



FEDERAL BUDGET

BUDGET IN BRIEF

2013-14

**GOVERNMENT OF PAKISTAN
FINANCE DIVISION
ISLAMABAD**

PREFACE

The *Budget in Brief* presents a summary of the Federal Budget 2013-14. It is designed to provide, in a very concise way, essential information on revenues and expenditures budgeted for Financial Year 2013-14 in juxtaposition with budget estimates and revised estimates for the outgoing Financial Year 2012-13. Detailed information is available in the relevant budget documents. Readers who need a one-page snapshot 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 four 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 2013-14 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 2013-14.

For the convenience of readers, some additional information regarding subsidies, loans and advances 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 easily accessible and useful for all.

Waqar Masood Khan
Secretary to the Government of Pakistan

Finance Division
Islamabad, the 12th June, 2013

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CHAPTER - 1
REVIEW OF BUDGET 2012-13

SALIENT FEATURES

1.1 The budget 2012-13 had the following salient features:

- a) The total outlay of budget 2012-13 was Rs 3,203 billion. This size was higher by 15.8% than the size of budget estimates 2011-12. The size of outlay increased to Rs 3,478 billion in revised estimates 2012-13 or by 8.6%.
- b) The resource availability during 2012-13 had been estimated at Rs 2,719 billion. This was higher by 10.4% than budget estimates 2011-12. The volume of resources decreased to Rs 1,903 billion in revised estimates 2012-13.
- c) The net revenue receipts for 2012-13 had been estimated at Rs 1,778 billion showing a decline of 9.1% in revised estimates 2012-13.
- d) The provincial share in federal revenue receipts was estimated at Rs 1,459 billion during 2012-13, which decreased to Rs 1,221 billion in revised estimates for 2012-13.
- e) The net capital receipts for 2012-13 had been estimated at Rs 478 billion, which decreased to Rs 106 billion in revised estimates 2012-13 i.e. a decline of 77.8%.
- f) The external receipts (minus foreign grants) in 2012-13 were estimated at Rs 384 billion, which decreased to Rs 244 billion in revised estimates or by 36.6%.
- g) The overall expenditure during 2012-13 had been estimated at Rs 3,203 billion, out of which the share of current expenditure was Rs 2,612 billion and that of development expenditure was Rs 591 billion. Current expenditure of revised estimates showed an increase of 11.3% over budget estimates of 2012-13, while development expenditure decreased by 3%.
- h) The share of current expenditure in total budgetary outlay for 2012-13 was 81.6% as compared to 83.5% in revised estimates 2012-13.
- i) The expenditure on general public service was estimated for budget 2012-13 at Rs 1,877 billion, which was 71.9% of the current expenditure.

- j) The size of Public Sector Development Programme (PSDP) for 2012-13 was Rs 873 billion. Out of this, Rs 513 billion was allocated to provinces. Federal PSDP 2012-13 was estimated at Rs 360 billion, out of which Rs 207 billion for Federal Ministries/Divisions, Rs 80 billion for Corporations, Rs 36 billion for Special Programmes, and Rs 10 billion for Earthquake Reconstruction and Rehabilitation Authority (ERRA).
- k) The other development expenditure outside PSDP amounting to Rs 154 billion was budgeted for 2012-13.
- l) To meet expenditure, bank borrowing was estimated at Rs 484 billion, which was at lower side when compared with revised estimates 2012-13.

1.2 Table-1 below presents a summary of comparative position of the budget and revised estimates for financial year 2012-13:

TABLE - 1
SUMMARY 2012-13

(Rs in Million)		
Classification	Budget 2012-13	Revised 2012-13
RESOURCES	2,719,188	1,902,815
- Internal Resources	2,335,229	1,659,322
- Net Revenue Receipts	1,777,902	1,615,540
- Net Capital Receipts	477,779	105,954
- Estimated Provincial Surplus	79,548	(62,172)
- External Resources	383,959	243,493
EXPENDITURE	3,202,999	3,478,354
- Current Expenditure	2,611,940	2,907,053
- Development Expenditure	591,059	571,300
• Federal PSDP	360,000	388,407
• Development Loans & Grants to Provinces	76,771	75,505
• Other Development Expenditure (Outside PSDP)	154,288	107,388
BANK BORROWING	483,811	1,575,539

RESOURCES:**INTERNAL RESOURCES**

1.3 The internal resources come through revenue receipts (tax & non-tax) and net capital receipts. Table-2 provides the budget and revised estimates for 2012-13 in respect of tax and non-tax revenue, while table-3 provides the details of net capital receipts.

TABLE - 2
REVENUE RECEIPTS
(2012-13)

Classification	(Rs in Million)	
	Budget 2012-13	Revised 2012-13
A. TAX REVENUE	2,503,575	2,124,575
- Direct Taxes	932,000	779,100
- Indirect Taxes	1,571,575	1,345,475
B. NON-TAX REVENUE	733,252	711,987
- Income from Property and Enterprise	178,773	108,637
- Receipts from Civil Administration and Other Functions	354,975	385,215
- Miscellaneous Receipts	199,504	218,136
Gross Revenue Receipts	3,236,827	2,836,562
Less Provincial Share	1,458,924	1,221,022
Net Revenue Receipts	1,777,902	1,615,540

1.4 The tax revenue was estimated for budget 2012-13 at Rs 2,503,575 million, which decreased to Rs 2,124,575 million or by 15.1% in revised estimates 2012-13. The non-tax revenue was estimated for 2012-13 at Rs 733,252 million, which decreased to Rs 711,987 million or by 2.9% in revised estimates 2012-13.

1.5 After deducting the provincial share, the net revenue receipts were estimated at Rs 1,777,902 million in the budget 2012-13. These are now estimated at Rs 1,615,540 million in the revised estimates 2012-13 i.e. a decline of 9.1%.

NET CAPITAL RECEIPTS

1.6 The net capital receipts for the year 2012-13 were budgeted at Rs 477,779 million. The revised estimates are Rs 105,954 million, which indicates a decline of 77.8%. Table-3 provides the details:

TABLE - 3
NET CAPITAL RECEIPTS
(2012-13)

Classification	(Rs in Million)	
	Budget 2012-13	Revised 2012-13
I. RECEIPTS (A + B)	541,087	492,577
A. Federal Consolidated Fund	353,495	167,489
- Recovery of Loans	54,058	62,522
- Permanent Debt	143,810	104,967
- Floating Debt	155,627	-
B. Public Account	187,592	325,089
II. DISBURSEMENTS	63,308	386,623
NET CAPITAL RECEIPTS (I-II):	477,779	105,954

EXTERNAL RESOURCES

1.7 The Government obtains foreign loans and grants to use for capital and development expenditure. The external loans for 2012-13 were budgeted at Rs 274,858 million, which are now projected at Rs 214,461 million in revised estimates i.e. decline of 22%. This decline is mainly due to less receipts from Programme Loans, Islamic Development Bank and Other Aid.

1.8 External grants also reduced from Rs 109,101 million in the budget estimates 2012-13 to Rs 29,032 million in the revised estimates 2012-13 or by 73.4% due to less receipts from privatisation proceeds, etc.

