Fiscal Development

Fiscal Development

Fiscal policy is an instrument through which a government can achieve the objectives of development very efficiently by striking a balance between resources and expenditures. It works by diverting existing resources from unproductive to the productive, profitable and socially attractive sectors of the society.

The present government is cognizant of the fact that the fiscal policy has a constructive and dynamic role in the growth process of a country. It has therefore, strived hard to adopt a comprehensive and sound fiscal policy through a strong structural reform agenda.

Prior to FY2014, Pakistan's economic performance remained subdued. The growth rate had averaged less than 3 percent from FY2009 to FY2013; however, during the period of incumbent government, Pakistan's economy witnessed a complete turnaround.

A cursory look at the economic performance of the past three years reveals better prospects and greater opportunities for Pakistan's economy. The economic growth reached at 4.04 percent in the FY2015 from 3.68 percent recorded in the FY2013.While the GDP growth for FY2016 is provisionally estimated at 4.71 percent (based on nine months data).

The budget deficit has witnessed a substantial decline from 8.2 percent of GDP in FY2013 to 5.3 in FY2015 due to the efforts made by the government for better expenditure management together with raising tax revenues. Similarly, overall tax-to-GDP ratio which was at 9.8 percent of GDP in the FY2013 has been increased to 11.0 percent of GDP during FY2015. FBR tax revenues posted a growth of 14.9 percent during FY2015 and stood at 9.4 percent of GDP against 9.0 percent of GDP in the FY2014.While during July-April, FY2016 FBR tax revenues stood at Rs.2,346.1 billion against Rs.1,973.6 billion in the same period of FY2015, thus posted a significant growth of 18.9 percent.

One of the major developments was the sharp decline in inflation since FY2013 from 7.36 percent to 4.53 percent in FY2015 and further to 2.79 percent during Jul–Apr, FY2016 on account of government's effective monetary and prudent fiscal policies, while low international commodity prices reinforced the government's efforts. At the same time, low oil prices, continuous IFIs inflows and significant growth in remittances helped in strengthening the external sector. Pakistan has also witnessed an unprecedented increase in foreign exchange reserves during the same period, and in May 2016, it has crossed an all-time high mark of US $21 billion.

The economic indicators including the fiscal indicators are in the comfortable zone. The fiscal deficit has been contained at 3.4 percent of GDP during July-March, FY2016 against 3.8 percent of GDP in the same period of last year. The successful containment of deficit is attributed to 10.4 percent growth in total revenues, of which tax revenues increased by 20.2 percent. A fiscal deficit target for the FY2016 has been set at 4.3 percent which will be further brought down to 3.5 percent of GDP by FY2018. While the overall tax-to-GDP ratio will be increased to the target of 13.0 percent in the medium term.

Going forward, the present government is sternly focused on improving the investment climate in the country through the implementation of Investment Strategy 2013-17 that will help to increase the investment to GDP ratio by 20 percent in the medium term. In this regard, the government has been implementing an Action Plan for Improving Pakistan's Business

Environment, which was developed in October 2014. The Plan outlined time-bound reform measures focusing on six Doing Business (DB) indicators. These indicators included “Starting a Business”, “Dealing with Construction Permits”, “Getting Credit”, “Paying Taxes”, “Trading across Borders” and “Enforcing Contracts.

Furthermore, the development budget has been gradually and adequately raised in order to meet the investment requirements of a growing economy. It is expected that together with investments in the private sector, including $46 billion under China-Pakistan Economic Corridor (CPEC) and improved security situation across the country, Pakistan economy will step towards sustainable economic growth and prosperity.

Fiscal Policy Development

History reveals that the fiscal situation in Pakistan was not very impressive. Lack of proper economic management, failure to develop effective tax system and expenditures overrun resulted in a persistently high fiscal deficit which undermined the performance of all sectors of the economy. Additionally, heavy reliance on external and domestic borrowing led to crowding out of private sector investment.

Table 4.1 examines the historical trend in Pakistan’s fiscal policy indicators since FY2006 with particular focus on expenditure and revenue trends. It shows that the fiscal deficit peaked at 8.8 percent of GDP in FY2012 followed by 8.2 percent in FY2013. However, as a result of prudent expenditure management and revenue measures, fiscal policy achieved substantial gains. The fiscal deficit has been subsequently managed to 5.5percent in FY2014 and further down to 5.3 percent in FY2015. For FY2016, the fiscal deficit is expected to be at 4.3 percent of GDP.

The fiscal consolidation achieved without compromising development expenditures and social assistance. During FY2016, the overall size of PSDP has been increased to Rs.1,513.7 billion which is 85.8 percent higher than the revised allocation of Rs.814.7 billion in FY2014. On the other hand, the allocation under the BISP (development expenditure outside PSDP) has also increased significantly from Rs.70.3 billion (revised) in FY2014 to Rs.102.0 billion in FY2016, posting an increase of 45.1 percent.

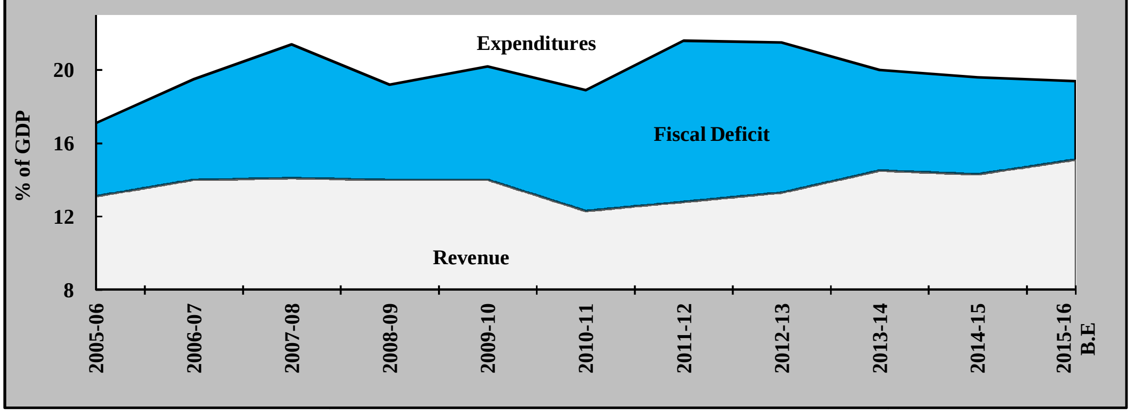
A cursory look at table 4.1 indicates that the successful containment in fiscal deficit was possible due to a significant reduction in total expenditures from 21.5 percent of GDP in FY2013 to 19.6 percent of GDP in FY2015. Of which current expenditures reduced to 16.1 percent of GDP in FY2015 from 16.4 percent of GDP recorded in FY2013. However, development expenditures and net lending stood at 4.1 percent of GDP in FY2015 against 5.1 percent of GDP in FY2013. It is worthwhile to mention that government was able to control the expenditures even with expenditures on Zarb-e-Azb Military Operation, Temporarily Displaced People (TDPs) and also relief activities in flood affected areas.

