

## PREFACE

*Budget in Brief* presents an abridgement of the Federal Budget 2018-19. It provides aggregated information on revenues and expenditures, budgeted for fiscal year 2018-19 alongwith budget estimates and revised estimates for the outgoing fiscal year 2017-18. 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. 2018-19) 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, and contextualize the Budget 2018-19.

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](http://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 2018-19.

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**Islamabad, the 27<sup>th</sup> April, 2018**

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## **CHAPTER - 1**

### **REVIEW OF THE BUDGET 2017-18**

#### **SALIENT FEATURES**

1.1 The budget 2017-18 had the following salient features:

- a) The total outlay of budget 2017-18 was Rs 5,103.8 billion. This size was higher by 4.3% than the size of budget 2016-17. The size of outlay increased to Rs 5,361 billion in revised estimates 2017-18.
- b) The resource availability during 2017-18 had been estimated at Rs 4,713.7 billion, which increased to Rs 4,774.6 billion or by 1.3% in revised estimates 2017-18.
- c) The net revenue receipts for 2017-18 had been estimated at Rs 2,926.1 billion, which decreased to Rs 2,676.4 billion or by 8.5% in revised estimates 2017-18.
- d) The provincial share in federal revenue receipts was estimated at Rs 2,384.2 billion during 2017-18, which decreased to Rs 2,316.1 billion in revised estimates.
- e) The net capital receipts for 2017-18 had been estimated at Rs 552.5 billion, which increased to Rs 594.6 billion in revised estimates 2017-18 or by 7.6%.
- f) The external receipts in 2017-18 were estimated at Rs 837.8 billion, which increased to Rs 1,229.8 billion in revised estimates or by 46.8%.
- g) The overall expenditure during 2017-18 had been estimated at Rs 5,103.8 billion, out of which the share of current expenditure was Rs 3,763.7 billion and that of development expenditure was Rs 1,340.1 billion. Current expenditure in revised estimates 2017-18 showed an increase of Rs 534.6 billion from budget estimates, while development expenditure showed a decline of Rs 277.3 billion.
- h) The share of current expenditure in total budgetary outlay for 2017-18 was 73.7% as compared to 80.2% in revised estimates 2017-18.
- i) The expenditure on general public service for budget 2017-18 was estimated at Rs 2,553.6 billion, which was 67.9% of the total current expenditure.
- j) In budget 2017-18, the development expenditure outside Public Sector Development Programme (PSDP) was estimated at Rs 152.2 billion, which increased to Rs 153.2 billion in revised estimates 2017-18.

- k) The size of Public Sector Development Programme (PSDP) for 2017-18 was Rs 2,113 billion. Out of this, Rs 1,112 billion was allocated to provinces. Federal PSDP was 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 Global 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 Youth Initiative and Rs 25 billion for Gas Infrastructure Development Cess.
- l) To meet expenditure in fiscal year 2017-18, bank borrowing was projected at Rs 390.1 billion, which has been revised upwards to Rs 586.5 billion.

1.2 Table-1 below presents a Summary of comparative position of the budget and revised estimates for fiscal year 2017-18:

**TABLE - 1**  
**SUMMARY OF ESTIMATES FOR 2017-18**

(Rs in Million)		
Classification	Budget 2017-18	Revised 2017-18
<b>RESOURCES (A + B + C)</b>	<b>4,713,686</b>	<b>4,774,567</b>
<b>A Internal Resources</b>	<b>3,825,863</b>	<b>3,544,812</b>
- Net Revenue Receipts	2,926,074	2,676,407
- Net Capital Receipts	552,520	594,554
- Estimated Provincial Surplus	347,269	273,852
<b>B External Resources</b>	<b>837,824</b>	<b>1,229,754</b>
<b>C Privatization Proceeds</b>	<b>50,000</b>	<b>0</b>
<b>EXPENDITURE (I + II)</b>	<b>5,103,780</b>	<b>5,361,038</b>
<b>I Current Expenditure on Revenue Account</b>	<b>3,763,709</b>	<b>4,298,279</b>
- Current Exp. on Revenue Receipts	3,763,709	4,298,279
<b>II Development Expenditure</b>	<b>1,340,072</b>	<b>1,062,759</b>
- Federal PSDP	1,001,000	750,000
- Development Expenditure outside PSDP	152,200	153,174
- Development Loans & Grants to Provinces	186,871	159,585
<b>BANK BORROWING</b>	<b>390,094</b>	<b>586,472</b>

## **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 2017-18 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 2,926,074 million in the budget 2017-18, which have now been revised downwards to Rs 2,676,407 million in the revised estimates 2017-18 showing a decrease of 8.5%. Table-2 provides the details:

**TABLE - 2**  
**NET REVENUE RECEIPTS**  
**2017-18**

<b>Classification</b>	<b>(Rs in Million)</b>	
	<b>Budget 2017-18</b>	<b>Revised 2017-18</b>
<b>TAX REVENUE ( A + B)</b>	<b>4,330,463</b>	<b>4,147,305</b>
<b>A. FBR TAXES</b>	<b>4,013,000</b>	<b>3,935,000</b>
- Direct Taxes	1,594,910	1,563,000
- Indirect Taxes	2,418,090	2,372,000
<b>B. OTHER TAXES</b>	<b>317,463</b>	<b>212,305</b>
<b>NON-TAX REVENUE</b>	<b>979,854</b>	<b>845,182</b>
- Income from Property and Enterprise	214,689	236,429
- Receipts from Civil Administration and Other Functions	413,172	284,459
- Miscellaneous Receipts	351,992	324,294
<b>Gross Revenue Receipts</b>	<b>5,310,317</b>	<b>4,992,486</b>
Provincial Share in Gross Revenue	2,384,243	2,316,080
<b>NET REVENUE RECEIPTS</b>	<b>2,926,074</b>	<b>2,676,407</b>

1.5 The tax revenue was estimated for budget 2017-18 at Rs 4,330,463 million, which decreased to Rs 4,147,305 million or by 4.2% in revised estimates 2017-18. The non-tax revenue for 2017-18 was estimated at Rs 979,854 million, which decreased to Rs 845,182 million or by 13.7% in revised estimates 2017-18.

