .. .	2	20
(5) Miscellaneous Debt, Deposits Transactions	.. .. .	21	1,26
Total	.. .. .	1,49	7,71

Increase in cash balance 17* 9*

2. The total expenditure in the revenue account since integration amounted to Rs. 11,72 crore against revenue receipts of Rs. 12,93 crore. It will be observed that during the past 11 years the Province remained surplus by the sizeable amount of Rs. 1,21 crore on the Revenue Account. The total capital expenditure (Direct Investment and Loans and Advances) amounted to Rs. 7,34 crore against the borrowing of Rs. 4,74 crore. The capital expenditure to the extent of Rs. 2,60 crore was met from the Revenue Surplus, profits from State Trading, Unfunded Debts and other Deposits with the Provincial Government.

The review of the financial position in 1967-68 and the budget proposals for 1968-69 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 ESTIMATES, 1967-68

NON-DEVELOPMENT BUDGET

A—Revenue Receipts :

Revenue Receipts (excluding developmental grants) are estimated to decrease from Rs. 1,82.45 crore as per budget estimates to Rs. 1,68.34 crore according to the revised estimates. The variations are summarised below:—

	(In crores of rupees)		
	Budget 1967-68	Revised 1967-68	Variation
Provincial taxes ..	46.55	46.87	+0.32
Central tax assignments ..	67.07	54.56	—12.51
Central non-development grants ..	3.63	3.21	—0.42
Irrigation receipts (net) ..	9.79	9.42	—0.37
Other Provincial receipts ..	55.41	54.28	—1.13
Total ..	1,82.45	1,68.34	—14.11

The improvement in Provincial taxes is due to realisation of more receipts on account of duty on spirit manufactured in Pakistan and taxes under the Motor Vehicles Acts than originally anticipated. The decrease of

*Provisional. It is under reconciliation by audit with the State Bank of Pakistan.

Rs. 12·51 crore in the Central assignments is chiefly due to merger of sales tax on certain items with the excise duty by the Central Government. On the basis of this decision, the Central Government have intimated the current year's revised estimates as Rs. 18·86 crore against the budget estimates of Rs. 31·03 crore for 1967-68, showing a decrease of Rs. 12·17 crore. This huge reduction in the Central tax assignments will upset the financial structure of the Provincial Government to a very large extent. The matter was taken up with the Central Ministry of Finance requesting them to give a special revenue grant to the Provincial Government to the extent of loss in the revenues on this account. They have released Rs. 8·14 crore which has substantially decreased our loss for financing the Annual Development Programme.

The decrease in the net irrigation receipts is due to non-realization of reclamation fee as a result of stay order issued by the High Court of West Pakistan in favour of the zamindars.

Revenues expected from miscellaneous sources also show a net decrease of Rs. 1·13 crore. This is mainly due to less receipts of interest on lesser amount of advances made by us; less sale of Government land and less realization of receipts from K. D. A. on account of hire purchase instalments in almost all of its township schemes other than Korangi and North Korangi.

B—Revenue Expenditure :

Revenue expenditure on non-developmental account, decreased from the budget estimates of Rs. 1,42·52 crore to Rs. 1,36·47 crore as per revised estimates. The net decrease in revenue expenditure is of the order of Rs. 6·05 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 year.

As a result of decrease in receipts, the revenue surplus for development has also decreased from Rs. 39·93 crore to Rs. 31·87 crore. This variation is again mainly due to reduction of Rs. 12·51 crore in the Central tax assignments as a result of merger of sales tax with the excise duty.

C—Capital Account :

In the state trading budget, net excess of expenditure over receipts was originally estimated at Rs. 6·82 crore. In the revised estimates, the net excess of expenditure over receipts has been estimated at Rs. 38·46 crore. This is mainly due to the proposed increase in the wheat reserve from 5 to 8·15 lac tons and to the resumption of state trading in sugar necessitating the building of a reserve on this account as well.

