



Federal Budget

BUDGET IN BRIEF 2011-12

GOVERNMENT OF PAKISTAN
FINANCE DIVISION
ISLAMABAD

PREFACE

The Budget in Brief is a summary of the Federal Budget 2011-12. It is designed to provide essential budgetary information about the revenues and expenditure at a glance. Detailed information is available in other budgetary documents.

The federal budget is being prepared in accordance with the budgeting and accounting classification system that has been approved by the Government of Pakistan as an integral part of the New Accounting Model.

The three years medium-term indicative budget ceilings for the current and development budgets were issued to all Principal Accounting Officers of the Federal Government. A new budget preparation method, called the 'Output Based Budgeting' has been introduced, which presents the federal budget by services and effects of services on target population and links these with performance indicators and targets over the 3 year period. Medium Term Macroeconomic Indicators have been included in this document.

For the convenience of readers, some additional information regarding subsidies, loans and advances has been shown separately. Another facility is that after approval by the Parliament, all budgetary books including Budget in Brief will be placed on the Ministry of Finance website www.finance.gov.pk for un-restricted access by all.

I hope that this document will prove to be useful and easily accessible.

Waqar Masood Khan
Secretary to the Government of Pakistan

Finance Division
Islamabad, the 3rd June, 2011

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CHAPTER - 1
REVIEW OF BUDGET 2010-11

SALIENT FEATURES

- 1.1 The budget 2010-11 had the following salient features:
- a) The total outlay of budget 2010-11 was estimated at Rs 2,423 billion. However, this size increased to Rs 2,559 billion in revised estimates 2010-11 or by 5.6%.
 - b) The resource availability during 2010-11 had been estimated at Rs 2,256 billion which declined to Rs 2,107 billion in revised estimates or by 6.6%.
 - c) Net revenue receipts for 2010-11 had been estimated at Rs 1,377 billion indicating a decrease of 10% in revised estimates 2010-11.
 - d) The provincial share in federal revenue receipts was estimated at Rs 1,034 billion during 2010-11 which was decreased to Rs 998 billion in the revised estimates for 2010-11.
 - e) The capital receipts (net) for 2010-11 had been estimated at Rs 325 billion which increased to Rs 459 billion in revised estimates 2010-11 i.e. an increase of 41.2%.
 - f) The external receipts in 2010-11 were estimated at Rs 387 billion. This showed a decrease of 25% over the revised estimates for 2010-11.
 - g) The overall expenditure during 2010-11 had been estimated at Rs 2,423 billion of which the current expenditure was Rs 1,998 billion and development expenditure at Rs 425 billion. Current expenditure showed an increase of 14.9% over the revised estimates of 2010-11, while development expenditure had been decreased by 38.0% in the revised estimates of 2010-11.
 - h) The share of current expenditure in total budgetary outlay for 2010-11 was 82.5% as compared to 89.7% in revised estimates for 2010-11.
 - i) The expenditure on General Public Service (inclusive of debt servicing transfer payments and superannuation allowance) was estimated at Rs 1,388 billion which was 69.5% of the current expenditure.

- j) The size of Public Sector Development Programme (PSDP) for 2010-11 was Rs 663 billion. Out of which Rs 168 billion was allocated to Federal Ministries/Divisions, Rs 57 billion for Corporations and Rs 30 billion for Special Programme.
- k) The provinces had been allocated an amount of Rs 373 billion for budget estimates 2010-11 in their PSDP. An amount of Rs 10 billion had been allocated to Earthquake Reconstruction and Rehabilitation Authority (ERRA) in the PSDP 2010-11, which increased to Rs 16 billion in revised estimates.
- l) While for Other Development Expenditure was budgeted at Rs 124 billion in 2010-11.

1.2 In the light of features outlined above, a comparison has been drawn between budget estimates and revised estimates 2010-11 in the following Table:

TABLE - 1
SUMMARY 2010-11

Classification	(Rs in Million)	
	Budget 2010-11	Revised 2010-11
RESOURCES	2,256,278	2,107,150
- Internal Resources	1,869,659	1,817,325
- Revenue Receipts (Net)	1,377,350	1,238,188
- Capital Receipts (Net)	325,384	459,332
- Estimated Provincial Surplus	166,925	119,805
- External Resources	386,620	289,824
EXPENDITURE	2,422,823	2,559,367
- Current Expenditure	1,997,892	2,295,921
- Federal PSDP	290,000	196,000
- Development Loans & Grants to Provinces	31,385	21,929
- Other Development Expenditure	123,545	45,517
- Est. Operational Shortfall in PSDP	(20,000)	0
BANK BORROWING	166,544	452,217

RESOURCES:**INTERNAL RESOURCES**

1.3 The internal resources come through revenue receipts (tax & non-tax) and net capital receipts. Table-2 provides the budget and revised estimates for 2010-11 in respect of tax and non-tax revenue, while Table-3 provides the details of net capital receipts.

TABLE - 2
REVENUE RECEIPTS
(2010-11)

Classification	(Rs in Million)	
	Budget 2010-11	Revised 2010-11
A. TAX REVENUE	1,778,715	1,679,363
- Direct Taxes	657,700	626,900
- Indirect Taxes	1,121,015	1,052,463
B. NON - TAX REVENUE	632,279	556,526
- Income from Property and Enterprise	169,985	103,625
- Receipts from Civil Administration and Other Functions	332,250	302,640
- Miscellaneous Receipts	130,044	150,261
Revenue Receipts (Gross)	2,410,994	2,235,889
Less Provincial Share	1,033,644	997,701
Revenue Receipts (Net)	1,377,350	1,238,188

1.4 The tax revenue in revised estimates 2010-11 recorded a decrease of 5.6% over budget estimates 2010-11 while the non-tax revenue decreased from Rs 632,279 million to Rs 556,526 million or by 12.0%.

1.5 After deducting the provincial share, the net revenue receipts were estimated at Rs 1,377,350 million in the budget 2010-11. These are now estimated at Rs 1,238,188 million in the revised estimates 2010-11 i.e. a decline of 10.1%.

CAPITAL RECEIPTS (NET)

1.6 The net capital receipts expected to register an increase of Rs 133,948 million or by 41.2% in the revised estimates 2010-11. The following Table provides the details:

TABLE - 3
CAPITAL RECEIPTS (NET)
(2010-11)

Classification	(Rs in Million)	
	Budget 2010-11	Revised 2010-11
I. RECEIPTS (A + B)	380,034	520,299
A. Federal Consolidated Fund	163,890	319,061
- Recovery of Loans	47,460	57,752
- Permanent Debt	61,430	148,809
- Floating Debt	55,000	112,500
B. Public Account	216,144	201,238
II. DISBURSEMENTS	54,650	60,966
NET CAPITAL RECEIPTS (I-II)	325,384	459,332

EXTERNAL RESOURCES

1.7 The Government obtains foreign loans and grants to use for capital and development expenditure. The external resources for 2010-11 were budgeted at Rs 386,620 million which are now projected at Rs 289,824 million in revised estimates or decline of 25%. This decline is mainly due to receipts from Programme Loans and Tokyo Pledges. The following Table gives the details:

TABLE - 4
EXTERNAL RESOURCES
(2010-11)

Classification	(Rs in Million)	
	Budget 2010-11	Revised 2010-11
I. EXTERNAL LOANS (a to e)	286,934	254,720
a. Project Loans	64,794	94,050
b. Programme Loans	80,341	39,019
c. Euro Bonds	43,250	42,850
d. Tokyo Pledges	55,299	10,070
e. Other Aid	43,250	68,731
II. EXTERNAL GRANTS	99,686	35,104
TOTAL EXTERNAL RESOURCES (I + II)	386,620	289,824

EXPENDITURE

1.8 The budget estimates of current and development expenditure for the year 2010-11 have been compared with the revised estimates 2010-11 in Table-5.

