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Problems of Budgetary Reform in Pakistan

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INTRODUCTION

In virtually all countries the government has come to assume an increasingly important role in determining the level of economic activity. It is now entrusted with the responsibilities of conducting development programmes and maintaining full employment targets of the available economic resources in order to contribute to current and future levels of the country's productive capacity. It is also expected to enhance the pace of capital formation in the country through special attention to long-term investment projects which do not attract private capital. The presentation of its programmes, and more specifically its budgets, therefore assumes special importance: "comprehensive fiscal policy is impossible without a proper system of financial planning and reporting at all levels of Government.¹" It is in this context that the present study of the Pakistan Government Central and Provincial budgets is undertaken. The aim of the study is to examine the published budget materials of Pakistan in terms of the extent to which they permit an effective economic analysis of government activity and aid in the formulation of an effective economic policy.

Since the budget is the core of the government's financial programme, it is desirable to present it in a way that allows not only internal coordination and comparability among different financial programmes, but allows as well an appraisal of the economic implications of the several budgeted programmes, *i.e.*, the implications for employment, output, investment, price level, foreign trade balance, etc. This goal can be achieved by supplementing the conventional functional classification of the budget with what might be called an economic character classification.

In the light of the increasingly important role of government in economic matters, a government budget should thus be formulated

¹ United Nations, Department of Economic Affairs. Preface, *Budgetary Structure and Classification of Government Accounts*, New York, 1951.

with at least two objectives : (1) to serve as a major tool of executive management and legislative control over the use of funds ; and (2) to reveal the information significant for an economic analysis of the budget and for economic policy-making. The functional classification scheme serves the first objective so that the " accountability " of government transactions is ensured. However, the limitations of this kind of classification are becoming increasingly evident when an attempt is made to carry out an economic appraisal of government activities. This is so because the conventional accounts are designed only to show the total government expenditure according to purpose, such as expenditure on general administration, defence, education, health, etc. However, such a functional classification, as usually framed, does not provide an adequate basis for determining (e.g.) total government outlays on development, or total outlays on maintenance, or total wages. Moreover, the classification may vary from one government body to another and between different levels of government.

An economic character classification, on the other hand, is required to provide data that are relevant and useful for analysing the influence of government transactions on the conventional variables of interest to the economic policy-maker. This is especially important insofar as a major portion of development outlays are financed not by domestic tax receipts but by official borrowings at home and abroad. It is essential, for example, to know the achievements—immediate and long run—of a development budget financed by a deficit, since it is those achievements that determine, to a large extent, whether or not the deficit will contribute to inflationary pressures within the economy. Thus, the classification of government accounts according to economic categories is useful for distinguishing between " payments for capital formation ;... payments for government consumption ... ; payments (such as social security benefits) and receipts (such as taxes) which redistribute the income of the rest of the economy ; payments (such as loans and advances) which make funds available for capital formation by the rest of the economy, and receipts (such as borrowings) which

transfer part of the savings of the rest of the economy to the government².”

Some important work has been done in this respect during the last decade by the United Nations Department of Economic Affairs and Economic Commission for Asia and the Far East³. In 1960 the West Pakistan Bureau of Statistics made public an economic classification of the West Pakistan budget. Although this marks a major step forward, it is still not as comprehensive as now appears necessary. The detailed methodology used in calculating this reclassification from the budget data has not yet been presented. This makes it difficult to compare the reclassified accounts with the budget itself. There are many details whose inclusion would add to the usefulness of this classification ; for example, a breakdown of loans made by the Central Government from its own funds, from foreign loans and grants, and from counterpart funds. Also, a note as to the nature of the suspense accounts would be helpful. Similarly, it would have been useful to mention whether the classified accounts have been prepared from published data only or from primary sources as well.

The Central Government of Pakistan has also been making efforts to bring its budget presentation closer to meeting the needs of the economic policy-maker. However, there are still many details lacking, which makes it difficult to assess the economic impact of some transactions. For example, the components of development expenditure on Revenue (Current) Account are not always clearly distinguishable from published materials. Development expenditure is defined very broadly, and all capital expenditure, except that on defence and State trading⁴, is considered developmental. Capital

² Economic Commission for Asia and the Far East. *Report of the Workshop on Problems of Budget Reclassification in the ECAFE Region, 1955*, page 14, para 40.

³ The United Nations study, *op. cit.* has discussed in detail problems of budget structure and classification for the central government, and briefly for provincial and local budgets. The ECAFE studies give general principles as well as details of economic classification of the budgets, along with some country case studies.

⁴ Capital expenditure on State trading has, in recent years, consisted mostly of provisions of subsidy on imported foodgrains supplied to the Provinces of East and West Pakistan.

receipts, which provide for the balancing of the budget, have been classified on the basis of internal and external resources only since 1959-60. Prior to that, receipts from foreign aid and loans were given only partially, whereas utilization of counterpart funds was presented in a manner which made them difficult to isolate. Receipts and expenditures of foreign defence aid under United States P.L. 665 were excluded from the budget. This meant showing a smaller total defence outlay, as well as a lower budgetary deficit, than was correct from an economic standpoint. Accounts for final utilization of external resources by the Pakistan Government before 1959 have yet to be published in complete form.

The collection and presentation of financial data is, even under ideal conditions, a difficult job, and the fact that most of the underdeveloped countries have not yet managed to meet this task in a satisfactory manner is not surprising. But because of the strategic importance of economic policy in the development effort, and of the budget in the making of policy, the satisfactory performance of this task is a matter of some priority. The basic aim of this study is to make a modest contribution to this end.

SECTION I deals with the difficulties which are due to the time lag involved between the presentation of the Budget Estimates, Provisional Actuals, and final closing of accounts.

SECTION II is concerned with the difficulties of trying to consolidate budget accounts. Since the budgets, in their present state, include a large number of transfer items, book entries and ill-defined items, which at times are not distinguishable, the final statement becomes rather inflated so that it is exceedingly difficult for the analyst to know the exact picture of government finance. Also, the reporting of certain items by Central and Provincial Governments is not on a uniform basis.

SECTION III discusses the problem of getting an overall view of government finances and deficit financing. Deficit financing can be identified in the budget through various methods. These are examined and comparisons are made with the corresponding data obtained from monetary sources.

SECTION IV considers the difficulties that arise when budget data are used to measure the extent of development effort in the country. Since the concept of development expenditure used in the budget has varied over time, and since certain items are presented in a lump-sum manner, it seems especially useful to call attention to this range of problems.

Finally, some lines of improvement are suggested in SECTION V. These are designed to permit a more meaningful analysis of budget effects by those who are responsible for economic analysis and the making of economic policy.

One further point is to be emphasized in this introduction. This monograph is basically a discussion of the difficulties of analyzing the budget on the basis of the material published. Some of the problems referred to in this study can be cleared up if one has access to background documents and has the time to work through them. Most economists have to rely entirely on the published materials however, and then the problems herein discussed emerge.

SECTION I

A STUDY OF THE ACTUAL FINANCIAL POSITION

As emphasized in the Introduction, accurate and current information on financial activities in the government sector is a basic pre-requisite to the formulation of sound public policy. Such information is also important for analysis of the government programme as it affects the key variables of the economy : price level, employment, rate of growth of output, distribution of income, etc. It is useful, therefore, to examine the limitations on the accuracy of fiscal data available in Pakistan.

One cannot easily determine the country's financial position at a given time from the budgets because of the time lag between the initial presentation of the budget and its finalization. Thus, the current data as contained in the first draft of the budget (Budget Estimates) are, for reasons to be discussed, subject to marked change, and consequently are of limited use for analytical purposes. On

the other hand, accurate information as given in the Final Accounts becomes available only after a considerably longer period (five to six years). During this interval, Provisional Actual Accounts are presented (two years after the Budget Estimates), and these, though much more accurate than Budget Estimates, are also subject to some change.

Problems arise because the variations between the first draft and the Provisional and Final Accounts are by no means insignificant. Any economic analysis of budget data operates under the handicap of being based either on currently available information which is almost certain to be changed later, or on accurate data which are not available early enough to be of use in examining the current economic situation.

For convenience of presentation, the exposition that follows is divided into two main categories :

- A. Comparison of Budget Estimates and Provisional Actuals.
- B. Comparison of Provisional Actuals and Final Accounts.

Each of these categories are further sub-divided into :

- (1) Revenue Account ; and (2) Capital Account.

For each of these accounts, the changes from Budget Estimates to Provisional Actuals to Final Accounts are discussed with reference to the three budget presenting authorities, *i.e.*, (a) the Central Government ; (b) the two Provincial Governments of East and West Pakistan taken together ; and (c) the consolidated accounts of the Central, East Pakistan and West Pakistan Governments. In the Revenue and Capital Accounts distinction is also made between receipts and expenditure on each account. Wherever comparison between the pre-Plan period (up to 1955) and the Plan period (1955-60) was considered useful, it has been made. This is done in terms of averages for the two periods because of the erratic behaviour of year-to-year data. The year-to-year differences are especially marked on Capital Account, as will be discussed at a later stage.

A. COMPARISON OF BUDGET ESTIMATES AND PROVISIONAL ACTUALS

The Provisional Actuals are presented two years after the Budget Estimates and usually are quite different from the Budget Estimates. Tables 1 and 2 give the percentage extent of variation between the two for Revenue and Capital Accounts.

1. Revenue Account

Central Government

The Central Government Revenue Account (Table 1, Section 1) registers differences between Budget Estimates and Provisional Actuals which range from 1 per cent to 22.8 per cent on the receipts side, and from about 2 per cent to 40.8 per cent on the expenditure side. On the receipts side in all years except 1956-57 the Provisional Actuals were larger than the Budget Estimates, while in the three years 1954-55 through 1956-57 Provisional Actual expenditures were less than Budget Estimates. To illustrate the importance of these differences between Budget Estimates and Provisional Actuals, one simple argument may be mentioned here. The Budget Estimates in 1951-52 and 1952-53 showed a surplus on Revenue Account and deficits for each of the remaining years of the period excluding 1958-59 and 1959-60 (*see* Appendix, Table 1), while the Provisional Actuals, available two years later, showed a surplus in each year, frequently of sizable proportions. For example, in 1958-59 the Budget Estimates for Central Government Revenue Account show a Rs. 23-million surplus and the Provisional Actuals show a Rs. 77-million surplus. Two things are evident: in proceeding on the basis of the Budget Estimates the policy-maker could well be led astray, *i.e.*, his estimate of what the economy could do in other sectors would be one thing with a Rs. 23-million surplus and another with a Rs. 77-million surplus; second, the investigator who seeks to find an explanation of an observed phenomenon—*e.g.*, price level or employment behaviour—could reach one conclusion before the actual data were available and another afterwards.

