



Speech
OF
SHEIKH MASOOD SADIQ
FINANCE MINISTER, WEST PAKISTAN
INTRODUCING THE BUDGET
FOR THE YEAR
1965-66
IN THE
PROVINCIAL ASSEMBLY
ON
TUESDAY, THE 15TH JUNE 1965

**Speech of Finance Minister, West Pakistan, introducing
the Budget for the year 1965-66**

Sir,

I rise to present the budget for 1965-66.

2. It is a great privilege to present to this august House its first annual budget, which is also the budget for the first year of the Third Five Year Plan.
3. Sir, in my last budget speech I had referred to the fact that West Pakistan had achieved an impressive record of physical progress during the first four years of the Second Plan. With the completion of the final year of the Plan, it is now possible to give a more comprehensive account of the remarkable progress made by the province, in different spheres of development, during the short period of five years.
4. Between 1959-60 and 1964-65 the gross national product of West Pakistan is expected to rise by 27.7 per cent as against the Second Plan target of 24 per cent. The most heartening feature is the contribution made by agriculture to the growth in national income. In West Pakistan the crop production targets of the Second Plan have generally been exceeded. It is particularly gratifying that the production of wheat, cotton and sugarcane has risen beyond original expectations. The revolution in agriculture has been actively assisted and supported by Government. During the Second Plan, new irrigation facilities were provided to 13 lakh acres of virgin land and improved water supply was made available to 37.8 lakh acres. In addition, private tube-wells have succeeded in bringing another 3 lakh acres of virgin land under cultivation and provided additional water supplies to 12 lakh acres. The measures to reclaim water-logged and salinised land have made good progress and the first beneficial effects of reclamation have become apparent in the Rechna Doab and elsewhere. There has been

which is due to commence on the 1st July 1965. The Third Five Year Plan provides for an expenditure of Rs. 13,50 crore by the Government of West Pakistan. This is nearly twice the amount invested on development by the Provincial Government during the Second Plan Period. An important feature of the Third Plan is the high priority being given to agriculture. The agriculture programme will largely carry forward the investment strategy of the Second Plan with added emphasis on the key factors, such as, fertilisers, plant protection, mechanisation and tube-wells. Among the important physical targets to be achieved are the development of 30 lakh acres of land, the stepping up of fertilisers consumption from 4 lakh tons to 12 lakh tons and the expansion of plant protection measures from 60 lakh acres to 119 lakh acres.

8. An amount of Rs. 440 crore has been allocated for water and power. Special attention will be paid to drainage, reclamation and tube-wells for which a sum of Rs. 156 crore has been ear-marked. An expenditure of Rs. 170 crore will be incurred on development of power. This includes a provision of Rs. 25 crore for rural electrification.

9. The programme for development of industries in the public sector lays emphasis on the setting up of heavy industries and the expansion of fertiliser and cement production. A provision of Rs. 145 crore has been made in the Third Plan for large and small industries and for development of industrial estates.

10. Investment in education will be sharply accelerated during the Third Plan Period. As against an estimated expenditure of Rs. 44 crore in the Second Plan, the provision made for education in the Third Plan is Rs. 115 crore. Similarly, the allocation for health is being increased from Rs. 18 crore in the Second Plan to Rs. 52 crore in the Third Plan. Larger investments are also envisaged in transport and communications, physical planning and housing and social welfare. Lastly, an amount of Rs. 100 crore has been allocated for the Rural Works Programme, as against an expenditure of Rs. 20 crore only in the Second Plan Period.

11. The implementation of the Third Plan will require the mobilisation of all our resources, in money and man-power. I am confident, however, that the challenge will be met and that as in the case of the Second Plan, the targets would not only be fulfilled but will be exceeded.