1.9 Overall external resources were estimated at Rs 383,959 million, which declined to Rs 243,493 million or by 36.6% in the revised estimates 2012-13. Table-4 below presents the details:

TABLE - 4
EXTERNAL RESOURCES
(2012-13)

Classification	(Rs in Million)	
	Budget 2012-13	Revised 2012-13
I. EXTERNAL LOANS (a to c)	274,858	214,461
a. Project Loans	140,380	183,077
b. Programme Loans	41,478	6,552
c. Other Aid	93,000	24,832
II. EXTERNAL GRANTS	109,101	29,032
TOTAL EXTERNAL RESOURCES (I + II):	383,959	243,493

EXPENDITURE

1.10 The revised estimates 2012-13 of the overall expenditure are Rs 3,478,354 million showing an increase of 8.6% over the budget estimates 2012-13 at Rs 3,202,999 million.

1.11 Table-5 below shows the comparative position of the budget and revised estimates of current and development expenditure for the year 2012-13:

TABLE - 5
CURRENT AND DEVELOPMENT EXPENDITURE
(2012-13)

(Rs in Million)		
Classification	Budget 2012-13	Revised 2012-13
A. CURRENT	2,611,940	2,907,053
- General Public Service	1,876,839	2,143,854
- Defence Affairs & Services	545,386	570,366
- Public Order and Safety Affairs	70,157	72,014
- Economic Affairs	53,642	49,740
- Environment Protection	736	736
- Housing and Community Amenities	1,855	1,855
- Health Affairs & Services	7,845	7,893
- Recreation, Culture and Religion	6,267	6,633
- Education Affairs and Services	47,874	52,371
- Social Protection	1,340	1,592
B. DEVELOPMENT	591,059	571,300
- Federal PSDP	360,000	388,407
- Other Development Expenditure (Outside PSDP)	154,288	107,388
- Development Loans & Grants to Provinces	76,771	75,505
TOTAL EXPENDITURE (A + B):	3,202,999	3,478,354

CHAPTER - 2
THE BUDGET 2013-14

SALIENT FEATURES

2.1 The budget 2013-14 has the following salient features:

- a) The total outlay of budget 2013-14 is Rs 3,985 billion. This size is 24.4% higher than the size of budget estimates 2012-13.
- b) The resource availability during 2013-14 has been estimated at Rs 3,010 billion against Rs 2,719 billion in the budget estimates of 2012-13.
- c) The net revenue receipts for 2013-14 have been estimated at Rs 1,918 billion indicating an increase of 7.9% over the budget estimates of 2012-13.
- d) The provincial share in federal revenue receipts is estimated at Rs 1,502 billion during 2013-14, which is 3.0% higher than the budget estimates for 2012-13.
- e) The net capital receipts for 2013-14 have been estimated at Rs 493 billion against the budget estimates of Rs 478 billion in 2012-13 i.e. an increase of 3.2%.
- f) The external receipts in 2013-14 are estimated at Rs 576 billion. This shows an increase of 50.1% over the budget estimates for 2012-13.
- g) The overall expenditure during 2013-14 has been estimated at Rs 3,985 billion, out of which the current expenditure is Rs 3,196 billion and development expenditure is Rs 789 billion. Current expenditure has been estimated to be higher than the revised estimates for 2012-13 by around 9.9%, while development expenditure by 37.7% in 2012-13 over the revised estimates of 2012-13.
- h) The share of current expenditure in total budgetary outlay for 2013-14 is 80.2% as compared to 83.5% in revised estimates for 2012-13.
- i) The expenditure on General Public Services is estimated at Rs 2,357 billion which is 73.8% of the current expenditure.

- j) The size of Public Sector Development Programme (PSDP) for 2013-14 is Rs 1,155 billion. Out of this, Rs 615 billion has been allocated to provinces. Federal PSDP has been estimated at Rs 540 billion, out of which Rs 296 billion to Federal Ministries / Divisions, Rs 115 billion to Corporations, Rs 5 billion to Special Programmes, Rs 115 billion to New Development Initiatives and Rs 10 billion to Earthquake Reconstruction and Rehabilitation Authority (ERRA).
- k) The other development expenditure outside PSDP for 2013-14 has been estimated at Rs 172 billion.
- l) To meet expenditure, bank borrowing has been estimated at Rs 975 billion which is lower than the revised estimates of 2012-13 at Rs 1,576 billion.
- 2.2 Table-6 below presents the comparative position of 2012-13 (budget & revised) and 2013-14 (budget).

TABLE - 6
COMPARATIVE BUDGETARY POSITION
2012-13 AND 2013-14

(Rs in Million)			
Classification	Budget 2012-13	Revised 2012-13	Budget 2013-14
i) RESOURCES (a + b)	2,719,188	1,902,815	3,010,453
a. Internal Resources	2,335,229	1,659,322	2,434,035
- Net Revenue Receipts	1,777,902	1,615,540	1,917,708
- Net Capital Receipts	477,779	105,954	493,226
- Estimated Provincial Surplus	79,548	(62,172)	23,101
b. External Resources	383,959	243,493	576,419
ii) EXPENDITURE (a + b)	3,202,999	3,478,354	3,985,437
a. Current Expenditure*	2,611,940	2,907,053	3,196,082
b. Development Expenditure	591,059	571,300	789,355
- Federal PSDP	360,000	388,407	540,000
- Development Loans & Grants to Provinces	76,771	75,505	77,540
- Other Development Expenditure (Outside PSDP)	154,288	107,388	171,815
BANK BORROWING	483,811	1,575,541	974,987
*Total Current Expenditure Excluding Repayment of Foreign Loans	2,395,978	2,719,794	2,829,321

CHAPTER - 3
RESOURCE POSITION
(2013-14)

3.1 There are two resources i.e. internal and external. The internal resources comprise of revenue receipts, capital receipts and estimated provincial surplus. The external resources come from foreign loans and grants. Table-7 below presents the overall comparative resource position for the year 2012-13 (budget and revised) and 2013-14 (budget).

TABLE - 7
RESOURCE POSITION

Classification	(Rs in Million)		
	Budget 2012-13	Revised 2012-13	Budget 2013-14
A. INTERNAL RESOURCES	2,335,229	1,659,322	2,434,035
- Net Revenue Receipts	1,777,902	1,615,540	1,917,708
- Net Capital Receipts	477,779	105,954	493,226
- Estimated Provincial Surplus	79,548	(62,172)	23,101
B. EXTERNAL RESOURCES	383,959	243,493	576,419
TOTAL RESOURCES (A + B):	2,719,188	1,902,815	3,010,453

INTERNAL RESOURCES

REVENUE RECEIPTS

3.2 The gross revenue receipts in budget 2013-14 are estimated at Rs 3,419,996 million showing an increase of 20.6% over the revised estimates 2012-13. The provincial share in taxes for 2013-14 is estimated at Rs 1,502,288 million, which is 23% higher than the revised estimates of 2012-13.

3.3 The estimated tax revenue for 2013-14 is Rs 2,598,075 million, which reflects an increase of 22.3% over revised estimates 2012-13. Non-tax revenue has been projected at Rs 821,921 million in 2013-14 as compared with Rs 711,987 million or by 15.4% in revised estimates 2012-13.

