

# FEDERAL BUDGET 2016-17



## BUDGET IN BRIEF



GOVERNMENT OF PAKISTAN  
FINANCE DIVISION  
ISLAMABAD

*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 population (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 contextualizes the Budget 2016-17.

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](http://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 2016-17.

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**Secretary to the Government of Pakistan**

**Finance Division**  
**Islamabad, the 30<sup>th</sup> May, 2016**

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## **CHAPTER - 1**

### **REVIEW OF THE BUDGET 2015-16**

#### **SALIENT FEATURES**

1.1 The budget 2015-16 had the following salient features:

- a) The total outlay of budget 2015-16 was Rs 4,451.3 billion. This size was higher by 3.5% than the size of budget 2014-15. The size of outlay increased to Rs 4,478.5 billion in revised estimates 2015-16.
- b) The resource availability during 2015-16 had been estimated at Rs 4,168.3 billion. However, volume of resources increased to Rs 4,279.7 billion or by 2.7% in revised estimates 2015-16.
- c) The net revenue receipts for 2015-16 had been estimated at Rs 2,463.4 billion, which increased to Rs 2,480.7 billion or by 0.7% in revised estimates 2015-16.
- d) The provincial share in federal revenue receipts was estimated at Rs 1,849.4 billion during 2015-16, which increased to Rs 1,851.9 billion in revised estimates.
- e) The net capital receipts for 2015-16 had been estimated at Rs 606.3 billion, which decreased to Rs 588.9 billion in revised estimates 2015-16 or by 2.9%.
- f) The external receipts in 2015-16 were estimated at Rs 751.5 billion, which increased to Rs 859.7 billion in revised estimates or by 14.4%.
- g) The overall expenditure during 2015-16 had been estimated at Rs 4,451.3 billion, out of which the share of current expenditure was Rs 3,482.2 billion and that of development expenditure was Rs 969.0 billion. Current expenditure in revised estimates 2015-16 showed an increase of Rs 117.6 billion from budget estimates, while development expenditure showed a decline of Rs 90.4 billion.
- h) The share of current expenditure in total budgetary outlay for 2015-16 was 78.2% as compared to 80.4% in revised estimates 2015-16.
- i) The expenditure on general public service for budget 2015-16 was estimated at Rs 2,446.6 billion, which was 70.3% of the total current expenditure.
- j) In budget 2015-16, the development expenditure outside Public Sector Development Programme (PSDP) was estimated at Rs 164.4 billion.

- k) The total size of Public Sector Development Programme (PSDP) for 2015-16 was Rs 1,513.7 billion. Out of this, Rs 813.7 billion was allocated to Provinces. Federal PSDP 2015-16 was estimated at Rs 700 billion, out of which Rs 252.6 billion for Federal Ministries / Divisions, Rs 271.9 billion for Corporations, Rs 20 billion for Pak MDGs and Community Department Programme, Rs 28.5 billion for Special Federal Development Programme, Rs 7 billion for 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 in fiscal year 2015-16, bank borrowing was projected at Rs. 282.9 billion, which has been revised downwards to Rs. 198.8 billion.

1.2 Table-1 below presents a summary of comparative position of the budget and revised estimates for fiscal year 2015-16:

**TABLE - 1**  
**SUMMARY OF ESTIMATES FOR 2015-16**

Classification	(Rs in Million)	
	Budget 2015-16	Revised 2015-16
<b>RESOURCES (A + B + C)</b>	<b>4,168,338</b>	<b>4,279,705</b>
<b>A Internal Resources</b>	<b>3,366,827</b>	<b>3,406,416</b>
- Net Revenue Receipts	2,463,351	2,480,671
- Net Capital Receipts	606,303	588,939
- Estimated Provincial Surplus	297,173	336,806
<b>B External Resources</b>	<b>751,511</b>	<b>859,689</b>
<b>C Privatization Proceeds</b>	<b>50,000</b>	<b>13,600</b>
<b>EXPENDITURE (A + B)</b>	<b>4,451,277</b>	<b>4,478,535</b>
<b>A Current Expenditure on Revenue Account</b>	<b>3,482,239</b>	<b>3,599,858</b>
- Current Exp. on Revenue Receipts	3,482,239	3,599,858
<b>B Total Development Expenditure</b>	<b>969,038</b>	<b>878,677</b>
- Federal PSDP	700,000	661,297
- Development Expenditure outside PSDP	164,400	127,559
- Development Loans & Grants to Provinces	104,639	89,820
<b>BANK BORROWING</b>	<b>282,940</b>	<b>198,832</b>

## **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 2015-16 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 2,463,351 million in the budget 2015-16, which have now been revised upwards to Rs 2,480,671 million in the revised estimates 2015-16 showing an increase of 0.7%. Table-2 provides the details:

**TABLE - 2**  
**NET REVENUE RECEIPTS**  
**2015-16**

<b>Classification</b>	<b>(Rs in Million)</b>	
	<b>Budget 2015-16</b>	<b>Revised 2015-16</b>
<b>TAX REVENUE ( A + B)</b>	<b>3,418,221</b>	<b>3,419,795</b>
<b>A. FBR TAXES</b>	<b>3,103,706</b>	<b>3,103,700</b>
- Direct Taxes	1,347,872	1,324,000
- Indirect Taxes	1,755,834	1,779,700
<b>B. OTHER TAXES</b>	<b>314,515</b>	<b>316,095</b>
<b>NON-TAX REVENUE</b>	<b>894,524</b>	<b>912,821</b>
- Income from Property and Enterprise	227,680	228,385
- Receipts from Civil Administration and Other Functions	444,295	456,253
- Miscellaneous Receipts	222,548	228,183
<b>Gross Revenue Receipts</b>	<b>4,312,745</b>	<b>4,332,616</b>
Provincial Share in Gross Revenue	1,849,394	1,851,946
<b>NET REVENUE RECEIPTS</b>	<b>2,463,351</b>	<b>2,480,671</b>

1.5 The tax revenue was estimated for budget 2015-16 at Rs 3,418,221 million, which slightly increased to Rs 3,419,795 million in revised estimates 2015-16. The non-tax revenue for 2015-16 was estimated at Rs 894,524 million, which increased to Rs 912,821 million or by 2% in revised estimates 2015-16.

### **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 2015-16 were budgeted at Rs 606,303 million. The revised estimates are Rs 588,939 million, which indicates a decline of 2.9%. Table-3 provides the details:

**TABLE - 3**  
**NET CAPITAL RECEIPTS**  
**2015-16**

Classification	(Rs in Million)	
	Budget 2015-16	Revised 2015-16
<b>I. CAPITAL RECEIPTS ( A + B + C )</b>	<b>739,338</b>	<b>702,997</b>
<b>A. Recovery of Loans</b>	<b>89,860</b>	<b>101,869</b>
<b>B. Public Debt (Net)</b>	<b>395,208</b>	<b>445,124</b>
- Permanent Debt	219,935	(62,510)
- Floating Debt	175,273	507,634
<b>C. Public Account</b>	<b>254,270</b>	<b>156,004</b>
<b>II. DISBURSEMENTS</b>	<b>133,035</b>	<b>114,058</b>
<b>NET CAPITAL RECEIPTS (I-II):</b>	<b>606,303</b>	<b>588,939</b>

### **ESTIMATED PROVINCIAL SURPLUS**

1.7 The estimated provincial surplus was budgeted at Rs 297,173 million for 2015-16, which increased to Rs 336,806 million in revised estimates 2015-16 or by 13.3%.



## **EXTERNAL RESOURCES**

1.8 The Government obtains foreign loans and grants to use for capital and development expenditure. The external loans for 2015-16 were budgeted at Rs 727,533 million, which are now projected at Rs 821,426 million in revised estimates showing an increase of 12.9%.

1.9 External grants increased from Rs 23,978 million in the budget estimates 2015-16 to Rs 38,263 million in the revised estimates 2015-16 or by 59.6%.

1.10 Overall external resources were estimated at Rs 751,511 million, which increased to Rs 859,689 million or by 14.4% in the revised estimates 2015-16. Table-4 below presents the details:

**TABLE - 4**  
**EXTERNAL RESOURCES**  
**2015-16**

Classification	(Rs in Million)	
	Budget 2015-16	Revised 2015-16
<b>I. EXTERNAL LOANS ( a to c )</b>	<b>727,533</b>	<b>821,426</b>
a. Project Loans	208,275	306,490
b. Programme Loans	187,360	324,617
c. Other Aid	331,898	190,318
<b>II. EXTERNAL GRANTS</b>	<b>23,978</b>	<b>38,263</b>
<b>TOTAL EXTERNAL RESOURCES (I + II):</b>	<b>751,511</b>	<b>859,689</b>

**EXPENDITURE**

1.11 The budget estimates 2015-16 of the overall expenditure were Rs 4,451,277 million, which increased to Rs 4,478,535 million in revised estimates 2015-16 or by 0.6%.

