


# FEDERAL BUDGET 2017-18

# BUDGET IN BRIEF

Government of Pakistan
Finance Division
Islamabad

FEDERAL

# BUDGET

2017-18

# BUDGET IN BRIEF

Government of Pakistan
Finance Division
Islamabad

# PREFACE

*Budget in Brief* presents an abridgement of the Federal Budget 2017-18. It provides aggregated information on revenues and expenditures, budgeted for fiscal year 2017-18 alongwith budget estimates and revised estimates for the outgoing fiscal year 2016-17. Detailed information is available in the relevant budget documents. Budgeting and accounting classification system used in the budget remains the same, which was adopted under the New Accounting Model introduced in fiscal year 2004-05.

The Medium Term Budgetary Framework (MTBF) process, initiated in the fiscal year 2009-10, has been strengthened. Indicative Budget Ceilings for the current and development budgets are issued to all Principal Accounting Officers of the Federal Government on a three-year rolling basis. The annual budget estimates for any fiscal year e.g. 2017-18 are then finalised in consultation with various Federal Ministries. Linkage between allocations and public service delivery have been established through *Output Based Budgeting.* Performance of Federal Ministries/Divisions have been monitored against precisely defined key performance indicators.

This document also includes *Medium* term macroeconomic indicators to provide strategic economic perspective, to contextualize the Budget 2017-18.

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.

'Budget at a Glance' given at the end of this document offers a quick overview of the federal budget. I hope that this document will be beneficial to all those, who seek a simple and clear understanding of Budget 2017-18.

**Tariq Bajwa**
**Secretary to the Government of Pakistan**

**Finance Division**
**Islamabad, the 26th May, 2017**

# CONTENTS


| | | Page |
|---|---|---|
| **Chapter 1:** | **Review of the Budget 2016-17** | 1 |
| | Salient Features | 1 |
| | Summary - Budget and Revised Estimates | 2 |
| | Resources | 3 |
| | - Internal Resources | 3 |
| | • Net Revenue Receipts | 3 |
| | • Net Capital Receipts | 4 |
| | • Estimated Provincial Surplus | 4 |
| | - External Resources | 5 |
| | Expenditure | 6 |
| | - Current | 6 |
| | - Development | 6 |
| **Chapter 2:** | **The Budget 2017-18** | 7 |
| | Salient Features | 7 |
| | Comparative Budgetary Position | 8 |
| **Chapter 3:** | **Resource Position 2017-18** | 9 |
| | - Internal Resources | 10 |
| | • Net Revenue Receipts | 10 |
| | • Net Capital Receipts | 13 |
| | • Estimated Provincial Surplus | 13 |
| | - External Resources | 14 |
| **Chapter 4:** | **Provincial Share in Federal Taxes** | 15 |
| | NFC Award | 15 |
| | President's Order No. 5 of 2010 | 16 |
| | President's Order No. 6 of 2015 | 20 |
| | Details of Provincial Share in Federal Taxes | 21 |
| | Net Federal Transfers to Provinces | 22 |
| **Chapter 5:** | **Current Expenditure 2017-18** | 23 |
| | Current Expenditure (Summary) | 23 |
| | Comparative Position (Comparison) | 24 |
| | General Public Service | 25 |
| | Defence Affairs and Services | 26 |


Contd.....

# CONTENTS


| | | |
|---|---|---|
| | Public Order and Safety Affairs | 27 |
| | Economic Affairs | 28 |
| | Environment Protection | 29 |
| | Housing and Community Amenities | 29 |
| | Health Affairs and Services | 30 |
| | Recreational, Culture and Religion | 31 |
| | Education Affairs and Services | 32 |
| | Social Protection | 33 |
| **Chapter 6:** | **Subsidies & Grants / Transfers** | 34 |
| | Details of Subsidies | 34 |
| | Details of Grants and Transfers | 36 |
| **Chapter 7:** | **Loans and Investments** | 38 |
| | Current Loans and Advances | 38 |
| | Development Loans and Advances | 39 |
| | Current Investments | 40 |
| **Chapter 8:** | **Public Sector Development Programme** | 41 |
| | Salient Features of PSDP | 41 |
| | Size of PSDP | 42 |
| | **Development Expenditure Outside PSDP** | 45 |
| **Chapter 9:** | **Medium Term Budgetary Framework (MTBF)** | 46 |
| | Budget Strategy Paper | 46 |
| | Performance Budgeting | 46 |
| | Performance Monitoring | 47 |
| | MTBF Budgetary Process | 47 |
| | Macroeconomic Indicators | 48 |
| **Chapter 10:** | **Climate Change Budgeting** | 49 |
| | **Working of Fiscal Deficit and Financing for Budget 2017-18** | 51 |
| | **Budget at a Glance for the Fiscal Year 2017-18** | 53 |
| | **Glossary of Terms** | 55 |

# CHAPTER - 1

## REVIEW OF THE BUDGET 2016-17

### SALIENT FEATURES

1.1 The budget 2016-17 had the following salient features:

a) The total outlay of budget 2016-17 was Rs 4,894.9 billion. This size was higher by 10% than the size of budget 2015-16. The size of outlay decreased to Rs 4,841.2 billion in revised estimates 2016-17.

b) The resource availability during 2016-17 had been estimated at Rs 4,442 billion. However, volume of resources decreased to Rs 4,099.8 billion or by 7.7% in revised estimates 2016-17.

c) The net revenue receipts for 2016-17 had been estimated at Rs 2,779.7 billion, which decreased to Rs 2,616 billion or by 5.9% in revised estimates 2016-17.

d) The provincial share in federal revenue receipts was estimated at Rs 2,135.9 billion during 2016-17, which decreased to Rs 2,121.3 billion in revised estimates.

e) The net capital receipts for 2016-17 had been estimated at Rs 453.6 billion, which decreased to Rs 180.2 billion in revised estimates 2016-17 or by 60.3%.

f) The external receipts in 2016-17 were estimated at Rs 819.6 billion, which increased to Rs 996.3 billion in revised estimates or by 21.6%.

g) The overall expenditure during 2016-17 had been estimated at Rs 4,894.9 billion, out of which the share of current expenditure was Rs 3,844 billion and that of development expenditure was Rs 1,050.9 billion. Current expenditure in revised estimates 2016-17 showed an increase of Rs 60.8 billion from budget estimates, while development expenditure showed a decline of Rs 114.5 billion.

h) The share of current expenditure in total budgetary outlay for 2015-16 was 78.5% as compared to 80.7% in revised estimates 2016-17.

i) The expenditure on general public service for budget 2016-17 was estimated at Rs 2,707.2 billion, which was 70.4% of the total current expenditure.

j) In budget 2016-17, the development expenditure outside Public Sector Development Programme (PSDP) was estimated at Rs 156.6 billion.

k) The total size of Public Sector Development Programme (PSDP) for 2016-17 was Rs 1,675 billion. Out of this, Rs 875 billion was allocated to Provinces. Federal PSDP 2016-17 was estimated at Rs 800 billion, out of which Rs 282 billion for Federal Ministries/Divisions, Rs 318 billion for Corporations, Rs 20 billion for Prime Minister's Global SDG's Achievement Programme, Rs 28 billion for Special Federal Development Programme, Rs 7 billion for Earthquake Reconstruction and Rehabilitation Authority (ERRA), Rs 25 billion for Gas Infrastructure Development Programme, Rs 100 billion for Special Development Programme for Temporarily Displaced Persons (TDPs) and Security Enhancement and Rs 20 billion for Prime Minister's Youth Programme.

l) To meet expenditure in fiscal year 2016-17, bank borrowing was projected at Rs 452.9 billion, which has been revised upwards to Rs 741.4 billion.

1.2 Table-1 below presents a summary of comparative position of the budget and revised estimates for fiscal year 2016-17:

**TABLE - 1**
**SUMMARY OF ESTIMATES FOR 2016-17**

(Rs in Million)

| Classification | Budget 2016-17 | Revised 2016-17 |
|---|---|---|
| **RESOURCES (A + B + C)** | **4,441,965** | **4,099,829** |
| **A Internal Resources** | **3,572,354** | **3,085,768** |
| - Net Revenue Receipts | 2,779,695 | 2,616,007 |
| - Net Capital Receipts | 453,638 | 180,171 |
| - Estimated Provincial Surplus | 339,022 | 289,589 |
| **B External Resources** | **819,610** | **996,287** |
| **C Privatization Proceeds** | **50,000** | **17,774** |
| **EXPENDITURE (I + II)** | **4,894,879** | **4,841,196** |
| **I Current Expenditure on Revenue Account** | **3,843,986** | **3,904,753** |
| - Current Exp. on Revenue Receipts | 3,843,986 | 3,904,753 |
| **II Development Expenditure** | **1,050,893** | **936,443** |
| - Federal PSDP | 800,000 | 715,085 |
| - Development Expenditure outside PSDP | 156,584 | 127,554 |
| - Development Loans & Grants to Provinces | 94,309 | 93,805 |
| **BANK BORROWING** | **452,915** | **741,367** |

## RESOURCES

## INTERNAL RESOURCES

1.3 The internal resources come through net revenue receipts, capital receipts and estimated provincial surplus. Table-2 provides the details of budget and revised estimates for 2016-17 in respect of net revenue receipts, while table-3 provides the details of net capital receipts.

## NET REVENUE RECEIPTS

1.4 After the share of Provinces in gross revenue is transferred, the net revenue receipts of Federal Government were estimated at Rs 2,779,695 million in the budget 2016-17, which have now been revised downwards to Rs 2,616,007 million in the revised estimates 2016-17 showing a decrease of 5.9%. Table-2 provides the details:

**TABLE - 2**
**NET REVENUE RECEIPTS**
**2016-17**

(Rs in Million)

| Classification | Budget 2016-17 | Revised 2016-17 |
|---|---|---|
| **TAX REVENUE ( A + B)** | **3,956,123** | **3,825,235** |
| **A. FBR TAXES** | **3,621,000** | **3,521,000** |
| - Direct Taxes | 1,558,000 | 1,378,840 |
| - Indirect Taxes | 2,063,000 | 2,142,160 |
| **B. OTHER TAXES** | **335,123** | **304,235** |
| **NON-TAX REVENUE** | **959,452** | **912,119** |
| - Income from Property and Enterprise | 261,217 | 243,815 |
| - Receipts from Civil Administration and Other Functions | 459,811 | 314,139 |
| - Miscellaneous Receipts | 238,424 | 354,165 |
| **Gross Revenue Receipts** | **4,915,575** | **4,737,354** |
| Provincial Share in Gross Revenue | 2,135,881 | 2,121,347 |
| **NET REVENUE RECEIPTS** | **2,779,695** | **2,616,007** |

1.5 The tax revenue was estimated for budget 2016-17 at Rs 3,956,123 million, which decreased to Rs 3,825,235 million in revised estimates 2016-17. The non-tax revenue for 2016-17 was estimated at Rs 959,452 million, which decreased to Rs 912,119 million or by 4.9% in revised estimates 2016-17.