12. Before I proceed to describe the development programme for 1965-66, it is necessary to explain to the House certain changes in development budgeting, which are being introduced from the next financial year. As the House is aware, the Annual Development Programme in previous years provided for gross expenditures which were considerably in excess of the funds actually available. The deficit was expected to be counter-balanced by shortfalls in developmental expenditures. A distinction was thus made between the gross programme, provided in the budget and the net programme, for which resources were available and which was actually implemented. The implementation of development projects has been gradually improving and it has, therefore, become risky to provide for expenditures in excess of the funds available. In view of this consideration and the other advantages of having a firm budget, it has been decided to do away with the gross programme and provide in the budget only the net programme, which would be fully backed up by resources. As a transitional measure, however, the budget for 1965-66 shows both the gross and the net programmes, with the emphasis on the net programme. From the following year, the gross programme will be eliminated altogether.

13. The Annual Development Programme for 1965-66 envisaged a net outlay of Rs. 190 crore as against the Revised Estimates of Rs. 177 crore for 1964-65. The gross programme for 1965-66 was for an amount of Rs. 218 crore. However, in view of the present emergency, which has arisen on our borders, it has become necessary to hold back 5 per cent of the expenditures provided in the Annual Development Programme. This *ad hoc* cut of 5 per cent will be restored if additional re-

sources become available in the course of the year. I would further like to assure the House that in making the *ad hoc* cut the Provincial Government would keep in view the sectoral and regional priorities of the development programme for 1965-66.

14. The principal emphasis in the Annual Development Programme for 1965-66 is on the implementation of the undertakings given to the nation by the President in his Election Manifesto. The resources for the next year being limited, the implementation of the provisions of the Manifesto has been rendered possible only by a careful re-adjustment of priorities.

15. The strategy of the Third Plan is designed to maximise the utilisation of national resources, which is the foremost undertaking given in the President's Manifesto. In agriculture, the next year's programme reflects the changes in emphasis, which are being introduced in the Third Plan. A substantial provision has been made for a comprehensive scheme of mechanisation, which covers land development, mechanised cultivation and tube-wells. A subsidy will be given for private investment in irrigation wells and tube-wells. The provision for fertilisers is being increased. It is proposed to import fertilisers worth Rs. 8 crore in addition to making full use of local production. In industry also, the next year's budget follows the broad strategy of the Third Plan. The emphasis is on heavy industry and increased production of cement and fertilisers.

16. In accordance with the assurance given by the President that Government will take all necessary measures to combat water-logging and salinity, the reclamation programme in the province is being stepped up. The main emphasis of the water development programme will be on execution of reclamation projects, both tube-well and drainage. Substantial allocations have accordingly been made for the tube-well projects in Chaj Doab, Lower Thal and Khairpur. Work on surface drainage in Ghulam Muhammad Barrage and Larkana-Shikarpur will be accelerated.

17. An important undertaking given by the President was to increase the scope of the Rural Works Programme both in functional as well as financial terms. The House would be glad to know that the net allocation for the Rural Works Programme will be Rs. 15 crore in 1965-66, as compared to Rs. 10 crore in the current year. The Government is also proposing to transfer, from the next year, certain development projects for execution by District Councils. A beginning is thus being made with the enlargement of functions and responsibilities of the Basic Democracies.

18. The development programme for 1965-66 provides for the continued expansion of educational facilities, particularly in the fields of secondary and technical education. The next year's programme includes the opening of 5 new Intermediate Colleges and 10 new High Schools, in addition to upgrading of 15 Middle Schools to high status. To improve quality, larger allocations are proposed for the establishment of superior type of institutions. The next year's budget provides for the setting up of 3 Central Model Schools and 8 superior type schools. In the non-developmental budget, a provision of Rs. 50 lakh has been made for provincialisation of District Council High Schools.

19. The Government are aware of the serious shortage of housing, which has developed as a result of rapid urbanisation. The problem cannot be resolved speedily in view of the limited resources available with Government. It has, therefore, been decided to associate local bodies in the task of implementing the Presidential directive regarding the rehabilitation of homeless people and provision of better housing facilities. The next year's budget provides for loans to the Improvement Trust, Lahore, and three District Councils in Sargodha Division, for housing developments meant for low income groups. The Annual Development Programme also includes a provision for multi-storeyed flats and other low cost housing schemes of the Karachi Development Authority. In addition, the budget provides for direct expenditure by Government on the ongoing housing projects in Karachi, Lahore and Hyderabad.

