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# **REPORT OF THE NATIONAL FINANCE COMMISSION 1996**

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GOVERNMENT OF PAKISTAN  
NATIONAL FINANCE COMMISSION SECRETARIAT

*April 1997*



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## 1. PREAMBLE

1. Pakistan is a federation and the basic framework for allocation of fiscal powers and distribution of revenues between the Federation and the Provinces is given in the Constitution. Accordingly, there is a divisible pool comprising the net proceeds of specified taxes collected by the Federal Government which is shared by all the units in the Federation. Presently, the divisible pool consists of income and sales taxes and excise duties on sugar and tobacco and export duty on cotton and transfers from this pool represent almost 90 per cent of the total revenue receipts of the provincial governments.

2. The nature and extent of inter-governmental revenue sharing arrangements have to evolve in a flexible manner so that changing expenditure obligations of the two levels of government and their ability to finance these obligations are adequately reflected. As such, in recognition of the need for periodic review of inter-governmental fiscal relations, the Constitution provides under Article 160 for the establishment of the National Finance Commission (NFC) to recommend on the distribution of revenues out of divisible pool between the federation and the Provinces and amongst the Provinces themselves, grants-in-aid, borrowing powers and such matters relating to finance as may be referred to it by the President.

3. The present state of public finance necessitates a fundamental reexamination of the issues related to revenue sharing arrangements. First, it is vital that in a period of constrained resource availability and given

efforts at containment of the national budget deficit, the distribution of revenues between the two levels of government should be such that priority expenditures (on social sectors especially the Social Action Programme, development, debt servicing and defence) are adequately protected. Second, there is a need to build an incentive environment which generally encourages higher resource mobilisation by all levels of government. On the one hand, it has been argued that the high dependence of provincial governments on federal transfers has inhibited full exploitation of their own revenue potential while, on the other hand, a high share of provincial governments in revenues from divisible pool mitigates against higher efforts by the federal government in such taxes.

4. The approach adopted by the 1990 NFC to arrive at the quantum of resource transfers to the provincial governments was to establish benchmarks for current expenditures and own receipts respectively, and then project these for the next five years on the basis of agreed growth rates (14% for current expenditure and 8% for own receipts). The quantum of fiscal transfers was then determined as the amount required to close the gap between current expenditure and own revenues. There is one basic flaw with this approach, in that there is no guarantee that the estimates of provincial expenditure and revenues are consistent with a national budget deficit target. As such, an alternative approach was developed at technical level by the NFC in the form of the national resource picture methodology to arrive at projections of federal and provincial expenditures and revenues which ensure that over the next five years the national budget deficit is gradually restricted from 4% to 3% of the GDP.

## 2. HISTORY OF N.F.C. AWARDS

5. Since independence, six revenue sharing awards have been announced in Pakistan. The first award was the Raisman Award of 1951. This was followed by National Finance Commission awards of 1961-62, 1964, 1970, 1974 and 1990. The last award which was due in 1979 was announced after a delay of twelve years. Two NFC's were appointed in 1979 and 1985 but no award was announced due to lack of consensus amongst members of the Commission. Over the years, with the exception of 1974 NFC award, the general trend of increase in the Provincial shares in the divisible pool continued. In 1990 the divisible pool was expanded through inclusion of new taxes such as excise duty on sugar and tobacco as well as straight transfers viz development surcharge on natural gas and royalty on crude oil and electricity profits were also included in the NFC award. The following table would depict the picture of the inclusion of divisible pool taxes in various awards:

**Table-1**  
**EVOLUTION OF REVENUE SHARING**  
**(Provincial share in percentage)**

Divisible Pool	Raisman 1951	N.F.C. 1961-62	N.F.C. 1964	N.F.C. 1970	N.F.C. 1974	N.F.C. 1990
A. Income Tax & Corporation Tax	50%	50%	65%	80%	80%	80%
B. Sales Tax	50%	60%	65%	80%	80%	80%
C. Excise Duty						
- Tea	50%	60%	65%	80%	-	-
- Tobacco	50%	60%	65%	80%	-	80%
- Sugar	-	-	-	-	-	80%
- Betelnet	50%	60%	65%	80%	-	-
D. Export Duties						
- Cotton	-	100%	65%	80%	80%	80%
- Jute	62.5%	100%	65%	80%	-	-
E. Estate/Succession Duties	-	100%	-	100%	-	-
F. Capital Value Tax on Immovable Properties	-	100%	-	100%	-	-

### 3. REVIEW OF NFC AWARD-1990

6. The NFC Award 1990 increased revenue transfers to the Provinces. Under that Award 80% of the net proceeds of divisible pool taxes, viz, income tax, sales tax, export duties on cotton, excise duty on tobacco and tobacco manufactures and excise duty on sugar are transferred to the

Provinces on the basis of population of each Province according to the population Census 1981 as under:-

Punjab	57.88%
Sindh	23.28%
NWFP	13.54%
Balochistan	5.30%

Besides, revenues from royalty and excise duty on natural gas, development surcharge on natural gas, royalty on crude oil and electricity profits are transferred to the Provinces on the basis of collection.

7. Table-2 depicts the impact of growth in transfers to the Province in relation to the NFC projections. Cumulatively, additional transfers of over Rs 18.4 billion have been made upto 1995-96 to the Provinces:-

**Table-2**  
**Difference between NFC Projected and Actual Transfers**

	(Rs. in Billion)					
	1991-92	1992-93	1993-94	1994-95	1995	Cumulative
Difference in Divisible Pool Transfers	0.2	-1.2	4.0	7.8	15.7	26.5
Straight Transfers	0.2	-0.5	-0.1	-1.1	0.0	-1.5
Hydro-electricity profits	0.0	-1.0	-1.4	-1.6	-2.6	-6.6
<b>TOTAL</b>	<b>0.4</b>	<b>-2.7</b>	<b>2.5</b>	<b>5.1</b>	<b>13.1</b>	<b>18.4</b>



8. Provincial expenditures have increased at an average annual rate of 17% as against 14% agreed upon in the 1990 NFC Award. Consequently, Provincial expenditure over the period, 1991-92 to 1995-96, are cumulatively Rs 24 billion higher than projected by NFC. Thus the additional transfers have, in fact, largely translated into increase in current expenditure. Table-3 shows comparative position of projected and actual current expenditure of the Provinces:-

**Table-3**  
**Difference between NFC Projected and**  
**Actual Current Expenditures**  
**1991-92 to 1995-96**

	<u>(Rs in billion)</u>					
Four Provinces Combined	1991-92	1992-93	1993-94	1994-95	1995-96	Cumulative
Actual	75.4	86.0	94.0	117.1	141.9	514.5
Projected by NFC	74.2	84.6	96.4	109.9	125.3	490.4
Difference	1.2	1.4	-2.4	7.2	16.6	24.0

The rapid increase in Provincial current expenditure has resulted in an increase in the use of overdraft facilities with the State Bank of Pakistan. The assumptions of the 1990 NFC Award that the Provinces would endeavor to enhance their own resource mobilization and exercise economy in their current expenditure did not materialise.