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 fiscal year 2015-16:

**TABLE - 5**  
**CURRENT AND DEVELOPMENT EXPENDITURE**  
**2015-16**

Classification	(Rs in Million)	
	Budget 2015-16	Revised 2015-16
<b>A. CURRENT</b>	<b>3,482,239</b>	<b>3,599,858</b>
- General Public Service	2,446,604	2,558,880
- Defence Affairs & Services	781,162	775,861
- Public Order and Safety Affairs	94,899	95,160
- Economic Affairs	60,195	68,135
- Environment Protection	1,055	1,090
- Housing and Community Amenities	2,256	2,256
- Health Affairs & Services	11,010	11,413
- Recreation, Culture and Religion	7,637	9,214
- Education Affairs and Services	75,580	75,568
- Social Protection	1,840	2,280
<b>B. DEVELOPMENT</b>	<b>969,038</b>	<b>878,677</b>
- Federal PSDP	700,000	661,297
- Development Expenditure outside PSDP	164,400	127,559
- Development Loans & Grants to Provinces	104,639	89,820
<b>TOTAL EXPENDITURE (A + B):</b>	<b>4,451,277</b>	<b>4,478,535</b>

## **CHAPTER - 2**

### **THE BUDGET 2016-17**

#### **SALIENT FEATURES**

2.1 The budget 2016-17 has the following salient features:

- a) The total outlay of budget 2016-17 is Rs 4,894.9 billion. This size is 10% higher than the size of budget estimates 2015-16.
- b) The resource availability during 2016-17 has been estimated at Rs 4,442.0 billion against Rs 4,168.3 billion in the budget estimates of 2015-16.
- c) The net revenue receipts for 2016-17 have been estimated at Rs 2,779.7 billion indicating an increase of 12.8% over the budget estimates of 2015-16.
- d) The provincial share in federal taxes is estimated at Rs 2,135.9 billion during 2016-17, which is 15.5% higher than the budget estimates for 2015-16.
- e) The net capital receipts for 2016-17 have been estimated at Rs 453.6 billion against the budget estimates of Rs 606.3 billion in 2015-16 i.e. a decline of 25.2%.
- f) The external receipts in 2016-17 are estimated at Rs 819.6 billion. This shows an increase of 9.1% over the budget estimates for 2015-16.
- g) The overall expenditure during 2016-17 has been estimated at Rs 4,894.9 billion, out of which the current expenditure is Rs 3,844.0 billion and development expenditure is Rs 1,050.9 billion.
- h) The share of current and development expenditure respectively in total budgetary outlay for 2016-17 is 78.5% and 21.5%
- i) The expenditure on General Public Services is estimated at Rs 2,707.2 billion which is 70.4% of the current expenditure.
- j) The development expenditure outside PSDP has been estimated at Rs 156.6 billion in the budget 2016-17.

- k) The size of Public Sector Development Programme (PSDP) for 2016-17 is Rs 1,675 billion. Out of this, Rs 875 billion has been allocated to provinces. Federal PSDP has been estimated at Rs 800 billion, out of which Rs 282 billion for Federal Ministries / Divisions, Rs 318 billion for Corporations, Rs 20 billion for Pak Millennium Development Goals and Community Development Programme (MDGs), Rs 28 billion for Special Federal Development Programme, Rs 7 billion for Earthquake Reconstruction and Rehabilitation Authority (ERRA), Rs 25 billion for Gas Infrastructure Development, 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 2016-17 at Rs 452.9 billion, which is significantly higher than revised estimates of 2015-16.

2.2 Table-6 below presents the comparative position of budget and revised estimates for fiscal year 2015-16 and budget estimates for fiscal year 2016-17.

**TABLE - 6**  
**COMPARATIVE BUDGETARY POSITION**  
**2015-16 AND 2016-17**

Classification	(Rs in Million)		
	Budget 2015-16	Revised 2015-16	Budget 2016-17
<b>RESOURCES ( A + B + C )</b>	<b>4,168,338</b>	<b>4,279,705</b>	<b>4,441,965</b>
<b>A Internal Resources</b>	<b>3,366,827</b>	<b>3,406,416</b>	<b>3,572,354</b>
- Net Revenue Receipts	2,463,351	2,480,671	2,779,695
- Net Capital Receipts	606,303	588,939	453,638
- Estimated Provincial Surplus	297,173	336,806	339,022
<b>B External Resources</b>	<b>751,511</b>	<b>859,689</b>	<b>819,610</b>
<b>C Privatization Proceeds</b>	<b>50,000</b>	<b>13,600</b>	<b>50,000</b>
<b>EXPENDITURE (A + B)</b>	<b>4,451,277</b>	<b>4,478,535</b>	<b>4,894,879</b>
<b>A Current Expenditure on Revenue Account</b>	<b>3,482,239</b>	<b>3,599,858</b>	<b>3,843,986</b>
- Current Exp. on Revenue Account	3,482,239	3,599,858	3,843,986
<b>B Total Development Expenditure</b>	<b>969,038</b>	<b>878,677</b>	<b>1,050,893</b>
- Federal PSDP	700,000	661,297	800,000
- Dev. Expenditure outside PDSP	164,400	127,559	156,584
- Dev. Loans & Grants to Provinces	104,639	89,820	94,309
<b>BANK BORROWING</b>	<b>282,940</b>	<b>198,832</b>	<b>452,915</b>

**CHAPTER - 3**  
**RESOURCE POSITION**  
**2016-17**

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 2015-16 (budget and revised) and 2016-17 (budget).

**TABLE - 7**  
**RESOURCE POSITION**

(Rs in Million)			
Classification	Budget 2015-16	Revised 2015-16	Budget 2016-17
<b>A Internal Resources</b>	<b>3,499,862</b>	<b>3,520,474</b>	<b>3,759,263</b>
1 Net Revenue Receipts [(i) - (ii)]	2,463,351	2,480,671	2,779,695
(i) Gross Revenue Receipts	4,312,745	4,332,616	4,915,575
(ii) Less Provincial Share in Taxes	1,849,394	1,851,946	2,135,881
2 Capital Receipts	739,338	702,997	640,547
3 Estimated Provincial Surplus	297,173	336,806	339,022
<b>B External Resources</b>	<b>751,511</b>	<b>859,689</b>	<b>819,610</b>
<b>TOTAL RESOURCES ( A + B )</b>	<b>4,251,373</b>	<b>4,380,162</b>	<b>4,578,874</b>

## **INTERNAL RESOURCES**

### **NET REVENUE RECEIPTS**

3.2 The gross revenue receipts in budget 2016-17 are estimated at Rs 4,915,575 million showing an increase of 13.5% over the revised estimates 2015-16.

3.3 The provincial share in taxes for 2016-17 is estimated at Rs 2,135,881 million, which is 15.3% higher than the revised estimates of 2015-16. After the share of Provinces in gross revenues is transferred, the net revenue of Federal Government has been estimated to be Rs 2,779,695 million for fiscal year 2016-17.

3.4 The tax revenue for 2016-17 is estimated at Rs 3,956,123 million, which reflects an increase of 15.7% over revised estimates 2015-16. Out of which FBR collection is Rs 3,621,000 million. Non-tax revenue is projected at Rs 959,452 million in 2016-17 as compared with Rs 912,821 million in revised estimates 2015-16.

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

**TABLE - 8**  
**NET REVENUE RECEIPTS**

<b>Classification</b>	<b>(Rs in Million)</b>		
	<b>Budget 2015-16</b>	<b>Revised 2015-16</b>	<b>Budget 2016-17</b>
<b>TAX REVENUE (A + B)</b>	<b>3,418,221</b>	<b>3,419,795</b>	<b>3,956,123</b>
<b>A. FBR TAXES</b>	<b>3,103,706</b>	<b>3,103,700</b>	<b>3,621,000</b>
- Direct Taxes	1,347,872	1,324,000	1,558,000
- Indirect Taxes	1,755,834	1,779,700	2,063,000
<b>B. OTHER TAXES</b>	<b>314,515</b>	<b>316,095</b>	<b>335,123</b>
<b>NON-TAX REVENUE</b>	<b>894,524</b>	<b>912,821</b>	<b>959,452</b>
- Property and Enterprise	227,680	228,385	261,217
- Civil Administration and Other Functions	444,295	456,253	459,811
- Miscellaneous Receipts	222,548	228,183	238,424
<b>Gross Revenue Receipts</b>	<b>4,312,745</b>	<b>4,332,616</b>	<b>4,915,575</b>
Provincial Share in Gross Revenue	1,849,394	1,851,946	2,135,881
<b>NET REVENUE RECEIPTS</b>	<b>2,463,351</b>	<b>2,480,671</b>	<b>2,779,695</b>