TABLE - 5
CURRENT AND DEVELOPMENT EXPENDITURE
(2010-11)

Classification	(Rs in Million)	
	Budget 2010-11	Revised 2010-11
A. CURRENT	1,997,892	2,295,921
- General Public Service	1,387,664	1,655,566
- Defence Affairs & Services	442,173	444,640
- Public Order and Safety Affairs	51,263	58,735
- Economic Affairs	66,897	79,960
- Environment Protection	448	448
- Housing and Community Amenities	1,842	1,657
- Health Affairs & Services	7,283	7,455
- Recreational, Culture and Religion	4,359	4,197
- Education Affairs and Services	34,500	40,324
- Social Protection	1,463	2,940
B. DEVELOPMENT	424,930	263,446
- Federal PSDP	290,000	196,000
- Other Development Expenditure	123,545	45,517
- Development Loans & Grants to Provinces	31,385	21,929
- Estimated Operational Shortfall in PSDP	(20,000)	0
Total Expenditure (A + B)	2,422,823	2,559,367

1.9 The overall expenditure at Rs 2,559,367 million in revised estimates 2010-11 shows an increase of 5.6% over budget estimates 2010-11.

CHAPTER - 2

THE BUDGET 2011-12

SALIENT FEATURES

2.1 The budget 2011-12 has the following main salient features:

- a) The total outlay of budget 2011-12 is Rs 2,767 billion. This size is 14.2% higher than the size of budget estimates 2010-11.
- b) The resource availability during 2011-12 has been estimated at Rs 2,463 billion against Rs 2,256 billion in the budget estimates of 2010-11.
- c) Net revenue receipts for 2011-12 have been estimated at Rs 1,529 billion indicating an increase of 11% over the budget estimates of 2010-11.
- d) The provincial share in federal revenue receipts is estimated at Rs 1,203 billion during 2011-12 which is 16.4% higher than the budget estimates for 2010-11.
- e) The capital receipts (net) for 2011-12 have been estimated at Rs 396 billion against the budget estimates of Rs 325 billion in 2010-11 i.e. an increase of 11%.
- f) The external receipts in 2011-12 are estimated at Rs 414 billion. This shows an increase of 7.1% over the budget estimates for 2010-11.
- g) The overall expenditure during 2011-12 has been estimated at Rs 2,767 billion of which the current expenditure is Rs 2,315 billion and development expenditure at Rs 452 billion. Current expenditure shows an increase of less than 1% over the revised estimates of 2010-11, while development expenditure will increase by 64.4% in 2011-12 over the revised estimates of 2010-11.
- h) The share of current expenditure in total budgetary outlay for 2011-12 is 83.7% as compared to 89.7% in revised estimates for 2010-11.
- i) The expenditure on General Public Services (inclusive of debt servicing transfer payments and superannuation allowance) is estimated at Rs 1,660 billion which is 71.1% of the current expenditure.

- j) The size of Public Sector Development Programme (PSDP) for 2011-12 is Rs 730 billion. While for Other Development Expenditure an amount of Rs 97 billion has been allocated. The PSDP shows an increase of 58% over the revised estimates 2010-11.
- k) The provinces have been allocated an amount of Rs 430 billion for budget estimates 2011-12 in their PSDP as against Rs 373 billion in 2010-11.
- l) An amount of Rs 10 billion has been allocated to Earthquake Reconstruction and Rehabilitation Authority (ERRA) in the PSDP 2011-12.

2.2 The comparative position of 2010-11 (budget & revised) and 2011-12 (budget) is given in Table-6 below:

TABLE - 6
COMPARATIVE BUDGETARY POSITION
2010-11 AND 2011-12

Classification	(Rs in Million)		
	Budget 2010-11	Revised 2010-11	Budget 2011-12
i) RESOURCES (a + b)	2,256,278	2,107,150	2,463,292
a. Internal Resources	1,869,659	1,817,325	2,049,363
- Revenue Receipts (Net)	1,377,350	1,238,188	1,528,829
- Capital Receipts (Net)	325,384	459,332	395,652
- Estimated Provincial Surplus	166,925	119,805	124,882
b. External Resources	386,620	289,824	413,929
ii) EXPENDITURE	2,422,823	2,559,367	2,766,816
- Current Expenditure	1,997,892	2,295,921	2,314,859
- Development Expenditure (PSDP)	290,000	196,000	300,000
- Development Loans & Grants to Provinces	31,385	21,929	54,871
- Other Development Expenditure	123,545	45,517	97,085
- Estimated Operational Shortfall	(20,000)	0	0
BANK BORROWING	166,544	452,217	303,524

CHAPTER - 3
RESOURCE POSITION
(2011-12)

3.1 There are two 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. The overall comparative resource position for the year 2010-11 (budget and revised) and 2011-12 (budget) is given in Table -7 below:

TABLE - 7
RESOURCE POSITION

Classification	(Rs in Million)		
	Budget 2010-11	Revised 2010-11	Budget 2011-12
A. INTERNAL RESOURCES	1,869,659	1,817,325	2,049,363
Revenue Receipts (Net)	1,377,350	1,238,188	1,528,829
Capital Receipts (Net)	325,384	459,332	395,652
Estimated Provincial Surplus	166,925	119,805	124,882
B. EXTERNAL RESOURCES	386,620	289,824	413,929
TOTAL RESOURCES (A + B)	2,256,278	2,107,150	2,463,292

INTERNAL RESOURCES

REVENUE RECEIPTS

3.2 The revenue receipts in budget 2011-12, on gross basis, are estimated at Rs 2,732,150 million showing an increase of 13.3% over the budget estimates 2010-11. The provincial share in taxes for 2011-12 is estimated at Rs 1,203,321 million which is 16.4% higher than the budget estimates of 2010-11.

3.3 The tax revenue at Rs 2,074,182 million for 2011-12 shows an increase of 23.5% over revised estimates 2010-11. Non-tax revenue has been projected at Rs 657,968 million in 2011-12 as compared with Rs 632,279 million in budget estimates 2010-11. At this level the non-tax revenue is higher by 4.1% when compared with the budget estimates 2010-11.