The expenditure on debt repayment has declined slightly from Rs. 12·77 crore estimated in the budget to Rs. 12·03 crore in the revised estimates.

Details of debt repayment are as follows—

	(In crores of rupees)
(1) Market Loan	5.25
(2) Central Government Loan (including foreign loan)	6.78
Total	<u>12.03</u>

D—Ways and Means Position :

The ways and means position of the Provincial Government remained very difficult throughout the current financial year. In fact, in the month of December we were running a huge debit with the State Bank and at one time the position appeared fairly precarious. We were, however, able to completely balance our state of accounts due to the fact that the receipts started coming in by the month of March as anticipated by us. The main reason for this has been the delay in receipt of amounts expected through the Central Government under various Aid Programmes, notably the United States and Canadian Counterpart Funds. Since those receipts had been budgeted, expenditure on approved projects had to be financed to some extent from the Provincial resources in anticipation of eventual recovery of those amounts from the Central Government. In fact only 60 per cent of the United States Counterpart Funds have so far been received and these, too, in the month of March, i.e., in the ninth month of the financial year, whereas only one-third of the expected receipt from the Canadian Counterpart Funds has actually been passed on to us until now.

The flow of receipts from the Central Government has unfortunately been no less erratic. Our share in the Central taxes has been less than the amount budgeted on the basis of information supplied by the Central Government. Total short fall up to the end of May, 1968, amounts to over Rs. 3.10 crore.

While communicating the revised estimates of Central assignments, the Central Government has allowed a grant-in-aid to the extent of Rs. 8.14 crore and Rs. 3.43 crore as development loan. The Central Government has been approached to treat the loan of Rs. 3.43 crore as grant-in-aid. The short fall in receipts continues to exert an adverse pressure on our resources.

We would like to point out that while approving the budget estimates for the year 1967-68, the Council of Ministers was pleased to give the following directives :—

- (a) W. P. I. D. C. to make firm proposals for disinvestment of completed projects, with a target of Rs. 5.00 crore to be made available to the Province within the financial year, 1967-68.

- (b) The Communications and Works Department and the Home Department to finalise their procedural requirements so that Rs. 5.00 crore are recovered from the Central Government during the year 1967-68.
- (c) The Agriculture Department to settle the outstanding claims of Rs. 3.00 crore on account of cotton dues within the year 1967-68.
- (d) The Board of Revenue and other concerned agencies to recover at least Rs. 4.07 crore on account of outstanding arrears.

These directives, if implemented, would have brought Rs. 17.07 crore to the provincial exchequer. For one reason or another this has not been done and we have thus been deprived of this huge amount. The Communications and Works Department did make an effort but an amount of Rs. 3.9 crore is still outstanding.

In spite of all these difficulties we are glad to report that we will be able to close the year, considerably more favourably as compared to last year.

DEVELOPMENT BUDGET

Development Expenditure:

The Annual Development Programme for 1967-68 provided for a gross expenditure of Rs. 2,17.88 crore and net expenditure of Rs. 1,96.88 crore. The revised estimates for developmental expenditure during 1967-68 are Rs. 1,77.36 crore. The sector-wise breakdown is as follows :—

		(In crores of rupees)	
		<i>Budget</i>	<i>Revised</i>
		1967-68	1967-68
Water and Power		81.77	66.07
Agriculture		29.69	23.72
Physical Planning and Housing		11.63	7.94
Industries, Fuel and Minerals		15.91	11.48
Education and Training		13.62	9.11
Health		8.42	7.70
Transport and Communications		44.47	39.00
Social Welfare and Manpower		1.12	0.83
Frontier Region .. .. .		..	1.51
Works Programme		10.00	10.00
Block provision for Quetta/Kalat Divisions		1.25	..
Gross Total ..		2,17.88	1,77.36
Less Short-fall ..		(—)21.00	..
Net Total ..		1,96.88	1,77.36

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

- (i) As mentioned earlier, while discussing the ways and means position, we have a short fall of Rs. 17.07 crore due to non-implementation of the directives of the Council of Ministers.
- (ii) In the case of schemes which were approved during the course of the year, funds were released proportionately.
- (iii) Difficulties due to non-availability or late availability of foreign exchange/foreign aid.