Table: 4.1 Fiscal Indicators as Percent of GDP

Year	Real GDP Growth	Overall Fiscal Deficit	Expenditure			Revenue		
			Total	Current	Development[/1]	Total Rev.	Tax	Non-Tax
2005-06	5.8	4.0	17.1	12.6	4.5	13.1	9.8	3.3
2006-07	5.5	4.1	19.5	14.9	4.6	14.0	9.6	4.4
2007-08	5.0	7.3	21.4	17.4	4.0	14.1	9.9	4.2
2008-09	0.4	5.2	19.2	15.5	3.5	14.0	9.1	4.9
2009-10	2.6	6.2	20.2	16.0	4.4	14.0	9.9	4.1
2010-11	3.6	6.5	18.9	15.9	2.8	12.3	9.3	3.0
2011-12	3.8	8.8	21.6	17.3	3.9	12.8	10.2	2.6
2012-13	3.7	8.2	21.5	16.4	5.1	13.3	9.8	3.5
2013-14	4.1	5.5	20.0	15.9	4.9	14.5	10.2	4.3
2014-15	4.0	5.3	19.6	16.1	4.1	14.3	11.0	3.3
2015-16B.E	5.5	4.3	19.4	15.0	4.5	15.1	12.0	3.1

[/1] including net lending
Note: Estimated growth during FY 2016 is 4.71 percent.

Fig: 4.1 Revenue-Expenditure Gap (% of GDP)



On the other hand, total revenues increased from 13.3 percent of GDP in FY2013 to 14.3 percent of GDP in FY2015. Of which, tax revenues increased to 11.0 percent of GDP in FY2015 from 9.8 percent of GDP in FY2013. While the non-tax revenues witnessed a decline and recorded at 3.3 percent of GDP in FY2015 against 3.5 percent of GDP in FY2013.

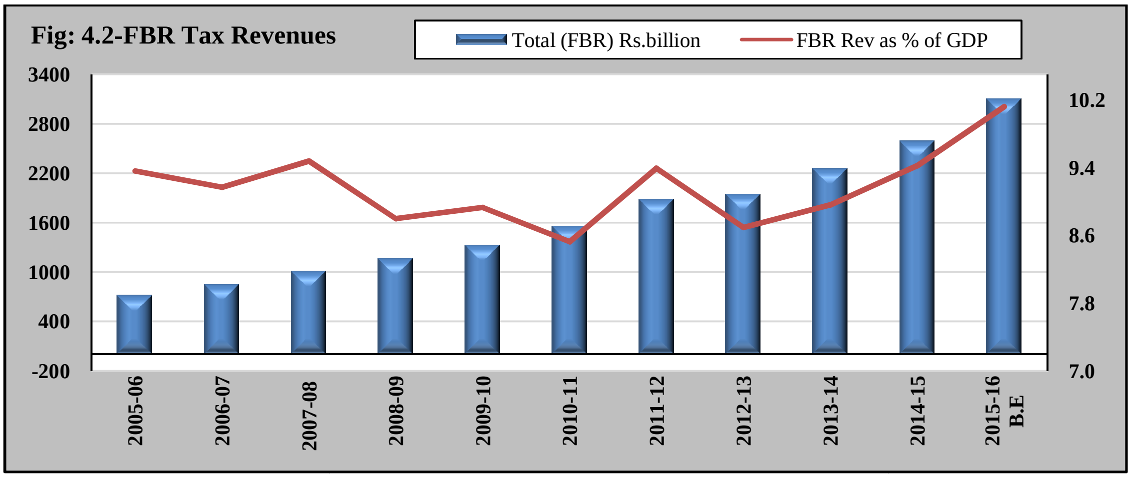
With regard to provincial fiscal operations, all the four provinces posted a surplus of Rs.87.3 billion in FY2015 which is lower than the surplus amount of Rs.196.9 billion recorded in FY2014. The lower provincial surplus was on account of decline in tax revenues and high growth in current expenditures.

A review of key fiscal indicators demonstrates that the economy has accomplished a considerable consolidation on the back of wide-ranging agenda of economic reforms in Power sector, Public Sector Enterprises (PSEs) and in the tax system. The government is following various measures including rationalization of tax exemptions and concession in order to streamline the tax system.

Structure of Tax Revenues

Tax is the primary source of government revenues which is used to finance the costs of public goods. Countries can accumulate their assets through tax revenues in order to provide essential services required to shape a better society. However, it is important to plan a tax system that not only encourages good governance but also promotes social equity. It is, therefore, essential to form an effective, transparent and fair tax system with efficient tax administration beyond board.

Fig: 4.2-FBR Tax Revenues



In Pakistan, developing a tax system to protect the common interests of taxpayers and generate ample government revenues for the provision of public goods has always remained a challenging task.

Over the years, various structural problems including narrow tax base, tax evasion, and administrative weaknesses resulted in a low tax to GDP ratio. Despite a significant increase in revenue collection (in the absolute term), overall tax to GDP ratio varied between 9.1 and 11.0 percent (Table: 4.1). Particularly, FBR tax to GDP ratio remained within the narrow band despite a significant increase in absolute term.

Review of Pakistan's tax structure reveals that the tax system is highly dependent on indirect taxes. However, on account of various tax reforms, the proportion of direct taxes has been increased steadily. As it is shown in the figure 4.3.a and b that the indirect taxes which were 68.5 percent of total FBR tax in FY2006 has been reduced to 60 percent in FY2015.On the other hand, direct taxes has been increased from 32 percent of total FBR tax in FY2006 to 40 percent in FY2015. While for the current FY2016, direct taxes are expected to increase to 43.4 percent and indirect taxes to 56.6 percent of total FBR tax.

Fig- 4.3.a: % of Total FBR Tax (FY2006)

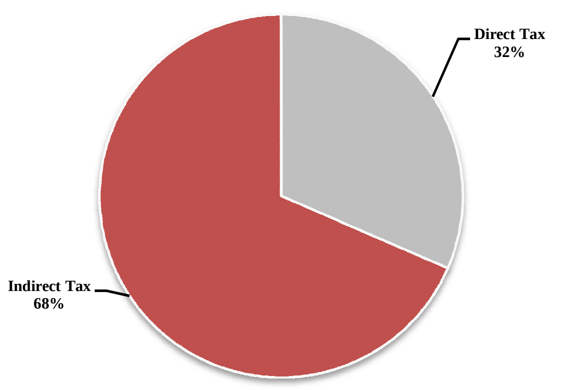
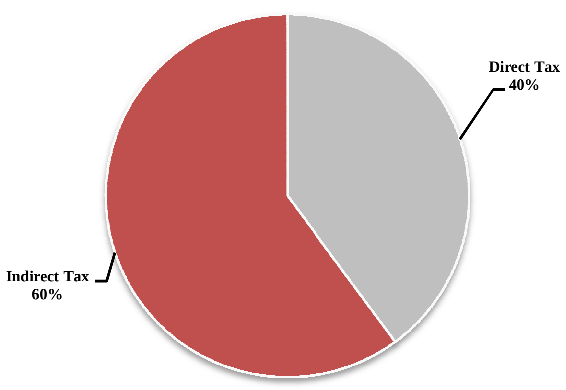


Fig-4.3.b: % of Total FBR Tax (FY2015)



Furthermore, the share of sales tax has been increased to 42.0 percent of total FBR tax in FY2015 from 41.3 percent witnessed in FY2006. While it is expected to reduce to 40.3 percent of the total FBR tax during the current fiscal year. As a percentage of indirect taxes, it has increased from 60.3 percent in FY2006 to 69.9 percent during FY2015. Sales tax as a percentage of indirect tax is expected to reach at 71.2 percent of indirect taxes during the current fiscal year.

On the other hand, customs duty has been reduced from 28.3 percent of indirect tax in FY2006 to 19.7 percent during FY2015. It is budgeted to reduce further at 17.0 percent during the current fiscal year. Whereas, excise duty has declined from 11.3 percent of indirect tax in FY2006 to 10.4 percent during FY2015. While it is expected to increase to 11.8 percent during the current fiscal year.