3.4 Detailed information on various components of tax revenue and non-tax revenue is given in the following Table 8 to 10:

TABLE - 8
REVENUE RECEIPTS

Classification	(Rs in Million)		
	Budget 2010-11	Revised 2010-11	Budget 2011-12
Tax Revenue	1,778,715	1,679,363	2,074,182
- Direct Taxes	657,700	626,900	743,600
- Indirect Taxes	1,121,015	1,052,463	1,330,582
Non - Tax Revenue	632,279	556,526	657,968
- Property and Enterprise	169,985	103,625	195,330
- Civil Administration and Other Functions	332,250	302,640	321,383
- Miscellaneous Receipts	130,044	150,261	141,255
Revenue Receipts (Gross)	2,410,994	2,235,889	2,732,150
Less: Provincial Share	1,033,644	997,701	1,203,321
Revenue Receipts (Net)	1,377,350	1,238,188	1,528,829

TABLE - 9
TAX REVENUE

(Rs in Million)			
Classification	Budget 2010-11	Revised 2010-11	Budget 2011-12
*TAX REVENUE (I + II)	1,778,715	1,679,363	2,074,182
I. Direct Taxes	657,700	626,900	743,600
- Income Tax	633,000	602,500	718,600
- Workers Welfare Fund	20,000	20,000	25,000
- Capital Value Tax	4,700	4,400	0
II. Indirect Taxes	1,121,015	1,052,463	1,330,582
- Customs	180,800	173,300	206,400
- Sales Tax	674,900	654,600	836,700
- Federal Excise	153,600	132,900	165,600
- Petroleum Levy	110,000	90,000	120,000
- Other Taxes (ICT)	1,640	1,592	1,807
- Airport Tax	75	71	75
* Out of which F.B.R tax collection:	1,667,000	1,587,700	1,952,300

TABLE - 10
NON - TAX REVENUE

(Rs in Million)			
Classification	Budget 2010-11	Revised 2010-11	Budget 2011-12
NON - TAX REVENUE	632,279	556,526	657,968
Income From Property and Enterprise	169,985	103,625	195,330
- Profits Pakistan Post Office	1,100	(140)	(2,195)
- Profits Pak. Telecom. Authority	50,000	0	75,000
- Interest (Provinces)	16,638	18,508	15,638
- Interest (PSEs & Others)	38,032	41,776	42,503
- Dividends	64,215	43,481	64,384
Receipts from Civil Admn and Other Functions	332,250	302,640	321,383
- General Administration	788	702	801
- Surplus Profit of the SBP	185,000	185,000	200,000
- Defence	133,463	115,296	118,739
- Law and Order	1,733	761	866
- Community Services	811	497	530
- Social Services	10,455	384	447
Miscellaneous Receipts	130,044	150,261	141,255
- Economic Services	2,402	2,213	2,388
- Gas Development Surcharge	29,995	31,706	24,925
- Discount Retained on Local Crude Oil	12,000	25,189	25,100
- Royalty on Oil	15,500	19,605	15,183
- Royalty on Gas	32,000	35,143	32,796
- Passport and Citizenship Fees	10,850	10,700	13,750
- Others	27,297	25,704	27,112

CAPITAL RECEIPTS (NET)

3.5 Capital receipts in the budget 2011-12 have been estimated at Rs 395,652 million against Rs 325,384 million in the budget estimates 2010-11 and Rs 459,332 million in the revised estimates 2010-11. The details of capital receipts and disbursements are reflected in Table-11.

TABLE - 11
CAPITAL RECEIPTS (NET)

Classification	(Rs in Million)		
	Budget 2010-11	Revised 2010-11	Budget 2011-12
I. RECEIPTS (A + B)	380,034	520,299	464,209
A. Federal Consolidated Fund (1+2+3)	163,890	319,061	299,977
1. Recoveries of Loans/Advances	47,460	57,752	51,610
- Provinces	25,863	32,429	27,192
- Others	21,598	25,322	24,419
2. Permanent Debt	61,430	148,809	129,267
- Government Bonds	(6,495)	(6,495)	0
- Pakistan Investment Bonds	30,000	(25,000)	50,000
- FEBCs	(50)	(25)	(25)
- FCBCs	(10)	(10)	(10)
- U.S. Dollar Bearer Certificates	(15)	(15)	(15)
- Ijara Sukuk Bonds	40,000	182,354	80,000
- Special US Dollar Bonds	(2,000)	(2,000)	(683)
3. Floating Debt	55,000	112,500	119,100
- Prize Bonds	35,000	36,500	37,000
- Treasury Bills	20,000	76,000	82,100
B. Public Account	216,144	201,238	164,232
- Saving Schemes	213,014	186,600	149,200
- G.P. Fund	2,000	2,000	2,000
- Deposits (Net)	1,130	12,638	13,032
II. DISBURSEMENT	54,650	60,966	68,557
- Government Investments, loans, and Advances and Others	28,190	20,394	32,330
- Repayment of Short Term Credits	26,460	40,573	36,227
CAPITAL RECEIPTS NET (I - II)	325,384	459,332	395,652
Net Lending to Others:	6,592	(4,929)	7,911

ESTIMATED PROVINCIAL SURPLUS

3.6 The estimated provincial surplus has been projected at Rs 124,882 million for 2011-12 as against Rs 166,925 million in budget estimates 2010-11 and Rs 119,805 million in revised estimates 2010-11.

3.7 Total net transfers to provinces is given in the following Table-12:

TABLE - 12
TRANSFER TO PROVINCES (NET)

(Rs in Million)			
Classification	Budget 2010-11	Revised 2010-11	Budget 2011-12
Total Transfer to Provinces	1,119,516	1,073,742	1,313,712
Divisible Pool	865,778	834,664	1,043,933
Straight Transfers	167,864	163,037	159,388
Special Grants/Subventions	54,398	54,060	55,430
Project Loans	31,385	21,929	38,239
Program Loans	0	0	16,632
Japanese Grant	90	52	90
Less Payments to Federal Govt.	42,500	50,938	42,830
Interest Payments	16,638	18,508	15,638
Loans Repayments	25,863	32,429	27,192
Transfer to Provinces (Net)	1,077,016	1,022,804	1,270,882

3.8 The transfer to provinces on net basis registered an increase of Rs 54,212 million in the revised estimates 2010-11. These are placed at Rs 1,270,882 million in budget estimates 2011-12 i.e. an increase of 24.3% over the revised estimates 2010-11.