TABLE 1*

Percentage Extent of Variation between Budget Estimates
and Provisional Actuals : Revenue Account¹

Year	I		II		III	
	Central Budget		Provincial Budgets		Consolidated	
	Receipts	Expenditure	Receipts	Expenditure	Receipts	Expenditure
1951-52 ...	+ 22.8	+ 40.8	+ 15.0	+ 2.4	+ 20.3	+ 26.3
1952-53 ...	+ 3.0	+ 1.9	- 0.3	- 4.8	+ 1.8	+ 0.8
1953-54 ...	+ 14.3	+ 10.1	+ 6.3	- 9.0	+ 11.2	+ 2.3
1954-55 ...	+ 4.0	- 4.0	+ 5.3	+ 1.2	+ 4.4	- 2.1
Absolute Average 4 Years ...	11.0	14.2	6.7	4.1	9.4	8.0
1955-56 ...	+ 8.1	- 3.6	+ 3.6	+ 12.0	+ 7.0	+ 1.9
1956-57 ...	- 1.0	- 4.5	+ 0.7	+ 4.1	- 0.2	- 1.1
1957-58 ...	+ 9.3	+ 6.7	- 5.4	- 1.1	+ 3.3	+ 3.5
1958-59† ...	+ 16.0	+ 12.0	- 0.3	- 5.4	+ 12.7	+ 5.4
1959-60†† (July-June)	+ 11.2	+ 5.0	- 0.9	...	+ 6.1	+ 3.0
Absolute Average 5 Years ...	7.1	6.4	2.2	4.5	6.0	3.0

* This table is based on Tables 1, 2 and 3 in the Appendix.

¹ Percentage excess of Provisional Actuals over Budget Estimates. Where a minus sign appears the Budget Estimate was greater than the Provisional Actuals.

† 1958-59 is fifteen-month period, April 1958-June 1959 due to the change in the fiscal year from April-March to July-June.

†† 1959-60 : Budget Estimates compared with Revised Estimates only, not Provisional Actuals.

The absolute average variation between Budget Estimates and Provisional Actuals for revenue receipts and expenditure has been higher for the pre-Plan period (11 per cent and 14.2 per cent respectively) than the Plan period (7.1 per cent and 6.4 per cent respectively). This improvement is probably due to two factors. First, the budget has been made more accurate with respect to the forecast of potential receipts and the formulation of expenditure plans. The second reason is the change in the nature of the economy over this period. In the first period, a very large percentage of total government revenues accrued from customs duties (and still does but to a reduced degree). The export economy was little diversified; it consisted primarily of two cash crops (jute and cotton). This made government revenue from customs receipts highly vulnerable to fluctuations in world market demand. Actually, the earlier years in this period showed buoyancy in Revenue Accounts largely because of the Korean boom, and such a result is difficult to predict. The large excess of revenue receipts in Provisional Actuals over Budget Estimates for 1951-52 (22.8 per cent) was primarily due to profits on State trading and higher customs revenues recovered on account of jute and cotton exports. Budget Estimates for customs duties for the year 1951-52 were Rs. 644.7 million, while realization according to Provisional Actuals was Rs. 822.0 million⁵. The figures for revenue receipts on account of customs duties are summarised below :—

*Central Government Revenue Receipts: Customs Duties
Provisional Actuals*

(Rs. in millions)

	1950-51	1951-52	1952-53	1953-54	1954-55
Absolute Amount ...	787.3	822.0	612.4	367.5	368.1
Percentage of Total Revenue ...	61.6	58.0	48.3	33.3	32.8

⁵ Government of Pakistan budget for 1952-53; *Speech of the Finance Minister*, page 7.

Profits on State trading were in later years offset by government losses, and total revenue receipts for subsequent years reflected this burden.

The Plan period (1955-60) presents a different picture. Central Government revenue receipts, as presented in Provisional Actuals, varied from Budget Estimates by between 1 per cent and 16 per cent yielding an average of 7.1 per cent.

The revenue expenditure account for the Central Government was also to bear the stamp of these exogenous factors. There was a corresponding increase in Provisional Actuals over Budget Estimates for the year 1951-52 (40.8 per cent). In particular, "miscellaneous" expenditure was much larger in 1951-52 as compared to some other years as given below :—

*Central Government Revenue Expenditure: Miscellaneous
Provisional Actuals
(Rs. in millions)*

	1951-52	1952-53	1953-54
Absolute Amount	228.0	97.7	27.5

Another comparatively high revenue expenditure item for this particular year was defence, on which Rs. 792.4 million (55 per cent of total revenue expenditure) were actually spent. This was due to political tension between India and Pakistan during most of 1951, again a difficult item to predict.

Provincial Governments

The Governments of East and West Pakistan shared the prosperity of the Centre for the earlier years under study (Table 1, Column II). In fact, provincial revenue receipts are very much dependent on central revenues, because they are composed partly of allocations out of central revenues and of grants from the Central

Government. The Provinces share receipts under a number of revenue heads, such as customs duties, central excise duties and income taxes on a percentage basis according to the *Raisman Award*⁶. The amount of the grants rests on the discretion of the Central Government. However, the Provinces have their own sources of revenue too. Provincial receipts and expenditure are less erratic than those of the Central Government because some of these revenues, e.g., land-revenue, are charged (partly) on a fixed basis. For receipts, the average percentage difference between Budget Estimates and Provisional Actuals is 6.7 per cent during the years 1951-55, while it is 2.2 per cent for the period 1955-60. The expenditure account shows variations to the extent of 4.1 per cent and 4.5 per cent respectively for the two periods.

Consolidated

The consolidated revenue account of the Central and Provincial budgets is presented in Column III of Table 1. Obviously, all of these percentage differences will fall somewhere between those for the Central Government and those for the Provinces. The pre-Plan average for revenue receipts is 9.4 per cent while the Plan period average comes to 6.0 per cent. On the expenditure side, the figures are 8.0 per cent and 3.0 per cent respectively.

2. Capital Account

The Capital Account presents an entirely different story. The variations between Budget Estimates and Provisional Actuals are generally much higher than on Revenue Account, for both the Central and Provincial Governments. Also, the signs (*plus* or *minus*) are more irregularly distributed than in the Revenue Account. The results for the pre-Plan and Plan periods, however, maintain the same relationship as on Revenue Account, i.e., higher variations for the earlier period than the later one.

⁶ Government of Pakistan budget 1952-53; *Speech of the Finance Minister*, page 4, para 11. The *Raisman Award* is a set of recommendations, adopted as an Award in 1952-53, regarding an equitable allocation of revenues between the Central and Provincial Governments.

TABLE 2*
Percentage Variation between Budget Estimates and Provisional Actuals: Capital Account¹

Year	I Central Budget		II Provincial Budgets		III Consolidated	
	Receipts	Expenditure	Receipts	Expenditure	Receipts	Expenditure
1951-52 ...	-30.0	-40.2	+571.4	-18.3	+64.1	-32.2
1952-53 ...	+23.8	+34.0	-8.6	+24.0	+17.0	+29.2
1953-54 ...	+51.5	-17.0	+574.0	+101.0	+91.4	+38.0
1954-55 ...	-50.0	-48.8	+105.0	+86.3	-35.5	-7.0
Absolute Average 4 Years ...	38.8	35.0	314.7	57.4	52.0	26.6
1955-56 ...	+18.0	-44.0	-72.5	+74.3	+9.7	-7.0
1956-57 ...	-50.0	-29.0	-69.4	-58.7	-52.1	-42.2
1957-58 ...	-36.0	-27.0	... ^a	-17.4	-9.3	-24.8
1958-59† ...	+19.0	-35.4	-137.0	-5.7	-3.0	-23.2
1959-60†† ...	+6.4	-13.4	... ^a	-	+350.0	-8.0
Absolute Average 5 Years ...	26.0	29.8	... ^a	31.2	85.0	21.0

* This table is based on Tables 4, 5 and 6 in the Appendix.

¹ Percentage excess of Provisional Actuals over Budget Estimates; where a *minus* sign appears, the Budget Estimate was greater than the Provisional Actuals.

† 1958-59 is fifteen-month period, April 1958-June 1959 due to the change in the fiscal year from April-March to July-June.

†† 1959-60: Budget Estimates compared with Revised Estimates only, not Provisional Actuals.

^a Provincial Governments' receipts for these years rise from a negative figure in Budget Estimates to a positive one in the Provisional Actuals. Comparison in percentage terms, thus, becomes meaningless. Hence, the absolute average also has not been computed.

Central Government

The Capital Account variations for the Central Government budget go as high as 51.5 per cent for 1953-54 on the receipts side, and 48.8 per cent for 1954-55 on expenditure side. Provisional Actual capital receipts have registered a rise over Budget Estimates for six out of the nine years under study, while capital expenditure has been reduced throughout, with the exception of the year 1952-53.

Consider first capital receipts. The *Budget Explanatory Memorandum* does not contain any specific details about receipts on Capital Account. The analysis that follows is based on a study of the statement of the Capital Account as it appears in the *Financial Statement* for the budget each year. The main sources of percentage difference in the capital receipts can be broadly categorized under the following heads⁷.

- (1) Miscellaneous capital receipts.
- (2) Unfunded debt.
- (3) Deposits and advances,
- (4) State trading.