Table 4.2: Structure of Federal Tax Revenue (Rs. Billion)

Year	Total (FBR)	Tax Rev as % of GDP	Direct Taxes	Indirect Taxes			
				Customs	Sales	Excise	Total
2005-06	713.5	9.4	225.0	138.4	294.8	55.3	488.5
			[31.5]	{28.3}	{60.3}	{11.3}	[68.5]
2006-07	847.2	9.2	333.7	132.3	309.4	71.8	513.5
			[39.4]	{25.8}	{60.3}	{14.0}	[60.6]
2007-08	1,008.1	9.5	387.9	150.7	377.4	92.1	620.2
			[38.5]	{24.3}	{60.9}	{14.9}	[61.5]
2008-09	1,161.1	8.8	443.5	148.4	451.7	117.5	717.6
			[38.2]	{20.7}	{62.9}	{16.4}	[61.8]
2009-10	1,327.4	8.9	526.0	160.3	516.3	124.8	801.4
			[39.6]	{20.0}	{64.4}	{15.6}	[60.4]

Table 4.2: Structure of Federal Tax Revenue								(Rs. Billion)
Year	Total (FBR)	Tax Rev as % of GDP	Direct Taxes	Indirect Taxes				
				Customs	Sales	Excise	Total	
2010-11	1,558.2	8.5	602.5	184.9	633.4	137.4	955.7	
			[38.7]	{19.3}	{66.3}	{14.4}	[61.3]	
2011-12	1,882.7	9.4	738.4	216.9	804.9	122.5	1,144.3	
			[39.2]	{19.0}	{70.3}	{10.7}	[60.8]	
2012-13	1,946.4	8.7	743.4	239.5	842.5	121.0	1,203.0	
			[38.2]	{19.9}	{70.0}	{10.1}	[61.8]	
2013-14	2,254.5	9.0	877.3	242.8	996.4	138.1	1,377.3	
			[39.0]	{17.6}	{72.3}	{10.0}	[61.1]	
2014-15	2,589.9	9.4	1,033.7	306.2	1,087.8	162.2	1,556.2	
			[39.9]	{19.7}	{69.9}	{10.4}	[60.2]	
2015-16B.E	3,103.7	10.1	1,347.9	299.1	1,250.3	206.4	1,755.8	
			[43,4]	{17.0}	{71.2}	{11.8}	[56.6]	

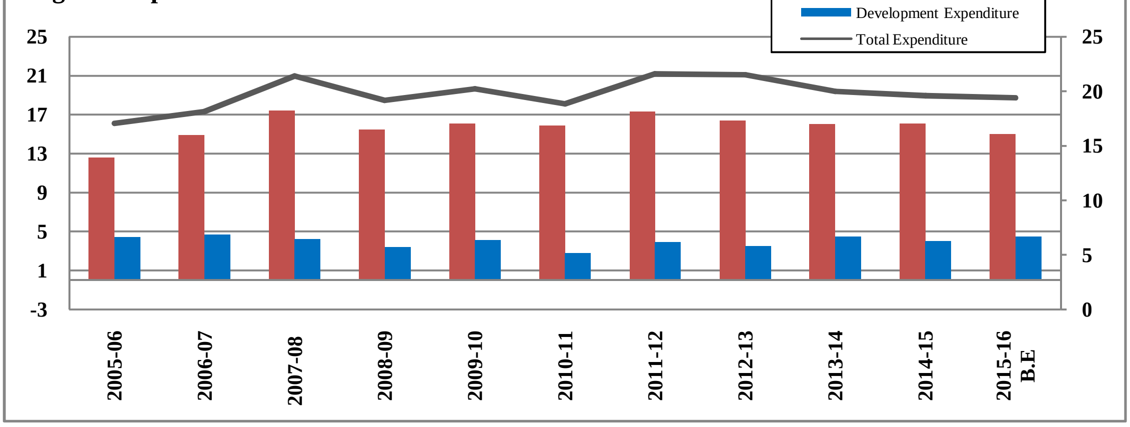
Source: Federal Board of Revenue
[]as % of total taxes
{} as % of indirect taxes

Review of Public Expenditures

The efficient utilization of public expenditure is highly significant to create employment opportunities along with generating sustainable economic growth, poverty eradication and reducing inequalities in income distribution.

In the past the country remained a victim of unplanned and unproductive expenditures stemmed from high interest payments, untargeted subsidies particularly to loss making PSEs, energy subsidies, floods and security related issues. Consequently, the economy was unable to realize the impact of public expenditure on poverty reduction and economic growth. Moreover, the absence of sound mix of revenue and expenditure policies also posed serious threats to the fiscal sustainability. As a result fiscal deficit touched the highest level of 8.8 percent of GDP in FY2012 followed by 8.2 percent of GDP in FY2013. However, the fiscal deficit was significantly brought down to 5.3 percent in FY2015 as a result of prudent expenditure management and effective implementation of revenue measures.

Fig-4.4: Expenditures % of GDP



Total expenditures have increased from Rs.5,026.0 billion in FY2014 to Rs.5,387.8 billion in FY2015, showing a growth of 7.2 percent[1]. However, as a percentage of GDP, it reduced from

[1] Including statistical discrepancy

20.0 percent in FY2014 to 19.6 percent in FY2015. While, total expenditures are expected to be at 19.4 percent of GDP during the current fiscal year.

Table 4.3: Trends in Components of Expenditure (As % of GDP)

Year	Total Expenditure (A)	Current Expenditure (B)	Interest Payments (C)	Defence (D)	Development Expenditure	Non Interest Non-Defence Exp (A-C-D)	Fiscal Deficit	Revenue Deficit/Surplus (TR-Total CE)	Primary deficit (TR-NI Exp)
2005-06	17.1	12.6	2.9	2.9	4.4	11.2	4.0	0.5	-1.1
2006-07	18.1	14.9	4.0	2.7	4.7	11.4	4.1	-0.8	-0.1
2007-08	21.4	17.4	4.6	2.6	4.2	14.2	7.3	-3.3	-2.7
2008-09	19.2	15.5	4.8	2.5	3.4	11.8	5.2	-1.4	-0.3
2009-10	20.2	16.0	4.3	2.5	4.1	13.4	6.2	-2.1	-1.9
2010-11	18.9	15.9	3.8	2.5	2.8	12.6	6.5	-3.5	-2.7
2011-12	21.6	17.3	4.4	2.5	3.9	14.6	8.8	-4.5	-4.3
2012-13	21.5	16.4	4.4	2.4	3.5	14.7	8.2	-3.0	-3.8
2013-14	20.0	15.9	4.6	2.5	4.5	12.9	5.5	-1.5	-1.0
2014-15	19.6	16.1	4.7	2.5	4.0	12.3	5.3	-1.8	-0.6
2015-16 BE	19.4	15.0	4.2	2.5	4.5	12.7	4.3	0.1	-0.2

Source: Budget Wing, Finance Division and EA Wing's Calculations

Similarly, current expenditures have increased from Rs.4,004.6 billion in FY2014 to Rs.4,424.7 billion in FY2015 thus registered a growth of 10.5 percent. High growth in current expenditure is largely attributed to the sharp rise in expenditures on security related issues incurred by the provinces. As a percentage of GDP, it stood at 16.1 percent of GDP in FY2015 against 15.9 percent of GDP in the preceding fiscal year. Current expenditures are projected to be contained at 15.0 percent of GDP during the current fiscal year.

