

PREFACE

The *Budget in Brief* presents a synopsis of the Federal Budget 2015-16. It provides aggregated information on revenues and expenditures budgeted for Financial Year 2015-16 alongwith budget estimates and revised estimates for the outgoing Financial Year 2014-15. Detailed information is available in the relevant budget documents. The budgeting and accounting classification system used in the budget remains the same which was adopted under the New Accounting Model introduced in Financial Year 2004-05.

The Medium Term Budgetary Framework (MTBF) process, initiated in the Financial Year 2009-10 has been strengthened with experience. Indicative ceilings for the current and development budgets are issued to all Principal Accounting Officers of the Federal Government on a three-year rolling basis. The annual budget estimates for any Financial Year e.g 2015-16 are then finalised in consultation with various Federal Ministries. Linkage of allocations to public service delivery is obtained through *Output Based Budgeting*, where the budget is formulated in terms of service delivery (outputs) expected from budgetary allocations and the projected effects of these services on target populations (outcomes) over the Medium Term. Performance of Federal Government Ministries is then monitored against precisely defined key performance indicators.

Medium Term macroeconomic indicators have also been included in this document to provide the strategic economic perspective which contextualises the budget 2015-16.

For the convenience of readers, some additional information regarding subsidies, loans and advances, and public sector development programme has been shown separately. After approval by the Parliament, all budget books including the *Budget in Brief* will be uploaded on the website of the Ministry of Finance: www.finance.gov.pk.

‘Budget at a Glance’ given at the end of this document offers a quick overview of the federal budget. I hope that this document will prove to be of benefit to all those who seek a simple and clear understanding of Budget 2015-16.

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CHAPTER - 1
REVIEW OF THE BUDGET 2014-15

SALIENT FEATURES

1.1 The budget 2014-15 had the following salient features:

- a) The total outlay of budget 2014-15 was Rs 4,302 billion. This size was higher by 7.9% than the size of budget 2013-14. The size of outlay decreased to Rs 4,235.1 billion in revised estimates 2014-15 or by 1.6%.
- b) The resource availability during 2014-15 had been estimated at Rs 4,074 billion. However, volume of resources decreased to Rs 3,833 billion or by 5.9% in revised estimates 2014-15.
- c) The net revenue receipts for 2014-15 had been estimated at Rs 2,225 billion, which increased to Rs 2,378 billion or by 6.9% in revised estimates 2014-15.
- d) The provincial share in federal revenue receipts was estimated at Rs 1,720 billion during 2014-15, which decreased to Rs 1,575 billion in revised estimates 2014-15.
- e) The net capital receipts for 2014-15 had been estimated at Rs 691 billion, which decreased to Rs 603 billion in revised estimates 2014-15 or by 12.7%.
- f) The external receipts in 2014-15 were estimated at Rs 671 billion, which increased to Rs 693 billion in revised estimates or by 3.3%.
- g) The overall expenditure during 2014-15 had been estimated at Rs 4,302 billion, out of which the share of current expenditure was Rs 3,463 billion and that of development expenditure was Rs 839 billion. Current expenditure in revised estimates 2014-15 showed an increase of Rs 18 billion from budget estimates, while development expenditure showed a decline of Rs 84.2 billion.
- h) The share of current expenditure in total budgetary outlay for 2014-15 was 80.8% as compared to 82.5% in revised estimates 2014-15.
- i) The expenditure on general public service for budget 2014-15 was estimated at Rs 2,543 billion, which was 73.4 % of the total current expenditure.
- j) The other development expenditure outside Public Sector Development Programme (PSDP) was budgeted at Rs 162 billion for Financial Year 2014-15.

- k) The total size of Public Sector Development Programme (PSDP) for 2014-15 was Rs 1,175 billion. Out of this, Rs 650 billion was allocated to Provinces. Federal PSDP 2014-15 was estimated at Rs 525 billion, out of which Rs 296.3 billion for Federal Ministries / Divisions, Rs 175.2 billion for Corporations, Rs 12.5 billion for Pak MDGs and Community Department Programme, Rs 36 billion for Special Federal Development Programme and Rs 5 billion for Earthquake Reconstruction and Rehabilitation Authority (ERRA). An amount of Rs 45 billion in revised estimates 2014-15 is for Special Development Programme for Temporarily Displaced Persons (TDPs) and Security Enhancement, while Rs 7 billion is for Prime Minister's Youth Programme. Federal PSDP increased from budget estimates of Rs 525 billion to Rs 542 billion in revised estimates.
- l) In the budget estimates 2014-15, bank borrowing was projected at Rs. 227,906 million, which has been revised upwards to Rs. 402,373 million.

1.2 Table-1 below presents a summary of comparative position of the budget and revised estimates for Financial Year 2014-15:

TABLE - 1
SUMMARY 2014-15

| Classification | (Rs in Million) | |
|---|-------------------|--------------------|
| | Budget 2014-15 | Revised 2014-15 |
| RESOURCES (A + B + C) | 4,073,839 | 3,832,739 |
| A Internal Resources | 3,205,229 | 3,122,278 |
| - Net Revenue Receipts | 2,225,322 | 2,377,763 |
| - Capital Receipts | 690,618 | 602,954 |
| - Estimated Provincial Surplus | 289,289 | 141,561 |
| B External Resources | 670,610 | 692,687 |
| C Privatization Proceeds | 198,000 | 17,774 |
| EXPENDITURE (A + B) | 4,301,746 | 4,235,111 |
| A Current Expenditure on Revenue Account | 3,463,245 | 3,480,790 |
| - Current Exp. on Revenue Receipts | 3,463,245 | 3,480,790 |
| B Total Development Expenditure | 838,500 | 754,321 |
| - Federal PSDP | 525,000 | 542,000 |
| - Other Development Expenditure | 161,813 | 132,292 |
| - Development Loans & Grants to Provinces | 151,688 | 80,029 |
| BANK BORROWING | 227,906 | 402,373 |

RESOURCES:**INTERNAL RESOURCES**

1.3 The internal resources come through net revenue receipts, capital receipts and estimated provincial surplus. Table-2 provides the details of budget and revised estimates for 2014-15 in respect of net revenue receipts, while table-3 provides the details of net capital receipts.

NET REVENUE RECEIPTS

1.4 After the share of Provinces in gross revenue is transferred, the net revenue receipts of Federal Government were estimated at Rs 2,225,322 million in the budget 2014-15, which have now been revised upwards to Rs 2,377,763 million in the revised estimates 2014-15 showing an increase of 6.9%. Table-2 provides the details:

TABLE - 2
NET REVENUE RECEIPTS
(2014-15)

| Classification | (Rs in Million) | |
|---|-------------------|--------------------|
| | Budget 2014-15 | Revised 2014-15 |
| TAX REVENUE (A + B) | 3,129,210 | 2,910,180 |
| A. FBR Taxes | 2,810,000 | 2,605,000 |
| - Direct Taxes | 1,180,000 | 1,109,000 |
| - Indirect Taxes | 1,630,000 | 1,496,000 |
| B. Other Taxes | 319,210 | 305,180 |
| NON-TAX REVENUE | 816,294 | 1,042,292 |
| - Income from Property and Enterprise | 191,992 | 221,101 |
| - Receipts from Civil Administration and Other Functions | 417,453 | 610,894 |
| - Miscellaneous Receipts | 206,850 | 210,297 |
| Gross Revenue Receipts | 3,945,504 | 3,952,472 |
| Provincial Share in Gross Revenue | 1,720,182 | 1,574,709 |
| Net Revenue Receipts | 2,225,322 | 2,377,763 |

1.5 The tax revenue was estimated for budget 2014-15 at Rs 3,129,210 million, which decreased to Rs 2,910,180 million or by 7% in revised estimates 2014-15. The non-tax revenue for 2014-15 was estimated at Rs 816,294 million, which increased to Rs 1,042,292 million or by 27.7% in revised estimates 2014-15.

NET CAPITAL RECEIPTS

1.6 These receipts comprise proceeds of borrowing, money received in repayment of loans, recoveries of advances/investments, proceeds of saving schemes, net receipts from transactions under deposits and remittances heads. The net capital receipts for the year 2014-15 were budgeted at Rs 690,618 million. The revised estimates are Rs 602,954 million, which indicates a decline of 12.7%. Table-3 provides the details:

TABLE - 3
NET CAPITAL RECEIPTS
(2014-15)

| Classification | (Rs in Million) | |
|--|-------------------|--------------------|
| | Budget 2014-15 | Revised 2014-15 |
| I. CAPITAL RECEIPTS (A + B + C) | 754,786 | 680,490 |
| A. Recovery of Loans | 68,803 | 75,613 |
| B. Public Debt (Net) | 415,456 | 317,298 |
| - Permanent Debt | 249,935 | 149,935 |
| - Floating Debt | 165,521 | 167,363 |
| C. Public Account | 270,527 | 287,579 |
| II. DISBURSEMENTS | 64,168 | 77,536 |
| NET CAPITAL RECEIPTS (I-II): | 690,618 | 602,954 |

ESTIMATED PROVINCIAL SURPLUS

1.7 The estimated provincial surplus was budgeted at Rs 289,289 million for 2014-15, which decreased to Rs 141,561 million in revised estimates 2014-15.

EXTERNAL RESOURCES

1.8 The Government obtains foreign loans and grants to use for capital and development expenditure. The external loans for 2014-15 were budgeted at Rs 623,807 million, which are now projected at Rs 662,357 million in revised estimates showing an increase of 6.2%.

1.9 External grants reduced from Rs 46,803 million in the budget estimates 2014-15 to Rs 30,331 million in the revised estimates 2014-15 or lower by 35.2%.

1.10 Overall external resources were estimated at Rs 670,610 million, which increased to Rs 692,687 million or by 3.3% in the revised estimates 2013-14. Table-4 below presents the details:

TABLE - 4
EXTERNAL RESOURCES
(2014-15)

| Classification | (Rs in Million) | |
|---|-------------------|--------------------|
| | Budget 2014-15 | Revised 2014-15 |
| I. EXTERNAL LOANS (a to c) | 623,807 | 662,357 |
| a. Project Loans | 174,843 | 222,889 |
| b. Programme Loans | 201,464 | 186,050 |
| c. Other Aid | 247,500 | 253,418 |
| II. EXTERNAL GRANTS | 46,803 | 30,331 |
| TOTAL EXTERNAL RESOURCES (I + II): | 670,610 | 692,687 |

EXPENDITURE

1.11 The budget estimates 2014-15 of the overall expenditure were Rs 4,301,746 million, which decreased to Rs 4,235,111 million in revised estimates 2014-15 or by 1.6%.

