

Speech

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For

THE PUNJAB,
SIND,
N.W.F.P., AND
BALUCHISTAN.

I am pleased to release for public information, the duly-authenticated budgets and the annual development programme—1970-71—for the new provinces of the Punjab, Sind, North-West Frontier and Baluchistan. The details are contained in 4 sets (31 volumes)—one eight-volume set each for the Punjab, Sind and Baluchistan and a seven-volume set for N.W.F.P.—plus a White Paper covering all the 4 new provinces.

Before I speak on the budget estimates for 1970-71, let me review, briefly, the budgetary picture of the Province of West Pakistan, during 1969-70. I shall first mention the general features and then the specific details.

The year started with a large real resource gap, being the outcome of our receipts falling short of our expenditures over the year. The gap had two major components :

- (a) A sizable, persistent minus balance in our accounts with the State Bank of Pakistan; and
- (b) Old undischarged liabilities carried forward from the previous years, but without any budgetary provision to meet them.

It was after considerable effort that we were able to secure from the Centre, loans to cover this gap.

A review of the budget carried out during the course of the year revealed further resource gap concealed under over-estimated receipts and under-estimated inescapable expenditures. This concealed gap of sizable proportions, we were able to bridge through our own efforts, by stepping up receipts and by cutting down on avoidable expenditures. As an example of receipt mobilization, I might mention the well-concerted arrears recovery campaign which yielded us more than Rs. 12 crore as against the budgeted figure of Rs. 2 crore only.

In addition to wiping out the past deficit and to covering the gap hidden in the 1969-70 budget estimates, it was also

necessary to prevent the recurrence of the gap during the course of the year. To tackle this part of the problem, a detailed procedure, with built-in checks and balances, was devised to keep track of both the receipts and the expenditures. Whenever and wherever necessary, the revenue collecting departments were advised to step up recoveries to avoid shortfalls, or the spending departments were cautioned to contain expenditures in order not to exceed the budgetary provisions.

Here I would like to put in a word about the urgent and imperative need for the rigorous enforcement of budgetary discipline and financial control. But for the laxity of financial control and budgetary indiscipline, our finances at the beginning of the current financial year could not have been so much out of balance as these were. My impression is further reinforced by some of the audit reports on the Provincial finances for some of the previous years prepared by the Auditor-General. These reports have brought out some glaring instances of unauthorized or irregular or improper or avoidable or wasteful expenditures being incurred in some Provincial departments. All this seems to stem from the failure of the spending departments/agencies to attach due importance to this aspect of their responsibility. It must be realized that the primary responsibility for enforcing budgetary discipline and exercising financial control within a department is that of the Head of that department, who as the principal accounting officer, is squarely and unequivocally accountable for the manner in which the public funds at his disposal, are used. Instances are not wanting where the preparation of budget estimates and subsequent revisions/adjustments therein are left to be handled by a low functionary. Little control is exercised at the effective supervisory level to see if receipts and expenditures are moving as planned. Internal checks and counter-checks are so loose or so much out of use that incurring of unauthorized, irregular or improper expenditure is hardly detected, and

even if detected, hardly in time to be of any practical use. Audit objections when received are seldom attended to with the kind of sense of urgency and speed, with which these should be. I am glad that the *ad hoc* Public Accounts Committee is currently engaged in processing the Provincial accounts for the last many years. I am told they have covered considerable ground already and would be able to cover the remainder during the next six months.

I do hope that the four new provinces will attend to this important aspect of financial operations with due seriousness so as to be able to discharge the burden of public accountability, effectively and satisfactorily.

The net result of our efforts to restore financial equilibrium through the enforcement of budgetary discipline and financial control, was :

Firstly, we were able, for the first time in many years, to replace the overdraft from the State Bank of Pakistan, by a comfortable plus cash balance in our account with them. This has enabled us to give to the new provinces a much happier and healthier financial start than would have been possible otherwise.