Markup payments which constitute a major portion of current expenditures have increased to Rs.1,303.8 billion or 4.7 percent of GDP during FY2015 from Rs.1,147.8 billion or 4.6 percent of GDP in FY2014. However, the growth has reduced significantly from 15.8 percent in FY2014 to 13.6 percent in FY2015 owing to the reduction in the policy rate by 350 basis points in FY2015.Markup payments are expected to reduce to 4.2 percent of GDP in FY2016.Similarly, defence expenditures stood at Rs.697.8 billion in FY2015 against Rs.623.1 billion in FY2014. As a percentage of GDP, it stood at the same level as in FY2014 i.e. 2.5 percent. The growth has also declined to 12.0 percent in FY2015 against the growth of 15.3 percent in FY2014. Regarding current subsidies, it has witnessed a substantial decline in both absolute and growth term. It reduced from Rs.305.7 billion in FY2014 to Rs.241.6 billion in FY2015, thus posted a negative growth of 21 percent. While in FY2016, it is projected to reduce to Rs.137.6 billion.

Development expenditures and net lending reduced from Rs.1,236.5 billion in FY2014 to Rs.1,140.6 billion during FY2015 thus declined by 7.8 percent. Of which expenditures under PSDP increased to Rs.987.8 billion during FY2015 from Rs.865.5 billion, thus registered a growth of 14.1 percent. Federal PSDP increased to Rs.502.2 billion (including Rs.13.3 billion in respect of development grants to provinces) during FY2015 against Rs.441.0 billion (including Rs.6.1 billion of development grants to provinces) during FY2014, thus posted a growth of 13.9 percent.

Fiscal performance (July-March 2015-16)

Over the years, the economic performance was characterized by large fiscal deficits on account of high current expenditures and sluggish growth in tax revenues, mounting debt burden, unfavorable balance of payments, low foreign exchange reserves, massive circular debt particularly to the energy sector and low investment to GDP ratio. However, timely, effective and decisive actions taken by the present government averted the economic disaster and now all the macroeconomic indicators have been strengthened and showing signs of macroeconomic stability.

With the continuous efforts to ensure fiscal discipline, the government has successfully reduced the fiscal deficit to 3.4 percent of GDP during the first nine months of current FY2016 against 3.8 percent of GDP during the comparable period of last year. The improvement in fiscal accounts came from10.4 percent growth in total revenues, of which tax revenues increased by 20.2 percent. Moreover, a healthy provincial surplus of Rs.221.2 billion has also contributed in the containment of fiscal deficit at 3.4 percent of GDP. For the current fiscal year, a fiscal deficit target has been set at 4.3 percent which will be further brought down to 3.5 percent of GDP by FY2018.

According to the consolidated revenue and expenditure statement, total revenue witnessed a growth of 10.4 percent and stood at Rs.2,961.9 billion during July-March, FY2016 against Rs.2,682.6 billion in the same period of FY2015.

In total revenues, total tax collection reached at Rs.2,481.0 billion during the first nine months of the current fiscal year from Rs.2,063.2 billion recorded in the same period of FY2016, thus registered a growth of 20.2 percent. This significant growth is largely attributed to a considerable rise in provincial tax revenues which has registered a growth of 28.6 percent during the period under review. On the other hand federal tax revenues posted a growth of 19.6 percent, of which FBR tax collections grew at 18.5 percent. During July-March, FY2016 FBR tax collection stood at Rs.2,103.0 billion against Rs.1,775.1 billion in the comparable period of last fiscal year. While as a percentage of GDP, it stood at 7.1 percent during July-March, FY2016 against 6.5 percent in the same period of last year.

Table: 4.4 Consolidated Revenue & Expenditure of the Government **(Rs. Billion)**

	2015-16 B.E	July-March		Growth
		2015-16	2014-15	
A. Total Revenue	**4,634.7**	**2,961.9**	**2,682.6**	**10.4**
a) Tax Revenue	**3,672.2**	**2,481.0**	**2,063.2**	**20.3**
Federal	**3,418.2**	**2,294.3**	**1,918.0**	**19.6**
of which FBR Revenues	3,103.7	2,103.0	1,775.1	**18.5**
other federal	314.5	191.3	142.9	**33.9**
Provincial Tax Revenue	254.0	186.7	145.2	**28.6**
b) Non-Tax Revenue	**962.5**	**480.9**	**619.5**	**-22.4**
B. Total Expenditure	**5,962.9**	**3,971.3**	**3,731.6**	**6.4**
a) Current Expenditure	**4,592.6**	**3,407.0**	**3,199.1**	**6.5**
Federal	**3,127.6**	**2,368.9**	**2,255.8**	**5.0**
Markup Payments	1,279.9	1,079.4	974.5	**10.8**
Defence	781.2	482.9	485.9	**-0.6**
Provincial	**1,465.0**	**1,038.0**	**943.2**	**10.1**
b) Development Expenditure & net lending	**1,370.3**	**710.2**	**594.0**	**19.6**
PSDP	**1,210.0**	**623.4**	**499.4**	**24.8**
Other Development	**164.4**	**76.0**	**80.2**	**-5.2**
c) Net Lending	**-4.1**	**10.8**	**14.3**	**-24.5**
e) Statistical discrepancy	**0**	**-145.8**	**-61.4**	**137.5**
C. Overall Fiscal Deficit	**1,328.1**	**1,009.4**	**1,048.9**	**-3.8**
As % of GDP	4.3	3.4	3.8	
Financing of Fiscal Deficit	**1,328.1**	**1,009.4**	1,048.9	**-3.8**
i) External Sources	345.7	222.9	137.8	**61.8**
ii) Domestic	**982.4**	**786.5**	**911.1**	**-13.7**
- Bank	282.9	538.0	469.4	**14.6**
- Non-Bank	649.5	248.4	426.5	**-41.8**
GDP at Market Prices	**30,672**	**29,598**	**27,493**	**7.7**

Source: Budget Wing, Finance Division

In contrast with the significant performance of tax revenues, non-tax revenues witnessed a negative growth of 22.4 percent and stood at Rs.480.9 billion during first nine months of the current fiscal year against Rs.619.5 billion in the same period of last fiscal year. Of the total non-tax revenues, Rs.177.6 billion were collected as the surplus profit of SBP, followed by Rs.80.6 billion under defence, Rs.46.3 billion under Royalties on Oil/Gas and Rs.35.8 billion under Dividends.

On the expenditure side, total expenditure registered a growth of 6.4 percent during July-March, FY2016 to stand at Rs.3,971.3 billion against Rs.3,731.6 billion in the comparable period of last year. As a percentage of GDP, total expenditures reduced to 13.4 percent during first nine months of the current fiscal year against 13.6 percent recorded in the same period of last fiscal year.

Current expenditure amounted to Rs.3,407.0 billion during first nine months of the current fiscal year against Rs.3,199.1 billion in the same period of preceding fiscal year, thus posted a growth of 6.5 percent. Of which, expenditure on markup payments stood at Rs.1,079.4 billion during July-March, FY2016 against Rs.974.5 billion in the same period last year. Whereas, defence expenditure reduced by 0.6 percent and stood at Rs.482.9 billion during the first nine months of the current fiscal year against Rs.485.9 billion in the same period last year. Likewise, current subsidies amounted to Rs.119.5 billion during July-March, FY2016 against Rs.185.9 billion in the same period of FY2015, thus reduced by 35.7 percent. Significant reduction in subsidies clearly reveals that government is stringently focused on rationalizing untargeted energy subsidies, and at the same time strengthening the social safety nets in order to protect the most vulnerable segments of society.

Contrary to it, development expenditure and net lending stood at Rs.710.2 billion during July-March, FY2016 against Rs.594.0 billion, thus witnessed a growth of 19.6 percent. Whereas, development expenditure (excluding net lending) grew by 20.6 percent and stood at Rs.699.4 billion during July-March,FY2016 against Rs.579.7 billion in the comparable period of FY2015. Within development expenditure, PSDP has registered a tremendous growth of 24.8 percent during the first nine months of the current fiscal year, as it stood at Rs.623.4 billion against Rs.499.4 billion last year (Federal :Rs.251.3 billion & Provincial ADP: Rs.372.1 billion).