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

TABLE - 8
REVENUE RECEIPTS

	(Rs in Million)		
Classification	Budget 2012-13	Revised 2012-13	Budget 2013-14
Tax Revenue	2,503,575	2,124,575	2,598,075
- Direct Taxes	932,000	779,100	975,700
- Indirect Taxes	1,571,575	1,345,475	1,622,375
Non-Tax Revenue	733,252	711,987	821,921
- Property and Enterprise	178,773	108,637	239,913
- Civil Administration and Other Functions	354,975	385,215	316,782
- Miscellaneous Receipts	199,504	218,136	265,226
Gross Revenue Receipts	3,236,827	2,836,562	3,419,996
Less Provincial Share	1,458,924	1,221,022	1,502,288
Net Revenue Receipts	1,777,902	1,615,540	1,917,708

TABLE - 9
TAX REVENUE

(Rs in Million)			
Classification	Budget 2012-13	Revised 2012-13	Budget 2013-14
*TAX REVENUE (I + II)	2,503,575	2,124,575	2,598,075
I. Direct Taxes	932,000	779,100	975,700
- Income Tax	914,000	761,100	948,700
- Workers Welfare Fund	18,000	18,000	21,000
- Income Support Levy	-	-	6,000
II. Indirect Taxes	1,571,575	1,345,475	1,622,375
- Customs	247,500	241,200	279,000
- Sales Tax	1,076,500	864,500	1,053,500
- Federal Excise	125,000	122,200	166,800
- Petroleum Levy	120,000	115,000	120,000
- ICT Taxes	2,500	2,500	3,000
- Airport Tax	75	75	75
* Out of which F.B.R. collection is:	2,381,000	2,007,000	2,475,000

TABLE - 10
NON-TAX REVENUE

(Rs in Million)			
Classification	Budget 2012-13	Revised 2012-13	Budget 2013-14
NON-TAX REVENUE (A+B+C)	733,252	711,987	821,921
A. Income from Property and Enterprise	178,773	108,637	239,913
- Pakistan Telecom Authority (PTA)	-	5,000	14,000
- PTA (3 G Licences)	79,000	-	120,000
- Mark up (Provinces)	15,437	14,831	13,334
- Mark up (PSEs & Others)	19,729	24,763	23,795
- Dividends	64,607	63,709	68,417
- Regulatory Authorities	-	334	368
B. Receipts from Civil Administration and Other Functions	354,975	385,215	316,782
- General Administration	859	1,171	1,399
- Share of Surplus Profit of SBP	200,000	200,000	200,000
- Defence Services	150,608	181,112	112,135
- Law and Order	1,115	974	1,050
- Community Services	712	869	990
- Social Services	882	238	258
- Social Services (Miscellaneous)	800	850	950
C. Miscellaneous Receipts	199,504	218,136	265,226
- Economic Services	2,528	2,350	2,548
- Foreign Grants	2,920	13,538	29,955
- Extraordinary receipts (UNO)	30,000	25,026	25,542
- Passport and Citizenship Fees	14,000	15,000	16,500
- Gas Development Surcharge	30,882	16,200	35,339
- Discount Retained on Local Crude Price	22,500	16,000	18,000
- Royalty on Crude Oil	22,027	27,710	32,502
- Royalty on Natural Gas	36,163	41,439	39,744
- Windfall Levy against Crude Oil	5,300	24,000	25,000
- Gas Infrastructure Development Cess	30,000	35,000	38,000
- Petroleum Levy on LPG	1,000	1,000	1,000
- Others	2,182	873	1,097

NET CAPITAL RECEIPTS

3.5 Capital receipts on net basis in the budget 2013-14 have been estimated at Rs 493,226 million against Rs 477,779 million in the budget estimates 2012-13 and Rs 105,954 million in the revised estimates 2012-13. Table-11 below presents the details of capital receipts, disbursements and net capital receipts.

TABLE - 11
NET CAPITAL RECEIPTS

	(Rs in Million)		
Classification	Budget 2012-13	Revised 2012-13	Budget 2013-14
I. RECEIPTS (A + B)	541,087	492,577	734,609
A. Federal Consolidated Fund (1+2+3)	353,495	167,489	487,702
1. Recoveries of Loans & Advances	54,058	62,522	227,767
- Provinces	31,529	32,103	34,793
- Others	22,529	30,418	192,974
2. Permanent Debt	143,810	104,967	164,935
- Pakistan Investment Bonds	54,000	15,000	75,000
- Ijara Sukuk Bonds	90,000	90,032	90,000
- FEBCs	(5)	(5)	(5)
- FCBCs	(5)	(5)	(5)
- U.S. Dollar Bearer Certificates	(5)	(5)	(5)
- Special US Dollar Bonds	(175)	(50)	(50)
3. Floating Debt	155,627	-	95,000
- Prize Bonds	45,627	50,000	45,000
- Treasury Bills	110,000	(50,000)	50,000
B. Public Account	187,592	325,089	246,907
- Saving Schemes	178,171	313,781	235,443
- G.P. Fund	3,000	3,500	4,000
- Net Deposits	6,421	7,808	7,464
II. DISBURSEMENTS	63,308	386,623	241,384
- Government Investments, loans, Advances and Others	27,300	348,480	200,468
- Repayment of Short Term Credits	36,008	38,143	40,916
NET CAPITAL RECEIPTS (I - II):	477,779	105,954	493,226
Net Lending to Others:	4,771	318,062	7,494

ESTIMATED PROVINCIAL SURPLUS

3.6 The estimated provincial surplus has been projected at Rs 23,101 million for 2013-14 as against Rs 79,548 million in budget estimates 2012-13.

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

TABLE - 12
NET FEDERAL TRANSFERS TO PROVINCES

(Rs in Million)			
Classification	Budget 2012-13	Revised 2012-13	Budget 2013-14
Total Transfers to Provinces	1,592,511	1,441,450	1,728,123
- Divisible Pool Taxes	1,303,009	1,117,543	1,379,975
- Straight Transfers	101,457	103,479	122,313
- GST on Services	54,458	83,690	96,896
- Special Grants / Subventions	56,739	61,191	51,363
- Project Loans	65,984	71,302	77,540
- Programme Loans	10,787	4,203	-
- Japanese Grant	78	42	36
Less Payments to Federal Government	46,966	46,934	48,127
- Interest Payments	15,437	14,831	13,334
- Loans Repayments	31,529	32,103	34,793
Net Transfers to Provinces	1,545,546	1,394,516	1,679,996

3.8 The net transfers to provinces are Rs 1,679,996 million in the budget estimates 2013-14, while they are estimated at Rs 1,545,546 million in the budget estimates 2012-13 and Rs 1,394,516 million in revised estimates 2012-13.

EXTERNAL RESOURCES

3.9 The government obtains loans and grants to bridge the gap between the receipts and expenditure. The external resources for 2013-14 have been budgeted at Rs 576,419 million, which are higher by 136.7% than the revised estimates 2012-13 and 50.1% than the budget estimates 2012-13. Table-13 below presents the details of receipts from external resources.