## 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 fiscal year 2016-17 were budgeted at Rs 453,638 million. The revised estimates are Rs 180,171 million, which indicates a decline of 60.3%. Table-3 provides the details:

**TABLE - 3**
**NET CAPITAL RECEIPTS**
**2016-17**

(Rs in Million)

| Classification | Budget 2016-17 | Revised 2016-17 |
|---|---|---|
| **I. CAPITAL RECEIPTS ( A + B + C )** | **640,547** | **324,896** |
| **A. Recovery of Loans** | **101,889** | **107,720** |
| **B. Public Debt (Net)** | **367,778** | **52,086** |
| - Permanent Debt | 150,400 | 114,370 |
| - Floating Debt | 217,378 | (62,284) |
| **C. Public Account** | **170,879** | **165,089** |
| **II. DISBURSEMENTS** | **186,909** | **144,724** |
| **NET CAPITAL RECEIPTS (I-II):** | **453,638** | **180,171** |

## ESTIMATED PROVINCIAL SURPLUS

1.7 The estimated provincial surplus was budgeted at Rs 339,022 million for 2016-17, which decreased to Rs 289,589 million in revised estimates 2016-17 or by 14.6%.

## EXTERNAL RESOURCES

1.8 The Government obtains foreign loans and grants to use for capital and development expenditure. The external loans for 2016-17 were budgeted at Rs 796,785 million, which are now projected at Rs 971,603 million in revised estimates showing an increase of 21.9%.

1.9 External grants increased from Rs 22,826 million in the budget estimates 2016-17 to Rs 24,685 million in the revised estimates 2016-17 or by 8.1%.

1.10 Overall external resources were estimated at Rs 819,610 million, which increased to Rs 996,287 million or by 21.6% in the revised estimates 2016-17. Table-4 below presents the details:

**TABLE - 4**
**EXTERNAL RESOURCES**
**2016-17**

(Rs in Million)

| Classification | Budget 2016-17 | Revised 2016-17 |
|---|---|---|
| **I. EXTERNAL LOANS ( a to d )** | **796,785** | **971,603** |
| a. Project Loans | 219,149 | 299,776 |
| b. Programme Loans | 133,797 | 112,244 |
| d. Other Aid | 443,839 | 559,582 |
| **II. EXTERNAL GRANTS** | **22,826** | **24,685** |
| **TOTAL EXTERNAL RESOURCES (I + II):** | **819,610** | **996,287** |

## EXPENDITURE

1.11 The budget estimates 2016-17 of the overall expenditure were Rs 4,894,879 million, which decreased to Rs 4,841,196 million in revised estimates 2016-17 or by 1.1%.

1.12 The components of expenditure are current and development. Table-5 below shows the comparative position of the budget and revised estimates of current and development expenditure for the fiscal year 2016-17:

### TABLE - 5
### CURRENT AND DEVELOPMENT EXPENDITURE
### 2016-17

(Rs in Million)

| Classification | Budget 2016-17 | Revised 2016-17 |
|---|---|---|
| **A. CURRENT** | **3,843,986** | **3,904,753** |
| - General Public Service | 2,707,212 | 2,741,376 |
| - Defence Affairs & Services | 860,169 | 841,442 |
| - Public Order and Safety Affairs | 103,459 | 119,491 |
| - Economic Affairs | 63,540 | 86,699 |
| - Environment Protection | 1,068 | 1,358 |
| - Housing and Community Amenities | 2,260 | 2,480 |
| - Health Affairs & Services | 12,108 | 12,379 |
| - Recreation, Culture and Religion | 8,001 | 10,723 |
| - Education Affairs and Services | 84,195 | 84,707 |
| - Social Protection | 1,975 | 4,097 |
| **B. DEVELOPMENT** | **1,050,893** | **936,443** |
| - Federal PSDP | 800,000 | 715,085 |
| - Development Expenditure outside PSDP | 156,584 | 127,554 |
| - Development Loans & Grants to Provinces | 94,309 | 93,805 |
| **TOTAL EXPENDITURE (A + B):** | **4,894,879** | **4,841,196** |

# CHAPTER - 2

# THE BUDGET 2017-18

## SALIENT FEATURES

2.1 The budget 2017-18 has the following salient features:

a) The total outlay of budget 2017-18 is Rs 5,103.8 billion. This size is 4.3% higher than the size of budget estimates 2016-17.

b) The resource availability during 2017-18 has been estimated at Rs 4,681.2 billion against Rs 4,442 billion in the budget estimates of 2016-17.

c) The net revenue receipts for 2017-18 have been estimated at Rs 2,926 billion indicating an increase of 5.3% over the budget estimates of 2016-17.

d) The provincial share in federal taxes is estimated at Rs 2,384.2 billion during 2017-18, which is 11.6% higher than the budget estimates for 2016-17.

e) The net capital receipts for 2017-18 have been estimated at Rs 552.5 billion against the budget estimates of Rs 453.6 billion in 2016-17 i.e. an increase of 21.8%.

f) The external receipts in 2017-18 are estimated at Rs 837.8 billion. This shows an increase of 2.2% over the budget estimates for 2016-17.

g) The overall expenditure during 2017-18 has been estimated at Rs 5,103.8 billion, out of which the current expenditure is Rs 3,763.7 billion and development expenditure is Rs 1,340.1 billion.

h) The share of current and development expenditure respectively in total budgetary outlay for 2017-18 is 73.7% and 26.3%.

i) The expenditure on General Public Services is estimated at Rs 2,553.6 billion which is 67.8% of the current expenditure.

j) The development expenditure outside PSDP has been estimated at Rs 152.2 billion in the budget 2017-18.

k) The size of Public Sector Development Programme (PSDP) for 2017-18 is Rs 2,113 billion. Out of this, Rs 1,112 billion has been allocated to provinces. Federal PSDP has been estimated at Rs 1,001 billion, out of which Rs 377.9 billion for Federal Ministries/Divisions, Rs 380.6 billion for Corporations, Rs 30 billion for Prime Minister's SDGs Achievement Programme, Rs 40 billion for Special Federal Development Programme, Rs 12.5 billion for Energy for All, Rs 12.5 billion for Clean Drinking Water for All, Rs 7.5 billion for Earthquake Reconstruction and Rehabilitation Authority (ERRA), Rs 5 billion for Special Provision for Competition of CPEC Projects, Rs 45 billion for Relief and Rehabilitation of IDPs, Rs 45 billion for Security Enhancement, Rs 20 billion for Prime Minister's Initiative and Rs 25 billion for Gas Infrastructure Development Cess.

l) To meet expenditure, bank borrowing has been estimated for 2017-18 at Rs 390.1 billion, which is significantly lower than revised estimates of 2016-17.

2.2 Table-6 below presents the comparative position of budget and revised estimates for fiscal year 2016-17 and budget estimates for fiscal year 2017-18.

**TABLE - 6**
**COMPARATIVE BUDGETARY POSITION**
**2016-17 AND 2017-18**

(Rs in Million)

| Classification | Budget 2016-17 | Revised 2016-17 | Budget 2017-18 |
|---|---|---|---|
| **RESOURCES ( A + B + C )** | **4,441,965** | **4,099,829** | **4,713,686** |
| **A Internal Resources** | **3,572,354** | **3,085,768** | **3,825,863** |
| - Net Revenue Receipts | 2,779,695 | 2,616,007 | 2,926,074 |
| - Net Capital Receipts | 453,638 | 180,171 | 552,520 |
| - Estimated Provincial Surplus | 339,022 | 289,589 | 347,269 |
| **B External Resources** | **819,610** | **996,287** | **837,824** |
| **C Privatization Proceeds** | **50,000** | **17,774** | **50,000** |
| **EXPENDITURE (I + II)** | **4,894,879** | **4,841,196** | **5,103,780** |
| **I Current Expenditure on Revenue Account** | **3,843,986** | **3,904,753** | **3,763,709** |
| - Current Exp. on Revenue Account | 3,843,986 | 3,904,753 | 3,763,709 |
| **II Development Expenditure** | **1,050,893** | **936,443** | **1,340,072** |
| - Federal PSDP | 800,000 | 715,085 | 1,001,000 |
| - Dev. Expenditure outside PDSP | 156,584 | 127,554 | 152,200 |
| - Dev. Loans & Grants to Provinces | 94,309 | 93,805 | 186,871 |
| **BANK BORROWING** | **452,915** | **741,367** | **390,094** |

# CHAPTER - 3

## RESOURCE POSITION
## 2017-18

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 2016-17 (budget and revised) and 2017-18 (budget).

### TABLE - 7
### RESOURCE POSITION

(Rs in Million)

| | Classification | Budget 2016-17 | Revised 2016-17 | Budget 2017-18 |
|---|---|---|---|---|
| **A** | **Internal Resources** | **3,759,263** | **3,230,492** | **3,913,909** |
| | I Net Revenue Receipts [(i) - (ii)] | 2,779,695 | 2,616,007 | 2,926,074 |
| | (i) Gross Revenue Receipts | 4,915,575 | 4,737,354 | 5,310,317 |
| | (ii) Less Provincial Share in Taxes | 2,135,881 | 2,121,347 | 2,384,243 |
| | II Total Capital Receipts | 640,547 | 324,896 | 640,567 |
| | III Estimated Provincial Surplus | 339,022 | 289,589 | 347,269 |
| **B** | **External Resources** | **819,610** | **996,287** | **837,824** |
| **TOTAL RESOURCES ( A + B )** | | **4,578,874** | **4,226,779** | **4,751,733** |

## INTERNAL RESOURCES

### I. NET REVENUE RECEIPTS

3.2 The gross revenue receipts in budget 2017-18 are estimated at Rs 5,310,317 million showing an increase of 8% over the budget estimates 2016-17 and 12.1% over revised estimates of outgoing fiscal year 2016-17.