Provisional Actuals for "miscellaneous capital receipts" diverge markedly from Budget Estimates for the years 1953-54, 1955-56, and 1958-59. The comparative figures are :—

Central Government Capital Receipts : Miscellaneous

(Rs. in millions)

	Budget Estimates	Provisional Actuals
1953-54	Nil	32.9
1955-56	39.9	14.1
1958-59	6.1	96.1

⁷ This discussion does not include capital receipts on account of (1) permanent debt, internal, (2) floating debt and treasury bills, and (3) drawals on cash balances, since these constitute 'deficit financing' by the Government. Foreign aid and loans have also been excluded but wherever 'counterpart funds' have been included in a camouflaged manner, it has been difficult to isolate them. This part is discussed in the text.

This large divergence has been due to the fact that the Pakistan Government has been participating rather actively in investment activity in the country. In January 1952 the Government established the Pakistan Industrial Development Corporation (PIDC), its first venture in this field. The PIDC was created in order that the Government could "take the initiative in cases where the establishment of important industries would, in the ordinary course, entail undue delay or where private enterprise was lacking"⁸. Two major undertakings in which the Government invested through PIDC were the Adamjee Jute Mills and the Karnafuli Paper Mills. It is gathered that when shares of these undertakings were sold to the public in 1953-54, they met an unexpectedly enthusiastic market response; hence the 1953-54 rise in Provisional Actual receipts well beyond the amount originally budgeted. The year 1955-56 brought a reversal however; expected sales of PIDC shares did not materialize.

In the year 1958-59, the Central Government's miscellaneous capital receipts registered an increase of Rs. 90.8 million. Discussions with some authoritative sources reveal that this amount was transferred on credit, from counterpart funds (initially included somewhere in the Revenue Account) in order to offset past losses on State trading of jute and cotton, after their prices had fallen considerably from the high of the Korean boom.

"Unfunded debt" also changes frequently from Budget Estimates to Provisional Actuals but to a smaller extent. This item includes savings bank deposits, post office savings certificates, provident funds and postal insurance, etc. Prediction is difficult here because the ultimate decision does not lie with any government agency, but with the small saver. In an economy undergoing marked changes in structure, organization and total output, small saving is likely to change from year to year in a rather haphazard way.

"Deposits and advances" include funds transferred to capital receipts from Revenue Account and allocated for various development purposes. They also include foreign aid and loan adjustments

⁸ Government of Pakistan budget for 1952-53: *Speech of the Finance Minister*, page 21, para 94.

which were not made on an annual basis, but were recorded in this account under sub-head "suspense account". This latter includes, to a large extent, adjustments made out of counterpart funds of United States commodity aid received under P.L. 480. "Deposits and advances" are registered as follows for various years:

Central Government Capital Receipts: Deposits and Advances

(Rs. in millions)

	Budget Estimates	Provisional Actuals
1951-52	-2.7	224.2
1952-53	81.4	207.2
1953-54	38.7	32.9
1956-57	150.9	-16.5
1957-58	162.0	64.9
1958-59	105.0	-0.5

Capital receipts on account of "State trading" have changed considerably. These are shown below:

Central Government Capital Receipts: State Trading

(Rs. in millions)

	Budget Estimates	Provisional Actuals
1951-52	Nil	-67.1
1953-54	240.4	310.4
1954-55	163.1	32.3
1955-56	Nil	102.8

In terms of differences between Budget Estimates and Provisional Actuals, the Central Government's capital expenditure has been consistently reduced for the period under study, with the exception of the year 1952-53 when there was an increase of 34 per cent. There could be several reasons for this fairly consistent reduction.

One is the inability of the Government to borrow enough funds to carry out the budgeted expenditures. To some extent, also, the reduction in expenditure was deliberate in order to keep deficit financing within the limits believed necessary to prevent a major inflation. But the most important reason, perhaps, is the fact that Budget Estimates, by and large, give the capital expenditure to be incurred on development projects. For technical and other reasons, a number of these projects do not utilize the funds allocated to them within the fiscal year. Hence, shortfalls occur which are later recorded in the Provisional Actuals. This is shown by the fact that variations are much more significant on the accounts of capital expenditure on civil works, railways, industrial development, State trading and defence than is the average variation for all items; at times, expenditure on posts and telegraph and on agricultural improvement and research also fluctuates more than the average.

Provincial Governments

The deviation between the Budget Estimates and Provisional Actuals on Capital Account is much greater for the Provincial Governments than for the Central Government, (Table 2, Column II). It includes variations as high as 574 per cent for capital receipts in 1953-54 and 571 per cent in 1951-52. Although the average is 314 per cent for the pre-Plan period, getting such an average for the Plan period becomes meaningless since Budget Estimates show negative receipts for the years 1957-58 and 1959-60 while Provisional Actuals show positive receipts. The comparison is of doubtful validity also because the years 1957-58, 1958-59 and 1959-60 do not give complete Provisional Actuals. No substantial explanation can be offered for the large variations in Provincial Governments' capital receipts, since, apart from their borrowings⁹ and loans and grants from the Central Government, which are excluded here, only three items account for these finances.

- (1) Unfunded debt (net).
- (2) Deposits and remittances (net).
- (3) Recoveries from loans and advances (net).

⁹ Permanent debt (net); floating debt (net); cash balance utilization.

Capital expenditure, on the other hand, shows more moderate variations. The average is 57.4 per cent for the pre-Plan period, and 31.2 per cent for the Plan period.

Consolidated

In regard to capital receipts, the consolidated average variation between Budget Estimates and Provisional Actuals amounts to 52.0 per cent for the pre-Plan period and approximately 85.0 per cent for the Plan period. On the capital expenditure side, the figures are 26.6 per cent and 21.0 per cent respectively.

B. COMPARISON OF PROVISIONAL ACTUALS AND FINAL (FINANCE) ACCOUNTS

The second time lag in budgetary reporting is between Provisional Actuals and Final Accounts; these records are kept by the office of the Accountant General of Pakistan Revenues. Tables 3 and 4 give the yearly variations for the Central and Provincial Governments as between Provisional Actuals and Final Accounts. Here the duration of the time lag is not fixed; it varies for the Centre and for each of the Provinces. A consolidated picture cannot be presented in this case, since the data for West Pakistan are incomplete for 1954-55.

1. Revenue Account

TABLE 3*

*Percentage Variation between Provisional and Final Accounts:
Revenue Account*

Year	I		II	
	Central Government		Provincial Governments	
	Receipts	Expenditure	Receipts	Expenditure
1951-52	<i>Nil</i>	- 1.5	- 0.9	+ 7.5
1952-53	+ 3.8	+ 2.7	+ 0.8	+ 4.0
1953-54	- 1.3	- 1.0	- 2.5	+ 11.6
1954-55	+ 1.4	+ 2.6	<i>N.A.</i>	<i>N.A.</i>
1955-56	+ 10.8	+ 10.0	- 3.0	- 9.0

* This table is based on Tables 7 and 8 in the Appendix.

Central Government

The Final (Finance) Accounts of the Central Government are available only up to 1955-56 (Table 3, Column I). The variations between Provisional Actuals and Final Accounts are smaller than those between Budget Estimates and Provisional Actuals, primarily because most of Provisional Actuals reflect complete and accurate data. The average annual variation for the years 1951-52 to 1955-56 is 3.5 per cent for receipts and 3.6 per cent for expenditure; except for 1955-56, the range of variation is very small.

Provincial Governments

Final Accounts for the Provincial Governments also show little variation as compared with Provisional Actuals. The average for the years 1951-52 to 1955-56 is 8 per cent, omitting 1954-55, for which West Pakistan accounts were not available (Table 3, Column II).

2. Capital Account

TABLE 4*

Percentage Variation between Provisional and Final Accounts:
Capital Account

Year	I		II	
	Central Government		Provincial Governments	
	Receipts	Expenditure	Receipts	Expenditure
1951-52	+90.0	+44.7	-100.0	-66.0
1952-53	+ 4.3	+ 3.4	+ 45.4	-53.2
1953-54	+23.7	+ 4.4	- 14.2	-50.0
1954-55	+58.0	- 8.0	N.A.	N.A.
1955-56	-26.0	-31.5	N.A.	N.A.

Final Accounts for West Pakistan are not complete, hence comparison was possible only upto 1953-54.

* This summary table is based on Tables 9 and 10 in the Appendix.

Central Government

Capital Account again shows great fluctuations despite the fact that some of the changes were adjusted earlier when Provisional Actuals were presented. The Final Accounts register higher receipts for the years 1951-52 to 1954-55, while for 1955-56 they are lower than those in Provisional Actuals, (Table 4, Column I). Their average variation is 40.4 per cent, which is higher than the average difference between Budget Estimates and Provisional Actuals on Capital Account.

Capital expenditure on Final Accounts exceed Provisional Actuals for the first three years (1951-52 to 1953-54) ; while Final Accounts fall short in the last two years under study (1954-55 and 1955-56). The average change for the five years is 18.5 per cent.

Provincial Governments

Final Accounts for West Pakistan are available only up to 1953-54, and for 1955-56, so that Capital Account variations for the two Provincial Governments combined cannot be given for all the years in the period. The variations average 56.5 per cent for receipts and 56.4 per cent for expenditure. Final Accounts for East Pakistan are available up to 1955-56. (Table 10, Appendix).

It is clear from the foregoing survey that the Capital Account needs to be studied more carefully than the Revenue Account, because the data on Capital Account tend to change between widely divergent limits from one budget to the next. It is inferred that one reason for this instability is the accounting practice of transferring all doubtful transactions and deferred payments to a suspense account which gets built up over time. This practice makes it quite difficult to exercise complete financial control in the current period when large amounts of funds are involved as carry-overs from previous budgets, and their future settlement is uncertain over a long period of time. But there are, doubtless, other reasons as well. In any event, analysis of the Capital Account is especially important because the extent of government capital formation and development expenditure in Pakistan can be estimated only if the Capital Account is clear, complete, and up-to-date.

SECTION II

CONSOLIDATION OF BUDGET ACCOUNTS

Consolidation of the Central and Provincial Government budgets is important for a number of reasons. The Central Government budget covers only part of the economic activities of the total government sector, the rest is covered by the Provincial Government budgets. Thus, attention only to the Central Government's budget would over-emphasize some expenditures such as defence, while it would under-emphasize expenditures on (*e.g.*) social services which are shared by the Centre and the Provinces. Government fiscal operations generally involve the transfer of considerable amounts of money between the Central and Provincial Governments and among different government agencies. At times, there are also book entries involved. Inclusion of these transfer items is necessary for administrative purposes but unless it is possible to isolate them, they may result in an incorrect appraisal of the impact of government actions on the economy. Their inclusion both at the giving and the receiving end is a sort of double counting which results in the inflation of total receipts and expenditure. It is important, in such circumstances, to eliminate all double counting and to consolidate the Central and Provincial Government budgets in a manner that permits a comprehensive and exact picture of the magnitude and composition of the projected outlay of the entire public sector.