EXTERNAL RESOURCES

3.9 The budget estimates 2011-12 have been projected for this head at Rs 413,929 million which is 7.1% higher than budget estimates 2010-11. Details of receipts from external resources are given in Table-13 below:

TABLE - 13
EXTERNAL RESOURCES

(Rs in Million)			
Classification	Budget 2010-11	Revised 2010-11	Budget 2011-12
I. EXTERNAL LOANS (A to E)	286,934	254,720	287,236
A. Project Loans (i+ii)	64,794	94,050	67,509
i Federal Government	39,180	76,720	34,500
- Ministries/Divisions	26,076	37,373	14,883
- Corporations/Autonomous Bodies	13,104	39,348	19,616
ii Provinces	25,613	17,330	33,009
B. Programme Loans	80,341	39,019	117,832
C. Euro Bonds	43,250	42850	44,000
D. Tokyo Pledges	55,299	10,070	13,895
E. Other Aid	43,250	68,731	44,000
- Islamic Development Bank	43,250	0	44,000
- IMF	0	68,731	0
II. EXTERNAL GRANTS	99,686	35,104	126,693
- Project Grants	13,566	11,729	9,298
• Federal	7,576	6,321	4,043
• Autonomous Bodies	218	809	25
• Provinces	5,772	4,600	5,230
- Budget Support Grants	7,526	8,724	9,170
- Tokyo Pledges	26,694	3,599	3,661
- Privatization Proceeds	0	0	70,400
- Kerry Lugar	51,900	11,051	34,164
TOTAL (I + II)	386,620	289,824	413,929

CHAPTER - 4

PROVINCIAL SHARE IN FEDERAL REVENUE RECEIPTS

NFC Award

4.1 In Pakistan, about 93% resources are generated at federal level whereas only 7% resources are generated by the provinces. Therefore, provinces rely 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 National Finance Commission (NFC) at 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 The 5th NFC gave the Award in 1996. 6th NFC was constituted in 2000 but it could not give the Award and its life expired in July 2005. Accordingly, 7th NFC was constituted in July 2005 which gave the Award in the years 2010, after a period of 14 years.

4.3 Through this Award, the financial autonomy of the provinces has been ensured by increasing their share in the Divisible Pool (taxes) i.e. from 50% to 56% in 2010-11 and 57.5% from 2011-12 onwards. In case of Balochistan, the share from the divisible pool has been guaranteed at Rs. 83 billion in financial year 2010-11, which is more than double from the actual divisible pool share of financial year 2009-10. It has further been guaranteed that Balochistan province would receive provincial share in the divisible pool based on the budgetary projections from financial year 2011-12 onwards for the NFC period. Shortfall, if any, based on the actual collection reported by FBR would be borne by the Federal Government itself. In the financial year 2010-11, in order to match the share of Balochistan Province with the guaranteed figures of Rs. 83.00 billion, Federal Government has paid Rs. 16.7 billion from its own resources upto 30th April, 2011.

4.4 For the first time in the history, multiple indicators have been adopted for distribution of provincial share in the divisible pool whereas in all the previous Awards, population was the sole criterion for distribution of provincial share in the divisible pool with special grants (subventions) to smaller provinces.

4.5 The Recommendations of the NFC has been given legal cover through President's Order No. 5 of 2010, which is reproduced as follows:

"PRESIDENT'S ORDER No. 5 of 2010

AN

ORDER

to provide for distribution of revenues and certain grants

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

9. **Miscellaneous.**—(1) NFC also recommended increase in the rate of excise duty on natural gas to Rs10.0 per MMBTU. Federal Government may initiate necessary legislation accordingly.

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

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

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

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

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

ASIF ALI ZARDARI,
President."

4.6 The following Table shows the estimated transfers to the Provincial Governments on account of their share in federal taxes and straight transfers during the year 2011-2012.

TABLE - 14
SHARE OF PROVINCES IN FEDERAL REVENUE RECEIPTS

(Rs in Million)			
Classification	Budget 2010-11	Revised 2010-11	Budget 2011-12
DIVISIBLE POOL TAXES			
Income Tax	352,667	337,304	407,924
Capital Value Tax	2,645	2,493	0
Sales Tax excl. GST	328,630	330,398	437,404
Federal Excise (Net of Gas)	82,346	69,122	85,977
Customs Duties (excl. EDS)	99,490	95,348	112,627
Royalty on Crude Oil	15,037	19,213	14,879
Royalty on Natural Gas	29,439	34,440	32,140
Gas Development Surcharge (GDS)	27,061	31,072	24,427
Excise Duty on Natural Gas	7,144	12,326	15,359
GST on Services*	89,183	65,985	72,583
Total:	1,033,643	997,701	1,203,321
PROVINCE- WISE SHARE			
Punjab	494,257	463,594	576,862
Sindh	279,630	277,878	324,409
Khyber Pakhtunkhwa **	160,359	156,921	191,847
Balochistan	99,398	99,307	110,204
Total:	1,033,644	997,701	1,203,321

* The indicative shares of GST on Services are strictly provisional at this stage. These shares would be revised and adjusted in the light of decision taken after discussions with the provinces.

** Inclusive 1% War on Terror

CHAPTER - 5
CURRENT EXPENDITURE
(2011-12)

5.1 Following Table shows summary of current expenditure:

TABLE - 15
CURRENT EXPENDITURE
(SUMMARY)

Classification	(Rs in Million)		
	Budget 2010-11	Revised 2010-11	Budget 2011-12
Interest Payment	698,556	728,042	790,977
Interest on Domestic Debt	621,759	653,628	714,671
Interest on Foreign Debt	76,797	74,414	76,306
Pension	90,680	92,688	96,138
Military	71,915	71,915	73,218
Civil	18,765	20,773	22,920
Defence Affairs and Services	442,173	444,640	495,215
Defence Services	440,746	443,245	493,745
Defence Administration	1,427	1,395	1,470
Grants and Transfers	227,168	299,975	294,986
Grants to Provinces	54,398	54,060	55,430
Grants to Others	172,770	245,915	239,556
Subsidies	126,684	395,801	166,448
Running of Civil Government	193,263	207,351	202,914
Pay and Allowances	88,627	92,582	103,881
Others	104,636	114,769	99,033
Provision for Pay and Pension	45,000	0	25,000
TOTAL CURRENT EXPENDITURE	1,823,524	2,168,498	2,071,679
Repayment of Long Term Foreign Debt	174,369	127,422	243,179
TOTAL CURRENT EXPENDITURE (Including Repayments)	1,997,892	2,295,921	2,314,859

5.2 The revised estimates for 2010-11 on account of current expenditure have increased to Rs 2,295,921 million from the budget estimates of Rs 1,997,892 million. For 2011-12, the current expenditure has been estimated at Rs 2,314,859 million, showing an increase of less than 1% over revised estimates 2010-11.

5.3 Following Table indicates the comparative position of the budget and revised estimates of current expenditure for the year 2010-11 and the budget estimates for 2011-12.

TABLE - 16
CURRENT EXPENDITURE

Classification	(Rs in Million)		
	Budget 2010-11	Revised 2010-11	Budget 2011-12
General Public Service	1,387,664	1,655,566	1,659,978
Defence Affairs and Services	442,173	444,640	495,215
Public Order and Safety Affairs	51,263	58,735	59,609
Economic Affairs	66,897	79,960	50,307
Environment Protection	448	448	577
Housing and Community Amenities	1,842	1,657	1,602
Health Affairs & Services	7,283	7,455	2,646
Recreational, Culture and Religion	4,359	4,197	4,247
Education Affairs and Services	34,500	40,324	39,513
Social Protection	1,463	2,940	1,164
TOTAL:	1,997,892	2,295,921	2,314,859

5.4 The bulk of expenditure has been placed under General Public Service. The expenditure against this head has been budgeted at Rs 1,659,978 million i.e. 71.7% of current expenditure, while 21.4% for Defence, and 2.6% for Public Order and Safety have been allocated in the budget estimates 2011-12.

