



FEDERAL BUDGET

2014-15

BUDGET

IN

BRIEF

GOVERNMENT OF PAKISTAN
FINANCE DIVISION
ISLAMABAD

PREFACE

The *Budget in Brief* presents a summary of the Federal Budget 2014-15. It provides salient information on revenues and expenditures budgeted for Financial Year 2014-15 along with budget estimates and revised estimates for the outgoing Financial Year 2013-14. Detailed information is available in the relevant budget documents. Readers who need a quick overview of the federal budget will find the 'Budget at a Glance' given at the end of this document to be of great value.

As in the case of the previous five financial years, indicative ceilings for the current and development budgets were issued to all Principal Accounting Officers of the Federal Government for a three-year Medium Term Budgetary Framework (MTBF), which was introduced in Financial Year 2009-10. The budget estimates for Financial Year 2014-15 were then finalised in consultation with various Federal Ministries as well as Provincial Governments.

The budgeting and accounting classification system used in the budget remains the same which was adopted under the New Accounting Model introduced in Financial Year 2004-05. Moreover, from Financial Year 2009-10 onwards, the Government of Pakistan is following a system of *Output Based Budgeting*. In conformity with this approach, the budget is formulated in terms of service delivery (outputs) expected from budgetary allocations and the projected effects of these services on target populations (outcomes) over the Medium Term. Performance of Federal Government Ministries is then evaluated against precisely defined key performance indicators.

Medium Term macroeconomic indicators have also been included in this document to provide the strategic economic perspective which contextualises the budget 2014-15.

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

I hope that this document will prove to be of benefit to all those who seek a simple and clear understanding of Budget 2014-15.

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Secretary to the Government of Pakistan

Finance Division
Islamabad, the 3rd June, 2014

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CHAPTER - 1
REVIEW OF BUDGET 2013-14

SALIENT FEATURES

1.1 The budget 2013-14 had the following salient features:

- a) The total outlay of budget 2013-14 was Rs 3,985 billion. This size was higher by 24.4% than the size of budget 2012-13. The size of outlay increased to Rs 4,057 billion in revised estimates 2013-14 or by 1.8%.
- b) The resource availability during 2013-14 had been estimated at Rs 3,011 billion. However, volume of resources increased to Rs 3,681 billion or by 22.3% in revised estimates 2013-14.
- c) The net revenue receipts for 2013-14 had been estimated at Rs 1,918 billion, which increased to Rs 2,184 billion or by 13.9% in revised estimates 2013-14.
- d) The provincial share in federal revenue receipts was estimated at Rs 1,502 billion during 2013-14, which decreased to Rs 1,413 billion in revised estimates 2013-14.
- e) The net capital receipts for 2013-14 had been estimated at Rs 493 billion, which increased to Rs 600 billion in revised estimates 2013-14 or by 21.7%.
- f) The external receipts in 2013-14 were estimated at Rs 576 billion, which increased to Rs 714 billion in revised estimates or by 24%.
- g) The overall expenditure during 2013-14 had been estimated at Rs 3,985 billion, out of which the share of current expenditure was Rs 3,196 billion and that of development expenditure was Rs 789 billion. Current expenditure of revised estimates showed an increase of 2.5 billion than budget estimates of 2013-14, while development expenditure showed an increase of Rs 69.4 billion.
- h) The share of current expenditure in total budgetary outlay for 2013-14 was 80.2% as compared to 78.8% in revised estimates 2013-14.
- i) The expenditure on general public service for budget 2013-14 was estimated at Rs 2,357 billion, which was 73.8% of the total current expenditure.

- j) The total size of Public Sector Development Programme (PSDP) for 2013-14 was Rs 1,155 billion. Out of this, Rs 615 billion was allocated to Provinces. Federal PSDP 2013-14 was estimated at Rs 540 billion, out of which Rs 296 billion for Federal Ministries / Divisions, Rs 115 billion for Corporations, Rs 5 billion for Special Programmes, Rs 115 billion to New Development Initiatives and Rs 10 billion for Earthquake Reconstruction and Rehabilitation Authority (ERRA).
- k) The other development expenditure outside PSDP was budgeted at Rs 172 billion for Financial Year 2013-14.
- l) To meet expenditure, bank borrowing was estimated at Rs 975 billion, which was at lower side in revised estimates 2013-14 at Rs 376 billion.

1.2 Table-1 below presents a summary of comparative position of the budget and revised estimates for Financial Year 2013-14:

TABLE - 1
SUMMARY 2013-14

Classification	(Rs in Million)	
	Budget 2013-14	Revised 2013-14
RESOURCES	3,010,453	3,681,022
- Internal Resources	2,434,035	2,966,910
- Net Revenue Receipts	1,917,708	2,183,807
- Net Capital Receipts	493,226	600,058
- Estimated Provincial Surplus	23,101	183,045
- External Resources	576,419	714,112
EXPENDITURE	3,985,437	4,057,293
- Current Expenditure	3,196,082	3,198,585
- Development Expenditure	789,355	858,707
• Federal PSDP	540,000	425,000
• Development Loans & Grants to Provinces	77,540	144,348
• Other Development Expenditure	171,815	289,360
BANK BORROWING	974,987	376,271

RESOURCES:**INTERNAL RESOURCES**

1.3 The internal resources come through net revenue receipts, net capital receipts and estimated provincial surplus. Table-2 provides the details of budget and revised estimates for 2013-14 in respect of net revenue receipts, while table-3 provides the details of net capital receipts.

NET REVENUE RECEIPTS

1.4 After the share of Provinces in gross revenue is transferred, the net revenue receipts of Federal Government were estimated at Rs 1,917,708 million in the budget 2013-14, which have now been revised upwards to Rs 2,183,807 million in the revised estimates 2013-14 showing an increase of 13.9%. Table-2 provides the details:

TABLE - 2
NET REVENUE RECEIPTS
(2013-14)

Classification	(Rs in Million)	
	Budget 2013-14	Revised 2013-14
TAX REVENUE (A + B)	2,671,414	2,513,945
A. FBR Taxes	2,475,000	2,275,000
- Direct Taxes	975,700	891,000
- Indirect Taxes	1,499,300	1,384,000
B. Other Taxes	196,414	238,945
NON-TAX REVENUE	748,583	1,083,197
- Income from Property and Enterprise	239,913	321,274
- Receipts from Civil Administration and Other Functions	316,782	389,515
- Miscellaneous Receipts	191,887	372,409
Gross Revenue Receipts	3,419,997	3,597,142
Provincial Share in Gross Revenue	1,502,289	1,413,335
Net Revenue Receipts	1,917,708	2,183,807

1.5 The tax revenue was estimated for budget 2013-14 at Rs 2,671,414 million, which decreased to Rs 2,513,945 million or by 5.9% in revised estimates 2013-14. The non-tax revenue was estimated for 2013-14 at Rs 748,583 million, which increased to Rs 1,083,197 million or by 44.7% in revised estimates 2013-14.

NET CAPITAL RECEIPTS

1.6 These receipts comprise proceeds of borrowing, money received in repayment of loans, recoveries of advances/investments, proceeds of saving schemes, net receipts from transactions under deposits and remittances heads. The net capital receipts for the year 2013-14 were budgeted at Rs 493,226 million. The revised estimates are Rs 600,058 million, which indicates an increase of 21.7%. Table-3 provides the details:

TABLE - 3
NET CAPITAL RECEIPTS
(2013-14)

Classification	(Rs in Million)	
	Budget 2013-14	Revised 2013-14
I. RECEIPTS (A + B + C)	734,610	805,274
A. Recovery of Loans	227,767	111,360
B. Public Debt (Net)	259,935	524,339
- Permanent Debt	164,935	367,581
- Floating Debt	95,000	156,758
C. Public Account	246,907	169,575
II. DISBURSEMENTS	241,384	205,216
NET CAPITAL RECEIPTS (I-II):	493,226	600,058

ESTIMATED PROVINCIAL SURPLUS

1.7 The estimated provincial surplus was budgeted at Rs 23,101 million for 2013-14, which increased to Rs 183,045 million in revised estimates 2013-14.