Secondly, we were able, for the first time in several years, to release, fully and on time, funds as provided in the budget, in favour of the spending departments. It was under my specific instructions that the Administrative Departments received the budgeted funds, in full, within 10 days of the beginning of the financial year, and passed the same on to the Drawing and Disbursing officers in the field during the next 20 days. Time-lag of only one month denotes considerable improvement over the much longer time-lag in the past.

Releases in favour of the autonomous bodies too were, by and large, timely, regular and adequate.

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Not only that, re-appropriations were allowed liberally so long as the overall budgetary limits were not exceeded. Also, extensive enhanced delegation of financial powers, all along the line from the top to the bottom, was ordered, permitting freer use of funds.

Thirdly, we were able to absorb during the course of the year numerous shocks of unbudgeted expenditures of considerable size : for example, expenditure on the establishment of a new civil Division, namely Malakand Division ; on the reorganization of the Labour Welfare Directorate in line with the new Labour Policy; on the reorganization of District Administration on sub-divisional pattern; on improving generally the maintenance of administrative, economic and social services; and last but not the least, on the establishment of new Provincial governments in Karachi, Peshawar and Quetta; on the payment of June-70 salary bill within June-70; on the advance payment of pay and allowances to those moving on transfer in connection with the dissolution of the One-Unit.

Now I turn to some of the specific details of the 1969-70 budgetary picture :

Non-Development revenue receipts during 1969-70 had been estimated in the budget to be equal to Rs. 206.75 crore. Revised estimates place these receipts at Rs. 200.72 crore. Lower than budgeted receipts accrued mainly from the Central Tax Assignments, the Entertainment Duty, Land Revenue, Water Rate, Cotton Cess, the sale of State lands and contributions from the Local Bodies for the maintenance of the primary and the high schools. At the same time, however, higher than budgeted receipts accrued from the Provincial Excise Duty, the Stamp Duty, sale of forest produce, the Motor Vehicles Tax, administration of justice and recoveries of interest charges.

Non-Development revenue expenditure during 1969-70 had been budgeted to be equal to Rs. 174.72 crore : revised

estimates place such expenditure to be equal to Rs. 167.35 crore.

The shortfall is largely illusory because of a technical accounting adjustment. Otherwise the revised estimates are only a crore and a half less than the budget estimates.

Major components of the non-development revenue expenditure were :

(1) Debt Servicing	: 30%
(2) Education	: 22%
(3) General Administration ..	: 9%
(4) Police	: 9%
(5) Agriculture	: 8%
(6) Health	: 5%
(7) Communications & Works	: 5%
(8) Remainder	: 12%

Education claiming the second highest position, being truly reflective of our social sector oriented policy, is a matter of satisfaction to us. But debt servicing claiming as much as 30% of our non-development revenue expenditure, is a matter of grave concern to us. We have moved the Central Government already to write down the debt owed by the Government of West Pakistan to the Government of Pakistan by 50%, as was done some years earlier; otherwise the burden might become unbearable and might seriously limit the provincial government's ability to finance even some of the essential maintenance and development needs falling within its sphere of responsibility. For example, we would have liked to do even more than we did, for Agriculture, Health, Communications & Works, but for the pre-emption of as much as 30% of our non-development revenue expenditure by debt servicing.

Revenue surplus, that is the excess of non-development revenue receipts over non-development revenue expenditure, originally budgeted to be equal to Rs. 32.03 crore is,

according to revised estimates, Rs. 33.37 crore, showing an increase of Rs. 1.34 crore. Our revenue surplus coupled with various capital receipts—Rs. 2.27 crore, enabled us to finance our annual development programme for 1969-70, to the extent of Rs. 35.64 crore, i.e., about 18%, out of our own resources—by no means a mean achievement, considering how limited and inelastic our resources were and how pressing and genuine our maintenance needs were.