During the first nine months of the current fiscal year, the financing of fiscal deficit of Rs 1009.4 billion was met through external and domestic resources. During July-March, FY2016, the financing from external resources stood at Rs.222.9 billion against Rs.137.8 in the comparable period of last fiscal year. On the other hand, from domestic resources it remained at Rs.786.5 billion during the first nine months of the current fiscal year against Rs.911.1 billion in the comparable period last year.

The improvement in the fiscal account is an indication of government's commitment to achieve long term sustainable economic growth with particular focus on broadening the tax net, removing untargeted subsidies, addressing financial losses in PSEs and further improvement in the business climate.

FBR Tax Collection (July-April, FY2016)

The present government has initiated an ambitious agenda of tax policy and administration reforms (Box-I) with an aim to increase the tax to GDP ratio to 11.3 percent by FY2018. The FBR has been able to collect Rs.2,589.9 billion during FY2015 against Rs.2,254.5 billion in the preceding fiscal year, reflecting a growth of 14.9 percent. Moreover, tax to GDP ratio has increased to 9.4 percent during FY2015 from 9.0 percent registered in FY2014. During July-April, FY2016, FBR has collected Rs.2,346.1 billion as provisional tax revenues against Rs.1,973.6 billion in the same period last year, thus reflecting a growth of 18.9 percent.

Direct Taxes

According to the tax-wise details (Table 4.6), the Direct taxes has registered a growth of 14.4 percent during the first ten months of the current fiscal year. The net collection has gone up from Rs.775.9 billion to Rs.888.0 billion. The bulk of the tax revenue under direct tax is realized from income tax, of which major contributors are withholding tax, voluntary payments and collection on demand.

Indirect Taxes

The gross and net collection of Indirect taxes have witnessed a growth of 20.4 percent and

21.7 percent respectively. It has accounted 62.1 percent of total FBR tax revenues during the first ten months of the current fiscal year.

Table 4.5 FBR Tax Revenues Rs Billion

Revenue Heads	July-April		% Change
	2014-15	2015-16*	
A. DIRECT TAXES			
Gross	837.5	911.0	8.8
Refund/Rebate	61.5	23.0	
Net	**775.9**	**888.0**	14.4
B. INDIRECT TAXES			
Gross	1,246.1	1,500.1	20.4
Refund/Rebate	48.4	42.0	
Net	**1,197.7**	**1,458.1**	21.7
B.1 SALES TAX			
Gross	883.4	1,046.5	18.5
Refund/Rebate	40.2	32.8	
Net	**843.3**	**1,013.6**	20.2
B.2 FEDERAL EXCISE			
Gross	119.6	133.4	11.5
Refund/Rebate	0.0	0.0	
Net	**119.6**	**133.4**	11.5
B.3 CUSTOM			
Gross	243.0	320.2	31.8
Refund/Rebate	8.2	9.2	
Net	**234.8**	**311.1**	32.5
TOTAL TAX COLLECTION			
Gross	2,083.5	2,411.1	15.7
Refund/Rebate	109.9	65.0	
Net	**1,973.6**	**2,346.1**	18.9

***: Provisional**

Source: Federal Board of Revenue

Within Indirect taxes, a net collection of sales tax is increased by 20.2 percent. The gross and net collection of Sales tax stood at Rs.1,046.5 billion and Rs.1,013.6 billion, respectively during the period under review. In fact, around 46.2 percent of total Sales tax is contributed by domestic sector. A major contribution to net domestic Sales tax collection came from POL products, fertilizers, natural gas, cement, other services, electrical energy, beverages, cigarettes, tea, sugar, iron & steel etc. On the other hand, contribution to the collection of Sales tax on imports was made significantly by POL products, plastic, edible oil, vehicles, machinery, chemicals, oilseeds etc.

Customs duty collection has registered a growth of 31.8 percent and 32.5 percent in both gross and net terms, respectively. The gross and net collection have increased from Rs.243.0 billion and Rs.234.8 billion during July-April, FY2015 to Rs.320.2 billion and Rs.311.1billion, respectively, during the first ten months of the current fiscal year. The major revenue spinners of customs duty have been automobiles, edible oil, petroleum products, machinery, plastic, iron and steel, paper and paperboard etc.

The collection of Federal Excise Duty (FED) during July-April, FY2016 has recorded a growth of 11.5 percent. The net collection stood at Rs.133.4 billion during July-April, FY2016 as against Rs.119.6 billion during the same period of FY2015. The major revenue spinners of FED are cigarettes, cement, beverages, natural gas and international travel etc.

Box-I: Major Initiatives by FBR

1. Broadening of tax base

For broadening of tax base several initiatives have been taken and some are in the pipeline. Initially the objective was to incorporate 300,000 new taxpayers. In this regard 250,000 notices have already been issued since the initiation of the project in July 2013. Similarly, a detailed plan for outreach program including provincial assessment, collection procedures, penal actions and prosecution proceedings has also been chalked out. As on May 11th, 2016 number of income tax return filers stood at 975,385 against 803,525 in the same period of last year.

2. Withdrawal of exemptions/concessions

First two sets of exemptions have already been withdrawn in the budget 2014-15 and 2015-16. An exercise has been initiated to withdraw 3rd tranche of remaining exemptions/concession in the budget 2016-17. Currently, under the law, FBR does not have the power to issue any concessionary SROs. The power to issue SROs now rests with ECC of the Cabinet under very limited circumstances.

3. Expansion of audit coverage

FBR has already completed the task of selecting 7.5 percent corporate and non-corporate cases for Audit Tax Year 2015 through random computer ballot in September,2015. Audit process has been started and is being pursued vigorously.

4. Better human resource management

Human resource management has been improved and major structural initiatives are being taken by FBR in its organizational reform program. KPIs have been developed to monitor qualitative as well as the quantitative performance of the employees.

5. End to end automation

The introduction of an e-filing process accessible to taxpayers for income tax, sales tax and excise at e-FBR portal has been ensured. Automation of system has helped in minimizing the contact between taxpayer and tax officers and as a consequence the complaint of harassment has been reduced accordingly.

Furthermore, a new integrated and highly configurable and customizable system '*iris*' has been designed to cover all the business processes of income tax and sales tax. In order to check fake and fabricated demand notices and ensure the authenticity of the demand notices, these have been automated. In a similar fashion, tax exemptions certificates have also been automated. For security of transit supply chain, an integrated transit trade management system has also been introduced.

6. Stringent enforcement

It has been ensured that strict enforcement of tax laws may be made to create deterrence. In this regard efforts have been made to persuade potential taxpayers to file returns and to comply with other obligations under tax laws.

Provincial Budget

The total outlay of the four provincial budgets stood at Rs.2,566.0 billion for FY 2016, which is 18.1 percent higher than the outlay of Rs.2,172.2 billion of last year.