EXTERNAL RESOURCES

1.8 The Government obtains foreign loans and grants to use for capital and development expenditure. The external loans for 2013-14 were budgeted at Rs 467,437 million, which are now projected at Rs 675,326 million in revised estimates showing an increase of 44.5%. This increase is mainly due to more receipts from Euro Bonds.

1.9 External grants reduced from Rs 108,982 million in the budget estimates 2013-14 to Rs 38,786 million in the revised estimates 2013-14 or lower by 64.4%.

1.10 Overall external resources were estimated at Rs 576,419 million, which increased to Rs 714,112 million or by 23.9% in the revised estimates 2013-14. Table-4 below presents the details:

TABLE - 4
EXTERNAL RESOURCES
(2013-14)

Classification	(Rs in Million)	
	Budget 2013-14	Revised 2013-14
I. EXTERNAL LOANS (a to c)	467,437	675,326
a. Project Loans	159,165	168,896
b. Programme Loans	110,272	249,386
c. Other Aid	198,000	257,044
II. EXTERNAL GRANTS	108,982	38,786
TOTAL EXTERNAL RESOURCES (I + II):	576,419	714,112

EXPENDITURE

1.11 The budget estimates 2013-14 of the overall expenditure were Rs 3,985,437 million, which increased to Rs 4,057,293 million in revised estimates 2013-14 or by 1.8%.

1.12 The components of expenditure are current and development. Table-5 below shows the comparative position of the budget and revised estimates of current and development expenditure for the Financial Year 2013-14:

TABLE - 5
CURRENT AND DEVELOPMENT EXPENDITURE
(2013-14)

Classification	(Rs in Million)	
	Budget 2013-14	Revised 2013-14
A. CURRENT	3,196,082	3,198,585
- General Public Service	2,357,401	2,364,879
- Defence Affairs & Services	627,226	629,752
- Public Order and Safety Affairs	78,462	77,039
- Economic Affairs	52,262	42,988
- Environment Protection	924	899
- Housing and Community Amenities	1,912	1,558
- Health Affairs & Services	9,863	9,437
- Recreation, Culture and Religion	6,950	6,633
- Education Affairs and Services	59,277	63,442
- Social Protection	1,806	1,959
B. DEVELOPMENT	789,355	858,707
- Federal PSDP	540,000	425,000
- Other Development Expenditure	171,815	289,360
- Development Loans & Grants to Provinces	77,540	144,348
TOTAL EXPENDITURE (A + B):	3,985,437	4,057,293

CHAPTER - 2

THE BUDGET 2014-15

SALIENT FEATURES

2.1 The budget 2014-15 has the following salient features:

- a) The total outlay of budget 2014-15 is Rs 4,302 billion. This size is 7.9% higher than the size of budget estimates 2013-14.
- b) The resource availability during 2014-15 has been estimated at Rs 4,074 billion against Rs 3,011 billion in the budget estimates of 2013-14.
- c) The net revenue receipts for 2014-15 have been estimated at Rs 2,225 billion indicating an increase of 16% over the budget estimates of 2013-14.
- d) The provincial share in federal revenue receipts is estimated at Rs 1,720 billion during 2014-15, which is 14.5% higher than the budget estimates for 2013-14.
- e) The net capital receipts for 2014-15 have been estimated at Rs 691 billion against the budget estimates of Rs 493 billion in 2013-14 i.e. an increase of 40%.
- f) The external receipts in 2014-15 are estimated at Rs 869 billion. This shows an increase of 50.7% over the budget estimates for 2013-14.
- g) The overall expenditure during 2014-15 has been estimated at Rs 4,302 billion, out of which the current expenditure is Rs 3,463 billion and development expenditure is Rs 839 billion. Current expenditure has been estimated to be higher than the revised estimates for 2013-14 by 8.3%, while development expenditure lower by 2.4%.
- h) The share of current expenditure in total budgetary outlay for 2014-15 is 80.5% as compared to 78.8% in revised estimates for 2013-14.
- i) The expenditure on General Public Services is estimated at Rs 2,543 billion which is 73.4% of the current expenditure.

- j) The size of Public Sector Development Programme (PSDP) for 2014-15 is Rs 1,175 billion. Out of this, Rs 650 billion has been allocated to provinces. Federal PSDP has been estimated at Rs 525 billion, out of which Rs 296 billion to Federal Ministries / Divisions, Rs 176 billion to Corporations, Rs 12.5 billion to Pak Millennium Development Goals and Community Development Programme, Rs 36 billion to Federal Development Programme / Projects for Provinces and Special Areas, and Rs 5 billion to Earthquake Reconstruction and Rehabilitation Authority (ERRA).
- k) The other development expenditure outside PSDP for 2014-15 has been estimated at Rs 162 billion.
- l) To meet expenditure, bank borrowing has been estimated for 2014-15 at Rs 228 billion, which is lower than the budget and revised estimates of 2013-14.

2.2 Table-6 below presents the comparative position of budget and revised estimates for Financial Year 2013-14 and budget estimates for Financial Year 2014-15.

TABLE - 6
COMPARATIVE BUDGETARY POSITION
2013-14 AND 2014-15

(Rs in Million)			
Classification	Budget 2013-14	Revised 2013-14	Budget 2014-15
i) RESOURCES (a + b)	3,010,453	3,681,022	4,073,839
a. Internal Resources	2,434,035	2,966,910	3,205,230
- Net Revenue Receipts	1,917,708	2,183,807	2,225,322
- Net Capital Receipts	493,226	600,058	690,618
- Estimated Provincial Surplus	23,101	183,045	289,289
b. External Resources	576,419	714,112	868,610
ii) EXPENDITURE (a + b)	3,985,437	4,057,293	4,301,746
a. Current Expenditure*	3,196,082	3,198,585	3,463,245
b. Development Expenditure	789,355	858,707	838,500
- Federal PSDP	540,000	425,000	525,000
- Development Loans & Grants to Provinces	77,540	144,348	151,688
- Other Development Expenditure	171,815	289,360	161,813
BANK BORROWING	974,988	376,271	227,906
*Total Current Expenditure excluding Repayment of Foreign Loans	2,829,321	2,935,004	3,130,071

CHAPTER - 3
RESOURCE POSITION
(2014-15)

3.1 There are two type of resources i.e. internal and external. The internal resources comprise of revenue receipts, capital receipts and estimated provincial surplus. The external resources come from foreign loans and grants. Table-7 below presents the overall comparative resource position for the year 2013-14 (budget and revised) and 2014-15 (budget).

TABLE - 7
RESOURCE POSITION

Classification	(Rs in Million)		
	Budget 2013-14	Revised 2013-14	Budget 2014-15
A. INTERNAL RESOURCES	2,434,035	2,966,910	3,205,230
- Net Revenue Receipts	1,917,708	2,183,807	2,225,322
- Net Capital Receipts	493,226	600,058	690,618
- Estimated Provincial Surplus	23,101	183,045	289,289
B. EXTERNAL RESOURCES	576,419	714,112	868,610
TOTAL RESOURCES (A + B):	3,010,453	3,681,022	4,073,839

INTERNAL RESOURCES

NET REVENUE RECEIPTS

3.2 The gross revenue receipts in budget 2014-15 are estimated at Rs 3,945,504 million showing an increase of 9.7% over the revised estimates 2013-14.