**TABLE - 9**  
**TAX REVENUE**

(Rs in Million)			
Classification	Budget 2015-16	Revised 2015-16	Budget 2016-17
<b>A. FBR TAXES (I + II)</b>	<b>3,103,706</b>	<b>3,103,700</b>	<b>3,621,000</b>
<b>I. Direct Taxes</b>	<b>1,347,872</b>	<b>1,324,000</b>	<b>1,558,000</b>
- Taxes on Income	1,326,835	1,307,647	1,538,756
- Worker's Welfare Fund	19,709	14,401	16,947
- Capital Value Tax (CVT)	1,328	1,952	2,297
<b>II. Indirect Taxes</b>	<b>1,755,834</b>	<b>1,779,700</b>	<b>2,063,000</b>
- Customs Duties	299,125	348,500	413,000
- Sales Tax	1,250,272	1,230,300	1,437,000
- Federal Excise	206,437	200,900	213,000
<b>B. OTHER TAXES</b>	<b>314,515</b>	<b>316,095</b>	<b>335,123</b>
- Other Indirect Taxes (ICT)	4,365	3,995	5,003
- Airport Tax	150	100	120
- Gas Infrastructure Development Cess	145,000	145,000	145,000
- Natural Gas Development Surcharge	30,000	32,000	35,000
- Petroleum Levy	135,000	135,000	150,000
<b>TOTAL TAX REVENUE:</b>	<b>3,418,221</b>	<b>3,419,795</b>	<b>3,956,123</b>

**TABLE - 10**  
**NON-TAX REVENUE**

(Rs in Million)			
Classification	Budget 2015-16	Revised 2015-16	Budget 2016-17
<b>NON-TAX REVENUE (A+B+C)</b>	<b>894,524</b>	<b>912,821</b>	<b>959,452</b>
<b>A. Income from Property and Enterprise</b>	<b>227,680</b>	<b>228,385</b>	<b>261,217</b>
- Pakistan Telecom Authority	5,000	5,000	6,000
- PTA (3 G Licences)	65,000	45,000	75,000
- Regulatory Authorities	386	245	477
- Mark up (Provinces)	12,019	9,753	13,494
- Mark up (PSEs & Others)	57,154	86,451	81,118
- Dividends	88,122	81,937	85,127
<b>B. Receipts from Civil Administration and Other Functions</b>	<b>444,295</b>	<b>456,253</b>	<b>459,811</b>
- General Administration Receipts	4,419	2,090	3,360
- Share of Surplus Profits of the SBP	280,000	280,000	280,000
- Defence Services Receipts	154,023	169,572	170,754
- Law and Order Receipts	1,230	1,522	2,123
- Community Services Receipts	2,259	1,163	1,579
- Social Services	2,365	1,906	1,996
<b>C. Miscellaneous Receipts</b>	<b>222,548</b>	<b>228,183</b>	<b>238,424</b>
- Economic Services Receipts	4,035	11,235	10,863
- Foreign Grants	40,000	70,000	75,000
- Citizenship, Naturalization, Passport and Copyright Fees	25,000	23,000	25,000
- Discount Retained on Local Crude Price	21,000	8,400	10,000
- Royalty on Crude Oil	18,373	17,433	10,859
- Royalty on Natural Gas	40,246	38,211	32,097
- Windfall Levy against Crude Oil	18,000	2,860	10,000
- Petroleum Levy on LPG	2,000	-	2,000
- Others	53,895	57,044	62,605



**NET CAPITAL RECEIPTS**

3.6 Capital receipts on net basis in the budget 2016-17 have been estimated at Rs 453,638 million against Rs 606,303 million in the budget estimates 2015-16 and Rs 588,939 million in the revised estimates 2015-16. Table-11 below presents the details of capital receipts, disbursements and net capital receipts.

**TABLE - 11**  
**NET CAPITAL RECEIPTS**

Classification	(Rs in Million)		
	Budget 2015-16	Revised 2015-16	Budget 2016-17
<b>I. CAPITAL RECEIPTS (A + B + C)</b>	<b>739,338</b>	<b>702,997</b>	<b>640,547</b>
<b>A. Recoveries of Loans &amp; Advances</b>	<b>89,860</b>	<b>101,869</b>	<b>101,889</b>
- Provinces	42,193	47,762	46,725
- Others	47,667	54,107	55,164
<b>B. Public Debt Net (1 + 2)</b>	<b>395,208</b>	<b>445,124</b>	<b>367,778</b>
<b>1. Permanent Debt</b>	<b>219,935</b>	<b>(62,510)</b>	<b>150,400</b>
- Pakistan Investment Bonds	220,000	(100,000)	150,000
- Ijara Sukuk Bonds	-	37,553	463
- FEBCs	(5)	(5)	(5)
- FCBCs	(5)	(5)	(5)
- U.S. Dollar Bearer Certificates	(5)	(3)	(3)
- Special US Dollar Bonds	(50)	(50)	(50)
<b>2. Floating Debt</b>	<b>175,273</b>	<b>507,634</b>	<b>217,378</b>
- Prize Bonds	75,273	110,000	110,000
- Treasury Bills Auction	100,000	185,000	100,000
- Govt. Bai-Maujjal Ijara Sukuk	-	212,634	7,378
<b>C. Public Account</b>	<b>254,270</b>	<b>156,004</b>	<b>170,879</b>
- Saving Schemes	229,332	107,733	118,181
- G.P. Fund	4,000	4,000	4,000
- Net Deposits	20,938	44,271	48,698
<b>II. DISBURSEMENTS</b>	<b>133,035</b>	<b>114,058</b>	<b>186,909</b>
- Government Investments, Loans, Advances and Others	43,611	37,372	45,539
- Repayment of Short Term Credits	89,425	76,685	141,370
<b>NET CAPITAL RECEIPTS (I - II):</b>	<b>606,303</b>	<b>588,939</b>	<b>453,638</b>
<b>Net Lending to Others:</b>	<b>(4,056)</b>	<b>(16,735)</b>	<b>(9,625)</b>

**ESTIMATED PROVINCIAL SURPLUS**

3.7 The estimated provincial surplus has been projected at Rs 339,022 million for 2016-17 as against Rs 336,806 million in revised estimates 2015-16.

**EXTERNAL RESOURCES**

3.8 The government obtains loans and grants to bridge the gap between the receipts and expenditure. The external resources for 2016-17 have been projected at Rs 819,610 million, which are higher by 9.1% and lower by 4.7% respectively when compared with budget and revised estimates 2015-16. Table-12 below presents the details of receipts from external resources.

**TABLE - 12**  
**EXTERNAL RESOURCES**

Classification	(Rs in Million)		
	Budget 2015-16	Revised 2015-16	Budget 2016-17
<b>I. EXTERNAL LOANS (A to C)</b>	<b>727,533</b>	<b>821,426</b>	<b>796,785</b>
<b>A. Project Loans (i+ii)</b>	<b>208,275</b>	<b>306,490</b>	<b>219,149</b>
<b>i Federal Government</b>	<b>141,128</b>	<b>258,244</b>	<b>150,438</b>
- Ministries/Divisions	22,842	34,068	24,169
- Corporations/Autonomous Bodies	118,286	203,083	115,063
<b>ii Provinces</b>	<b>67,147</b>	<b>48,246</b>	<b>68,711</b>
<b>B. Programme Loans</b>	<b>187,360</b>	<b>324,617</b>	<b>133,797</b>
<b>C. Other Aid</b>	<b>331,898</b>	<b>190,318</b>	<b>443,839</b>
- Islamic Development Bank	125,854	92,354	47,686
- Sovereign Bond	101,250	52,200	105,500
- Sukuk Bond	-	-	79,125
- China Safe Deposits	101,250	-	-
- Economic Trade Bank	3,544	3,586	-
- Dubai Bank	-	6,682	-
- Noor Bank, PSJBC	-	35,496	-
- Commercial Banks	-	-	211,528
<b>II. EXTERNAL GRANTS</b>	<b>23,978</b>	<b>38,263</b>	<b>22,826</b>
- Project Aid Grants	23,978	37,958	22,826
• Federal Departments	3,334	16,076	3,974
• Autonomous Bodies	2,325	9,945	1,511
• Provinces	18,319	11,937	17,340
- Kerry Lugar	-	305	-
<b>TOTAL (I + II):</b>	<b>751,511</b>	<b>859,689</b>	<b>819,610</b>

## **CHAPTER - 4**

### **PROVINCIAL SHARE IN FEDERAL TAXES**

#### **NFC AWARD**

4.1 Pakistan is a Federal democracy. Therefore, provinces rely mainly on the Federal Government for meeting their expenditure requirements. In order to maintain inter-governmental fiscal relationship, Article 160 of the Constitution provides for setting up of a National Finance Commission (NFC) with intervals not exceeding five years. The mandate of NFC is to recommend to the President for 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 National Finance Commission (NFC) Award is in practice. Through this Award, the financial autonomy of the provinces has been ensured by increasing their share in the Divisible Pool (taxes) from 50% to 56% in 2010-11 and 57.5% from 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 for requirements of Balochistan. Its share from the divisible pool was guaranteed at Rs.83 billion in financial year 2010-11 which was more than double from the actual divisible pool share of financial 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. Shortfall, if any, based on the actual collection reported by FBR would be made up by the Federal Government itself. Initially, this arrangement was for five years of the 7th NFC Award but later on in order to cater for the financial needs of Balochistan, an amendment was introduced in the Presidential Order No.5 of 2010 which provides that this arrangement for Balochistan shall remain protected throughout the Award period based on annual budgetary projections. In this regard, an amount of Rs.72.521 billion was provided to Government of Balochistan as additionality from 2010-11 to 2015-16.