3.3 The provincial share in taxes for 2017-18 is estimated at Rs 2,384,243 million, which is 12.4% higher than the revised estimates of 2016-17. After the share of Provinces in gross revenues is transferred, the net revenue of Federal Government has been estimated to be Rs 2,926,074 million for fiscal year 2017-18.

3.4 The tax revenue for 2017-18 is estimated at Rs 4,330,463 million, which reflects an increase of 13.2% over revised estimates 2016-17. Out of which FBR collection is Rs 4,013,000 million. Non-tax revenue is projected at Rs 979,854 million in 2017-18 as compared with Rs 912,119 million in revised estimates 2016-17.

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

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

(Rs in Million)

| Classification | Budget 2016-17 | Revised 2016-17 | Budget 2017-18 |
|---|---|---|---|
| **TAX REVENUE (A + B)** | **3,956,123** | **3,825,235** | **4,330,463** |
| **A. FBR TAXES** | **3,621,000** | **3,521,000** | **4,013,000** |
| - Direct Taxes | 1,558,000 | 1,378,840 | 1,594,910 |
| - Indirect Taxes | 2,063,000 | 2,142,160 | 2,418,090 |
| **B. OTHER TAXES** | **335,123** | **304,235** | **317,463** |
| **NON-TAX REVENUE** | **959,452** | **912,119** | **979,854** |
| - Property and Enterprise | 261,217 | 243,815 | 214,689 |
| - Civil Administration and Other Functions | 459,811 | 314,139 | 413,172 |
| - Miscellaneous Receipts | 238,424 | 354,165 | 351,992 |
| **Gross Revenue Receipts** | **4,915,575** | **4,737,354** | **5,310,317** |
| Provincial Share in Gross Revenue | 2,135,881 | 2,121,347 | 2,384,243 |
| **NET REVENUE RECEIPTS** | **2,779,695** | **2,616,007** | **2,926,074** |

## TABLE - 9
## TAX REVENUE

(Rs in Million)

| Classification | Budget 2016-17 | Revised 2016-17 | Budget 2017-18 |
|---|---|---|---|
| **A. FBR TAXES (I + II)** | **3,621,000** | **3,521,000** | **4,013,000** |
| **I. Direct Taxes** | **1,558,000** | **1,378,840** | **1,594,910** |
| - Income Tax | 1,538,756 | 1,363,837 | 1,577,557 |
| - Workers Welfare Fund | 16,947 | 12,641 | 14,622 |
| - Capital Value Tax | 2,297 | 2,362 | 2,731 |
| **II. Indirect Taxes** | **2,063,000** | **2,142,160** | **2,418,090** |
| - Customs Duties | 413,000 | 491,054 | 581,371 |
| - Sales Tax | 1,437,000 | 1,444,962 | 1,605,200 |
| - Federal Excise | 213,000 | 206,144 | 231,519 |
| **B. OTHER TAXES** | **335,123** | **304,235** | **317,463** |
| - Other Indirect Taxes | 5,003 | 4,165 | 4,373 |
| - Airport Tax | 120 | 70 | 90 |
| - Gas Infrastructure Development Cess (GIDC) | 145,000 | 80,000 | 110,000 |
| - Natural Gas Development Surcharge | 35,000 | 65,000 | 43,000 |
| - Petroleum Levy | 150,000 | 155,000 | 160,000 |
| **TOTAL TAX REVENUE:** | **3,956,123** | **3,825,235** | **4,330,463** |

## TABLE - 10
## NON-TAX REVENUE

(Rs in Million)

| Classification | Budget 2016-17 | Revised 2016-17 | Budget 2017-18 |
|---|---|---|---|
| **NON-TAX REVENUE (A+B+C)** | **959,452** | **912,119** | **979,854** |
| **A. Income from Property and Enterprise** | **261,217** | **243,815** | **214,689** |
| - Pakistan Telecom Authority | 6,000 | 6,000 | 1,000 |
| - PTA (3 G Licenses) | 75,000 | 32,500 | 10,000 |
| - Regulatory Authorities | 477 | 532 | 312 |
| - Mark up (Provinces) | 13,494 | 13,595 | 14,111 |
| - Mark up (PSEs & Others) | 81,118 | 103,857 | 95,984 |
| - Dividends | 85,127 | 87,330 | 93,283 |
| **B. Receipts from Civil Administration and Other Functions** | **459,811** | **314,139** | **413,172** |
| - General Administration Receipts | 3,360 | 5,026 | 5,196 |
| - Share of Surplus Profits of the SBP | 280,000 | 228,000 | 260,000 |
| - Defence Services Receipts | 170,754 | 74,504 | 141,797 |
| - Law and Order Receipts | 2,123 | 2,481 | 1,501 |
| - Community Services Receipts | 1,579 | 1,767 | 2,070 |
| - Social Services | 1,996 | 2,362 | 2,608 |
| **C. Miscellaneous Receipts** | **238,424** | **354,165** | **351,992** |
| - Economic Services Receipts | 10,863 | 21,873 | 21,381 |
| - Foreign Grants | 75,000 | 61,405 | 43,546 |
| - Citizenship, Naturalization, Passport and Copyright Fees | 25,000 | 27,000 | 28,000 |
| - Discount Retained on Local Crude Price | 10,000 | 10,000 | 10,000 |
| - Royalty on Crude Oil | 10,859 | 15,696 | 19,127 |
| - Royalty on Natural Gas | 32,097 | 32,638 | 39,404 |
| - Windfall Levy against Crude Oil | 10,000 | 8,000 | 8,000 |
| - Petroleum Levy on LPG | 2,000 | - | 2,000 |
| - Others | 62,605 | 177,553 | 180,534 |

## II. NET CAPITAL RECEIPTS

3.6 Capital receipts on net basis in the budget 2017-18 have been estimated at Rs 552,520 million against Rs 453,638 million in the budget estimates 2016-17 and Rs 180,171 million in the revised estimates 2016-17. Table-11 below presents the details of capital receipts, disbursements and net capital receipts.

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

(Rs in Million)

| Classification | Budget 2016-17 | Revised 2016-17 | Budget 2017-18 |
|---|---|---|---|
| **TOTAL CAPITAL RECEIPTS (I + II)** | **640,547** | **324,896** | **640,567** |
| **I. Recoveries of Loans & Advances** | **101,889** | **107,720** | **112,537** |
| - Provinces | 46,725 | 47,333 | 51,947 |
| - Others | 55,164 | 60,388 | 60,590 |
| **II. CAPITAL RECEIPTS (A + B)** | **538,657** | **217,175** | **528,030** |
| **A. Public Debt Net (1 + 2)** | **367,778** | **52,086** | **314,937** |
| **1. Permanent Debt** | **150,400** | **114,370** | **184,937** |
| - Pakistan Investment Bonds | 150,000 | 110,020 | 115,000 |
| - Ijara Sukuk Bonds | 463 | 463 | 60,000 |
| - FEBCs | (5) | (1) | (5) |
| - FCBCs | (5) | (1) | (5) |
| - U.S. Dollar Bearer Certificates | (3) | (1) | (3) |
| - Special US Dollar Bonds | (50) | (10) | (50) |
| - Premium Prize Bonds (Regd.) | - | 3,900 | 10,000 |
| **2. Floating Debt** | **217,378** | **(62,284)** | **130,000** |
| - Prize Bonds | 110,000 | 115,831 | 85,000 |
| - Treasury Bills Auction | 100,000 | 34,507 | 45,000 |
| - Govt. Bai-Maujjal Ijara Sukuk | 7,378 | (212,622) | - |
| **B. Public Account** | **170,879** | **165,089** | **213,093** |
| - Saving Schemes | 118,181 | 114,638 | 159,503 |
| - G.P. Fund | 4,000 | 5,604 | 6,500 |
| - Net Deposits | 48,698 | 44,847 | 47,090 |
| **III. DISBURSEMENTS** | **186,909** | **144,724** | **88,047** |
| - Government Investments, Loans, Advances and Others | 45,539 | 29,224 | 48,273 |
| - Repayment of Short Term Credits | 141,370 | 115,500 | 39,774 |
| **NET CAPITAL RECEIPTS (I + II - III):** | **453,638** | **180,171** | **552,520** |
| **Net Lending to Others:** | **(9,625)** | **(31,163)** | **(12,317)** |

## III. ESTIMATED PROVINCIAL SURPLUS

3.7 The estimated provincial surplus has been projected at Rs 347,269 million for 2017-18 as against Rs 289,589 million in revised estimates 2016-17.

## EXTERNAL RESOURCES

3.8 The government obtains loans and grants to bridge the gap between the receipts and expenditure. The external resources for 2017-18 have been projected at Rs 837,824 million, which are higher by 2.2% and lower by 15.9% respectively when compared with budget and revised estimates 2016-17. Table-12 below presents the details of receipts from external resources.

### TABLE - 12
### EXTERNAL RESOURCES

(Rs in Million)

| Classification | Budget 2016-17 | Revised 2016-17 | Budget 2017-18 |
|---|---|---|---|
| **I. EXTERNAL LOANS (A to C)** | **796,785** | **971,603** | **810,742** |
| **A. Project Loans (i+ii)** | **219,149** | **299,776** | **340,647** |
| **i Federal Government** | **150,438** | **221,890** | **162,806** |
| - Ministries/Divisions | 24,169 | 28,550 | 13,554 |
| - Corporations/Autonomous Bodies | 115,063 | 142,603 | 138,430 |
| **ii Provinces** | **68,711** | **77,886** | **177,840** |
| **B. Programme Loans** | **133,797** | **112,244** | **95,571** |
| **C. Other Aid** | **443,839** | **559,582** | **374,525** |
| - Islamic Development Bank | 47,686 | 61,252 | 163,525 |
| - Sovereign Bond | 105,500 | - | - |
| - Sukuk Bond | 79,125 | - | 105,500 |
| - Economic Trade Bank | - | 4,200 | - |
| - Commercial Banks | 211,528 | 389,130 | 105,500 |
| **II. EXTERNAL GRANTS** | **22,826** | **24,685** | **27,081** |
| - Project Aid Grants | 22,826 | 24,685 | 27,081 |
| • Federal Departments | 3,974 | 6,118 | 6,454 |
| • Autonomous Bodies | 1,511 | 7,684 | 3,467 |
| • Provinces | 17,340 | 10,883 | 17,160 |
| **TOTAL EXTERNAL RESOURCES (I + II):** | **819,610** | **996,287** | **837,824** |

# CHAPTER - 4

# PROVINCIAL SHARE IN FEDERAL TAXES

## NFC AWARD

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

4.2 Presently, 7th National Finance Commission (NFC) Award is in practice. Through this Award, the financial autonomy of the provinces has been ensured by increasing their share in the Divisible Pool (taxes) from 46.5% to 57.5% from 2011-12 onwards. For the first time in history, multiple indicators were adopted for distribution of provincial shares (horizontal distribution) in the divisible pool, whereas in all the previous Awards, population remained as sole criterion for distribution of provincial share with special grants (subventions) to smaller provinces.