3.3 The provincial share in taxes for 2014-15 is estimated at Rs 1,720,182 million, which is 21.7% higher than the revised estimates of 2013-14. After the share of Provinces in gross revenues is transferred, the net revenue of Federal Government has been estimated to be Rs 2,225,322 million for Financial Year 2014-15.

3.4 The tax revenue for 2014-15 is estimated at Rs 3,129,210 million, which reflects an increase of 24.5% over revised estimates 2013-14. Out of which FBR collection is Rs 2,810,000 million. Non-tax revenue is projected at Rs 816,294 million in 2014-15 as compared with Rs 1,083,197 million (includes Rs 157,000 million of Pakistan Development Fund) in revised estimates 2013-14.

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

TABLE - 8
NET REVENUE RECEIPTS

Classification	(Rs in Million)		
	Budget 2013-14	Revised 2013-14	Budget 2014-15
Tax Revenue (A + B)	2,671,414	2,513,945	3,129,210
A. FBR Taxes	2,475,000	2,275,000	2,810,000
- Direct Taxes	975,700	891,000	1,180,000
- Indirect Taxes	1,499,300	1,384,000	1,630,000
B. Other Taxes	196,414	238,945	319,210
Non-Tax Revenue	748,583	1,083,197	816,294
- Property and Enterprise	239,913	321,274	191,992
- Civil Administration and Other Functions	316,782	389,515	417,453
- Miscellaneous Receipts	191,887	372,409	206,850
Gross Revenue Receipts	3,419,997	3,597,142	3,945,504
Provincial Share in Gross Revenue	1,502,289	1,413,335	1,720,182
Net Revenue Receipts	1,917,708	2,183,807	2,225,322

TABLE - 9
TAX REVENUE

(Rs in Million)			
Classification	Budget 2013-14	Revised 2013-14	Budget 2014-15
A. FBR TAXES (I + II)	2,475,000	2,275,000	2,810,000
I. Direct Taxes	975,700	891,000	1,180,000
- Taxes on Income	948,700	876,910	1,163,821
- Workers Welfare Fund	21,000	13,500	15,500
- Capital Value Tax (CVT)	-	590	679
- Income Support Levy	6,000	-	-
II. Indirect Taxes	1,499,300	1,384,000	1,630,000
- Customs Duties	279,000	241,000	281,000
- Sales Tax	1,053,500	1,005,000	1,171,000
- Federal Excise	166,800	138,000	178,000
B. OTHER TAXES	196,414	238,945	319,210
- Other Indirect Taxes (ICT)	3,000	3,860	4,720
- Airport Tax	75	85	90
- Gas Infrastructure Development Cess	38,000	88,000	145,000
- Natural Gas Development Surcharge	35,339	39,000	46,400
- Petroleum Levy	120,000	108,000	123,000
TOTAL TAX REVENUE:	2,671,414	2,513,945	3,129,210

TABLE - 10
NON-TAX REVENUE

(Rs in Million)			
Classification	Budget 2013-14	Revised 2013-14	Budget 2014-15
NON-TAX REVENUE (A+B+C)	748,582	1,083,197	816,294
A. Income from Property and Enterprise	239,913	321,274	191,992
- Pakistan Telecom Authority (PTA)	14,000	2,130	14,720
- PTA (3 G Licences)	120,000	89,000	56,000
- Regulatory Authorities	368	2,452	350
- Mark up (Provinces)	13,334	14,083	12,952
- Mark up (PSEs & Others)	23,795	68,444	25,981
- Dividends	68,417	77,541	81,989
- Profits Others	-	67,625	-
B. Receipts from Civil Administration and Other Functions	316,782	389,515	417,453
- General Administration Receipts	1,399	6,378	2,874
- Share of Surplus Profit of SBP	200,000	260,000	270,000
- Defence Services Receipts	112,135	118,569	140,220
- Law and Order Receipts	1,050	1,500	1,142
- Community Services Receipts	990	1,526	1,561
- Social Services	1,208	1,542	1,656
C. Miscellaneous Receipts	191,887	372,409	206,850
- Economic Services Receipts	2,548	2,870	2,993
- Foreign Grants	29,955	204,198	35,000
- Passport and Citizenship Fees	16,500	17,000	20,000
- Discount Retained on Local Crude Price	18,000	18,000	20,000
- Royalty on Crude Oil	32,502	33,345	32,261
- Royalty on Natural Gas	39,744	42,711	49,164
- Windfall Levy against Crude Oil	25,000	15,000	17,000
- Petroleum Levy on LPG	1,000	1,000	1,000
- Others	26,639	38,285	29,432

NET CAPITAL RECEIPTS

3.6 Capital receipts on net basis in the budget 2014-15 have been estimated at Rs 690,618 million against Rs 493,226 million in the budget estimates 2013-14 and Rs 600,058 million in the revised estimates 2013-14. Table-11 below presents the details of capital receipts, disbursements and net capital receipts.

TABLE - 11
NET CAPITAL RECEIPTS

Classification	(Rs in Million)		
	Budget 2013-14	Revised 2013-14	Budget 2014-15
I. RECEIPTS (A + B + C)	734,609	805,274	754,786
A. Recoveries of Loans & Advances	227,767	111,360	68,803
- Provinces	34,793	38,691	39,418
- Others	192,974	72,669	29,386
B. Public Debt Net (1 + 2)	259,935	524,339	415,456
1. Permanent Debt	164,935	367,581	249,935
- Pakistan Investment Bonds	75,000	500,000	250,000
- Ijara Sukuk Bonds	90,000	(132,354)	-
- FEBCs	(5)	(5)	(5)
- FCBCs	(5)	(5)	(5)
- U.S. Dollar Bearer Certificates	(5)	(5)	(5)
- Special US Dollar Bonds	(50)	(50)	(50)
2. Floating Debt	95,000	156,758	165,521
- Prize Bonds	45,000	56,758	65,521
- Treasury Bills	50,000	100,000	100,000
C. Public Account	246,907	169,575	270,527
- Saving Schemes	235,443	120,612	221,416
- G.P. Fund	4,000	6,000	4,000
- Net Deposits	7,464	42,963	45,111
II. DISBURSEMENTS	241,384	205,216	64,168
- Government Investments, loans, Advances and Others	200,468	161,757	36,684
- Repayment of Short Term Credits	40,916	43,459	27,484
NET CAPITAL RECEIPTS (I - II):	493,226	600,058	690,618
Net Lending to Others:	7,494	89,088	7,298

ESTIMATED PROVINCIAL SURPLUS

3.7 The estimated provincial surplus has been projected at Rs 289,289 million for 2014-15 as against Rs 183,045 million in revised estimates 2013-14.

3.8 Table-12 below presents total net federal transfers to provinces.

TABLE - 12
NET FEDERAL TRANSFERS TO PROVINCES

(Rs in Million)			
Classification	Budget 2013-14	Revised 2013-14	Budget 2014-15
A. Total Transfers to Provinces	1,631,228	1,611,538	1,904,658
- Divisible Pool Taxes	1,379,975	1,287,447	1,580,787
- Straight Transfers	115,878	124,388	137,482
- GST on Services	6,436	1,501	1,913
- Special Grants / Subventions	51,363	53,841	32,737
- Project Loans and Grants	77,540	85,244	103,559
- Programme Loans	-	59,104	48,129
- Japanese Grant	36	14	52
B. Less Payments to Federal Govt.	48,127	52,774	52,370
- Interest Payments	13,334	14,083	12,952
- Loans Repayments	34,793	38,691	39,418
Net Transfers to Provinces (A-B):	1,583,101	1,558,764	1,852,288

3.9 The net transfers to provinces are Rs 1,852,288 million in the budget estimates 2014-15. These transfers were estimated at Rs 1,583,101 million in the budget estimates 2013-14 and Rs 1,558,764 million in revised estimates 2013-14.