TABLE - 13
EXTERNAL RESOURCES

(Rs in Million)			
Classification	Budget 2012-13	Revised 2012-13	Budget 2013-14
I. EXTERNAL LOANS (A to C)	274,858	214,461	467,437
A. Project Loans (i+ii)	140,380	183,077	159,165
i Federal Government	92,376	125,244	102,289
- Ministries / Divisions	44,601	46,648	37,717
- Corporations / Autonomous Bodies	47,775	78,595	64,572
ii Provinces	48,004	57,834	56,876
B. Programme Loans	41,478	6,552	110,272
C. Other Aid	93,000	24,832	198,000
- Islamic Development Bank	46,500	24,832	49,500
- Eurobonds	46,500	-	49,500
- China Safe Deposits	-	-	99,000
II. EXTERNAL GRANTS	109,101	29,032	108,982
- Project Aid Grants	25,478	21,393	27,657
• Federal Departments	7,493	7,925	6,942
• Autonomous Bodies	5	-	50
• Provinces	17,980	13,468	20,664
- Tokyo Pledges	1,023	1,067	1,119
- Privatization Proceeds	74,400	-	79,200
- Kerry Lugar	8,200	6,571	1,006
TOTAL (I + II):	383,959	243,493	576,419

CHAPTER - 4

PROVINCIAL SHARE IN FEDERAL REVENUE RECEIPTS

NFC Award

4.1 Under Pakistan's structure of fiscal federalism, the constituent units rely mainly on resource transfers from the Federal Government. Resource transfers by the Federation to the provinces are systematised by Article 160 of the Constitution of 1973, which provides for the creation of a National Finance Commission (NFC) at intervals not exceeding five years. The NFC is responsible to give recommendations to the President the distribution of the net proceeds of Divisible Pool taxes between the Federation and the Provinces, and the grants-in-aid that are to be given by the Federal Government to the Provincial Governments. The recommendations of the NFC are given legal validity through a Presidential Order.

4.2 At present, the 7th National Finance Commission (NFC) Award, given in 2010, is operative. Through this Award, the financial autonomy of the provinces has been enhanced by increasing their share in the Divisible Pool (taxes) from 50% to 56% in FY 2010-11 and to 57.5% from FY 2011-12 onwards (vertical distribution). For the first time in history, multiple indicators were adopted to determine inter-provincial shares (horizontal distribution), whereas in all the previous Awards, population was the sole criterion.

4.3 Another defining feature of the 7th NFC Award is the recognition of the special requirements of Balochistan. Under this Award, the share of Balochistan from the Divisible Pool has been guaranteed at Rs.83 billion, which is more than double its share in FY 2009-10. It has also been ensured that Baluchistan would receive its share in the Divisible Pool based on budgetary projections of FBR taxes instead of actual collections. Shortfall, if any, in actual collections reported by FBR is to be borne by the Federal Government itself. This arrangement is effective since FY 2011-12 and shall continue for the whole period of the 7th NFC Award.

4.4 The detail of releases made to Government of Balochistan from the Divisible Pool over the last three financial years is as under:

(Rs in Billion)

FY	FBR's Tax Collection Target	Shares as per Budgetary Projection [based on FBR's Target]	Share as per actual tax collection reported by FBR	Addl. Amount Transferred by Federal Govt. from its own Resources
2010-11	1667.000	83.000	72.065	10.934
2011-12	1952.000	93.256	92.221	1.035
*2012-13	2338.000	114.206	69.159	20.835
Total	5957.000	290.462	233.445	32.804

* Provisional: may vary depending on the collection for the Month of June, 2013.

4.5 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 Rs10.0 per MMBTU. Federal Government may initiate necessary legislation accordingly.

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

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

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

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

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

ASIF ALI ZARDARI,
President."

4.6 The following table shows the estimated transfers to the Provincial Governments and their share in federal taxes and straight transfers including GST on Services during the financial year 2012-13 and 2013-14.

TABLE - 14
FEDERAL TRANSFERS AND PROVINCIAL SHARE

Classification	(Rs in Million)		
	Budget 2012-13	Revised 2012-13	Budget 2013-14
A. DIVISIBLE POOL TAXES	1,303,009	1,117,543	1,379,975
- Income Tax	518,846	432,050	538,544
- Sales Tax (excl. GST on Services)	584,001	489,557	597,630
- Federal Excise (excl. ED on NG)	63,393	62,779	89,541
- Customs (excl. EDS)	136,770	133,157	154,260
B. STRAIGHT TRANSFERS	101,457	96,112	115,878
- Royalty on Crude Oil	21,587	27,155	31,852
- Royalty on Natural Gas (NG)	35,440	40,610	38,949
- Gas Development Surcharge (GDS)	30,265	15,876	34,632
- Excise Duty on Natural Gas (NG)	14,166	12,471	10,445
C. GST ON SERVICES*	54,458	7,367	6,435
- GST on Services(CE Mode)	-	7,367	6,435
- GST on Services (Telecom)	44,596	-	-
- GST on Services (Others)	9,861	-	-
Total (A to C):	1,458,924	1,221,022	1,502,288
PROVINCE- WISE SHARE			
Punjab	710,297	578,061	708,727
Sindh	373,619	325,777	400,062
Khyber Pakhtunkhwa **	241,750	204,072	251,519
Balochistan	133,259	113,112	141,980
Total:	1,458,924	1,221,022	1,502,288

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

** Inclusive 1% War on Terror

CHAPTER - 5
CURRENT EXPENDITURE
(2013-14)

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

TABLE - 15
SUMMARY

(Rs in Million)			
Classification	Budget 2012-13	Revised 2012-13	Budget 2013-14
(i) Interest Payment	925,775	1,028,737	1,153,539
- Interest on Domestic Debt	845,600	952,127	1,064,524
- Interest on Foreign Debt	80,175	76,610	89,015
(ii) Pension	129,067	167,440	171,263
- Military	98,218	131,425	132,728
- Civil	30,849	36,015	38,535
(iii) Defence Affairs and Services	545,386	570,366	627,226
- Defence Services	543,823	568,617	625,336
- Defence Administration	1,564	1,749	1,890
(iv) Grants and Transfers	312,301	334,616	337,165
- Grants to Provinces	56,739	61,191	51,363
- Grants to Others	255,562	273,425	285,802
(v) Subsidies	208,595	367,472	240,434
(vi) Running of Civil Government	239,854	251,164	274,693
(vii) Provision for Pay and Pension Reforms	35,000	-	25,000
CURRENT EXPENDITURE (i to vii):	2,395,978	2,719,795	2,829,321
(viii) Foreign Loans Repayment	215,962	187,259	366,761
TOTAL CURRENT EXPENDITURE: (includes foreign loans repayment)	2,611,940	2,907,053	3,196,082

5.2 The budget estimates for 2012-13 on account of current expenditure were Rs 2,611,940 million, which have now been revised upwards to Rs 2,907,053 million in revised estimates 2012-13. For budget 2013-14, current expenditure has been estimated at Rs 3,196,082 million, showing an increase of Rs 289,029 million or by 9.9% over the revised estimates 2012-13.

5.3 The bulk of expenditure falls under General Public Service. The expenditure against this head has been budgeted at Rs 2,357,401 million for 2013-14, which is 73.8% of current expenditure; whereas 19.6% 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 2012-13 along with the budget estimates 2013-14.