1.12 The components of expenditure are current and development. Table-5 below shows the comparative position of the budget and revised estimates of current and development expenditure for the Financial Year 2014-15:

TABLE - 5
CURRENT AND DEVELOPMENT EXPENDITURE
(2014-15)

| Classification | (Rs in Million) | |
|---|-------------------|--------------------|
| | Budget 2014-15 | Revised 2014-15 |
| A. CURRENT | 3,463,245 | 3,480,790 |
| - General Public Service | 2,543,334 | 2,530,384 |
| - Defence Affairs & Services | 700,148 | 720,002 |
| - Public Order and Safety Affairs | 86,450 | 87,598 |
| - Economic Affairs | 47,585 | 55,264 |
| - Environment Protection | 936 | 936 |
| - Housing and Community Amenities | 2,012 | 2,012 |
| - Health Affairs & Services | 10,017 | 10,124 |
| - Recreation, Culture and Religion | 7,060 | 7,242 |
| - Education Affairs and Services | 64,014 | 64,519 |
| - Social Protection | 1,691 | 2,709 |
| B. DEVELOPMENT | 838,500 | 754,321 |
| - Federal PSDP | 525,000 | 542,000 |
| - Other Development Expenditure | 161,813 | 132,292 |
| - Development Loans & Grants to Provinces | 151,688 | 80,029 |
| TOTAL EXPENDITURE (A + B): | 4,301,746 | 4,235,111 |

CHAPTER - 2
THE BUDGET 2015-16

SALIENT FEATURES

2.1 The budget 2015-16 has the following salient features:

- a) The total outlay of budget 2015-16 is Rs 4,451.3 billion. This size is 3.5% higher than the size of budget estimates 2014-15.
- b) The resource availability during 2015-16 has been estimated at Rs 4,168.3 billion against Rs 4,073.8 billion in the budget estimates of 2014-15.
- c) The net revenue receipts for 2015-16 have been estimated at Rs 2,463.4 billion indicating an increase of 10.7% over the budget estimates of 2014-15.
- d) The provincial share in federal taxes is estimated at Rs 1,849.4 billion during 2015-16, which is 7.5% higher than the budget estimates for 2014-15.
- e) The net capital receipts for 2015-16 have been estimated at Rs 606.3 billion against the budget estimates of Rs 690.7 billion in 2014-15 i.e. a decline of 12.2%.
- f) The external receipts in 2015-16 are estimated at Rs 751.5 billion. This shows an increase of 12.1% over the budget estimates for 2014-15.
- g) The overall expenditure during 2015-16 has been estimated at Rs 4,451.3 billion, out of which the current expenditure is Rs 3,482.2 billion and development expenditure is Rs 969 billion.
- h) The share of current and development expenditure respectively in total budgetary outlay for 2015-16 is 78.2% and 21.8%
- i) The expenditure on General Public Services is estimated at Rs 2,446.6 billion which is 70.3% of the current expenditure.
- j) The other development expenditure outside PSDP for 2015-16 has been estimated at Rs 164.4 billion.

- k) The size of Public Sector Development Programme (PSDP) for 2015-16 is Rs 1,513.7 billion. Out of this, Rs 813.7 billion has been allocated to provinces. Federal PSDP has been estimated at Rs 700 billion, out of which Rs 252.6 billion to Federal Ministries / Divisions, Rs 271.9 billion to Corporations, Rs 20 billion to Pak Millennium Development Goals and Community Development Programme (MDGs), Rs 28.5 billion to Special Federal Development Programme, Rs 7 billion to Earthquake Reconstruction and Rehabilitation Authority (ERRA), Rs 100 billion for Special Development Programme for Temporarily Displaced Persons (TDPs) and Security Enhancement and Rs 20 billion for Prime Minister's Youth Programme.
- l) To meet expenditure, bank borrowing has been estimated for 2015-16 at Rs 282.9 billion, which is significantly lower than revised estimates of 2014-15.

2.2 Table-6 below presents the comparative position of budget and revised estimates for Financial Year 2014-15 and budget estimates for Financial Year 2015-16.

TABLE - 6
COMPARATIVE BUDGETARY POSITION
2014-15 AND 2015-16

| Classification | (Rs in Million) | | |
|---|-------------------|--------------------|-------------------|
| | Budget 2014-15 | Revised 2014-15 | Budget 2015-16 |
| RESOURCES (A + B + C) | 4,073,839 | 3,832,739 | 4,168,338 |
| A Internal Resources | 3,205,229 | 3,122,278 | 3,366,827 |
| - Net Revenue Receipts | 2,225,322 | 2,377,763 | 2,463,351 |
| - Net Capital Receipts | 690,618 | 602,954 | 606,303 |
| - Estimated Provincial Surplus | 289,289 | 141,561 | 297,173 |
| B External Resources | 670,610 | 692,687 | 751,511 |
| C Privatization Proceeds | 198,000 | 17,774 | 50,000 |
| EXPENDITURE (A + B) | 4,301,743 | 4,235,111 | 4,451,277 |
| A Current Expenditure on Revenue Account | 3,463,245 | 3,480,790 | 3,482,239 |
| - Current Exp. on Revenue Account | 3,463,245 | 3,480,790 | 3,482,239 |
| B Total Development Expenditure | 838,497 | 754,321 | 969,038 |
| - Federal PSDP | 525,000 | 542,000 | 700,000 |
| - Other Development Expenditure | 161,813 | 132,292 | 164,400 |
| - Dev. Loans & Grants to Provinces | 151,688 | 80,029 | 104,639 |
| BANK BORROWING | 227,906 | 402,373 | 282,940 |

CHAPTER - 3
RESOURCE POSITION
(2015-16)

3.1 There are two type of resources i.e. internal and external. The internal resources comprise of revenue receipts, capital receipts and estimated provincial surplus. The external resources come from foreign loans and grants. Table-7 below presents the overall comparative resource position for the year 2014-15 (budget and revised) and 2015-16 (budget).

TABLE - 7
RESOURCE POSITION

| (Rs in Million) | | | |
|-------------------------------------|-------------------|--------------------|-------------------|
| Classification | Budget 2014-15 | Revised 2014-15 | Budget 2015-16 |
| A Internal Resources | 3,269,397 | 3,199,814 | 3,499,862 |
| 1 Net Revenue Receipts [(i) - (ii)] | 2,225,322 | 2,377,763 | 2,463,351 |
| (i) Gross Revenue Receipts | 3,945,504 | 3,952,472 | 4,312,745 |
| (ii) Less Provincial Share in Taxes | 1,720,182 | 1,574,709 | 1,849,394 |
| 2 Capital Receipts | 754,786 | 680,490 | 739,338 |
| 3 Estimated Provincial Surplus | 289,289 | 141,561 | 297,173 |
| B External Resources | 670,610 | 692,687 | 751,511 |
| TOTAL RESOURCES (A + B) | 3,940,007 | 3,892,501 | 4,251,373 |

INTERNAL RESOURCES**NET REVENUE RECEIPTS**

3.2 The gross revenue receipts in budget 2015-16 are estimated at Rs 4,312,745 million showing an increase of 9.1% over the revised estimates 2014-15.

3.3 The provincial share in taxes for 2015-16 is estimated at Rs 1,849,394 million, which is 17.4% higher than the revised estimates of 2014-15. After the share of Provinces in gross revenues is transferred, the net revenue of Federal Government has been estimated to be Rs 2,463,351 million for Financial Year 2015-16.

3.4 The tax revenue for 2015-16 is estimated at Rs 3,418,221 million, which reflects an increase of 17.5% over revised estimates 2014-15. Out of which FBR collection is Rs 3,103,706 million. Non-tax revenue is projected at Rs 894,525 million in 2015-16 as compared with Rs 1,042,292 million in revised estimates 2014-15.

3.5 Tables 8 to 10 present information on various components of tax revenue and non-tax revenue.

TABLE - 8
NET REVENUE RECEIPTS

| Classification | (Rs in Million) | | |
|--|-------------------|--------------------|-------------------|
| | Budget 2014-15 | Revised 2014-15 | Budget 2015-16 |
| Tax Revenue (A + B) | 3,129,210 | 2,910,180 | 3,418,221 |
| A. FBR Taxes | 2,810,000 | 2,605,000 | 3,103,706 |
| - Direct Taxes | 1,180,000 | 1,109,000 | 1,347,872 |
| - Indirect Taxes | 1,630,000 | 1,496,000 | 1,755,834 |
| B. Other Taxes | 319,210 | 305,180 | 314,515 |
| Non-Tax Revenue | 816,294 | 1,042,292 | 894,524 |
| - Property and Enterprise | 191,992 | 221,101 | 227,680 |
| - Civil Administration and Other Functions | 417,453 | 610,894 | 444,295 |
| - Miscellaneous Receipts | 206,850 | 210,297 | 222,548 |
| Gross Revenue Receipts | 3,945,504 | 3,952,472 | 4,312,745 |
| Provincial Share in Gross Revenue | 1,720,182 | 1,574,709 | 1,849,394 |
| Net Revenue Receipts | 2,225,322 | 2,377,763 | 2,463,351 |

TABLE - 9
TAX REVENUE

| (Rs in Million) | | | |
|--|-------------------|--------------------|-------------------|
| Classification | Budget 2014-15 | Revised 2014-15 | Budget 2015-16 |
| A. FBR TAXES (I + II) | 2,810,000 | 2,605,000 | 3,103,706 |
| I. Direct Taxes | 1,180,000 | 1,109,000 | 1,347,872 |
| - Taxes on Income | 1,163,821 | 1,091,691 | 1,326,835 |
| - Workers Welfare Fund | 15,500 | 16,216 | 19,709 |
| - Capital Value Tax (CVT) | 679 | 1,093 | 1,328 |
| II. Indirect Taxes | 1,630,000 | 1,496,000 | 1,755,834 |
| - Customs Duties | 281,000 | 255,000 | 299,125 |
| - Sales Tax | 1,171,000 | 1,082,000 | 1,250,272 |
| - Federal Excise | 178,000 | 159,000 | 206,437 |
| B. OTHER TAXES | 319,210 | 305,180 | 314,515 |
| - Other Indirect Taxes (ICT) | 4,720 | 4,105 | 4,365 |
| - Airport Tax | 90 | 75 | 150 |
| - Gas Infrastructure Development Cess | 145,000 | 145,000 | 145,000 |
| - Natural Gas Development Surcharge | 46,400 | 30,000 | 30,000 |
| - Petroleum Levy | 123,000 | 126,000 | 135,000 |
| TOTAL TAX REVENUE: | 3,129,210 | 2,910,180 | 3,418,221 |