In spite of these factors, the revised estimates of 1967-68 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
A—Loans				
1. Water and Power Development Authority.	22,36,88,066	19,33,32,000	23,71,03,600	25,02,08,340
2. Agricultural Development Corporation.	4,03,80,000	4,08,85,000	4,37,00,100	3,31,84,710
3. West Pakistan Small Industries Corporation.	29,29,000	16,23,450	29,26,530	31,12,460
4. Industrial Estates .. .. .	.. .. .	.. .. .	26,20,000	10,32,600
5. Karachi Development Authority .. .. .	.. .. .	.. .. .	83,00,000	62,16,500
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
8. Lahore Improvement Trust	25,00,000	15,00,000	14,21,060	67,61,640
Total	27,12,38,500	23,87,03,450	29,84,74,890	29,17,84,630

B—Grants and Subsidies :

		1964-65 (Full year)	1965-66 (Full year)	1966-67 (Full year)	1967-68
1. W.P.I.D.C.	{ Grant	1,49,85,000	1,50,27,000	2,63,98,000	7,39,71,500
	{ Subsidy	4,21,38,000	3,78,83,000	3,47,49,000	1,50,00,000
2. W.P.S.I.C.	Grant	29,04,000	38,46,000	38,86,000	33,60,000
3. Rural Works Programme	Grant	Not available	10,22,00,000	4,81,00,000	7,16,00,000
4. K.D.A.	Grant	1,84,48,000	49,50,000	55,00,000	42,68,000
5. Malaria Eradication Board	Grant	3,00,43,000	3,00,00,000	1,00,00,000	2,13,50,000
6. Family Planning Board	Grant	13,05,490	1,97,50,000	1,95,50,000	1,72,72,500
7. A.D.C.	{ Grant	5,31,71,000	4,53,98,000	7,12,69,000	4,62,25,000
	{ Subsidy	2,29,00,000	4,29,35,000	7,72,70,000	50,00,000
8. Universities	Grant	2,13,22,500	2,64,81,530	2,32,28,000	2,61,00,000
9. Land and Water Dev. Board.	Grant	2,58,42,175	2,77,63,950	2,62,66,230	2,02,20,000
Total		23,30,58,165	35,62,04,490	34,62,08,230	30,43,66,000

Statement 'A' above shows the releases made to various bodies on account of Development loans. It will be seen that the releases made during the current year are comparable with the past performance. We have tabulated the figures of last 4 years for the facility of comparison.

Statement 'B' above represents releases made on account of grants and subsidy. In this statement the accounts represent releases made upto the 30th of June in the case of the years 1964 to 1967 but in the case of 1967-68 figures are only upto the 14th of May, 1968.

It will thus be seen that there has been some improvement in almost all the sectors and particular attention has been paid to some of the stability oriented programmes. For instance in Rural Works Programme the total amount released during last year was Rs. 4.81 crore whereas we have already released Rs. 7.16 crore in the current year and the remaining we hope to release before the close of the year.

We would like to point out that in addition to our release WAPDA and ADC drew Rs. 21.45 crore from Commercial Banks to meet their demands. This is contrary to all financial discipline and the autonomous bodies may, therefore, be directed to obtain the prior approval of the Government before resorting to this procedure in future.