#### 4. TERMS OF REFERENCE

9. In terms of clause (1) of Article 160 of the Constitution of the Islamic Republic of Pakistan, the President was pleased to constitute the Fifth

the National Finance Commission (NFC) with effect from 23rd July, 1995 (Annex-I). The Fifth NFC held its meeting on 27th December, 1995 and decided to constitute two working groups on determination of growth rates, norms and basis of maintenance of current assets and the projections of receipts and expenditures of the Provinces for the years, 1996-97 to 2000-2001. The working groups discussed in detail the provincial receipts and current expenditures during the period 1991 to 1996 and recommended the following:-

Growth rates of Provincial Receipts	11%
Growth rates of Provincial current expenditure	17%
Benchmark for future projections	Revised Budget Estimates 1995-96

10. In addition, a committee consisting of Provincial Finance Ministers was constituted to recommend the formula for sharing of revenues among the provinces. However, this committee was unable to arrive at a consensus. No further meeting of the NFC was held during 1996, till the dissolution of the National Assembly and the Government on 5th November, 1996.

11. In December 1996, the President of Pakistan was pleased to reconstitute the National Finance Commission (Annex-II) with the following revised terms of reference:-

- (a) The distribution between the Federation and the Provinces of the net proceeds of the taxes as given below:
  - i) Taxes on income including corporation

tax, but not including taxes on income consisting of remuneration paid out of the Federal Consolidated Fund.

- ii) Taxes on the sales and purchases of goods, imported, exported, produced, manufactured or consumed.
  - iii) Export duties on cotton.
  - iv) Consider the inclusion of other Federal Taxes including customs duties and federal excises, but not including tax on income paid out of Federal Consolidated Fund.
- (b) The making of grants-in-aid by the Federal Government to the Provincial Governments.
  - (c) The exercise by the Federal Government and the Provincial Governments of the borrowing powers conferred by the Constitution.
  - (d) Examine the question of rationalization of payment of royalties on crude oil and of surcharge on natural gas collected by the Federal Government to the Provincial Governments.
  - (e) To consider review of the distribution of share of taxes between the Federal Government and Provincial Governments.
  - (f) Any other matter relating to finance referred to the Commission by the President.

## 5 DELIBERATIONS OF NFC

12. The reconstituted NFC held four meetings under the

Chairmanship of the Prime Minister of Pakistan/Federal Finance Minister.

Following recommendations were made:-

### 5.1 The National Resource Picture

13. In the NFC meetings held on 11th and 16th January, 1999, a new concept of national resource picture was introduced. The approach of using the National Resource Picture for making governments' revenue and expenditure projections and deriving thereby the fiscal transfers to the provinces based on their expenditure needs, which cannot be financed from their own resources, represents an improvement in the methodology in relation to that adopted in previous NFC Awards.

14. The traditional methodology essentially only involved projecting on the benchmarks established for both provincial current expenditure and their own receipts (tax plus non-tax plus net capital receipts) for the next five years during the tenure of the Award. Based on these projections the required fiscal transfers were essentially derived as the amount required to cover the resource gap. As opposed to this methodology, the National Resource Picture involves projecting tax and non-tax revenues of federal and provincial governments combined and adding on to these funds that become available through borrowings to finance the targeted national budget deficit. Expenditure projections for both levels of government can then be made consistent with the available national resources.

14. The disadvantages with the traditional methodology are, first, that it does not guarantee that the expenditure and revenue projections are consistent with a national fiscal deficit target. This is possibly one of the reasons why the actual budget deficits during the period, 1991-92 to 1995-96, have generally been on the high side, in excess of 5.5 per cent of the GDP. In order to achieve consistency in the expenditure and revenue projections, with a lower budget deficit target (between 4% to 3% of the GDP) in NFC Award period, it is necessary first to project feasible levels of resource mobilisation by the two levels of government and then base the expenditure projections on the emerging resource picture so that the targeted budget deficit is not exceeded.

16. Another advantage of deriving the National Resource Picture is that it enables determination of the resources that are likely to be available after catering to the priority needs of the federal and provincial governments like social sector expenditures (including Social Action Programme), debt servicing, defence, development expenditures, etc. The remaining resources can then be allocated to low priority expenditures.

17. The National Resource Picture approach also has the merit of promoting the fiscal autonomy of the provinces. The traditional methodology only ensured that the current expenditure needs of the provinces were financed either through own revenues or fiscal transfers. In the new approach, development expenditure needs of the provincial governments will also now be financed partially by divisible pool transfers.

Currently, it is estimated that about 50 per cent of the annual development programme of the provincial governments is financed through foreign assistance and the remainder, by revenue surpluses or cash development loans from the federation. The National Resource Picture proposes to finance not only, current expenditures but also 50 per cent of the development expenditure of the provincial governments through NFC transfers, thereby obviating the need for access to high cost domestic borrowings. Consequently, the province will have an assured source of revenues in the form of transfers (straight and divisible pool) for planning their budgets, both current and development.

## 5.2 Benchmark

18. Regarding the benchmark of the current expenditure, it was decided to allow each Province to adopt higher figure for benchmark for 1996-97 worked out on the basis of the following two options:-

- (i) NFC projected figures for 1995-96 plus self-financing additionality due to higher receipts than NFC projected figures plus 17% growth for 1996-97 (except that for the province of Sindh, the additionality of Rs 1499 million be given in consideration of law and order situation) which are derived as under:-

	<u>(Rs.million)</u>
Punjab	75090.6
Sindh	35347.2
NWFP	25728.6
Balochistan	12801.8
<b>Total</b>	<b>148,968.2</b>

- (ii) Budget Estimates 1996-97 less economy measures. In addition, to safeguard the interest of NWFP and Balochistan special grants/subventions of Rs 500 million and Rs 1000 million for Government of Balochistan and NWFP respectively be provided as given below:

	<u>(Rs.million)</u>
Punjab	75504.7
Sindh	35751.6
NWFP	25362.0
Balochistan	11412.9
<b>Total</b>	<b>148031.2</b>

Benchmarks for Punjab and Sindh respectively were accepted on the basis of the second option while in the case of Balochistan and NWFP the first option was chosen.