Table 4.6: Overview of Provincial Budgets (Rs Billion)

Items	Punjab		Sindh		KPK		Baluchistan		Total	
	2014-15 RE	2015-16 BE	2014-15 RE	2015-16 BE	2014-15 RE	2015-16 BE	2014-15 RE	2015-16 BE	2014-15 RE	2015-16 BE
A. Tax Revenue	859.8	1,048.5	463.8	545.9	255.8	303.6	144.8	159.6	1,724.2	2,057.6
Provincial Taxes	114.2	160.6	110.0	124.6	19.8	22.6	2.8	3.6	246.8	311.4
GST on Services (transferred by federal Govt)	0.0	0.0	0.0	0.0	0.0	0.0	0.8	0.0	0.8	0.0
Share in Federal Taxes	745.6	887.9	353.8	421.3	236.0	281.0	141.2	156.0	1,476.6	1,746.2
B. Non-Tax Revenue	31.2	51.6	77.7	81.0	29.4	51.2	18.0	18.9	156.3	202.8
C. All Others	24.4	19.2	31.2	44.8	25.4	35.9	23.6	23.6	104.5	123.5
Total Revenues (A+B+C)	915.4	1,119.3	572.7	671.7	310.6	390.7	186.4	202.1	1,985.0	2,383.9
a) Current Expenditure	683.2	753.0	454.6	503.3	255.0	298.0	138.5	168.6	1,531.3	1,723.0
b) Development Expenditure	290.3	400.0	154.6	213.6	134.8	174.9	61.2	54.5	640.9	843.0
Total Exp (a+b)	973.5	1,153.0	609.2	716.9	389.8	472.9	199.7	223.1	2,172.2	2,566.0

Source: Fiscal Operations (various issues), Budget Wing

The share of current and development expenditure in total budget outlay is 67.1 and 32.9 percent respectively. The allocation of development expenditure is 31.5 percent higher than last year and current expenditure is higher by 12.5 percent over the previous year.

Allocation of Revenues between the Federal Government and Provinces

According to the distribution of resources under the framework of 7th NFC Award, net transfers to provinces are estimated at Rs.1,938.2 billion, during the current fiscal year an increase of 18.4 percent over the revised transfers of Rs.1,636.6 billion in FY2015.

Table 4.7: Transfers to Provinces (NET) (Rs. Billion)

	2010-11	2011-12	2012-13	2013-14	2014-15 R.E	2015-16 B.E
Divisible Pool	834.7	1,063.1	1,117.5	1,287.4	1,476.6	1,746.2
Straight Transfer	163.0	145.6	103.5	124.4	97.4	102.4
GST on services	-	-	83.7	1.5	0.7	0.8
Special Grants/ Subventions	54.1	53.9	61.2	53.8	33.7	38.3
Project Aid	21.9	47.8	71.3	85.2	61.9	85.5
Program Loans	0.0	4.6	4.2	59.1	18.1	19.2
Japanese Grant	0.1	0.1	0.0	0.0	0.0	0.1

Table 4.7: Transfers to Provinces (NET)						(Rs. Billion)
	2010-11	2011-12	2012-13	2013-14	2014-15 R.E	2015-16 B.E
Total Transfer to Province	**1,073.7**	**1,315.0**	**1,441.5**	**1,611.5**	**1,688.4**	**1,992.4**
Interest Payment	18.5	12.9	14.8	14.1	13.3	12.0
Loan Repayment	32.4	36.1	32.1	38.7	38.6	42.2
Transfer to Province(Net)	**1,022.8**	**1,266.0**	**1,394.5**	**1,558.8**	**1,636.6**	**1,938.2**
Source: Various issue of Budget in Brief.						

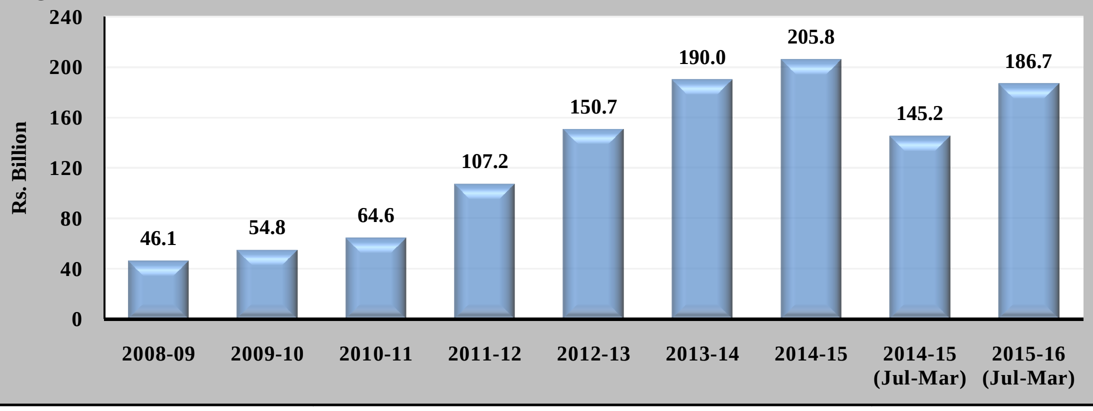
During FY2015, provinces posted a surplus of Rs.87.3 billion against Rs.196.9 billion in FY2014 on account of lower growth in tax revenues and high growth in current expenditures. While during the first nine months of the current fiscal year, provinces posted a surplus of Rs.221.2 billion against Rs.194.0 billion in the same period of last fiscal year.

Overall tax revenues increased from Rs.1,596.2 billion during FY2014 to Rs.1,744.5 billion in FY2015, thus posted a growth of 9.3 percent. Within tax revenues, provincial taxes grew by 8.3 percent, while federal transfers increased by 9.4 percent. The major contribution in revenues came from federal transfers, which has contributed 81.0 percent of provincial revenues during FY2015. On the other hand provinces own revenue receipts contributed 10.8 percent in total revenues during the period under review.

Table 4.8: Overview of Provincial Fiscal Operations							Rs. Billion
Items	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**July-March**	
						2015-16	**2014-15**
A. Tax Revenue	1,063.9	1,197.1	1,365.7	1,596.2	1,744.5	1,439.9	1,252.8
Provincial Taxes	64.6	107.2	150.7	190.0	205.8	186.7	145.2
Share in Federal Taxes	999.3	1,089.9	1,215.0	1,406.3	1,538.7	1,253.2	1,107.6
B. Non-Tax Revenue	62.3	48.0	71.3	49.4	75.6	44.7	36.9
C. All Others	85.1	88.6	107.4	121.8	82.3	42.0	71.5
Total Revenues (A+B+C)	1,211.3	1,333.7	1,544.4	1,767.4	1,902.4	1,526.6	1,361.2
a) Current Expenditure	831.2	980.6	1,110.0	1,187.4	1,400.1	1,047.2	953.0
b) Development Expenditure (PSDP)	245.6	375.4	371.5	430.5	498.8	372.1	291.5
Total Exp (a+b)	1,076.8	1,356.0	1,481.6	1,617.9	1,898.9	1,419.3	1,244.4
Source: Fiscal Operations (various issues), Budget Wing							

The share of provincial tax in total revenues has shown a rising trend since FY2011, as it has increased from 5.3 percent to 10.8 percent during FY2014. However, it remained at the same level of 10.8 percent during FY2015.During July-March, FY2016 tax revenues posted a growth of 14.9 percent and stood at Rs.1,439.9 billion against Rs.1,252.8 billion in the same period last year. Within tax revenues, provincial taxes grew at 28.6 percent, while the share in federal taxes registered a growth of 13.1 percent during the period under review.

Fig: 4.5-Provincial Taxes



On the other hand, total expenditures posted a growth of 14.1 percent and stood at Rs.1,419.3 billion during the first nine months of the current fiscal year against Rs.1,244.4 billion in the comparable period of FY2015. The rise in total expenditure is largely attributed to high growth in development expenditure i.e 27.7 percent.

Medium Term Budgetary Framework (MTBF)

Each year, on a rolling basis, the government prepares a medium-term macro-fiscal framework that guides the preparation of the annual budget. This strategic top-down approach to budget making is aimed at improving fiscal discipline and allocation of resources to Ministries/Divisions as per the stated policy objectives of the government. The macro-fiscal framework and the policy priorities of the government are discussed each year in the Cabinet meeting, in the shape of a Budget Strategy Paper, weeks before the annual budget is presented in the parliament. This helps in the provision of a strategic direction to the annual budget in the medium-term context.