TABLE - 10
NON-TAX REVENUE

| Classification | (Rs in Million) | | |
|--|-------------------|--------------------|-------------------|
| | Budget 2014-15 | Revised 2014-15 | Budget 2015-16 |
| NON-TAX REVENUE (A+B+C) | 816,294 | 1,042,292 | 894,524 |
| A. Income from Property and Enterprise | 191,992 | 221,101 | 227,680 |
| - Pakistan Telecom Authority (Surplus) | 14,720 | 5,000 | 5,000 |
| - PTA (3 G Licences) | 56,000 | 56,000 | 65,000 |
| - Regulatory Authorities | 350 | 350 | 386 |
| - Mark up (Provinces) | 12,952 | 13,319 | 12,019 |
| - Mark up (PSEs & Others) | 25,981 | 63,365 | 57,154 |
| - Dividends | 81,989 | 83,067 | 88,122 |
| B. Receipts from Civil Administration and Other Functions | 417,453 | 610,894 | 444,295 |
| - General Administration | 2,874 | 3,604 | 4,419 |
| - Profit of SBP | 270,000 | 399,000 | 280,000 |
| - Defence | 140,220 | 204,026 | 154,023 |
| - Law and Order | 1,142 | 961 | 1,230 |
| - Community Services | 1,561 | 1,535 | 2,259 |
| - Social Services | 1,656 | 1,768 | 2,365 |
| C. Miscellaneous Receipts | 206,850 | 210,297 | 222,548 |
| - Economic Services | 2,993 | 3,114 | 4,035 |
| - Foreign Grants | 35,000 | 45,000 | 40,000 |
| - Passport and Citizenship Fees | 20,000 | 21,000 | 25,000 |
| - Discount Retained on Local Crude Price | 20,000 | 21,000 | 21,000 |
| - Royalty on Crude Oil | 32,261 | 19,728 | 18,373 |
| - Royalty on Natural Gas | 49,164 | 37,469 | 40,246 |
| - Windfall Levy against Crude Oil | 17,000 | 17,000 | 18,000 |
| - Petroleum Levy on LPG | 1,000 | 2,000 | 2,000 |
| - Others | 29,432 | 43,986 | 53,895 |

NET CAPITAL RECEIPTS

3.6 Capital receipts on net basis in the budget 2015-16 have been estimated at Rs 606,303 million against Rs 690,618 million in the budget estimates 2014-15 and Rs 602,954 million in the revised estimates 2014-15. Table-11 below presents the details of capital receipts, disbursements and net capital receipts.

TABLE - 11
NET CAPITAL RECEIPTS

| Classification | (Rs in Million) | | |
|---|-------------------|--------------------|-------------------|
| | Budget 2014-15 | Revised 2014-15 | Budget 2015-16 |
| I. CAPITAL RECEIPTS (A + B + C) | 754,786 | 680,490 | 739,338 |
| A. Recoveries of Loans & Advances | 68,803 | 75,613 | 89,860 |
| - Provinces | 39,418 | 38,564 | 42,193 |
| - Others | 29,386 | 37,049 | 47,667 |
| B. Public Debt Net (1 + 2) | 415,456 | 317,298 | 395,208 |
| 1. Permanent Debt | 249,935 | 149,935 | 219,935 |
| - Pakistan Investment Bonds | 250,000 | 150,000 | 220,000 |
| - FEBCs | (5) | (5) | (5) |
| - FCBCs | (5) | (5) | (5) |
| - U.S. Dollar Bearer Certificates | (5) | (5) | (5) |
| - Special US Dollar Bonds | (50) | (50) | (50) |
| 2. Floating Debt | 165,521 | 167,363 | 175,273 |
| - Prize Bonds | 65,521 | 67,363 | 75,273 |
| - Treasury Bills | 100,000 | 100,000 | 100,000 |
| C. Public Account | 270,527 | 287,579 | 254,270 |
| - Saving Schemes | 221,416 | 263,638 | 229,332 |
| - G.P. Fund | 4,000 | 4,000 | 4,000 |
| - Net Deposits | 45,111 | 19,941 | 20,938 |
| II. DISBURSEMENTS | 64,168 | 77,536 | 133,035 |
| - Government Investments, Loans, Advances and Others | 36,684 | 38,129 | 43,611 |
| - Repayment of Short Term Credits | 27,484 | 39,407 | 89,425 |
| NET CAPITAL RECEIPTS (I - II): | 690,618 | 602,954 | 606,303 |
| Net Lending to Others: | 7,298 | 1,080 | (4,056) |

ESTIMATED PROVINCIAL SURPLUS

3.7 The estimated provincial surplus has been projected at Rs 297,173 million for 2015-16 as against Rs 141,561 million in revised estimates 2014-15.

EXTERNAL RESOURCES

3.8 The government obtains loans and grants to bridge the gap between the receipts and expenditure. The external resources for 2015-16 have been projected at Rs 751,511 million, which are higher by 12.1% and 8.5% than the budget and revised estimates 2014-15 respectively. Table-13 below presents the details of receipts from external resources.

TABLE - 12
EXTERNAL RESOURCES

| Classification | (Rs in Million) | | |
|-----------------------------------|-------------------|--------------------|-------------------|
| | Budget 2014-15 | Revised 2014-15 | Budget 2015-16 |
| I. EXTERNAL LOANS (A to C) | 623,807 | 662,357 | 727,533 |
| A. Project Loans (i+ii) | 174,843 | 222,889 | 208,275 |
| i Federal Government | 92,835 | 176,504 | 141,128 |
| - Ministries/Divisions | 24,592 | 48,545 | 22,842 |
| - Corporations/Autonomous Bodies | 68,243 | 127,959 | 118,286 |
| ii Provinces | 82,008 | 46,385 | 67,147 |
| B. Programme Loans | 201,464 | 186,050 | 187,360 |
| C. Other Aid | 247,500 | 253,418 | 331,898 |
| - Islamic Development Bank | 49,500 | 97,999 | 125,854 |
| - Euro Bonds | 49,500 | - | 101,250 |
| - Sukuk Bonds | 49,500 | 101,250 | - |
| - China Safe Deposits | 99,000 | 50,625 | 101,250 |
| - Economic Trade Bank | - | 3,544 | 3,544 |
| II. EXTERNAL GRANTS | 46,803 | 30,331 | 23,978 |
| - Project Aid Grants | 30,852 | 25,092 | 23,978 |
| • Federal Departments | 8,752 | 7,182 | 3,334 |
| • Autonomous Bodies | 550 | 2,409 | 2,325 |
| • Provinces | 21,551 | 15,500 | 18,319 |
| - Kerry Lugar | 15,951 | 5,239 | - |
| TOTAL (I + II): | 670,610 | 692,687 | 751,511 |

CHAPTER - 4
PROVINCIAL SHARE IN FEDERAL TAXES

NFC Award

4.1 Pakistan is a Federal Democracy. In order to maintain inter-governmental fiscal relationship, Article 160 of the Constitution of Islamic Republic of Pakistan provides for setting up a National Finance Commission (NFC) at intervals not exceeding five years. The mandate of NFC is to recommend to the President the distribution of resources between the Federal and Provincial Governments. The President, through Presidential Order, gives legal cover to the recommendations of the NFC.

4.2 Presently, 7th NFC Award (2009) is operative. Through this Award, the financial autonomy of the provinces has been strengthened by increasing their share in the Divisible Pool (taxes) from 50% to 56% in fiscal year 2010-11 and to 57.5% from fiscal year 2011-12 onwards. For the first time in history, multiple indicators were adopted for distribution of provincial shares in the divisible pool whereas in all the previous Awards, population remained as sole criterion for distribution of provincial share in the divisible pool with special grants (subventions) to smaller provinces.

4.3 A special feature of the Award is recognition of requirements of Balochistan. Its share from the divisible pool was guaranteed at Rs.83 billion in fiscal year 2010-11 which was more than double from the actual divisible pool share of fiscal year 2009-10. It has also been ensured that Balochistan province would receive provincial share in the divisible pool based on the budgetary projections instead of actual FBR collection for the next four years of the 7th NFC Award. Shortfall, if any, based on the actual collection reported by FBR would be borne by the Federal Government itself. This arrangement is in practice since financial year 2010-11 and shall continue for the whole period of 7th NFC Award. In this regard, an amount of Rs 67.436 billion stands released to Government of Balochistan as additionality from 2010-11 to 2014-15.

4.4 The 8th NFC was constituted on 21st July, 2010, but it did not give any Award. The 9th NFC has been constituted on April 24, 2015 and its 1st meeting was held on 28th April, 2015. NFC, in its first meeting, decided to constitute four working groups to undertake thematic studies and put forth their recommendations for consideration by the Commission. The present Award will remain operative till 9th NFC Award is implemented. As such, the shares of the provinces in the divisible pool have been worked out in accordance with the 7th NFC Award, 2009.

4.5 The 7th NFC Award implemented through President's Order No.5 of 2010 is reproduced as follows:

"PRESIDENT'S ORDER No. 5 of 2010

AN
ORDER

to provide for distribution of revenues and certain grants

WHEREAS in pursuance of clause (1) of Article 160 of the Constitution of the Islamic Republic of Pakistan hereinafter referred to as the Constitution, the President, by the Finance Division's Notification No. S.R.O. 739(I)/2005, dated 21st July 2005, as modified by the said Division's Notification No. S.R.O. 693(I)/2009, dated 24th July 2009, appointed a National Finance Commission to make recommendations, among other matters, as to the distribution between the Federation and the Provinces of the net proceeds of certain taxes;

AND WHEREAS the said Commission has also submitted its recommendations with regard to the said distribution;

NOW, THEREFORE, in pursuance of clauses (4) and (7) of Article 160 of the Constitution, the President is pleased to make the following Order:—

1. Short title and commencement.— (1) This Order may be called the Distribution of Revenues and Grants-in-Aid Order, 2010.

(2) It shall come into force on the first day of July, 2010.

2. Definitions.— In this Order, unless there is anything repugnant in the subject or context,—

- (a) "net proceeds" means, in relation to any tax, duty or levy, the proceeds thereof reduced by the cost of collection as ascertained and certified by the Auditor General of Pakistan; and
- (b) "taxes on income" includes corporation tax but does not include taxes on income consisting of remuneration paid out of the Federal Consolidated Fund.

3. Distribution of Revenues.—(1) The divisible pool taxes in each year shall consist of the following taxes levied and collected by the Federal Government in that year, namely:—

- (a) taxes on income;
- (b) wealth tax;
- (c) capital value tax;
- (d) taxes on the sales and purchases of goods imported, exported, produced, manufactured or consumed;
- (e) export duties on cotton;
- (f) customs duties;
- (g) federal excise duties excluding the excise duty on gas charged at well-head; and
- (h) any other tax which may be levied by the Federal Government.

(2) One percent of the net proceeds of divisible pool taxes shall be assigned to Government of Khyber Pakhtunkhwa to meet the expenses on war on terror.