19. The NFC emphasized that the overall fiscal deficit target should gradually be reduced to 3% of GDP by the end of the award period i.e. 2001 - 2002. Accordingly projections were made keeping in view the National Resource Picture and priority as well as non-priority expenditures of both the federal and provincial governments The NFC also decided to constitute two sub committees to consider the following:-

- i) To review overall macro-economic picture and to workout a formula for distribution of resource between the federation and the provinces.
- ii) Review of federal and Provincial expenditures in order to find out further savings to ensure

achievement of overall fiscal targets of 4% of the GDP in 1996-97.

Similarly it was also decided to consider the question of at source deduction of WAPDA.

20. The first sub committee held its meeting at Lahore on 15th January, 1997. Following benchmarks for the future projections of current expenditures were finally adopted in the meeting:-

	<u>(Rupees million)</u>
Punjab	75504.7
Sindh*	36073.0
NWFP	25862.0
Balochistan	12801.8
<b>TOTAL:</b>	<b><u>150241.5</u></b>

\*In case of Sindh a sum of Rs 322 million was included in the benchmark which pertains to the economy measures taken by the Govt. of Sindh on law and order expenditures in 1996-97.

21. The sub committee also considered the enhancement of provincial receipt targets in view of the recent imposition of agriculture income tax. It was agreed that the growth rate of 13.5% in the provincial receipts inclusive of agriculture tax may be adopted. The following benchmark of Provincial Receipts for 1996-97 (including net capital receipts and agriculture Income Tax) were adopted:

	<u>(Rs. million)</u>
Punjab	12609.0
Sindh	6620.0
NWFP	1938.0
Balochistan	352.0



**TOTAL:** 21519.0

22. The committee recommended that non priority expenditures of the provincial governments may be enhanced to facilitate the maintenance of existing assets. In order to keep the overall fiscal deficit in place it was observed that the growth in non priority expenditures may be enhanced to 15.8% by curtailing the development expenditures by an equivalent amount.

### 5.3 Revenue Sharing Criteria and other Issues

23. The NFC held its 2nd meeting in Lahore on 16th January, 1997 in which the question of federal/provincial distribution of resources was discussed at length. The Finance Minister, Sindh was of the view that taxes should be given to the provinces on the basis of incidence of tax collection. The NFC member from Sindh was of the view that the distribution of resources on 1981 population basis was unjust as Sindh population had increased considerably. The Finance Minister, Punjab expressed the view that population should be the criteria for resource distribution as had been the practice in the past. He also expressed the view that province of Punjab was not compensated for its main agricultural resources and thus suffered on account of straight transfers to the provinces. NFC member from NWFP supported the population criteria for distribution of funds. He suggested that additional resources should be given to NWFP and Balochistan in consideration of backwardness of the respective areas. The Chief Minister/Finance Minister, Balochistan supported the view that additional resources should be given to NWFP and Balochistan to ameliorate their

backwardness. He stressed that resource distribution should be made in consideration of area, population and level of social indicators.

24. The Prime Minister advised the NFC members to reach a consensus on the distribution of resources keeping in view the overall national interest. He also suggested that NFC members may consider strengthening the local bodies institutions.

25. In the light of Chairman's observation it was pointed out that Local Government Commission Report of 1983 observed as follows:-

".....we believe that over the longer run, local government as the third organ of the state, as distinct from the provincial and the federal governments, should grow as independent self-reliant institutions. For this purpose, financial autonomy is likely to be the most important element"

The Commission inter alia went on to recommend:

- (a) Transfer of Funds by provincial governments in regard to certain facilities which ought to be the responsibility of local councils. Such transfers could be in the form of grants or loans.
- (b) The provincial governments to consider assigning certain revenues to local government authorities.

26. The NFC deliberated upon the need to strengthen local government finances in the light of the foregoing observations. Its view was

that the transfer of funds from a provincial government's voted expenditures to local councils and also the assigning of certain taxes by the provinces to local councils were issues which should appropriately be considered by each provincial government in the light of its own circumstances and needs. In this regard the NFC felt that each province could explore the possibility of framing a Provincial Revenue Picture on the lines of what was done at the national level for the purposes of the NFC. Each province could go on to consider two alternatives thereafter: either to assign certain specific taxes or revenues to local councils or to consider assigning a certain percentage of the total for the next five years. It was the NFC's view that this could go a long way in strengthening the state of local government finances in the country. The NFC also observed that the devolution of local government finances would be effective in the context of elected tiers of local government.

27. During the NFC meeting various options for distribution of development funds among provinces were also considered and after detailed discussion it was decided to provide rupee component, equivalent to 50% of development funds, to provincial governments by allocating 5% each to NWFP and Balochistan and remaining 90 per cent on the basis of population as per existing practice.

28. Prior to the third NFC meeting, another meeting of the technical committee comprising all the NFC members (except the Chairman), the technical experts, Deputy Chairman Planning Commission and Federal Finance Secretary was held on 25th January, 1997 at Quetta. All the members and federal and provincial representatives expressed their point of view on

all the issues involved, including the proposals submitted by NFC secretariat for distribution of resources between the federation and the provinces as well as inter-provincial distribution. After detailed discussion it was recommended that the size of divisible pool transfers to the provinces be enlarged. Further, NWFP and Balochistan being less developed provinces be given special grants/subventions.

29. The third meeting of the NFC was held under the chairmanship of the Prime Minister/Finance Minister on 25th January 1997 at Quetta. The distribution formula for divisible pool was extensively discussed. After going through all financial aspects the Commission reached a consensus on composition of the divisible pool, the respective shares of the federation and the provinces and the basis of distribution amongst the provinces.

30. The Commission also considered the question of straight transfers, matching grants to the provinces, improvement of local bodies institutions, economy in expenditure, the problem of at source deduction of WAPDA dues, and strengthening of NFC Secretariat etc. and firmed up the recommendations on all the issues. Finally, the Commission finalized its recommendations for inclusion in the award. It was decided that the final recommendations would be submitted for the signature of the Members of the Commission in the next meeting to be held in Islamabad on 2nd February, 1997.

## 6. ESTIMATION OF NATIONAL FISCAL RESOURCES

31. The consolidated resource picture has been prepared keeping in

view the following factors:-

- i) Additional tax and non tax revenues expected to be realised as a result of budgetary and post budgetary measures adopted in 1996-97.
- ii) Projections of growth rates of revenues from individual sources on the basis of resource mobilisation strategy likely to be followed in the next five years.