4.4 The 8th NFC Award was constituted on 21st July, 2010, but it did not give any Award. The 9th NFC was constituted on April 24, 2015 and its 1st meeting was held on 28th April, 2015. NFC, in its first meeting, constituted four working groups to undertake thematic studies and put forth their recommendations for consideration by the Commission. As soon as working groups complete their studies and submit their

recommendations, next meeting of NFC will be convened. The present Award will remain operative till 9th NFC announces next Award. 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 and President's Order No.6 of 2015 which are 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%
	<b>Total:</b>	<b>100.00%</b>

(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.*"

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“PRESIDENT’S ORDER NO.6 OF 2015

AN  
ORDER

*To amend Distribution of Revenues and Grants-in-Aid Order, 2010  
(President’s Order No. 5 of 2010)*

WHEREAS, it is expedient to amend the Distribution of Revenues and Grants-in-Aid Order, 2010 (P.O.No.5 of 2010), for the purpose hereinafter appearing.

NOW, THEREFORE, in pursuance of Clause (6) read with Clause (7) of Article 160 of the Constitution of the Islamic Republic of Pakistan, 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 (Amendment) Order, 2015.

(2) It shall come into force on the first day of July, 2015.

(3) It will remain in force till further orders.

2. **Substitution of Article-4(3) P.O. No.5 of 2010.**—In the Distribution of Revenues and Grants-in-Aid Order, 2010 (P.O.No.5 of 2010), for Article 4(3) the following shall be substituted, namely:—

(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 and 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 Award period based on annual budgetary projections.

MAMNOON HUSSAIN,  
*President.*"

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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 2,135,881 million for fiscal year 2016-17, reflecting an increase of 15.3% over revised estimates 2015-16. The details are as in Table-13 below:

**TABLE - 13**  
**DETAILS OF PROVINCIAL SHARE IN FEDERAL TAXES**

(Rs in Million)			
Classification	Budget 2015-16	Revised 2015-16	Budget 2016-17
<b>A. DIVISIBLE POOL TAXES</b>	<b>1,746,239</b>	<b>1,751,517</b>	<b>2,044,143</b>
- Taxes on Income	753,198	742,305	873,498
- Capital Value Tax	762	1,119	1,317
- Sales Tax (excl. GST on Services)	715,051	704,316	822,655
- Federal Excise (excl. ED on NG)	109,294	106,741	113,170
- Customs Duties (excl. EDS)	167,935	197,036	233,503
<b>B. STRAIGHT TRANSFERS</b>	<b>102,379</b>	<b>100,361</b>	<b>91,738</b>
- Royalty on Crude Oil	18,006	17,084	10,642
- Royalty on Natural Gas (NG)	39,441	37,447	31,455
- Natural Gas Development Surcharge	29,400	31,360	34,300
- Excise Duty on Natural Gas (NG)	15,532	14,470	15,341
<b>C. GST ON SERVICES</b>	<b>776</b>	<b>67</b>	<b>-</b>
<b>TOTAL (A to C):</b>	<b>1,849,394</b>	<b>1,851,946</b>	<b>2,135,881</b>
<b>PROVINCE- WISE SHARE</b>			
Punjab	894,653	896,524	1,045,013
Sindh	482,801	482,956	547,841
Khyber Pakhtunkhwa (Inclusive 1% War on Terror)	300,452	301,262	346,184
Balochistan	171,488	171,203	196,843
<b>TOTAL PROVINCIAL SHARE:</b>	<b>1,849,394</b>	<b>1,851,946</b>	<b>2,135,881</b>

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

**TABLE - 14**  
**NET FEDERAL TRANSFERS TO PROVINCES**

(Rs in Million)			
Classification	Budget 2015-16	Revised 2015-16	Budget 2016-17
<b>A. Total Transfers to Provinces</b>	<b>1,992,385</b>	<b>1,974,320</b>	<b>2,270,241</b>
- Divisible Pool Taxes	1,746,239	1,751,517	2,044,143
- Straight Transfers	102,379	100,361	91,738
- GST on Services	776	67	-
- Special Grants / Subventions	38,300	32,555	40,000
- Project Loans and Grants	85,467	60,183	86,051
- Programme Loans	19,172	29,637	8,257
- Japanese Grant	52	-	52
<b>B. Less Payments to Federal Govt.</b>	<b>54,212</b>	<b>57,514</b>	<b>60,220</b>
- Interest Payments	12,019	9,753	13,494
- Loans Repayments	42,193	47,762	46,725
<b>NET TRANSFERS TO PROVINCES (A-B):</b>	<b>1,938,173</b>	<b>1,916,806</b>	<b>2,210,021</b>

4.8 In accordance with the framework for distribution of resources structured by the 7th NFC Award, the net transfers to provinces are Rs 2,210,021 million in the budget estimates 2016-17. These transfers were estimated at Rs 1,938,173 million in the budget estimates 2015-16 and Rs 1,916,806 million in revised estimates 2015-16.

**CHAPTER - 5**  
**CURRENT EXPENDITURE**  
**2016-17**

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

**TABLE - 15**  
**SUMMARY**

		(Rs in Million)		
Classification	Budget 2015-16	Revised 2015-16	Budget 2016-17	
<b>(i) Mark-up Payment</b>	<b>1,279,895</b>	<b>1,315,016</b>	<b>1,360,000</b>	
- Mark-up on Domestic Debt	1,168,676	1,196,655	1,247,000	
- Mark-up on Foreign Debt	111,219	118,360	113,000	
<b>(ii) Pension</b>	<b>231,000</b>	<b>236,000</b>	<b>245,000</b>	
- Military	174,271	174,271	177,586	
- Civil	56,729	61,729	67,414	
<b>(iii) Defence Affairs and Services</b>	<b>781,162</b>	<b>775,861</b>	<b>860,169</b>	
- Defence Services	779,140	773,090	858,047	
- Defence Administration	2,022	2,771	2,122	
<b>(iv) Grants and Transfers</b>	<b>409,875</b>	<b>418,245</b>	<b>441,616</b>	
- Grants to Provinces	38,300	32,555	40,000	
- Grants to Others	371,575	385,690	401,616	
<b>(v) Subsidies</b>	<b>137,603</b>	<b>196,541</b>	<b>140,600</b>	
<b>(vi) Running of Civil Government</b>	<b>326,331</b>	<b>340,072</b>	<b>352,794</b>	
<b>(i) Salary</b>	<b>193,850</b>	<b>198,173</b>	<b>198,276</b>	
a) Pay	73,113	73,764	87,986	
b) Allowance	120,737	124,409	110,290	
<b>(ii) Non-Salary</b>	<b>129,481</b>	<b>141,899</b>	<b>151,018</b>	
<b>(iii) Others</b>	<b>3,000</b>	<b>-</b>	<b>3,500</b>	
<b>CURRENT EXPENDITURE (i to vi):</b>	<b>3,165,866</b>	<b>3,281,734</b>	<b>3,400,179</b>	
<b>(vii) Foreign Loans Repayment</b>	<b>316,373</b>	<b>318,124</b>	<b>443,807</b>	
<b>TOTAL CURRENT EXPENDITURE:</b> (includes foreign loans repayment)	<b>3,482,239</b>	<b>3,599,858</b>	<b>3,843,986</b>	

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 fiscal year 2015-16 stood at Rs 3,482,239 million, which have now been revised upwards to Rs 3,599,858 million. For fiscal year 2016-17 an allocation of Rs 3,843,986 million has been made for current expenditure, showing an increase of 6.8% over the revised estimates of the outgoing fiscal year 2015-16.

5.3 Table-16 below presents the comparative position of the budget and revised estimates of current expenditure for the year 2015-16 along with the budget estimates 2016-17. It shows breakup of Current Expenditure according to functional classification.