TABLE - 16
CURRENT EXPENDITURE

Classification	(Rs in Million)		
	Budget 2012-13	Revised 2012-13	Budget 2013-14
1) General Public Service	1,876,839	2,143,854	2,357,401
2) Defence Affairs and Services	545,386	570,366	627,226
3) Public Order and Safety Affairs	70,157	72,014	78,462
4) Economic Affairs	53,642	49,740	52,262
5) Environment Protection	736	736	924
6) Housing and Community Amenities	1,855	1,855	1,912
7) Health Affairs & Services	7,845	7,893	9,863
8) Recreation, Culture and Religion	6,267	6,633	6,950
9) Education Affairs and Services	47,874	52,371	59,277
10) Social Protection	1,340	1,592	1,806
Total:	2,611,940	2,907,053	3,196,082

GENERAL PUBLIC SERVICE

5.5 Under General Public Service, the major portion goes to executive & legislative organs and financial and fiscal affairs. At Rs 1,966,586 million, this component forms 83.4% of the allocation for General Public Service. The main heads of expenses are servicing of domestic debt, foreign loan 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 2012-13	Revised 2012-13	Budget 2013-14
GENERAL PUBLIC SERVICE	1,876,839	2,143,854	2,357,401
Executive & Legislative Organs, Financial & Fiscal Affairs, External Affairs	1,501,116	1,779,233	1,966,586
- Superannuation Allowances & Pensions	129,067	167,440	171,263
- Servicing of Foreign Debt	80,175	76,610	89,015
- Foreign Loans Repayment	215,962	187,259	366,761
- Servicing of Domestic Debt	845,600	952,127	1,064,524
- Others	230,313	395,798	275,023
Foreign Economic Aid	2,489	2,488	1,751
Transfers	312,300	334,615	337,165
General Services	4,345	5,409	4,655
Basic Research	2,680	2,681	2,830
Research and Development General Public Services	7,484	7,799	8,857
Administration of General Public Services	1,572	4,718	1,843
General Public Services not defined elsewhere	44,854	6,911	33,714

DEFENCE AFFAIRS AND SERVICES

5.7 Details of estimates of expenditure on Defence Affairs and Services in 2012-13 (budget & revised) and 2013-14 (budget) are given in Table 18 below:

TABLE - 18
DEFENCE AFFAIRS AND SERVICES

Classification	(Rs in Million)		
	Budget 2012-13	Revised 2012-13	Budget 2013-14
DEFENCE AFFAIRS AND SERVICES	545,386	570,366	627,226
- Defence Administration	1,564	1,749	1,890
- Defence Services	543,823	568,617	625,336
- Employees Related Expenses	229,577	250,777	271,211
- Operating Expenses	143,544	146,502	162,217
- Physical Assets	120,522	121,561	131,389
- Civil Works	51,356	51,343	62,183
- Less Recoveries	(1,178)	(1,566)	(1,664)

PUBLIC ORDER AND SAFETY AFFAIRS

5.8 Under the head of Public Order and Safety Affairs, an amount of Rs 78,462 million has been provided in the budget 2013-14 as compared with Rs 70,157 million in the budget estimates 2012-13 and Rs 72,014 million in revised estimates 2012-13. The allocation for Police (Rs 72,499 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 2012-13	Revised 2012-13	Budget 2013-14
PUBLIC ORDER AND SAFETY AFFAIRS	70,157	72,014	78,462
- Law Courts	2,915	3,051	3,328
- Police	64,794	66,082	72,499
- Fire Protection	123	123	150
- Prison Administration and Operation	27	28	30
- R & D Public Order and Safety	25	25	26
- Administration of Public Order	2,273	2,705	2,428

ECONOMIC AFFAIRS

5.9 The allocation under the head of Economic Affairs in the budget 2013-14 has been projected at Rs 52,262 million, which is higher than the revised estimates for 2012-13 by 5.1%, but lower by 2.6% as compared to budget estimates 2012-13. Major share of this head goes to Agriculture, Food, Irrigation, Forestry and Foods, which has been increased to Rs 20,430 million in budget estimates 2013-14 as compared with Rs 17,478 million in revised estimates 2012-13 and Rs 15,759 million in budget estimates 2012-13. Table 20 below provides the details under this head:

TABLE - 20
ECONOMIC AFFAIRS

Classification	(Rs in Million)		
	Budget 2012-13	Revised 2012-13	Budget 2013-14
ECONOMIC AFFAIRS	53,642	49,740	52,262
- General Economic, Commercial and Labour Affairs	22,887	16,813	14,940
- Agriculture, Food, Irrigation, Forestry and Fishing	15,759	17,478	20,430
- Fuel and Energy	692	792	642
- Mining and Manufacturing	2,021	2,224	1,964
- Construction and Transport	9,064	9,026	10,050
- Communications	2,168	2,165	2,804
- Other Industries	1,050	1,242	1,431

ENVIRONMENT PROTECTION

5.10 Under the head of Environment Protection, an amount of Rs 924 million has been estimated for budget 2013-14 for Waste Water Management, which is higher by 25.5%, when compared with revised estimates 2012-13.

TABLE - 21
ENVIRONMENT PROTECTION

(Rs in Million)			
Classification	Budget 2012-13	Revised 2012-13	Budget 2013-14
ENVIRONMENT PROTECTION	736	736	924
- Waste Water Management	736	736	924

HOUSING AND COMMUNITY AMENITIES

5.11 Under the head of Housing and Community Amenities, an amount of Rs 1,912 million has been provided in the budget 2013-14 for Community Development, which is higher by 3.1%, when compared with revised estimates 2012-13.

TABLE - 22
HOUSING AND COMMUNITY AMENITIES

(Rs in Million)			
Classification	Budget 2012-13	Revised 2012-13	Budget 2013-14
HOUSING AND COMMUNITY AMENITIES	1,855	1,855	1,912
- Community Development	1,855	1,855	1,912

HEALTH AFFAIRS AND SERVICES

5.12 Under the head of Health Affairs and Services, a total allocation of Rs 9,863 million has been made in the budget estimates 2013-14, which is higher by 25.7% and 24.9% respectively when compared with budget and revised estimates 2012-13. The allocation for hospital services forms the major component under this classification. Details are given in Table 21 below:

TABLE - 23
HEALTH AFFAIRS AND SERVICES

Classification	(Rs in Million)		
	Budget 2012-13	Revised 2012-13	Budget 2013-14
HEALTH AFFAIRS AND SERVICES	7,845	7,893	9,863
- Medical Products, Appliances and Equipment	132	132	260
- Hospital Services	6,609	6,659	8,180
- Public Health Services	845	845	1,029
- Health Administration	259	257	394

RECREATION, CULTURE AND RELIGION

5.13 In budget 2013-14 an amount of Rs 6,950 million has been budgeted for Recreation, Culture and Religion. Overall estimates under this classification for 2013-14 are higher by 10.9% and 4.8% respectively when compared with budget and revised estimates 2012-13. The bulk of expenditure under this head has been earmarked for Broadcasting and Publishing, which is 76.8% of the total allocation. Details are given in Table-24 below:

TABLE - 24
RECREATION, CULTURE AND RELIGION

Classification	(Rs in Million)		
	Budget 2012-13	Revised 2012-13	Budget 2013-14
RECREATION, CULTURE AND RELIGION	6,267	6,633	6,950
- Recreation and Sporting Services	1	1	6
- Cultural Services	503	522	555
- Broadcasting and Publishing	4,807	5,122	5,338
- Religious Affairs	701	706	781
- Administration of Information, Recreation & Culture	256	282	270