GENERAL PUBLIC SERVICE

5.5 The details under General Public Service are given in Table-17.

TABLE - 17
GENERAL PUBLIC SERVICE

Classification	(Rs in Million)		
	Budget 2010-11	Revised 2010-11	Budget 2011-12
GENERAL PUBLIC SERVICE	1,387,664	1,655,566	1,659,978
Executive & Legislatives Organs, Financial	1,090,236	1,329,159	1,308,917
- Superannuation Allowance & Pensions	90,680	92,688	96,138
- Servicing of Foreign Debt	76,797	74,414	76,307
- Foreign Loan Repayment	174,369	127,422	243,179
- Servicing of Domestic Debt	621,759	653,628	714,671
- Others	126,630	381,007	178,622
Foreign Economic Aid	103	95	88
Transfer Payments	227,168	299,975	294,986
General Services	2,488	3,910	2,736
Basic Research	2,267	2,506	2,524
R&D General Public Services	5,665	5,552	6,059
Administration of General Public Service	1,254	1,219	1,390
General Public Services not elsewhere defined	58,483	13,150	43,278

5.6 Under General Public Service, the major portion goes to executive & legislative organs, financial and fiscal affairs. At Rs 1,308,917 million, it forms 78.9% of the allocation of Rs 1,659,978 million. The main heads of expenses are servicing of domestic debt, foreign loan repayment and others. Other major item is the transfer payments.

DEFENCE AFFAIRS AND SERVICES

5.7 Details of estimates of expenditure on Defence Affairs and Services in 2010-11 (budget & revised) and 2011-12 (budget) are given below:

TABLE - 18
DEFENCE AFFAIRS AND SERVICES

Classification	(Rs in Million)		
	Budget 2010-11	Revised 2010-11	Budget 2011-12
DEFENCE AFFAIRS AND SERVICES	442,173	444,640	495,215
Defence Administration	1,427	1,395	1,470
Defence Services	440,746	443,245	493,745
Employees Related Expenses	176,726	176,726	206,488
Operating Expenses	111,240	111,327	128,283
Physical Assets	119,370	117,557	117,591
Civil Works	34,664	38,890	42,638
Less Recoveries	(1,254)	(1,254)	(1,255)

PUBLIC ORDER AND SAFETY AFFAIRS

5.8 Under this head an amount of Rs 59,609 million has been provided in the budget 2011-12 as compared with Rs 51,263 million in the budget estimates 2010-11 and Rs 58,735 billion in revised estimates 2010-11. The allocation for Police (Rs 55,429 million) forms the major component under this classification which has share of 93% in total allocation of this head. The following Table provides the details:

TABLE - 19
PUBLIC ORDER AND SAFETY AFFAIRS

Classification	(Rs in Million)		
	Budget 2010-11	Revised 2010-11	Budget 2011-12
PUBLIC ORDER AND SAFETY AFFAIRS	51,263	58,735	59,609
Law Courts	1,744	1,766	2,401
Police	47,760	55,058	55,429
Fire Protection	89	89	102
Prison Administration and Operation	17	17	23
R and D Public Order and Safety	17	17	19
Administration of Public Order	1,637	1,789	1,635

ECONOMIC AFFAIRS

5.9 The allocation under this head in the budget 2011-12 has been projected at Rs 50,307 million. This is less by 24.8% than the budget estimates of 2010-11 and 37.1% than the revised estimates 2010-11. The main reason for this reduction is elimination of subsidies. The following Table provides the details under this head:

TABLE - 20
ECONOMIC AFFAIRS

Classification	(Rs in Million)		
	Budget 2010-11	Revised 2010-11	Budget 2011-12
ECONOMIC AFFAIRS	66,897	79,960	50,307
General Economic, Commercial & Labour Affairs	24,603	33,831	25,166
Agriculture, Food, Irrigation, Forestry and Fishing	29,821	15,840	12,108
Fuel and Energy	507	11,401	539
Mining and Manufacturing	1,806	1,618	1,760
Construction and Transport	7,503	7,285	8,415
Communications	1,773	1,677	2,115
Other Industries	885	8,308	205

ENVIRONMENT PROTECTION

5.10 Environment Protection has been provided with Rs 577 million for 2011-12 under Waste Water Management which is higher than by 28.8% as compared with budget and revised estimates 2010-11.

TABLE - 21
ENVIRONMENT PROTECTION

(Rs in Million)			
Classification	Budget 2010-11	Revised 2010-11	Budget 2011-12
ENVIRONMENT PROTECTION	448	448	577
Waste Water Management	448	448	577

HOUSING AND COMMUNITY AMENITIES

5.11 An allocation of Rs 1,602 million has been provided in the budget 2011-12 for community development. Details are as under:

TABLE - 22
HOUSING AND COMMUNITY AMENITIES

(Rs in Million)			
Classification	Budget 2010-11	Revised 2010-11	Budget 2011-12
HOUSING AND COMMUNITY AMENITIES	1,842	1,657	1,602
Community Development	1,842	1,657	1,602

HEALTH AFFAIRS AND SERVICES

5.12 Under Health Affairs and Services a total allocation of Rs 2,646 million has been made in the budget estimates 2011-12. Details are given in the following Table:

TABLE - 23
HEALTH AFFAIRS AND SERVICES

Classification	(Rs in Million)		
	Budget 2010-11	Revised 2010-11	Budget 2011-12
HEALTH AFFAIRS AND SERVICES	7,283	7,455	2,646
Medical Products, Appliances and Equipment	83	80	0
Hospitals Services	6,408	6,627	2,435
Public Health Services	522	487	140
R & D Health	2	2	0
Health Administration	269	258	70

RECREATIONAL, CULTURE AND RELIGION

5.13 In budget 2011-12 an amount of Rs 4,247 million has been provided for Recreational, Culture and Religion. The bulk of the expenditure has been earmarked for Broadcasting and Publishing which is 77.8% of the total allocation under this head. Details are given in Table-24:

TABLE - 24
RECREATIONAL, CULTURE AND RELIGION

Classification	(Rs in Million)		
	Budget 2010-11	Revised 2010-11	Budget 2011-12
RECREATIONAL, CULTURE & RELIGION	4,359	4,197	4,247
Recreational and Sporting Services	151	86	0
Cultural Services	448	314	347
Broadcasting and Publishing	2,893	2,932	3,303
Religious Affairs	683	601	387
Administration of Information, Recreation & Culture	184	264	210

EDUCATION AFFAIRS AND SERVICES

5.14 The Education Affairs and Services have been provided with Rs 39,513 million in the budget estimates 2011-12 as compared with Rs 34,500 million under budget estimates 2010-11 and Rs 40,324 million in revised estimates 2010-11. The bulk of expenditure at Rs 29,111 million has been allocated for Tertiary Education Affairs and Services in budget 2011-12 which is 73.7% of the total allocation under this head. The details are as under:

TABLE - 25
EDUCATION AFFAIRS AND SERVICES

Classification	(Rs in Million)		
	Budget 2010-11	Revised 2010-11	Budget 2011-12
EDUCATION AFFAIRS AND SERVICES	34,500	40,324	39,513
Pre-Primary & Primary Education Affairs Services	3,174	3,245	4,148
Secondary Education Affairs and Services	4,232	4,425	4,893
Tertiary Education Affairs and Services	25,210	31,166	29,111
Social Welfare & Special Education Div.	42	34	54
Subsidiary Services to Education	35	35	95
Administration	1,260	884	700
Education Affairs and Services not elsewhere Classified	547	534	513

SOCIAL PROTECTION

5.15 The social protection has been allocated with Rs 1,164 million in the budget 2011-12 which is lesser by Rs 299 million as compared with budget estimates 2010-11 and also lesser by Rs 1,776 million than the revised estimates 2010-11.