32. Consolidated government revenues, including the permissible level of borrowings, during the NFC period is projected to increase from Rs 585.3 billion in 1996-97 to Rs 1230.2 billion in the terminal year of the NFC Award (2001-2002), at a compound growth rate of 16 per cent (Table A-1). Consolidated tax revenues will increase from Rs 377.9 billion in 1996-97 to Rs 856.6 billion by the year 2001-2002 at an annual compound growth rate of 17.8 per cent, while non-tax revenues will increase from Rs 91.2 billion in 1996-97 to Rs 189.8 billion in 2001-02 exhibiting at annual growth rate of 15.8 per cent (Table A-1).

#### 6.1 Federal Resources

33. Federal revenues during the NFC period (1997-98 to 2001-02) are expected to increase from Rs 444.5 billion (17.7 per cent of the GDP) in 1996-97 to Rs 1000.1 billion (18.1 per cent of the GDP) in 2001-02 (Table.A.1). Projection of revenues from the federal taxes are presented in Table A-2 and the resulting size of the proposed divisible pool in Table A-3.

## **6.2 Provincial Resources**

34. The provincial revenues, including agriculture income tax have been projected to increase by 13.5 per cent per annum, from Rs 24.6 billion in 1996-97 to Rs 46.3 billion in the terminal year of the NFC Award (Table A-1). Projections of straight transfers, which are to increase in line with inflation are presented in Table A-4.

## **6.3 Priority Expenditure**

35. Under the approach of the National Resource Picture, priority needs of the federal government and provincial governments will be protected. The low priority expenditures will be adjusted according to the resource picture to achieve the level of overall fiscal deficit target set for the year. As such, expenditure on defense, domestic and external interest on debt stock, social sector expenditures (including expenditure on SAP) and development expenditure have been fully protected.

36. Priority expenditures in 1997-98 will pre-empt 77.1 per cent of the total (current and development) expenditures. In the subsequent years, share of priority expenditures will increase to 78.8 per cent of the total expenditures by 2001-02. Priority expenditures are expected to grow rapidly by 16.5 per cent as compared to 14.3 per cent in the case of non-priority expenditure (Table A-5). Non-priority expenditures will increase from Rs 134.0 billion in 1996-97 to Rs 261.4 billion in 2001-02. Their share in total expenditures will decline from 22.9 per cent in 1996-97 to 21.2 per cent by

2001-02.

#### 6.4 Fiscal and other Transfers

37. Fiscal and other transfers to the provincial governments are of the following four types:-

- i) Transfers out of the divisible pool governed by the NFC award..
- ii) Straight transfers as provided in the Constitution and governed by NFC award.
- iii) Special grants/subventions given as per NFC award.
- iv) Other grants.

38. Divisible pool transfers since 1991-92 have increased from Rs 47.6 billion to Rs 119.8 billion in 1996-97. For the NFC period 1997-98 - 2001-2002 the fiscal transfers are projected to grow from Rs 139.6 billion to Rs 274.4 billion (Table A-6).

39. The straight transfers for the NFC period 1997-98 are also projected to rise from Rs 24.4 billion to Rs 37.1 billion.

40. In consideration of special needs, the provinces of NWFP and Balochistan were given subventions/special grants in the 1990 NFC Award. In consideration thereof, these provinces were again recommended for special grants/subventions of Rs 3.31 billion and Rs 4.08 billion during the NFC

period 1997-98 to 2001-2002 at constant prices.

## 7. RECOMMENDATIONS RELATING TO AWARD

41. In its last meeting held at Islamabad on 2nd February, 1997 the NFC formulated the following recommendations for the approval of President:

- 1) The divisible pool will consist of the following taxes:
  - i) Taxes on income including corporation tax, but not including taxes on income consisting of remuneration paid out of the Federal Consolidated Fund
  - ii) Wealth Tax
  - iii) Capital Value Tax
  - iv) Taxes on the sales and purchases of goods imported, exported, produced, manufactured or consumed
  - v) Export duties on cotton
  - vi) Customs duties
  - vii) Federal excise duties, excluding the excise duty on gas charged at well-head, which will represent a straight transfer to provincial governments on the basis of collection.
  - viii) Any other tax which may be levied by the Federal Government.



Net proceeds of divisible pool taxes will be arrived at by deducting a 5% collection charge by the Federal government.

- 2) The Federal share in the net proceeds of divisible pool taxes has been fixed at 62.5%, with the remainder, 37.5% to represent the share of the four provinces combined in the divisible pool (Table A-6).
- 3) Pending the adoption of next National Population Census, revenues from the divisible pool be given to the provinces on the basis of share according to Population Census of 1981, as shown under:-

Punjab	57.88%
Sindh	23.28%
NWFP	13.54%
Balochistan	5.30%

**Total: 100.00%**

The shares would be worked out again when new ratios are finally adopted after the next census.

- 4) NWFP and Balochistan be given special grants/subventions for a period of five years. The magnitude of the subventions will be the following for the year 1997-98:

a) NWFP	Rs.3310 million	✓
b) Balochistan	Rs.4080 million	

These subventions will be increased annually thereafter by 11 percent subject to subsequent adjustments in line with the actual rate of inflation (CPI) for each year.

- 5) In case the Provincial Governments of Punjab and Sindh achieve a minimum growth rate of 14.2% in

Provincial receipts, the Federal Government will provide a matching grant for fiscal effort equal to the quantum of revenues generated from taxation proposals in the provincial Finance Bills upto a maximum of Rs 500 million each in the case of Punjab and Sindh and a maximum of Rs 100 million each in the case of NWFP and Balochistan for any particular year. Fiscal efforts would only include increases in tax rates, withdrawal of exemptions, imposition of new taxes and revision in rates of user charges. Additionality from proposals in tax and non tax revenues be worked out at the end of the financial year on the basis of Civil Accounts and payment of the matching grant will be made in the subsequent year to which these accounts pertain.

- 6) The net profits on account of generation of hydel power stations located in the provinces and arrears thereof be paid in accordance with the decision of Council of Common Interests made on 12th January, 1991 under Article 161(2) of the Constitution.
- 7) The net proceeds of development surcharge of natural gas be transferred to the provinces and distributed on production basis at well-heads after deducting the collection charges of 2%. The net proceeds be determined by Ministry of Petroleum and Natural Resources, in accordance with the past practices and criteria after taking into account any international agreement entered into by the government.
- 8) The royalty and excise duty on natural gas be continued to be paid to provinces under Article 161(1) of the Constitution after deducting the collection charges at 2 percent.