In addition to the strategic component of the reform initiative, a performance-based budgeting and monitoring system has been introduced in all Federal Ministries/Divisions. The performance orientation to the planning, budgeting and monitoring systems of the government is aimed at improving the performance of public service delivery in the Federal Ministries/Divisions.

Both the Budget Strategy Paper, and the performance-based budgeting and monitoring systems are part of the reform program called the ‘Medium-Term Budgetary Framework’ (MTBF).

The Finance Division is in the progress of further strengthening and embedding the reforms initiative. Streamlining of planning, budgeting and monitoring processes, enhancing capacities of the offices of Principal Accounting Officers, improved linkages with the Vision 2025 document, computerization of performance budgeting and monitoring systems – and linkage with the Government Integrated Financial Management System (IFMIS), improving regulatory framework, and formulation of Public Financial Management reform strategy, are some of the important steps being undertaken.

Conclusion

It is a well-known fact that the effective utilization of fiscal policy tools (government spending and taxation) can efficiently influence the economic direction of the country. It stimulates macroeconomic stability by managing aggregate demand and moderating economic activity. The present government is well aware of this fact and therefore, it has implemented a wide-ranging agenda of economic reforms with an aim to ensure fiscal discipline and accelerating economic growth.

Since 2013, Pakistan has made a considerable improvement in restoring economic stability and now the economy is moving on a high growth trajectory. Furthermore, the fiscal sector of the economy has witnessed a notable improvement on account of contained expenditures and increased revenues. The fiscal deficit has been reduced significantly from 8.2 percent of GDP in FY2013 to 5.3 percent during FY2015. While during July-March, FY2016, fiscal deficit has been reduced to 3.4 percent of GDP as compared to 3.8 percent during FY2015. The economy is on the course of reducing the fiscal deficit further to 4.3 percent of GDP during the current fiscal year. Moreover, FBR revenues have increased from 8.7 percent of GDP in FY2013 to 9.4 percent of GDP in FY2015. It is expected to reach 10.1 percent of GDP during the current fiscal year. It is a matter of great pride that various international financial institutions have appreciated the progress of Pakistan’s economy which has proved to be resilient in the face of multifaceted challenges.

Fiscal Devlopment

TABLE 4.1

FEDERAL GOVERNMENT OVERALL BUDGETARY POSITION

Rs. in million

Fiscal Year / Item	2014-15	2015-16 (Jul-Mar)
A. REVENUE		
FBR Tax Revenue (1 +2)	2,588,176 *	2,103,000
1. Direct Taxes	1,029,244	794,000
2. Indirect Taxes	1,558,932	1,309,000
i. Customs	306,140	300,000
ii. Sales Tax	1,088,823	894,000
iii. Federal Excise	163,969	115,000
Others	223,597	191,286
Non-Tax Revenue	850,761	445,309
Gross Revenue Receipts**	3,662,534	2,739,595
B. EXPENDITURE		
Current Expenditure	3,070,319	2,393,724
i. Defence	697,821	482,912
ii. Mark-up payments	1,303,767	1,079,436
iii. Grants	320,881	278,673
vi. Others***	747,850	552,703
Development Expenditure and Net Lending	691,347	355,254
Total Expenditure	3,761,666	2,748,978

Source: Budget Wing, Finance Division, Islamabad

* Revised : Rs.2589,978 million

**: Includes Petroleum Levy, Airport tax , other taxes of ICT, Gas Infrastructure Development Cess and Natural Gas Development Surcharge

*** : Includes other categories not shown here

TABLE 4.2

SUMMARY OF PUBLIC FINANCE (CONSOLIDATED FEDERAL & PROVINCIAL GOVERNMENTS)

Rs. in million

Fiscal Year/ Items	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16 (Jul-Mar)
Total Revenues (i+ii)	1,850,901	2,078,165	2,252,855	2,566,514	2,982,436	3,637,297	3,931,042	2,961,896
Federal	1,721,028	1,955,457	2,125,975	2,411,297	2,760,436	3,397,954	3,649,604	2,730,471
Provincial	129,873	122,708	126,880	155,217	222,000	239,343	281,438	231,425
i) Tax Revenues	1,204,670	1,472,821	1,699,334	2,052,886	2,199,232	2,564,509	3,017,596	2,480,992
Federal	1,158,586	1,418,007	1,634,775	1,945,697	2,048,509	2,374,540	2,811,773	2,294,286
Provincial	46,084	54,814	64,559	107,189	150,723	189,969	205,823	186,706
ii) Non-Tax Revenues	646,231	605,344	553,521	513,628	783,204	1,072,788	913,446	480,904
Federal	562,442	537,450	491,200	465,600	711,927	1,023,414	837,831	436,185
Provincial	83,789	67,894	62,321	48,028	71,277	49,374	75,615	44,719
Total Expenditures (a+b+c+d)	2,531,308	3,007,226	3,447,264	4,327,185	4,816,300	5,026,016	5,387,767	3,971,312
a) Current	2,041,569	2,386,042	2,900,784	3,468,487	3,660,434	4,004,582	4,424,747	3,406,969
Federal	1,495,872	1,758,826	2,088,124	2,500,717	2,565,222	2,831,249	3,037,584	2,368,922
Provincial	545,697	627,216	812,660	967,770	1,095,212	1,173,333	1,387,163	1,038,047
b) Development	448,817	613,441	506,103	776,850	777,096	1,135,918	1,113,223	699,368
c) Net Lending to PSE's	6,911	39,383	7,904	12,019	362,783	100,610	27,381	10,800
d) Statistical Discrepancy	34,011	-31,640	32,473	69,829	15,987	-215,094	-177,584	-145,825
Overall Deficit	680,407	929,061	1,194,409	1,760,671	1,833,864	1,388,719	1,456,725	1,009,416
Financing (net)	680,407	929,061	1,194,409	1,760,671	1,833,864	1,388,719	1,456,725	1,009,416
External (net)	149,651	188,889	107,705	128,650	-1,676	511,727	181,032	222,938
Domestic (i+ii+iii)	529,466	740,172	1,086,704	1,632,021	1,835,540	876,992	1,275,693	786,478
i) Non-Bank	223,846	435,610	471,575	529,384	378,040	553,330	366,138	248,446
ii) Bank	305,620	304,562	615,129	1,102,637	1,457,500	323,662	892,057	538,032
iii) Privatization Proceeds	1,290	0	0	0	0	0	17,498	0
Memorandum Item								
GDP (mp) in Rs. Billion	13,200	14,867	18,276	20,047	22,386	25,169	27,493	29,598
	(As Percent of GDP at Market Price)*							
Total Revenue	14.0	14.0	12.3	12.8	13.3	14.5	14.3	10.0
Tax Revenue	9.1	9.9	9.3	10.2	9.8	10.2	11.0	8.4
Non-Tax Revenue	4.9	4.1	3.0	2.6	3.5	4.3	3.3	1.6
Expenditure	19.2	20.2	18.9	21.6	21.5	20.0	19.6	13.4
Current	15.5	16.0	15.9	17.3	16.4	15.9	16.1	11.5
Development Expenditure & net Lending	3.5	4.4	2.8	3.9	5.1	4.9	4.1	2.4
Overall Deficit	5.2	6.2	6.5	8.8	8.2	5.5	5.3	3.4