(3) After deducting the amounts as prescribed in clause (2), of the balance amount of the net proceeds of divisible pool taxes, fifty-six percent shall be assigned to provinces during the financial year 2010-11 and fifty-seven and half percent from the financial year 2011-12 onwards. The share of the Federal Government in the net proceeds of divisible pool shall be forty-four percent during the financial year 2010-11 and forty-two and half percent from the financial year 2011-12 onwards.

4. Allocation of shares to the Provincial Governments.—(1) The Province - wise ratios given in clause (2) are based on multiple indicators. The indicators and their respective weights as agreed upon are:—

| | | |
|-----|----------------------------------|-------|
| (a) | Population | 82.0% |
| (b) | Poverty or backwardness | 10.3% |
| (c) | Revenue collection or generation | 5.0% |
| (d) | Inverse population density | 2.7% |

(2) The sum assigned to the Provincial Governments under Article 3 shall be distributed amongst the Provinces on the basis of the percentage specified against each:—

| | | |
|-----|--------------------|----------------|
| (a) | Balochistan | 9.09% |
| (b) | Khyber Pakhtunkhwa | 14.62% |
| (c) | Punjab | 51.74% |
| (d) | Sindh | 24.55% |
| | Total: | 100.00% |

(3) The Federal Government shall guarantee that Balochistan province shall receive the projected sum of eighty-three billion rupees from the provincial share in the net proceeds of divisible pool taxes in the first year of the Award. Any shortfall in this amount shall be made up by the Federal Government from its own resources. This arrangement for Balochistan shall remain protected throughout the remaining four years of the Award based on annual budgetary projections.

5. **Payment of net proceeds of royalty on crude oil.**—Each of the provinces shall be paid in each financial year as a share in the net proceeds of the total royalties on crude oil an amount which bears to the total net proceeds the same proportion as the production of crude oil in the Province in that year bears to the total production of crude oil.

6. **Payment of net proceeds of development surcharge on natural gas to the Provinces.**—(1) Each of the Provinces shall be paid in each financial year as a share in the net proceeds to be worked out based on average rate per MMBTU of the respective province. The average rate per MMBTU shall be derived by notionally clubbing both the royalty on natural gas and development surcharge on Gas. Royalty on natural gas shall be distributed in accordance with clause (1) of Article 161 of the Constitution whereas the development surcharge on natural gas would be distributed by making adjustments based on this average rate.

(2) The development surcharge on natural gas for Balochistan with effect from 1st July 2002, shall be re-worked out hypothetically on the basis of the formula given in clause (1) and the amount, subject to maximum of ten billion rupees, shall be paid in five years in five equal installments by the Federal Government as grants to be charged on the Federal Consolidated Fund.

7. **Grants-in-Aid to the Provinces.**—There shall be charged upon the Federal Consolidated Fund each year, as grants-in-aid of the revenues of the province of Sindh an amount equivalent to 0.66% of the provincial share in the net proceeds of divisible pool as a compensation for the losses on account of abolition of octroi and zilla tax.

8. **Sales tax on services.**—NFC recognizes that sales tax on services is a Provincial subject under the Constitution of the Islamic Republic of Pakistan, and may be collected by respective Provinces, if they so desired.

9. **Miscellaneous.**—(1) NFC also recommended increase in the rate of excise duty on natural gas to Rs 10.0 per MMBTU. Federal Government may initiate necessary legislation accordingly.

(2) The NFC recommended that the Federal Government and Provincial Governments should streamline their tax collection systems to reduce leakages and increase their revenues through efforts to improve taxation in order to achieve a 15% tax to GDP ratio by the terminal year i.e. 2014-15. Provinces would initiate steps to effectively tax the agriculture and real estate sectors. Federal Government and Provincial Governments may take necessary administrative and legislative steps accordingly.

(3) Federal Government and Provincial Governments would develop and enforce mechanism for maintaining fiscal discipline at the Federal and Provincial levels through legislative and administrative measures.

(4) The Federal Government may assist the Provinces through specific grants in times of unforeseen calamities.

(5) The meetings of the NFC may be convened regularly on a quarterly basis to monitor implementation of the award in letter and spirit.

10. **Repeal.**— The Distribution of Revenues and Grants-in-Aid Order, 1997 (P.O. No. 1 of 1997), and the Distribution of Revenues and Grants-in-Aid, Order, 2010 (P.O. 4 of 2010) are hereby repealed.

ASIF ALI ZARDARI,
President."

4.6 In accordance with the framework for distribution of resources structured by the 7th NFC Award, provincial share in federal taxes and straight transfers to Provinces are estimated at Rs 1,849,394 million for Financial Year 2015-16, reflecting an increase of 17.4% over revised estimates 2014-15. The details are as in Table-13 below:

TABLE - 13
DETAILS OF PROVINCIAL SHARE IN FEDERAL TAXES

| Classification | (Rs in Million) | | |
|--|-------------------|--------------------|-------------------|
| | Budget 2014-15 | Revised 2014-15 | Budget 2015-16 |
| A. DIVISIBLE POOL TAXES | 1,580,787 | 1,476,554 | 1,746,239 |
| - Taxes on Income | 660,660 | 623,372 | 753,198 |
| - Capital Value Tax | 389 | 606 | 762 |
| - Sales Tax (excl. GST on Services) | 667,491 | 623,009 | 715,051 |
| - Federal Excise (excl. ED on NG) | 94,928 | 85,140 | 109,294 |
| - Customs Duties (excl. EDS) | 157,318 | 144,426 | 167,935 |
| B. STRAIGHT TRANSFERS | 137,482 | 97,415 | 102,379 |
| - Royalty on Crude Oil | 31,616 | 19,334 | 18,006 |
| - Royalty on Natural Gas (NG) | 48,180 | 36,720 | 39,441 |
| - Natural Gas Development Surcharge | 45,472 | 29,400 | 29,400 |
| - Excise Duty on Natural Gas (NG) | 12,214 | 11,962 | 15,532 |
| C. GST ON SERVICES | 1,913 | 740 | 776 |
| Total (A to C): | 1,720,182 | 1,574,709 | 1,849,394 |
| PROVINCE- WISE SHARE | | | |
| Punjab | 812,786 | 751,457 | 894,653 |
| Sindh | 464,007 | 413,511 | 482,801 |
| Khyber Pakhtunkhwa (Inclusive 1% War on Terror) | 283,675 | 254,765 | 300,452 |
| Balochistan | 159,714 | 154,976 | 171,488 |
| Total: | 1,720,182 | 1,574,709 | 1,849,394 |

4.7 Table-14 below presents total net federal transfers to provinces.

TABLE - 14
NET FEDERAL TRANSFERS TO PROVINCES

| (Rs in Million) | | | |
|--|-------------------|--------------------|-------------------|
| Classification | Budget 2014-15 | Revised 2014-15 | Budget 2015-16 |
| A. Total Transfers to Provinces | 1,904,658 | 1,688,444 | 1,992,385 |
| - Divisible Pool Taxes | 1,580,787 | 1,476,554 | 1,746,239 |
| - Straight Transfers | 137,482 | 97,415 | 102,379 |
| - GST on Services | 1,913 | 740 | 776 |
| - Special Grants / Subventions | 32,737 | 33,707 | 38,300 |
| - Project Loans and Grants | 103,559 | 61,885 | 85,467 |
| - Programme Loans | 48,129 | 18,143 | 19,172 |
| - Japanese Grant | 52 | - | 52 |
| B. Less Payments to Federal Govt. | 52,370 | 51,883 | 54,212 |
| - Interest Payments | 12,952 | 13,319 | 12,019 |
| - Loans Repayments | 39,418 | 38,564 | 42,193 |
| Net Transfers to Provinces (A-B): | 1,852,288 | 1,636,562 | 1,938,173 |

4.8 In accordance with the framework for distribution of resources structured by the 7th NFC Award, the net transfers to provinces are Rs 1,938,173 million in the budget estimates 2015-16. These transfers were estimated at Rs 1,852,288 million in the budget estimates 2014-15 and Rs 1,636,562 million in revised estimates 2014-15.

CHAPTER - 5
CURRENT EXPENDITURE
(2015-16)

5.1 Table-15 below presents a summary of current expenditure:

TABLE - 15
SUMMARY

| | | (Rs in Million) | | |
|---|-------------------|--------------------|-------------------|--|
| Classification | Budget 2014-15 | Revised 2014-15 | Budget 2015-16 | |
| (i) Mark-up Payment | 1,325,232 | 1,270,037 | 1,279,895 | |
| - Mark-up on Domestic Debt | 1,224,592 | 1,169,545 | 1,168,676 | |
| - Mark-up on Foreign Debt | 100,640 | 100,492 | 111,219 | |
| (ii) Pension | 215,000 | 219,958 | 231,000 | |
| - Military | 163,375 | 167,875 | 174,271 | |
| - Civil | 51,625 | 52,083 | 56,729 | |
| (iii) Defence Affairs and Services | 700,148 | 720,002 | 781,162 | |
| - Defence Services | 698,259 | 717,871 | 779,140 | |
| - Defence Administration | 1,889 | 2,131 | 2,022 | |
| (iv) Grants and Transfers | 370,782 | 418,665 | 409,875 | |
| - Grants to Provinces | 32,737 | 33,707 | 38,300 | |
| - Grants to Others | 338,045 | 384,958 | 371,575 | |
| (v) Subsidies | 203,248 | 243,248 | 137,603 | |
| (vi) Running of Civil Government | 290,660 | 313,294 | 326,331 | |
| (i) Salary | 174,982 | 175,928 | 193,850 | |
| a) Pay | 67,629 | 67,750 | 73,113 | |
| b) Allowance | 107,353 | 108,178 | 120,737 | |
| (ii) Non-Salary | 112,678 | 137,366 | 129,481 | |
| (iii) Others | 3,000 | - | 3,000 | |
| (vii) Provision for Pay and Pension | 25,000 | - | - | |
| CURRENT EXPENDITURE (i to vii): | 3,130,071 | 3,185,204 | 3,165,866 | |
| (viii) Foreign Loans Repayment | 333,174 | 295,586 | 316,373 | |
| TOTAL CURRENT EXPENDITURE: (includes foreign loans repayment) | 3,463,245 | 3,480,790 | 3,482,239 | |

5.2 The main components of current expenditure are mark-up on government borrowing, defense, running of civil government, pension, grants and subsidies. Estimates for total current expenditure in the budget for Financial Year 2014-15 stood at Rs 3,463,245 million, which have now been revised upwards to Rs 3,480,790 million. For Financial Year 2015-16 an allocation of Rs 3,482,239 million has been made for current expenditure, showing a small increase over the revised estimates of the outgoing Financial Year 2014-15.

5.3 Table-16 below presents the comparative position of the budget and revised estimates of current expenditure for the year 2014-15 along with the budget estimates 2015-16. It shows breakup of Current Expenditure according to functional classification.