**TABLE - 16**  
**CURRENT EXPENDITURE**

(Rs in Million)			
Classification	Budget 2015-16	Revised 2015-16	Budget 2016-17
1) General Public Service	2,446,604	2,558,880	2,707,212
2) Defence Affairs and Services	781,162	775,861	860,169
3) Public Order and Safety Affairs	94,899	95,160	103,459
4) Economic Affairs	60,195	68,135	63,540
5) Environment Protection	1,055	1,090	1,068
6) Housing and Community Amenities	2,256	2,256	2,260
7) Health Affairs & Services	11,010	11,413	12,108
8) Recreation, Culture and Religion	7,637	9,214	8,001
9) Education Affairs and Services	75,580	75,568	84,195
10) Social Protection	1,840	2,280	1,975
<b>TOTAL:</b>	<b>3,482,239</b>	<b>3,599,858</b>	<b>3,843,986</b>

5.4 The bulk of expenditure falls under General Public Service. The expenditure against this head has been budgeted at Rs 2,707,212 million for 2016-17, which is 70.4% 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 2,229,837 million, this component forms 82.4% 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 2015-16	Revised 2015-16	Budget 2016-17
<b>GENERAL PUBLIC SERVICE</b>	<b>2,446,604</b>	<b>2,558,880</b>	<b>2,707,212</b>
Executive & Legislative Organs, Financial, Fiscal Affairs & External Affairs	2,003,902	2,099,575	2,229,837
- Superannuation Allowances & Pensions	231,000	236,000	245,000
- Servicing of Foreign Debt	111,219	118,360	113,000
- Foreign Loans Repayment	316,373	318,124	443,807
- Servicing of Domestic Debt	1,168,676	1,196,655	1,247,000
- Others	176,635	230,436	181,030
Foreign Economic Aid	100	5,005	752
Transfers	409,875	418,245	441,616
General Services	6,415	8,385	6,607
Basic Research	3,559	3,619	3,653
Research and Development General Public Services	10,683	11,103	11,334
Administration of General Public Services	2,150	5,896	2,253
General Public Services not elsewhere defined	9,920	7,053	11,160

**DEFENCE AFFAIRS AND SERVICES**

5.7 Details of estimates of expenditure on Defence Affairs and Services in 2015-16 (budget & revised) and 2016-17 (budget) are given in Table-18 below:

**TABLE - 18**  
**DEFENCE AFFAIRS AND SERVICES**

<b>Classification</b>	<b>(Rs in Million)</b>		
	<b>Budget 2015-16</b>	<b>Revised 2015-16</b>	<b>Budget 2016-17</b>
<b>DEFENCE AFFAIRS AND SERVICES</b>	<b>781,162</b>	<b>775,861</b>	<b>860,169</b>
- <b>Defence Administration</b>	<b>2,022</b>	<b>2,771</b>	<b>2,122</b>
- <b>Defence Services</b>	<b>779,140</b>	<b>773,090</b>	<b>858,047</b>
- Employees Related Expenses	326,048	323,795	327,300
- Operating Expenses	200,625	197,114	216,149
- Physical Assets	169,648	169,150	211,702
- Civil Works	84,680	84,891	104,849
- Less Recoveries	(1,860)	(1,860)	(1,953)

## **PUBLIC ORDER AND SAFETY AFFAIRS**

5.8 Under the head of Public Order and Safety Affairs, an amount of Rs 103,459 million has been provided in the budget 2016-17 as compared with Rs 94,899 million in the budget estimates 2015-16 and Rs 95,160 million in revised estimates 2015-16. The allocation for Police (Rs 95,325 million) forms the major component, with a share of 92.1%, in the total allocation under this head. Table-19 below provides the details:

**TABLE - 19**  
**PUBLIC ORDER AND SAFETY AFFAIRS**

<b>Classification</b>	<b>(Rs in Million)</b>		
	<b>Budget 2015-16</b>	<b>Revised 2015-16</b>	<b>Budget 2016-17</b>
<b>PUBLIC ORDER AND SAFETY AFFAIRS</b>	<b>94,899</b>	<b>95,160</b>	<b>103,459</b>
- Law Courts	4,396	4,508	5,061
- Police	87,513	87,534	95,325
- Fire Protection	171	171	183
- Prison Administration and Operation	36	35	38
- R & D Public Order and Safety	29	29	31
- Administration of Public Order	2,754	2,883	2,820

**ECONOMIC AFFAIRS**

5.9 The allocation under the head of Economic Affairs in the budget 2016-17 has been projected at Rs 63,540 million, which is lower by 6.7% than the revised estimates for 2015-16 and higher by 5.6% than the budget estimates 2015-16. Major share of this head goes to Agriculture, Food, Irrigation, Forestry and Fishing, which is 43.3% of total allocation for Economic Affairs. Table-20 below provides the details under this head:

**TABLE - 20**  
**ECONOMIC AFFAIRS**

Classification	(Rs in Million)		
	Budget 2015-16	Revised 2015-16	Budget 2016-17
<b>ECONOMIC AFFAIRS</b>	<b>60,195</b>	<b>68,135</b>	<b>63,540</b>
- General Economic, Commercial and Labour Affairs	18,280	18,828	17,066
- Agriculture, Food, Irrigation, Forestry and Fishing	23,497	30,197	27,517
- Fuel and Energy	769	1,673	797
- Mining and Manufacturing	1,403	1,402	1,510
- Construction and Transport	11,854	11,595	12,045
- Communications	2,887	2,887	3,021
- Others	1,506	1,553	1,584



**ENVIRONMENT PROTECTION**

5.10 Under the head of Environment Protection, an amount of Rs 1,068 million has been estimated for budget 2016-17 for Waste Water Management, which is higher by 1.2% than budget estimates 2015-16, while lower by 2% when compared with revised estimates 2015-16.

**TABLE - 21**  
**ENVIRONMENT PROTECTION**

Classification	(Rs in Million)		
	Budget 2015-16	Revised 2015-16	Budget 2016-17
<b>ENVIRONMENT PROTECTION</b>	<b>1,055</b>	<b>1,090</b>	<b>1,068</b>
- Waste Water Management	1,055	1,090	1,068

**HOUSING AND COMMUNITY AMENITIES**

5.11 Under the head of Housing and Community Amenities, an amount of Rs 2,260 million has been provided in the budget 2016-17 for Community Development, which is slightly higher, when compared with budget and revised estimates 2015-16.

**TABLE - 22**  
**HOUSING AND COMMUNITY AMENITIES**

Classification	(Rs in Million)		
	Budget 2015-16	Revised 2015-16	Budget 2016-17
<b>HOUSING AND COMMUNITY AMENITIES</b>	<b>2,256</b>	<b>2,256</b>	<b>2,260</b>
- Community Development	2,256	2,256	2,260

## **HEALTH AFFAIRS AND SERVICES**

5.12 Under the head of Health Affairs and Services, a total allocation of Rs 12,108 million has been made in the budget estimates 2016-17, which is higher by 10% and 6.1% when compared with budget and revised estimates 2015-16. 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**

<b>Classification</b>	<b>(Rs in Million)</b>		
	<b>Budget 2015-16</b>	<b>Revised 2015-16</b>	<b>Budget 2016-17</b>
<b>HEALTH AFFAIRS AND SERVICES</b>	<b>11,010</b>	<b>11,413</b>	<b>12,108</b>
- Medical Products, Appliances and Equipment	27	27	28
- Hospital Services	9,133	9,496	10,195
- Public Health Services	423	423	418
- Health Administration	1,426	1,466	1,467

## **RECREATION, CULTURE AND RELIGION**

5.13 In budget 2016-17 an amount of Rs 8,001 million has been budgeted for Recreation, Culture and Religion. Overall estimates under this classification for 2016-17 are higher by 4.8% when compared with budget estimates 2015-16, while lower by 13.2% when compared with revised estimates 2015-16. The bulk of expenditure under this head has been earmarked for Broadcasting and Publishing, which is 77.5% of the total allocation. Details are given in Table-24 below:

**TABLE - 24**  
**RECREATION, CULTURE AND RELIGION**

<b>Classification</b>	<b>(Rs in Million)</b>		
	<b>Budget 2015-16</b>	<b>Revised 2015-16</b>	<b>Budget 2016-17</b>
<b>RECREATION, CULTURE AND RELIGION</b>	<b>7,637</b>	<b>9,214</b>	<b>8,001</b>
- Recreation and Sporting Services	1	1	1
- Cultural Services	542	541	588
- Broadcasting and Publishing	5,942	7,493	6,200
- Religious Affairs	831	844	872
- Administration of Information, Recreation & Culture	320	335	341

## **EDUCATION AFFAIRS AND SERVICES**

5.14 Education Affairs and Services have been provided with Rs 84,195 million in the budget estimates 2016-17 as compared with Rs 75,580 million in budget estimates 2015-16 and Rs 75,568 million in revised estimates 2015-16. The bulk of expenditure at Rs 63,593 million has been allocated for Tertiary Education Affairs and Services in budget 2016-17, which is 75.5% of the total allocation under this head. The details are as under:

**TABLE - 25**  
**EDUCATION AFFAIRS AND SERVICES**

<b>Classification</b>	<b>(Rs in Million)</b>		
	<b>Budget 2015-16</b>	<b>Revised 2015-16</b>	<b>Budget 2016-17</b>
<b>EDUCATION AFFAIRS AND SERVICES</b>	<b>75,580</b>	<b>75,568</b>	<b>84,195</b>
- Pre-Primary & Primary Education Affairs Services	7,240	7,240	8,197
- Secondary Education Affairs & Services	8,999	8,999	10,009
- Tertiary Education Affairs and Services	56,675	56,847	63,593
- Education Services not Definable by Level	75	75	75
- Subsidiary Services to Education	250	250	262
- Administration	1,435	1,282	1,167
- Education Affairs, Services not elsewhere classified	906	875	891

**SOCIAL PROTECTION**

5.15 Under the head of Social Protection, an amount of Rs 1,975 million has been allocated in the budget 2016-17, which is higher by Rs 135 million as compared with budget estimates 2015-16, while lower by Rs 305 million when compared with revised estimates 2015-16. The revised estimates include additional expenditures on account of emergency relief and repatriation.