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20. As the House is aware, the long term plans for economic development can only succeed, if the increase in population is kept within reasonable limits. In the Manifesto, the President has undertaken to ensure that improvement in the standards of living of the people is not neutralised by unbalanced increase in population. Accordingly, the budget for the next financial year provides a substantial amount to enable the Government to make a beginning with this important task.

21. The Provincial Government have steadfastly pursued the policy of accelerating the development of backward regions of the province. The net allocations made to different regions in the budget for 1965-66 reflect the determination of Government to step up investment in the less developed areas. The net allocations are derived from the gross programme of Rs. 218 crore after a *pro rata* deduction of the shortfall of Rs. 28 crore. For purposes of comparison, the original allocations for 1964-65, have also been reduced by Rs. 30 crore, which was the amount of shortfall provided in the current year's budget.

22. The net allocations for former N.-W.F.P. will increase from Rs. 7.85 crore in 1964-65 to Rs. 9.54 crore in 1965-66. The budget provides for the construction of the Khanpur Dam. A large allocation has also been made for the Tanda Dam, where the work is nearing completion.

23. For former Sind, the net allocations in 1965-66, will be Rs. 31.7 crore as compared to Rs. 29.7 crore in the current year. Ongoing projects in the field of irrigation, colonisation and reclamation will be continued. Important new projects included in the budget are the Southern Zone Transmission Scheme and a new 200 M. W. Thermal Station which will serve the former Sind area.

24. The Annual Development Programme for the next year provides for a net allocation of Rs. 5.79 crore for former Baluchistan. In the current year, the net allocation was Rs. 5.64 crore. A substantial amount has been provided in the next year's



budget for survey and investigation of irrigation projects in this region, including the feasibility study of dams on the Hingol and Dasht rivers.

25. The net allocations for former Punjab in 1965-66 will be Rs. 47·45 crore as compared to Rs. 35·70 crore in 1964-65. The substantial increase is mainly due to acceleration of measures to combat water-logging and salinity.

26. For the Frontier Regions, the net allocations for 1965-66 will be Rs. 3·09 crore as against Rs. 2·00 crore in 1964-65. The budget for next year provides for commencement of work on the Gomal Zam Dam.

27. In 1965-66, the net allocations for Karachi Division will be Rs. 6·64 crore as compared to Rs. 10·02 crore in 1964-65. The figures for next year exclude a programme of Rs. 5·78 crore to be undertaken by the Karachi Development Authority from their own resources. The allocations for Karachi are expected to go up sharply in the following years when work on the heavy industry projects gets into full swing.

28. For Bahawalpur Division, the net allocations in next year's budget will be Rs. 4·02 crore as compared to Rs. 3·82 crore in the current year. A special lump sum allocation of Rs. 60 lakh is being made for new schemes of Bahawalpur Division, because the specific projects included in the Annual Development Programme did not provide for an adequate level of investment in this region. It is expected that, among other things, the lump sum provision would be utilised to make a beginning with construction of surface drainage to relieve the problem of water-logging in this region.

29. Sir, I shall now briefly review the financial position of the province during the current financial year.

30. The Revised Estimates of revenue receipts for 1964-65 are Rs. 155 crore, 68 lakh, as against the Budget Estimates of Rs. 164 crore, 73 lakh. The shortfall has occurred mainly in developmental grants from the Central Government and foreign aid giving agencies. Receipts from sale of land were also

lower than anticipated because of stoppage of sales in former Punjab and Bahawalpur and suspension of recovery of instalments in Hyderabad Division, on account of the cyclone.

31. The Revised Estimates of revenue expenditure for 1964-65 are Rs. 152 crore, 85 lakh, as against the Budget Estimates of Rs. 154 crore, 77 lakh.