### **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 2017-18 were budgeted at Rs 552,520 million. The revised estimates are Rs 594,554 million, which indicates an increase of 7.6%. Table-3 provides the details:

**TABLE - 3**  
**NET CAPITAL RECEIPTS**  
**2017-18**

Classification	(Rs in Million)	
	Budget 2017-18	Revised 2017-18
<b>I. CAPITAL RECEIPTS ( A + B + C )</b>	<b>640,567</b>	<b>746,439</b>
<b>A. Recovery of Loans</b>	<b>112,537</b>	<b>134,415</b>
<b>B. Public Debt (Net)</b>	<b>314,937</b>	<b>543,408</b>
- Permanent Debt	184,937	59,130
- Floating Debt	130,000	484,278
<b>C. Public Account</b>	<b>213,093</b>	<b>68,616</b>
<b>II. DISBURSEMENTS</b>	<b>88,047</b>	<b>151,886</b>
<b>NET CAPITAL RECEIPTS (I-II):</b>	<b>552,520</b>	<b>594,554</b>

### **ESTIMATED PROVINCIAL SURPLUS**

1.7 The estimated provincial surplus was budgeted at Rs 347,269 million for 2017-18, which decreased to Rs 273,852 million in revised estimates 2017-18 or by 21.1%.

## **EXTERNAL RESOURCES**

1.8 The Government obtains foreign loans and grants to use for capital and development expenditure. The external loans for 2017-18 were budgeted at Rs 799,920 million, which are now projected at Rs 1,181,725 million in revised estimates showing an increase of 47.7%.

1.9 External grants decreased from Rs 26,810 million in the budget estimates 2017-18 to Rs 21,098 million in the revised estimates 2017-18 or by 21.3%.

1.10 Overall external resources were estimated at Rs 837,824 million, which increased to Rs 1,229,754 million or by 46.8% in the revised estimates 2017-18. Table-4 below presents the details:

**TABLE - 4**  
**EXTERNAL RESOURCES**  
**2017-18**

Classification	(Rs in Million)	
	Budget 2017-18	Revised 2017-18
<b>I. EXTERNAL LOANS ( a to d )</b>	<b>799,920</b>	<b>1,181,725</b>
a. Project Loans	329,824	312,880
b. Programme Loans	95,571	48,107
d. Other Aid	374,525	820,738
<b>II. EXTERNAL GRANTS</b>	<b>26,810</b>	<b>21,098</b>
<b>A. EXTERNAL RESOURCES ( I + II):</b>	<b>826,730</b>	<b>1,202,823</b>
<b>B. PROJECT LOANS &amp; GRANTS OUTSIDE PSDP</b>	<b>11,093</b>	<b>26,932</b>
Loans	10,822	22,030
Grants	271	4,902
<b>TOTAL EXTERNAL RESOURCES ( A + B):</b>	<b>837,824</b>	<b>1,229,754</b>



**EXPENDITURE**

1.11 The budget estimates 2017-18 of the overall expenditure were Rs 5,103,780 million, which increased to Rs 5,361,038 million in revised estimates 2017-18 or by 5%.

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 2017-18:

**TABLE - 5**  
**CURRENT AND DEVELOPMENT EXPENDITURE**  
**2017-18**

<b>Classification</b>	<b>(Rs in Million)</b>	
	<b>Budget 2017-18</b>	<b>Revised 2017-18</b>
<b>A. CURRENT</b>	<b>3,763,709</b>	<b>4,298,279</b>
- General Public Service	2,553,633	2,977,275
- Defence Affairs & Services	920,166	999,237
- Public Order and Safety Affairs	109,604	119,417
- Economic Affairs	62,940	80,742
- Environment Protection	1,141	1,228
- Housing and Community Amenities	2,329	2,449
- Health Affairs & Services	12,847	12,944
- Recreation, Culture and Religion	8,434	11,866
- Education Affairs and Services	90,516	90,818
- Social Protection	2,100	2,302
<b>B. DEVELOPMENT</b>	<b>1,340,072</b>	<b>1,062,759</b>
- Federal PSDP	1,001,000	750,000
- Development Expenditure outside PSDP	152,200	153,174
- Development Loans & Grants to Provinces	186,871	159,585
<b>TOTAL EXPENDITURE (A + B):</b>	<b>5,103,780</b>	<b>5,361,038</b>

**CHAPTER - 2**  
**THE BUDGET 2018-19**

**SALIENT FEATURES**

2.1 The budget 2018-19 has the following salient features:

- a) The total outlay of budget 2018-19 is Rs 5,932.5 billion. This size is 16.2% higher than the size of budget estimates 2017-18.
- b) The resource availability during 2018-19 has been estimated at Rs 4,917.2 billion against Rs 4,713.7 billion in the budget estimates of 2017-18.
- c) The net revenue receipts for 2018-19 have been estimated at Rs 3,070.4 billion indicating an increase of 4.9% over the budget estimates of 2017-18.
- d) The provincial share in federal taxes is estimated at Rs 2,590.1 billion during 2018-19, which is 8.6% higher than the budget estimates for 2017-18.
- e) The net capital receipts for 2018-19 have been estimated at Rs 443.1 billion against the budget estimates of Rs 552.5 billion in 2017-18 i.e. a decrease of 19.8%.
- f) The external receipts in 2018-19 are estimated at Rs 1,118 billion. This shows an increase of 33.4% over the budget estimates for 2017-18.
- g) The overall expenditure during 2018-19 has been estimated at Rs 5,932.5 billion, out of which the current expenditure is Rs 4,780.4 billion and development expenditure is Rs 1,152.1 billion.
- h) The share of current and development expenditure respectively in total budgetary outlay for 2018-19 is 80.6% and 19.4%.
- i) The expenditure on General Public Services is estimated at Rs 3,340.4 billion, which is 69.9% of the current expenditure.
- j) The development expenditure outside PSDP has been estimated at Rs 180.2 billion in the budget 2018-19, which is higher by 18.4% than budget estimates 2017-18.