We had originally budgeted an annual development programme of Rs. 196.00 crore (gross) and Rs. 190.00 crore (net). Then, during the course of the year, we received further allocations of Rs. 5.00 crore for certain high priority projects, and of Rs. 8.99 crore, out of the special social sector allocation. Thus ultimately the size of the annual development programme (net) rose up to Rs. 204.0 crore. It would be a matter of considerable satisfaction for every one to know that our annual development programme has been fulfilled almost entirely. In fact, we had the capacity to absorb far more, given the resources. :

Now let me turn to the Budget Estimates for 1970-71 :

THE PUNJAB.

The non-development revenue receipts are expected to total up to Rs. 104.26 crore as against the estimated non-development revenue expenditure equal to Rs. 88.34 crore, throwing up a revenue surplus equal to Rs. 15.92 crore. Major components of the expenditure are :

Education .. .. .	..	..	..	: 23%
Debt Servicing .. .. .	...	..	..	: 18%
Agriculture .. .. .	..	..	..	: 9%
Contingency Item .. .. .	..	..	..	: 9%
Police .. .. .	..	..	..	: 8%
Health .. .. .	..	..	..	: 6%
Communications & Works .. .. .	..	..	..	: 6%
Wheat Subsidy .. .. .	..	..	..	: 3.5%
Remainder .. .. .	..	..	..	: 17.5%

The highest provision for Education is for self-evident reasons and hardly needs any comment. But on the second highest for debt-servicing, my earlier comments hold good. Provision for Contingency Item is larger than usual because it is meant to cover not only the unforeseen emergencies, as usual, but also the yet indeterminate and unquantifiable items such as the wage increase consequent on the National Pay Commission's recommendations, the extra expenditure on Police reorganization consequent on the recommendations of the Police Commission. Wheat subsidy is being shown as an item of revenue expenditure for the first time and rightly so, because it does not create any asset as such but finances consumption directly.

SIND

Non-developmental revenue receipts of Sind are estimated to total up to Rs. 52.57 crore, while the non-development revenue expenditure is estimated to be Rs. 46.46 crore. Thus the excess of the former over the latter is equal to Rs. 6.11 crore. The major components of the revenue expenditure are :

Education	..	..	..	: 23%
Debt Servicing	..	..	..	: 21%
Police	..	..	..	: 10%
Contingency Item	..	..	..	: 9%
Wheat Subsidy	..	..	..	: 6.5%
Health	..	..	..	: 6%
Communications & Works	..	..	..	: 5%
Agriculture	..	..	..	: 4%
Remainder	..	..	..	: 15.5%

Here the Contingency Item is expected to accommodate, in addition to the unforeseen emergencies, as usual, the expenditure on possible wage increase, on likely police reorganization, and the expenditure connected with the dissolution of One-Unit.

N.W.F.P.

Non-developmental revenue receipts of the N.W.F.P. are estimated to be Rs. 20.46 crore as against non-development revenue expenditure of the order of Rs. 25.01 crore : thus the former being smaller than the latter by Rs. 4.55 crore. Major components of the revenue expenditure are :

Education	..	..	..	: 24%
Debt Servicing	..	..	..	: 13%
Contingency Item	..	..	..	: 9%
Agriculture	..	..	..	: 9%
Wheat Subsidy	..	..	..	: 8%
Police	..	..	..	: 7%
Health	..	..	..	: 5%
Communications & Works	..	..	..	: 5%
Remainder	..	..	..	: 20%

As far as I can see, Frontier's budgetary problem No. 1 is going to be its revenue deficit. I have no doubt that through judicious husbanding of resources, for example those latent in Dir, Swat and Chitral forests, mines and tourist resorts; through improved recovery of government dues—current and in arrear—; the expansion of the existing receipt base, discovering fresh avenues of taxation, suitable economies in relatively less essential expenditure, and more efficient use of invested and investible resources—, the NWFP would be able to turn the corner soon. Till then, however, the deficit will have to be met through larger inflow of Central subvention for budgetary support.

