

SECRET

**GOVERNMENT OF THE PUNJAB
FINANCE DEPARTMENT**

**SUMMARY
FOR THE
COUNCIL OF ADVISORS
ON THE
BUDGET ESTIMATES
FOR
1979-80**

[MAY, 1979]

SUMMARY FOR THE COUNCIL OF ADVISORS

Subject—BUDGET PROPOSALS FOR 1979-80

This Summary contains budget proposals for 1979-80 along with the Revised Estimates for 1978-80. The following supporting documents are also being submitted with the Summary :

- (1) Annual Budget Statement for 1979-80 which also gives details of the revised estimates of receipts and expenditure for the year 1978-79.
- (2) Schedule of New Expenditure for 1979-80.
- (3) Annual Development Programme of 1979-80.

I. NON-DEVELOPMENT BUDGET

2. The position of Non-Development Budget for the years 1978-79 and 1979-80 is summarised in the following table :—

(Rupees in crore)

	Budget 1978-79	Revised 1978-79	Budget 1979-80
General Revenue Receipts	446.59	474.86	444.50
Non-Development Revenue Expenditure	465.60	454.28	500.11
Revenue Deficit	—20.01	20.58	—55.61
Net Capital Receipts	8.24	4.58	10.68
Total	—11.77	25.16	—44.93
Additional Taxation	11.77	..	..
Grand Total .. .. .	..	25.16	—44.93

The details are given in Annexure 'A'

3. When the budget proposals were finalised last year there was a deficit of Rs. 11.77 crore in the Non-Development Budget of the current financial year in spite of an *ad-hoc* Federal grant of Rs. 57 crore. This deficit was made up by additional taxation. However, immediately after the announcement of our Budget, the revised rates of electricity duty introduced as part of the resource mobilization measures had to be withdrawn under a directive of the Federal Government. This meant a loss of Rs. 4 crore in the budgeted receipts of the current financial year. In addition, the following other significant short-falls

in the budgeted receipts and additions to the budgeted expenditure occurred during the course of the year :—

(Rupees in crore)

(1) Short-fall in Receipts :—

(a) Withdrawal of the scheme of compulsory consolidation of holdings.	1.42
(b) Remission of court fee on suits up to the value of Rs. 25,000	1.25
(c) Short-fall in cotton fee receipts	2.00
(d) Total ban on consumption of liquor, opium, etc.	0.86
(e) Economy cut imposed by the Federal Government on <i>ad-hoc</i> grant of Rs. 57 crore.	2.38
(f) Short-fall in recovery of arrears of electricity duty from WAPDA	2.00
(g) Failure of Punjab Road Transport Board to pay interest on Government loans.	1.74

(2) Additional Expenditure :—

(a) Increase in expenditure on maintenance and operation of Irrigation Tubewells due to enhancement of electricity tariff.	5.56
(b) Purchase of medicines for Government hospitals and dispensaries	0.95
(c) Contribution for Businessmen's Trust Hospital	0.25
(d) Staff for 150 Basic Health Units	0.15
(e) Transfer to the Board of Management of Workers Children Education Fund.	0.90
(f) Expenditure on relief measures	0.28
(g) Other small items of inescapable nature	2.42

Total 22.16

4: In spite of the above mentioned resource erosions of Rs. 22.16 crore, the Revised Estimates of 1978-79 show a surplus of Rs. 25.16 crore in the Non-Development Budget. This improvement of Rs. 47.32 crore is due to two main factors : namely (a) an improvement of Rs. 22.76 crore in our share of the net proceeds of the Federal Divisible Taxes; and (b) an economy cut of Rs. 22.77 crore imposed on non-development expenditure. Out of the surplus of Rs. 25.16 crore, an amount of Rs. 21.24 crore will be utilised for financing the revised ADP of the current financial year.