EXTERNAL RESOURCES

3.10 The government obtains loans and grants to bridge the gap between the receipts and expenditure. The external resources for 2014-15 have been projected at Rs 868,610 million, which are higher by 21.6% than the revised estimates 2013-14 and 50.7% than the budget estimates 2013-14. Table-13 below presents the details of receipts from external resources.

TABLE - 13
EXTERNAL RESOURCES

	(Rs in Million)		
Classification	Budget 2013-14	Revised 2013-14	Budget 2014-15
I. EXTERNAL LOANS (A to C)	467,437	675,326	623,807
A. Project Loans (i+ii)	159,165	168,896	174,843
i Federal Government	102,289	97,946	92,835
- Ministries/Divisions	37,717	35,374	24,592
- Corporations/Autonomous Bodies	64,572	62,573	68,243
ii Provinces	56,876	70,949	82,008
B. Programme Loans	110,272	249,386	201,464
C. Other Aid	198,000	257,044	247,500
- Islamic Development Bank	49,500	51,450	49,500
- Euro Bonds	49,500	205,594	49,500
- Sukuk Bonds	-	-	49,500
- China Safe Deposits	99,000	-	99,000
II. EXTERNAL GRANTS	108,982	38,786	244,803
- Project Aid Grants	27,657	22,565	30,852
• Federal Departments	6,942	6,070	8,752
• Autonomous Bodies	50	2,200	550
• Provinces	20,664	14,295	21,551
- Tokyo Pledges	1,119	-	-
- Privatization Proceeds	79,200	-	198,000
- Kerry Lugar	1,006	16,221	15,951
TOTAL (I + II):	576,419	714,112	868,610

CHAPTER - 4

PROVINCIAL SHARE IN FEDERAL REVENUE RECEIPTS

NFC Award

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

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

4.3 A special feature of the Award is recognition for requirements of Balochistan. Its share from the divisible pool was guaranteed at Rs.83 billion in fiscal year 2010-11 which was more than double from the actual divisible pool share of fiscal year 2009-10. It has also been ensured that Baluchistan province would receive provincial share in the divisible pool based on the budgetary projections instead of actual FBR collection for the next four years of the 7th NFC Award. Shortfall, if any, based on the actual collection reported by FBR would be borne by the Federal Government itself. This arrangement is in practice since financial year 2010-11 and shall continue for the whole period of 7th NFC Award. In this regard, an amount of Rs 38.577 billion was provided to Government of Baluchistan as additionality from 2010-11 to 2013-14.

4.4 The 7th NFC Award 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 Rs 10.0 per MMBTU. Federal Government may initiate necessary legislation accordingly.

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

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

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

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

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

ASIF ALI ZARDARI,
President."

4.5 In accordance with the framework for distribution of resources structured by the 7th NFC Award, transfers to Provinces are estimated at Rs 1,720,182 million for Financial Year 2014-15, reflecting an increase of 21.7% over revised estimates. The details are as in Table-14 below:

TABLE - 14
FEDERAL TRANSFERS AND PROVINCIAL SHARE

Classification	(Rs in Million)		
	Budget 2013-14	Revised 2013-14	Budget 2014-15
A. DIVISIBLE POOL TAXES	1,379,975	1,287,447	1,580,787
- Taxes on Income	529,247	492,838	660,660
- Capital Value Tax	-	332	389
- Sales Tax (excl. GST on Services)	587,313	565,443	667,491
- Federal Excise (excl. ED on NG)	87,995	72,619	94,928
- Customs Duties (excl. EDS)	151,597	134,146	157,318
- 1% for war on terror for KPK	23,823	22,069	-
B. STRAIGHT TRANSFERS	115,878	124,388	137,482
- Royalty on Crude Oil	31,851	32,678	31,616
- Royalty on Natural Gas (NG)	38,949	41,857	48,180
- Natural Gas Development Surcharge	34,632	38,220	45,472
- Excise Duty on Natural Gas (NG)	10,446	11,633	12,214
C. GST ON SERVICES	6,436	1,501	1,913
Total (A to C):	1,502,289	1,413,335	1,720,182
PROVINCE- WISE SHARE			
Punjab	708,727	658,993	812,786
Sindh	400,062	380,342	464,007
Khyber Pakhtunkhwa *	251,520	235,048	283,675
Balochistan	141,980	138,952	159,714
Total:	1,502,289	1,413,335	1,720,182

* Inclusive 1% War on Terror (WoT)

CHAPTER - 5
CURRENT EXPENDITURE
(2014-15)

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

TABLE - 15
SUMMARY

		(Rs in Million)		
Classification	Budget 2013-14	Revised 2013-14	Budget 2014-15	
(i) Mark-up Payment	1,153,539	1,187,269	1,325,232	
- Mark-up on Domestic Debt	1,064,524	1,108,753	1,224,592	
- Mark-up on Foreign Debt	89,015	78,516	100,640	
(ii) Pension	171,263	187,684	215,000	
- Military	132,728	142,425	163,375	
- Civil	38,535	45,259	51,625	
(iii) Defence Affairs and Services	627,226	629,752	700,148	
- Defence Services	625,336	627,856	698,259	
- Defence Administration	1,890	1,896	1,889	
(iv) Grants and Transfers	337,165	335,929	370,782	
- Grants to Provinces	51,363	53,841	32,737	
- Grants to Others	285,802	282,088	338,045	
(v) Subsidies	240,434	323,020	203,248	
(vi) Running of Civil Government	274,693	271,349	290,660	
(i) Salary	147,596	148,356	174,571	
a) Pay	58,280	58,384	67,218	
b) Allowance	89,316	89,972	107,353	
(ii) Non-Salary	124,097	122,993	113,089	
(iii) Others	3,000	-	3,000	
(vii) Provision for Pay and Pension	25,000	-	25,000	
CURRENT EXPENDITURE (i to vii):	2,829,321	2,935,004	3,130,071	
(viii) Foreign Loans Repayment	366,761	263,582	333,174	
TOTAL CURRENT EXPENDITURE: (includes foreign loans repayment)	3,196,082	3,198,585	3,463,245	

5.2 The budget estimates for 2013-14 on account of current expenditure were Rs 3,196,082 million, which have now been revised upwards to Rs 3,198,585 million in revised estimates 2013-14. For budget 2014-15, current expenditure has been estimated at Rs 3,463,245 million, showing an increase of Rs 264,660 million or by 8.3% over the revised estimates 2013-14.

5.3 The bulk of expenditure falls under General Public Service. The expenditure against this head has been budgeted at Rs 2,543,334 million for 2014-15, which is 73.4% of current expenditure; whereas 20.2% has allocated for Defence Affairs and Services, and 2.5% for Public Order and Safety Affairs.

5.4 Table-16 below presents the comparative position of the budget and revised estimates of current expenditure for the year 2013-14 along with the budget estimates 2014-15.