**TABLE - 26**  
**SOCIAL PROTECTION**

Classification	(Rs in Million)		
	Budget 2015-16	Revised 2015-16	Budget 2016-17
<b>SOCIAL PROTECTION</b>	<b>1,840</b>	<b>2,280</b>	<b>1,975</b>
- Administration	1,309	1,748	1,428
- Others	531	531	547

**CHAPTER - 6****SUBSIDIES & GRANTS / TRANSFERS**  
**2016-17****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 2015-16 subsidies were Rs 137,603 million; in revised estimates 2015-16 they increased to Rs 196,541 million due to increase in subsidy to WAPDA/PEPCO/KESC for tariff differential. Total subsidies for fiscal year 2016-17 has been estimated at Rs 140,600 million.

6.2 In budget 2016-17, the allocation for subsidies to WAPDA / PEPCO forms the major component, which is 67.9% of the total allocation followed by subsidy to KESC with share of 16.1%. A total estimate of subsidies for budget 2016-17 is 0.4% of GDP. Table-27 provides the details:

**TABLE - 27**  
**SUBSIDIES**

<b>Classification</b>	<b>(Rs in Million)</b>		
	<b>Budget 2015-16</b>	<b>Revised 2015-16</b>	<b>Budget 2016-17</b>
<b>Subsidy to WAPDA/PEPCO:</b>	<b>98,000</b>	<b>117,805</b>	<b>95,400</b>
1 Inter-Disco Tariff Differential	60,000	66,000	60,000
2 Tariff Differential for Agri-Tubewells in Balochistan	9,000	10,621	8,400
3 To pick up WAPDA / PEPCO receivables from FATA	6,000	20,868	8,000
4 Inter-Disco Tariff Differential (Arrears)	19,000	16,316	19,000
5 To pick up WAPDA/PEPCO receivables from AJK	4,000	4,000	-

Contd....

**SUBSIDIES**

(Rs in Million)			
Classification	Budget 2015-16	Revised 2015-16	Budget 2016-17
<b>Subsidy to KESC:</b>	<b>20,000</b>	<b>53,400</b>	<b>22,600</b>
6 To pick up KESC's Tariff Differential	20,000	53,400	22,000
7 For Tariff Differential for Agriculture Tubewells in Balochistan	-	-	600
<b>Subsidy to USC for:</b>	<b>7,000</b>	<b>5,000</b>	<b>7,000</b>
8 Ramzan Package	3,000	3,000	2,000
9 Payment of Sugar Arrears	4,000	2,000	5,000
<b>Subsidy to PASSCO for:</b>	<b>11,300</b>	<b>10,000</b>	<b>15,300</b>
10 Wheat Operation	5,000	5,000	7,000
11 Wheat Reserved Stock	5,000	5,000	7,000
12 Freight Subsidy on Sugar Export by TDAP	1,300	-	1,300
<b>Subsidy to National Food Security &amp; Research Division</b>	<b>-</b>	<b>10,000</b>	<b>-</b>
13 National Food Security & Research Division	-	5,000	-
14 Subsidy to Fertilizer	-	5,000	-
<b>Subsidy to Others:</b>	<b>1,303</b>	<b>336</b>	<b>300</b>
15 Oil Refineries & OMCs / Others	1,000	-	-
16 Sale of Wheat in FATA	303	303	300
17 Textile Industry Division	-	33	-
<b>TOTAL SUBSIDIES:</b>	<b>137,603</b>	<b>196,541</b>	<b>140,600</b>

**GRANTS AND TRANSFERS**

6.3 Grants and transfers to provinces and others for the year 2016-17 have been estimated at Rs 441,616 million as compared with Rs 409,875 million in budget estimates 2015-16 and Rs 418,245 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 2015-16	Revised 2015-16	Budget 2016-17
<b>I. GRANTS IN AID &amp; MISC. ADJUSTMENTS</b>	<b>38,300</b>	<b>32,555</b>	<b>40,000</b>
<b>A. SPECIAL GRANTS</b>	<b>20,800</b>	<b>32,555</b>	<b>23,000</b>
- Punjab	-	1,685	-
- Sindh	10,800	11,637	13,000
- Khyber Pakhtunkhwa	-	7,198	-
- Balochistan	10,000	12,036	10,000
<b>B. LUMP PROVISION</b>	<b>17,500</b>	-	<b>17,000</b>
<b>II. GRANTS TO OTHERS</b>	<b>371,575</b>	<b>385,690</b>	<b>401,616</b>
- Contingent Liabilities	180,000	180,000	190,000
- Miscellaneous Grants	57,000	62,400	63,000
- Other outstanding Liabilities	25,000	25,000	30,000
- Pakistan Railways to meet their losses	37,000	37,000	37,000
- Remission of ZTBL loans	300	-	-
- Voluntary Separation Scheme of HBFCL	100	-	-

Contd.....



**GRANTS AND TRANSFERS**

Classification	(Rs in Million)		
	Budget 2015-16	Revised 2015-16	Budget 2016-17
- National Internship Programme	80	78	61
- Lump Provision for Relief etc.	2,400	2,400	2,400
- GoP Contribution to President Rozgar Scheme	100	260	0
- Competition Commission of Pakistan	200	200	210
- Reimbursement of TT Charges on Home Remittances	15,000	15,000	15,000
- Pakistan Remittance Initiative	100	-	100
- Institute of Cost & Management Accountants of Pakistan, Karachi	-	2	-
- Grants to AJK Government	25,750	31,892	29,500
- Grant-in-Aid to Gilgit Baltistan	20,500	21,406	24,300
- Grant to Bait-ul-Maal	4,000	4,000	4,000
- Wheat subsidy to Gilgit Baltistan	6,045	6,045	6,045
<b>TOTAL GRANTS (I + II):</b>	<b>409,875</b>	<b>418,245</b>	<b>441,616</b>

**CHAPTER - 7**  
**LOANS AND INVESTMENTS**  
**2016-17**

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 27,055 million in budget 2016-17. The following table provides the details:

**TABLE - 29**  
**CURRENT LOANS & ADVANCES**

Classification	(Rs in Million)		
	Budget 2015-16	Revised 2015-16	Budget 2016-17
1 AJK for Repayment of Principal & Interest	12,000	12,024	12,000
2 Junagadh and Kathiawar Chiefs	1	1	1
3 Loans/Advances to Employees of PNRA	10	10	14
4 Loans/Advances to Friendly Countries	2,000	-	1,000
5 Interest free Loans to WAPDA Operation and Maintenance, Hub Dam & Khanpur Dam	40	40	40
6 Loan to Printing Corporation of Pakistan, Islamabad	10	-	-
7 Loans and Advances to:			
- Federal Gov't Servants Islamabad	4,692	4,692	6,002
- Federal Gov't Servants Lahore	1,003	1,003	1,239
- Federal Gov't Servants Karachi	770	770	1,389
- Federal Gov't Servants Quetta	271	271	337
- Federal Gov't Servants Peshawar	422	422	600
- Federal Gov't Servants Gilgit	324	324	405
8 Pakistan Mint Lahore	19	19	27
9 Loans to Pakistan Steel Mills Karachi	3,840	5,766	4,000
10 Loans to Pakistan Machine Tool Factory	-	128	-
<b>TOTAL:</b>	<b>25,401</b>	<b>25,469</b>	<b>27,055</b>

### **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 372,871 million in the budget 2015-16, which have now been revised upwards to Rs 396,815 million in revised estimates 2015-16. For budget 2016-17, total development loans and advances have been estimated at Rs 412,528 million, showing an increase of 10.6% over budget estimates 2015-16 and 4% over revised estimates 2015-16.

7.5 For budget 2016-17, development loans and advances (local) have been estimated at Rs 218,286 million, while development loans and advances (external) at Rs 194,242 million. The details are as in Table-30 below:

**TABLE - 30**  
**DEVELOPMENT LOANS AND ADVANCES**

<b>Classification</b>	<b>(Rs in Million)</b>		
	<b>Budget 2015-16</b>	<b>Revised 2015-16</b>	<b>Budget 2016-17</b>
1 Development Loans and Advances	165,665	175,662	218,286
2 External Development Loans and Advances	207,205	221,153	194,242
<b>TOTAL:</b>	<b>372,871</b>	<b>396,815</b>	<b>412,528</b>

**CURRENT INVESTMENTS**

7.6 The federal current investments for the year 2016-17 have been estimated at Rs 18,484 million as compared with Rs 18,210 million and Rs 11,904 in the revised estimates of 2015-16 respectively. The allocation for investment in 2016-17 is higher by 55.3% as compared with revised estimates 2015-16. Table-31 provides the comparative position.