TABLE - 16
CURRENT EXPENDITURE

| (Rs in Million) | | | |
|-------------------------------------|-------------------|--------------------|-------------------|
| Classification | Budget 2014-15 | Revised 2014-15 | Budget 2015-16 |
| 1) General Public Service | 2,543,334 | 2,530,384 | 2,446,604 |
| 2) Defence Affairs and Services | 700,148 | 720,002 | 781,162 |
| 3) Public Order and Safety Affairs | 86,450 | 87,598 | 94,899 |
| 4) Economic Affairs | 47,585 | 55,264 | 60,195 |
| 5) Environment Protection | 936 | 936 | 1,055 |
| 6) Housing and Community Amenities | 2,012 | 2,012 | 2,256 |
| 7) Health Affairs & Services | 10,017 | 10,124 | 11,010 |
| 8) Recreation, Culture and Religion | 7,060 | 7,242 | 7,637 |
| 9) Education Affairs and Services | 64,014 | 64,519 | 75,580 |
| 10) Social Protection | 1,691 | 2,709 | 1,840 |
| Total: | 3,463,245 | 3,480,790 | 3,482,239 |

5.4 The bulk of expenditure falls under General Public Service. The expenditure against this head has been budgeted at Rs 2,446,604 million for 2015-16, which is 70.3% of current expenditure.

GENERAL PUBLIC SERVICE

5.5 Under the head of General Public Service, the major portion goes to executive & legislative organs, financial, fiscal and external affairs. At Rs 2,003,902 million, this component forms 81.9% of the allocation for General Public Service. The main heads of expenses are Servicing of Domestic Debt, Foreign Loans Repayment and Others. Transfer payments constitute another important item.

5.6 The details of expenditures classified under General Public Service are given in Table-17 below.

TABLE - 17
GENERAL PUBLIC SERVICE

| Classification | (Rs in Million) | | |
|---|---------------------------|----------------------------|---------------------------|
| | Budget 2014-15 | Revised 2014-15 | Budget 2015-16 |
| GENERAL PUBLIC SERVICE | 2,543,334 | 2,530,384 | 2,446,604 |
| Executive & Legislative Organs, Financial, Fiscal Affairs & External Affairs | 2,119,013 | 2,071,823 | 2,003,902 |
| - Superannuation Allowances & Pensions | 215,000 | 219,958 | 231,000 |
| - Servicing of Foreign Debt | 100,640 | 100,492 | 111,219 |
| - Foreign Loans Repayment | 333,174 | 295,586 | 316,373 |
| - Servicing of Domestic Debt | 1,224,592 | 1,169,545 | 1,168,676 |
| - Others | 245,607 | 286,243 | 176,635 |
| Foreign Economic Aid | 92 | 1,328 | 100 |
| Transfers | 370,782 | 418,665 | 409,875 |
| General Services | 5,107 | 6,147 | 6,415 |
| Basic Research | 3,041 | 3,041 | 3,559 |
| Research and Development General Public Services | 9,037 | 9,670 | 10,683 |
| Administration of General Public Services | 1,974 | 2,450 | 2,150 |
| General Public Services not elsewhere defined | 34,287 | 17,260 | 9,920 |

DEFENCE AFFAIRS AND SERVICES

5.7 Details of estimates of expenditure on Defence Affairs and Services in 2014-15 (budget & revised) and 2015-16 (budget) are given in Table-18 below:

TABLE - 18
DEFENCE AFFAIRS AND SERVICES

| Classification | (Rs in Million) | | |
|-------------------------------------|---------------------------|----------------------------|---------------------------|
| | Budget 2014-15 | Revised 2014-15 | Budget 2015-16 |
| DEFENCE AFFAIRS AND SERVICES | 700,148 | 720,002 | 781,162 |
| - Defence Administration | 1,889 | 2,131 | 2,022 |
| - Defence Services | 698,259 | 717,871 | 779,140 |
| - Employees Related Expenses | 293,599 | 300,766 | 326,048 |
| - Operating Expenses | 180,250 | 180,515 | 200,625 |
| - Physical Assets | 152,841 | 163,588 | 169,648 |
| - Civil Works | 73,310 | 74,743 | 84,680 |
| - Less Recoveries | (1,741) | (1,741) | (1,860) |

PUBLIC ORDER AND SAFETY AFFAIRS

5.8 Under the head of Public Order and Safety Affairs, an amount of Rs 94,899 million has been provided in the budget 2015-16 as compared with Rs 86,450 million in the budget estimates 2014-15 and Rs 87,598 million in revised estimates 2014-15. The allocation for Police (Rs 87,513 million) forms the major component, with a share of 92.2%, in the total allocation under this head. Table-19 below provides the details:

TABLE - 19
PUBLIC ORDER AND SAFETY AFFAIRS

| Classification | (Rs in Million) | | |
|--|---------------------------|----------------------------|---------------------------|
| | Budget 2014-15 | Revised 2014-15 | Budget 2015-16 |
| PUBLIC ORDER AND SAFETY AFFAIRS | 86,450 | 87,598 | 94,899 |
| - Law Courts | 3,906 | 4,024 | 4,396 |
| - Police | 79,834 | 80,741 | 87,513 |
| - Fire Protection | 155 | 155 | 171 |
| - Prison Administration and Operation | 33 | 33 | 36 |
| - R & D Public Order and Safety | 25 | 25 | 29 |
| - Administration of Public Order | 2,496 | 2,619 | 2,754 |

ECONOMIC AFFAIRS

5.9 The allocation under the head of Economic Affairs in the budget 2015-16 has been projected at Rs 60,195 million, which is higher by 8.9% than the revised estimates for 2014-15 and 26.5% than the budget estimates 2014-15. Major share of this head goes to Agriculture, Food, Irrigation, Forestry and Fishing, which is 39% of total allocation for Economic Affairs. Table-20 below provides the details under this head:

TABLE - 20
ECONOMIC AFFAIRS

| Classification | (Rs in Million) | | |
|---|---------------------------|----------------------------|---------------------------|
| | Budget 2014-15 | Revised 2014-15 | Budget 2015-16 |
| ECONOMIC AFFAIRS | 47,585 | 55,264 | 60,195 |
| - General Economic, Commercial and Labour Affairs | 10,692 | 8,805 | 18,280 |
| - Agriculture, Food, Irrigation, Forestry and Fishing | 20,523 | 26,623 | 23,497 |
| - Fuel and Energy | 671 | 960 | 769 |
| - Mining and Manufacturing | 1,276 | 1,276 | 1,403 |
| - Construction and Transport | 10,530 | 12,353 | 11,854 |
| - Communications | 2,502 | 3,707 | 2,887 |
| - Others | 1,391 | 1,541 | 1,506 |

ENVIRONMENT PROTECTION

5.10 Under the head of Environment Protection, an amount of Rs 1055 million has been estimated for budget 2015-16 for Waste Water Management, which is higher by 12.7%, when compared with budget and revised estimates 2014-15.

TABLE - 21
ENVIRONMENT PROTECTION

| (Rs in Million) | | | |
|-------------------------------|-------------------|--------------------|-------------------|
| Classification | Budget 2014-15 | Revised 2014-15 | Budget 2015-16 |
| ENVIRONMENT PROTECTION | 936 | 936 | 1,055 |
| - Waste Water Management | 936 | 936 | 1055 |

HOUSING AND COMMUNITY AMENITIES

5.11 Under the head of Housing and Community Amenities, an amount of Rs 2,256 million has been provided in the budget 2015-16 for Community Development, which is higher by 12.1%, when compared with budget and revised estimates 2014-15.

TABLE - 22
HOUSING AND COMMUNITY AMENITIES

| (Rs in Million) | | | |
|--|-------------------|--------------------|-------------------|
| Classification | Budget 2014-15 | Revised 2014-15 | Budget 2015-16 |
| HOUSING AND COMMUNITY AMENITIES | 2,012 | 2,012 | 2,256 |
| - Community Development | 2,012 | 2,012 | 2,256 |

HEALTH AFFAIRS AND SERVICES

5.12 Under the head of Health Affairs and Services, a total allocation of Rs 11,010 million has been made in the budget estimates 2015-16, which is higher by 8.8% and 9.9% respectively when compared with budget and revised estimates 2014-15. The allocation for Hospital Services forms the major component under this classification. Details are given in Table-23 below:

TABLE - 23
HEALTH AFFAIRS AND SERVICES

| Classification | (Rs in Million) | | |
|--|---------------------------|----------------------------|---------------------------|
| | Budget 2014-15 | Revised 2014-15 | Budget 2015-16 |
| HEALTH AFFAIRS AND SERVICES | 10,017 | 10,124 | 11,010 |
| - Medical Products, Appliances and Equipment | 100 | 100 | 27 |
| - Hospital Services | 8,306 | 8,296 | 9,133 |
| - Public Health Services | 356 | 384 | 423 |
| - Health Administration | 1,255 | 1,345 | 1,426 |

RECREATION, CULTURE AND RELIGION

5.13 In budget 2015-16 an amount of Rs 7,637 million has been budgeted for Recreation, Culture and Religion. Overall estimates under this classification for 2015-16 are higher by 8.2% and 5.5% respectively when compared with budget and revised estimates 2014-15. The bulk of expenditure under this head has been earmarked for Broadcasting and Publishing, which is 77.8% of the total allocation. Details are given in Table-24 below:

TABLE - 24
RECREATION, CULTURE AND RELIGION

| Classification | (Rs in Million) | | |
|--|-------------------|--------------------|-------------------|
| | Budget 2014-15 | Revised 2014-15 | Budget 2015-16 |
| RECREATION, CULTURE AND RELIGION | 7,060 | 7,242 | 7,637 |
| - Recreation and Sporting Services | 1 | 1 | 1 |
| - Cultural Services | 509 | 508 | 542 |
| - Broadcasting and Publishing | 5,519 | 5,639 | 5,942 |
| - Religious Affairs | 762 | 769 | 831 |
| - Administration of Information, Recreation & Culture | 269 | 326 | 320 |

EDUCATION AFFAIRS AND SERVICES

5.14 Education Affairs and Services have been provided with Rs 75,580 million in the budget estimates 2015-16 as compared with Rs 64,014 million in budget estimates 2014-15 and Rs 64,519 million in revised estimates 2014-15. The bulk of expenditure at Rs 56,675 million has been allocated for Tertiary Education Affairs and Services in budget 2015-16, which is 75% of the total allocation under this head. The details are as under:

TABLE - 25
EDUCATION AFFAIRS AND SERVICES

| Classification | (Rs in Million) | | |
|--|---------------------------|----------------------------|---------------------------|
| | Budget 2014-15 | Revised 2014-15 | Budget 2015-16 |
| EDUCATION AFFAIRS AND SERVICES | 64,014 | 64,519 | 75,580 |
| - Pre-Primary & Primary Education Affairs Services | 6,079 | 6,035 | 7,240 |
| - Secondary Education Affairs & Services | 7,873 | 7,873 | 8,999 |
| - Tertiary Education Affairs and Services | 47,693 | 47,745 | 56,675 |
| - Social Welfare & Special Education Div. | 75 | 75 | 75 |
| - Subsidiary Services to Education | 232 | 232 | 250 |
| - Administration | 1,275 | 1,327 | 1,435 |
| - Education Affairs, Services not elsewhere classified | 787 | 1,232 | 906 |

SOCIAL PROTECTION

5.15 Social protection has been allocated Rs 1,840 million in the budget 2015-16, which is higher by Rs 149 million as compared with budget estimates 2014-15, while lower by Rs 869 million when compared with revised estimates 2014-15. The revised estimates include additional expenditures on account of emergency relief and repatriation.