The summary of the Revenue Account both developmental and non-developmental expenditure is as follows:—

		(In crores of rupees)	
		<i>Budget</i> 1967-68	<i>Revised</i> 1967-68
Receipts :			
(i) Developmental grants	..	11.20	19.59
(ii) Other receipts	..	1,82.45	1,68.34
Total	..	1,93.65	1,87.93
Expenditure :			
(i) Developmental	..	50.86	44.59
(ii) Non-developmental	..	1,42.52	1,36.47
Total	..	1,93.38	1,81.06
Surplus	..	0.27	6.87

BUDGET ESTIMATES, 1968-69

NON-DEVELOPMENT ACCOUNT

(a) Revenue Receipts :

Revenue receipts (excluding developmental grants) are expected to increase from Rs. 1,68·34 crore in the revised estimates of 1967-68 to Rs. 1,96·07 crore in the next year's budget estimates. The broad variations are summarised below :—

(In crores of rupees)

	Revised 1967-68	Budget 1968-69	Variations
Provincial taxes	46·87	49·87	+ 3·00
Central tax assignments ..	54·56	59·16	+ 4·60
Central non-development grants ..	3·21	3·63	+ 0·42
Irrigation receipts (net) ..	9·42	14·25	+ 4·83
Other Provincial receipts ..	54·28	69·16	+14·88
Total	1,68·34	1,96·07	+27·73

There is a steady improvement in the receipts from the Provincial taxes. An increase of Rs. 13 lac is anticipated under "Land Revenue" which is due to more area expected to be brought under cultivation as a result of Grow More Food Campaign. An increase of Rs. 1·60 crore is expected from stamp receipts which is due to sale of more judicial stamps. Another increase of Rs. 50 lac is also expected on account of motor vehicle taxes. An increase of Rs. 67 lac is anticipated under "Other Taxes and Duties" which is chiefly due to increase in the entertainment charges as a result of increase in the number of cinema houses and higher receipts from taxes on urban immovable property as a result of re-assessment in the Lyallpur and Rawalpindi districts and increased receipts on account of betterment tax.

An increase of Rs. 4·60 crore is expected in 1968-69 in the revenue assignments from the Central Government. The major variation is due to increase in the receipts under Taxes on income other than Corporation Tax. (Rs. 2·02 crore). Although there is an increase of Rs. 2·18 crore over the revised estimates under Sales Tax, there is a short fall of Rs. 9·99 crore in the Central tax assignments on account of Sales Tax in the new budget as compared with the budget estimates for 1967-68. Similarly there is a short fall of Rs. 1·28 crore under the head Customs,

compared to the budget estimates of the current year. This huge reduction of 11.27 crore in the revenue assignments is due to the decision of the Central Government to merge sales tax on cotton, yarn, etc., with the excise duty and abolition of custom duty on export of cotton and jute during the course of the year. The Central Government is being approached to give a grant in the revenue account as a result of their decision to revise the tax structure.

Gross receipts from water rates are expected to go up from Rs. 23.63 crore in the revised estimates of 1967-68 to Rs. 29.45 crore in the new budget. The working expenses will, however, increase from Rs. 14.21 crore to Rs. 15.20 crore in 1968-69. As a result, the net receipts are expected to increase by Rs. 4.83 crore only.

Other receipts of the Government are expected to go up by Rs. 14.88 crore over the revised estimates for 1967-68. The principal increase will occur on account of anticipated recovery of outstanding interest charges on loans advanced by the Provincial Government. This is estimated at Rs. 8.62 crore. There will also be some increase in the receipts from the beneficent departments and sale of more Government land. The increase in the receipts from the beneficent department is estimated at Rs. 2.79 crore and from the sale of land Rs. 2.21 crore.

(b) Revenue Expenditure:

Non-developmental revenue expenditure is expected to increase from Rs. 1,36.47 crore in the revised estimates of 1967-68 to Rs. 1,48.88 crore in the budget estimates for 1968-69. This increase is broadly due to the following factors :—

(In crores of rupees)	
(i) Increase in interest ..	4.60
(ii) Miscellaneous increase in continuing expenditures ..	3.89
(iii) New expenditure (subject to the approval of the Council of Ministers) ..	3.92
Total ..	12.41

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

Miscellaneous increase in the existing expenditure falls mainly under Education, 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 during the current financial year. Besides, full provision has been made for those High Schools of the Local Bodies which were provincialised late during 1967-68.