* : Due to change of base of GDP of 2005-06 prior years are not comparable

Source: Budget Wing, Finance Division, Islamabad

TABLE 4.3

CONSOLIDATED FEDERAL & PROVINCIAL GOVERNMENT REVENUES

Rs. in million

Fiscal Year/ Item	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16 (Jul-Mar)
Total Revenue (I+II)	1,850,901	2,078,165	2,252,854	2,566,514	2,982,436	3,637,297	3,931,042	2,961,896
Federal	1,721,028	1,955,457	2,125,975	2,411,297	2,760,436	3,397,954	3,649,604	2,730,471
Provincial	129,873	122,708	126,879	155,217	222,000	239,343	281,438	231,425
I. Tax Revenues (A+B)	1,204,670	1,472,821	1,699,334	2,052,886	2,199,232	2,564,509	3,017,596	2,480,992
Federal	1,158,586	1,418,007	1,634,775	1,945,697	2,048,509	2,374,540	2,811,773	2,294,286
Provincial	46,084	54,814	64,559	107,189	150,723	189,969	205,823	186,706
A. Direct Taxes (1+2)	444,875	534,368	598,514	739,775	742,488	893,351	1,040,038	797,546
1 Federal	440,271	528,649	594,689	731,941	735,758	884,118	1,029,244	794,000
2 Provincial	4,604	5,719	3,825	7,834	6,730	9,233	10,794	3,546
B. Indirect Taxes (3+4+5+6+7)	759,796	938,453	1,100,820	1,313,111	1,456,744	1,671,158	1,977,558	1,683,446
3. Excise Duty	119,517	125,368	141,600	126,209	124,349	144,540	170,004	120,028
Federal	116,055	121,182	137,207	122,014	119,453	139,084	163,969	115,000
Provincial	3,462	4,186	4,393	4,195	4,896	5,456	6,035	5,028
4. Sales Tax*	452,294	516,102	632,824	809,310	841,324	1,002,110	1,088,823	894,000
5. Taxes on International Trade	148,382	161,489	185,437	218,215	239,608	240,997	306,140	300,000
6. Surcharges*	126,026	114,650	113,103	83,329	141,837	142,064	157,231	128,633
6.1 Gas	14,015	25,908	30,358	22,960	32,171	38,530	25,874	24,634
6.2 Petroleum	112,011	88,742	82,745	60,369	109,666	103,534	131,357	103,999
7. Other Taxes*	39,603	46,752	58,214	99,008	141,797	179,977	255,360	240,785
7.1 Stamp Duties	11,290	11,693	14,007	16,527	18,306	21,790	29,476	24,496
7.2 Motor Vehicle Taxes	7,534	10,222	10,507	11,140	13,975	15,565	15,872	14,326
7.3 Others**	20,779	24,837	33,700	71,341	109,516	142,622	210,012	201,963
II. Non-Tax Revenues	646,231	605,344	553,520	513,628	783,204	1,072,788	913,446	480,904
Federal	562,442	537,450	491,200	465,600	711,927	1,023,414	837,831	436,185
Provincial	83,789	67,894	62,320	48,028	71,277	49,374	75,615	44,719

* : Mainly includes Provincial Revenues

Source: Budget Wing, Finance Division

** : Others include GIDC, Sales tax on sevices GST and other Federal and provincial taxes.

Note : Government has abolished Foreign Travel Tax from 2008-09

TABLE 4.4

CONSOLIDATED FEDERAL & PROVINCIAL GOVERNMENT EXPENDITURES

Rs. in million

Fiscal Year/ Item	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16 (Jul-Mar)
Current Expenditure	2,041,569	2,386,042	2,900,784	3,468,487	3,660,434	4,004,582	4,424,747	3,406,969
Federal	1,495,872	1,758,826	2,088,124	2,500,717	2,565,222	2,831,249	3,037,584	2,368,922
Provincial	545,697	627,216	812,660	967,770	1,095,212	1,173,333	1,387,163	1,038,047
Defence	329,902	375,019	450,615	507,159	540,595	623,085	697,821	482,912
Mark-up Payments	656,258	661,270	716,603	901,919	1,005,798	1,161,876	1,316,697	1,088,560
Federal	637,790	642,269	698,095	889,044	990,967	1,147,793	1,303,767	1,079,436
Provincial	18,468	19,001	18,508	12,875	14,831	14,083	12,930	9,124
Current Subsidies	213,345	213,458	380,590	512,961	357,991	305,748	241,593	119,485
Others	296,367	509,079	540,316	578,678	660,838	740,540	781,473	677,965
Development Expenditure	448,817	613,441	506,103	776,850	777,096	1,135,918	1,113,223	699,368
Net Lending to PSEs	6,911	39,383	7,904	12,019	362,783	100,610	27,381	10,800
Statistical Discrepancy	34,011	-31,641	32,473	69,829	15,987	-215,094	-177,584	-145,825
Total Expenditure	2,531,308	3,007,225	3,447,264	4,327,185	4,816,300	5,026,016	5,387,767	3,971,312
Memorandum Items:	(Percent Growth over preceding period)							
Current Expenditure	10.2	16.9	21.6	19.6	5.5	9.4	10.5	-
Defence	19.0	13.7	20.2	12.5	6.6	15.3	12.0	-
Mark-up Payments	28.8	0.8	8.4	25.9	11.5	15.5	13.3	-
Current Subsidies	-49.6	0.1	78.3	34.8	-30.2	-14.6	-21.0	-
Development Expenditure	-0.7	36.7	-17.5	53.5	0.0	46.2	-2.0	-
Expenditure Booked excl discrepency	9.7	21.7	12.4	24.7	12.8	9.2	6.2	-
Total Expenditure**	11.2	18.8	14.6	25.5	11.3	4.4	7.2	-
	As % of total expenditures							
Current Expenditure	80.7	79.3	84.1	80.2	76.0	79.7	82.1	85.8
Defence	13.0	12.5	13.1	11.7	11.2	12.4	13.0	12.2
Mark-up Payments	25.9	22.0	20.8	20.8	20.9	23.1	24.4	27.4
Current Subsidies	8.4	7.1	11.0	11.9	7.4	6.1	4.5	3.0
Development Expenditure*	18.0	21.7	14.9	18.2	23.7	24.6	21.2	17.9

* : Include Net Lending

Source: Budget Wing, Finance Division

TABLE 4.5

DEBT SERVICING

Rs. in million

Fiscal Year / Item	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16 (Jul-Mar)
A. Mark-up Payments	656,259	661,270	716,603	901,919	1,005,798	1,161,876	1,316,697	1,088,560
A.1 Federal	637,790	642,269	698,095	889,044	990,967	1,147,793	1,303,767	1,079,436
Servicing of Domestic Debt	558,729	578,287	629,709	821,115	920,353	1,072,813	1,208,105	1,002,868
Servicing of Foreign Debt	79,061	63,982	68,386	67,929	70,614	74,980	95,662	76,568
A.2 Provincial	18,469	19,001	18,508	12,875	14,831	14,083	12,930	9,124
B. Repayment/Amortization of Foreign Debt	224,576	196,811	157,945	135,286	217,872	312,112	285,193	291,424
C. Total Debt Servicing (A+B)	880,835	858,081	874,548	1,037,205	1,223,670	1,473,988	1,601,890	1,379,984
MEMORANDUM ITEMS	(As Percent of GDP)							
Servicing of Domestic Debt	4.2	3.9	3.4	4.1	4.1	4.3	4.4	3.4
Servicing of Foreign Debt	0.6	0.4	0.4	0.3	0.3	0.3	0.3	0.3
Repayment/Amortization of Foreign Debt	1.7	1.3	0.9	0.7	1.0	1.2	1.0	1.0
Total Debt Servicing	6.7	5.8	4.8	5.2	5.5	5.9	5.8	4.7

Source: Budget Wing, Finance Division