5. The Non-Development Budget of 1979-80 has been prepared under pressure to the following circumstances:—

- (i) Finances for development programmes of the Province come mainly as loans from the Federal Government. These loans have to be repaid with interest out of the Non-Development Budget. During the next financial year interest payable on Federal loans for development programmes alone will amount to Rs. 99.51 crore which will be Rs. 16.77 crore more than the current year's interest liability. This is in addition to repayment of Rs. 4 crore against Rs. 2.13 crore during the current financial year.
- (ii) Total ban imposed on consumption of liquor, opium, bhang, etc. with effect from the 10th February, 1979 will involve a loss of Rs. 3.32 crore on account of income from excise duty on liquor and sale of excise opium.
- (iii) With the introduction of Ushr, Land Revenue and Development Cess will be abolished with effect from Kharif 1979. This will mean another loss of Rs. 4.51 crore during 1979-80.
- (iv) The increase in electricity tariff by WAPDA with effect from July, 1978 has resulted in an additional liability of Rs. 5.56 crore during the current financial year and Rs. 6 crore during 1979-80 on account of maintenance and operation of Irrigation Department tube-wells.
- (v) Certain schemes costing an aggregate amount of about Rs. 2 crore have been transferred from development to non-development Budget. These include staff of the Integrated Rural Development Programme which alone accounts for Rs. 1.64 crore.
- (vi) The incidental charges on distribution of wheat atta have been increased from Rs. 264 per metric ton (Rs. 9.85 per maund) to Rs. 303.96 per metric ton (Rs. 11.34 per maund) due to increase in the purchase price of wheat and the cost of gunny bags. This involves an additional liability of Rs. 3.09 crore for the next financial year.
- (vii) In spite of our best efforts to restrict next year's expenditure to the barest minimum, essential new items of expenditure aggregating Rs. 7.86 crore mainly of the Education and Health Departments had to be admitted for inclusion in the Budget.

6. It was due mainly to the above mentioned factors that non-development revenue expenditure registered an increase of 12.07 per cent from Rs. 454.28 crore in the Revised Estimates 1978-79 to Rs. 509.10 crore in the Budget Estimates, 1979-80 while the General Revenue Receipts increased by 6.38 per cent from Rs. 417.86 crore (excluding *ad hoc* Federal Grant of Rs. 57 crore) to Rs. 444.50 crore in Budget Estimates, 1979-80. However, as the Federal Government has taken over the liability in respect of maintenance, grants to the Universities, our non-development revenue expenditure would decrease to Rs. 500.11 crore. This will still leave a large deficit of Rs. 55.61 crore in the Revenue

Account. After taking into account the net capital receipts of Rs. 10.68 crore, there will still be a resource gap of Rs. 44.93 crore in the Non-Development Budget of 1979-80. The Finance Division expect us to meet the deficit in our budget through our own devices either by reducing expenditure or raising additional taxes.

7. There is hardly any possibility of meeting the above mentioned resources gap of Rs. 44.93 crore by reducing expenditure because we have already cut down the non-development expenditure by Rs. 22.77 crore this year in addition to similar cuts of Rs. 13.50 crore and Rs. 13.09 crore during 1976-77 and 1977-78 respectively. There is also not much scope for raising substantial revenues through additional taxation because we have already increased the rates of a number of taxes and have also imposed some new taxes during the last four years. Therefore, we can balance the next year's Non-Development Budget only if the Federal Government gives a special grant for the next year also. We have not yet received any firm commitment from the Finance Division about the quantum of Federal grant to meet the deficit. In case the Federal assistance falls short of the deficit of Rs. 44.93 crore, we will have to make up the difference by resource mobilization at the Provincial level.

II. ANNUAL DEVELOPMENT PROGRAMME

8. The gross size of the Annual Development Programme of 1978-79 was fixed at Rs. 232.40 crore against the anticipated resource availability of Rs. 223.82 crore. After review of the Programme by the Planning and Development Department and the Finance Department in consultation with the Administrative Departments concerned and keeping in view the resources available in the Revised Estimates, the size of the Programme has now been fixed at Rs. 227.39 crore. This will be financed by a Federal assistance of Rs. 206.15 crore and a Provincial contribution of Rs. 21.24 crore out of the surplus in the revised Non-Development Budget of the current financial year.

9. The size of the Annual Development Programme of 1979-80 will be determined in the Annual Plan Co-ordination Committee meeting to be held on the 23rd May, 1979. However, on the assumption that the resources available for financing the next year's Annual Development Programme will be about the same as those available for financing the revised ADP of the current financial year, a Programme of Rs. 228.34 crore has been tentatively prepared after detailed discussions with the Administrative Departments.

10. The salient features of the Annual Development Programme of 1979-80 are as under—

(a) High priority has been attached to improving agricultural productivity and to the provision of social and infra-structural facilities in rural areas. This involves agriculture, livestock, fisheries, food storage, health, manpower and rural water supply sectors. Within the education sector, a substantial increase is being made in the allocations for primary, middle and high schools, major part of which will go to the rural areas.