The new expenditure proposals for 1968-69 have been restricted to Rs. 3.92 crore only. The important new expenditure proposals are summarised below, the details of which are given in the volume of New Expenditure for 1968-69 :—

(In lakhs of rupees)

Land Revenue	..	10.99
Forests	..	16.88
Irrigation—Working Expenses	..	64.47
General Administration	..	17.94
Police	..	33.43
Provincial Border Forces	..	49.63
Education	..	61.81
Health Services	..	24.34
Public Health	..	16.21
Communications	..	36.10
Miscellaneous	..	18.43

The expenditure in 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. This Committee was re-constituted by the Governor in 1966 to examine the whole range of Provincial non-developmental expenditure. The last meeting of the Committee was held on the 12th April, 1968, wherein the economy proposals of certain departments were finalized. The next meeting of the Committee is likely to be held in the near future.

A provision of Rs. 15.00 lac was made in the current year's estimates for the introduction of mechanization in various accounts of the Province particularly in the field of :—

- (a) Treasury Receipts ;
- (b) Excise and Taxation ; and possibly
- (c) Pay and Pensions.

A detailed study has been made and report has already been submitted to the Governor. Further details are being worked out and we will be in a position to make some headway in this direction in the near future. It is, therefore, proposed to repeat the provision of the current financial year in the next year's budget.

Government is considering to introduce a scheme of group insurance of its employees. The scheme aims at providing relief to the families of the Government servants who may be the victims of pre-mature death of the Government servants while in service. It is intended to make the scheme compulsory in the case of non-gazetted Government servants and optional in the case of Gazetted Officers. The premium will be shared between the employees, the Government and the Government Servants Benevolent Fund. The Provincial Board of Management (Non-Gazetted) for the Benevolent Fund under the Chairmanship of the Chief Secretary decided that the Eastern Federal Union Insurance Company should be asked to work out the details. This is being done. It is, therefore, proposed to make a token provision of Rs. 3.00 lac for payment as Provincial Government's contribution towards the scheme.

(c) Revenue Surplus for Development :

The surplus for development expenditure will decrease from Rs. 39.93 crore in the budget estimates to Rs. 31.87 crore in 1967-68 (Revised) and will improve to Rs. 47.19 crore in 1968-69. This has been possible because of increase in receipts and judicious pruning of new expenditures of the various departments.

The financial position of the Province would have been much better but for the merger of sales tax with the excise duty which benefits the Central Government, but affects the Provincial finances adversely.

(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. 16.57 crore next year. A provision of Rs 10.65 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. 5.92 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 re-payment 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 1968-69 along with comparative figures for 1965-66, 1966-67, 1967-68 and for the revised allocations in the 3rd Plan are summarised below:—

Sector	Third Plan (Revised allocation)	(In crores of rupees)			Budget 1968-69
		Revised 1965-66	Revised 1966-67	Revised 1967-68	
Water and Power ..	4,10·70	51·92	55·99	66·07	80·68
Agriculture ..	1,62·20	20·86	22·86	23·72	36·82
Physical Planning and Housing.	73·90	4·94	6·80	7·94	13·41
Industries, Fuel and Minerals.	1,02·60	7·68	15·43	11·48	17·77
Education and Training.	98·80	7·69	7·01	9·11	15·40
Health ..	50·80	6·62	4·48	7·70	10·06
Transport and Communications.	2,35·00	29·46	36·51	39·00	48·39
Social Welfare and Manpower.	6·00	0·35	0·60	0·83	1·42
Works Programme	60·00	12·22	5·00	10·00	12·00
Block provision for Quetta and Kalat Divisions.	..	..	..	..	0·50
Frontier Regions ..	..	..	..	1·51	2·24
Total ..	<u>12,00·00</u>	<u>1,41·74</u>	<u>1,54·68</u>	<u>1,77·36</u>	<u>2,38·69</u>

Separate developmental allocation for Frontier Regions is being made for the first time in the Annual Development Programme for 1968-69. The Revised Estimates for 1967-68 are being shown for facility of comparison.