- k) The size of Public Sector Development Programme (PSDP) for 2018-19 is Rs 1,650 billion. Out of this, Rs 850 billion has been allocated to provinces. Federal PSDP has been estimated at Rs 800 billion, out of which Rs 420.4 billion for Federal Ministries/Divisions, Rs 246.1 billion for Corporations, Rs 5 billion for Pakistan Sustainable Development Goals (SDGs) and Community Development Programme, Rs 8.5 billion for Earthquake Reconstruction and Rehabilitation Authority (ERRA), Rs 5 billion for Special Provision for Competition of CEPEC Projects, Rs 10 billion for FATA 10 year Plan, Rs 45 billion for Relief and Rehabilitation of IDPs, Rs 45 billion for Security Enhancement, Rs 10 billion for Prime Minister's Youth Programme and Rs 5 billion for Gas Infrastructure Development Cess.
- l) To meet expenditure, bank borrowing has been estimated for 2018-19 at Rs 1,015.3 billion, which is significantly higher than revised estimates 2017-18.

2.2 Table-6 below presents the comparative position of budget and revised estimates for fiscal year 2017-18 and budget estimates for fiscal year 2018-19.

**TABLE - 6**  
**COMPARATIVE BUDGETARY POSITION**  
**2017-18 AND 2018-19**

Classification	(Rs in Million)		
	Budget 2017-18	Revised 2017-18	Budget 2018-19
<b>RESOURCES ( A + B + C )</b>	<b>4,713,686</b>	<b>4,774,567</b>	<b>4,917,162</b>
<b>A Internal Resources</b>	<b>3,825,863</b>	<b>3,544,812</b>	<b>3,799,139</b>
- Net Revenue Receipts	2,926,074	2,676,407	3,070,439
- Net Capital Receipts	552,520	594,554	443,096
- Estimated Provincial Surplus	347,269	273,852	285,604
<b>B External Resources</b>	<b>837,824</b>	<b>1,229,754</b>	<b>1,118,024</b>
<b>C Privatization Proceeds</b>	<b>50,000</b>	-	-
<b>EXPENDITURE (I + II)</b>	<b>5,103,780</b>	<b>5,361,038</b>	<b>5,932,464</b>
<b>I Current Expenditure on Revenue Account</b>	<b>3,763,709</b>	<b>4,298,279</b>	<b>4,780,359</b>
- Current Exp. on Revenue Account	3,763,709	4,298,279	4,780,359
<b>II Development Expenditure</b>	<b>1,340,072</b>	<b>1,062,759</b>	<b>1,152,105</b>
- Federal PSDP	1,001,000	750,000	800,000 <sup>★</sup>
- Dev. Expenditure outside PDSP	152,200	153,174	180,238
- Dev. Loans & Grants to Provinces	186,871	159,585	171,867
<b>BANK BORROWING</b>	<b>390,094</b>	<b>586,472</b>	<b>1,015,302</b>

★ Total Federal PSDP 2018-19 would be Rs 1,030 billion out of which Rs 230 billion would be self financing by the corporation/authorities and Rs 800 billion would be provided through budget 2018-19.

**CHAPTER - 3**  
**RESOURCE POSITION**  
**2018-19**

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 2017-18 (budget and revised) and 2018-19 (budget).

**TABLE - 7**  
**RESOURCE POSITION**

<b>Classification</b>	<b>(Rs in Million)</b>		
	<b>Budget 2017-18</b>	<b>Revised 2017-18</b>	<b>Budget 2018-19</b>
<b>A Internal Resources</b>	<b>3,913,910</b>	<b>3,696,698</b>	<b>4,041,814</b>
I. Net Revenue Receipts [(i) - (ii)]	2,926,074	2,676,407	3,070,439
(i) Gross Revenue Receipts	5,310,317	4,992,486	5,660,505
(ii) Less Provincial Share in Taxes	2,384,243	2,316,080	2,590,066
II. Total Capital Receipts	640,567	746,439	685,770
III. Estimated Provincial Surplus	347,269	273,852	285,604
<b>B External Resources</b>	<b>837,824</b>	<b>1,229,754</b>	<b>1,118,024</b>
<b>TOTAL RESOURCES ( A + B )</b>	<b>4,751,733</b>	<b>4,926,452</b>	<b>5,159,837</b>

## **INTERNAL RESOURCES**

### **I. NET REVENUE RECEIPTS**

3.2 The gross revenue receipts in budget 2018-19 are estimated at Rs 5,660,505 million showing an increase of 6.6% over the budget estimates 2017-18 and 13.4% over revised estimates of outgoing fiscal year 2017-18.

3.3 The provincial share in taxes for 2018-19 is estimated at Rs 2,590,066 million, which is 11.8% higher than the revised estimates of 2017-18. After the share of Provinces in gross revenues is transferred, the net revenue of Federal Government has been estimated to be Rs 3,070,439 million for fiscal year 2018-19.

3.4 The tax revenue for 2018-19 is estimated at Rs 4,888,645 million, which reflects an increase of 17.9% over revised estimates 2017-18. Out of which FBR collection is Rs 4,435,000 million. Non-tax revenue is projected at Rs 771,860 million in 2018-19 as compared with Rs 845,182 million in revised estimates 2017-18.

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

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

Classification	(Rs in Million)		
	Budget 2017-18	Revised 2017-18	Budget 2018-19
<b>TAX REVENUE (A + B)</b>	<b>4,330,463</b>	<b>4,147,305</b>	<b>4,888,645</b>
<b>A. FBR TAXES</b>	<b>4,013,000</b>	<b>3,935,000</b>	<b>4,435,000</b>
- Direct Taxes	1,594,910	1,563,000	1,735,000
- Indirect Taxes	2,418,090	2,372,000	2,700,000
<b>B. OTHER TAXES</b>	<b>317,463</b>	<b>212,305</b>	<b>453,645</b>
<b>NON-TAX REVENUE</b>	<b>979,854</b>	<b>845,182</b>	<b>771,860</b>
- Property and Enterprise	214,689	236,429	236,869
- Civil Administration and Other Functions	413,172	284,459	305,837
- Miscellaneous Receipts	351,992	324,294	229,155
<b>Gross Revenue Receipts</b>	<b>5,310,317</b>	<b>4,992,486</b>	<b>5,660,505</b>
Provincial Share in Gross Revenue	2,384,243	2,316,080	2,590,066
<b>NET REVENUE RECEIPTS</b>	<b>2,926,074</b>	<b>2,676,407</b>	<b>3,070,439</b>