EDUCATION AFFAIRS AND SERVICES

5.14 Education Affairs and Services have been provided with Rs 59,277 million in the budget estimates 2013-14 as compared with Rs 47,874 million in budget estimates 2012-13 and Rs 52,371 million in revised estimates 2012-13. The bulk of expenditure at Rs 43,364 million has been allocated for Tertiary Education Affairs and Services in budget 2013-14, which is 73.2% of the total allocation under this head. The details are as under:

TABLE - 25
EDUCATION AFFAIRS AND SERVICES

(Rs in Million)			
Classification	Budget 2012-13	Revised 2012-13	Budget 2013-14
EDUCATION AFFAIRS AND SERVICES	47,874	52,371	59,277
- Pre-Primary & Primary Education Affairs Services	4,670	4,764	5,832
- Secondary Education Affairs & Services	5,699	6,121	7,434
- Tertiary Education Affairs and Services	35,675	39,303	43,364
- Social Welfare & Special Education Div.	53	53	103
- Subsidiary Services to Education	135	135	254
- Administration	963	940	1,505
- Education Affairs, Services not elsewhere classified	679	1,054	785

SOCIAL PROTECTION

5.15 Social protection has been allocated Rs 1,806 million in the budget 2013-14, which is higher by Rs 466 million as compared with budget estimates 2012-13, and by Rs 214 million when compared with revised estimates 2012-13.

TABLE - 26
SOCIAL PROTECTION

(Rs in Million)			
Classification	Budget 2012-13	Revised 2012-13	Budget 2013-14
SOCIAL PROTECTION	1,340	1,592	1,806
- Administration	982	1,234	1,242
- Others	358	358	564

CHAPTER - 6
SUBSIDIES & GRANTS / TRANSFERS
(2013-14)

SUBSIDIES

6.1 As a matter of public policy the Government provides current subsidies to give relief to the citizens. In the budget estimates 2012-13 subsidies were Rs 208,595 million; in revised estimates 2012-13 they increased to Rs 367,472 million; and in the budget 2013-14, they have been estimated at Rs 240,434 million. In budget 2013-14, the allocation for subsidies to WAPDA / PEPCO forms the major component, which is 68.7% of the total allocation followed by subsidy to KESC with share of 22.9%. A total estimate of subsidies for budget 2013-14 is 0.92% of GDP. Table-27 provides the details:

TABLE - 27
SUBSIDIES

(Rs in Million)			
Classification	Budget 2012-13	Revised 2012-13	Budget 2013-14
Subsidy to WAPDA/PEPCO:	134,970	264,970	165,100
1 Inter-Disco Tariff Differential	120,000	250,000	150,000
2 12.5% GoP Share for Agri-Tubewells	870	870	-
3 Tariff Differential for Agri-Tubewells in Balochistan	4,000	4,000	3,000
4 Pick up WAPDA / PEPCO receivables from FATA	10,000	10,000	12,000
5 Exchange Rate Differential for USAID's Grant to GENCOs	100	100	100
Subsidy to KESC:	50,317	84,317	55,000
6 Pick up KESC's Tariff Differential	50,000	84,000	55,000
7 Pick up KESC's payable to PSO & PKGCL	317	317	-

Contd....

SUBSIDIES

(Rs in Million)			
Classification	Budget 2012-13	Revised 2012-13	Budget 2013-14
Subsidy to TCP:	10	-	-
8 Reimbursement of Losses on account of Rice Operation	10	0	0
Subsidy to USC:	6,000	6,000	6,000
9 Ramzan Package	2,000	2,000	2,000
10 Sale of Sugar	4,000	4,000	4,000
Subsidy to PASSCO:	5,148	6,194	9,000
11 Cost differential for sale of Wheat	1,148	2,694	4,000
12 Wheat Reserved Stock	4,000	3,500	5,000
Subsidy to Others:	12,150	5,991	5,334
13 Oil Refineries & OMCs / Others	7,700	1,750	4,000
14 Fauji Fertilizer Bin Qasim Ltd.	3,400	3,192	231
15 Sale of Wheat in FATA	270	270	283
16 Sale of Wheat in Gilgit Baltistan	775	775	815
17 Sale of Salt in Gilgit Baltistan	5	5	5
Total Subsidies:	208,595	367,472	240,434

GRANTS AND TRANSFERS

6.2 Grants and transfers to provinces and others for the year 2013-14 have been estimated at Rs 337,165 million as compared with Rs 312,300 million in budget estimates 2012-13 and Rs 334,615 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 2012-13	Revised 2012-13	Budget 2013-14
I. GRANTS IN AID & MISC.	56,739	61,191	51,363
A. SPECIAL GRANTS	55,739	61,191	50,363
- Punjab	5,166	5,124	-
- Sindh	9,000	14,045	9,000
- Khyber Pakhtunkhwa	25,000	25,000	25,000
- Balochistan	16,573	17,022	16,363
B. LUMP PROVISION	1,000	-	1,000
II. GRANTS TO OTHERS	255,562	273,425	285,802
- Contingent Liabilities	150,000	150,000	150,000
- Miscellaneous Grants	35,000	35,000	46,000
- Pakistan Railways to meet their losses	31,000	33,366	33,500
- Remission of ZTBL loans	1,000	-	1,000
- Administration, etc, of HBFCL	300	-	300

Contd.....

GRANTS AND TRANSFERS

(Rs in Million)			
Classification	Budget 2012-13	Revised 2012-13	Budget 2013-14
- National Internship Programme	345	345	350
- Write-off Loans of Rice Millers & Traders (Flood Affectees) of Sindh & Balochistan	256	128	-
- Grants to Provinces for Emergency Relief	9	1	-
- Lump Provision for Relief etc.	2,400	3,000	2,400
- GoP Contribution to President Rozgar Scheme	50	-	50
- Competition Commission of Pakistan	200	200	200
- Reimbursement of TT Charges on Home Remittances	5,000	10,000	7,500
- Pakistan Remittance Initiatives	500	-	500
- Institute of Cost & Management Accountants of Pakistan, Karachi	2	2	2
- Grants to AJK Government	16,500	21,500	21,000
- Grant-in-Aid to Gilgit Baltistan	11,000	14,790	15,000
- Grant to Bait-ul-Maal	2,000	3,093	2,000
- Grant to Pakistan Steel Mills, Karachi	-	2,000	-
- Subsidy for Markup on Housing Loans	-	-	6,000
Total Grants (I + II):	312,300	334,615	337,165

CHAPTER - 7
LOANS AND INVESTMENTS
(2013-14)

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 16,008 million in budget 2013-14. The following table provides the details:

TABLE - 29
CURRENT LOANS & ADVANCES

(Rs in Million)			
Classification	Budget 2012-13	Revised 2012-13	Budget 2013-14
1 Interest Free Loans to WAPDA	40	40	40
2 GoP Loan to Printing Corporation of Pakistan, Islamabad	175	175	175
3 Loans to Government Servants	3,589	3,639	4,000
4 Ways and Means Advances to Government of AJK	8,500	8,500	10,772
5 Loans/Advances to Friendly Countries	200	150	1,000
6 Loans/Advances to Employees of PNRA	4	4	6
7 Junagadh and Kathiawar Chiefs	1	1	1
8 Pakistan Mint Lahore	11	11	14
9 Loans to Non-Financial Institutions	-	1,000	-
10 POF Wah for Upgradation of Wah Brass Mills	-	1,535	-
Total:	12,520	15,055	16,008

DEVELOPMENT LOANS AND ADVANCES

7.3 Development loans and advances are made 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. Total development loans have been estimated at Rs 196,494 million in the budget 2013-14.