There are two major sources of difficulties in the consolidation of the Central and Provincial budgets. First, the reporting of some transfer items differs between different government agencies (especially Central and Provincial Governments) and second, the transfer is sometimes presented in a manner that is not easily distinguishable. A discussion of these two difficulties will follow.

It is necessary to begin with some remarks about the diverse nature of the transfer items and the book entries involved in the central budget. Surpluses or deficits from Revenue Account are carried over to be included in capital receipts. A number of other reserve funds, including a part of the suspense account, is also transferred from the Revenue to the Capital Account, and treated as capital

receipts. These latter funds include mainly small allocations to educational or social uplift institutions, educational grants to universities on Capital Account, and such other funds of a varied nature. These funds are not always utilised by the recipients concerned within the fiscal year, so that a suspense account gets built up over the years. The net suspense account for the year 1958-59, on receipts side, for instance, is Rs. 106 crores, and for 1956-57 it is Rs. 65 crores,¹⁰ while for 1957-58 it is Rs. 20.4 crores on expenditure side. (This suspense account relates, partly, to the revenue funds only; it does not include deferred payments on other accounts). Also capital receipts include recoveries of loans and advances from Provincial Governments, which is again only a transfer items.

On the capital expenditure side, loans and grants to Provincial Governments are transfer items. They are later included in the Provincial Government receipts, so that while looking at the consolidated picture of central and provincial finances, the analyst must take this fact into account. On the Revenue Account, too, some transfer items are included. For instance, the Central Government Revenue Account includes interest on loans to Provincial Governments as part of its receipts. On the expenditure side, grants-in-aid to Provincial Governments, to the Central Road Fund and contributions to the Special Fund for Rehabilitation of Refugees are included (the latter two go over to the Capital Account).

Apart from transfer items, some purely accounting items are included in the budgets. These are mere book entries and hardly any transaction takes place against these items. On the Capital Account, for example, are contributions to International Monetary Fund and the World Bank during the years 1950-51, 1951-52, 1955-56 and 1959-60. These were financed through government's 'promise to pay' and ad hoc securities, and were merely paper transactions. No money has so far been drawn out of these, as the contribution to the IMF is to be drawn only in case of extreme balance of payments difficulties, and that of World Bank if there is demand from another country for borrowing Pakistan currency.

¹⁰ Government of Pakistan Budgets: *Annual Financial Statements: Provisional Actuals* for the years 1956-57, 1957-58, 1958-59.

Neither contingency has arisen so far, so the accounts stay as such. A second instance is the inclusion of currency capital for the year 1955-56 when there was a windfall gain of approximately Rs. 344.5 million to the State Bank on account of devaluation of the Pakistan rupee,¹¹ as the value of its foreign exchange reserves appreciated in terms of domestic currency. This account was transferred to the Government and shown as part of its capital receipts for that year, but since it was paper-profits, no actual money-transaction took place. Transfer of cash between England and Pakistan is another example. Whatever amounts are involved (they are usually negligible) are mere book entries. The revenue expenditure side includes lump-sum provision for implementation of the recommendations of the Pay Commission, and for other similar items, against which no outlays have taken place so far.

As noted above, the first source of difficulty in consolidating arises from the fact that reporting of loans and grants to provinces and debt servicing of provinces as it appears in the central and provincial budgets is not always identical. Logically speaking, the two reports should be the same even though the reporting agencies are different. In published materials, however, this is not so, and discrepancies are found when the two are compared. Tables 11, 12 and 13 in the Appendix give year-by-year account of (1) total loans and grants, (2) development loans only, and (3) repayment of loans and interest as they appear in the provincial and central budgets. The discrepancies are quite high when the total loans and grants position is compared (e.g. highest differences are 76 per cent for the year 1956-57, and 28.5 per cent for 1957-58; the lowest is 0.36 per cent for 1953-54; Table 11, Appendix).

The divergence is due primarily to the fact that very often the basis of reporting is not similar for both. The Central Government budget includes any grant made to a provincial agency or institution as part of the total lending to the province concerned, whereas the Provincial Government passes some of these on to the recipient directly without counting them as part of provincial receipts from the

¹¹ Government of Pakistan. *Budget Explanatory Memorandum, 1956-57*, page 220.

centre. A case in point is the Central Government grant of Rs. 14 million given to Water and Power Development Authority (WAPDA), West Pakistan in the budget for 1960-61.¹² This transaction, however, is not shown as part of the provincial receipts from the centre, so that to this extent the loans and grants accounts in the Central and Provincial Government budgets will differ from each other. Discrepancies are also present in the reporting of development loans and repayment of loans and interest (Tables 12 and 13, Appendix). It should be repeated that these differences are, of course, reconcilable, but the independent analyst cannot reconcile them on the basis of published materials.

The second source of difficulty is the problem of determining the exact content of some items. *e.g.*, deposits and remittances, 'various funds' and recoveries. Since the exact nature of the receipt or expenditure head cannot be pinpointed in each case, it is difficult to assess their economic implications. Receipts of foreign aid and loans and their utilization are one big item in this context. Until 1959-60, the foreign defence support aid under United States P. L. 665 was not shown in the budget as part of the total aid. On the expenditure side, too, only the defence expenditure incurred out of domestic sources was shown. Thus, both the total foreign aid receipts as well as the defence expenditures were understated. Counterpart funds can be cited as another example of funds which have been utilized over time, and not included among receipts from external sources. These funds, as mentioned elsewhere in this study, are included, here and there, in a lump-sum manner and are difficult to isolate. Even the latest exposition of budget accounts as given in the *Public Finance Statistics* (published with the Central Government *Budget Explanatory Memorandum*, 1960-61) does not give complete accounts for the years previous to 1958-59. It is true that a yearly account of these funds would be difficult, since their flow has not been maintained on any regular annual basis, and their utilization, too, has been irregular. However, it is believed that some indication of the total magnitudes can surely be given, instead

¹² Government of Pakistan. *Budget Explanatory Memorandum*, 1960-61, demand No. 51, page 115.

of omitting them completely from published accounts.

Some of the funds and recoveries as included in "Deposits and advances" (Capital Account) also create difficulties when their source or end-use cannot be ascertained. It would be a useful idea to re-examine the terminology used here, and to rearrange some of these items in order to remove the ambiguity, in budget publication, concerning their sources and end-uses.

SECTION III

THE MEASUREMENT OF GOVERNMENT BORROWING

In all countries of the world, government borrowing has come to play a significant role in maintaining stability and growth and in determining the allocation of resources. The impact of government borrowing on total demand depends, of course, on from whom it borrows. To borrow (or obtain grants) from abroad has a different impact on the economy from that created by borrowing from individuals within the country. Also, the effect of borrowing from individuals is different from that of borrowing from the banking system. A general requirement for an effective economic analysis of a budget is that the budget permit the exact measurement of total borrowings (and grants) and the determination of the source of these borrowings. The purpose of this Section is to examine the Pakistan Central Government's budget in the light of this requirement.

Government domestic borrowing is, in general, equivalent to deficit financing, which in turn is usually examined in the context of aggregate demand. But data on the components of aggregate demand are not available in Pakistan. It is, therefore, necessary to apply the term "deficit financing" to describe the financing of a deliberately-created gap between public revenue and public expenditure. This gap may be financed by government borrowings from bank and non-bank corporations, by the running down of accumulated cash balances of the government, or by an increase in the money supply.¹³

¹³ M. Haq and K. Khanum. *Deficit Financing in Pakistan 1951-60*, Monograph No. 3, The Institute of Development Economics, Karachi, March, 1961. The relationship between money supply and deficit-financing in Pakistan has been discussed in detail in this monograph.

In Pakistan, deficit financing is defined as borrowings from the banking system.¹⁴ It can, therefore, be measured from the government budgets as well as the balance sheets of the central and commercial banks.

Deficit financing can be identified from the budgets in two different ways. One way is to measure the gap between total expenditure and receipts of the Central and Provincial Governments excluding from receipts all domestic borrowings, foreign resources that are made available, book entries and transfer items. These exclusions are necessary since the first two items, *i.e.* domestic borrowings and foreign loans and grants are purely financing items utilized for the purpose of filling the gap between government receipts and expenditure. The other two, as mentioned earlier, should be eliminated in order to avoid double counting in case of consolidation of different budgets. The second way to arrive at the deficit financing figure is to calculate the total domestic borrowings of the government sector from the budgets. This includes domestic borrowings, floating debt and treasury bills and drawals on cash-balances.

Monetary sources, as mentioned, can also be used for measuring the extent of deficit financing. Thus, the balance sheets of the central and commercial banks show how much government borrowing took place through the banks. Since a major part of government borrowings comes from this source, it is a fair indicator of total government domestic borrowing. Here, one can calculate the total loans and investments of the banking system to the government sector and all the government's drawals on cash balances with the central bank.¹⁵ The results obtained by this method should be only slightly less than those obtained from an examination of the budgets.

¹⁴ Government of Pakistan, Planning Commission. *The Second Five Year Plan*, June 1960, page 61, para 46.

¹⁵ M. Haq and K. Khanum. *op. cit.*, Deficit financing calculated from monetary data (State Bank of Pakistan *Annual Currency and Finance Reports*).

Computations have been made from published material of the amount of deficit financing by each of the three methods. The results are summarized in Table 5.

It will be seen that there are significant differences among the corresponding items in the three columns. The deficits shown in Column I have not been adjusted for the utilization of foreign grants and loans. This would mean that these data would not provide an exact measure of the impact on total demand of the Government's borrowing programme. For, as noted above, foreign borrowing will not have the same effect on the economy as domestic borrowing.