4.3 A special feature of the 7th NFC Award is recognition for requirements of Balochistan. Its share from the divisible pool was guaranteed at Rs 83 billion in financial year 2010-11, which was more than double from the actual divisible pool share of financial year 2009-10. It has also been ensured that Balochistan province would receive its share in the divisible pool, based on the budgetary projections instead of actual FBR collection. Shortfall, if any, based on the actual collection, reported by FBR, is being made up by the Federal Government out of its own share. This arrangement is in practice since financial year 2011-12 and shall continue till 7th NFC Award remains in field. In this regard, an amount of Rs 79.672 billion have been provided to Government of Balochistan, as additionality, from 2010-11 to 2016-17.

4.4 The 8th NFC Award was constituted on 21st July, 2010, but it did not give any Award as the new Award was just implemented. The 9th NFC was constituted on April 24, 2015 and its 1st meeting was held on 28th April, 2015. the 9th NFC, in its 1st meeting, constituted four working groups to undertake thematic studies to assist the commission to make its deliberation meaningful. The reports of Working Groups were presented and discussed in the meeting of the NFC held on 19.12.2016. The deliberations for new NFC Award are under active consideration. It is expected that new NFC Award would be announced as soon as the consensus among all stakeholders is arrived. The present Award will remaining operative till a new Award is concluded and implemented.

4.5 The 7th NFC Award has been given legal cover through President's Order No.5 of 2010, which are reproduced as follows:

"PRESIDENT'S ORDER No. 5 of 2010

AN

ORDER

*to provide for distribution of revenues and certain grants*

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

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

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

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

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

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

(a) "net proceeds" means, in relation to any tax, duty or levy, the proceeds thereof reduced by the cost of collection as ascertained and certified by the Auditor General of Pakistan; and

(b) "taxes on income" includes corporation tax but does not include taxes on income consisting of remuneration paid out of the Federal Consolidated Fund.

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

(a) taxes on income;

(b) wealth tax;

(c) capital value tax;

(d) taxes on the sales and purchases of goods imported, exported, produced, manufactured or consumed;

(e) export duties on cotton;

(f) customs duties;

(g) federal excise duties excluding the excise duty on gas charged at well-head; and

(h) any other tax which may be levied by the Federal Government.

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

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

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

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

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

| | | |
|---|---|---|
| (a) | Balochistan | 9.09% |
| (b) | Khyber Pakhtunkhwa | 14.62% |
| (c) | Punjab | 51.74% |
| (d) | Sindh | 24.55% |
| | **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."*

"PRESIDENT'S ORDER NO.6 OF 2015

AN

ORDER

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

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

NOW, THEREFORE, in pursuance of Clause (6) read with Clause (7) of Article 160 of the Constitution of the Islamic Republic of Pakistan, the President is pleased to make the following Order:-

1. **Short title and commencement.**—(1) This Order may be called the Distribution of Revenues and Grants-in-Aid (Amendment) Order, 2015.

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

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

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

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

MAMNOON HUSSAIN,
*President."*

4.6 In accordance with the framework for distribution of resources structured by the 7th NFC Award, provincial share in federal taxes and straight transfers to Provinces are estimated at Rs 2,384,243 million for fiscal year 2017-18, reflecting an increase of 12.4% over revised estimates 2016-17. The details are as in Table-13 below:

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

(Rs in Million)

| Classification | Budget 2016-17 | Revised 2016-17 | Budget 2017-18 |
|---|---|---|---|
| **A. DIVISIBLE POOL TAXES** | **2,044,143** | **1,996,264** | **2,268,999** |
| - Income Tax | 873,498 | 783,073 | 895,524 |
| - Capital Value Tax | 1,317 | 1,351 | 1,566 |
| - Sales Tax (Excl. GST on Services) | 822,655 | 827,216 | 918,829 |
| - Federal Excise (excl. Excise Duty on Natural Gas) | 113,170 | 110,295 | 123,554 |
| - Customs Duties (excl. Export Development Surcharge) | 233,503 | 274,329 | 329,526 |
| **B. STRAIGHT TRANSFERS** | **91,738** | **125,084** | **115,244** |
| - Royalty on Crude Oil | 10,642 | 15,382 | 18,745 |
| - Royalty on Natural Gas | 31,455 | 31,986 | 38,616 |
| - Gas Development Surcharge | 34,300 | 63,700 | 42,140 |
| - Excise Duty on Natural Gas | 15,341 | 14,016 | 15,743 |
| **TOTAL (A to B):** | **2,135,881** | **2,121,347** | **2,384,243** |
| **PROVINCE- WISE SHARE** | | | |
| Punjab | 1,045,013 | 1,020,095 | 1,161,824 |
| Sindh | 547,841 | 554,111 | 612,590 |
| Khyber Pakhtunkhwa (Inclusive 1% War on Terror) | 346,184 | 343,547 | 389,854 |
| Balochistan | 196,843 | 203,594 | 219,974 |
| **TOTAL PROVINCIAL SHARE:** | **2,135,881** | **2,121,347** | **2,384,243** |

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

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

(Rs in Million)

| Classification | Budget 2016-17 | Revised 2016-17 | Budget 2017-18 |
|---|---|---|---|
| **A. Total Transfers to Provinces** | **2,270,241** | **2,238,532** | **2,597,166** |
| - Divisible Pool Taxes | 2,044,143 | 1,996,264 | 2,268,999 |
| - Straight Transfers | 91,738 | 125,084 | 115,244 |
| - Special Grants / Subventions | 40,000 | 23,378 | 26,000 |
| - Project Loans and Grants | 86,051 | 77,886 | 177,840 |
| - Programme Loans | 8,257 | 15,920 | 9,031 |
| - Japanese Grant | 52 | 1 | 51 |
| **B. Less Payments to Federal Govt.** | **60,220** | **60,928** | **66,057** |
| - Interest Payments | 13,494 | 13,595 | 14,111 |
| - Loans Repayments | 46,725 | 47,333 | 51,947 |
| **NET TRANSFERS TO PROVINCES (A-B):** | **2,210,021** | **2,177,603** | **2,531,108** |

4.8 In accordance with the framework for distribution of resources structured by the 7th NFC Award, the net transfers to provinces are Rs 2,531,108 million in the budget estimates 2017-18. These transfers were estimated at Rs 2,210,021 million in the budget estimates 2016-17 and Rs 2,177,603 million in revised estimates 2016-17.

# CHAPTER - 5

## CURRENT EXPENDITURE 2017-18

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

### TABLE - 15
### SUMMARY

(Rs in Million)

| | Classification | Budget 2016-17 | Revised 2016-17 | Budget 2017-18 |
|---|---|---|---|---|
| (i) | **Mark-up Payment** | **1,360,000** | **1,361,098** | **1,363,016** |
| | - Mark-up on Domestic Debt | 1,247,000 | 1,228,130 | 1,231,000 |
| | - Mark-up on Foreign Debt | 113,000 | 132,968 | 132,016 |
| (ii) | **Pension** | **245,000** | **245,000** | **248,000** |
| | - Military | 177,586 | 177,586 | 180,152 |
| | - Civil | 67,414 | 67,414 | 67,848 |
| (iii) | **Defence Affairs and Services** | **860,169** | **841,442** | **920,166** |
| | - Defence Services | 858,047 | 838,047 | 917,949 |
| | - Defence Administration | 2,122 | 3,395 | 2,217 |
| (iv) | **Grants and Transfers** | **441,616** | **382,405** | **430,230** |
| | - Grants to Provinces | 40,000 | 23,378 | 26,000 |
| | - Grants to Others | 401,616 | 359,028 | 404,230 |
| (v) | **Subsidies** | **140,600** | **168,952** | **138,846** |
| (vi) | **Running of Civil Government** | **352,793** | **398,822** | **376,840** |
| | - Salary | 198,276 | 207,324 | 210,735 |
| | a) Pay | 87,986 | 93,228 | 104,348 |
| | b) Allowance | 110,290 | 114,096 | 106,387 |
| | - Non-Salary | 151,018 | 191,498 | 163,605 |
| | - Others | 3,500 | 0 | 2,500 |
| | **CURRENT EXPENDITURE (i to vi)** | **3,400,179** | **3,397,720** | **3,477,097** |
| (vii) | **Foreign Loans Repayment** | **443,807** | **507,033** | **286,612** |
| | **TOTAL CURRENT EXPENDITURE** (includes foreign loans repayment) | **3,843,986** | **3,904,753** | **3,763,709** |

5.2 The main components of current expenditure are mark-up on government borrowing, defense, running of civil government, pension, grants and subsidies. Estimates for total current expenditure in the budget for fiscal year 2016-17 stood at Rs 3,843,986 million, which have now been revised upwards to Rs 3,904,753 million. For fiscal year 2017-18 an allocation of Rs 3,763,709 million has been made for current expenditure, showing a decline of 3.6% over the revised estimates of the outgoing fiscal year 2016-17.

5.3 Table-16 below presents the comparative position of the budget and revised estimates of current expenditure for the year 2016-17 along with the budget estimates 2017-18. It shows breakup of Current Expenditure according to functional classification.

