

## Agriculture Market Committees

<b>Controlling Department</b>	Agriculture Department
<b>Name of Organization</b>	<b>Agricultural Markets - managed by Market Committees</b>
<b>Chief Executive</b>	Presently except seven all these markets are managed by staff of the Agriculture department
<b>Address</b>	71 markets in different districts of Sindh
<b>Phone</b>	Different Numbers for different markets
<b>Legal Status</b>	Created under the Agriculture Produce Market Act 1939
<b>Incorporated/ Created in :</b>	Created in different years

### 1. Background

1. In Sindh the Agriculture Produce Markets Act, 1939, governs the regulation of the purchase and sale of agricultural produce (including livestock and poultry) through the institution of market committees. The government can by a notification declare its intention to control the purchase and sale of agricultural produce in a particular area identified in this order. Under Section 4(2) a licence is required from the provincial government to establish a market within a notified area and once the notification of the market committee has been issued no other market can be established in that area without prior approval from government. All transactions in the market-both buying and selling by licensed dealers- have to be through open auctions.

2. The market is to be managed by a market committee that in turn issues licenses to dealers/wholesalers/arathi and brokers to operate within the market and also allots them shops in the market- thereby providing rent-seeking opportunities to the committee members. The government nominates the members of the market committee and maintains significant control over the inflow of resources and assets owned by the market committee.

### 2. Objectives

3. Agriculture Markets and Agriculture Market Committees were created with the following objectives (i) Better regulation of purchase and sale of agricultural produce; (ii) protection of interest of growers in sale and purchase of agricultural produce; (iii) market committees to act as self-financing bodies; (iv) to eliminate middle man and encourage growers to sell to producers directly; and (v) to protect interest of consumers.

### 3. Governance Arrangements

4. Agriculture markets are to be managed by their market committees. There are four categories of market committees based on their annual receipts and each type has a different composition of market committee. "A" Class Market Committee should have 18 members - 9 growers, 6 dealers, 2 councilors and 1 ex-officio-member; "B", "C" and "D" Class Market Committee to have 10 members - 5 growers, 3 dealers, 1 councilors and 1 ex-officio-member.

5. Currently except at seven markets, the market committees are not functional and affairs are administered by officers of Agriculture Marketing under the DG (Agriculture Extension).

#### **4. Performance**

##### **a. Physical Performance**

6. Agricultural Markets constructed with ADB assistance: Six Agriculture Markets at Karachi, Hyderabad, Larkana, Mirpurkhas, Jacobabad and Tando Adam have been constructed with the assistance of ADB. In these markets facilities like bank, cold storage, shops, sheds etc have been provided for growers, traders and consumers. Other than these newly constructed markets, all others lack the basic facilities and are in very poor physical condition.

##### **b. Financial Performance**

7. Audit of expenditures is being conducted by DG (Audit). The Market Committees have been audited till FY2006, however, copy of audit reports were not provided. Audit of revenue receipts being conducted by DG (Audit and Evaluation). Audited has been completed till FY2006 and copy of audit reports were provided. Financial Statements (showing total revenues and expenditures) of the AMCs were available.

8. Instead of being self-financing bodies as which is one of their objectives, the AMCs are heavily dependent on the GoS for their existence. The PSDP of GoS includes the following allocations for Market Committees: FY2007 PRs70 million, FY2008 PRs111 million and FY2009 PRs383 million. Being GoS development expenditures met from PSDP, these expenditures are obviously not reflected in AMC accounts. In addition, as most of the AMCs are being managed by the government employees, during discussions we were informed that most of the AMCs are unable to meet even their salary budget which has to be subsidized by the GoS.

9. Market Fee arrears due from Sugar Mills: The amount of market fee receivable from Sugar Mills in Sindh in many cases from FY1983 to FY2006 by different market committee is PRs.1.662 billion. Some of the cases are sub-judice.

10. Rates not revised since long: The rates of market fee, licence fee and other charges have not been revised since long (probably 1982) and so are now insufficient to fulfill the objective of market committees being self-financing entities.

11. Arrears of market fee due from Other Mills: Arrears of market fee (other than from Sugar Mills) are also increasing and these are not being recovered.

12. Overall Financial Position of AMCs: None of the AMC has provided its overall Budget and Income & Expenditure Account showing total revenues (Government Grant in shape of salary of employees + Own Source Revenues from market fee, licence, and other fees) and total expenditure. Only the audit reports of revenue receipts were available most of which did not show the overall position of total revenues but gave the target and recovery figures of market and licence fee - only in case of objections regarding short recoveries.

13. Recognition of Receivables: The present government accounting system recognizes all revenues on cash basis. As a result, assets (such as sundry debtors and other receivable amounts) are not shown, e.g.

- (a) the total amount of Debtors is not apparent and there is no provision for bad and doubtful debts. E.g. amounts are recoverable from allottees of plots at AMC Hyderabad PRs2.4 million; at AMC Tando Allah Yar PRs128,000; at AMC Ratto Dero due from 2 allottees since FY1992; at AMC Sanghar 69 plots arrears of PRs6.9 million; at AMC Pano Aqil PRs714,936; etc.
- (b) arrears of revenues on different accounts are not apparent e.g. PRs.1.6 billion from sugar mills and huge amounts recoverable from Food Department, SASO, flour and rice mills, etc.