We will now place before the Council of Ministers the overall economic situations in the Province and important projections of the Plan for the year 1968-69.

The growth rate in the Province which had declined to 3·1 per cent during 1965-66 has averaged 7·3 per cent during the past two years as

against the average of 6.4 per cent during the Second Plan. Even if we assume the wheat output during 1967-68 at only 5.4 million tons (although there is an increasing feeling that the wheat output this year will be closer to 6 million tons) this would exactly be the target that had been fixed by the original Third Plan in 1969-70, which would show that we have exceeded the original target two years ahead of schedule. Apart from wheat, the increase in rice and maize production has also been well above expectations. The increase in the fertilizer sales has been phenomenal due to the continuation of the subsidy and the streamlining of the distribution arrangements. From 3.5 lac tons (in terms of Ammonium Sulphate) during 1965-66, the sales are expected to increase to at least 8.5 lac tons during the current year, thus showing an increase of 150 per cent in two years. Similarly the growth in private tube-wells continues to be very encouraging, helped in part by the increasing number of electric connections being provided by WAPDA every year.

The growth in large scale manufacturing industry has, however, slowed down compared with Second Plan period due to mainly the reduction in availability of raw materials. The growth rate of large scale industry in the first three years of the Third Plan is estimated at 6.5 per cent per annum as against the average of 17.5 per cent during the Second Plan.

Out-look for 1968-69 :

The outlook for next year is also very promising. The overall growth rate is expected to be well over 6 per cent. The advance in agriculture is expected to be maintained. For wheat next year, Central Government have suggested a target of 6.3 million tons subject to the approval of the Agricultural Policy Committee. For Kharif 1968, the target of 2.1 million tons of rice and 3.1 million bales of cotton has been set. The wheat and rice targets for next year are attainable but the cotton target appears to be more ambitious even though the output during current year is now estimated at over 2.8 million bales. The industrial growth rate should also pick up if, as indicated by the Planning Commission, an increase in availability of 25 per cent in industrial raw materials and spares materialises during the next year.

This level of performance in West Pakistan during recent period has been attained despite relatively slow growth in development outlays. The development expenditure during 1967-68 is now estimated to reach Rs. 1,77.36 crore as against 1,54.68 crore during last year.

An inevitable result of the new priorities has been the pressure on investments in the social sectors like education, health, rural works and physical planning and housing. Under the directives of the Governor an attempt has been made to meet the deficiencies in social sectors in the next year's programme. Notably the allocation for the rural works programme

has been increased from Rs. 10·00 crore to Rs. 12·00 crore. Provision has been made for completing both parts of the second phase of the Greater Karachi Water Supply Scheme in 1970-71. About Rs. 1 crore have been provided for the improvement of major hospitals in the province.

Annual Development Programme for 1968-69 :

The gross size of the West Pakistan Annual Development Programme for 1968-69 has been fixed at Rs. 2,38·69 crore compared with the gross programme of Rs. 2,17 crore in 1967-68. The highlights of the programme for the next year by sectors are given below:—

Agriculture :

The Agriculture sector has been allocated over Rs. 36 crore or Rs. 7·13 crore more than the current year, giving a percentage allocation of 15·6 per cent as against 13·6 per cent in the Plan. This includes an allocation of Rs. 13 crore for fertilizer subsidy. An allocation of Rs. 4·5 crore has been made for plant protection. The organization of the Plant Protection Services is being strengthened by setting up a Plant Protection Institute for testing pesticides and for training of the farmers. Strengthening the expansion staff in the field of plant protection, is also under consideration. A sum of Rs. 3 crore has been allocated for agricultural mechanization programme which envisages the levelling of 3·4 lac acres during 1968-69. For food-grain storage which is a priority sector, an allocation of Rs. 1·36 crore is proposed for next year, more than two times the level during the current year.