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

(Rs in Million)

| Classification | Budget 2016-17 | Revised 2016-17 | Budget 2017-18 |
|---|---|---|---|
| 1) General Public Service | 2,707,212 | 2,741,376 | 2,553,633 |
| 2) Defence Affairs and Services | 860,169 | 841,442 | 920,166 |
| 3) Public Order and Safety Affairs | 103,459 | 119,491 | 109,604 |
| 4) Economic Affairs | 63,540 | 86,699 | 62,940 |
| 5) Environment Protection | 1,068 | 1,358 | 1,141 |
| 6) Housing and Community Amenities | 2,260 | 2,480 | 2,329 |
| 7) Health Affairs & Services | 12,108 | 12,379 | 12,847 |
| 8) Recreation, Culture and Religion | 8,001 | 10,723 | 8,434 |
| 9) Education Affairs and Services | 84,195 | 84,707 | 90,516 |
| 10) Social Protection | 1,975 | 4,097 | 2,100 |
| **TOTAL:** | **3,843,986** | **3,904,753** | **3,763,709** |

5.4 The bulk of expenditure falls under General Public Service. The expenditure against this head has been budgeted at Rs 2,553,633 million for 2017-18, which is 67.8% of current expenditure.

## GENERAL PUBLIC SERVICE

5.5 Under the head of General Public Service, the major portion goes to executive & legislative organs, financial, fiscal and external affairs. At Rs 2,083,532 million, this component forms 81.6% 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

(Rs in Million)

| Classification | Budget 2016-17 | Revised 2016-17 | Budget 2017-18 |
|---|---|---|---|
| **GENERAL PUBLIC SERVICE** | **2,707,212** | **2,741,376** | **2,553,633** |
| Executive & Legislative Organs, Financial, Fiscal Affairs & External Affairs | 2,229,837 | 2,303,333 | 2,083,532 |
| - Superannuation Allowances & Pensions | 245,000 | 245,000 | 248,000 |
| - Servicing of Foreign Debt | 113,000 | 132,968 | 132,016 |
| - Foreign Loans Repayment | 443,807 | 507,033 | 286,612 |
| - Servicing of Domestic Debt | 1,247,000 | 1,228,130 | 1,231,000 |
| - Others | 181,030 | 190,202 | 185,905 |
| Foreign Economic Aid | 752 | 4,774 | 4,632 |
| Transfers | 441,616 | 382,405 | 430,230 |
| General Services | 6,607 | 25,603 | 6,599 |
| Basic Research | 3,653 | 3,995 | 3,974 |
| Research and Development General Public Services | 11,334 | 11,197 | 11,712 |
| Administration of General Public Services | 2,253 | 2,253 | 2,348 |
| General Public Services not elsewhere defined | 11,160 | 7,815 | 10,605 |

## DEFENCE AFFAIRS AND SERVICES

5.7 Details of estimates of expenditure on Defence Affairs and Services in 2016-17 (budget & revised) and 2017-18 (budget) are given in Table-18 below:

### TABLE - 18
### DEFENCE AFFAIRS AND SERVICES

(Rs in Million)

| Classification | Budget 2016-17 | Revised 2016-17 | Budget 2017-18 |
|---|---|---|---|
| **DEFENCE AFFAIRS AND SERVICES** | **860,169** | **841,442** | **920,166** |
| **- Defence Administration** | **2,122** | **3,395** | **2,217** |
| **- Defence Services** | **858,047** | **838,047** | **917,949** |
| - Employees Related Expenses | 327,300 | 286,540 | 322,142 |
| - Operating Expenses | 216,149 | 221,308 | 225,521 |
| - Physical Assets | 211,702 | 217,383 | 243,991 |
| - Civil Works | 104,849 | 114,769 | 128,346 |
| - Less Recoveries | (1,953) | (1,953) | (2,051) |

## PUBLIC ORDER AND SAFETY AFFAIRS

5.8 Under the head of Public Order and Safety Affairs, an amount of Rs 109,604 million has been provided in the budget 2017-18 as compared with Rs 103,459 million in the budget estimates 2016-17 and Rs 119,491 million in revised estimates of the outgoing fiscal year 2016-17. The allocation for Police (Rs 101,174 million) forms the major component, with a share of 92.3%, in the total allocation under this head. Table-19 below provides the details:

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

(Rs in Million)

| Classification | Budget 2016-17 | Revised 2016-17 | Budget 2017-18 |
|---|---|---|---|
| **PUBLIC ORDER AND SAFETY AFFAIRS** | **103,459** | **119,491** | **109,604** |
| - Law Courts | 5,061 | 5,018 | 5,174 |
| - Police | 95,325 | 110,841 | 101,174 |
| - Fire Protection | 183 | 183 | 203 |
| - Prison Administration and Operation | 38 | 39 | 43 |
| - R & D Public Order and Safety | 31 | 31 | 32 |
| - Administration of Public Order | 2,820 | 3,378 | 2,977 |

## ECONOMIC AFFAIRS

5.9 The allocation under the head of Economic Affairs in the budget 2017-18 has been projected at Rs 62,940 million, which is lower by 0.9% and 27.4% when compared with the budget and the revised estimates 2016-17. Major share of this head goes to Agriculture, Food, Irrigation, Forestry and Fishing, which is 41.3% of total allocation for Economic Affairs. Table-20 below provides the details under this head:

### TABLE - 20
### ECONOMIC AFFAIRS

(Rs in Million)

| Classification | Budget 2016-17 | Revised 2016-17 | Budget 2017-18 |
|---|---|---|---|
| **ECONOMIC AFFAIRS** | **63,540** | **86,699** | **62,940** |
| - General Economic, Commercial and Labour Affairs | 17,066 | 10,451 | 17,474 |
| - Agriculture, Food, Irrigation, Forestry and Fishing | 27,517 | 56,101 | 26,020 |
| - Fuel and Energy | 797 | 1,583 | 803 |
| - Mining and Manufacturing | 1,510 | 1,567 | 1,565 |
| - Construction and Transport | 12,045 | 11,730 | 12,354 |
| - Communications | 3,021 | 3,124 | 3,113 |
| - Others Industries | 1,584 | 2,142 | 1,611 |

## ENVIRONMENT PROTECTION

5.10 Under the head of Environment Protection, an amount of Rs 1,141 million has been estimated for budget 2017-18 for Waste Water Management, which is higher by 6.8% than budget estimates 2016-17, while lower by 16% when compared with revised estimates 2016-17.

### TABLE - 21
### ENVIRONMENT PROTECTION

(Rs in Million)

| Classification | Budget 2016-17 | Revised 2016-17 | Budget 2017-18 |
|---|---|---|---|
| **ENVIRONMENT PROTECTION** | **1,068** | **1,358** | **1,141** |
| - Waste Water Management | 1,068 | 1,358 | 1,141 |

## HOUSING AND COMMUNITY AMENITIES

5.11 Under the head of Housing and Community Amenities, an amount of Rs 2,329 million has been provided in the budget 2017-18 for Community Development, which is higher by 3.1%, when compared with budget estimates 2017-18, while lower by 6.1% than revised estimates 2016-17.

### TABLE - 22
### HOUSING AND COMMUNITY AMENITIES

(Rs in Million)

| Classification | Budget 2016-17 | Revised 2016-17 | Budget 2017-18 |
|---|---|---|---|
| **HOUSING AND COMMUNITY AMENITIES** | **2,260** | **2,480** | **2,329** |
| - Community Development | 2,260 | 2,480 | 2,329 |

## HEALTH AFFAIRS AND SERVICES

5.12 Under the head of Health Affairs and Services, a total allocation of Rs 12,847 million has been made in the budget estimates 2017-18, which is higher by 6.1% and 3.8% when compared with budget and revised estimates 2016-17. 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

(Rs in Million)

| Classification | Budget 2016-17 | Revised 2016-17 | Budget 2017-18 |
|---|---|---|---|
| **HEALTH AFFAIRS AND SERVICES** | **12,108** | **12,379** | **12,847** |
| - Medical Products, Appliances and Equipment | 28 | 28 | 29 |
| - Hospital Services | 10,195 | 10,247 | 10,823 |
| - Public Health Services | 418 | 418 | 439 |
| - Health Administration | 1,467 | 1,686 | 1,555 |

## RECREATION, CULTURE AND RELIGION

5.13 In budget 2017-18 an amount of Rs 8,434 million has been budgeted for Recreation, Culture and Religion. Overall estimates under this classification for 2017-18 are higher by 5.4% when compared with budget estimates 2016-17, while lower by 21.3% when compared with revised estimates 2016-17. The bulk of expenditure under this head has been earmarked for Broadcasting and Publishing, which is 76.9% of the total allocation. Details are given in Table-24 below:

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

(Rs in Million)

| Classification | Budget 2016-17 | Revised 2016-17 | Budget 2017-18 |
|---|---|---|---|
| **RECREATION, CULTURE AND RELIGION** | **8,001** | **10,723** | **8,434** |
| - Recreation and Sporting Services | 1 | 1 | 1 |
| - Cultural Services | 588 | 1,091 | 618 |
| - Broadcasting and Publishing | 6,200 | 8,333 | 6,483 |
| - Religious Affairs | 872 | 947 | 959 |
| - Administration of Information, Recreation & Culture | 341 | 351 | 373 |

## EDUCATION AFFAIRS AND SERVICES

5.14 Education Affairs and Services have been provided with Rs 90,516 million in the budget estimates 2017-18 as compared with Rs 84,195 million in budget estimates 2016-17 and Rs 84,707 million in revised estimates 2016-17. The bulk of expenditure at Rs 68,252 million has been allocated for Tertiary Education Affairs and Services in budget 2017-18, which is 75.4% of the total allocation under this head. The details are as under:

### TABLE - 25
### EDUCATION AFFAIRS AND SERVICES

(Rs in Million)

| Classification | Budget 2016-17 | Revised 2016-17 | Budget 2017-18 |
|---|---|---|---|
| **EDUCATION AFFAIRS AND SERVICES** | **84,195** | **84,707** | **90,516** |
| - Pre-Primary & Primary Education Affairs Services | 8,197 | 8,197 | 8,748 |
| - Secondary Education Affairs & Services | 10,009 | 10,009 | 10,798 |
| - Tertiary Education Affairs and Services | 63,593 | 63,650 | 68,252 |
| - Education Services not Definable by Level | 75 | 75 | 70 |
| - Subsidiary Services to Education | 262 | 262 | 274 |
| - Administration | 1,167 | 1,645 | 1,286 |
| - Education Affairs, Services not elsewhere classified | 891 | 869 | 1,088 |

## SOCIAL PROTECTION

5.15 Under the head of Social Protection, an amount of Rs 2,100 million has been allocated in the budget 2017-18, which is higher by Rs 125 million as compared with budget estimates 2016-17, while lower by Rs 1,997 million when compared with revised estimates 2016-17. The revised estimates include additional expenditures on account of emergency relief and repatriation.