**TABLE - 9**  
**TAX REVENUE**

(Rs in Million)			
Classification	Budget 2017-18	Revised 2017-18	Budget 2018-19
<b>A. FBR TAXES (I + II)</b>	<b>4,013,000</b>	<b>3,935,000</b>	<b>4,435,000</b>
<b>I. Direct Taxes</b>	<b>1,594,910</b>	<b>1,563,000</b>	<b>1,735,000</b>
- Income Tax	1,577,557	1,540,423	1,709,939
- Workers Welfare Fund	14,622	16,789	18,636
- Capital Value Tax	2,731	5,788	6,425
<b>II. Indirect Taxes</b>	<b>2,418,090</b>	<b>2,372,000</b>	<b>2,700,000</b>
- Customs Duties	581,371	600,000	735,000
- Sales Tax	1,605,200	1,547,000	1,700,000
- Federal Excise	231,519	225,000	265,000
<b>B. OTHER TAXES</b>	<b>317,463</b>	<b>212,305</b>	<b>453,645</b>
- Other Taxes (ICT)	4,373	4,235	37,555
- Airport Tax	90	70	90
- Gas Infrastructure Development Cess (GIDC)	110,000	15,000	100,000
- Natural Gas Development Surcharge	43,000	23,000	16,000
- Petroleum Levy	160,000	170,000	300,000
<b>TOTAL TAX REVENUE:</b>	<b>4,330,463</b>	<b>4,147,305</b>	<b>4,888,645</b>

**TABLE - 10**  
**NON-TAX REVENUE**

(Rs in Million)			
Classification	Budget 2017-18	Revised 2017-18	Budget 2018-19
<b>NON-TAX REVENUE (A+B+C)</b>	<b>979,854</b>	<b>845,182</b>	<b>771,860</b>
<b>A. Income from Property and Enterprise</b>	<b>214,689</b>	<b>236,429</b>	<b>236,869</b>
- Pakistan Telecom Authority (Surplus)	1,000	3,029	12,787
- PTA (3 G Licences)	10,000	6,854	6,854
- Regulatory Authorities (Surplus/ penalties)	312	334	325
- Mark up (Provinces)	14,111	16,222	16,782
- Mark up (PSEs & Others)	95,984	130,018	123,649
- Dividends	93,283	79,973	76,471
<b>B. Receipts from Civil Administration and Other Functions</b>	<b>413,172</b>	<b>284,459</b>	<b>305,837</b>
- General Administration	5,196	5,339	5,754
- SBP Profit	260,000	260,000	280,000
- Defence	141,797	15,204	15,960
- Law and Order	1,501	1,363	1,412
- Community Services	2,070	1,143	1,214
- Social Services	2,608	1,410	1,497
<b>C. Miscellaneous Receipts</b>	<b>351,992</b>	<b>324,294</b>	<b>229,155</b>
- Economic Services	21,381	11,144	8,596
- Foreign Grants	43,546	34,000	15,902
- Citizenship, Naturalization & Passport Fee	28,000	24,000	31,000
- Discount Retained on Local Crude Price	10,000	10,000	10,000
- Royalty on Crude Oil	19,127	16,811	16,826
- Royalty on Natural Gas	39,404	36,433	36,516
- Windfall Levy against Crude Oil	8,000	5,000	5,000
- Petroleum Levy on LPG	2,000	2,000	2,000
- Extraordinary Receipts (UNO)	36,923	32,384	34,001
- Extraordinary Receipts (Others)	135,056	135,046	50,062
- Others	8,554	17,475	19,252

## II. NET CAPITAL RECEIPTS

3.6 Capital receipts on net basis in the budget 2018-19 have been estimated at Rs 443,096 million against Rs 552,520 million in the budget estimates 2017-18 and Rs 594,554 million in the revised estimates 2017-18. Table-11 below presents the details of capital receipts, disbursements and net capital receipts.

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

Classification	(Rs in Million)		
	Budget 2017-18	Revised 2017-18	Budget 2018-19
<b>TOTAL CAPITAL RECEIPTS (I + II)</b>	<b>640,567</b>	<b>746,439</b>	<b>685,770</b>
<b>I. Recoveries of Loans &amp; Advances</b>	<b>112,537</b>	<b>134,415</b>	<b>152,989</b>
- Provinces	51,947	55,076	61,596
- Others	60,590	79,339	91,393
<b>II. CAPITAL RECEIPTS (A + B)</b>	<b>528,030</b>	<b>612,024</b>	<b>532,781</b>
<b>A. Public Debt Net (1 + 2)</b>	<b>314,937</b>	<b>543,408</b>	<b>406,095</b>
<b>1. Permanent Debt</b>	<b>184,937</b>	<b>59,130</b>	<b>113,557</b>
- Pakistan Investment Bonds	115,000	(3,577)	100,000
- Ijara Sukuk Bonds	60,000	60,000	10,620
- FEBCs	(5)	(1)	(5)
- FCBCs	(5)	(1)	(5)
- U.S. Dollar Bearer Certificates	(3)	-	(3)
- Special US Dollar Bonds	(50)	(40)	(50)
- Premium Prize Bonds (Regd.)	10,000	2,749	3,000
<b>2. Floating Debt</b>	<b>130,000</b>	<b>484,278</b>	<b>292,538</b>
- Prize Bonds	85,000	80,981	92,538
- Treasury Bills Auction	45,000	403,297	200,000
<b>B. Public Account</b>	<b>213,093</b>	<b>68,616</b>	<b>126,686</b>
- National Savings Schemes	159,503	71,105	128,698
- G.P. Fund	6,500	1,816	2,000
- Net Deposits	47,090	(4,305)	(4,012)
<b>III. DISBURSEMENTS</b>	<b>88,047</b>	<b>151,886</b>	<b>242,675</b>
- Government Investments, Loans, Advances and Others	48,273	58,314	68,512
- Repayment of Short Term Credits	39,774	93,572	174,163
<b>NET CAPITAL RECEIPTS (I + II - III):</b>	<b>552,520</b>	<b>594,554</b>	<b>443,096</b>
<b>Net Lending to Others:</b>	<b>(12,317)</b>	<b>(21,025)</b>	<b>(22,882)</b>

## III. ESTIMATED PROVINCIAL SURPLUS

3.7 The estimated provincial surplus has been projected at Rs 285,604 million for 2018-19 as against Rs 347,269 million in revised estimates 2017-18.