- (b) The Federal Government has indicated certain priority schemes and areas for ADP allocations. These schemes have been adequately catered for. These are either foreign aided schemes or schemes pertaining to sectors which are on high priority in the current Five Year Plan.
- (c) A special effort has been made, in finalizing the Programme for each sector, to keep the number of new schemes to a minimum and to ensure the completion of a maximum number of schemes during the year. Accordingly, the total number of schemes for ADP 1979-80 would be 1636 as compared with 1785 for the current financial year. More than 80 per cent of the new schemes pertain to five major sectors, *i.e.* water, rural water supply, education, health and Government offices/buildings.
- (d) For designing the pattern of allocations, focus has been ensured on the on-going programme. More than 80 per cent of the funds have been allocated for the On-going Schemes. Within the on-going programme, allocations have been so arranged that maximum number of schemes are completed during the next year. As many as 54 per cent of the total schemes are likely to be completed compared with 46 per cent in the current year.
- (e) The development programme has already been communicated to the Administrative Departments in the first week of April, 1979. This gives them an extra period of three months for preparatory work.
- (f) There is greater emphasis on the introduction of schemes pertaining specifically to barani areas. The total allocation for such schemes would be Rs. 38.09 crore compared with Rs. 35.33 crore in 1978-79. As a percentage of the ADP this allocation would be 16.77 for 1979-80 compared with 15.30 in 1978-79.
- (g) In accordance with the Government's policy to earmark larger financial resources for rural areas, the Punjab Government has, at the time of budget making, been ensuring that relatively larger allocations are made to the schemes which are specifically meant for rural areas. Accordingly, for the ADP 1979-80, a total of Rs. 1,14.70 crore would be allocated to schemes located in rural areas. This constitutes approximately 50 per cent of the total ADP allocations. Comparative details of such allocations in the two previous Budgets are indicated below—

	Rural	Urban	Common	Total
1977-78	40.07	37.34	22.59	100.00
1978-79	44.65	34.31	21.04	100.00
1979-80	50.50	34.20	15.30	100.00

(h) In the Rural Development Programme sector, *i.e.* the sector which consists of village and markaz level schemes, prepared and executed at the local levels, the allocation for 1979-80 is Rs.12.50 crore compared with Rs.14.00 crore in 1978-79. This, however, does not depict the actual position: in fact Rs. 1.64 crore, which was included in ADP 1978-79 on account of staff salaries, has been shifted to the non-development budget. Thus, the comparative budget allocation for RDP for 1979-80 would be Rs. 14.14 crore *i.e.* 6.18 per cent of the total ADP, compared with 6.06 per cent for the sector in the current year. This is considered adequate in view of the substantial carry-over of the balances in the Personal Ledger Account of the Department.

11. The sector-wise break up of the revised ADP 1978-79 and the Proposed Programme for 1979-80 is given in Annexure 'B'.

12. The Council of Advisors is requested to kindly approve—

- (i) the Revised Estimates for 1978-79 and Budget Estimates for 1979-80 in respect of the Non-Development Budget as indicated in the table in para 2;
- (ii) formulation of proposals for the mobilization of additional resources by the Finance Department to meet the deficit in the Non-Development Budget for 1979-80 which may remain uncovered by financial assistance from the Federal Government; and
- (iii) the revised size of Rs. 2,27.39 crore of the Annual Development Programme of 1978-79 and the tentative size of Rs. 2,28.34 crore of the Annual Development Programme for 1979-80 subject to adjustments, if necessary in the light of the decisions to be taken in the Annual Plan Co-ordination Committee meeting to be held on the 23rd May, 1979, so as to adjust the size of the Programme to the availability of resources.

13. The Chairman, Planning and Development Board has seen paras. 8 to 11 above and agrees with the contents thereof.

Dated:

25th May 1979

SADIQ SAYEED KHAN.

FINANCE SECRETARY.

ANNEXURE 'A'

SUMMARY OF NON-DEVELOPMENT BUDGET

(Rupees in crore)

	Budget 1978-79	Revised 1978-79	Budget 1979-80
GENERAL REVENUE RECEIPTS :			
Central Tax Assignments and other Taxes collected by the Federal Government for the Provinces.	2,11.44	2.34.20	2,57.28
Provincial Tax Receipts ..	85.90	92.77	90.31
Interest Receipts ..	5.21	3.51	5.11
Civil Administration Department ..	5.17	5.80	6.14
Social Services Departments ..	4.95	4.99	5.08
Economic Services Departments ..	68.50	70.84	74.33
Miscellaneous ..	3.27	3.84	3.86
Contributions and Miscellaneous Adjustments between the Federal and Provincial Governments ..	62.15	58.91	47.31
Total General Revenue Receipts ..	4,46.59	4,74.86	4,89.50
NON-DEVELOPMENT REVENUE EXPENDITURE :			
Tax-Collecting Departments ..	9.25	8.64	9.32
Debt Services ..	92.58	92.47	1,09.37
Civil Administration Departments ..	56.17	52.84	57.09
Social Services Departments ..	1,65.02	1,56.30	1,70.36
Economic Services Departments ..	1,00.88	1,01.86	1,10.85
Miscellaneous ..	42.70	42.16	43.12
Total Non-Development Revenue Expenditure ..	4,66.60	4,54.28	5,00.11
A—Revenue Surplus/Deficit *(GRR Minus NDR Exp). ..	(—)20.01	20.58	(—)10.61

*GRR-General Revenue Receipts.