### TABLE - 26
### SOCIAL PROTECTION

(Rs in Million)

| Classification | Budget 2016-17 | Revised 2016-17 | Budget 2017-18 |
|---|---|---|---|
| **SOCIAL PROTECTION** | **1,975** | **4,097** | **2,100** |
| - Administration | 1,428 | 3,549 | 1,503 |
| - Others | 547 | 547 | 598 |

# CHAPTER - 6

## SUBSIDIES, GRANTS AND TRANSFERS 2017-18

## SUBSIDIES

6.1 In order to alleviate the impact of inflation on citizens, especially the poor segments of society, the Federal Government spends a fairly large sum on providing power and food subsidies. In the budget estimates 2016-17 subsidies were Rs 140,600 million; in revised estimates 2016-17 they increased to Rs 168,952 million due to increase in subsidy to WAPDA/PEPCO for tariff differential and subsidy to fertilizer. Total subsidies for fiscal year 2017-18 has been estimated at Rs 138,846 million.

6.2 In budget 2017-18, the allocation for subsidies to WAPDA/PEPCO forms the major component, which is 73.8% of the total allocation followed by subsidy to PASSCO and KESC with share of 11.9% and 11.2% respectively. A total estimate of subsidies for budget 2017-18 is 0.4% of GDP. Table-27 provides the details:

### TABLE - 27
### SUBSIDIES

(Rs in Million)

| Classification | Budget 2016-17 | Revised 2016-17 | Budget 2017-18 |
|---|---|---|---|
| **Subsidy to WAPDA/PEPCO:** | **95,400** | **102,580** | **102,500** |
| 1 Inter-Disco Tariff Differential | 60,000 | 91,000 | 65,000 |
| 2 Tariff Differential for Agriculture Tubewells in Balochistan | 8,400 | 1,680 | 8,500 |
| 3 To pick up WAPDA/PEPCO receivables from FATA | 8,000 | 9,900 | 10,000 |
| 4 Inter-Disco Tariff Differential (Arrears) | 19,000 | - | 4,000 |
| 5 Power Sector PSEs Reforms | - | - | 15,000 |

Contd....

## SUBSIDIES

(Rs in Million)

| Classification | Budget 2016-17 | Revised 2016-17 | Budget 2017-18 |
|---|---|---|---|
| **Subsidy to KESC:** | **22,600** | **15,420** | **15,500** |
| 6 To pick up KESC's Tariff Differential | 22,000 | 10,165 | 15,000 |
| 7 For Tariff Differential for Agriculture Tubewells in Balochistan | 600 | 600 | 500 |
| 8 DISCOs & K Electric on A/c of Support Package for Industrial Customer | - | 4,655 | - |
| **Subsidy to USC for:** | **7,000** | **7,000** | **4,000** |
| 9 Ramzan Package | 2,000 | 2,000 | 1,500 |
| 10 Payment of Sugar Arrears | 5,000 | 5,000 | 2,000 |
| 11 Sale of Pulses, Rice, Tea etc. at subsized rates | - | - | 500 |
| **Subsidy to PASSCO for:** | **15,300** | **18,554** | **16,545** |
| 12 Wheat Operation | 7,000 | 7,000 | 2,000 |
| 13 Wheat Reserved Stock | 7,000 | 7,000 | 5,000 |
| 14 Freight Subsidy on Sugar Export by TDAP | 1,300 | 1,300 | - |
| 15 Wheat supplied to Gilgit-Baltistan (Arrears) | - | - | 8,045 |
| 16 Support for Wheat Export | - | 1,629 | 1,500 |
| 17 Support for Sugar Export | - | 1,625 | - |
| **Subsidy to National Food Security & Research Division** | **-** | **25,098** | **1** |
| 18 National Food Security & Research Division | - | - | 1 |
| 19 Subsidy to Fertilizer | - | 25,098 | - |
| **Subsidy to Others:** | **300** | **300** | **300** |
| 20 Sale of Wheat in FATA | 300 | 300 | 300 |
| **TOTAL SUBSIDIES:** | **140,600** | **168,952** | **138,846** |

## GRANTS AND TRANSFERS

6.3 Grants and transfers to provinces and others for the year 2017-18 have been estimated at Rs 430,230 million as compared with Rs 441,616 million in budget estimates 2016-17 and Rs 382,405 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 2016-17 | Revised 2016-17 | Budget 2017-18 |
|---|---|---|---|
| **I. GRANTS IN AID & MISCELLANEOUS ADJUSTMENTS** | **40,000** | **23,378** | **26,000** |
| **A. SPECIAL GRANTS** | **23,000** | **23,378** | **22,000** |
| - Punjab | - | 313 | - |
| - Sindh | 13,000 | 13,000 | 12,000 |
| - Khyber Pakhtunkhwa | - | 50 | - |
| - Balochistan | 10,000 | 10,015 | 10,000 |
| **B. LUMP PROVISION** | **17,000** | **-** | **4,000** |
| **II. GRANTS TO OTHERS** | **401,616** | **359,028** | **404,230** |
| - Contingent Liabilities | 190,000 | 165,000 | 180,000 |
| - Miscellaneous Grants | 63,000 | 68,000 | 70,000 |
| - Other outstanding Liabilities | 30,000 | 6,500 | 20,000 |
| - Pakistan Railways to meet their losses | 37,000 | 37,000 | 40,000 |

Contd.....

## GRANTS AND TRANSFERS

(Rs in Million)

| Classification | Budget 2016-17 | Revised 2016-17 | Budget 2017-18 |
|---|---|---|---|
| - National Internship Programme | 61 | 61 | 55 |
| - Lump Provision for Relief etc. | 2,400 | 2,400 | 2,400 |
| - Competition Commission of Pakistan | 210 | 210 | 210 |
| - Reimbursement of TT Charges on Home Remittances | 15,000 | 12,500 | 12,000 |
| - Pakistan Remittance Initiative | 100 | 15 | 20 |
| - Grants to AJK Government | 29,500 | 31,760 | 40,000 |
| - Grant-in-Aid to Gilgit Baltistan | 24,300 | 25,036 | 27,500 |
| - Grant to Bait-ul-Maal | 4,000 | 4,500 | 6,000 |
| - Wheat Subsidy to Gilgit Baltistan | 6,045 | 6,045 | 6,045 |
| **TOTAL GRANTS (I + II):** | **441,616** | **382,405** | **430,230** |

# CHAPTER - 7

## LOANS AND INVESTMENTS 2017-18

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 28,324 million in budget 2017-18. The following table provides the details:

### TABLE - 29
### CURRENT LOANS & ADVANCES

(Rs in Million)

| | Classification | Budget 2016-17 | Revised 2016-17 | Budget 2017-18 |
|---|---|---|---|---|
| 1 | AJK for Repayment of Principal & Interest | 12,000 | 12,028 | 13,714 |
| 2 | Junagadh and Kathiawar Chiefs | 1 | 1 | 1 |
| 3 | Loans/Advances to Employees of PNRA | 14 | 14 | 15 |
| 4 | Loans/Advances to Friendly Countries | 1,000 | - | 500 |
| 5 | Interest free Loans to WAPDA Operation and Maintenance, Hub Dam & Khanpur Dam | 40 | 40 | 40 |
| 6 | Loan to State Engineering Corporation | - | 55 | 55 |
| 7 | Cash Development Loan to Heavy Mechanical Complex | - | 247 | - |
| 8 | Loans and Advances to: | | | |
| | - Federal Gov't Servants Islamabad | 6,002 | 6,002 | 6,002 |
| | - Federal Gov't Servants Lahore | 1,239 | 1,239 | 1,239 |
| | - Federal Gov't Servants Karachi | 1,389 | 1,389 | 1,389 |
| | - Federal Gov't Servants Quetta | 337 | 337 | 337 |
| | - Federal Gov't Servants Peshawar | 600 | 600 | 600 |
| | - Federal Gov't Servants Gilgit | 405 | 405 | 405 |
| 9 | Pakistan Mint Lahore | 27 | 27 | 27 |
| 10 | Loans to Pakistan Steel Mills Karachi | 4,000 | 4,000 | 4,000 |
| | **TOTAL:** | **27,055** | **26,385** | **28,324** |

## 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 412,528 million in the budget 2016-17, which have now been revised upwards to Rs 460,026 million in revised estimates 2016-17. For budget 2017-18, total development loans and advances have been estimated at Rs 595,212 million, showing an increase of 44.3% over budget estimates 2016-17 and 29.4% over revised estimates 2016-17.

7.5 For budget 2017-18, development loans and advances (local) have been estimated at Rs 264,274 million, while development loans and advances (external) at Rs 330,939 million. The details are as in Table-30 below:

### TABLE - 30
### DEVELOPMENT LOANS AND ADVANCES

(Rs in Million)

| Classification | Budget 2016-17 | Revised 2016-17 | Budget 2017-18 |
|---|---|---|---|
| 1 Development Loans and Advances | 218,286 | 218,234 | 264,274 |
| 2 External Development Loans and Advances | 194,242 | 241,792 | 330,939 |
| **TOTAL:** | **412,528** | **460,026** | **595,212** |

## CURRENT INVESTMENTS

7.6 The federal current investments for the year 2017-18 have been estimated at Rs 19,949 million as compared with Rs 18,484 million and Rs 2,840 in the budget and revised estimates of 2016-17 respectively. The allocation for investment in 2017-18 is higher by 7.9% as compared with budget estimates 2016-17. Table-31 provides the comparative position.