TABLE - 26
SOCIAL PROTECTION

| Classification | (Rs in Million) | | |
|--------------------------|---------------------------|----------------------------|---------------------------|
| | Budget 2014-15 | Revised 2014-15 | Budget 2015-16 |
| SOCIAL PROTECTION | 1,691 | 2,709 | 1,840 |
| - Administration | 1,210 | 2,227 | 1,309 |
| - Others | 481 | 481 | 531 |

CHAPTER - 6
SUBSIDIES & GRANTS / TRANSFERS
(2015-16)

SUBSIDIES

6.1 In order to alleviate the impact of inflation on citizens, especially the poor segments of society, the Federal Government spends a fairly large sum on providing power and food subsidies. In the budget estimates 2014-15 subsidies were Rs 203,248 million; in revised estimates 2014-15 they increased to Rs 243,248 million due to increase in subsidy to WAPDA/PEPCO/KESC for tariff differential. Total subsidies for Financial Year 2015-16 has been estimated at Rs 137,603 million.

6.2 In budget 2015-16, the allocation for subsidies to WAPDA / PEPCO forms the major component, which is 71.2% of the total allocation followed by subsidy to KESC with share of 14.5%. A total estimate of subsidies for budget 2015-16 is 0.5% of GDP. Table-27 provides the details:

TABLE - 27
SUBSIDIES

| Classification | (Rs in Million) | | |
|--|-------------------|--------------------|-------------------|
| | Budget 2014-15 | Revised 2014-15 | Budget 2015-16 |
| Subsidy to WAPDA/PEPCO: | 156,100 | 185,000 | 98,000 |
| 1 Inter-Disco Tariff Differential | 150,000 | 174,000 | 60,000 |
| 2 Tariff Differential for Agri-Tubewells in Balochistan | 1,000 | 1,000 | 9,000 |
| 3 Pick up WAPDA / PEPCO receivables from FATA | 5,000 | 10,000 | 6,000 |
| 4 Exchange Rate Differential for USAID's Grant to GENCOs | 100 | - | - |
| 5 Subsidy to WAPDA/PEPCO on account of Inter-Disco Tariff Differential (Arrears) | - | - | 19,000 |
| 6 Subsidy to Pick up WAPDA/PEPCO receivables from AJK | - | - | 4,000 |

Contd....

SUBSIDIES

| Classification | (Rs in Million) | | |
|--|-------------------|--------------------|-------------------|
| | Budget 2014-15 | Revised 2014-15 | Budget 2015-16 |
| Subsidy to KESC: | 29,000 | 36,000 | 20,000 |
| 7 Pick up KESC's Tariff Differential | 29,000 | 36,000 | 20,000 |
| Subsidy to USC: | 7,000 | 10,250 | 7,000 |
| 8 Ramzan Package | 3,000 | 3,000 | 3,000 |
| 9 Sale of Sugar | 4,000 | 4,000 | 4,000 |
| 10 Support for Sugar Export | - | 3,250 | - |
| Subsidy to PASSCO: | 8,000 | 10,850 | 11,300 |
| 11 Cost differential for sale of Wheat | 4,000 | 4,000 | 5,000 |
| 12 Wheat Reserved Stock | 4,000 | 4,000 | 5,000 |
| 13 Support for Wheat / Flour Export | 0 | 1,550 | 0 |
| 14 Freight Subsidy on Sugar Export by TDAP | 0 | 1,300 | 1,300 |
| Subsidy to Others: | 3,148 | 1,148 | 1,303 |
| 15 Oil Refineries & OMCs / Others | 2,000 | - | 1,000 |
| 16 Sale of Wheat in FATA | 293 | 293 | 303 |
| 17 Sale of Wheat in Gilgit Baltistan | 850 | 850 | - |
| 18 Sale of Salt in Gilgit Baltistan | 5 | 5 | - |
| Total Subsidies: | 203,248 | 243,248 | 137,603 |

GRANTS AND TRANSFERS

6.3 Grants and transfers to provinces and others for the year 2015-16 have been estimated at Rs 409,875 million as compared with Rs 370,782 million in budget estimates 2014-15 and Rs 418,665 million in revised estimates. The detail of grants and transfers to the provinces and others is given in the following table:

TABLE - 28
GRANTS AND TRANSFERS

| (Rs in Million) | | | |
|---|-------------------|--------------------|-------------------|
| Classification | Budget 2014-15 | Revised 2014-15 | Budget 2015-16 |
| I. GRANTS IN AID & MISC. ADJUSTMENTS | 32,737 | 33,707 | 38,300 |
| A. SPECIAL GRANTS | 24,237 | 33,707 | 20,800 |
| - Punjab | - | 3,606 | - |
| - Sindh | 10,800 | 9,280 | 10,800 |
| - Khyber Pakhtunkhwa | - | 4,431 | - |
| - Balochistan | 13,437 | 16,390 | 10,000 |
| B. LUMP PROVISION | 8,500 | - | 17,500 |
| II. GRANTS TO OTHERS | 338,045 | 384,958 | 371,575 |
| - Contingent Liabilities | 165,000 | 200,000 | 180,000 |
| - Miscellaneous Grants | 50,600 | 55,600 | 57,000 |
| - Other outstanding Liabilities | 25,000 | 25,000 | 25,000 |
| - Pakistan Railways to meet their losses | 37,000 | 37,000 | 37,000 |
| - Remission of ZTBL loans | 300 | - | 300 |
| - Voluntary Separation Scheme of HBFCL | 100 | - | 100 |

Contd.....

GRANTS AND TRANSFERS

| Classification | (Rs in Million) | | |
|---|---------------------------|----------------------------|---------------------------|
| | Budget 2014-15 | Revised 2014-15 | Budget 2015-16 |
| - National Internship Programme | 123 | 123 | 80 |
| - Lump Provision for Relief etc. | 2,400 | 3,427 | 2,400 |
| - GoP Contribution to President Rozgar Scheme | 100 | 100 | 100 |
| - Competition Commission of Pakistan | 200 | 200 | 200 |
| - Reimbursement of TT Charges on Home Remittances | 13,000 | 16,000 | 15,000 |
| - Pakistan Remittance Initiative | 100 | - | 100 |
| - Institute of Cost & Management Accountants of Pakistan, Karachi | 2 | - | - |
| - Grants to AJK Government | 24,000 | 26,271 | 25,750 |
| - Grant-in-Aid to Gilgit Baltistan | 18,000 | 19,200 | 20,500 |
| - Grant to Bait-ul-Maal | 2,000 | 2,000 | 4,000 |
| - Administrative Expenditure of banking Mohtasib Office, Karachi | 120 | 37 | - |
| - Wheat subsidy to Gilgit Baltistan | - | - | 6,045 |
| Total Grants (I + II): | 370,782 | 418,665 | 409,875 |

CHAPTER - 7
LOANS AND INVESTMENTS
(2015-16)

7.1 The financial assets of the Federal Government consist of investible funds and loans provided to Azad Jammu and Kashmir (AJK) and various agencies / institutions as well as government servants to enable them to meet their financial requirements.

CURRENT LOANS & ADVANCES

7.2 Total current loans and advances have been estimated at Rs 25,401 million in budget 2015-16. The following table provides the details:

TABLE - 29
CURRENT LOANS & ADVANCES

| Classification | (Rs in Million) | | |
|---|-------------------|--------------------|-------------------|
| | Budget 2014-15 | Revised 2014-15 | Budget 2015-16 |
| 1 AJK for Repayment of Principal & Interest | 6,500 | 6,516 | 12,000 |
| 2 Junagadh and Kathiawar Chiefs | 1 | 1 | 1 |
| 3 Loans/Advances to Employees of PNRA | 6 | 16 | 10 |
| 4 Loans/Advances to Friendly Countries | 1,000 | 995 | 2,000 |
| 5 Interest Free Loans to WAPDA for Operation and Maintenance of Hub Dam & Khanpur Dam | 40 | 40 | 40 |
| 6 Loan to Printing Corporation of Pakistan Islamabad | 10 | 85 | 10 |
| 7 Loan to State Engineering Corporation | - | 10 | - |
| 8 Loans and Advances to: | | | |
| - Federal Gov't Servants Islamabad | 3,769 | 4,221 | 4,692 |
| - Federal Gov't Servants Lahore | 802 | 802 | 1,003 |
| - Federal Gov't Servants Karachi | 616 | 616 | 770 |
| - Federal Gov't Servants Quetta | 217 | 217 | 271 |
| - Federal Gov't Servants Peshawar | 337 | 337 | 422 |
| - Federal Gov't Servants Gilgit | 260 | 297 | 324 |
| 9 Pakistan Mint Lahore | 15 | 15 | 19 |
| 10 Loan to Pakistan Steel Mills Karachi | 5,000 | 13,804 | 3,840 |
| 11 Loans to Pakistan Machine Tool Factory | - | 264 | - |
| Total: | 18,572 | 28,235 | 25,401 |

DEVELOPMENT LOANS AND ADVANCES

7.3 Development loans and advances are made by the Federal Government to Provinces, Government of Azad Jammu & Kashmir, Public Sector Enterprises (PSEs), Financial / Non-Financial Institutions, District Governments / TMAs, and Others to assist them in carrying out their development programmes.

7.4 Total development loans and advances (local and external) were estimated at Rs 318,735 million in the budget 2014-15, which have now been revised downwards to Rs 279,075 million in revised estimates 2014-15. For budget 2015-16, total development loans and advances have been estimated at Rs 372,871 million, showing an increase of 17% over budget estimates 2014-15 and 33.6% over revised estimates 2014-15.