NDR-Non-Development Revenue Expenditure.

(Rupees in crore)

	Budget 1978-79	Revised 1978-79	Budget 1979-80
GENERAL CAPITAL RECEIPTS :			
Federal Grants	4.25	6.45	8.27
Extraordinary Receipts	5.94	5.48	5.30
Permanent Debt	7.58	7.58	7.82
Floating Debt	70.00	60.00	60.00
Debt Raised Abroad	..	..	..
Loans from the Central Government	..	..	..
Recoveries of Loans and Advances	2.20	1.82	2.20
Total General Capital Receipts	89.97	81.33	83.68
NON-DEVELOPMENT CAPITAL EXPENDITURE :			
Economic Services Departments	5.33	6.92	8.73
Permanent Debt	8.64	8.64	7.82
Floating Debt	70.00	60.00	60.00
Debt Raised Abroad	1.28	1.28	0.66
Loans from the Central Government	2.40	2.14	4.01
Loans and Advances	1.81	3.39	1.40
State Trading in Coal and Medical Stores (Net)	(-)0.70	(-)0.55	(-)0.93
Total Non-Development Capital Expenditure	88.76	81.82	81.69
B—Net Capital Receipts	1.21	(-)0.49	1.99
(General Capital Receipts minus Non-Development Capital Expenditure)			

(Rupees in crore)

Budget 1978-79	Revised 1978-79	Budget 1979-80
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PUBLIC ACCOUNT RECEIPTS

Unfunded Debt	.. 9.50	10.60	13.01
Deposits and Advances	.. 2,76.34	2,64.44	2,60.39
Remittances	.. 2,17.10	2,15.41	2,15.41
Total Public Account Receipts	.. 5,02.94	4,90.45	4,88.81

PUBLIC ACCOUNT DISBURSEMENTS

Unfunded Debt	.. 2.80	3.01	3.01
Deposits and Advances	.. 2,76.01	2,66.96	2,61.70
Remittances	.. 2,17.10	2,15.41	2,15.41
Total Public Account Disbursements	.. 4,95.91	4,85.38	4,80.12

C—NET PUBLIC ACCOUNT RECEIPTS

(Public Account Receipts <i>minus</i> Public Account Disbursements)	7.03	5.07	8.69
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Net Deficit/Surplus in the Non-Development Budget (A+B+C)	.. (—)11.77	25.16	0.07
Additional Taxation	.. 11.77
	..	25.16	0.07

SUMMARY OF ANNUAL DEVELOPMENT PROGRAMME

(Rupees in crore)

SECTOR/SUB-SECTOR	Budget 1978-79	Revised 1978-79	Budget 1979-80
AGRICULTURE			
Agriculture and Agricultural Credit	33.78	25.65	39.10
Animal Husbandry	6.94	5.20	8.17
Forestry	3.23	3.83	6.04
Fisheries	0.68	0.55	1.00
Co-operative and Rural Credit	0.50	0.39	0.39
Food Storage	6.45	6.08	6.75
Total Agriculture	51.58	41.70	61.45
Rural Development Programme	14.00	14.48	12.50
Industries and Mineral	7.98	4.43	7.07
Water	17.25	21.77	15.00
TRANSPORT AND COMMUNICATION			
Transport	0.35	0.55	0.45
Communication	24.02	29.14	20.48
Total Transport and Communication	24.37	29.69	20.93

(Rupees in crore)

	Budget 1978-79	Revised 1978-79	Budget 1979-80
PHYSICAL PLANNING AND HOUSING			
Town Planning and Research	0.17	0.16	0.17
Low Income Housing	7.72	8.65	7.26
Rural Water Supplies	7.22	8.25	10.48
Urban Water Supplies	5.36	5.47	4.76
Government Servants Housing	3.17	3.15	3.63
Government Offices and Buildings	4.12	6.27	5.66
Urban Development	41.00	40.34	29.61
Total Physical Planning and Housing	68.76	72.29	61.57
Education and Training	18.55	17.62	18.25
Information, Culture and Tourism	0.55	0.63	0.92
Health	21.37	22.34	26.42
Social Welfare	1.50	1.17	2.25
Manpower Training	1.75	1.25	2.49
Murree Kahuta Development Authority	2.24	..	..
Block Allocation	2.50	..	1.00
Gross Total	2,32.40	2,27.39	2,29.84
Less—Operational Short-fall	—8.58	..	..
Less—Housing Schemes to be financed from the Deposit Account	—1.50	..	—1.50
Net Total	2,22.32	2,27.39	2,28.34