### TABLE - 31
### CURRENT INVESTMENTS

(Rs in Million)

| | Classification | Budget 2016-17 | Revised 2016-17 | Budget 2017-18 |
|---|---|---|---|---|
| 1 | GoP Equity in First Women Bank Ltd. | 500 | 500 | - |
| 2 | GoP Contribution in Equity of Pak China Investment Co. Ltd. Islamabad | 1,600 | - | 100 |
| 3 | GoP Equity in Mortgage Refinance Co. | 10 | - | - |
| 4 | GoP Equity Investment against the liability of Peoples Steel Mills | 184 | - | 5 |
| 5 | GoP Equity Investment in Capital of Pakistan Textile City Limited | - | 12 | - |
| 6 | Lump Provision for Miscellaneous Expenditure | 14,290 | - | 12,000 |
| 7 | Paid up Capital for the proposed Exim Bank of Pakistan | - | - | 3,000 |
| 8 | Capital Stock IDB | 400 | 743 | 841 |
| 9 | GoP Equity in DISCOs through PHPL for payment of DSL of STFF | 1,500 | 1,585 | 4,000 |
| 10 | Pakistan's Annual Contribution to Inter Governmental Group IF 24 (G-24) | - | - | 3 |
| | **TOTAL:** | **18,484** | **2,840** | **19,949** |

# CHAPTER - 8

## PUBLIC SECTOR DEVELOPMENT PROGRAMME (PSDP) 2017-18

8.1 The Public Sector Development Programme (PSDP) is the main instrument for improving the socio-economic conditions in the country and achieving the macroeconomic and development objectives and targets set by the government, which yield maximum benefits in the shortest possible time for the society.

8.2 For the year 2017-18 National Economic Council (NEC) has approved an overall size of PSDP at Rs 2,113 billion, which is 5.9% of GDP.

8.3 The Salient features of PSDP allocation for 2017-18 are as follows:

- The size of national PSDP (Rs 2,113 billion) in the budget for 2017-18 showing an increase of 26.2% over budget estimates 2016-17 and 37.3% over revised estimates 2016-17.
- Federal PSDP for the year 2017-18 has been kept at Rs 1,001 billion, which is higher by 25.1% than budget estimates 2016-17.
- The share of Federal Ministries/Divisions in 2017-18 PSDP is Rs 377.9 billion indicating an increase of 34% over budget estimates 2016-17.
- The Corporations' PSDP for 2017-18 has been placed at Rs 380.6 billion indicating an increase of 19.7% over budget estimates 2016-17.
- An amount of Rs 30 billion has been allocated in the budget 2017-18 to Prime Minister's Global SDGs Achievement Programme showing an increase of 50% over budget estimates 2016-17.
- An amount of Rs 40 billion has been provided in the budget 2017-18 for Special Federal Development Programme, which is higher by 42.9% than budget estimates 2016-17.
- An amount of Rs 12.5 billion has been allocated in budget 2017-18 to Energy for All.
- In budget 2017-18, an ammount of Rs 12.5 billion has been budgeted for Clean Drinking Water for All.
- Earthquake Rehabilitation and Reconstruction Authority (ERRA) has been allocated Rs 7.5 billion in the budget 2017-18.
- In budget 2017-18, Rs 5 billion has been kept for Special Provision for Competition of CPEC Projects.
- In budget 2017-18, an amount Rs 45 billion has been allocated to Relief and Rehabilitation of IDPs.

- An amount of Rs 45 billion has been budgeted for Security Enhancement in 2017-18.
- An amount of Rs 20 billion has been budgeted for 2017-18 for Prime Minister's Initiative.
- In budget 2017-18, an amount of Rs 25 billion has been provided for Gas Infrastructure Development Cess.
- The Provincial Development Programme for 2017-18 has been estimated at Rs 1,112 billion as against Rs 875 billion in budget estimates 2016-17, showing an increase of 27.1%.

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

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

(Rs in Million)

| Classification | Budget 2016-17 | Revised 2016-17 | Budget 2017-18 |
|---|---|---|---|
| **A. Federal Ministries/Divisions** | **282,000** | **298,526** | **377,870** |
| 1 Aviation Division | 4,695 | 2,897 | 4,349 |
| 2 Cabinet Division | 369 | 303 | 160 |
| 3 Capital Administration & Development Division | 2,562 | 1,799 | 5,188 |
| 4 Climate Change Division | 1,027 | 573 | 815 |
| 5 Commerce Division | 797 | 738 | 1,200 |
| 6 Communications Division (other than NHA) | 5,285 | 9,184 | 13,660 |
| 7 Defence Division | 2,527 | 215 | 535 |
| 8 Defence Production Division | 2,300 | 2,300 | 4,468 |
| 9 Establishment Division | 137 | 137 | 270 |
| 10 Federal Education & Professional Training Division | 2,221 | 1,666 | 2,962 |
| 11 Finance Division | 9,202 | 5,859 | 18,936 |
| 12 Foreign Affairs Division | 500 | - | 200 |
| 13 Higher Education Commission | 21,486 | 27,275 | 35,663 |
| 14 Housing & Works Division | 6,554 | 6,554 | 10,386 |
| 15 Human Rights Division | 170 | 24 | 306 |

Contd.....

## SIZE OF PSDP

(Rs in Million)

| Classification | Budget 2016-17 | Revised 2016-17 | Budget 2017-18 |
|---|---|---|---|
| 16 Industries and Production Division | 910 | 780 | 2,737 |
| 17 Information & Broadcasting Division | 335 | 219 | 812 |
| 18 Information Tech. & Telecom Division | 1,109 | 1,109 | 1,538 |
| 19 Inter Provincial Coordination Division | 645 | 732 | 3,044 |
| 20 Interior Division | 11,554 | 12,481 | 15,667 |
| 21 Kashmir Affairs & Gilgit Baltistan Division | 25,750 | 30,490 | 43,644 |
| 22 Law and Justice Division | 1,500 | 1,015 | 1,200 |
| 23 Narcotics Control Division | 218 | 375 | 220 |
| 24 National Food Security & Research Division | 1,521 | 523 | 1,614 |
| 25 National Health Services, Regulations & Coordination Division | 24,951 | 30,311 | 48,701 |
| 26 National History & Literary Heritage Division | 67 | 22 | 273 |
| 27 National Security Division | - | | 100 |
| 28 Pakistan Atomic Energy Commission | 27,560 | 28,600 | 15,085 |
| 29 Pakistan Nuclear Regulatory Authority | 271 | 264 | 322 |
| 30 Petroleum & Natural Resources Division | 587 | 587 | 554 |
| 31 Planning, Development & Reform Division | 11,998 | 5,351 | 16,799 |
| 32 Ports & Shipping Division | 12,825 | 1,031 | 12,776 |
| 33 Railways Division | 41,000 | 55,875 | 42,900 |
| 34 Religious Affairs & Inter Faith Harmony Division | 34 | 34 | - |
| 35 Revenue Division | 687 | 519 | 790 |
| 36 Science & Technological Research Division | 1,777 | 956 | 2,428 |
| 37 States & Frontier Regions Division | 22,300 | 33,861 | 26,900 |
| 38 Statistics Division | 200 | 150 | 200 |
| 39 SUPARCO | 2,500 | 2,000 | 3,500 |
| 40 Textile Industry Division | 150 | - | 218 |
| 41 Water & Power Division (Water Sector) | 31,716 | 31,716 | 36,750 |

Contd.....

## SIZE OF PSDP

(Rs in Million)

| Classification | Budget 2016-17 | Revised 2016-17 | Budget 2017-18 |
|---|---|---|---|
| **B. Corporations** | **318,000** | **343,998** | **380,630** |
| 1 WAPDA (Power) | 130,000 | 134,323 | 60,909 |
| 2 National Highway Authority | 188,000 | 209,675 | 319,720 |
| **C. Prime Minister's Global SDGs Achievement Programme** | **20,000** | **42,500** | **30,000** |
| **D. Special Federal Development Programme** | **28,000** | **-** | **40,000** |
| **E. Energy for All** | **-** | **-** | **12,500** |
| **F. Clean Drinking Water for All** | **-** | **-** | **12,500** |
| **G. ERRA** | **7,000** | **10,713** | **7,500** |
| **H. Special Provision for Competition of CPEC Projects** | **-** | **-** | **5,000** |
| **I. Relief and Rehabilitation of IDPs** | **100,000** | **-** | **45,000** |
| **J. Security Enhancement** | | **13,970** | **45,000** |
| i. SAFRON | - | 8,364 | - |
| ii. FATA | - | 5,606 | - |
| **K. Prime Minister's Initiative** | **20,000** | **5,219** | **20,000** |
| **L. Gas Infrastructure Development Cess** | **25,000** | **158** | **25,000** |
| **Total Federal PSDP (A to L):** | **800,000** | **715,085** | **1,001,000** |
| **M. Provinces** | **875,000** | **824,000** | **1,112,000** |
| **TOTAL NATIONAL PSDP (A to M):** | **1,675,000** | **1,539,085** | **2,113,000** |

## DEVELOPMENT EXPENDITURE OUTSIDE PSDP 2017-18

8.5 Under the head of Development Expenditure Outside Public Sector Development Programme (PSDP), Rs 152,200 million have been allocated in this head in the budget 2017-18, reflecting an increase of 19.3% over revised estimates 2016-17. Table-33 provides the details.

### TABLE - 33
### DEVELOPMENT EXPENDITURE OUTSIDE PSDP

(Rs in Million)

| Classification | Budget 2016-17 | Revised 2016-17 | Budget 2017-18 |
|---|---|---|---|
| 1 Benazir Income Support Programme | 115,000 | 111,500 | 121,000 |
| 2 Crop Loan Insurance Scheme | 500 | 500 | 700 |
| 3 Livestock Insurance Scheme | - | - | 1,000 |
| 4 Credit Guarantee Scheme for Small Farmers | 1,000 | - | 1,000 |
| 5 Provision for Reconstruction of Afghanistan | 3,000 | 3,000 | 3,000 |
| 6 Pakistan Poverty Alleviation Fund (PPAF) | 1,584 | 181 | - |
| 7 Subsidy to TCP for Import of Urea Fertilizer | 7,000 | 7,000 | 5,000 |
| 8 Provision for Misc. Dev. Exp. outside PSDP | 14,500 | - | 3,000 |
| 9 Grants for Pakistan Poverty Fund | 2,000 | 1,675 | 2,000 |
| 10 Strategic Trade Policy Framework | 6,000 | - | 5,000 |
| 11 Textile Policy 2009-14 | 6,000 | - | 5,000 |
| 12 Duty Drawback of Local Taxes and Levies 2014-15 | - | 693 | - |
| 13 Drawback of Local Taxes and Levies 2015-16 | - | 1,000 | - |
| 14 Brand Certification Development Support Order, 2016 | - | 100 | - |
| 15 Support for Plant & Machinery for Agro Processing (SME) Order, 2016 | - | 100 | - |
| 16 Technology Upgradation Fund Order, 2016 | - | 100 | - |
| 17 Product Development Incentive Order, 2016 | - | 100 | - |
| 18 Drawback on Local Taxes & Levies (Non-Textile) Order, 2016 | - | 100 | - |
| 19 Duty Drawback of Taxes Order 2016-17 | - | 1,000 | 4,000 |
| 20 Drawback of Local Taxes and Levies (Non-Textile) Order, 2017 | - | 500 | 1,500 |
| 21 Support for Widows of Victims of Suicidal Attacks | - | 5 | - |
| **TOTAL:** | **156,584** | **127,554** | **152,200** |