- 9) The net amount of royalty from crude oil be paid to the provinces according to the production in each province.
- 10) Provincial Governments would meet the rupee requirements for their development expenditures, as indicated in Section 5 of the Report, from their own revenue surpluses. No cash development loans will normally be extended by the Federal Government.
- 11) The Federal Government may assist the provinces through specific grants in times of unforeseen calamities.
- 12) In case of temporary imbalance, the Federal Government may permit the Provinces to float market loans after due scrutiny or obtain Ways and Means advances from the State Bank of Pakistan. The limits of Ways and Means advances would be revised in consultation with the Provinces.
- 13) The Federal and provincial governments should exercise minimum economy in expenditure and ensure that NFC projections for expenditures are not exceeded.
- 14) The Federal and Provincial Governments should streamline their tax systems to reduce leakages and increase their revenues.
- 15) The Federal and Provincial Governments should make efforts to strengthen local body institutions in their respective jurisdictions by sharing of revenues and decentralisation of functions.
- 16) Provincial Governments will not normally borrow from the State Bank of Pakistan beyond the Ways and Means ceilings allowed to each province by the

State Bank of Pakistan.

- 17) The ratio between excise duty and development surcharge on gas should be substantially improved in favour of excise duty.
- 18) An NFC Award Monitoring Committee be established under the Chairmanship of the Federal Finance Minister with the Provincial Finance Ministers and the Federal and Provincial Finance Secretaries as Members. The Committee will meet on a quarterly basis to monitor the implementation of the Award and to resolve issues in respect thereof. The NFC secretariat should be adequately strengthened and funds provided to it for monitoring and research.

#### 8. Other Recommendations

- 19) In order to avoid excessive billing by WAPDA and to reduce burden on Provincial resources, a new procedure be evolved instead of at source deduction, which should provide that payments for priority connections be the responsibility of the Provincial Finance Departments and recovery against remaining connections would be as per normal commercial procedures laid down by WAPDA.
- 20) The issue of wheat subsidy was discussed in detail and consensus was developed to the effect that it should be eliminated gradually.

#### 9. PROJECTION OF PROVINCIAL FINANCIAL STATUS


42. Financial projections for the four provinces respectively following the implementation of the NFC recommendations are presented in Table A-7

to A-10. According to these projections, expenditures of the provinces are likely to be fully financed over the next five years by transfers from the Federal Government according to the NFC Award and provincial own-revenue receipts.

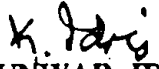
## 10. ACKNOWLEDGMENTS


43. The Commission would like to place on record and appreciate the highly cooperative attitude and the spirit of accommodation demonstrated by all concerned in reaching these recommendations through the process of discussions in a congenial atmosphere. Without this, it would not have been possible for the Commission to finish the work and arrive at a consensus in this highly complex area of financial resources distribution between the Federation and Provinces.

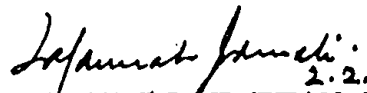
42. The Commission would like to acknowledge with appreciation the contribution of Dr. Hafiz A. Pasha, Deputy Chairman, Planning Commission. Useful inputs by provincial officials and the Secretariat of the National Finance Commission are also acknowledged.

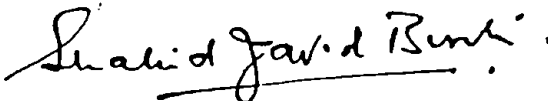
  
 (MALIK MERAJ KHALID)  
 Prime Minister/Minister for Finance  
 Chairman National Finance Commission

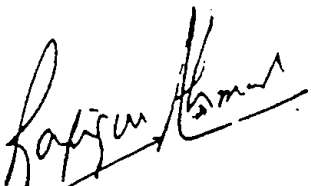
  
 (IZZHARUL HAQUE)  
 Minister for Finance  
 Government of the Punjab  
 Member


 2.2.97  
 (KUNWAR IDRIS)  
 Minister for Finance  
 Government of Sindh  
 Member

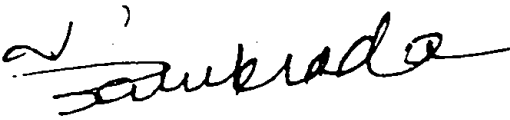
 02.02.97  
 (MOHIB-UR-REHMAN KIYANI)  
 Minister for Finance  
 Government of 'NWFP'  
 Member


 2.2.97  
 (MIR ZAFARULLAH KHAN JAMALI)  
 Chief Minister/Minister for Finance  
 Government of Balochistan  
 Member

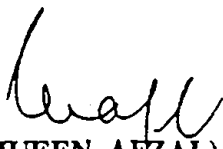
  
 (SHAHID JAVED BURKI)  
 Adviser to the Prime Minister  
 for Finance, Economic Affairs  
 and Planning & Development  
 Member

  
 (PROF. DR. RAFIQUE AHMAD)  
 Member (Punjab)

  
 (NABI BUX BHURGRI)  
 Member (Sindh)

  
 (IMTIAZ AHMAD SAHIBZADA)  
 Member (NWFP)

  
 (KHURSHEED MARKER)  
 Member (Balochistan)

  
 (MUEEN AFZAL)  
 Secretary  
 Ministry of Finance  
 Government of Pakistan  
 Official Expert

**ANNEXURES  
AND  
TABLES**

**PART II THE GAZETTE OF PAKISTAN, EXTRA., JULY 23, 1995**  
**FINANCE DIVISION**  
**( NFC Secretariat )**

Islamabad, the 23<sup>rd</sup> July, 1995.

**S.R.O. 733 (I)/95.-** In pursuance of Article 160 (1) of the Constitution of the Islamic Republic of Pakistan, the President is pleased to constitute National Finance Commission consisting of the following namely:-

1)	Minister for Finance, Government of Pakistan.	<b>Chairperson</b>
2)	Minister for Finance, Government of the Punjab.	Member.
3)	Minister for Finance, Government of Sindh.	Member.
4)	Minister for Finance, Government of N.W.F.P.	Member.
5)	Minister for Finance, Government of Balochistan.	Member.
6)	Adviser to the Prime Minister for Finance and Economic Affairs.	
7)	Minister of State for Finance and Economic Affairs.	Member.
8)	Mr. Pervez Saleh, Ex-MPA (Punjab).	Member.
9)	Senator Taj Haider (Sindh).	Member.
10)	Senator Masood Kausar (N.W.F.P).	Member.
11)	Dr. Abdul Malik Baloch, MPA, (Balochistan).	Member.
12)	Finance Secretary, Government of Pakistan.	Official Expert

**Terms of Reference**

2. The terms of reference for the Commission are as follows:-

- (a) The distribution between the Federation and the Provinces of the net proceeds of the taxes given below:-
- i) Taxes on income including corporation tax, but not including taxes on income consisting of remuneration paid out of the Federal Consolidated Fund.
  - ii) Taxes on the sales and purchase of goods, imported, exported, produced, manufactured or consumed.
  - iii) Export duties on cotton.
- (b) The making of grants-in-aid by the Federal Government to the Provincial Governments.