TABLE - 16
CURRENT EXPENDITURE

Classification	(Rs in Million)		
	Budget 2013-14	Revised 2013-14	Budget 2014-15
1) General Public Service	2,357,401	2,364,879	2,543,334
2) Defence Affairs and Services	627,226	629,752	700,148
3) Public Order and Safety Affairs	78,462	77,039	86,450
4) Economic Affairs	52,262	42,988	47,585
5) Environment Protection	924	899	936
6) Housing and Community Amenities	1,912	1,558	2,012
7) Health Affairs & Services	9,863	9,437	10,017
8) Recreation, Culture and Religion	6,950	6,633	7,060
9) Education Affairs and Services	59,277	63,442	64,014
10) Social Protection	1,806	1,959	1,691
Total:	3,196,082	3,198,585	3,463,245

GENERAL PUBLIC SERVICE

5.5 Under the head of General Public Service, the major portion goes to executive & legislative organs, financial, fiscal and external affairs. At Rs 2,119,013 million, this component forms 83.3% of the allocation for General Public Service. The main heads of expenses are Servicing of Domestic Debt, Foreign Loans Repayment and Others. Transfer payments constitute another important item.

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

TABLE - 17
GENERAL PUBLIC SERVICE

Classification	(Rs in Million)		
	Budget 2013-14	Revised 2013-14	Budget 2014-15
GENERAL PUBLIC SERVICE	2,357,401	2,364,879	2,543,334
Executive & Legislative Organs, Financial & Fiscal Affairs, External Affairs	1,966,586	2,002,079	2,119,013
- Superannuation Allowances & Pensions	171,263	187,684	215,000
- Servicing of Foreign Debt	89,015	78,516	100,640
- Foreign Loans Repayment	366,761	263,582	333,174
- Servicing of Domestic Debt	1,064,524	1,108,753	1,224,592
- Others	275,023	363,543	245,607
Foreign Economic Aid	1,751	92	92
Transfers	337,165	335,929	370,782
General Services	4,655	4,401	5,107
Basic Research	2,830	2,671	3,041
Research and Development General Public Services	8,857	8,948	9,037
Administration of General Public Services	1,843	5,201	1,974
General Public Services not elsewhere defined	33,714	5,557	34,287

DEFENCE AFFAIRS AND SERVICES

5.7 Details of estimates of expenditure on Defence Affairs and Services in 2013-14 (budget & revised) and 2014-15 (budget) are given in Table-18 below:

TABLE - 18
DEFENCE AFFAIRS AND SERVICES

Classification	(Rs in Million)		
	Budget 2013-14	Revised 2013-14	Budget 2014-15
DEFENCE AFFAIRS AND SERVICES	627,226	629,752	700,148
- Defence Administration	1,890	1,896	1,889
- Defence Services	625,336	627,856	698,259
- Employees Related Expenses	271,211	271,729	293,599
- Operating Expenses	162,217	164,652	180,250
- Physical Assets	131,389	131,000	152,841
- Civil Works	62,183	62,139	73,310
- Less Recoveries	(1,664)	(1,664)	(1,741)

PUBLIC ORDER AND SAFETY AFFAIRS

5.8 Under the head of Public Order and Safety Affairs, an amount of Rs 86,450 million has been provided in the budget 2014-15 as compared with Rs 78,462 million in the budget estimates 2013-14 and Rs 77,039 million in revised estimates 2013-14. The allocation for Police (Rs 79,834 million) forms the major component, with a share of 92.4%, in the total allocation under this head. Table-19 below provides the details:

TABLE - 19
PUBLIC ORDER AND SAFETY AFFAIRS

Classification	(Rs in Million)		
	Budget 2013-14	Revised 2013-14	Budget 2014-15
PUBLIC ORDER AND SAFETY AFFAIRS	78,462	77,039	86,450
- Law Courts	3,328	3,295	3,906
- Police	72,499	71,437	79,834
- Fire Protection	150	141	155
- Prison Administration and Operation	30	29	33
- R & D Public Order and Safety	26	23	25
- Administration of Public Order	2,428	2,114	2,496

ECONOMIC AFFAIRS

5.9 The allocation under the head of Economic Affairs in the budget 2014-15 has been projected at Rs 47,585 million, which is higher by 10.7% than the revised estimates for 2013-14, but lower by 9% as compared to budget estimates 2013-14. Major share of this head goes to Agriculture, Food, Irrigation, Forestry and Fishing, which is 43.1% of total allocation for Economic Affairs. Table-20 below provides the details under this head:

TABLE - 20
ECONOMIC AFFAIRS

(Rs in Million)			
Classification	Budget 2013-14	Revised 2013-14	Budget 2014-15
ECONOMIC AFFAIRS	52,262	42,988	47,585
- General Economic, Commercial and Labour Affairs	14,940	10,184	10,692
- Agriculture, Food, Irrigation, Forestry and Fishing	20,430	17,835	20,523
- Fuel and Energy	642	865	671
- Mining and Manufacturing	1,964	1,205	1,276
- Construction and Transport	10,050	8,972	10,530
- Communications	2,804	2,697	2,502
- Others	1,431	1,229	1,391

ENVIRONMENT PROTECTION

5.10 Under the head of Environment Protection, an amount of Rs 936 million has been estimated for budget 2014-15 for Waste Water Management, which is higher by 4.1%, when compared with revised estimates 2013-14.

TABLE - 21
ENVIRONMENT PROTECTION

(Rs in Million)			
Classification	Budget 2013-14	Revised 2013-14	Budget 2014-15
ENVIRONMENT PROTECTION	924	899	936
- Waste Water Management	924	899	936

HOUSING AND COMMUNITY AMENITIES

5.11 Under the head of Housing and Community Amenities, an amount of Rs 2,012 million has been provided in the budget 2014-15 for Community Development, which is higher by 29.1%, when compared with revised estimates 2013-14.

TABLE - 22
HOUSING AND COMMUNITY AMENITIES

(Rs in Million)			
Classification	Budget 2013-14	Revised 2013-14	Budget 2014-15
HOUSING AND COMMUNITY AMENITIES	1,912	1,558	2,012
- Community Development	1,912	1,558	2,012

HEALTH AFFAIRS AND SERVICES

5.12 Under the head of Health Affairs and Services, a total allocation of Rs 10,017 million has been made in the budget estimates 2014-15, which is higher by 1.6% and 6.2% respectively when compared with budget and revised estimates 2013-14. The allocation for Hospital Services forms the major component under this classification. Details are given in Table-23 below:

TABLE - 23
HEALTH AFFAIRS AND SERVICES

Classification	(Rs in Million)		
	Budget 2013-14	Revised 2013-14	Budget 2014-15
HEALTH AFFAIRS AND SERVICES	9,863	9,437	10,017
- Medical Products, Appliances and Equipment	260	252	100
- Hospital Services	8,180	7,740	8,306
- Public Health Services	1,029	375	356
- Health Administration	394	1,070	1,255

RECREATION, CULTURE AND RELIGION

5.13 In budget 2014-15 an amount of Rs 7,060 million has been budgeted for Recreation, Culture and Religion. Overall estimates under this classification for 2014-15 are higher by 1.6% and 6.4% respectively when compared with budget and revised estimates 2013-14. The bulk of expenditure under this head has been earmarked for Broadcasting and Publishing, which is 78.2% of the total allocation. Details are given in Table-24 below:

TABLE - 24
RECREATION, CULTURE AND RELIGION

(Rs in Million)			
Classification	Budget 2013-14	Revised 2013-14	Budget 2014-15
RECREATION, CULTURE AND RELIGION	6,950	6,633	7,060
- Recreation and Sporting Services	6	19	1
- Cultural Services	555	554	509
- Broadcasting and Publishing	5,338	5,126	5,519
- Religious Affairs	781	690	762
- Administration of Information, Recreation & Culture	270	244	269