TABLE - 26
SOCIAL PROTECTION

Classification	(Rs in Million)		
	Budget 2010-11	Revised 2010-11	Budget 2011-12
SOCIAL PROTECTION	1,463	2,940	1,164
Administration	916	2,341	828
Others	548	599	337

CHAPTER - 6
SUBSIDIES & GRANTS
2011-12

SUBSIDIES

6.1 As a matter of public policy the Government provides subsidies to give relief to the citizens. In the budget estimates 2010-11 subsidies were 1.5% of GDP; in revised estimates 2010-11 increased to 2.19% of GDP; and in the budget estimates 2011-12 decreased to 0.79% of GDP. Table-27 provides the details:

TABLE - 27
SUBSIDIES

Classification	(Rs in Million)		
	Budget 2010-11	Revised 2010-11	Budget 2011-12
Subsidy to WAPDA/PEPCO	84,000	295,827	122,700
Adjustment of Addl. surcharge against GST	4,000	7,000	10,000
Inter-Disco Tariff Differential	30,000	238,827	50,000
To Pick up Receivables from FATA	10,000	10,000	7,000
To Pick up Interest Payment for TFCs	40,000	40,000	55,700
Subsidy to KESC	3,317	47,317	24,588
Adjustment of Addl. surcharge against GST	1,000	1,000	350
KESC - to Pick up Tariff Differential	2,000	46,000	24,000
KESC - Payable to PSO & PKGCL	317	317	238
Subsidy to TCP	17,130	17,130	4,000
Import of Sugar	4,000	4,000	4,000
TCP - Import/Export of Wheat	12,000	12,000	0
TCP - Cotton Operation	1,130	1,130	0
Subsidy to USC	4,200	4,200	2,000
USC - Ramzan Package	700	700	2,000
USC - Sale of Sugar	3,500	3,500	0

Contd....

SUBSIDIES

(Rs in Million)			
Classification	Budget 2010-11	Revised 2010-11	Budget 2011-12
Subsidy to PASSCO	2,900	2,900	74
PASSCO - Sale of Wheat	600	600	0
PASSCO - Paddy Operation	2,000	2,000	0
PASSCO - Mung Operation	300	300	74
Subsidy to Others	15,137	28,427	13,086
Fauji Fertilizer Bin Qasim Ltd	185	185	162
Oil Refineries/OMCs	10,807	10,807	7,921
Servicing of Outstanding Foreign Loan			
Liability of SOPREST/GIK Instt. Topi	200	38	0
Wheat Reserved Stock	3,000	4,000	4,000
R & D Support to Textile Sector	0	7,500	0
Manufacturers of Phosphatic Pottasic Fertilizer	0	800	0
Imports of Phosphatic Pottasic Fertilizer	0	200	0
TCP for Import of Urea Fertilizer	0	4,000	0
Sale of Wheat to FATA	233	233	255
Sale of Wheat in Gilgit Baltistan	707	659	744
Sale of Salt in Gilgit Baltistan	4	4	4
Total Subsidies:	126,684	395,801	166,448

GRANTS

6.2 The detail of grants to the provinces and others is given in the following Table:

TABLE - 28
GRANTS

(Rs in Million)			
Classification	Budget 2010-11	Revised 2010-11	Budget 2011-12
I. GRANTS TO PROVINCES (A+B):	54,398	54,060	55,430
A. SPECIAL GRANTS:	53,654	54,060	54,880
Punjab	5,166	5,227	5,166
Sindh	6,790	7,107	7,970
Khyber Pakhtunkhwa	25,000	25,018	25,000
Balochistan	16,698	16,708	16,744
B. LUMP PROVISION:	744	0	550
II. GRANTS TO OTHERS:	172,770	245,915	239,556
Pakistan Railways to meet losses	21,856	32,642	25,000
AJK Earthquake affected areas	53	53	0
Grants to AJK	11,250	12,940	15,000
Grant-in-Aid to Gilgit Baltistan	0	0	8,164
Contingent Liabilities	110,000	141,686	150,000
National Internship Program	3,600	2,928	700
Remission of ZTBL loans	1,000	400	1,000
HBFCL	1,000	1,000	1,000
NBP Admn. Fee & PED Expenses etc.	10	0	10
Remission of Agri. Loans of Farmers of Bajor Swat & Buner	1,000	151	0
Payment to PIA for repair & maintenance of VVIP Aircraft	1,000	0	0

Contd.....

GRANTS

(Rs in Million)			
Classification	Budget 2010-11	Revised 2010-11	Budget 2011-12
Reimbursement of TT Charges on Home Remittances	0	2,204	2,357
Lump Provision of Relief etc.	0	2,485	2,400
Pakistan Remittance Initiatives	0	742	815
Misceellaneous Grants	20,000	30,000	30,000
Grant to Provinces for emergency Relief	0	16,921	9
GOP Contribution to President Rozgar Scheme	0	250	100
Competition Commission of Pakistan	0	110	200
Purchasing of shareholding of Private Banks in FWBL	0	0	800
Institute of Cost & Management Accountants of Pakistan	0	2	2
Grants to Bait-ul -Mal	2,000	1,403	2,000
TOTAL GRANTS (I to II):	227,168	299,975	294,986

CHAPTER - 7
LOANS AND INVESTMENTS
2011-12

7.1 The financial assets of the federal government consist of investible funds and loans provided to the Azad Jammu & Kashmir (AJ&K) and various agencies/institutions and government servants to enable them to meet their loans and investment requirements. The significance of these funds lies in the fact that they meet the financial requirements of the provinces as well as some of the federal programmes.

CURRENT LOANS

7.2 Total current loans and advances have been estimated at Rs 11,680 million in budget 2011-12. These loans are provided by the federal government for various purposes as specified in Table-29.

TABLE - 29
CURRENT LOANS & ADVANCES

Classification	(Rs in Million)		
	Budget 2010-11	Revised 2010-11	Budget 2011-12
1 Loans - WAPDA	28	28	36
2 Loans to Government Servants	3,000	2,991	3,300
3 Ways & Means Advance to AJ&K	6,796	6,796	8,007
4 Loans/Advances Friendly Countries	100	100	200
5 Loans/Advances Employees of PNRA	4	4	4
6 Junagadh & Kathiawar Chiefs	1	1	1
8 Loan to Printing Corporation of Pakistan	132	132	132
Total:	10,061	10,052	11,680

DEVELOPMENT LOANS AND ADVANCES

7.3 Development loans and advances are granted to Provinces, Government of Azad Jammu & Kashmir, Public Sector Enterprise (PSEs), Local Bodies and others to assist them in carrying out their development programmes. Total development loans are estimated at Rs 137,695 million in the budget 2011-12 as against revised estimates of Rs 97,961 million in 2010-11.