- (c) *The exercise by the Federal Government and the Provincial Governments of the borrowing powers conferred by the Constitution.*
- (d) *Examine the question of continuation of payment of royalties on crude oil and of surcharge on natural gas collected by the Federal Government to the Provincial Governments.*
- (e) *Any other matter relating to finance referred to the Commission by the President.*

3. *The National Finance Commission notified vide Gazette of Pakistan Extraordinary S.R.O. 764(I)/90, dated 23rd July, 1990 and S.R.O.1341 (I)/90. dated 30th December, 1990, shall stand dissolved with immediate effect.*

*[No.F.2(1)-NFC/95]*

*CH.MUHAMMAD ILYAS.  
Joint Secretary (PCF)/  
Secretary.  
National Finance Commission*

## PART II THE GAZETTE OF PAKISTAN, EXTRA., DECEMBER, 1996

## FINANCE DIVISION

Islamabad, the 10th December, 1996.

S.R.O. 1361 (1)/96.- In partial modification of Notification No.S.R.O. 733 (1)/95, dated 23rd July,1995 and in pursuance of Article 160 (1) of the Constitution, the President is pleased to reconstitute National Finance Commission consisting of the following members:-

1)	Minister for Finance Government of Pakistan	Chairman
2)	Minister for Finance Government of the Punjab	Member
3)	Minister for Finance Government of Sindh	Member
4)	Minister for Finance Government of NWFP	Member
5)	Minister for Finance Government of Balochistan	Member
6)	Adviser to the Prime Minister for Finance, Economic Affairs & Planning and Development.	Member
7)	Professor Dr.Rafique Ahmad, Former V.C. Punjab University (Punjab)	Member
8)	Mr. Nabi Bux Bhurgri Minister for Irrigation and Power (Sindh)	Member
9)	Mr. Imtiaz Ahmad Sahibzada (NWFP)	Member
10)	Mr. Khursheed Marker (Balochistan)	Member
11)	Finance Secretary Government of Pakistan	Official Expert

2. The revised Terms of Reference for the Commission are as follows:-

- (a) The distribution between the Federation and the Provinces of the net proceeds of the taxes given below:-
- i) Taxes on income including corporation tax, but not including taxes on income consisting of remuneration paid out of the Federal Consolidated Fund.
  - ii) Taxes on the sales and purchases of goods, imported, exported produced, manufactured or consumed.
  - iii) Export duties on cotton.
  - iv) Consider the inclusion of other Federal Taxes including Customs

*Duties and Federal Excises, but not including tax on income paid out of Federal Consolidated fund.*

- (b) *The making of grants-in-aid by the Federal Government to the Provincial Governments.*
- (c) *The exercise by the Federal Government and the Provincial Governments of the borrowing powers conferred by the Constitution.*
- (d) *Examine the question of rationalization of payment of royalties on crude oil and of surcharge on natural gas collected by the Federal Government to the Provincial Governments.*
- (e) *To consider review of the distribution of share of taxes between the Federal Government and Provincial Governments.*
- (f) *Any other matter relating to finance referred to the Commission by the President.*

*(No.F.2(1)-NFC/96)*

*(FIDA HUSSAIN)  
Joint Secretary(PF)/  
Secretary  
National Finance Commission*

**TABLE A-1**  
**PROJECTION OF NATIONAL RESOURCES, 1996-97 TO 2001-02**

(Rs in Billion)

	Heads	1996-97 [Benchmark]	1997-98	1998-99	1999-2000	2000-01	2001-02	ACGR
<b>A.</b>	<b>FEDERAL GOVERNMENT</b>	444.5	522.3	614.2	716.8	846.2	1000.1	17.6
	Tax Revenue	363.6	427.7	503.8	594.2	701.7	829.7	17.9
	Non-Tax Revenue	80.9	94.6	110.4	122.6	144.5	170.4	16.1
<b>B.</b>	<b>PROVINCIAL GOVERNMENTS</b>	33.1	37.3	42.2	47.6	53.7	60.6	12.9
	Tax Revenue	✓ 14.3	16.2	18.4	20.9	23.7	26.9	13.5
	Non-Tax Revenue	10.3	11.7	13.3	15.1	17.1	19.4	13.5
	Hydro-Electricity Profits	✓ 8.5	9.4	10.5	11.6	12.9	14.3	11.0 <sup>a</sup>
<b>C.</b>	<b>BORROWINGS<sup>b</sup></b>	107.7	124.5	137.2	149.8	161.0	169.5	9.5
<b>D.</b>	<b>TOTAL NATIONAL RESOURCES</b>	585.3	684.1	793.6	914.2	1060.9	1230.2	16.0
<b>(MEMORANDUM ITEMS AS % OF GDP<sup>c</sup>)</b>								
<b>A.</b>	<b>FEDERAL GOVERNMENT</b>	17.7	18.0	18.1	18.0	18.1	18.1	
<b>B.</b>	<b>PROVINCIAL GOVERNMENTS</b>	1.3	1.3	1.2	1.2	1.1	1.1	
<b>C.</b>	<b>BORROWINGS</b>	4.3	4.3	4.0	3.8	3.4	3.1	
<b>D.</b>	<b>TOTAL NATIONAL RESOURCES</b>	23.3	23.6	23.4	23.0	22.6	22.3	
<sup>a</sup> Column totals may not add up due to rounding. <sup>b</sup> Corresponding to the projected rate of inflation of 11 percent both external and domestic <sup>c</sup> GDP at current prices projected at a growth rate of 17 percent								

**TABLE A-2**  
**PROJECTION OF FEDERAL TAX REVENUES, 1996-97 TO 2001-02**

(Rs in Billion)

	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02	ACGR (%)
Income Tax	85.3	102.7	124.4	150.8	183.2	229.4	21.9 <sup>a</sup>
Other Direct Taxes	3.2	3.8	4.4	5.2	6.2	7.2	17.6
Import Duties	113.0	129.2	147.6	168.7	192.7	215.0	13.7 <sup>c</sup>
Excise Duties	59.1	68.3	78.9	91.2	105.3	120.0	15.2
Sales Tax	76.7	93.7	114.6	140.0	171.1	209.1	22.2 <sup>a</sup>
Petroleum Surcharge	19.5	22.4	25.5	29.0	32.8	37.5	14.0
Gas Development Surcharge	6.8	7.6	8.4	9.3	10.4	11.5	11.0 <sup>c</sup>
<b>TOTAL</b>	<b>363.6</b>	<b>427.7</b>	<b>503.8</b>	<b>594.2</b>	<b>701.7</b>	<b>829.7</b>	<b>17.9</b>