EDUCATION AFFAIRS AND SERVICES

5.14 Education Affairs and Services have been provided with Rs 64,014 million in the budget estimates 2014-15 as compared with Rs 59,277 million in budget estimates 2013-14 and Rs 63,442 million in revised estimates 2013-14. The bulk of expenditure at Rs 47,693 million has been allocated for Tertiary Education Affairs and Services in budget 2014-15, which is 74.5% of the total allocation under this head. The details are as under:

TABLE - 25
EDUCATION AFFAIRS AND SERVICES

(Rs in Million)			
Classification	Budget 2013-14	Revised 2013-14	Budget 2014-15
EDUCATION AFFAIRS AND SERVICES	59,277	63,442	64,014
- Pre-Primary & Primary Education Affairs Services	5,832	5,712	6,079
- Secondary Education Affairs & Services	7,434	7,474	7,873
- Tertiary Education Affairs and Services	43,364	47,335	47,693
- Social Welfare & Special Education Div.	103	89	75
- Subsidiary Services to Education	254	247	232
- Administration	1,505	1,262	1,275
- Education Affairs, Services not elsewhere classified	785	1,321	787

SOCIAL PROTECTION

5.15 Social protection has been allocated Rs 1,691 million in the budget 2014-15, which is lower by Rs 115 million as compared with budget estimates 2013-14, and by Rs 268 million when compared with revised estimates 2013-14.

TABLE - 26
SOCIAL PROTECTION

Classification	(Rs in Million)		
	Budget 2013-14	Revised 2013-14	Budget 2014-15
SOCIAL PROTECTION	1,806	1,959	1,691
- Administration	1,242	1,441	1,210
- Others	564	518	481

CHAPTER - 6
SUBSIDIES & GRANTS / TRANSFERS
(2014-15)

SUBSIDIES

6.1 As a matter of public policy the Government provides current subsidies to give relief to the citizens. In the budget estimates 2013-14 subsidies were Rs 240,434 million; in revised estimates 2013-14 they increased to Rs 323,020 million due to increase in subsidy to WAPDA/PEPCO/KESC for tariff differential. Total subsidies for Financial Year 2014-15 has been estimated at Rs 203,248 million.

6.2 In budget 2014-15, the allocation for subsidies to WAPDA / PEPCO forms the major component, which is 76.8% of the total allocation followed by subsidy to KESC with share of 14.3%. A total estimate of subsidies for budget 2014-15 is 0.7% of GDP. Table-27 provides the details:

TABLE - 27
SUBSIDIES

Classification	(Rs in Million)		
	Budget 2013-14	Revised 2013-14	Budget 2014-15
Subsidy to WAPDA/PEPCO:	165,100	245,100	156,100
1 Inter-Disco Tariff Differential	150,000	230,000	150,000
2 Tariff Differential for Agri-Tubewells in Balochistan	3,000	3,000	1,000
3 Pick up WAPDA / PEPCO receivables from FATA	12,000	12,000	5,000
4 Exchange Rate Differential for USAID's Grant to GENCOs	100	100	100
Subsidy to KESC:	55,000	64,317	29,000
5 Pick up KESC's Tariff Differential	55,000	64,000	29,000
6 Pick up KESC's payable to PSO & PKGCL	-	317	-

Contd....

SUBSIDIES

Classification	(Rs in Million)		
	Budget 2013-14	Revised 2013-14	Budget 2014-15
Subsidy to USC:	6,000	6,000	7,000
7 Ramzan Package	2,000	2,000	3,000
8 Sale of Sugar	4,000	4,000	4,000
Subsidy to PASSCO:	9,000	6,500	8,000
9 Cost differential for sale of Wheat	4,000	4,000	4,000
10 Wheat Reserved Stock	5,000	2,500	4,000
Subsidy to Others:	5,334	1,103	3,148
11 Oil Refineries & OMCs / Others	4,000	-	2,000
12 Fauji Fertilizer Bin Qasim Ltd.	231	-	-
13 Sale of Wheat in FATA	283	283	293
14 Sale of Wheat in Gilgit Baltistan	815	815	850
15 Sale of Salt in Gilgit Baltistan	5	5	5
Total Subsidies:	240,434	323,020	203,248

GRANTS AND TRANSFERS

6.3 Grants and transfers to provinces and others for the year 2014-15 have been estimated at Rs 370,782 million as compared with Rs 337,165 million in budget estimates 2013-14 and Rs 335,929 million in revised estimates. The detail of grants and transfers to the provinces and others is given in the following table:

TABLE - 28
GRANTS AND TRANSFERS

(Rs in Million)			
Classification	Budget 2013-14	Revised 2013-14	Budget 2014-15
I. GRANTS IN AID & MISC. ADJUSTMENTS	51,363	53,841	32,737
A. SPECIAL GRANTS	50,363	53,841	24,237
- Punjab	-	577	-
- Sindh	9,000	8,502	10,800
- Khyber Pakhtunkhwa	25,000	26,504	
- Balochistan	16,363	18,258	13,437
B. LUMP PROVISION	1,000	-	8,500
II. GRANTS TO OTHERS	285,802	282,088	338,045
- Contingent Liabilities	150,000	150,000	165,000
- Miscellaneous Grants	46,000	46,000	50,600
- Other outstanding Liabilities	-	-	25,000
- Pakistan Railways to meet their losses	33,500	33,500	37,000
- Remission of ZTBL loans	1,000	-	300
- Administration, etc, of HBFCL	300	-	100

Contd.....

GRANTS AND TRANSFERS

Classification	(Rs in Million)		
	Budget 2013-14	Revised 2013-14	Budget 2014-15
- National Internship Programme	350	347	123
- Lump Provision for Relief etc.	2,400	2,400	2,400
- GoP Contribution to President Rozgar Scheme	50	50	100
- Competition Commission of Pakistan	200	200	200
- Reimbursement of TT Charges on Home Remittances	7,500	10,460	13,000
- Pakistan Remittance Initiative	500	500	100
- Institute of Cost & Management Accountants of Pakistan, Karachi	2	2	2
- Grants to AJK Government	21,000	21,000	24,000
- Grant-in-Aid to Gilgit Baltistan	15,000	15,000	18,000
- Grant to Bait-ul-Maal	2,000	2,000	2,000
- Administrative Expenditure of banking Mohtasib Office, Karachi	-	129	120
- GoP Equity in First Women Bank Limited	-	500	-
- Subsidy for Markup on Housing Loans	6,000	-	-
Total Grants (I + II):	337,165	335,929	370,782

CHAPTER - 7
LOANS AND INVESTMENTS
(2014-15)

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

CURRENT LOANS & ADVANCES

7.2 Total current loans and advances have been estimated at Rs 18,572 million in budget 2014-15. The following table provides the details:

TABLE - 29
CURRENT LOANS & ADVANCES

Classification	(Rs in Million)		
	Budget 2013-14	Revised 2013-14	Budget 2014-15
1 AJK for Repayment of Principal & Interest	10,772	6,393	6,500
2 Junagadh and Kathiawar Chiefs	1	1	1
3 Loans/Advances to Employees of PNRA	6	4	6
4 Loans/Advances to Friendly Countries	1,000	-	1,000
5 WAPDA for Operation and Maintenance of Hub Dam & Khanpur Dam	40	-	40
6 Loan to Printing Corporation of Pakistan Islamabad	175	-	10
7 Loans and Advances to:			
- Federal Gov't Servants Islamabad	4,000	2,876	3,769
- Federal Gov't Servants Lahore	-	407	802
- Federal Gov't Servants Karachi	-	398	616
- Federal Gov't Servants Quetta	-	155	217
- Federal Gov't Servants Peshawar	-	230	337
- Federal Gov't Servants Gilgit	-	230	260
8 Pakistan Mint Lahore	14	14	15
9 Loan to Pakistan Steel Mills Karachi	-	7,000	5,000
Total:	16,008	17,707	18,572

DEVELOPMENT LOANS AND ADVANCES

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

7.4 Total development loans and advances (local and external) were estimated at Rs 196,494 million in the budget 2013-14, which have now been revised upwards to Rs 272,506 million in revised estimates 2013-14. For budget 2014-15, total development loans and advances have been estimated at Rs 318,735 million, showing an increase of 17% over revised estimates 2013-14 and 62.2% over budget estimates 2013-14.