**EXTERNAL RESOURCES**

3.8 The government obtains loans and grants to bridge the gap between the receipts and expenditure. The external resources for 2018-19 have been projected at Rs 1,118,024 million, which are higher by 33.4% and lower by 9.1% respectively when compared with budget and revised estimates 2017-18. Table-12 below presents the details of receipts from external resources.

**TABLE - 12**  
**EXTERNAL RESOURCES**

Classification	(Rs in Million)		
	Budget 2017-18	Revised 2017-18	Budget 2018-19
<b>I. EXTERNAL LOANS (A to C)</b>	<b>799,920</b>	<b>1,181,725</b>	<b>1,079,968</b>
<b>A. Project Loans (i+ii)</b>	<b>329,824</b>	<b>312,880</b>	<b>290,071</b>
<b>i Federal Government</b>	<b>151,984</b>	<b>179,766</b>	<b>152,635</b>
- Ministries/Divisions	13,554	16,640	22,576
- Corporations/Autonomous Bodies	138,430	163,126	130,060
<b>ii Provinces</b>	<b>177,840</b>	<b>133,114</b>	<b>137,435</b>
<b>B. Programme Loans</b>	<b>95,571</b>	<b>48,107</b>	<b>87,897</b>
<b>C. Other Aid</b>	<b>374,525</b>	<b>820,738</b>	<b>702,000</b>
- Islamic Development Bank	163,525	140,068	117,000
- Sukuk Bond	105,500	274,375	234,000
- Commercial Banks	105,500	406,295	351,000
<b>II. EXTERNAL GRANTS</b>	<b>26,810</b>	<b>21,098</b>	<b>29,452</b>
- Project Aid Grants	26,810	21,098	29,452
• Federal Departments	6,184	3,685	6,439
• Autonomous Bodies	3,467	4,003	1,228
• Provinces	17,160	13,410	21,784
<b>D. External Resources (I + II):</b>	<b>826,730</b>	<b>1,202,823</b>	<b>1,109,419</b>
<b>E. Project Loans &amp; Grants Outside PSDP</b>	<b>11,093</b>	<b>26,932</b>	<b>8,605</b>
Loans	10,822	22,030	8,024
Grants	271	4,902	581
<b>TOTAL EXTERNAL RESOURCES (D+E):</b>	<b>837,824</b>	<b>1,229,754</b>	<b>1,118,024</b>

## **CHAPTER - 4**

### **PROVINCIAL SHARE IN FEDERAL TAXES**

#### **NFC AWARD**

4.1 Pakistan is a Federal democracy. In order to maintain inter-governmental fiscal relationship, Article 160 of the Constitution provides for setting up of a National Finance Commission (NFC) 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 90.150 billion have been provided to Government of Balochistan, as additionality, from 2010-11 to 2017-18 (upto 30.3.2018).

4.4 The 8th NFC Award was constituted on 21st July, 2010, but it did not give any Award as the latest Award was just implemented. The 9th NFC was constituted on 24th April, 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 3rd meeting of the NFC held on 19th December, 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 remain 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%
	<b>Total:</b>	<b>100.00%</b>

(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.*"

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“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.*"

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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 2,590,066 million for fiscal year 2018-19, reflecting an increase of 11.8% over revised estimates 2017-18. The details are as in Table-13 below:

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

(Rs in Million)			
Classification	Budget 2017-18	Revised 2017-18	Budget 2018-19
<b>A. DIVISIBLE POOL TAXES</b>	<b>2,268,999</b>	<b>2,230,087</b>	<b>2,508,834</b>
- Income Tax	895,524	876,327	970,673
- Capital Value Tax	1,566	3,163	3,684
- Sales Tax (Excl. GST on Services)	918,829	888,483	973,084
- Federal Excise (excl. Excise Duty on Natural Gas)	123,554	122,532	144,197
- Customs Duties (excl. Export Development Surcharge)	329,526	339,582	417,196
<b>B. STRAIGHT TRANSFERS</b>	<b>115,244</b>	<b>85,993</b>	<b>81,232</b>
- Royalty on Crude Oil	18,745	16,475	16,490
- Royalty on Natural Gas	38,616	35,705	35,785
- Gas Development Surcharge	42,140	22,540	15,680
- Excise Duty on Natural Gas	15,743	11,273	13,277
<b>TOTAL (A to B):</b>	<b>2,384,243</b>	<b>2,316,080</b>	<b>2,590,066</b>
<b>PROVINCE- WISE SHARE</b>			
Punjab	1,161,824	1,138,410	1,281,980
Sindh	612,590	584,322	648,813
Khyber Pakhtunkhwa (Inclusive 1% War on Terror)	389,854	381,032	426,095
Balochistan	219,974	212,316	233,177
<b>TOTAL PROVINCIAL SHARE:</b>	<b>2,384,243</b>	<b>2,316,080</b>	<b>2,590,066</b>



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

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

(Rs in Million)			
Classification	Budget 2017-18	Revised 2017-18	Budget 2018-19
<b>A. Total Transfers to Provinces</b>	<b>2,597,166</b>	<b>2,502,150</b>	<b>2,789,983</b>
- Divisible Pool Taxes	2,268,999	2,230,087	2,508,834
- Straight Transfers	115,244	85,993	81,232
- Special Grants / Subventions	26,000	26,485	28,000
- Project Loans and Grants	177,840	133,114	137,435
- Programme Loans	9,031	26,471	34,431
- Japanese Grant	51	1	50
<b>B. Less Payments to Federal Govt.</b>	<b>66,057</b>	<b>71,298</b>	<b>78,378</b>
- Interest Payments	14,111	16,222	16,782
- Loans Repayments	51,947	55,076	61,596
<b>NET TRANSFERS TO PROVINCES (A-B):</b>	<b>2,531,108</b>	<b>2,430,852</b>	<b>2,711,605</b>

4.8 In accordance with the framework for distribution of resources structured by the 7th NFC Award, the net transfers to provinces are Rs 2,711,605 million in the budget estimates 2018-19. These transfers were estimated at Rs 2,531,108 million in the budget estimates 2017-18 and Rs 2,430,852 million in revised estimates 2017-18. Of this account, budget for 2018-19 reflecting an increase of 7.1% and 11.6% over budget and revised estimates 2017-18 respectively.