7.4 Table-30 shows the comparative position of development loans and advances:

TABLE - 30
DEVELOPMENT LOANS AND ADVANCES

Classification	(Rs in Million)		
	Budget 2012-13	Revised 2012-13	Budget 2013-14
1 Development Loans and Advances	46,620	40,807	70,714
2 External Development Loans and Advances	113,253	152,337	125,780
Total:	159,873	193,144	196,494

7.5 Development loans and advances have been kept at Rs 70,714 million in budget 2013-14 as compared with Rs 40,807 million in revised estimates 2012-13.

7.6 External development loans and advances have been estimated at Rs 125,780 million in the budget 2013-14 as against Rs 152,337 million in revised estimates 2012-13.

CURRENT INVESTMENTS

7.7 The federal current investments for the year 2013-14 have been estimated at Rs 184,461 million as compared with Rs 333,426 million in the revised estimates of 2012-13 and Rs 14,780 million in budget estimates 2012-13. The investment in 2013-14 is higher by Rs 169,681 million as compared with budget estimates 2012-13; however, it is lower by Rs 148,965 million when compared with revised estimates 2012-13. Table-31 provides the comparative position.

TABLE - 31
CURRENT INVESTMENTS

(Rs in Million)			
Classification	Budget 2012-13	Revised 2012-13	Budget 2013-14
1 GoP Contribution to SAARC (SDF)	2,000	2,000	2,000
2 GoP Equity in PIAC	2,676	1,561	1,571
3 Payment of markup on Loans borrowed by PASDEC	50	42	31
4 Fifth Gen. Capital Increase of ADB	547	547	589
5 Islamic Development Bank (IDB)	1,127	1,127	1,285
6 GoP Investment: Peoples Steel Mills	165	165	170
7 GoP Contribution in equity of Pak China Inv. Co. Ltd.	1,500	1,500	1,600
8 GoP Equity in Pak Dairy Dev. Co. Ltd.	16	16	16
9 GoP Equity Investment Payment of markup of loan borrowed by NIP Karachi	401	371	188
10 Investment in HBFCL's Equity	3,000	-	2,000
11 GoP Investment in SME Bank Ltd.	2,000	-	1,000
12 GoP Equity in Mortgage Refinance Co.	1,200	-	1,000
13 Lump Provision for Miscellaneous Expenditure	-	-	4,203
14 Settlement of Circular Debt - PEPCO	-	326,000	168,808
15 Others	98	98	-
Total:	14,780	333,426	184,461

CHAPTER - 8

PUBLIC SECTOR DEVELOPMENT PROGRAMME (PSDP) 2013-14

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 objectives and targets set by the government for sustainable and higher growth and reducing poverty. 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 2013-14 National Economic Council (NEC) has approved an overall size of PSDP at Rs 1,155 billion, which is higher by 32.3% when compared to budget estimates 2012-13. Total National PSDP for 2013-14 is 2.4% of GDP.

8.3 The Salient features of PSDP allocation for 2013-14 are as follows:

- The size of national PSDP has been raised to Rs 1,155 billion in the budget for 2013-14 showing an increase of 35.7% as against the revised estimates 2012-13 at Rs 851 billion.
- Federal PSDP for the year 2013-14 has been kept at Rs 540 billion, which is higher by 39% than revised estimates 2012-13.
- The share of Federal Ministries / Divisions in 2013-14 PSDP is Rs 295.5 billion indicating an increase of 30.7% over revised estimates 2012-13.
- The Corporations' PSDP 2013-14 has been placed at Rs 114.5 billion indicating an increase of 8.1% over revised estimates 2012-13.
- An amount of Rs 5 billion has been allocated to Special Programmes.
- An amount of Rs 115 billion has been provided in the budget 2013-14 for New Development Initiatives.
- Earthquake Rehabilitation and Reconstruction Authority (ERRA) has been allocated Rs 10 billion in PSDP 2013-14.
- The provincial development programme for 2013-14 has been estimated at Rs 615 billion as against Rs 463 billion in revised estimates 2012-13, showing an increase of 32.8%.

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 2012-13	Revised 2012-13	Budget 2013-14
A. Federal Ministries/Divisions	242,618	226,116	295,518
1 Cabinet Division	2,178	1,919	2,180
2 Capital Administration & Development Division	792	961	1,506
3 Climate Change Division	135	1,058	59
4 Commerce Division	654	495	841
5 Communications Division (other than NHA)	142	142	109
6 Defence Division including SUPARCO	3,205	1,780	4,246
7 Defence Production Division	2,000	472	2,300
8 Economic Affairs Division	212	148	105
9 Education & Training Division	2,952	2,937	5,237
10 Establishment Division	8	5	79
11 Federal Tax Ombudsman	25	25	31
12 Finance Division	13,616	29,004	13,074
13 Foreign Affairs Division	200	200	255
14 Higher Education Commission	15,800	15,590	18,490
15 Housing & Works Division	2,591	7,950	3,780
16 Human Rights Division	126	126	78
17 Industries Division	775	720	780
18 Information & Broadcasting Division	412	412	493
19 Information Tech. & Telecom Division	787	774	927
20 Inter Provincial Coordination Division	195	2,657	438
21 Interior Division	6,510	2,706	6,259
22 Kashmir Affairs & Gilgit Baltistan Division	20,055	19,428	29,590
23 Law, Justice & Parliamentary Affairs Division	1,200	1,200	2,364
24 Narcotics Control Division	311	286	326
25 National Food Security & Research Division	495	342	750

Contd.....

SIZE OF PSDP

(Rs in Million)

Classification	Budget 2012-13	Revised 2012-13	Budget 2013-14
26 National Heritage & Integration Division	75	75	12
27 National Health Services, Regulations & Coordination Division	-	151	25,739
28 Pakistan Atomic Energy Commission	39,167	44,074	52,300
29 Pakistan Nuclear Regulatory Authority	400	284	316
30 Petroleum & Natural Resources Division	268	386	50
31 Planning & Development Division	37,840	530	10,659
32 Ports & Shipping Division	325	325	500
33 Production Division	612	612	1,100
34 Railways Division	22,877	25,832	30,965
35 Revenue Division	807	299	533
36 Science & Technological Research Division	1,311	1,274	2,173
37 States & Frontier Regions Division	16,000	15,276	18,500
38 Statistics Division	140	131	220
39 Textile Industry Division	227	227	315
40 Water & Power Division (Water Sector)	47,192	45,306	57,840
B. Corporations	80,382	105,905	114,482
1 WAPDA (Power)	29,655	34,747	51,443
2 National Highway Authority (NHA)	50,727	71,158	63,039
C. Special Programmes	27,000	46,386	5,000
D. New Development Initiatives	-	-	115,000
Total Federal PSDP (A to D)	350,000	378,407	530,000
E. ERRA	10,000	10,000	10,000
Federal PSDP including ERRA	360,000	388,407	540,000
F. Provinces	513,000	463,000	615,000
Total National PSDP (A to F):	873,000	851,407	1,155,000

OTHER DEVELOPMENT EXPENDITURE OUTSIDE PSDP 2013-14

8.5 Other development expenditure outside Public Sector Development Programme (PSDP) has been kept at Rs 171,815 million in the budget for 2013-14, reflecting an increase of 60% over revised estimates 2012-13 and 11.4% over budget estimates 2012-13. Table-33 provides the details.