7.5 For budget 2014-15, development loans and advances (local) have been estimated at Rs 118,875 million, while development loans and advances (external) at Rs 199,860 million. The details are as in Table-30 below:

TABLE - 30
DEVELOPMENT LOANS AND ADVANCES

Classification	(Rs in Million)		
	Budget 2013-14	Revised 2013-14	Budget 2014-15
1 Development Loans and Advances	70,714	75,145	118,875
2 External Development Loans and Advances	125,780	197,361	199,860
Total:	196,494	272,506	318,735

CURRENT INVESTMENTS

7.6 The federal current investments for the year 2014-15 have been estimated at Rs 18,112 million as compared with Rs 144,050 million in the revised estimates of 2013-14 and Rs 184,461 million in budget estimates 2013-14. The investment in 2014-15 is lower by 87.4% as compared with revised estimates 2013-14 and 90.2% when compared with budget estimates 2013-14. Table-31 provides the comparative position.

TABLE - 31
CURRENT INVESTMENTS

(Rs in Million)			
Classification	Budget 2013-14	Revised 2013-14	Budget 2014-15
1 GoP Contribution to SAARC (SDF)	2,000	2,000	2,000
2 GoP Equity in PIAC	1,571	645	-
3 Payment of markup on Loans borrowed by PASDEC	31	26	18
4 Fifth Gen. Capital Increase of ADB	589	589	-
5 Islamic Development Bank (IDB)	1,285	1,285	425
6 GoP Investment: Peoples Steel Mills	170	170	170
7 GoP Contribution in equity of Pak China Inv. Co. Ltd.	1,600	-	1,600
8 GoP Equity in Pak Dairy Dev. Co. Ltd.	16	-	10
9 GoP Equity Investment Payment of markup of loan borrowed by NIP Karachi	188	184	89
10 Investment in HBFCL's Equity	2,000	-	1,000
11 GoP Investment in SME Bank Ltd.	1,000	-	500
12 GoP Equity in Mortgage Refinance Co.	1,000	-	1,000
13 Lump Provision for Miscellaneous Expenditure	4,203	-	10,257
14 Settlement of Circular Debt - PEPCO	168,808	138,151	-
15 Others	-	1,000	1,043
Total:	184,461	144,050	18,112

CHAPTER - 8

PUBLIC SECTOR DEVELOPMENT PROGRAMME (PSDP) 2014-15

8.1 The Public Sector Development Programme (PSDP) is the main instrument for providing budgetary resources for development projects and programmes. PSDP helps to achieve the macroeconomic and development objectives and targets set by the government. The government provides budgetary allocations to those development projects and programmes which yield maximum benefits in the shortest possible time for the society.

8.2 For the year 2014-15 National Economic Council (NEC) has approved an overall size of PSDP at Rs 1,175 billion, which is higher by 1.7% when compared to budget estimates 2013-14. Total National PSDP for 2014-15 is 4% of GDP.

8.3 The Salient features of PSDP allocation for 2014-15 are as follows:

- The size of national PSDP has been raised to Rs 1,175 billion in the budget for 2014-15 showing an increase of 44.2% as against the revised estimates 2013-14.
- Federal PSDP for the year 2014-15 has been kept at Rs 525 billion, which is higher by 23.5% than revised estimates 2013-14.
- The share of Federal Ministries / Divisions in 2014-15 PSDP is Rs 296 billion indicating an increase of 4% over revised estimates 2013-14.
- The Corporations' PSDP 2014-15 has been placed at Rs 175 billion indicating an increase of 6.4% over revised estimates 2013-14.
- An amount of Rs 12.5 billion has been allocated in the budget 2014-15 to Pak Millennium Development Goals and Community Development Programme.
- An amount of Rs 36 billion has been provided in the budget 2014-15 for Federal Development Programme / Projects for Provinces and Special Areas.
- Earthquake Rehabilitation and Reconstruction Authority (ERRA) has been allocated Rs 5 billion in PSDP 2014-15.
- The provincial development programme for 2014-15 has been estimated at Rs 650 billion as against Rs 390 billion in revised estimates 2013-14, showing an increase of 66.7%.

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

TABLE - 32
SIZE OF PSDP

Classification	(Rs in Million)		
	Budget 2013-14	Revised 2013-14	Budget 2014-15
A. Federal Ministries/Divisions	295,518	284,917	296,324
1 Aviation Division	900	366.2	1,402
2 Cabinet Division	2,180	24,747	2,078
3 Capital Administration & Development Division	1,506	1,106	1,806
4 Climate Change Division	59	23	25
5 Commerce Division	841	775	363
6 Communications Division (other than NHA)	109	101	191
7 Defence Division	2,646	1,667	2,261
8 Defence Production Division	2,300	500	937
9 Economic Affairs Division	105	-	5
10 Education, Training & Standards in Higher Education Division	5,237	3,193	3,451
11 Establishment Division	79	16	165
12 Federal Tax Ombudsman	31	20	13
13 Finance Division	13,074	6,769	11,062
14 Foreign Affairs Division	255	199	255
15 Higher Education Commission	18,490	22,490	20,069
16 Housing & Works Division	3,780	1,296	1,934
17 Industries and Production Division	1,880	1,390	1,148
18 Information, Broadcasting & National Heritage Division	505	384	424
19 Information Tech. & Telecom Division	927	535	556
20 Inter Provincial Coordination Division	438	435	413
21 Interior Division	6,259	4,229	3,900
22 Kashmir Affairs & Gilgit Baltistan Division	29,590	22,960	21,357
23 Law, Justice & Human Rights Division	2,442	1,288	2,352
24 Narcotics Control Division	326	333	324
25 National Food Security & Research Division	750	545	1,071

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SIZE OF PSDP

(Rs in Million)

Classification	Budget 2013-14	Revised 2013-14	Budget 2014-15
26 National Health Services, Regulations & Coordination Division	25,739	26,802	27,015
27 Pakistan Atomic Energy Commission	52,300	52,300	51,475
28 Pakistan Nuclear Regulatory Authority	316	316	230
29 Petroleum & Natural Resources Division	50	26	167
30 Planning, Development & Reforms Division	10,659	415	32,878
31 Ports & Shipping Division	500	6,342	2,576
32 Railways Division	30,965	28,014	39,566
33 Revenue Division	533	203	153
34 Science & Technological Research Division	2,173	1,962	904
35 States & Frontier Regions Division	18,500	18,500	19,100
36 Statistics Division	220	150	240
37 SUPRACO	700	195	700
38 Textile Industry Division	315	315	329.3
39 Water & Power Division (Water Sector)	57,840	54,008	43,427
B. Corporations	114,482	164,632	175,176
1 WAPDA (Power)	51,443	76,095	63,613
2 National Highway Authority (NHA)	63,039	88,537	111,563
C. Special Programmes	5,000	5,000	-
1 Tameer-e-Pakistan Programme	5,000	5,000	-
D. Pak MDGs & Community Dev. Programme	-	-	12,500
E. Federal Development Programme / Projects for Provinces & Special Areas	-	-	36,000
F. ERRA	10,000	10,000	5,000
G. New Development Initiatives	115,000	-	-
H. Estimated Operational Shortfall	-	(39,549)	-
Total Federal PSDP (A to H):	540,000	425,000	525,000
I. Provinces	615,000	389,720	650,000
Total National PSDP (A to I):	1,155,000	814,720	1,175,000

OTHER DEVELOPMENT EXPENDITURE OUTSIDE PSDP 2014-15

8.5 Other development expenditure comprises development expenditure of the Federal Government outside the Public Sector Development Programme (PSDP). Rs 161,813 million have been allocated in this head in the budget 2014-15, reflecting a decline of 44.1% over revised estimates 2013-14. Table-33 provides the details.