BALUCHISTAN

Non-development revenue receipts of Baluchistan are estimated to add up to Rs. 5.88 crore as against the non-development revenue expenditure adding up to Rs. 12.69

crore : thus the former falling short of the latter by Rs. 6.81 crore. The major components of the revenue expenditure are :

Communications & Works .. .. .	..	..	: 15.5%
Wheat Subsidy .. .. .	..	..	: 13.5%
Education .. .. .	..	..	: 13%
Debt Servicing .. .. .	..	..	: 12%
Police .. .. .	..	..	: 2%
Agriculture .. .. .	..	..	: 8%
Contingency Item .. .. .	..	..	: 8%
Health .. .. .	..	..	: 7%
Remainder .. .. .	..	..	: 11%

The above proportions reflect the peculiar features of the Baluchistan scene : long distances, sparsely populated vast tracts, inadequate local production of foodgrains, expensive policing arrangements, etc. I have no doubt that in due course, after the physical infra-structure has been laid, social overheads, particularly Education, will start claiming the largest share as in other provinces.

The budgetary problem of revenue deficit in the case of Baluchistan is even more serious and acute than in the case of the Frontier. Radically fresh thinking on this issue would be very much needed to improve the existing receipt base, to discover avenues of fresh resource mobilization, to economise on relatively less essential and less productive expenditure, etc. etc. I have no doubt that with assiduous and ingenious application, the government and the people of Baluchistan, with assistance and guidance from the Centre, would be able to respond to the challenge of the resource constraint, successfully. Till that happens, however, budgetary support in the form of subvention would be needed from the Centre.

ANNUAL DEVELOPMENT PROGRAMME

Let me, now, say a few words about the next year's annual development programmes. As you know, the size of the total public sector annual development programme for the whole country for 1970-71 has been determined to be Rs. 770 crore, of which East Pakistan receives Rs. 415 crore and West Pakistan receives Rs. 355 crore. Of West Pakistan's allocation, Central Government's programme located in West Pakistan accounts for Rs. 50 crore plus Tarbela Dam which accounts for another Rs. 70 crore, leaving Rs. 235 crore for the Provincial programmes. Of this, undivided autonomous bodies, namely, Pakistan Western Railway, WAPDA, WPIDC, Agricultural Development Corporation, Small Industries Corporation and Associated Cement take up Rs. 122.64 crore, leaving the four new provincial government Rs. 112.36 crore to live with. Against this, our gross programme is of the order of Rs. 114.76 crore.

Out of the 4 provincial governments' gross provincial programme of Rs. 114.76 crore, the Punjab gets Rs. 61.84 crore or about 54%; Sind gets Rs. 27.03 crore or about 23%; NWFP gets Rs. 17.90 crore or about 16%; and Baluchistan gets Rs. 7.99 crore or about 7%.

As for the 6 undivided autonomous bodies' annual development programmes totalling up to Rs. 122.64 crore, the Railway programme=27.50 crore and the Power programme =45.35 (total=Rs. 72.85 crore) have been treated as un-allocable province-wise. The rest of these bodies' programme, namely, Rs. 49.79 crore, has been allocated notionally among the four provinces as follows :

The Punjab	..	.. = Rs. 25.08 crore
Sind	..	.. = Rs. 18.10 crore
NWFP	..	.. = Rs. 5.52 crore.
Baluchistan	..	.. = Rs. 1.08 crore.

If these notional allocations are added to the earlier allocations, proportionate shares of the Provinces would be :

		<i>Population proportion (1961 Census).</i>
The Punjab	.. = 52.9%	62.3%
Sind	.. = 27.4%	20.4%
NWFP	.. = 14.2%	14.0%
Baluchistan	.. = 5.5%	3.3%

Of the four new provinces, only the Punjab gets less than its proportionate share on the basis of population. This became inevitable in an effort to provide a sharper edge in favour of the NWFP and Baluchistan, without letting Sind decelerate. However, next year's Punjab programme (net) provides for an acceleration of about 9% over the current year.