- (c) loans to employees are at times not being regularly recovered e.g. at AMC Ghotki PRs487,588 are due from four ex-employees who have since retired or transferred, AMC Nawabshah PRs502,241 out of the amount advanced during FY1996 to FY2004 are still due from 24 employees and loans of PRs19,500 advanced in FY2004 are due from 2 employees; at AMC Dadu PRs48,000 due from 2 employees since FY1997; at AMC Bhan Saeedabad PRs69,000 due from 4 employees advanced in FY1997; at AMC Khairpur Nathan Shah PRs158,600 due from 3 employees since FY1992; and
- (d) loans to other market committees that are not being recovered are also not apparent e.g. Loan of PRs83,315 by AMC Kunri to 2 market committees; Loan of PRs543,976 given to 4 market committees by AMC Mirpurkhas; Loans of PRs340,000 given to 3 market committees by AMC Sanghar; Loan of PRs1.087 million given to 6 market committees by AMC Nawabshah; etc.

14. Recognition of Payables: The present government accounting system does not recognize (a) Liabilities for invoices received but not paid; and (b) Liability for expenditure incurred but not invoiced. Therefore, there is no provision for liabilities that may be payable. This may be linked to Loans to other market committees in the previous para because those market committees do not show these as liabilities payable.

15. Employee Securities: Cash and Personal Securities have not been deposited by secretaries of many market committees e.g. Umar Kot, Kunri, Sumaro, Pithoro, Kamar, Naseerabad, Shahdadkot, Miro Khan, Pano Aqil, etc.

16. Reconciliation of Receipts with the Treasury/ DAO concerned: Though required under the Law, many Market Committees do not reconcile their revenues with the Treasury Officer/ DAO concerned: e.g. AMC Umar Kot, Kunri, Samaro, Pithoro, Larkana, Rattodero, Badeh, etc.

17. Non-maintenance of Record: The following record has not been maintained by a number of Market Committees such as Market Committee Larkana, Rattodero, Badeh, Kamar, Naseerabad, Shahdad Kot, Miro Khan: A (DCR); B (Movable Property Register); C (Imprest Account Register); D (Stock Register); E (Investment Register); F (Balance Sheet Year wise); G (Security Bonds).

18. Revenues Deposited in Private Banks: According to Rule 37 of Agricultural Produce Market Rules, 1940 read with Gazette Notification SOIX-Reg: (S&GAD)II, 24-79 dated 6-6-1982, all receipts of market committee have to be credited daily into Govt Treasury/ Bank, but the bank accounts of many market committees are being maintained in private banks e.g. Larkana, Rattodero, Badeh, Kamar, Shahdadkot, Sukkur, Pano Aqil, etc

19. Penalty for non-utilization of allotted plots: According to lease agreement penalty for non-utilization of plots is 3% per month upto first 12 months and then the plot can be cancelled. Similarly on completion of construction a lessee has to start business in 2 months otherwise there is a penalty @Prs500 per month. Generally these clauses of the agreement are not used, e.g. Allottees of 21 plots at AMC Larkana have not constructed shops - these were probably allotted in 1996. Another 15 allottees have constructed shops but have not started business since April 1997 but penalties have not been charged. Only very few audit reports have discussed this issue. This point has not been covered by the auditors of other market committees.

20. At AMC Larkana, a Weigh bridge was installed on 3.7.1997 for PRs7,000,000 and PRs900 to 1,000 per day income was being realized. The weighbridge remained operation from 3.7.1997 to 25.3.1998 (for 8 months only) and then developed some fault (probably during its warranty period if the warranty period was one year). It has remained non-operational sine 1998. According to the audit report "no sincere efforts were taken to repair the weighbridge since 1998"

21. As audit reports are more focused on reporting irregularities, most audit reports do not provide the overall revenues and breakup of receipts (market fee, licence fee, etc). Only one auditor reviewed the revenue streams of the last 10 years and reported that revenue receipts of AMC Larkana during the last ten years have continuously decreased.

22. Only a few audit reports provide detail of dues e.g. at AMC licence fee @ 200 not recovered from 18 A class licence holders. @100 not recovered from 108 B class and @20 not recovered from 500 C class licence holders. In addition, penalty and late fee etc on these late payments is also due.

23. Audit of revenue receipts generally focused on Market Fee and Licence Fee. Very few have discussed recovery of installments, loans, penalty for non-construction, penalty for non-utilization of constructed shop, rent of shops, etc.

24. There is a great variation in the audit reports and only a few have discussed the arrears in detail. Where ever these have been discussed it is obvious that (a) rate of licence fee is very low; (b) it is not being recovered regularly (c) arrears have been allowed to pile up; and (d) each market has a large number of shops to which services could be provided and appropriate annual charges recovered. E.g.

- (a) AMC Larkana : Licence fee PRs12,700 has not been recovered from 111 market shops (95 shops @100 per annum and 16 shops @200 per annum)
- (b) AMC Sukkur: Licence fee (ranging from PRs20 to 200) for FY2006 due from 50 licencees. Many licencees have arrears piling up since 5 to 6 years. Total licence fee arrears are 12,260.
- (c) AMC Mirpur Sakro: Licence fee @ 200 not recovered from 18 A class licence holders; @100 not recovered from 108 B class; and @20 not recovered from 500 C class licence holders. In addition, penalty and late fee etc on these late payments is also due.
- (d) AMC Panno Aqil: License fee of PRs3,600 not realized from 36 licensees. Arrears on account of license fee are PRs.5,800.
- (e) AMC Badin: (a) Licence Fee of PRs32,000 is due from 7 defaulters @ PRs 200 per annum (2 since 1971, 2 since 1982. 2 since 1989, 1 since 2004); (b) Licence Fee of Rrs3,380 from 10 defaulters @ diff rates (FY2004 to FY2006); and (c) Licence Fee of PRs2,320 from 9 defaulters @ diff rates (FY2004 to FY2006)

25. At AMC Nawabshah in 1997-98, collection rights for Market Fee was auctioned for PRs2.5 million but only PRs332,798 were deposited by the contractors. The balance of PRs2.167 million is still receivable from the contractors.