BUSINESS RECORDER
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SINDH BUDGET: A ROUTINE AFFAIR

- RECORDER REPORT May 14th, 2018 EDITORIAL

Sindh Budget for FY19 presented by Chief Minister Syed Murad Ali Shah, who also happens to be the Finance Minister of the province, was a routine affair and is barefoot of any major initiative except that its authorisation was sought for only three months until September, 2018 due to coming elections and the likelihood of inception of a new government which could change the major features of the budget. The overall expenditure or the total outlay of the budget was estimated at Rs 1.144 trillion as against the receipts of Rs 1.124 trillion which means a budget deficit of Rs 20 billion. The budget estimates of the receipts for FY19 at Rs 1.124 trillion were higher by 9 percent than the current year's. Receipts from the Federal Government on account of revenue assignment, straight transfers and grants are estimated at Rs 665.1 billion which are 59.2 percent of the total provincial revenues. Receipts from the Federal PSDP were estimated at Rs 15 billion. Similarly, receipts under the heads of Foreign Project Assistance, budgetary support loans and grants were estimated at Rs 46.9 billion while receipts from province's own sources including tax and non-tax revenues are estimated at Rs 243 billion.

Expenditure outlay of the budget is estimated at Rs 1.144 trillion as against budgetary estimates of Rs 1.043 trillion of the current fiscal year, indicating an increase of 9 percent. The current expenditures including current revenue expenditures of Rs 773.2 billion and current capital expenditures of Rs 27.1 billion stand at Rs 800.3 billion, constituting 69.9 percent of the total provincial budget. Estimates of development expenditures have been pitched at Rs 344 billion. Speaking about the development budget, Syed Murad Ali Shah asserted that Sindh has witnessed a decade of sustainable development and "we are committed to taking Sindh to new heights of progress and prosperity." The government has earmarked a grant of Rs 750 million for the religious minorities which is to be used for financial assistance, medical treatment, scholarships and renovation of religious places of the minorities. An amount of Rs 3.4

billion has been allocated to the development of livestock and fisheries department to increase milk and meat production, livestock and poultry expansion programme, etc. The government also proposed to extend a financial subsidy of Rs 9.650 billion to farmers for tractors, agricultural implements, solar pumps and tube wells, etc., in the next financial year. Research would also continue to be conducted to develop new varieties for production of hybrid seeds for different crops. Years of research have helped to augment cotton production by 21 percent, wheat by 51 percent, rice by 45 percent, sugarcane by 13 percent and okra by 31 percent.

A detailed review of the Sindh Budget would reveal that the provincial government this time has not made any effort to raise revenues but only tried to prioritise spending here and there according to the needs of the province. This may be intentional and desired by the present Chief Minister to give the necessary elbowroom to the incoming government to decide about the fiscal policy of the province for the year 2018-19. While this may be gracious, the outlay of the budget has been increased by 9 percent without proposing any increase in the provincial tax heads or undertaking any effort to broaden the tax net. Another peculiar aspect of the Sindh Budget continues to be the lack of effort to tax the agriculture sector, heavy reliance on the receipts under the NFC Award and dependence on urban centres for tax purposes. This may be mainly due to the fact that the majority parliamentarians hail from rural areas. However, it may be pointed out that such a strategy is against the fundamental principle of equity in taxation and is a reason for frustration in the urban centres of the province. Another omission seems to be the lack of proper coordination between the centre and provinces about the fiscal policy of the country. The Federal Budget has, as usual, expected the provinces to generate a huge surplus for containing the overall budget deficit of the country. Sindh has obviously deviated from this path by proposing a deficit of Rs 20 billion and if other provinces also follow the Sindh government, the overall deficit of the country would be much larger than projected in the Federal Budget. The Chief Minister's statement that for the second year in a row "we are not proposing any new taxes in the budget" also does not appear to be very convincing. In our view, the provinces also need to make extra efforts themselves in order to raise revenues to meet their growing expenditures and contain budgetary deficit for macroeconomic stability.

The decision of the Sindh government to raise the salaries and pensions of the government employees by 10 percent was almost inevitable after the announcement of such a decision by the Federal Government. We know that this is a populous measure and could benefit the Pakistan People's Party in the coming elections but a rise of 10 percent in emoluments is much higher than the rate of inflation. Also, such a measure increases the fiscal burden of the government and forces the private sector to do the same, thus raising the cost of production in the private sector and rendering the exportable items uncompetitive in the international market. The claim of the Chief Minister that Sindh has witnessed a decade of development and the government is determined to take Sindh to new heights of prosperity looks somewhat absurd when crumbling roads, scarce water supplies, fleeing investors and a very large number of deaths of newborn babies tell a different story. However, it needs to be recognized that the Chief Minister has worked harder; and his conduct is guided by deep political ethics. Also, the emphasis of the budget to improve the lot of minorities, agricultural research and financial subsidy to farmers is in accordance with the priorities of the province and needs to be appreciated.