The data in Column I are consistent with the *Preliminary Evaluation Report of the First Five Year Plan* which estimates total deficit financing for the first four years of the Plan (1955-59) as Rs. 3,480 million. The data obtained for this study add up to Rs. 3,600 million, and individual years are equally close. According to the *Preliminary Evaluation Report*, this deficit was covered in part (Rs. 2,440 million) by external aid and in part (Rs. 1,040 million) by domestic borrowings.

Table 16 in the Appendix gives a comparative picture of data regarding foreign aid to Pakistan as compiled by the World Bank, the Planning Commission, and the central budgets. The large differences, some of which are due to differences in timing, again indicate the difficulty in measuring the extent to which the Government's activity affects the economy.

The calculation of borrowings as shown in the budget is compared with that obtained from the monetary sector in Columns II and III of Table 5. There are also differences between these two estimates, but the explanation of these differences is more obvious than in the case of the differences between Columns I and II.

The most important reason for these differences is that the monetary data are the actual picture of what the Government has done, while the budgetary data have been taken from Provisional Actuals

TABLE 5
Deficit Financing by the Government Sector (Central and Provincial Governments): Various Estimates
(Rs. in millions)

Year	I	II		III
		Excess of Budgeted Expenditure over Receipts	Domestic Borrowings only	
		Budgetary Data	Monetary Data	
1951-52	534.8	579.2	378	
1952-53	1,064.0	751.7	655	
1953-54	603.6	270.0	247	
1954-55	694.0	248.7	208	
Average Pre-Plan	724.1	461.3	372	
1955-56	803.9	132.0	336	
1956-57	422.9	874.5	418	
1957-58	1,255.1	965.0	769	
1958-59*	1,121.0	387.5	162	
1959-60**	432.1	571.9	-12	
Average Plan Period	807.0	586.2	335	

Sources:

COLUMN I: Budget Provisional Actuals, excluding financing items from receipts, all transfer items and book entries. (Based on Table 14 in the Appendix).

COLUMN II: Budget Provisional Actuals, including borrowings only, i.e. (1) permanent debt, internal, (2) floating debt and treasury bills, (3) draws on cash balances.

COLUMN III: Taken from Table 1, Column II from a study on *Deficit Financing in Pakistan*, prepared at the Institute. Data is based on banks' balance sheets as given in *Report on Currency and Finance* State Bank of Pakistan publication.

* 1958-59 is fifteen-month period.

** 1959-60 is Revised Estimates.

Counterpart funds are included in both COLUMNS II and III.

and therefore, as we have seen in Section 1, are probably not equal to Final Accounts. In fact, this can be verified by the data given below which gives a comparative account of the borrowings data in the central budget for Provisional Actuals and Final Accounts. (There are no variations in the borrowings data of Provinces between Provisional and Final Accounts).

Year	Head of Account	Provisional Actuals	Final Accounts	Extent of Variation per Year
1952-53	Permanent debt	219.0	150.4	-68.6
1953-54	Floating debt (net)	Nil	-253.7	
	Treasury bills	-123.4	50.0	
	Drawals on cash balances	129.9	138.6	
	Total	6.5	-65.1	-71.6
1954-55	Floating debt (net)	6.9	33.4	
	Treasury bills	72.1	50.0	
	Total	79.0	83.4	+4.4
1955-56	Floating debt (net)	-210.0	-225.4	
	Treasury bills	34.6	50.0	
	Drawals on cash balances	152.7	142.4	
	Total	-22.7	-33.0	-9.3

(-) Reduction in debt.

(+) Increase in debt.

These data show that if Final Accounts are used, the discrepancy between borrowings as shown in the budget and as shown in the monetary data is considerably reduced. In Table 5 the Provisional Accounts of the budget were used in order to present data for the whole period 1951-52 to 1959-60, and because it is frequently necessary to present an analysis based on Provisional Actuals only. It is, therefore, relevant to recognize the possible source and magnitude of error in these data.

Part of the discrepancy between Columns II and III of Table 5 is also due to the fact that the time period on the basis of which data are collected and presented is different in the two sources (as is evident from Table 13 in the Appendix which gives an item-wise comparison between the budget figures and those taken from the *Currency and Finance Report* published by the State Bank.) Until 1958-59, the budget data are based on a fiscal year, April to March ; the year 1958-59 is a 15-month period—April 1958-June 30th 1959, and 1959-60 is July to June. The monetary data have always been collected on July-June basis from the *Currency and Finance Report* of the State Bank. In Table 15 of the Appendix one can see that an item-wise comparison between the two contains a lot of variation. In case of treasury bills and cash-balance utilization (Appendix, Table 15, Columns 1 and 2) the coverage of items is different in the two sources. Both include use of counterpart funds in cash-balance utilization but the results are again inconsistent. Treasury bills, as shown in the *Currency and Finance Report* include items such as "bank's investments in Government securities" and "other investment".¹⁶ It is, therefore, difficult to segregate treasury bills item from this consolidated statement.

On the average, the Plan-period deficit financing figures differ in the two sources to the extent of 43 per cent. Firstly, this could be due to the fact that Final Accounts are not yet available for the budget data, and since data used here are estimates made for the future, it is not yet known how much has actually been utilized. On the other hand, monetary statistics are *ex-post*, hence more reliable. Another reason could be that the budget figures have not been adjusted for the utilization of foreign aid and loans. It is obvious, then, that the analyst who depends on published data may get vastly different results depending upon the source of his data.

¹⁶ M. Haq and K. Khanum. *op. cit.*, Monetary data as presented in Table I, Column II was calculated resorting to a particular methodology and includes these investment items.

SECTION IV

THE BUDGET AS AN INDEX OF DEVELOPMENT EFFORT

In countries where the government is engaged in a long-run development effort, effective policy-making requires data showing both the absolute size and types of annual development outlay in a well defined manner. The budget is the obvious source of such data. This is so, as mentioned earlier, because of the new significance that government finance has assumed in countries carrying out formal development programmes. "The governments of these countries are making increasing use of fiscal policy to increase the volume of savings available for economic development, to counteract inflationary pressures which may result from rapid development and to mitigate fluctuations in income and activity originating from rapid changes in demand and prices of export products."¹⁷

The term "development expenditure" is a somewhat elusive concept. It usually includes all expenditures which lead to the creation of physical capital, but the extent to which expenditure on development of human resources can be included is rather controversial. This is so because once the human factor is taken into account in the production process, it becomes impossible to establish a clear line of demarcation between what is developmental and what is non-developmental. A useful definition of development expenditure in the circumstances would be to "include all outlays which result in the use of current resources by the government or the private sector, in order to add to future output."¹⁸

The definition of development expenditure, adopted by *The First Five Year Plan (1955-60)* of Pakistan, covers "gross fixed investment in all cases except changes in inventories, private investment in agriculture, expenditures of local bodies and some government corporations (such as Karachi Development Authority, Pakistan International Airlines, Karachi Port Trust, etc.) from their own resources and all non-monetary investment. In the social sector,

¹⁷ United Nations, Bureau of Economic Affairs. *A Manual for the Classification of Government Accounts*, Bangkok, October 1954, page 3, para 2.

¹⁸ *Ibid.*, page 217, para I.

(education, health, village aid, and other social services) development expenditure includes increases in recurring as well as non-recurring outlays over the last pre-Plan year".¹⁹

The Second Five Year Plan (1960-65) has modified the final section of the above definition to "exclude the recurring costs of schemes in the public sector except recurring expenditure on popularizing the use of fertilizers, agricultural extension schemes..... specifically included in the Plan, Village Aid and community development schemes,, research related to specific Plan schemes, family planning, scholarships and malaria control. On the other hand, development expenditure incurred by local bodies has been included in the public sector."²⁰

Often, and particularly in more recent times, a development budget has been identified with the capital budget. The definition of capital expenditure itself varies from country to country. Generally speaking, capital transactions include all expenditures which have a longer-than-one-year life expectancy and add to governments' assets, though sometimes the concept is limited to "revenue producing" assets only (which would usually exclude expenditure on public roads and buildings since they do not produce an annual revenue). At other times, it may be broadened to include outlays on all physical assets other than those used for defence purposes. When the capital budget is taken as identical to a development budget, it might include all development activities, or only those which are financed by extraordinary means such as internal and external loans and foreign grants.

The Pakistan budget falls, more or less, in this latter category. Its capital budget includes mostly such extraordinary receipts, though it also includes receipts on account of small savings and unfunded debt, sale of public assets (mostly by PIDC), accretions to Depreciation Funds (Railways and Post and Telegraph), recoveries of loans, deposits and advances, and State trading. All expenditure on the

¹⁹ Government of Pakistan. *Preliminary Evaluation Report of the First Five Year Plan*, September 1959, page 4, footnote.

²⁰ Government of Pakistan. *The Second Five Year Plan*, page 10, para 34.

development of physical resources is included in the capital budget. Thus, the basic definition of development expenditure by the fiscal authorities has been for some time the same as at present, *i.e.*, all capital expenditure is developmental except that on defence, State trading, repayment of foreign loans, and a few other minor items. However, it was in 1959-60 that the Central Government budget first distinguished between development and non-development expenditure in the Capital Account and presented that account in a classified manner in the *Financial Statement*. On the other hand, expenditure on the development of human resources (education, health, social services, etc.) is included in the Revenue Account even if it is of a non-recurring nature and results in the creation or accumulation of physical assets, *i.e.*, building of technical or educational institutions, health clinics, purchase of equipment, etc. Thus, the component of development expenditure in the Revenue Account of the Central Budget is quite large.²¹ The position so far is summed up very appropriately in the preface of the *West Pakistan Development Budget for 1960-61* where it is stated that the traditional classification of the West Pakistan budget "(though contained in a bulky volume) was elaborate but not very meaningful in economic terms. The development expenditure included in the budget was mixed up with non-development expenditure. In particular, the various development schemes were not shown individually in the revenue account. Since the accounts followed the budgetary classification, it was difficult to segregate the expenditure incurred on each development scheme".