In the case of Sind, even though acceleration on an overall basis is 5%, in the social sector it is as high as 25%.

In the case of NWFP, we have provided for the fastest acceleration, namely 37%.

In the case of Baluchistan, acceleration provided is of the order of 14%.

In distributing funds among the new provinces and in formulating their development programmes, care has been taken to emphasize the social sectors as far as possible. This is in line with the declared objectives and strategy of the Fourth Plan which aims at striking a viable synthesis between economic dynamism and social justice. The essential on-going schemes and aided projects have been protected. The continuing importance of agriculture has been recognized by providing adequately for key inputs such as fertilizers and plant protection material.

We have made a sincere effort to make headway towards the twin objectives of social justice and removal of intra regional disparity. However, our effort has been circumscribed considerably, by an almost stifling resource constraint.

Now a word or two about the financing arrangements for the four Provincial annual development programmes :

Punjab's programme—Gross : Rs. 61.84 crore

Net : Rs. 52.15 crore

will be financed 28% (Rs. 14.61 crore) out of its own resources, and the balance through the Central and foreign assistance.

Sind's programme—Gross : Rs. 27.03 crore

Net : Rs. 22.73 crore

will be financed 24% (Rs. 5.47 crore) out of its own resources, and the balance through the Central and foreign assistance.

NWFP's programme—Gross : Rs. 17.90 crore

Net : Rs. 15.06 crore, and

Baluchistan's programme—Gross : Rs. 7.99 crore

Net : Rs. 6.70 crore

will obviously have to be financed entirely through the Central and foreign assistance, till such time as these provinces start throwing up their own surpluses.

Before I conclude, I would like to add that in addition to the operational shortfall of Rs. 30.38 crore in a gross programme of Rs. 237.40 crore, there is a further resource gap of Rs. 12 crore, for which additional resources are needed. Yet, we are not imposing any fresh taxes, hoping that these resources will be provided through the Central assistance. All the same, the need for local resource mobilization cannot be over-emphasized. The factor that has influenced me most in my decision not to undertake fresh taxation, has been the fact that only this year we had mounted an additional resource mobilization effort on an unprecedented scale, of the order of over Rs. 25 crore. But let me make it quite clear that development is not only an irresistible urge, but also a costly operation.

If we want development, we must be prepared to pay for such development. Development through borrowings has its own limits. Beyond certain limits, either borrowings may not be feasible or may not be safe. In any case, borrowings can play a critical role on the margin only ; these can only supplement but not substitute our own effort. Bulk of the resources needed for development, we must raise ourselves, either through taxation or through adequate payment for goods/services received at public expense, or through voluntary savings.

Those who clamour for the good things of life and yet resort to agitations and demonstrations which disrupt production and economic activity, do little good either to themselves or to the country at large. Development with stability requires almost by definition that production and productivity must keep on going up constantly, at a rate faster than the rate of growth in consumption. This is a must if we wish to achieve higher and yet higher standards of living for ourselves and for our children and grand-children.

Our younger generation must devote itself with undivided concentration to the pursuit of knowledge and building up of character, such as will equip them to harness the latent human and physical resources of the country for the greater good and glory of Pakistan.

Next year is going to be a year of test and trial. Elections will be held. Constitution making process will be set into motion : restoration of democracy being the objective. I do hope that we shall pass the test without losing balance, poise or equanimity. I also hope that the four new provinces coming into being tomorrow, will lose no time in setting about the tasks ahead of them and that, through mutual understanding and co-operation, not only assist one another but also strengthen inter-provincial amity and reinforce the forces of national integration.

I wish the new Provinces the best of luck and Godspeed.

PAKISTAN PAINDABAD.