<sup>a</sup> relatively high growth rates assumed in view of future reforms which will raise the level of resource mobilisation from these taxes

<sup>b</sup> relatively low growth rate assumed in view of impending tariff reforms which will eliminate the regulatory duty and reduce the maximum tariff to 35%

<sup>c</sup> corresponding to the projected inflation rate

**TABLE A-3**  
**PROJECTION OF REVENUES FROM TAXES IN EXPANDED DIVISIBLE POOL**  
**1996-97 TO 2001-02**

(Rs in Billion)

	Heads	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02	ACGR (%)
<b>A.</b>	<b>DIVISIBLE POOL (GROSS)</b>	<b>332.3</b>	<b>391.9</b>	<b>463.2</b>	<b>548.0</b>	<b>649.3</b>	<b>770.1</b>	<b>18.3</b>
	Income Tax <sup>a</sup>	84.4	101.7	123.2	149.3	181.4	227.1	21.9
	Other Direct Taxes	3.2	3.8	4.4	5.2	6.2	7.2	17.6
	Import Duties	113.0	129.2	147.6	168.7	192.7	215.0	13.7
	Excise Duties	55.0	63.5	73.4	84.8	97.9	111.6	15.2
	Sales Tax	76.7	93.7	114.6	140.0	171.1	209.1	22.2
<b>B.</b>	<b>COLLECTION CHARGES<sup>c</sup></b>	<b>16.6</b>	<b>19.6</b>	<b>23.2</b>	<b>27.4</b>	<b>32.5</b>	<b>38.5</b>	<b>18.3</b>
<b>C.</b>	<b>DIVISIBLE POOL (NET)</b>	<b>315.7</b>	<b>372.3</b>	<b>440.0</b>	<b>520.6</b>	<b>616.8</b>	<b>731.6</b>	<b>18.3</b>
<sup>a</sup> Excluding 1% of revenue as revenue from remuneration paid out of the Federal Consolidated Fund <sup>b</sup> Excluding 7% of revenue as revenue from excise duty on natural gas <sup>c</sup> Equivalent to 5% of gross revenue								
	Divisible Pool (Net ) as % of GDP	12.6	12.9	13.0	13.1	13.2	13.3	

**TABLE A-4**  
**STRAIGHT TRANSFERS TO PROVINCIAL GOVERNMENTS**  
**1996-97 TO 2001-02**

(Rs in Billion)

	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02	ACGR (%)
Royalty on Crude Oil	1.2	1.3	1.5	1.6	1.8	2.0	11 <sup>a</sup>
Surcharge on Gas	6.7	7.4	8.2	9.2	10.2	11.3	11
Excise Duty on Gas	3.1	3.4	3.8	4.2	4.7	5.2	11
Royalty on Gas	2.4	2.7	2.9	3.3	3.6	4.0	11
Profits from Hydro-Electricity	8.6	9.5	10.7	11.8	13.1	14.6	11
<b>TOTAL</b>	<b>22.0</b>	<b>24.4</b>	<b>27.1</b>	<b>30.1</b>	<b>33.4</b>	<b>37.1</b>	<b>11</b>

<sup>a</sup> Corresponding to the projected inflation rate

**TABLE A-5**  
**PRIORITY AND NON-PRIORITY EXPENDITURE OF**  
**FEDERAL AND PROVINCIAL GOVERNMENTS, 1996-97 TO 2001-02**

(Rs in Billion)

	Heads	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02	ACGR (%)
<b>A.</b>	<b>PRIORITY EXPENDITURE</b>							
	<b>Social Sectors (Incl SAP)<sup>a</sup></b>	<b>61.1</b>	<b>73.3</b>	<b>87.7</b>	<b>105.1</b>	<b>126.0</b>	<b>151.0</b>	<b>19.8</b>
	Federal	8.8	10.5	12.4	14.8	17.6	20.9	18.9
	Provincial	52.3	62.8	75.3	90.3	108.4	130.1	20.0
	<b>Defence<sup>b</sup></b>	<b>131.4</b>	<b>151.8</b>	<b>175.3</b>	<b>202.5</b>	<b>233.8</b>	<b>270.1</b>	<b>15.5</b>
	<b>Debt Servicing</b>	<b>173.6</b>	<b>200.3</b>	<b>231.1</b>	<b>266.7</b>	<b>308.0</b>	<b>355.5</b>	<b>15.4</b>
	Federal <sup>c</sup>	145.9	168.8	195.3	226.0	261.7	302.9	15.7
	Provincial	27.7	31.5	35.8	40.7	46.3	52.6	13.7
	<b>Development Expenditure</b>	<b>85.2</b>	<b>105.4</b>	<b>123.8</b>	<b>139.4</b>	<b>163.5</b>	<b>192.2</b>	<b>17.8</b>
	Federal	59.7	73.5	85.8	96.1	113.3	133.9	17.5
	Provincial	25.5	31.9	38.0	43.3	50.2	58.3	18.0
	<b>Total Priority Expenditure</b>	<b>451.3</b>	<b>530.8</b>	<b>617.9</b>	<b>713.7</b>	<b>831.3</b>	<b>968.8</b>	<b>16.5</b>
	Federal	345.8	404.6	468.8	539.4	628.1	931.9	16.2
	Provincial	105.5	126.2	149.1	174.3	203.2	236.9	17.6
<b>B.</b>	<b>NON-PRIORITY EXPENDITURE</b>							
	<b>Total Non-Priority Expenditure</b>	<b>134.0</b>	<b>153.4</b>	<b>175.7</b>	<b>200.5</b>	<b>229.6</b>	<b>261.4</b>	<b>14.3</b>
	Federal	63.8	72.8	82.8	94.0	104.5	115.1	12.5
	Provincial	70.2	80.6	92.9	106.5	125.1	146.3	15.8
<b>C.</b>	<b>TOTAL EXPENDITURE</b>							
	<b>Total Expenditure</b>	<b>585.3</b>	<b>684.2</b>	<b>793.6</b>	<b>914.2</b>	<b>1060.9</b>	<b>1230.2</b>	<b>16.0</b>
	Federal	409.6	477.4	551.6	633.4	732.6	847.0	15.6
	Provincial	175.7	206.8	242.0	280.8	328.3	383.2	16.9
	<b>Share of Provincial Governments in Expenditure (%)</b>	<b>30.0</b>	<b>30.2</b>	<b>30.5</b>	<b>30.7</b>	<b>30.9</b>	<b>31.1</b>	

<sup>a</sup> only currently expenditure; <sup>b</sup> only federal; <sup>c</sup> only interest payments.