7.4 Table - 30 shows the position of development loans:

TABLE - 30
LOANS AND ADVANCES
BY THE FEDERAL GOVERNMENT

Classification	(Rs in Million)		
	Budget 2010-11	Revised 2010-11	Budget 2011-12
1 Development Loans & Advances	52,842	37,468	65,289
2 External Development Loans & Advances	45,119	58,793	72,406
Total:	97,961	96,261	137,695

7.5 Development loans and advances increased to Rs 65,289 million in budget estimates 2011-12 from Rs 37,468 million in revised estimates 2010-11, showing an increase of 74.3%.

7.6 External development loans and advances increased to Rs 72,406 million in budget estimates 2011-12 from Rs 58,793 million in revised estimates 2010-11, showing an increase of 23.2%.

CURRENT INVESTMENT

7.7 The investment on current account for the year 2011-12 has been estimated at Rs 20,649 million as compared to Rs 10,334 million in the revised estimates of 2010-11 which is higher by 100%. The comparative position is given below:

TABLE - 31
FEDERAL INVESTMENTS ON CURRENT ACCOUNT

(Rs in Million)			
Classification	Budget 2010-11	Revised 2010-11	Budget 2011-12
1 Contribution towards ECO Trade	2,100	2,072	2,192
2 GoP Contribution to SAARC (SDF)	1,165	0	1,400
3 GoP Equity in the capital of KS&EW	578	518	0
4 GoP Equity in PIAC	3,677	2,867	3,831
5 Payment of Mark up on Loans by PASDEC	50	0	59
6 5th Gen. Capital Increase of ADB	517	517	544
7 Islamic Development Bank (IDB)	1,127	1,127	1,127
8 GoP Investment-Peoples Steel Mills	232	232	160
9 Equity from GoP for Pak China Inv.Co	1,400	1,400	1,500
10 GoP Equity in Pak Dairy Dev.Co.Ltd	83	83	45
11 GoP Equity Investment NIP Karachi	291	120	379
12 Investment in HBFCL's Equity	3,200	0	3,000
13 SME Bank Ltd.	2,500	0	2,000
14 Mortgage Refinance Co. (MRC)	1,200	0	1,200
15 KESC	0	1,383	0
16 Lump Provision	0	0	3,210
16 Others	0	15	2
Total:	18,121	10,334	20,649

CHAPTER - 8
PUBLIC SECTOR DEVELOPMENT PROGRAMME (PSDP)
2011-12

8.1 For the year 2011-12 National Economic Council (NEC) has approved an overall size of Public Sector Development Programme (PSDP) at Rs 730 billion which is equal to 3.5% of the Gross Domestic Product (GDP) compared to 2.6% of GDP in the Revised Estimates 2010-11.

8.2 The Salient features of PSDP allocation for 2011-12 are as follows:

- The PSDP has been raised to Rs 730 billion in the budget for 2011-12 showing an increase of 58% as against the revised estimates 2010-11 at Rs 462 billion.
- Federal PSDP for the year 2011-12 has been kept at Rs 300 billion which is higher by 61% than revised estimates 2010-11.
- The share of Federal Ministries/Divisions in 2011-12 PSDP is Rs 157 billion indicating an increase of 101.3% over revised estimates 2010-11.
- The Corporations' PSDP 2011-12 has been placed at Rs 72 billion indicating an increase of 110% over revised estimates 2010-11.
- An amount of Rs 33 billion has been provided in the budget 2011-12 for Special Programme which is higher by 45% as compared with budget estimates 2010-11 and by 45% against revised estimates 2010-11.
- Earthquake Rehabilitation and Reconstruction Authority (ERRA) has been allocated Rs 10 billion for budget estimates 2011-12.
- The provincial development programme for 2011-12 has been estimated at Rs 430 billion as against Rs 266 billion in revised estimates 2010-11 showed an increase of 61.7%.

8.3 Table-27 indicates details of the size of Public Sector Development Programme (PSDP) for federal and provincial governments.

TABLE - 32
SIZE OF PSDP

(Rs in Million)			
Classification	Budget 2010-11	Revised 2010-11	Budget 2011-12
(i) Federal Ministries/Divisions	167,577	99,545	156,552
1 Water & Power Division	28,424	17,173	36,136
2 Pak. Atomic Energy Commission	15,228	10,738	22,000
3 Finance Division	14,566	7,874	10,371
4 Railways Division	13,630	7,072	15,000
5 Planning & Development Division	9,438	5,145	31,975
6 Higher Education Commission	15,763	15,040	14,000
7 Industries & Production Division	3,220	1,549	2,138
8 Interior Division	5,654	2,997	5,800
9 Defence Division	3,887	2,051	3,846
10 Housing & Works Division	3,576	1,528	1,396
11 Cabinet Division	3,619	1,778	2,692
12 Science & Tech. Research Division	1,646	630	1,147
13 Law and Justice Division	1,000	366	1,200
14 Revenue Division (FBR)	1,235	802	1,970
15 Petroleum & Natural Resources Div.	623	421	150
16 IT & Telecom Division	718	310	793
17 Defence Production Division	1,230	451	1,455
18 Commerce Division	474	200	425
19 Communication Division excl. NHA	145	70	172
20 Ports & Shipping Division	519	519	744
21 Pak. Nuclear Regulatory Authority	247	91	350
22 Ministry of Foreign Affairs	141	52	285
23 Narcotics Control Division	550	379	534
24 Establishment Division	114	78	34
25 Information & Broadcasting Division	508	260	630
26 Textile Industry Division	165	60	150
27 Statistics Division	82	98	252
28 Economic Affairs Division	15	9	161
29 Capital Admn & Development Div.	0	0	677
30 Inter Provincial Coordination Div.	0	0	70
31 Ministry of Postal Services	81	30	0

Contd.....

SIZE OF PSDP

(Rs in Million)

Classification	Budget 2010-11	Revised 2010-11	Budget 2011-12
32 Health Division	16,945	10,125	0
33 Food & Agriculture Division	10,874	5,575	0
34 Education Division	5,071	2,689	0
35 Population Welfare Division	4,116	1,855	0
36 Livestock & Dairy Dev. Division	886	362	0
37 Environment Division	1,000	514	0
38 Special Initiatives Division	1,000	128	0
39 Women Development Division	153	73	0
40 Social Welfare & Special Edu. Div.	108	54	0
41 Labour & Manpower Division	66	39	0
42 Local Govt. & Rural Dev. Division	82	30	0
43 Tourism Division	125	55	0
44 Culture Division	354	135	0
45 Sports Division	230	105	0
46 Youth Affairs Division	75	38	0
(ii) Corporations	56,671	34,478	72,400
1 WAPDA (Power)	12,030	10,760	32,500
2 National Highway Authority (NHA)	44,641	23,719	39,900
(iii) Special Programme	30,000	22,775	33,000
1 People's Works Programme-I	5,000	5,000	5,000
2 People's Works Programme-II	25,000	17,775	28,000
(iv) Special Areas	25,752	23,201	28,047
1 Azad Jammu & Kashmir	10,524	9,000	10,778
2 Gilgit Baltistan	6,585	6,308	7,269
3 FATA	8,643	7,893	10,000
(v) ERRA	10,000	16,000	10,000
A. Federal PSDP (i to v)	290,000	196,000	300,000
B. Provincial PSDP	373,000	266,000	430,000
Total PSDP (A+B)	663,000	462,000	730,000