**CHAPTER - 5**  
**CURRENT EXPENDITURE**  
**2018-19**

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

**TABLE - 15**  
**SUMMARY**

		(Rs in Million)		
Classification	Budget 2017-18	Revised 2017-18	Budget 2018-19	
<b>(i) Mark-up Payment</b>	<b>1,363,016</b>	<b>1,526,204</b>	<b>1,620,230</b>	
- Mark-up on Domestic Debt	1,231,000	1,332,001	1,391,000	
- Mark-up on Foreign Debt	132,016	194,203	229,230	
<b>(ii) Pension</b>	<b>248,000</b>	<b>333,355</b>	<b>342,000</b>	
- Military	180,152	253,000	259,779	
- Civil	67,848	80,355	82,221	
<b>(iii) Defence Affairs and Services</b>	<b>920,166</b>	<b>999,237</b>	<b>1,100,334</b>	
- Defence Services	917,949	995,949	1,097,949	
- Defence Administration	2,217	3,288	2,385	
<b>(iv) Grants and Transfers</b>	<b>430,230</b>	<b>461,638</b>	<b>477,924</b>	
- Grants to Provinces	26,000	26,485	28,000	
- Grants to Others	404,230	435,153	449,924	
<b>(v) Subsidies</b>	<b>138,846</b>	<b>147,604</b>	<b>174,746</b>	
<b>(vi) Running of Civil Government</b>	<b>376,840</b>	<b>402,076</b>	<b>463,371</b>	
- Salary	210,735	217,284	242,742	
a) Pay	104,348	108,475	128,011	
b) Allowance	106,387	108,809	114,731	
- Non-Salary	163,605	184,792	218,129	
- Others	2,500	-	2,500	
<b>CURRENT EXPENDITURE (i to vi)</b>	<b>3,477,097</b>	<b>3,870,114</b>	<b>4,178,605</b>	
<b>(vii) Foreign Loans Repayment</b>	<b>286,612</b>	<b>428,165</b>	<b>601,754</b>	
<b>TOTAL CURRENT EXPENDITURE</b> (includes foreign loans repayment)	<b>3,763,709</b>	<b>4,298,279</b>	<b>4,780,359</b>	

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 2017-18 stood at Rs 3,763,709 million, which have now been revised upwards to Rs 4,298,279 million. For fiscal year 2018-19 an allocation of Rs 4,780,358 million has been made for current expenditure, showing an increase of 27% and 11.2% over the budget and revised estimates respectively of the outgoing fiscal year 2017-18.

5.3 Table-16 below presents the comparative position of the budget and revised estimates of current expenditure for the year 2017-18 along with the budget estimates 2018-19. It shows breakup of Current Expenditure according to functional classification.

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

(Rs in Million)			
Classification	Budget 2017-18	Revised 2017-18	Budget 2018-19
1) General Public Service	2,553,633	2,977,275	3,340,431
2) Defence Affairs and Services	920,166	999,237	1,100,334
3) Public Order and Safety Affairs	109,604	119,417	132,289
4) Economic Affairs	62,940	80,742	80,750
5) Environment Protection	1,141	1,228	1,261
6) Housing and Community Amenities	2,329	2,449	2,339
7) Health Affairs & Services	12,847	12,944	13,897
8) Recreation, Culture and Religion	8,434	11,866	9,242
9) Education Affairs and Services	90,516	90,818	97,420
10) Social Protection	2,100	2,302	2,396
<b>TOTAL:</b>	<b>3,763,709</b>	<b>4,298,279</b>	<b>4,780,359</b>

5.4 The bulk of expenditure falls under General Public Service. The expenditure against this head has been budgeted at Rs 3,340,431 million for 2018-19, which is 69.9% 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 2,781,312 million, this component forms 84.3% of the allocation for General Public Service. The main heads of expenses are Servicing of Domestic Debt, Foreign Loans Repayment and Others. Transfer payments constitute another important item.

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

**TABLE - 17**  
**GENERAL PUBLIC SERVICE**

Classification	(Rs in Million)		
	Budget 2017-18	Revised 2017-18	Budget 2018-19
<b>GENERAL PUBLIC SERVICE</b>	<b>2,553,633</b>	<b>2,977,275</b>	<b>3,340,431</b>
Executive & Legislative Organs, Financial, Fiscal Affairs & External Affairs	2,083,532	2,470,428	2,781,312
- Superannuation Allowances & Pensions	248,000	333,355	342,000
- Servicing of Foreign Debt	132,016	194,203	229,230
- Foreign Loans Repayment	286,612	428,165	601,754
- Servicing of Domestic Debt	1,231,000	1,332,001	1,391,000
- Others	185,905	182,703	217,329
Foreign Economic Aid	4,632	4,551	4,762
Transfers	430,230	461,638	477,924
General Services	6,599	6,945	7,027
Basic Research	3,974	4,019	5,438
Research and Development General Public Services	11,712	12,120	13,072
Administration of General Public Services	2,348	8,999	2,531
General Public Services not elsewhere defined	10,605	8,576	48,365

**DEFENCE AFFAIRS AND SERVICES**

5.7 Details of estimates of expenditure on Defence Affairs and Services in 2017-18 (budget & revised) and 2018-19 (budget) are given in Table-18 below:

**TABLE - 18**  
**DEFENCE AFFAIRS AND SERVICES**

<b>Classification</b>	<b>(Rs in Million)</b>		
	<b>Budget 2017-18</b>	<b>Revised 2017-18</b>	<b>Budget 2018-19</b>
<b>DEFENCE AFFAIRS AND SERVICES</b>	<b>920,166</b>	<b>999,237</b>	<b>1,100,334</b>
- <b>Defence Administration</b>	<b>2,217</b>	<b>3,288</b>	<b>2,385</b>
- <b>Defence Services</b>	<b>917,949</b>	<b>995,949</b>	<b>1,097,949</b>
- Employees Related Expenses	322,142	363,476	422,911
- Operating Expenses	225,521	250,775	253,467
- Physical Assets	243,991	250,419	282,328
- Civil Works	128,346	133,330	141,293
- Less Recoveries	(2,051)	(2,051)	(2,051)