7.5 For budget 2015-16, development loans and advances (local) have been estimated at Rs 165,665 million, while development loans and advances (external) at Rs 207,205 million. The details are as in Table-30 below:

TABLE - 30
DEVELOPMENT LOANS AND ADVANCES

| Classification | (Rs in Million) | | |
|---|---------------------------|----------------------------|---------------------------|
| | Budget 2014-15 | Revised 2014-15 | Budget 2015-16 |
| 1 Development Loans and Advances | 118,875 | 84,129 | 165,665 |
| 2 External Development Loans and Advances | 199,860 | 194,946 | 207,205 |
| Total: | 318,735 | 279,075 | 372,871 |

CURRENT INVESTMENTS

7.6 The federal current investments for the year 2015-16 have been estimated at Rs 18,210 million as compared with Rs 9,894 million in the revised estimates of 2014-15 and Rs 18,112 million in budget estimates 2014-15. The allocation for investment in 2015-16 is higher by 84.1% as compared with revised estimates 2014-15. Table-31 provides the comparative position.

TABLE - 31
CURRENT INVESTMENTS

| Classification | (Rs in Million) | | |
|--|-------------------|--------------------|-------------------|
| | Budget 2014-15 | Revised 2014-15 | Budget 2015-16 |
| 1 GoP Equity in First Women Bank | 500 | 500 | 1,000 |
| 2 GoP Contribution in equity of Pak China Inv. Co. Ltd. | 1,600 | - | 1,600 |
| 3 GoP Equity in Mortgage Refinance Co. | 1,000 | 1,200 | 10 |
| 4 GoP's Contribution to the SAARC (SDF) | 2,000 | 1,975 | - |
| 5 Islamic Development Bank (IDB) | 425 | 425 | - |
| 6 GoP Equity Investment against the liability of Peoples Steel Mills | 170 | 170 | 184 |
| 7 Contribution in the 'Poverty Alleviation Fund' with IDB | 536 | 536 | - |
| 8 Investment in HBFCL's Equity | 1,000 | 1,000 | - |
| 9 GoP Investment in SME Bank Ltd. | 500 | - | - |
| 10 GoP Equity in PIAC | - | 3,974 | - |
| 11 Lump Provision for Miscellaneous Expenditure | 10,257 | - | 5,000 |
| 12 Paid up Capital for the proposed Exim Bank of Pakistan | - | - | 10,000 |
| 13 Capital Stock IDB | - | - | 404 |
| 14 Others | 124 | 114 | 12 |
| Total: | 18,112 | 9,894 | 18,210 |

CHAPTER - 8

PUBLIC SECTOR DEVELOPMENT PROGRAMME (PSDP) 2015-16

8.1 The Public Sector Development Programme (PSDP) is the main instrument for improving the socio-economic conditions in the country and achieving the macroeconomic and development objectives and targets set by the government, which yield maximum benefits in the shortest possible time for the society.

8.2 For the year 2015-16 National Economic Council (NEC) has approved an overall size of PSDP at Rs 1,513.7 billion, which is 4.9% of GDP.

8.3 The Salient features of PSDP allocation for 2015-16 are as follows:

- The size of national PSDP (Rs 1,513.7 billion) in the budget for 2015-16 showing an increase of 27.4% as against the revised estimates 2014-15.
- Federal PSDP for the year 2015-16 has been kept at Rs 700 billion, which is higher by 29.2% than revised estimates 2014-15.
- The share of Federal Ministries / Divisions in 2015-16 PSDP is Rs 252.6 billion indicating a decline of 16.9% over revised estimates 2014-15.
- The Corporations' PSDP for 2015-16 has been placed at Rs 271.9 billion indicating an increase of 71.3% over revised estimates 2014-15.
- An amount of Rs 20 billion has been allocated in the budget 2015-16 to Pak Millennium Development Goals and Community Development Programme.
- An amount of Rs 28.5 billion has been provided in the budget 2015-16 for Special Federal Development Programme.
- Earthquake Rehabilitation and Reconstruction Authority (ERRA) has been allocated Rs 7 billion, which is higher by 40% than revised estimates 2014-15.
- An amount of Rs 100 billion has been budgeted for Special Development Programme for Temporarily Displaced Persons (TDPs) and Security Enhancement, which is higher by 122% than revised estimates 2014-15.
- Prime Minister's Youth Programme has been projected at Rs 20 billion, showing an increase of 185.7% over revised estimates 2014-15.
- The provincial development programme for 2015-16 has been estimated at Rs 813.7 billion as against Rs 646.2 billion in revised estimates 2014-15, showing an increase of 25.9%.

8.4 The following Table-32 indicates details of the size of Public Sector Development Programme (PSDP).

TABLE - 32
SIZE OF PSDP

| (Rs in Million) | | | |
|--|-------------------|--------------------|-------------------|
| Classification | Budget 2014-15 | Revised 2014-15 | Budget 2015-16 |
| A. Federal Ministries/Divisions | 296,324 | 303,802 | 252,612 |
| 1 Aviation Division | 1,402 | 1,395 | 3,900 |
| 2 Cabinet Division | 2,078 | 5,767 | 654 |
| 3 Capital Administration & Development Division | 1,806 | 1,806 | 1,043 |
| 4 Climate Change Division | 25 | 25 | 40 |
| 5 Commerce Division | 363 | 364 | 876 |
| 6 Communications Division (other than NHA) | 191 | 5,153 | 365 |
| 7 Defence Division | 2,261 | 4,286 | 2,458 |
| 8 Defence Production Division | 937 | 937 | 900 |
| 9 Economic Affairs Division | 5 | 5 | - |
| 10 Establishment Division | 165 | 165 | 149 |
| 11 Federal Education & Professional Division | 3,451 | 3,375 | 2,207 |
| 12 Federal Tax Ombudsman | 13 | 13 | 10 |
| 13 Finance Division | 11,062 | 14,075 | 9,135 |
| 14 Foreign Affairs Division | 255 | 255 | 60 |
| 15 Higher Education Commission | 20,069 | 25,042 | 20,500 |
| 16 Housing & Works Division | 1,934 | 4,415 | 2,590 |
| 17 Industries and Production Division | 1,148 | 1,151 | 791 |
| 18 Information, Broadcasting & National Heritage Division | 424 | 391 | 391 |
| 19 Information Tech. & Telecom Division | 556 | 526 | 923 |
| 20 Inter Provincial Coordination Division | 413 | 1,067 | 610 |
| 21 Interior Division | 3,900 | 3,930 | 8,300 |
| 22 Kashmir Affairs & Gilgit Baltistan Division | 21,357 | 22,090 | 23,237 |
| 23 Law, Justice & Human Rights Division | 2,352 | 2,352 | 1,500 |
| 24 Narcotics Control Division | 324 | 328 | 230 |
| 25 National Food Security & Research Division | 1,071 | 1,071 | 1,500 |

Contd.....

SIZE OF PSDP

| Classification | Budget 2014-15 | Revised 2014-15 | Budget 2015-16 |
|---|---------------------------|----------------------------|---------------------------|
| 26 National Health Services, Regulations & Coordination Division | 27,015 | 27,815 | 19,882 |
| 27 Pakistan Atomic Energy Commission | 51,475 | 59,275 | 30,409 |
| 28 Pakistan Nuclear Regulatory Authority | 230 | 230 | 321 |
| 29 Petroleum & Natural Resources Division | 167 | 167 | 349 |
| 30 Planning, Development & Reform Division | 32,878 | 6,265 | 14,000 |
| 31 Ports & Shipping Division | 2,576 | 2,576 | 12,000 |
| 32 Railways Division | 39,566 | 39,566 | 41,000 |
| 33 Religious Affairs & Inter Faith Harmony Division | - | - | 3 |
| 34 Revenue Division | 153 | 248 | 335 |
| 35 Science & Technological Research Division | 904 | 1,211 | 1,060 |
| 36 States & Frontier Regions Division | 19,100 | 19,100 | 19,700 |
| 37 Statistics Division | 240 | 278 | 100 |
| 38 SUPARCO | 700 | 700 | 800 |
| 39 Textile Industry Division | 329 | 329 | 165 |
| 40 Water & Power Division (Water Sector) | 43,427 | 46,058 | 30,120 |
| B. Corporations | 175,176 | 158,698 | 271,888 |
| 1 WAPDA (Power) | 63,613 | 49,253 | 112,288 |
| 2 National Highway Authority (NHA) | 111,563 | 109,445 | 159,600 |
| C. Pak MDGs & Community Dev. Programme | 12,500 | 12,500 | 20,000 |
| D. Special Federal Development Programme | 36,000 | 10,000 | 28,500 |
| E. ERRA | 5,000 | 5,000 | 7,000 |
| F. Special Development Programme for Temporarily Displaced Persons (TDPs) and Security Enhancement | - | 45,000 | 100,000 |
| G. Prime Minister's Youth Programme | - | 7,000 | 20,000 |
| Total Federal PSDP (A to G): | 525,000 | 542,000 | 700,000 |
| H. Provinces | 650,000 | 646,223 | 813,717 |
| Total National PSDP (A to H): | 1,175,000 | 1,188,223 | 1,513,717 |

OTHER DEVELOPMENT EXPENDITURE OUTSIDE PSDP 2015-16

8.5 Other development expenditure comprises development expenditure of the Federal Government outside the Public Sector Development Programme (PSDP). Rs 164,400 million have been allocated in this head in the budget 2015-16, reflecting an increase of 24.3% over revised estimates 2014-15. Table-33 provides the details.

TABLE -33
DEVELOPMENT EXPENDITURE OUTSIDE
PUBLIC SECTOR DEVELOPMENT PROGRAMME

| (Rs in Million) | | | |
|---|-------------------|--------------------|-------------------|
| Classification | Budget 2014-15 | Revised 2014-15 | Budget 2015-16 |
| 1 <u>National Income Support Programme (i+ii)</u> | <u>118,150</u> | <u>91,780</u> | <u>102,000</u> |
| i. Benazir Income Support Programme | 97,150 | 91,780 | 102,000 |
| ii. Prime Minister's Schemes* : | 21,000 | - | - |
| Prime Minister's Interest Free Loan Scheme | | | |
| Prime Minister's Business Loan Scheme | | | |
| Prime Minister's Fee Reimbursement Scheme for Less Developed Areas | | | |
| Prime Minister's Youth Training Scheme | | | |
| Prime Minister's Youth Skill Development Scheme | | | |
| Prime Minister's Scheme for Provision of Laptops | | | |
| Prime Minister's Housing Scheme | | | |
| 2 Crop Loan Insurance Scheme | - | - | 500 |
| 3 Livestock Insurance Scheme | - | - | 100 |
| 4 Credit Guarantee Scheme for Small Farmers | - | - | 1,000 |
| 5 Grants for Reconstruction of Afghanistan | 3,000 | 3,000 | 3,000 |
| 6 Pakistan Poverty Alleviation Fund (PPAF) | 7,663 | 7,924 | 4,300 |
| 7 Strategic Trade Policy Framework | 2,000 | - | 6,000 |
| 8 Textile Policy 2009-14 | 6,000 | 5,888 | 6,000 |
| 9 Subsidy to TCP for Import of Urea Fertilizer | 25,000 | 23,700 | 25,000 |
| 10 Provision for Misc. Dev. Exp. outside PSDP | - | - | 16,500 |
| Total: | 161,813 | 132,292 | 164,400 |

* Now these schemes have been reflected under Prime Minister's Youth Programme in PSDP 2015-16.