**TABLE - 31**  
**CURRENT INVESTMENTS**

(Rs in Million)			
Classification	Budget 2015-16	Revised 2015-16	Budget 2016-17
1 GoP Equity in First Women Bank Ltd.	1,000	1000	500
2 GoP Contribution in equity of Pak China Inv. Co. Ltd.	1,600	-	1,600
3 GoP Equity in Mortgage Refinance Co.	10	-	10
4 GoP Equity Investment against the liability of Peoples Steel Mills	184	-	184
5 Lump Provision for Miscellaneous Expenditure	5,000	-	14,290
6 Paid up Capital for the proposed Exim Bank of Pakistan	10,000	10,000	-
7 Capital Stock IDB	404	404	400
8 GoP Equity in DISCOs through PHPL for payment of DSL of STFF	-	-	1,500
9 GoP Equity in DISCOs through PHPL for payment of DSL of STFF of Rs 7.487 billion	-	491	-
10 Others	12	9	-
<b>TOTAL:</b>	<b>18,210</b>	<b>11,904</b>	<b>18,484</b>

## **CHAPTER - 8**

### **PUBLIC SECTOR DEVELOPMENT PROGRAMME (PSDP) 2016-17**

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 2016-17 National Economic Council (NEC) has approved an overall size of PSDP at Rs 1,675 billion, which is 5% of GDP.

8.3 The Salient features of PSDP allocation for 2016-17 are as follows:

- The size of national PSDP (Rs 1,675 billion) in the budget for 2016-17 showing an increase of 20.2% as against the revised estimates 2015-16.
- Federal PSDP for the year 2016-17 has been kept at Rs 800 billion, which is higher by 21% than revised estimates 2015-16.
- The share of Federal Ministries / Divisions in 2016-17 PSDP is Rs 282 billion indicating a decline of 9% over revised estimates 2015-16.
- The Corporations' PSDP for 2016-17 has been placed at Rs 318 billion indicating an increase of 6.6% over revised estimates 2015-16.
- An amount of Rs 20 billion has been allocated in the budget 2016-17 to Pak Millennium Development Goals and Community Development Programme.
- An amount of Rs 28 billion has been provided in the budget 2016-17 for Special Federal Development Programme.
- Earthquake Rehabilitation and Reconstruction Authority (ERRA) has been allocated Rs 7 billion in the budget 2016-17.
- An amount of Rs 25 billion has been provided in the budget 2016-17 for Gas Infrastructure Development.
- 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 80.8% than revised estimates 2015-16.
- Prime Minister's Youth Programme has been projected at Rs 20 billion in the budget 2016-17.
- The provincial development programme for 2016-17 has been estimated at Rs 875 billion as against Rs 732.3 billion in revised estimates 2015-16, showing an increase of 19.5%.

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

**TABLE - 32**  
**SIZE OF PSDP**

Classification	(Rs in Million)		
	Budget 2015-16	Revised 2015-16	Budget 2016-17
<b>A. Federal Ministries/Divisions</b>	<b>252,612</b>	<b>258,602</b>	<b>282,000</b>
1 Aviation Division	3,900	3,900	4,695
2 Cabinet Division	654	542	369
3 Capital Administration & Development Division	1,043	522	2,562
4 Climate Change Division	40	12	1,027
5 Commerce Division	876	162	797
6 Communications Division (other than NHA)	365	232	5,285
7 Defence Division	2,458	2,345	2,527
8 Defence Production Division	900	900	2,300
9 Establishment Division	149	25	137
10 Federal Education & Professional Div.	2,207	1,714	2,221
11 Federal Tax Ombudsman	10	10	-
12 Finance Division	9,135	8,887	9,202
13 Foreign Affairs Division	60	30	500
14 Higher Education Commission	20,500	31,604	21,486
15 Housing & Works Division	2,590	2,827	6,554
16 Industries and Production Division	791	780	910
17 Information, Broadcasting & National Heritage Division	391	222	335
18 Information Tech. & Telecom Division	923	757	1,109
19 Inter Provincial Coordination Division	610	717	645
20 Interior Division	8,300	7,984	11,554
21 Kashmir Affairs & Gilgit Baltistan Division	23,237	24,986	25,750
22 Law and Justice Division	1,500	1,372	1,500
23 Human Right Division	-	-	170
24 Narcotics Control Division	230	251	218
25 National History & Literaty Heritage Division	-	-	67
26 National Food Security & Research Division	1,500	737	1,521

Contd.....

**SIZE OF PSDP**

<b>Classification</b>	<b>Budget 2015-16</b>	<b>Revised 2015-16</b>	<b>Budget 2016-17</b>
27 National Health Services, Regulations & Coordination Division	19,882	19,129	24,951
28 Pakistan Atomic Energy Commission	30,409	41,839	27,560
29 Pakistan Nuclear Regulatory Authority	321	321	271
30 Petroleum & Natural Resources Division	349	349	587
31 Planning, Development & Reform Division	14,000	1,880	11,998
32 Ports & Shipping Division	12,000	8,119	12,825
33 Railways Division	41,000	26,284	41,000
34 Religious Affairs & Inter Faith Harmony Division	3	3	34
35 Revenue Division	335	324	687
36 Science & Technological Research Division	1,060	1,187	1,777
37 States & Frontier Regions Division	19,700	33,829	22,300
38 Statistics Division	100	131	200
39 SUPARCO	800	1,000	2,500
40 Textile Industry Division	165	35	150
41 Water & Power Division (Water Sector)	30,120	32,656	31,716
<b>B. Corporations</b>	<b>271,888</b>	<b>298,417</b>	<b>318,000</b>
1 WAPDA (Power)	112,288	120,550	130,000
2 National Highway Authority (NHA)	159,600	177,866	188,000
<b>C. Pak MDGs &amp; Community Dev. Programme</b>	<b>20,000</b>	<b>20,900</b>	<b>20,000</b>
<b>D. Special Federal Development Programme</b>	<b>28,500</b>	<b>-</b>	<b>28,000</b>
<b>E. ERRA</b>	<b>7,000</b>	<b>7,000</b>	<b>7,000</b>
<b>F. Gas Infrastructure Development</b>	<b>-</b>	<b>-</b>	<b>25,000</b>
<b>G. Special Development Programme for Temporarily Displaced Persons (TDPs) and Security Enhancement</b>	<b>100,000</b>	<b>55,313</b>	<b>100,000</b>
<b>H. Prime Minister's Youth Programme</b>	<b>20,000</b>	<b>21,065</b>	<b>20,000</b>
<b>Total Federal PSDP (A to H):</b>	<b>700,000</b>	<b>661,297</b>	<b>800,000</b>
<b>I. Provinces</b>	<b>813,717</b>	<b>732,280</b>	<b>875,000</b>
<b>TOTAL NATIONAL PSDP (A to I):</b>	<b>1,513,717</b>	<b>1,393,577</b>	<b>1,675,000</b>

**DEVELOPMENT EXPENDITURE OUTSIDE PSDP 2016-17**

8.5 Under the head of Development Expenditure Outside Public Sector Development Programme (PSDP), Rs 156,584 million have been allocated in this head in the budget 2016-17, reflecting an increase of 22.8% over revised estimates 2015-16. Table-33 provides the details.

**TABLE - 33**  
**DEVELOPMENT EXPENDITURE OUTSIDE PSDP**

<b>Classification</b>	<b>(Rs in Million)</b>		
	<b>Budget 2015-16</b>	<b>Revised 2015-16</b>	<b>Budget 2016-17</b>
1 Benazir Income Support Programme	102,000	102,000	115,000
2 Prime Minister's Youth Business Loan Schemes	-	500	-
3 Crop Loan Insurance Scheme	500	600	500
4 Livestock Insurance Scheme	100	-	-
5 Credit Guarantee Scheme for Small Farmers	1,000	1,000	1,000
6 Provision for Reconstruction of Afghanistan	3,000	6,268	3,000
7 Pakistan Poverty Alleviation Fund (PPAF)	2,300	2,149	1,584
8 Subsidy to TCP for Import of Urea Fertilizer	25,000	5,000	7,000
9 Provision for Misc. Dev. Exp. outside PSDP	16,500	-	14,500
10 Grants for Pakistan Poverty Fund	2,000	4,000	2,000
11 Strategic Trade Policy Framework	6,000	-	6,000
12 Textile Policy 2009-14	6,000	-	6,000
13 Duty Drawback of Local Taxes and Levies 2014-15	-	4,673	-
14 Duty Drawback of Local Taxes and Levies Order 2015	-	1,089	-
15 GoP Share in TAPI Gas Pipeline Project through ISGSL, M/o P&NR Payable from GIDC	-	280	-
<b>TOTAL:</b>	<b>164,400</b>	<b>127,559</b>	<b>156,584</b>



## **CHAPTER - 9**

### **MEDIUM-TERM BUDGETARY FRAMEWORK (MTBF)**

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 held.