The same holds true for the Central Government budget. Though the West Pakistan Government has attempted to remove this difficulty in order to present the development expenditure on Revenue Account separately, the Central Government revenue budget still presents its accounts in a functional classification scheme that does

²¹ Government of Pakistan. *Budget Explanatory Memorandum, 1960-61*; revenue expenditure demands No: 13, 14, 15 (education), No. 56, 57, 59, (health, social welfare, community development) and No. 103 (civil works) give a fairly good idea of the large component of development expenditure in the revenue budget.

not permit a breakdown between development and non-development outlays on Revenue Account.

Apart from these problems, the lump-sum nature of some items of development expenditure in the budget, as published, presents another difficulty. A case in point is "civil works". Works of permanent nature costing Rs. 1 lakh and above in this category are included in the Capital Account while those costing less than Rs. 1 lakh are in the Revenue Account. However, the nature of these works is quite diverse. The *Explanatory Memorandum* splits up this main heading, on Revenue Account, for building and communication works, repairs, establishment charges and purchase of tools and equipment, grants-in-aid, suspense and a few other minor ones. "Suspense is expenditure on purchase of materials initially charged to this head. As and when materials are issued from stock for use on works, the account of works concerned is debited with their cost by crediting to this head."²²

The "civil works" expenditure, however, is incurred for all executive departments of the Central as well as Provincial Governments for purposes such as construction of residential or office accommodation, schools, hostels, technical training centres, stores, godowns, museums, etc. It also includes housing for refugee resettlement, construction and repairs of roads, bridges, etc., furnishing and electrification of all government buildings. Most of these items do fit into the Capital Account in a reasonably logical manner, but whether it is meaningful to assume thereby that they are also "development" expenditure is doubtful. Thus, the lump-sum nature of the item "civil works" creates difficulties if the total development expenditure for each category is to be estimated. This is specially so in case of education, health, social services, etc., since the *Financial Statement* of the budget gives expenditure in these categories net of all these constructional and maintenance costs.

²² Government of Pakistan. *Budget Explanatory Memorandum, 1960-61*, page 83.

SECTION V CONCLUSIONS

It has been the purpose of this study to examine a range of problems related to the structure and presentation of the budgets of the Central and Provincial Governments of Pakistan. Budget accounts, generally, are meant to serve several purposes: "they must facilitate the process of formulating and adopting the budget; they must be useful tools for programme planning and administration and control; and simultaneously they must also reveal the information necessary for formulation and appraisal of the government's economic programme".²³ It is, therefore, unlikely that any budget could be prepared in a manner that would completely satisfy all demands placed on it and not be so detailed as to be useless. The problem, then, is to recognise this fact and to modify the budget presentation as inadequacies become evident.

As has been emphasized in this report, the making of economic policy in a developing economy must rely very heavily on the government budget, and to this end it is essential that certain data be included in the budget, classified in a particular manner, and made available rapidly. A careful study of the Pakistan Government budgets since 1947 reveals clearly that the budget presentation is becoming increasingly comprehensive. Changing circumstances now require a fuller consideration of the most effective form of budget presentation because of the great concern of the Government in maintaining the planned economic growth of the country with a minimum wastage of time and resources.

The present study has focussed attention on various issues which arise when Pakistan Government accounts are examined with a view to acquiring information for economic analysis and economic policy-making. It is realised that the primary aim of such accounts is to provide "accountability" for all government transactions. However, since these transactions have a very significant impact on overall economic activity in the country, it is important that they

²³ United Nations. *Budgetary Structure and Classification of Government Accounts*, page 31, para 2.

should be presented in a manner that is meaningful to an economic appraisal of the budget. The difficulties in the way of an economic analysis of this country's budgets, as presented in the preceding discussion, point to certain lines of change. The changes suggested here involve the following types of improvement :

- (1) reduction of the time required for the finalization of accounts ;
- (2) re-definition of various items of receipts and expenditure;
- (3) re-arrangement of the categories of expenditure ; and
- (4) uniformity of reporting within and among different government levels and agencies.

First comes the need to facilitate an early assessment of the actual financial position of the country with a reasonable degree of accuracy. The discussion in Section I of the magnitude of variation from Budget Estimates to Provisional Actuals to Final Accounts makes it quite clear that a speeding-up of the presentation of accurate data is a high priority objective. It is recognised that Budget Estimates are forecasts, and that any forecast is subject to marked error. However, it is also to be emphasized that one of the reasons, perhaps the main reason, why Budget Estimates turn out to be very different from actuals is that they are made before exact knowledge of the two or more preceding years' budgets is available. In the absence of this information, it is exceedingly difficult to appraise next year's revenue prospects and expenditure possibilities.

A clear account of capital receipts should also be given in the relevant budget documents. The practice of carrying suspense accounts should be abandoned. The ideal way to treat this problem would be to close these accounts, immediately after the end of the fiscal year, and construct a clearly stated account of arrears both for receipts and expenditure which can be shown separately for all pending transactions. If this is not possible, however, an alternative would be to ensure that the suspense accounts do not remain at an abnormal level, and that they be discussed explicitly in the documents accompanying the budget. Carrying suspense accounts

from year to year tends to distort the overall view of total transactions made in a year, since the allocations listed under this head have already been budgeted in some previous year. These adjustments can help to facilitate assessment of the actual financial positions of the country.

Next, attention should be devoted to the problems that arise in the consolidation of the budget accounts of the various levels of government (the Central Government and the Provincial Governments of East and West Pakistan). It is necessary to re-examine all the transfer items included in the budget at present and re-arrange them in a more meaningful manner. Some of these, *e.g.*, loans and grants to the Provinces (and repayment of loans and interest by the Provinces) have to be included for administrative purposes. These need to be reported on a uniform basis, so that they are comparable. If adjustments have to be made by one of the parties in such reporting, they should be set out clearly. There is also scope for improvement where transfers from the Revenue to the Capital Account are made—*e.g.*, various funds under deposits and advances in the Central Government budget, such as the Central Road Fund, Fund for Rehabilitation, social uplift schemes, etc. The total surplus on Revenue Account exclusive of these items can be carried over to the Capital Account, and these expenditures shown as non-development capital expenditure. As it is, the analyst is unable to study such items in their proper perspective.

The problems arising by way of calculation of deficit financing deserve close scrutiny. These are manifold almost everywhere in the world. Because of the fact that governments want their financial programmes to be more flexible, the myth of an “annually balanced budget for economic stability” is no longer sacred, and government indebtedness has ceased to be considered an unqualified evil. Still, surpluses and deficits, as usually computed, need adjustments before their economic impact can be ascertained. Some of the changes mentioned in the foregoing paragraphs are also useful for purposes of calculating deficit financing. There are additional problems, however, arising mainly from the fact that different government

agencies do not record accounts on a uniform basis. Especially significant, in this connection, are the disparities in the reports of accounts between the Ministry of Finance in its budget and by the State Bank of Pakistan in its annual reports. As noted in Section III, an important reason for these discrepancies has been the difference in timing. The budget accounts were made up for the fiscal year April-March, while the State Bank accounts were based on the trade year July-June. The change-over of the fiscal year from April-March to July-June is a welcome step in eliminating this problem. This will facilitate comparison of data from the two sources. Coordination in the public reporting of public debt should also be attempted.

Another substantial need is the accurate reporting of the commitment, source, receipt and end-use of foreign aid and loans. It would be highly useful for the Central Government to publish, with the budget, separate statements on the indebtedness of the Government, distinguishing between borrowing (and grants) at home and abroad annually and giving totals over the years. It is believed that this can be done without revealing confidential data about the aid funds.

Finally, there are the problems which arise in appraising the extent of development expenditure in the country. Here the prime need is to specify clearly in the budget documents what is really meant by development expenditure. A uniform definition should be adopted by the Ministry of Finance and the Planning Commission, so that all such outlays are presented in the budget in a well-defined manner. These outlays are now scattered in both the Revenue and Capital Accounts, and there is no categorisation of the types of expenditure incurred. It would be useful to introduce a classification of development expenditure in the summary statement of the budget so as to distinguish among investment in productive capital, in social overhead capital and in human capital. Also, a distinction between current outlays for development purposes in general and outlays for physical capital formation should be introduced.

The present study has tried to point out the avenues of budgetary reform which can lead to a more comprehensive presentation of

the Central and Provincial Government budgets in Pakistan. This is important, as has been emphasized earlier, in order to present a complete picture of the financial programmes of the government sector and to permit appraisal of their impact on such key variables as national income, employment, price level and the pace of economic development.

Some of the suggested changes would also help to create an economic-type classification. It is highly desirable that the traditional budget accounts be supplemented with a classification by economic categories for purposes of economic analysis and policy. This is especially important in the context of present efforts to achieve a sustained process of economic growth. It is necessary "to show the portion spent on goods and services for current consumption, the portion saved or dis-invested in the public sector on current account, the government's direct contribution to real asset formation, and an approximation of the reduction in private expenditure resulting from government appropriations out of private incomes."²⁴ Distinctions between tax and non-tax revenue, between direct and indirect taxes, and between taxes on private income accounts and private capital accounts are useful in facilitating the task of the national income statistician and analyst.

In broad terms, an economic classification distinguishes between current and capital transactions, and, under these, transactions in goods and services are separated from transfers. These distinctions shed light on such magnitudes as the average flow-back of funds to the rest of the economy, *i.e.*, the part of national income generated through the budgetary operations of the government sector, its savings and net capital formation.

Purely financial transactions should be isolated from other transactions. It is also worthwhile to distinguish between the operations of the purely administrative departments and the commercial or trading departments of the Government, and to treat the revenues and expenditures of the commercial departments on a separate basis. Knowledge of net changes in financial assets and

²⁴ United Nations. *Budgetary Structure and Classification*, page 13.

liabilities on Capital Account helps in understanding the nature of the assets acquired, the investment activity that the Government undertakes and the type of financing used. Such a classification, with its meaningful account of transactions in the government sector, would reduce unnecessary burdens on the economy and thereby promote more rapid economic development.

This has been a general study. The suggested changes in budget presentation are not intended to be exhaustive, but rather to indicate the major kinds of improvement that seem to be required. It is necessary to remind the reader that the difficulties in budget analysis, discussed in this monograph, are those which an independent analyst discovers when working with published budget material. It is some, though small, consolation to know that many of these problems are avoided by those who have access to confidential and unpublished data, and who have the time and knowledge necessary to carry out the relevant investigations. Even then, the method of presentation places an unnecessarily large burden of search and re-search upon analysts. It is hoped that this study will stimulate interest, both official and non-official, in a closer examination of the presentation of budgetary materials in Pakistan.