Water :

An allocation of about Rs. 47 crore has been made for water. The major programme is SCARP Programme which will account for about half of the total water allocation. The projects in Chaj Doab, Upper Rachna, North Rohri, Lower Thal will be continued and a new SCARP project for Bahawalpur will be taken up. The water programme makes adequate allocations for Khairpur and Karachi Dams, Kalri Bogar Feeder in Thatta and Guddu Barrage water logging programme and provides for Satiana Sammundari drainage in Lyallpur.

Power :

For power a sum of Rs. 33·8 crore has been allocated as against Rs. 32 crore in the current year. The increase of Rs. 2 crore is considered very necessary for meeting power distribution facilities. The target of electrification of private tube-wells has been increased from 5000 in the current year to 8000 during 1968-69.

Roads :

For the road sector, the allocation proposed is Rs. 18·09 crore as against the current year's allocation of Rs. 15·47 crore. The on-going aided

projects like Lahore-Multan and Karachi-Hyderabad have been fully protected. The provision has also been made for the new aided projects of Lahore-Sheikhupura-Sargodha and Sheikhupura-Lyallpur. The R.C.D. road has been allocated Rs. 1·5 crore, double the level in the current year. Special priority has also been given to the re-conditioning, strengthening and improvement of the existing roads. Further more the sugarcane roads have been provided nearly Rs. 2 crore.

Railways :

The programme of Rs. 30 crore for next year represents an acceleration of 4 per cent over the current year. The highest priority continues to be attached to the rolling stock, but track renewals, improving signalling and line capacity works and other structural works are being given higher priority than before. The electrification of the Lahore-Khanewal section would be almost completed during the current year. Among new constructions, the work continues on Kashmir-Dera Ghazi Khan rail link for which Rs. 2 crore have been earmarked.

Physical Planning and Housing :

Very high priority has been given to the schemes of water supply in major urban centres. The schemes of water supply in Lahore, Karachi, Gujranwala, Sheikhupura, Nawabshah, Multan, Hyderabad and Quetta have been given adequate allocations. Among housing schemes, work continues on Lahore Township Scheme and Greater Karachi Re-settlement Scheme. Rs. 75 lacs have also been provided for Kacha Multan Road low income housing scheme in Lahore. A reasonable acceleration in allocation for Government Offices and buildings and Government servants housing has also been made.

Industries :

The industrial sector allocation of Rs. 17·8 crore provides for major heavy projects like Pakistan Machine Tool Factory, Heavy Mechanical Complex, Forge and Foundry Project and Heavy Electrical Complex.

Education :

The total allocation for education is Rs. 15·4 crore which shows an acceleration of about 17 per cent over the current year. Special emphasis is being placed on technical education and primary education though in the latter the limiting factor is the sanction of teachers on the non-development side, Rs. 33 lacs have been allocated for the implementation of the report of the Students Commission.

Health :

The Health programme of Rs. 10·1 crore provides duly for the malaria eradication and family planning programmes and also makes suitable provision for the new Khyber Medical College at Peshawar, major hospitals and the Rural Health Centres.

FINANCING OF THE A. D. P. 1968-69

After detailed discussion in the last Finance Ministers Conference and the Plan Evaluation meetings it was agreed to work on the basis of a total plan of 5·70 crore for 1968-69. There was, however, a gap of Rs. 90·00 crore between the size of the Annual Development Programme and our resources. In order to meet this gap, the President directed the West Pakistan Government to mount an extra effort of Rs. 20 crore and East Pakistan an additional effort of Rs. 10 crore. Later on it was clarified by the Finance Minister that their intention was that we should try to make an additional effort of Rs. 5 crore on the railway side to meet their deficit and an additional Rs. 15 crore for financing the Annual Development Programme. The Governor of West Pakistan was pleased to agree to make this additional effort in the last meeting of the National Economic Council held in Rawalpindi. We have accordingly proposed to make this additional effort in the following manner. We have increased our revenue surplus from Rs. 34·47 to Rs. 47·19 crore. Some of the important factors responsible for this increase are given below :—