TABLE -33
DEVELOPMENT EXPENDITURE OUTSIDE
PUBLIC SECTOR DEVELOPMENT PROGRAMME

(Rs in Million)			
Classification	Budget 2013-14	Revised 2013-14	Budget 2014-15
1 <u>National Income Support Programme (i+ii)</u>	<u>75,000</u>	<u>70,280</u>	<u>118,150</u>
i. Benazir Income Support Programme	-	70,280	97,150
ii. Prime Minister's Schemes:	25,000	-	21,000
Prime Minister's Interest Free Loan Scheme			
Prime Minister's Business Loan Scheme			
Prime Minister's Fee Reimbursement Scheme for Less Developed Areas			
Prime Minister's Youth Training Scheme			
Prime Minister's Youth Skill Development Scheme			
Prime Minister's Scheme for Provision of Laptops			
Prime Minister's Housing Scheme			
2 Crop Loan Insurance Scheme	500	480	-
3 Pakistan Development Fund	-	157,198	-
4 SME Business Support Fund	20	4	-
5 Relief, Rehabilitation Reconstruction and Security of IDPs	1,000	986	-
6 Grants for Reconstruction of Afghanistan	3,000	2,000	3,000
7 Pakistan Poverty Alleviation Fund (PPAF):	14,995	14,505	7,663
8 Strategic Trade Policy Framework	2,500	2,200	2,000
9 Textile Policy 2009-14	7,500	7,500	6,000
10 Subsidy to TCP for Import of Urea Fertilizer	30,000	30,000	25,000
11 Provision for New Budgetary Measures	25,000	-	-
12 Prime Minister's Interest Free Loan Scheme	-	1,750	-
13 Citizen Damage Compensation Programme	-	2,457	-
14 Provision for Misc. Dev. Exp. outside PSDP	12,300	-	-
Total:	171,815	289,360	161,813

CHAPTER - 9
MEDIUM-TERM BUDGETARY FRAMEWORK (MTBF)
(2014-15)

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

9.2 The MTBF includes the following key components:

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

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

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

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

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

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

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

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

- The Finance and Planning & Development Divisions prepare a Medium-Term Macroeconomic Framework in consultation with various Government Ministries and the State Bank of Pakistan
- Based on the macroeconomic situation, the Finance Division articulates its budgetary policy priorities and prepares a Medium-Term Fiscal Framework
- The Finance and Planning, Development & Reforms Divisions work out, for each Principal Accounting Officer, medium-term Indicative Budget Ceilings (IBCs) that align resource allocation with the Government's policies
- These macroeconomic and fiscal frameworks, together with the IBCs, are presented to the Cabinet through the 'Budget Strategy Paper' (BSP) for approval
- The BSP is also shared with Parliamentary Standing Committees on Finance and Revenue as well as with political parties
- After approval of the BSP by the Cabinet, the Finance Division issues the 3-year IBCs for recurrent and development budgets separately to each line ministry
- Based on these IBCs, ministries prepare their budgets that are reviewed for quality assurance by the Finance and Planning & Development Divisions
- The Secretaries of Finance, Planning & Development, and Economic Affairs Divisions jointly chair the Priorities Committee meetings that discuss policy and budget priorities with each Principal Accounting Officer
- The Annual Plan Coordination Committee (APCC) discusses the public sector investment proposals with the Federal and Provincial Governments

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

MACROECONOMIC INDICATORS

9.4 Macroeconomic Indicators / Rolling Targets for 2014-17 are provided below:

TABLE - 34
Medium-Term Budgetary Statement

	Budget 2013-14	Revised Forecast 2013-14	Budget 2014-15	Forecast	
				2015-16	2016-17
Real GDP Growth (%)	4.4	4.1	5.1	6.1	7.2
Inflation (%)	8.0	8.5	8.0	8.0	8.0
<u>(as percentage of GDP unless otherwise indicated)</u>					
Total Revenue	14.0	15.1	14.5	14.6	15.1
- Tax Revenue	10.9	10.6	11.5	12.1	12.9
- FBR Tax Revenue	9.5	9.0	9.7	10.4	11.1
Total Expenditure	20.4	20.9	19.4	18.6	19.0
- Current	15.2	16.2	15.2	14.1	14.2
- Development	5.1	4.7	4.2	4.4	4.8
Fiscal Balance	-6.3	-5.8	-4.9	-4.0	-4.0
Revenue Balance	-1.2	-1.1	-0.7	0.4	0.9
Total Public Debt	61.3	62.0	58.7	55.3	51.5
GDP at market prices (Rs in Billions)	26,001	25,402	29,078	33,667	39,250

WORKING OF FISCAL DEFICIT AND FINANCING
BUDGET 2014-15

(Rs. in Billion)

Working Deficit		Financing of Deficit	
A) Federal Revenue (net)	2,225	Gross External Loans	869
B) Total Federal Expenditure (i+ii)	3,936	Less Repayments	361
i) Current Expenditure	3,130	Long Term Foreign Loans	333
ii) Development and Net Lending (a+b+c)	806	Short Term Foreign Loans	27
a) Federal PSDP	525	i) Net External Financing	508
b) Other Development Expenditure	162	ii) Domestic Financing (a+b)	914
c) Net Lending	120	a) Bank Financing	228
		of which SBP Financing	0
C) Federal Deficit (A-B)	-1,711	b) Non Bank Financing	686
Est. Provincial Surplus	289	Public debt	415
		Public Account	271
Overall Fiscal Deficit	-1,422	Total Financing of Deficit (i+ii)	1,422
% of GDP	-4.9%	% of GDP	4.9%

BUDGET AT A GLANCE**(2014-15)****(Rs. in Billion)**

RECEIPTS		EXPENDITURE	
TAX REVENUE	3,129	A. CURRENT	3,130
- FBR Taxes	2,810		
- Other Taxes	319		
- NON-TAX REVENUE	816	Interest Payments	1,325
a) Gross Revenue Receipts	3,946	Pension	215
b) Less Provincial Share	1,720	Defence Affairs & Services	700
I. Net Revenue Receipts (a-b)	2,225	Grants and Transfers	371
II. Net Capital Receipts	686	Subsidies	203
III. External Receipts (net)	508	Running of Civil Government	291
IV. Estimated Provincial Surplus	289	Provision for Pay & Pension	25
V. Bank Borrowing	228	B. DEVELOPMENT	806
		Federal PSDP	525
		Net Lending	120
		Other Dev. Expenditure	162
<u>TOTAL RESOURCES (I to V)</u>	<u>3,936</u>	<u>TOTAL EXPENITURE (A+B)</u>	<u>3,936</u>

Glossary of Terms

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

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Glossary of Terms

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