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 for 2016-19 are provided in Table - 34 below:

**TABLE - 34**

Consolidated Fiscal Projections	Budget 2015-16	Revised 2015-16	Budget 2016-17	Forecast	
				2017-18	2018-19
Real GDP Growth (%)	5.5	4.7	5.7	6.2	7.0
Inflation (%)	6.0	3.5	6.0	6.0	6.0
	(as percentage of GDP)				
<b>Total Revenue</b>	15.1	15.9	16.0	15.9	16.1
- Tax Revenue	12.0	12.6	12.9	13.4	13.9
- FBR Tax Revenue	10.1	10.5	10.8	11.5	12.1
- Non Tax Revenue	3.1	3.3	3.1	2.5	2.2
<b>Total Expenditure</b>	19.4	20.2	19.8	19.4	19.6
- Current	14.9	15.9	14.9	14.6	14.6
- Development	4.5	4.3	4.7	4.8	5.0
<b>Fiscal Balance</b>	-4.3	-4.3	-3.8	-3.5	-3.5
Revenue Balance	0.1	0.0	0.9	1.3	1.6
Total Public Debt	62.0	64.8	61.4	57.8	54.3
GDP at market prices (Rs in Billions)	30,672	29,598	33,509	37,944	43,215

## **CHAPTER - 10**

### **GENDER BUDGET STATEMENT**

10.1 In order to take further the gender reform agenda, the Federal Government has introduced several policy initiatives specifically facilitating women over the past years. These initiatives include;

- a) Youth Business Loan Schemes: The recently launched Youth Business Loan Scheme has a 50% quota for women. Through this scheme, the youth can gain access to financing for entrepreneurial activities on easy terms. The interest rates on these loans have been decreased further from 8% to 6% for the current budget year.
- b) Quota in Federal Government hiring: A 10% hiring quota has been instituted for all hiring in the Federal Government from 2007. Previously, the quota was 5%. Women are also eligible to compete on the remaining 'open merit' seats.
- c) Special seats in the National Assembly: 60 seats in the National Assembly are reserved for women.
- d) Income Support Programme: The largest women-specific budget head, the Benazir Income Support Programme is a social welfare programme that provides cash transfer to women from poor households. The value of the cash transfer has been increasing, which was raised from Rs.1,000/month to Rs.1,200/month in 2013 and then further increased to Rs.1,500/month in 2014. The cash transfer at present reaches over 5 million households.
- e) Protection of Women against Harassment at Workplace Act: The Act was passed in 2010 under which the Federal Ombudsperson for Protection of Women Against Harassment at Workplace was established in 2013. The Ombudsperson is responsible for handling complaints against harassment in the Federal Government. The office also drafted the Rules for Protection of Women Against Harassment at Workplace in 2013.
- f) Provision of day care services and common rooms: Accessibility has improved for female Federal Government employees to common rooms and day care services.

#### **Budget 2015-16**

10.2 The distribution of the Federal budget shows that the majority of the budget (90%) is allocated for gender blind/neutral budget heads. Under such heads, the Government is undertaking initiatives where the gender of beneficiaries is not identifiable or taken into account – e.g. interest payments, building of a dam, a road, etc.

Budget targeted at 'women' was 4% of the total budget of the Federal Government, as compared to 6% specifically for 'men'. Higher budget for men was largely attributable to budgets allocated to security and defence related functions. The women related budget pertained to provision of girls-only schools and health facilities (e.g. family planning services) in the Federal territories including Azad Jammu and Kashmir and Gilgit Baltistan.

### **Budget 2016-17**

10.3 The distribution of the Federal budget shows that 3% of the FY 2016-17 budget is allocated for 'women specific' budget heads and 4% is allocated for 'men specific' budget heads. In terms of policies aimed at supporting women empowerment, the Government has enhanced budgetary allocations for cash transfers and stipend programme, which is expected to increase women's economic empowerment especially in the poorest households in the country. The Prime Minister's Youth initiatives have also been provided with allocations having significant components dedicated to women, in terms of technical trainings, internships and loans. Around 100 computer labs will be established in women empowerment centres of the Pakistan Bait-ul-Maal. In addition, the Prime Minister's health insurance programme, education reform programme in Islamabad Capital Territory, and other programmes are aimed at benefitting women.

### **Gender Responsive Budgeting**

10.4 The Government of Pakistan is committed to developing and implementing policies to increase the socio-economic empowerment of women. Significant progress has been made over the past decade in the implementation of Gender Responsive Budgeting (GRB) tools, influencing and monitoring systems in the context of the Federal Government budgetary process. The significance and impact of GRB, applied only at the level of the Federal Government budgetary system is circumscribed by the limited role that the Federal Government has in the provision of services which are most critical for addressing the gender gap, especially post 18th Amendment to the Constitution under which the provinces are responsible for the bulk of delivery of health and education services.

10.5 In the year 2016-17, the Government will take additional initiatives to further rollout Gender Responsive Budget tools. Owing to the fact that the women development function has been devolved to the provinces under the 18th Amendment, the Federal Government is engaging with the provinces with the view to share experience of gender responsive budgeting.

## **CHAPTER - 11**

### **CLIMATE CHANGE BUDGETING**

11.1 According to some international reports, Pakistan is amongst the top ten countries which are vulnerable to climate change due to floods, changing rainfall patterns and increasing heat waves. In the last few years, Pakistan has sustained substantial material and human losses. It is essential that the country systematically responds to the challenges of climate change and remedial measures should be adopted. Some critical steps have already been taken.

11.2 The National Climate Change Policy was approved in 2012, followed by development of an implementation framework. A study titled 'Climate Public Expenditure and Institutional Review' (CPEIR) was carried out in 2015 for assessment of institutions supporting climate change and the budgetary expenditures being incurred on climate change related activities. The said study has identified a number of initiatives relating to climate change being undertaken by various Ministries / Departments.

11.3 In addition to the CPEIR study, following initiatives are being taken at the procedural and institutional level:

- Integration of climate change into planning and budgeting system so that plans and budgets reflect Government's response to climate change. For this initiative, a 'Climate Change Financial Framework' is being developed to provide systemic and procedural requirements; and
- Development of a coding mechanism that will help in tracking climate change expenditure and empowers policy makers in taking informed decisions on climate change.

11.4 The Finance and Climate Change Divisions will lead these reforms and involve Federal Ministries/Divisions that undertake climate change initiatives. These reforms will help in improving policy implementation and demonstrate Pakistan's commitment to issues related to the climate change.

**WORKING OF FISCAL DEFICIT AND FINANCING**  
**BUDGET 2016-17**

(Rs. in Billion)

Working Deficit		Financing of Deficit	
<b>A) Federal Revenue (net)</b>	<b>2,779.7</b>	<b>Gross External Loans</b>	<b>819.6</b>
<b>B) Total Federal Expenditure (i+ii)</b>	<b>4,394.7</b>	<b>Less Repayments</b>	<b>585.2</b>
i) Current Expenditure	3,400.2	Long Term Foreign Loans	443.8
ii) Development and Net Lending (a+b+c)	994.5	Short Term Foreign Loans	141.4
a) Federal PSDP	800.0	<b>i) Net External Financing</b>	<b>234.4</b>
b) Other Development Expenditure	156.6	<b>ii) Domestic Financing (a+b)</b>	<b>1,041.6</b>
c) Net Lending	38.0	<b>a) Bank Financing</b>	<b>452.9</b>
		of which SBP Financing	0.0
<b>C) Federal Deficit (A-B)</b>	<b>-1,615.0</b>	<b>b) Non Bank Financing</b>	<b>588.7</b>
Est. Provincial Surplus	339.0	Public debt	367.8
		Public Account	170.9
		Privatization Proceeds	50.0
<b>Overall Fiscal Deficit</b>	<b>-1,276.0</b>	<b>Total Financing of Deficit (i+ii)</b>	<b>1,276.0</b>
<b>% of GDP</b>	<b>-3.8%</b>	<b>% of GDP</b>	<b>3.8%</b>

**BUDGET AT A GLANCE**  
**FOR THE FISCAL YEAR 2016-17**

(Rs. in Billion)

RECEIPTS		EXPENDITURE	
TAX REVENUE	3,956.1	A. CURRENT	3,400.2
- FBR Taxes	3,621.0	Interest Payments	1,360.0
- Other Taxes	335.1	Pension	245.0
- NON-TAX REVENUE	959.5	Defence Affairs & Services	860.2
a) Gross Revenue Receipts	4,915.6	Grants and Transfers	441.6
b) Less Provincial Share	2,135.9	Subsidies	140.6
I. Net Revenue Receipts (a-b)	2,779.7	Running of Civil Govt.	352.8
II. Net Capital Receipts	538.7		
III. External Receipts (net)	234.4	B. DEVELOPMENT	994.5
IV. Estimated Provincial Surplus	339.0	Federal PSDP	800.0
V. Bank Borrowing	452.9	Net Lending	38.0
VI. Privatization Proceeds	50.0	Other Dev. Expenditure	156.6
<b><u>TOTAL RESOURCES (I to VI)</u></b>	<b><u>4,394.7</u></b>	<b><u>TOTAL EXPENITURE (A+B)</u></b>	<b><u>4,394.7</u></b>



## Glossary of Terms

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

Contd.....

## Glossary of Terms

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