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TABLE 1
Central Government Revenue Account
Comparison between Budget Estimates and Provisional Actuals
(Rs. in millions)

Year	Budget Estimates		Provisional Actuals		Percentage Extent of Variation	
	Receipts	Expenditure	Receipts	Expenditure	Receipts	Expenditure
1951-52	1,162.7	944.3	1,427.9	1,329.6	+22.8	+40.8
1952-53	1,228.0	1,217.3	1,265.0	1,237.2	+ 3.0	+ 1.9
1953-54	963.2	971.1	1,102.2	1,069.8	+14.3	+10.1
1954-55	1,081.1	1,091.2	1,123.3	1,045.4	+ 4.0	- 4.0
1955-56	1,166.5	1,265.7	1,261.3	1,220.4	+ 8.1	- 3.6
1956-57	1,263.5	1,266.7	1,251.7	1,209.8	- 1.0	- 4.5
1957-58	1,309.0	1,324.2	1,432.0	1,412.9	+ 9.3	+ 6.7
*1958-59	1,754.5	1,731.5	2,033.5	1,956.7	+16.0	+12.0
1959-60	1,545.8	1,458.2	1,719.5**	1,528.8**	+11.2	+ 5.0

SOURCE : Government of Pakistan Budgets : *Financial Statements* 1951-52 to 1960-61.

*1958-59 is 15-month period—April 1958-June 1959, wherever budget data is given in the subsequent statistical tables as well.

**1959-60 Revised Estimates.

TABLE 2

**Provincial Governments (East and West Pakistan) Revenue Account
Comparison between Budget Estimates and Provisional Actuals**

(Rs. in millions)

Year	Budget Estimates		Provisional Actuals		Percentage Extent of Variation	
	Receipts	Expenditure	Receipts	Expenditure	Receipts	Expenditure
1951-52	529.1	569.0	608.0	582.6	+15.0	+2.4
1952-53	637.4	687.5	634.0	652.1	-0.3	-4.8
1953-54	632.2	699.4	672.5	635.8	+6.3	-9.0
1954-55	654.1	656.2	688.6	664.6	+5.3	+1.2
1955-56	721.6	700.6	747.5	783.3	+3.6	+12.0
1956-57	841.0	815.7	848.6	849.4	+0.7	+4.0
1957-58	905.4	927.0	856.1	917.1	-5.4	-1.1
1958-59	1,204.7	1,206.6	1,200.4	1,141.9	-0.3	-5.4
1959-60	1,115.7	1,034.2	1,105.4*	1,034.1*	-0.9	-

SOURCE : Provincial Governments : Annual Budgets 1951-52 to 1960-61.
Receipts exclude grants from Centre.
Expenditure excludes payments of interest and loans to Centre.

* Revised Estimates for 1959-60.

TABLE 3

**Consolidated Revenue Account (Central and Provincial Governments)
Comparison between Budget Estimates and Provisional Actuals**

(Rs. in millions)

Year	Budget Estimates		Provisional Actuals		Percentage Extent of Variations	
	Receipts	Expenditure	Receipts	Expenditure	Receipts	Expenditure
1951-52	1,691.8	1,513.3	2,035.9	1,912.2	+20.3	+26.3
1952-53	1,865.4	1,904.8	1,899.0	1,889.3	+1.8	+0.8
1953-54	1,595.4	1,670.5	1,774.7	1,705.5	+11.2	+2.3
1954-55	1,735.2	1,747.4	1,811.9	1,710.1	+4.4	-2.1
Absolute Average 4 Years	—	—	—	—	9.4	8.0
1955-56	1,888.1	1,966.3	2,008.8	2,003.8	+7.0	+1.9
1956-57	2,104.5	2,082.4	2,100.3	2,059.2	-0.2	-1.1
1957-58	2,214.4	2,251.2	2,288.1	2,330.0	+3.3	+3.5
1958-59	2,959.2	2,938.1	3,233.9	3,098.6	+12.7	+5.4
1959-60	2,661.5	2,492.4	2,824.9	2,562.8	+6.1	+3.0
Absolute Average 5 Years	—	—	—	—	6.0	5.0

SOURCE : Consolidated Tables 1 and 2, Appendix.

TABLE 4
Central Government Capital Account

Comparison between Budget Estimates and Provisional Actuals

(Rs. in millions)

Year	Budget Estimates		Provisional Actuals		Percentage Extent of Variation	
	Receipts	Expenditure	Receipts	Expenditure	Receipts	Expenditure
1951-52	111.4*	535.7	149.0	320.0	-30.0	-40.2
1952-53	114.1	551.0	141.1	738.3	+23.8	+34.0
1953-54	321.8	518.2	485.6	434.4	+51.5	-17.0
1954-55	482.4	830.6	225.1	425.7	-50.0	-48.8
1955-56	377.8	884.9	446.3	495.5	+18.0	-44.0
1956-57	484.6	838.7	246.5	592.0	-50.0	-29.0
1957-58	469.8	1,293.1	300.6	940.9	-36.0	-27.0
1958-59 (15 months)	357.1	1,418.3	424.0	914.8	+19.0	-35.4
1959-60	372.1	1,163.5	398.0**	1,019.3**	+6.4	-13.4

SOURCE: Government of Pakistan Annual Budgets: Financial Statements for 1951-52 to 1960-61. * Excludes IMF contribution.

Capital receipts exclude:

- (1) Surplus carried over from Revenue Account, (2) Permanent debt, internal, (3) Floating debt and treasury bills, (4) Drawals on cash balances, (5) Foreign aid and loans, when given separately in the budget.

Capital expenditure excludes: (1) All transfer items, (2) Book entries. The transfer items in budget sub-head, "Deposits and advances" not excluded, to make it comparable with Final Accounts, for which detailed break-down not available.

** Revised Estimates for 1959-60.

TABLE 5

Provincial Governments (East and West Pakistan) Capital Account
Comparison between Budget Estimates and Provisional Actuals

(Rs. in millions)

Year	Budget Estimates		Provisional Actuals		Percentage Extent of Variation	
	Capital Receipts	Capital Expenditure	Capital Receipts	Capital Expenditure	Receipts	Expenditure
1951-52	7.7	302.7	47.6	247.7	+571.4	-18.3
1952-53	29.5	380.0	27.1	470.0	-8.6	+24.0
1953-54	27.5	415.7	182.7	854.3	+574.0	+101.0
1954-55	58.8	372.2	121.1	693.4	+105.0	+86.3
1955-56	40.5	398.8	11.3	694.4	-72.5	+74.3
1956-57	85.0	653.9	26.6	271.0	-69.4	-58.7
1957-58	-00.7	787.5	124.8	650.7	a	-17.4
1958-59	57.3	956.5	-21.1 ^b	901.6	-137.0	-5.7
1959-60	-252.1	577.7	140.9 ^b	577.7 ^c	a	-

SOURCE: Provincial Governments Annual Budgets—1951-52 to 1960-61.

Receipts exclude permanent debt, floating debt, and cash balance utilization.

a The Provisional Actual receipts rise from negative to positive figures so that percentage becomes almost infinity and hence meaningless.

b 1958-59, 1959-60, Revised Estimates for capital receipts.

c 1959-60 Budget Estimates for capital expenditure.

TABLE 6
Consolidated Capital Account (Central and Provincial Governments)
Comparison between Budget Estimates and Provisional Actuals

(Rs. in millions)

Year	Budget Estimate		Provisional Actuals		Percentage Extent of Variation	
	Receipts	Expenditure	Receipts	Expenditure	Receipts	Expenditure
1951-52	119.1	838.4	196.6	567.7	+64.1	-32.2
1952-53	143.6	931.0	168.2	1,203.4	+17.0	+29.2
1953-54	349.3	933.9	668.3	1,288.7	+91.4	+38.0
1954-55	541.2	1,202.8	346.2	1,119.2	-35.5	+1.6
Absolute Average 4 Years	—	—	—	—	52.0	26.6
1955-56	418.3	1,283.7	457.6	1,189.8	+9.7	-7.0
1956-57	569.6	1,492.6	273.1	863.0	-52.1	-42.2
1957-58	469.1	2,080.6	425.4	1,591.6	-9.3	-24.8
1958-59	414.4	2,374.8	402.9	1,816.4	-3.0	-23.2
1959-60	120.0	1,741.2	538.9	1,597.0	+350.0	-8.0
Absolute Average 5 Years	—	—	—	—	85.2	21.0

SOURCE : Consolidated Tables 4 and 5, Appendix.

TABLE 7
Central Government Revenue Account
Comparison between Provisional Actuals and Final Accounts

(Rs. in millions)

Year	Provisional Actuals		Final Accounts		Percentage Extent of Variation	
	Revenue Receipts	Revenue Expenditure	Revenue Receipts	Revenue Expenditure	Receipts	Expenditure
1951-52	1,427.9	1,329.6	1,426.6	1,308.2	—	-1.5
1952-53	1,265.0	1,237.2	1,313.5	1,271.2	+3.8	+2.7
1953-54	1,102.2	1,069.8	1,087.7	1,059.7	-1.3	-1.0
1954-55	1,123.3	1,045.4	1,139.1	1,073.0	+1.4	+2.6
1955-56	1,261.3	1,220.4	1,397.9	1,354.7	+10.8	+10.0

SOURCE : Government of Pakistan : For Provisional Actuals: *Budget Financial Statements* 1953-54 to 1957-58.
 For Final Accounts : *Budget Explanatory Memorandum*, 1960-61, Section V, Public Finance Statistics.

TABLE 8
Provincial Governments (East and West Pakistan) Revenue Account
Comparison between Provisional Actuals and Final Accounts

(Rs. in millions)

Year	Provisional Actuals		Final Accounts		Percentage Extent of Variation	
	Revenue Receipts	Revenue Expenditure	Revenue Receipts	Revenue Expenditure	Receipts	Expenditure
1951-52	608.0	582.6	602.1	626.7	-0.9	+7.5
1952-53	634.0	652.1	640.4	678.5	+0.8	+4.0
1953-54	672.5	635.8	655.6	709.5	-2.5	+11.6
1954-55*	225.5	260.1	235.7	256.8	...	...
1955-56	747.5	783.3	725.2	712.3	-3.0	-6.9

SOURCE : Provincial Governments : For Provisional Actuals: Annual Budgets 1953-54 to 1957-58. For Final Accounts: Annual Budgets 1955-56 to 1960-61.