CHAPTER - 9
MEDIUM-TERM BUDGETARY FRAMEWORK (MTBF)
(2015-16)

9.1 Medium-Term Budgetary Framework (MTBF) reform initiative is aimed at improving budget preparation process of the Federal Government. Since its full rollout, endorsed by the Cabinet in 2009, this reform initiative has made steady progress.

9.2 The MTBF includes the following key components:

- (1) An annual pre-budget analytical '**Budget Strategy Paper**', which includes a 3-year macro-fiscal framework, budget policies, and indicative ceilings (resource limits) for Ministries / Divisions. The Budget Strategy Paper is tabled in the Cabinet meeting where discussions on policy priorities, allocations, and performance against targets are made.

To compile the Budget Strategy Paper, the Finance Division, Planning Commission, Federal Board of Revenue, and State Bank of Pakistan share their projections and discuss different scenarios and options.

This component has led to greater coordination between technical and political levels of the Government in defining fiscal policy and benchmarks, and enhanced understanding of medium-term implications of current budgetary decisions.

- (2) **Performance budgeting** (also known as 'output-based budgeting'). Through this mechanism the Principal Accounting Officers (Secretaries) are gradually being given greater autonomy over the distribution of ceilings as per their own policy priorities. Together with greater autonomy, a system of performance-management is being introduced, which presents the budget by outputs (services delivered) as against inputs only (funding and material resources required).

The output-orientation to the budget allows a linkage of the budget with policy preferences, and provides a basis for defining and measuring performance. Through the use of mutually agreed indicators and targets, each Principal Accounting Officer is given a set of criteria against which the performance of the Ministry/Division is evaluated in terms of outputs generated from the utilisation of budgetary resources appropriated by the Parliament.

This information is then presented to the Parliament in the shape of 'Federal Medium-Term Budgetary Estimates for Service Delivery' - also known as the MTBF Green Book. The Green Book is a part of the reform agenda to make the budget more transparent and comprehensive by linking budgetary allocations with policy and performance.

- (3) **Performance monitoring.** The performance budgets prepared are being monitored by the Finance Division. Under this process, actual expenditure against appropriations and reasons for variations are compiled from Ministries / Divisions along with performance achieved vs targets.

9.3 To achieve the objectives as outlined above, the Federal Government has improved its budget preparation process through the MTBF. Under the reformed process:

- The Finance and Planning & Development Divisions prepare a Medium-Term Macroeconomic Framework in consultation with various Government Ministries and the State Bank of Pakistan
- Based on the macroeconomic situation, the Finance Division articulates its budgetary policy priorities and prepares a Medium-Term Fiscal Framework
- The Finance and Planning, Development & Reforms Divisions work out, for each Principal Accounting Officer, medium-term Indicative Budget Ceilings (IBCs) that align resource allocation with the Government's policies
- Based on these IBCs, ministries prepare their budgets that are reviewed for quality assurance by the Finance and Planning & Development Divisions
- The Secretaries of Finance, Planning & Development, and Economic Affairs Divisions jointly chair the Priorities Committee meetings that discuss policy and budget priorities with each Principal Accounting Officer
- Budgetary priorities and projections are shared with Parliamentary Standing Committees on Finance and Revenue
- The macroeconomic and fiscal frameworks, together with the IBCs, are presented to the Cabinet through the 'Budget Strategy Paper' (BSP) for approval
- The Annual Plan Coordination Committee (APCC) discusses the public sector investment proposals with the Federal and Provincial Governments

- The National Economic Council (NEC) approves the Public Sector Development Programme (PSDP) of the Federal and Provincial Governments
- The finalised budget is presented in the Cabinet for endorsement and Parliament for appropriation

MACROECONOMIC INDICATORS

9.4 Macroeconomic Indicators / Rolling Targets for 2015-18 are provided below:

TABLE - 34
Medium-Term Budgetary Statement

| Consolidated Fiscal Projections | Budget 2014-15 | Revised 2014-15 | Budget 2015-16 | Forecast | |
|--|------------------------|-----------------|----------------|----------|---------|
| | | | | 2016-17 | 2017-18 |
| Real GDP Growth (%) | 5.1 | 4.2 | 5.5 | 6.5 | 7.0 |
| Inflation (%) | 8.0 | 4.8 | 6.0 | 6.0 | 6.0 |
| | (as percentage of GDP) | | | | |
| Total Revenue | 14.5 | 15.4 | 15.1 | 15.0 | 15.3 |
| - Tax Revenue | 11.5 | 11.5 | 12.0 | 12.5 | 13.0 |
| - FBR Tax Revenue | 9.7 | 9.5 | 10.1 | 10.6 | 11.3 |
| - Non Tax Revenue | 3.0 | 4.0 | 3.1 | 2.5 | 2.3 |
| Total Expenditure | 19.4 | 20.4 | 19.4 | 19.0 | 18.8 |
| - Current | 15.2 | 16.3 | 14.9 | 14.6 | 14.2 |
| - Development* | 4.2 | 4.1 | 4.5 | 4.4 | 4.6 |
| Fiscal Balance | -4.9 | -5.0 | -4.3 | -4.0 | -3.5 |
| Revenue Balance | -0.7 | -0.9 | 0.1 | 0.4 | 1.1 |
| Total Public Debt | 58.7 | 62.9 | 62.0 | 58.8 | 55.2 |
| GDP at market prices (Rs in Billions) | 29,078 | 27,384 | 30,672 | 34,801 | 39,666 |

* Contains a one-off item of 0.3% of GDP in 2015-16 budget.

WORKING OF FISCAL DEFICIT AND FINANCING
BUDGET 2015-16

(Rs. in Billion)

| Working Deficit | | Financing of Deficit | |
|--|---------------|--|--------------|
| A) Federal Revenue (net) | 2,463 | Gross External Loans | 752 |
| B) Total Federal Expenditure (i+ii) | 4,089 | Less Repayments | 406 |
| i) Current Expenditure | 3,166 | Long Term Foreign Loans | 316 |
| ii) Development and Net Lending (a+b+c) | 923 | Short Term Foreign Loans | 89 |
| a) Federal PSDP | 700 | i) Net External Financing | 346 |
| b) Other Development Expenditure | 164 | ii) Domestic Financing (a+b) | 982 |
| c) Net Lending | 58 | a) Bank Financing | 283 |
| | | of which SBP Financing | 0 |
| C) Federal Deficit (A-B) | -1,625 | b) Non Bank Financing | 699 |
| Est. Provincial Surplus | 297 | Public debt | 395 |
| | | Public Account | 254 |
| | | Privatization Proceeds | 50 |
| Overall Fiscal Deficit | -1,328 | Total Financing of Deficit (i+ii) | 1,328 |
| % of GDP | -4.3% | % of GDP | 4.3% |

BUDGET AT A GLANCE**(2015-16)****(Rs. in Billion)**

| RECEIPTS | | EXPENDITURE | |
|---|---------------------|--|---------------------|
| TAX REVENUE | 3,418 | A. CURRENT | 3,166 |
| - FBR Taxes | 3,104 | | |
| - Other Taxes | 315 | | |
| - NON-TAX REVENUE | 895 | Interest Payments | 1,280 |
| a) Gross Revenue Receipts | 4,313 | Pension | 231 |
| b) Less Provincial Share | 1,849 | Defence Affairs & Services | 781 |
| I. Net Revenue Receipts (a-b) | 2,463 | Grants and Transfers | 410 |
| II. Net Capital Receipts | 649 | Subsidies | 138 |
| III. External Receipts (net) | 346 | Running of Civil Government | 326 |
| IV. Estimated Provincial Surplus | 297 | Provision for Pay & Pension | 0 |
| V. Bank Borrowing | 283 | B. DEVELOPMENT | 923 |
| | | Federal PSDP | 700 |
| VI. Privatization Proceeds | 50 | Net Lending | 58 |
| | | Other Dev. Expenditure | 164 |
| <u>TOTAL RESOURCES (I to V)</u> | <u>4,089</u> | <u>TOTAL EXPENITURE (A+B)</u> | <u>4,089</u> |

Glossary of Terms

| | |
|------------------------------------|---|
| Bank Borrowing | Includes borrowing from the State Bank of Pakistan and Scheduled Banks |
| Capital Receipts | Income from proceeds of borrowing, money received in repayment of loans, recoveries of advances and investments, proceeds of savings schemes, net receipts from transactions under deposit, and remittances |
| Community Services Receipts | Income from rents of government buildings, land, guest houses, and hostels, etc. |
| Current Expenditure | Include interest payments, pension, defence affairs & services, grants & transfers, subsidies, and running of civil government |
| Development Expenditure | Include federal PSDP, development loans & grants to provinces, and other development expenditure (outside PSDP) |
| Direct Taxes | Income tax, workers welfare tax, capital value tax, and wealth tax |
| Disbursements | Government investments, loans, advances and others, and repayment of short term credit |
| External Resources | Include project loans, foreign loans & credits, and foreign grants |
| Grants | Financial support to provinces, organisations, and industries for contingent liability, to fulfill losses, remission of loans, etc. |
| Gross Revenue Receipts | Sum of tax revenue and non-tax revenue (before excluding provincial share) |
| Indirect Taxes | Customs, sales tax, federal excise, petroleum levy, Islamabad Capital Territory (ICT) tax, and airport tax |

Contd.....

Glossary of Terms

| | |
|--------------------------------------|--|
| Internal Resources | Include net revenue receipts, net capital receipts, and estimated provincial surplus |
| Net Capital Receipts | Capital receipts <i>minus</i> disbursements |
| Net Lending to Others | Government investments, loans and advances from Public Sector Enterprises (PSEs) <i>minus</i> recoveries of loans and advances from PSEs |
| Net Revenue Receipts | Gross revenue receipts <i>minus</i> provincial share |
| Non-Tax Revenue | Income from property and enterprises; receipts from civil administration and other functions; and miscellaneous receipts of the federal ministries, divisions and departments |
| Other Development Expenditure | Other development expenditure comprises development expenditure of Federal Government outside the PSDP |
| Provincial Share | Provincial share in federal taxes and straight transfers |
| Provincial Surplus | Provincial government deposits with State Bank of Pakistan |
| Resources | Include internal and external financial resources |
| Social Service Receipts | Fee charged from students of the institutions under administrative control of government and from medical services provided by federal government hospitals and health institutions; and tuition fee / training fee charged by Human Resource Division |
| Tax Revenue | Income from direct and indirect taxes |
| Total Outlay / Expenditure | Includes current expenditure and development expenditure |