- (1) Increased irrigation receipts of about Rs. 4·70 crore;
- (2) About 50 per cent of arrears of Cotton Cess are to be recovered immediately in order to have additional Rs. 2·00 crore; and
- (3) Increase in recoveries of interest on loans from K. D. A., A.D.C., and T. D. A. to the extent of Rs. 5·70 crore.

On the capital receipt side the pattern of financing would be as follows:—

Railway Reserve	..	4·47
Unfunded Debt	..	3·02
Other Deposits	..	0·64
Other Capital Receipts	..	0·13
Disinvestment WPIDC	..	2·50
Self-financing	..	3·05

This has enabled us to contribute Rs. 61 crore for financing our Annual Development Programme.

As regards recovery of cotton cess the following facts are submitted for consideration :—

This fee was first levied in former Sind in 1938 and in the former Punjab and Bahawalpur in 1949. It was levied in the entire Province of West Pakistan at a unified rate in 1966. This fee is recovered to meet the cost of the administration of the Cotton Control Act as well as for the development and improvement of cotton cultivation.

The rates of Cotton Fee have been as follows :—

<i>Rate</i>	<i>Period</i>
6 paise per maund ..	From 5th December 1949.
50 Ditto ..	From 23rd February 1951.
One rupee per maund ..	From 26th February 1951.
25 paise per maund ..	From 1st February 1952.
75 Ditto ..	From 1955-56.
44 Ditto ..	From 1956-57.
56 Ditto ..	From 1957-58 to 1958-59.
25 Ditto ..	From 1959-60.

The position of arrears of Cotton Fee as on 31st March 1968 was as follows :—

<i>Total arrears</i>	<i>Amount in respect of which stay orders have been granted by the Court</i>	<i>Net un-disputed recoverable arrears:</i>
4.93 crore	2.09 crore	2.84 crore

The imposition of Cotton Fee was disputed and the case went up to the Supreme Court. It has finally been decided in favour of Government. In order to accelerate the recovery of Cotton Fee additional staff has been appointed. It has been ascertained from the Agriculture Department that the number of parties from whom substantial recoveries have to be made is not very large. The Council of Ministers is requested to give a firm directive to the Agriculture Department to recover at least Rs. 2.00 crore during 1968-69, which is less than half the arrears amounting to Rs. 4.93 crore.

OVERALL REVENUE BUDGET

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

		(In crores of rupees)
Revenue Receipts :		<i>Budget Estimates</i> 1968-69
(i) Development Grants	..	10·25
(ii) Other Receipts	..	1,96·07
Total	..	<u>2,06·32</u>
 Revenue Expenditure :		
(i) Developmental	..	56·75
(ii) Non-developmental	..	1,48·88
Total	..	<u>2,05·63</u>
Surplus	..	<u>0·69</u>

Contingency Item :

In the current year a provision of Rs. 13·00 crore was made for the Contingency Item. It is recommended that provision of Rs. 11·00 crore may be made for the next year and exhibited in the budget as under:—

		(In crores of rupees)
Revenue Account	..	3·00
Capital Account	..	8·00
Total	..	<u>11·00</u>

Conclusion :

The Council of Ministers is requested to approve the:—

- (1) Annual Development Programme for 1968-69.
- (2) Phasing of expenditure on new schemes for subsequent years ;
- (3) Schedule of New Expenditure for 1968-69; and
- (4) Proposal to recover at least Rs. 2·00 crore from arrears of Cotton Cess during 1968-69.

The Finance Minister has approved the above memorandum.

LAHORE :
The 15th May, 1968. }

TAJAMMUL HUSSAIN
*Secretary to the Government of West Pakistan,
Finance Department.*