* Final Accounts for 1954-55 for West Pakistan are not available, hence this row shows the accounts for East Pakistan only.

TABLE 9

Central Government Capital Account
Comparison between Provisional Actuals and Final Accounts

(Rs. in millions)

Year	Provisional Actuals		Final Accounts		Percentage Extent of Variation	
	Capital Receipts	Capital Expenditure	Capital Receipts	Capital Expenditure	Receipts	Expenditure
1951-52	149.0	320.0	279.2	463.0	+90.0	+44.7
1952-53	141.1	738.3	148.9	761.3	+4.3	+3.4
1953-54	485.6	434.4	600.9	453.4	+23.7	+4.4
1954-55	225.1	425.7	355.2	396.5	-58.0	-8.0
1955-56	446.3	495.6	330.0	338.9	-26.0	-31.5

SOURCE : Government of Pakistan : For Provisional Actuals : *Budget Financial Statements*, 1953-54 to 1957-58.
For Final Accounts : *Budget Explanatory Memorandum* 1960-61, Section V, Public Finance Statistics.

TABLE 10
 Provincial Governments (East and West Pakistan) Capital Account
 Comparison between Provisional Actuals and Final Accounts

(Rs. in millions)

Year	Provisional Actuals		Final Accounts		Percentage Extent of Variation	
	Capital Receipts	Capital Expenditure	Capital Receipts	Capital Expenditure	Receipts	Expenditure
1951-52	47.6	247.7	-1.2	84.5	-100	-66.0
1952-53	27.1	470.0	38.8	219.7	+45.4	-53.2
1953-54	182.7	854.3	157.0	426.9	-14.2	-50.0
Absolute average					56.5	56.4
1954-55*	64.1	34.6	44.7	35.3	-31.2	+3.0
1955-56*	13.3	49.5	-29.7	51.6		+4.0

SOURCE: Provincial Governments (East and West Pakistan) For Provisional Actuals: Annual Budgets 1953-54 to 1957-58 for Final Accounts: Annual Budgets 1955-56 to 1960-61.

* Final Accounts for West Pakistan available only up to 1953-54 for Capital Account, hence the data for 1954-55 and 1955-56 is for East Pakistan only.

TABLE 11
 Loans and Grants

(Rs. in millions)

Year	Provincial Government Budget		Total	Central Budget	Percentage Extent of Variation
	East Pakistan	West Pakistan	East & West Pakistan	Total to East and West Pakistan	
1951-52	52.0	108.7	160.7	145.8	- 9.4
1952-53	44.0	63.6	107.6	119.0	+10.1
1953-54	194.4	243.2	437.6	439.1	+ 0.4
1954-55	85.0	165.5	250.3	268.4	+ 7.2
1955-56	125.3	178.1	303.4	377.1	+24.0
1956-57	124.0	38.1	162.1	285.4	+76.0
1957-58	243.9	598.8	842.7	606.2	-28.5
1958-59	216.1	292.1	508.2	546.1	+ 7.5
1959-60	328.0	265.3	593.3	669.2	+13.0

SOURCE: Provincial Budgets—1951-52 to 1960-61. Central Budget Explanatory Memorandum 1960-61, p. 184.

TABLE 12
Development Loans

(Rs. in millions)

Year	West Pakistan		East Pakistan		Percentage Extent of Variation	
	From Central Budget (Amount Drawn)	Provincial Budget	Central Budget (Amount Drawn)	Provincial Budget	East Pakistan	West Pakistan
1951-52	60.0	70.0	33.0	46.1	16.2	50.0
1952-53	55.0	62.7	29.0	42.4	14.5	46.0
1953-54	135.6	218.6	65.4	180.4	61.0	177.0
1954-55	124.9	128.7	74.8	76.5	3.2	2.7
1955-56	191.2	160.1	71.3	96.3	17.0	36.0
1956-57	133.8	18.1	84.7	104.0	85.0	22.0
1957-58	255.9	571.8	210.7	213.9	124.0	1.4
1958-59 (15 months)	250.9	261.1	148.0	175.1	4.0	18.5
1959-60*	252.7	214.3	283.0	283.0	15.0	...

SOURCE : Central Budget Explanatory Memorandum : 1960-61, p. 179.
Provincial Government Budgets : 1951-52 to 1960-61.

*Data for 1959-60 gives only the amount sanctioned.

TABLE 13

Repayments and Receipts of Interest and Loans as Shown in Provincial and Central Budgets

(Rs. in millions)

Year	Repayments of interest and loans by			Receipts of interest and loans from Provinces by Centre on*			Percentage Extent of Variation
	East Pakistan	West Pakistan	Total	Revenue Account	Capital Account	Total	
1951-52	7.9	33.7	41.6	21.8	23.8	45.6	10.0
1952-53	10.4	35.7	46.1	20.7	20.7	41.4	15.0
1953-54	7.4	138.0	145.4	22.8	106.4	129.2	10.0
1954-55	44.5	47.9	92.4	33.6	60.2	93.8	1.0
1955-56	33.9	54.6	86.5	37.9	59.7	92.6	10.1
1956-57	20.3	66.3	86.6	46.6	14.1	60.7	43.3
1957-58	15.3	107.5	122.6	63.7	39.0	102.7	20.0
1958-59	112.5	106.6	221.0	35.7	55.4	91.1	144.4
1959-60**	24.1	30.6	54.7	38.8	—	38.8	37.0

SOURCE : Provincial Governments : East and West Pakistan, Budget Provisional Actuals 1951-52 to 1958-59. Central Government; Budget Explanatory Memorandum 1951-52 to 1960-61, Section I, for Revenue Account ; for Capital Account, Budget Explanatory Memorandum 1960-61, Section V, p. 183.

*Province-wise break-up not available for Centre.

**Revised Estimates for 1959-60.

TABLE 14
Total Receipts and Expenditure of the Centre and Provinces

							(Rs. in millions)		
Year							Receipts (Revenue and Capital)	Expenditure (Revenue and Capital)	Deficit Finance: Excess of Expenditure over Receipts
1951-52	...	...	...	...	...	...	1878.0	2412.8	534.8
1952-53	...	...	...	...	...	...	2033.7	3097.7	1064.0
1953-54	...	...	...	...	...	...	2390.6	2994.2	603.6
1954-55	...	...	...	...	...	...	2135.3	2829.3	694.0
Average 1951-52 to 1954-55	...	...	...	...	...	...	2109.4	2833.5	724.1
1955-56	...	...	...	...	...	...	2388.7	3192.6	803.9
1956-57	...	...	...	...	...	...	2499.3	2922.2	422.9
1957-58	...	...	...	...	...	...	2666.5	3921.6	1255.1
1958-59	...	...	...	...	...	...	3793.6	4914.6	1121.0
1959-60*	...	...	...	...	...	...	3727.3	4159.6	432.1
Average 1955-56 to 1959-60	...	...	...	...	...	...	3015.1	3822.1	807.0

SOURCE : Government of Pakistan. Central and Provincial Budgets. *Revised Estimates for 1959-60. Provisional Actuals, 1951-52 to 1958-59 excluding all book entries, transfer items. Also, financing items from Receipts. The last column of this table provides the data for Column I, Table 5, used in the text. Only other "Deposits and advances" included in Capital Account with Table 4, Appendix; hence, slight discrepancy in totals of Provisional Actuals in Tables 3 and 6, Appendix. ↑ compared

TABLE 15
Central Government Treasury Bills and Drawals on Cash Balances

							(Rs. in millions)			
Year							I	II		
							Drawals on Cash Balances	Treasury Bills		
							Budget April-March	C & F Report April-March	Budget April to March	C & F Report April to March
1951-52	...	...	...	...	...	...	221.6	190.2	57.4	51.0
1952-53	...	...	...	...	...	...	299.7	31.5	140.5	96.3
1953-54	...	...	...	...	...	...	129.9	7.1	— 123.4	6.2
1954-55	...	...	...	...	...	...	— 31.1	67.2	72.1	—
1955-56	...	...	...	...	...	...	152.7	80.2	34.6	— 0.8
1956-57	...	...	...	...	...	...	158.1	345.0	594.4	0.1
1957-58	...	...	...	...	...	...	170.6	235.5	675.0	0.7
1958-59	...	...	...	...	...	...	— 52.5	79.6	325.0	0.07
1959-60	...	...	...	...	...	...	68.4	N.A.	—	N.A.

SOURCE : Budget Provisional Actuals 1951-52 to 1959-60. Currency and Finance Report of the State Bank of Pakistan, 1958-59, for item I, page 121, table 17. for item II, page 113, table 17. Currency and Finance Reports give figures for last Friday of each quarter.

TABLE 16
Foreign Aid and Loans
(Rs. in millions)

Year	I Budget Explanatory Memorandum Capital Receipts Table vii	II Budget Explanatory Memorandum page 188-189 : as per I.F.S. Series	III World Bank	IV Planning Commission
1951-52	2.3	2.3		16
1952-53	73.4	73.4		436
1953-54	19.7	19.7		196
1954-55	38.8	38.9		322
Average	—	—		242.5
1955-56	14.5	71.5	414.0	560.0
1956-57	4.6	-7.3*	440.0	743.9
1957-58	177.2	146.9	664.0	734.3
1958-59	880.1	839.7	880.0	822.1
1959-60	873.0	962.2	873.0	—

SOURCE : Columns I and II; Government of Pakistan *Budget Explanatory Memorandum 1960-61*: The two different tables quoted show separate results; hence included here to point out the discrepancy in accounts in the Government Statements as well.
Columns III and IV, Acquired through the courtesy of the Government of Pakistan, Planning Commission, Fiscal and Monetary Section.

* Foreign aid, figures not exhibited in the printed actuals in the *Financial Statement* for 1958-59.

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