TABLE -33
DEVELOPMENT EXPENDITURE OUTSIDE
PUBLIC SECTOR DEVELOPMENT PROGRAMME

(Rs in Million)			
Classification	Budget 2012-13	Revised 2012-13	Budget 2013-14
1 Grants for Reconstruction of Afghanistan	3,000	3,000	3,000
2 Pakistan Poverty Alleviation Fund:			
- Grants	3,000	5,026	5,000
- Loans	9,768	9,024	9,995
3 Subsidy to TCP for Import of Urea Fertilizer	26,000	10,000	30,000
4 Crop Loan Insurance Scheme	500	260	500
5 Benazir Tractor Support Program	2,000	-	-
6 Relief, Rehabilitation Reconstruction and Security of IDPs	5,000	2,301	1,000
7 Benazir Income Support Program (BISP)	60,000	58,006	75,000
8 Export Investment Support Fund	10,000	6,473	-
9 SME Business Support Fund	20	20	20
10 Strategic Trade Policy Framework	-	1,280	2,500
11 Textile Policy 2009-14	-	2,000	7,500
12 Citizen Damage Compensation Programme (Phase II)	10,000	10,000	-
13 Lump Provision for New Budgetary	25,000	-	25,000
14 Lump Provision for Misc. Dev. Expenditure	-	-	12,300
Total:	154,288	107,388	171,815

CHAPTER - 9
MEDIUM-TERM BUDGETARY FRAMEWORK (MTBF)
(2013-14)

9.1 This is the fifth year of budget preparation by the Federal Government under the Medium-Term Budgetary Framework (MTBF) reform, which was initiated in February 2009. Considerable progress has been made since then in advancing the reform programme.

9.2 The MTBF reform includes the preparation of an annual pre-budget analytical Budget Strategy Paper, which incorporates a Medium-Term Macroeconomic Framework, a Medium-Term Fiscal Framework, and Indicative Budget Ceilings for Federal Government Ministries. Based on this Budget Strategy Paper, the Cabinet debates on allocation of resources as per the policy priorities of the Government. To compile the paper, the Finance Division, Planning Commission, Federal Board of Revenue, and State Bank of Pakistan prepare their recommendations using 3-year Macroeconomic and Fiscal Frameworks, and propose fiscal policies to address macroeconomic challenges in the economy. Upon endorsement by the Cabinet, the Finance Division provides three-years Indicative Budget Ceilings to all Principal Accounting Officers of the Federal Government. This system has led to greater coordination between the technical and political levels of the Government in defining fiscal policy and benchmarks.

9.3 Performance based budgeting is another equally important reform initiative taken through the MTBF programme that has been successfully implemented across the Federal Government, except for Defence Services. 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 just the inputs (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.

9.4 Furthermore, 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 policy priorities and prepares a Medium-Term Fiscal Framework
- The Finance and Planning & Development Divisions work out, for each Principal Accounting Officer, medium-term Indicative Budget Ceilings (IBCs) that align resource allocation with the Government's policy priorities
- 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

9.5 Macroeconomic Indicators / Rolling Targets for 2013-16 are provided below:

TABLE - 34
Medium-Term Budgetary Statement

	Budget 2012-13	Revised Forecast 2012-13	Budget 2013-14	Forecast	
				2014-15	2015-16
Real GDP Growth (%)	4.3	3.6	4.4	5.5	7.0
Inflation (%)	9.5	7.5	8.0	8.0	8.0
<u>(as percentage of GDP unless otherwise indicated)</u>					
Total Revenue	14.3	13.2	14.0	14.0	14.2
- Tax Revenue	10.9	9.9	10.6	11.4	12.0
- FBR Tax Revenue	10.1	8.8	9.5	10.4	11.0
Total Expenditure	18.9	22.0	20.3	18.9	18.2
- Current	14.6	16.5	15.2	13.8	12.9
- Development	4.4	4.2	5.1	5.2	5.3
Fiscal Balance	-4.6	-8.8	-6.3	-5.0	-4.0
Revenue Balance	-0.3	-3.3	-1.2	0.2	1.3
Total Public Debt	56.6	63.5	61.3	59.1	55.2
GDP at market prices (Rs in Billions)	23,655	22,909	26,001	29,749	34,622

WORKING OF FISCAL DEFICIT AND FINANCING
BUDGET 2013-14

Rs in billion

Working Deficit		Financing of Deficit	
A) Federal Revenue (net)	1,918	Gross External Loans	576
B) Total Federal Expenditure (i+ii)	3,591	Less Repayments	408
i) Current Expenditure	2,829	Long Term Foreign Loans	367
ii) Development and Net Lending (a+b+c)	762	Short Term Foreign Loans	41
a) Federal PSDP	540	i) Net External Financing	169
b) Other Development Expenditure	172	ii) Domestic Financing (a+b)	1,482
c) Net Lending	50	a) Bank Financing	975
		of which SBP Financing	0
C) Federal Deficit (A-B)	-1,674	b) Non Bank Financing	507
Est. Provincial Surplus	23	Public debt	260
		Public Account	247
Overall Fiscal Deficit	-1,651	Total Financing of Deficit (i+ii)	1,651
% of GDP	-6.3%	% of GDP	6.3%

BUDGET AT A GLANCE
(2013-14)

Rs. in Billion

RECEIPTS		EXPENDITURE	
Tax Revenue*	2,598	A. CURRENT	2,829
Non-Tax Revenue	822	Interest Payments	1,154
a) Gross Revenue Receipts	3,420		
b) Less Provincial Share	1,502	Pension	171
I. Net Revenue Receipts (a-b)	1,918	Defence Affairs & Services	627
II. Net Capital Receipts (Non Bank)	507	Grants and Transfers	337
III. External Receipts (net)	169	Subsidies	240
IV. Estimated Provincial Surplus	23	Running of Civil Government	275
		Provision for Pay & Pension	25
V. Bank Borrowing	975	B. DEVELOPMENT	762
		Federal PSDP	540
		Net Lending	50
		Other Dev. Expenditure	172
<u>TOTAL RESOURCES (I to V)</u>	<u>3,591</u>	<u>TOTAL EXPENITURE (A+B)</u>	<u>3,591</u>

*Out of which FBR Taxes: Rs 2,475 billion

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
Net Capital Receipts	Capital receipts <i>minus</i> disbursements
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 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

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Glossary of Terms

Indirect Taxes	Customs, sales tax, federal excise, petroleum levy, Islamabad Capital Territory (ICT) tax, and airport tax
Internal Resources	Include net revenue receipts, net capital receipts, and estimated provincial surplus
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
Provincial Share	Provincial share in federal taxes and straight transfers
Provincial Surplus	Provincial government deposits with State Bank of Pakistan
Gross Revenue Receipts	Sum of tax revenue and non-tax revenue (before excluding provincial share)
Resources	Include internal and external financial resources
Net Revenue Receipts	Gross revenue receipts <i>minus</i> provincial share
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