32. In the capital account, a gross expenditure of Rs. 190·5 crore was provided in the current year's budget. The revised estimates of expenditure are Rs. 156·9 crore. Capital receipts were estimated at Rs. 152·8 crore, in the budget, as against the revised estimates of Rs. 145·5 crore. The shortfall in receipts is mainly on account of foreign loans. Financing from cash balances would be larger than anticipated.

33. I now turn to the budget estimates for 1965-66.

34. Revenue receipts in 1965-66 are estimated at Rs. 177 crore, 20 lakh as against the current year's Revised Estimate of Rs. 155 crore, 68 lakh. The estimate of revenue expenditure for 1965-66 is Rs. 175 crore, 24 lakh as compared to the Revised Estimate of Rs. 152 crore, 85 lakh. The revenue surplus will be Rs. 1 crore, 96 lakh.

35. The increase of Rs. 21·52 crore in revenue receipts is mainly on account of Central Tax assignments, which are expected to go up from Rs. 47·57 crore in 1964-65 to Rs. 58·93 crore in 1965-66. The improvement in share of Central Taxes is due to growth in Central tax receipts, and to the revised arrangements, approved by the President, for distribution of revenues between the Centre and the Provinces. Under the new arrangements, which follow upon the recommendations of the Finance Commission, 1964-65, the provinces will get 65 per cent of income tax receipts as against 50 per cent previously. The provincial share in sales tax and excise duties has been increased from 60 per cent to 65 per cent. In the case of export duties, however, the share of the provinces has been reduced from 100 per cent to 65 per cent. *Status quo* has been maintained with regard to the share of each province in the divisible pool.

As a result of these recommendations, West Pakistan will get roughly Rs. 6.5 crore more as revenue assignments in 1965-66; but because certain grants would be discontinued, the net improvement will be roughly Rs. 3 crore. It has been agreed that the additional revenues accruing to the provinces under the revised arrangements would be ear-marked exclusively for development.

36. There is a modest but steady increase in provincial receipts. A decline is expected to take place, however, in net revenue from irrigation. The reduction is entirely due to the higher working expenses on the reclamation projects in Rechna Doab and part of Chaj Doab which will off-set the increase in gross irrigation receipts.

37. The increase in revenue expenditure is mainly due to the larger provision made for development and the recurring expenditures of development departments. For example, the recurring expenditure of the Education Department would increase from Rs. 26.47 crore in 1964-65 to Rs. 29.56 crore in 1965-66. Another important reason for increase in revenue expenditure is the revival of interest payments, amounting to Rs. 4 crore, which had been suspended by the Central Government for a period of three years ending in 1964-65.

38. In the capital account for 1965-66, the net expenditures are estimated at Rs. 157 crore. Of this, Rs. 76.32 crore is meant for direct investments by Government and Rs. 73.59 crore for loans and advances to semi-autonomous bodies. Capital receipts during 1965-66 will be Rs. 152.82 crore. Some drawdown of cash balances would be necessary.

39. A *pro forma* provision of Rs. 12 crore is being sought under the Contingency Item. This is the same amount as was provided in the current year's budget and is much lower than what is permitted under Article 45(2) of the Constitution. I would like to reiterate my previous assurance that the approval of the House would be obtained in due course to expenditures sanctioned from the Contingency Item.

40. The financing arrangements for the Annual Development Programme for 1965-66 show a marked increase in the contribution made by the Province. In 1965-66, the province's contribution will be Rs. 57.5 crore as against Rs. 43 crore in the budget estimates for 1964-65. A note worthy feature is the increased effort which is being made by semi-autonomous bodies to finance their investments from their own resources. The contribution of these semi-autonomous bodies to the net programme is expected to go up from Rs. 2.85 crore in the Budget Estimates of 1964-65 to Rs. 5.57 crore in 1965-66. The financing of next year's Annual Development Programme also provides for Central loans and grants, amounting to Rs. 74 crore and foreign aid totalling Rs. 50 crore.

41. To conclude, I would like to place on record my appreciation of the hard work done by officers and staff of the Finance Department in connection with the Budget. I would also like to thank the officers and staff of the Planning and Development Department for assistance in the preparation of the Annual Development Programme.