8.4 The following Table shows other development expenditure outside Public Sector Development Programme (PSDP):

TABLE -33
OUTSIDE PSDP

Classification	(Rs in Million)		
	Budget 2010-11	Revised 2010-11	Budget 2011-12
OTHER DEV. EXP. OUTSIDE PSDP	123,545	45,517	97,085
Grants to SME Sector Development Program	45	0	45
Grant for Reconstruction in Afghanistan	2,500	2,500	2,500
Grants for Pakistan Poverty Alleviation Fund	3,000	3,000	0
Subsidy to Manufacturers of Phosphatic & Potassic Fertilizer	800	0	0
Subsidy to TCP for Import of Urea Fertilizer	4,000	0	12,000
Subsidy to Importers of Phosphatic & Potassic Fertilizer	200	0	0
Crops Loan Insurance	500	292	500
Benazir Tractor Support Program	2,000	0	2,000
Relief, Rehabilitation Reconstruction & Security of IDPs	45,000	0	5,000
Benazir Income Support Program (BISP)	50,000	35,000	50,000
Export Investment Development Fund	10,000	0	10,000
SME Development Support Fund	1,500	300	40
Venture Capital Fund	500	0	0
PM Fiscal Relief Package for FATA/PATA	3,500	4,425	1,000
Lump for Other Misc. Grants	0	0	14,000

CHAPTER - 9
MEDIUM TERM BUDGETARY FRAMEWORK (MTBF)
2011-12

9.1 The Medium-Term Budgetary Framework (MTBF), budget management and key governance reform programme of the government, was rolled-out to entire Federal Government last year. As per the MTBF two important changes have been made in the process of budget making; the 'Budget Strategy Paper' and 'Output based Budgeting'.

9.2 This year the Budget Strategy Paper 2011-14 was presented in the Cabinet on 11 May 2011. The Budget Strategy Paper 2011-14 included; macroeconomic situation, key revenue and expenditure policies, medium-term fiscal and macroeconomic framework and indicative budget ceilings for all Federal Ministries. This indicative budget ceilings 2011-14 were communicated to all the Principal Accounting Officers of the federal government. Consultations on the Budget Strategy Paper 2011-14 were also made with the Parliamentary Standing Committees of Finance & Revenue, political parties, provinces, and the Economic Advisory Council.

9.3 Last year, the budget was presented by outputs (services) in the Parliament in a book called 'Federal Medium-Term Budget Estimates for Services Delivery 2010-13' (also called 'Green Book 2010-13'). The Green Book 2010-13 presented goals, outcomes outputs and inputs and linked these with three-years budgets within ceilings for each Principal Accounting Officer. In addition, key performance indicators and targets were presented for each output over the three-years period.

9.4 This year, the 'Federal Medium-Term Budget Estimates for Service Delivery 2011-14' book is being presented.

9.5 For the next year, the government intends to improve alignment of output-based budgeting with the New Framework for Growth, which was approved by the National economic council in its meeting of 28 May 2011. The government also intends to start the process of output-based monitoring with an aim to provide reports on the government's performance to the Cabinet. In addition, the Finance Division will take additional steps to strengthen linkages of MTBF with PIFRA (Project to Improve Financial Reporting and Auditing) including output-based budget preparation and output-based expenditure monitoring using the PIFRA system.

9.6 Macroeconomic Indicators/Rolling targets for 2011-14 are provided below:

TABLE - 34
MACROECONOMIC INDICATORS/ROLLING TARGETS

Medium-Term Budgetary Statement	Original Budget 2010-11	Revised Estimates 2010-11	Budget 2011-12	Forecast	
				2012-13	2013-14
Real GDP Growth (%)	4.5	2.4	4.2	4.5	4.7
Inflation (%)	9.5	15.5	12.0	9.5	8.0
(as percentage of GDP unless otherwise indicated)					
Total Revenue	14.9	13.0	13.6	13.4	13.2
- Tax Revenue	10.9	9.8	10.3	10.5	10.8
- FBR Revenue	9.7	8.8	9.3	9.6	9.9
- Non Tax Revenue	4.0	3.2	3.3	2.9	2.4
Total Expenditure	18.9	18.7	17.7	16.9	16.2
- Current Expenditure	14.6	16.0	13.7	12.8	11.8
- Development Expenditure	4.3	2.7	4.0	4.1	4.4
Fiscal Deficit	-4.0	-5.7	-4.0	-3.5	-3.0
Revenue Deficit/Surplus	0.3	-3.0	0.0	0.6	1.4
Total Public Debt	57.2	57.2	53.2	48.7	45.9
GDP at market prices	17,250	18,063	21,041	24,200	27,464
(Rs. In Billions)					

BUDGET AT A GLANCE**2011-12****(Rs in Billion)**

RECEIPTS		EXPENDITURE	
(a) Tax Revenue*	2,074	A. <u>CURRENT</u>	2,315
(b) Non-Tax Revenue	658	Interest Payment	791
- Gross Revenue Receipts	2,732	Pension	96
- Less Provincial Share	1,203	Repayment of Foreign Loans	243
I. Net Revenue Receipts (a-b)	1,529	Defence Affairs & Services	495
II. Net Capital Receipts	396	Grants and Transfers	295
III. External Receipts	414	Subsidies	166
IV. Estimated Provincial Surplus	125	Running of Civil Government	203
V. Bank Borrowing	304	Provision for Pay & Pension	25
		B. <u>DEVELOPMENT</u>	<u>452</u>
		PSDP	355
		- Federal Government	300
		Development Loans & Grants to Provinces	55
		Other Dev. Expenditure	97
<u>TOTAL RESOURCES (I to V)</u>	<u>2,767</u>	<u>TOTAL EXPENDITURE (A+B)</u>	<u>2,767</u>

*Out of which FBR collection has been estimated at Rs 1952 billion.

WORKING OF FISCAL DEFICIT AND FINANCING
BUDGET 2011-12

Rs in billion

Working Deficit		Financing of Deficit	
a) Total Revenue and Grants	1,656	Gross External Loans	287
Federal Revenue (net)	1,529	Less Repayment	279
Grants	127	Long Term Foreign Loans	243
b) Total Federal Expenditure	2,504	Short Term Foreign Loans	36
Current Expenditure	2,072	i) Net External Financing	8
Development and Net Lending	433	ii) Domestic Financing	716
PSDP	300	Bank Financing	304
Other Development Expenditure	97	of which SBP Financing	0
Net Lending	36	Non Bank Financing	413
c) Federal Deficit (a-b)	-849	Public debt	248
Est. Provincial Surplus	125	Public Account	164
Overall Fiscal Deficit	-724	Total Financing of Deficit	724
% of GDP	-3.4%	% of GDP	3.4%
Overall Fiscal Deficit (Excluding Grants)	-851		
% of GDP	-4.0%		