# CHAPTER - 9

## MEDIUM-TERM BUDGETARY FRAMEWORK (MTBF)

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

9.2 The MTBF includes the following key components:

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

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

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

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

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

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

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

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

- The Finance and Planning, Development and Reform 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 and Reform Divisions work out, for each Principal Accounting Officer, medium-term Indicative Budget Ceilings (IBCs) that align resource allocation with the Government's
- Based on these IBCs, ministries prepare their budgets that are reviewed for quality assurance by the Finance and Planning, Development and Reform Divisions
- The Secretaries of Finance, Planning, Development and Reform, and Economic Affairs Divisions jointly chair the Priorities Committee meetings that discuss policy and budget priorities with each Principal Accounting Officer
- The macroeconomic and fiscal frameworks, together with the IBCs, are presented to the Cabinet through the 'Budget Strategy Paper' (BSP) for approval
- The Annual Plan Coordination Committee (APCC) discusses the public sector investment proposals with the Federal and Provincial Governments
- The National Economic Council (NEC) approves the Public Sector Development Programme (PSDP) of the Federal and Provincial Governments
- The finalised budget is presented in the Cabinet for endorsement and Parliament for appropriation

## MACROECONOMIC INDICATORS

9.4 Macroeconomic Indicators for 2016-20 are provided in Table - 34 below:

### TABLE - 34

| Consolidated Fiscal Projections | Budget 2016-17 | Revised 2016-17 | Budget 2017-18 | Forecast 2018-19 | Forecast 2019-20 |
|---|---|---|---|---|---|
| Real GDP Growth (%) | 5.7 | 5.3 | 6.0 | 6.5 | 7.0 |
| Inflation (%) | 6.0 | 4.5 | 6.0 | 6.0 | 6.0 |
| | | | (as percentage of GDP) | | |
| **Total Revenue** | 16.0 | 16.2 | 17.2 | 17.3 | 17.5 |
| - Tax Revenue | 12.9 | 13.1 | 13.7 | 14.2 | 14.6 |
| - FBR Tax Revenue | 10.8 | 11.1 | 11.2 | 11.8 | 12.2 |
| - Non Tax Revenue | 3.1 | 3.1 | 3.5 | 3.2 | 2.9 |
| **Total Expenditure** | 19.8 | 20.4 | 21.3 | 21.3 | 21.4 |
| - Current | 14.9 | 15.9 | 15.0 | 14.6 | 14.6 |
| - Development | 4.7 | 4.5 | 6.3 | 6.7 | 6.8 |
| **Fiscal Balance** | -3.8 | -4.2 | -4.1 | -4.0 | -3.9 |
| Revenue Balance | 0.9 | 0.2 | 2.2 | 2.7 | 2.9 |
| Total Public Debt-(Gross) | 61.4 | 64.8 | 61.4 | 57.8 | 54.3 |
| Total Public Debt-(Net) | 58.1 | 61.3 | 59.2 | 56.7 | 54.2 |
| GDP at market prices (Billions) | 33,509 | 31,862 | 35,919 | 40,876 | 46,597 |

# CHAPTER - 10

## CLIMATE CHANGE BUDGETING

11.1 Pakistan ranks amongst the top ten countries most vulnerable to climate change. Increasingly frequent and more intensive floods, heat waves, and cyclonic activities has resulted insubstantial financial, material and human losses being incurred over recent years. To reduce this impact, and increase resiliency, the government has taken some critical steps to systematically respond to the challenge.

11.2 Pakistan has demonstrated its commitment to climate change by submitting an Intended Nationally Determined Contribution (INDC) under the international Paris Agreement on Climate Change. An implementation framework for the 2012 National Climate Change Policy was also adopted in 2015. An updated 'Climate Public Expenditure and Institutional Review' (CPEIR) diagnostic, building on a first report carried out in 2015 will soon be finalized, providing information on how much Pakistan is spending on climate mitigation and adaptation related activities at the federal and provincial levels. The study identified a number of initiatives relating to climate change being undertaken by various Ministries/Departments.

- Efforts are being made to integrate climate change into planning and budgeting system so that plans and budgets reflect Government strategies and priorities. A draft Climate Change Financing Framework has been developed to provide systemic and procedural requirements that will aid in this integration.

- A coding and tracking system dedicated to climate expenditures has been designed and will be operational from next financial year. More timely, transparent information will enable policy makers to take more informed public investment decisions on climate change.

11.3 The Finance Division and Climate Change Division are leading these reforms and involve Federal Ministries/Divisions that undertake climate change initiatives. These aim to build a more transparent, climate change responsive public financial management system. These efforts will result in a stronger implementation of the climate policy and more robust tracking of Pakistan's international commitments.

## WORKING OF FISCAL DEFICIT AND FINANCING
## BUDGET 2017-18

(Rs. in Billion)

| Working Deficit | | Financing of Deficit | |
|---|---|---|---|
| **A) Federal Revenue (net)** | **2,926.1** | **Gross External Loans** | **837.8** |
| **B) Total Federal Expenditure (i+ii)** | **4,752.9** | **Less Repayments** | **326.4** |
| i) Current Expenditure | 3,477.1 | Long Term Foreign Loans | 286.6 |
| ii) Development and Net Lending (a+b+c) | 1,275.8 | Short Term Foreign Loans | 39.8 |
| a) Federal PSDP | 1,001.0 | **i) Net External Financing** | **511.4** |
| b) Other Development Expenditure | 152.2 | **ii) Domestic Financing (a+b)** | **968.1** |
| c) Net Lending | 122.6 | **a) Bank Financing** | **390.1** |
| | | of which SBP Financing | 0.0 |
| **C) Federal Deficit (A-B)** | **-1,826.8** | **b) Non Bank Financing** | **578.0** |
| Estimated Provincial Surplus | 347.3 | Public debt | 314.9 |
| | | Public Account | 213.1 |
| | | Privatization Proceeds | 50.0 |
| **Overall Fiscal Deficit** | **-1,479.6** | **Total Financing of Deficit (i+ii)** | **1,479.6** |
| ***% of GDP*** | ***-4.1%*** | ***% of GDP*** | ***4.1%*** |

# BUDGET AT A GLANCE
## FOR THE FISCAL YEAR 2017-18

(Rs. in Billion)

| RECEIPTS | | EXPENDITURE | |
|---|---|---|---|
| TAX REVENUE | 4,330.5 | A. CURRENT | 3,477.1 |
| - FBR Taxes | 4,013.0 | Interest Payments | 1,363.0 |
| - Other Taxes | 317.5 | Pension | 248.0 |
| - NON-TAX REVENUE | 979.9 | Defence Affairs & Services | 920.2 |
| a) Gross Revenue Receipts | 5,310.3 | Grants and Transfers | 430.2 |
| b) Less Provincial Share | 2,384.2 | Subsidies | 138.8 |
| I. Net Revenue Receipts (a-b) | 2,926.1 | Running of Civil Govt. | 376.8 |
| II. Capital Receipts (Non-Bank) | 528.0 | | |
| III. External Receipts (net) | 511.4 | B. DEVELOPMENT | 1,275.8 |
| IV. Estimated Provincial Surplus | 347.3 | Federal PSDP | 1,001.0 |
| V. Bank Borrowing | 390.1 | Net Lending | 122.6 |
| VI. Privatization Proceeds | 50.0 | Other Dev. Expenditure | 152.2 |
| TOTAL RESOURCES (I to VI) | 4,752.9 | TOTAL EXPENDITURE(A+B) | 4,752.9 |

# BUDGET AT A GLANCE
## FOR THE FISCAL YEAR 2017-18

(Rs. In Billion)

| RECEIPTS | | EXPENDITURE | |
|---|---|---|---|
| TAX REVENUE | 4,358.5 | A. CURRENT | 3,477.1 |
| FBR Taxes | 4,013.0 | Interest Payments | 1,380.0 |
| Other Taxes | 345.5 | Pension | 248.0 |
| NON-TAX REVENUE | 379.0 | Defence Affairs & Services | 920.0 |
| a) Gross Revenue Receipts | 4,319.5 | Grants and Transfers | 436.2 |
| b) Less Provincial Share | 2,282.5 | Subsidies | 152.0 |
| Net Revenue Receipts (a-b) | 2,037.1 | Running of Civil Govt. | 370.0 |
| B. Capital Receipts (Non-Debt) | 529.0 | | |
| C. External Receipts (net) | 411.4 | B. DEVELOPMENT | 1,279.0 |
| D. Additional Privatization Surplus | 242.5 | Federal PSDP | 1,001.0 |
| E. Bank Borrowing | 339.1 | Net Lending | 122.0 |
| F. Privatization Proceeds | 50.0 | Other Dev. Expenditure | 152.2 |
| TOTAL RECEIPTS (1 to 10) | 4,757.0 | TOTAL EXPENDITURE(A+B) | 4,756.0 |

# 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, workers welfare fund and capital value tax (CVT) |
| **Disbursements** | Government investments, loans, advances and others, and repayment of short term credit |
| **External Resources** | Include project and programme 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 and federal excise. |

Contd.....

# Glossary of Terms

| | |
|---|---|
| **Internal Resources** | Include net revenue receipts, net capital receipts, and estimated provincial surplus |
| **Net Capital Receipts** | Capital receipts *minus* disbursements |
| **Net Lending to Others** | Government investments, loans and advances from Public Sector Enterprises (PSEs) *minus* recoveries of loans and advances from PSEs |
| **Net Revenue Receipts** | Gross revenue receipts *minus* 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 |
| **Other Taxes** | Islamabad Capital Territory (ICT) Tax, Airport Tax, Gas Infrastructure Development Cess (GIDC), Natural Gas Development Surcharge and Petroleum Levy. |
| **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 |
| **Tax Revenue** | Income from direct, indirect and other taxes |
| **Total Outlay / Expenditure** | Includes current expenditure and development expenditure |

PCPPI--3467(17) Fin.Div--25-05-2017--3000