**TABLE A-6**  
**PROJECTED TRANSFERS TO THE PROVINCIAL GOVERNMENTS**

(Rs in Million)

	1997-98	1998-99	1999-2000	2000-01	2001-02	ACGR
Divisible Pool Transfers	139613	165000	195225	231300	274350	18.4
Straight Transfers	24400	27100	30100	33400	37100	11.0
Special Grants/Subventions	7390	8203	9105	10107	11219	11.0
<b>TOTAL</b>	<b>171403</b>	<b>200303</b>	<b>234430</b>	<b>274807</b>	<b>322669</b>	<b>17.1</b>

**TABLE A-7**  
**FINANCIAL PROJECTION OF GOVERNMENT OF PUNJAB**  
**1997-98 TO 2001-02**

(Rs in Million)

	1997-98	1998-99	1999-2000	2000-01	2001-02
<b>A. REVENUE RECEIPTS</b>	<b>97427</b>	<b>114292</b>	<b>134277</b>	<b>157967</b>	<b>186081</b>
Own Revenues	14474	16408	18635	21155	24026
Divisible Pool Transfers	80808	95502	112996	133876	158794
Straight Transfers <sup>a</sup>	2145	2382	2646	2936	3261
Special Grants/Subventions	---	---	---	---	---
<b>B. CURRENT EXPENDITURE</b>	<b>87896</b>	<b>102520</b>	<b>119356</b>	<b>139759</b>	<b>163278</b>
<b>C. REVENUE SURPLUS (+)/DEFICIT (-)</b>	<b>9531</b>	<b>11772</b>	<b>14921</b>	<b>18208</b>	<b>22803</b>
<b>D. DEVELOPMENT EXPENDITURE<sup>b</sup></b>	<b>8334</b>	<b>9897</b>	<b>11304</b>	<b>13075</b>	<b>15210</b>
<b>E. OVERALL SURPLUS/DEFICIT</b>	<b>1197</b>	<b>1875</b>	<b>3617</b>	<b>5133</b>	<b>7593</b>
<sup>a</sup> Includes profits from Hydroelectricity <sup>b</sup> rupee component only					

**TABLE A-8  
FINANCIAL PROJECTION OF THE GOVERNMENT OF SINDH**

(Rs in Million)

	1997-98	1998-99	1999-2000	2000-01	2001-02
<b>A. REVENUE RECEIPTS</b>	<b>47426</b>	<b>55161</b>	<b>64267</b>	<b>74979</b>	<b>87619</b>
Own Revenues	7598	8613	9872	11104	12612
Divisible Pool Transfers	32502	38412	45448	53847	63869
Straight Transfers	7326	8136	9037	10028	11139
Special Grants/Subventions	---	---	---	---	---
<b>B. CURRENT EXPENDITURE</b>	<b>41993</b>	<b>48980</b>	<b>57024</b>	<b>66772</b>	<b>78008</b>
<b>C. REVENUE SURPLUS (+)/DEFICIT (-)</b>	<b>5433</b>	<b>6181</b>	<b>7243</b>	<b>8207</b>	<b>9612</b>
<b>D. DEVELOPMENT EXPENDITURE<sup>a</sup></b>	<b>3352</b>	<b>3981</b>	<b>4546</b>	<b>5258</b>	<b>6117</b>
<b>E. OVERALL SURPLUS/DEFICIT</b>	<b>2081</b>	<b>2200</b>	<b>2697</b>	<b>2949</b>	<b>3494</b>

<sup>a</sup> rupee component only

**TABLE A-9**  
**FINANCIAL PROJECTION OF GOVERNMENT OF NWFP**  
**1997-98 TO 2001-02**

(Rs in Million)

	1997-98	1998-99	1999-2000	2000-01	2001-02
<b>A. REVENUE RECEIPTS</b>	<b>33861</b>	<b>39001</b>	<b>44997</b>	<b>51993</b>	<b>60190</b>
Own Revenues	2224	2520	2862	3249	3690
Divisible Pool Transfers	18904	22341	26433	31318	37147
Straight Transfers <sup>a</sup>	9423	10466	11624	12899	14328
Special Grants/Subventions	3310	3674	4078	4527	5025
<b>B. CURRENT EXPENDITURE</b>	<b>30106</b>	<b>35115</b>	<b>40881</b>	<b>47869</b>	<b>55925</b>
<b>C. REVENUE SURPLUS (+)/DEFICIT (-)</b>	<b>3755</b>	<b>3886</b>	<b>4116</b>	<b>4124</b>	<b>4265</b>
<b>D. DEVELOPMENT EXPENDITURE<sup>b</sup></b>	<b>2750</b>	<b>3266</b>	<b>3730</b>	<b>4315</b>	<b>5019</b>
<b>E. OVERALL SURPLUS/DEFICIT</b>	<b>1005</b>	<b>620</b>	<b>386</b>	<b>-191</b>	<b>-754</b>
<sup>a</sup> Includes profits from Hydroelectricity <sup>b</sup> rupee component only					

**TABLE A-10**  
**FINANCIAL PROJECTION OF THE GOVERNMENT OF BALOCHISTAN**  
**1997-98 TO 2001-02**

(Rs in Million)

	1997-98	1998-99	1999-2000	2000-01	2001-02
<b>A. REVENUE RECEIPTS</b>	<b>17389</b>	<b>19849</b>	<b>22689</b>	<b>25968</b>	<b>29780</b>
Own Revenues	404	459	522	592	672
Divisible Pool Transfers	7399	8745	10347	12259	14541
Straight Transfers	5506	6116	6793	7537	8372
Special Grants/Subventions	4080	4529	5027	5580	6194
<b>B. CURRENT EXPENDITURE</b>	<b>14905</b>	<b>17385</b>	<b>20239</b>	<b>23700</b>	<b>27689</b>
<b>C. REVENUE SURPLUS (+)/DEFICIT (-)</b>	<b>2484</b>	<b>2464</b>	<b>2450</b>	<b>2268</b>	<b>2090</b>
<b>D. DEVELOPMENT EXPENDITURE<sup>a</sup></b>	<b>1564</b>	<b>1856</b>	<b>2120</b>	<b>2452</b>	<b>2854</b>
<b>E. OVERALL SURPLUS/DEFICIT</b>	<b>920</b>	<b>608</b>	<b>330</b>	<b>-184</b>	<b>-764</b>

<sup>a</sup> rupee component only