## **PUBLIC ORDER AND SAFETY AFFAIRS**

5.8 Under the head of Public Order and Safety Affairs, an amount of Rs 132,289 million has been provided in the budget 2018-19 as compared with Rs 109,604 million in the budget estimates 2017-18 and Rs 119,417 million in revised estimates of the outgoing fiscal year 2017-18. The allocation for Police (Rs 122,974 million) forms the major component, with a share of 93%, in the total allocation under this head. Table-19 below provides the details:

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

<b>Classification</b>	<b>(Rs in Million)</b>		
	<b>Budget 2017-18</b>	<b>Revised 2017-18</b>	<b>Budget 2018-19</b>
<b>PUBLIC ORDER AND SAFETY AFFAIRS</b>	<b>109,604</b>	<b>119,417</b>	<b>132,289</b>
- Law Courts	5,174	5,179	5,631
- Police	101,174	110,802	122,974
- Fire Protection	203	203	293
- Prison Administration and Operation	43	43	53
- R & D Public Order and Safety	32	32	36
- Administration of Public Order	2,977	3,157	3,302

## **ECONOMIC AFFAIRS**

5.9 The allocation under the head of Economic Affairs in the budget 2018-19 has been projected at Rs 80,750 million, as compared with Rs 62,940 million in the budget estimates 2017-18 and Rs 80,742 million in revised estimates 2017-18. Major share of this head goes to Agriculture, Food, Irrigation, Forestry and Fishing, which is 38.6% of total allocation for Economic Affairs. Table-20 below provides the details under this head:

**TABLE - 20**  
**ECONOMIC AFFAIRS**

<b>Classification</b>	<b>(Rs in Million)</b>		
	<b>Budget 2017-18</b>	<b>Revised 2017-18</b>	<b>Budget 2018-19</b>
<b>ECONOMIC AFFAIRS</b>	<b>62,940</b>	<b>80,742</b>	<b>80,750</b>
- General Economic, Commercial and Labour Affairs	17,474	22,896	26,306
- Agriculture, Food, Irrigation, Forestry and Fishing	26,020	37,935	31,188
- Fuel and Energy	803	764	709
- Mining and Manufacturing	1,565	1,693	1,773
- Construction and Transport	12,354	12,354	15,564
- Communications	3,113	3,316	3,461
- Others Industries	1,611	1,785	1,749

**ENVIRONMENT PROTECTION**

5.10 Under the head of Environment Protection, an amount of Rs 1,261 million has been estimated for budget 2018-19 for Waste Water Management, which is higher by 10.5% than budget estimates 2017-18 and 2.7% when compared with revised estimates 2017-18.

**TABLE - 21**  
**ENVIRONMENT PROTECTION**

Classification	(Rs in Million)		
	Budget 2017-18	Revised 2017-18	Budget 2018-19
<b>ENVIRONMENT PROTECTION</b>	<b>1,141</b>	<b>1,228</b>	<b>1,261</b>
- Waste Water Management	1,141	1,228	1,261

**HOUSING AND COMMUNITY AMENITIES**

5.11 Under the head of Housing and Community Amenities, an amount of Rs 2,339 million has been provided in the budget 2018-19 for Community Development, as compared with Rs 2,329 million in the budget estimates 2017-18 and Rs 2,449 million in revised estimates 2017-18.

**TABLE - 22**  
**HOUSING AND COMMUNITY AMENITIES**

Classification	(Rs in Million)		
	Budget 2017-18	Revised 2017-18	Budget 2018-19
<b>HOUSING AND COMMUNITY AMENITIES</b>	<b>2,329</b>	<b>2,449</b>	<b>2,339</b>
- Community Development	2,329	2,449	2,339



## **HEALTH AFFAIRS AND SERVICES**

5.12 Under the head of Health Affairs and Services, a total allocation of Rs 13,897 million has been made in the budget estimates 2018-19, which is higher by 8.2% and 7.4% when compared with budget and revised estimates 2017-18. The allocation for Hospital Services forms the major component, which is 83.9% under this classification. Details are given in Table-23 below:

**TABLE - 23**  
**HEALTH AFFAIRS AND SERVICES**

<b>Classification</b>	<b>(Rs in Million)</b>		
	<b>Budget 2017-18</b>	<b>Revised 2017-18</b>	<b>Budget 2018-19</b>
<b>HEALTH AFFAIRS AND SERVICES</b>	<b>12,847</b>	<b>12,944</b>	<b>13,897</b>
- Medical Products, Appliances and Equipment	29	29	31
- Hospital Services	10,823	10,867	11,657
- Public Health Services	439	442	469
- Health Administration	1,555	1,606	1,740

## **RECREATION, CULTURE AND RELIGION**

5.13 In budget 2018-19 an amount of Rs 9,242 million has been budgeted for Recreation, Culture and Religion. Overall estimates under this classification for 2018-19 are higher by 9.6% when compared with budget estimates 2017-18, while lower by 22.1% when compared with revised estimates 2017-18. The bulk of expenditure under this head has been earmarked for Broadcasting and Publishing, which is 76.7% of the total allocation. Details are given in Table-24 below:

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

Classification	(Rs in Million)		
	Budget 2017-18	Revised 2017-18	Budget 2018-19
<b>RECREATION, CULTURE AND RELIGION</b>	<b>8,434</b>	<b>11,866</b>	<b>9,242</b>
- Recreation and Sporting Services	1	1	1
- Cultural Services	618	644	681
- Broadcasting and Publishing	6,483	8,124	7,091
- Religious Affairs	959	2,724	1,032
- Administration of Information, Recreation & Culture	373	373	437

## **EDUCATION AFFAIRS AND SERVICES**

5.14 Education Affairs and Services have been provided with Rs 97,420 million in the budget estimates 2018-19 as compared with Rs 90,516 million in budget estimates 2017-18 and Rs 90,818 million in revised estimates 2017-18. The bulk of expenditure at Rs 71,824 million has been allocated for Tertiary Education Affairs and Services in budget 2018-19, which is 73.7% of the total allocation under this head. The details are as under:

**TABLE - 25**  
**EDUCATION AFFAIRS AND SERVICES**

<b>Classification</b>	<b>(Rs in Million)</b>		
	<b>Budget 2017-18</b>	<b>Revised 2017-18</b>	<b>Budget 2018-19</b>
<b>EDUCATION AFFAIRS AND SERVICES</b>	<b>90,516</b>	<b>90,818</b>	<b>97,420</b>
- Pre-Primary & Primary Education Affairs Services	8,748	8,768	10,120
- Secondary Education Affairs & Services	10,798	10,875	12,365
- Tertiary Education Affairs and Services	68,252	68,466	71,824
- Education Services not Definable by Level	70	70	77
- Subsidiary Services to Education	274	281	295
- Administration	1,286	1,288	1,588
- Education Affairs, Services not elsewhere classified	1,088	1,071	1,151

**SOCIAL PROTECTION**

5.15 Under the head of Social Protection, an amount of Rs 2,396 million has been allocated in the budget 2018-19, which is higher by Rs 296 million as compared with budget estimates 2017-18 and Rs 94 million when compared with revised estimates 2017-18. The revised estimates include additional expenditures on account of emergency relief and repatriation.

**TABLE - 26**  
**SOCIAL PROTECTION**

<b>(Rs in Million)</b>			
<b>Classification</b>	<b>Budget 2017-18</b>	<b>Revised 2017-18</b>	<b>Budget 2018-19</b>
<b>SOCIAL PROTECTION</b>	<b>2,100</b>	<b>2,302</b>	<b>2,396</b>
- Administration	1,503	1,705	1,616
- Others	598	598	780

**CHAPTER - 6**  
**SUBSIDIES, GRANTS AND TRANSFERS**  
**2018-19**

**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 2017-18 subsidies were Rs 138,846 million; in revised estimates 2017-18 they increased to Rs 147,604 million due to increase in subsidy to KESC (i.e. for DISCO & K-Electric) and subsidy to fertilizer. Total subsidies for fiscal year 2018-19 has been estimated at Rs 174,746 million which increased by 25.9% and 18.4% over budget and revised estimates 2017-18.

6.2 In budget 2018-19, the allocation for subsidies to WAPDA/PEPCO forms the major component, which is 76.7% of the total allocation followed by subsidy to PASSCO with share of 10.9% and KESC with share of 8.8%. A total estimate of subsidies for budget 2018-19 is 0.5% of GDP. Table-27 provides the details:

**TABLE - 27**  
**SUBSIDIES**

Classification	(Rs in Million)		
	Budget 2017-18	Revised 2017-18	Budget 2018-19
<b>Subsidy to WAPDA/PEPCO:</b>	<b>102,500</b>	<b>81,500</b>	<b>134,000</b>
1 Inter-Disco Tariff Differential	65,000	57,500	105,000
2 Tariff Differential for Agriculture Tubewells in Balochistan	8,500	-	5,000
3 To pick up WAPDA/PEPCO receivables from FATA	10,000	10,000	12,000
4 Inter-Disco Tariff Differential Arrears	4,000	-	-
5 Power Sector PSEs Reforms	15,000	-	-
6 Subsidy to WAPDA	-	14,000	12,000

Contd....

**SUBSIDIES**

Classification	(Rs in Million)		
	Budget 2017-18	Revised 2017-18	Budget 2018-19
<b>Subsidy to KESC:</b>	<b>15,500</b>	<b>33,476</b>	<b>15,400</b>
7 To pick up KESC's Tariff Differential	15,000	11,000	15,000
8 For Tariff Differential for Agriculture Tubewells in Balochistan	500	387	400
9 Subsidy to DISCOs & K-Electric	-	22,089	-
<b>Subsidy to USC for:</b>	<b>4,000</b>	<b>4,000</b>	<b>6,000</b>
10 Ramzan Package	1,500	1,500	2,000
11 Payment of Sugar Arrears	2,000	2,000	3,000
12 Sale of Pulses, Rice, Tea etc. at subsidized rates	500	500	1,000
<b>Subsidy to PASSCO for:</b>	<b>16,545</b>	<b>17,545</b>	<b>19,045</b>
13 Wheat Operation	2,000	700	1,500
14 Wheat Reserved Stock	5,000	5,000	5,000
15 Wheat supplied to Gilgit-Baltistan (Arrears)	8,045	8,045	8,045
16 Support for Wheat/Flour Export	1,500	1,500	1,500
17 Support for Sugar Export	-	1,000	2,000
18 Reimbursement on account of Paddy Operation	-	-	500
19 Reimbursement on account of Donation of Wheat by the GOP	-	1,300	500
<b>Subsidy to National Food Security &amp; Research Division</b>	<b>1</b>	<b>10,783</b>	<b>1</b>
20 National Food Security & Research Division	1	1	1
21 Subsidy to Fertilizer	-	10,782	-
<b>Subsidy to Others:</b>	<b>300</b>	<b>300</b>	<b>300</b>
22 Sale of Wheat in FATA	300	300	300
<b>TOTAL SUBSIDIES:</b>	<b>138,846</b>	<b>147,604</b>	<b>174,746</b>

**GRANTS AND TRANSFERS**

6.3 Grants and transfers to provinces and others for the year 2018-19 have been estimated at Rs 477,924 million as compared with Rs 430,230 million in budget estimates 2017-18 and Rs 461,638 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 2017-18	Revised 2017-18	Budget 2018-19	
<b>I. GRANTS IN AID &amp; MISCELLANEOUS ADJUSTMENTS</b>	<b>26,000</b>	<b>26,485</b>	<b>28,000</b>	
<b>A. SPECIAL GRANTS</b>	<b>22,000</b>	<b>24,985</b>	<b>24,000</b>	
- Punjab	-	383	-	
- Sindh	12,000	14,251	14,000	
- Khyber Pakhtunkhwa	-	43	-	
- Balochistan	10,000	10,308	10,000	
<b>B. LUMP PROVISION</b>	<b>4,000</b>	<b>1,500</b>	<b>4,000</b>	
<b>II. GRANTS TO OTHERS</b>	<b>404,230</b>	<b>435,153</b>	<b>449,924</b>	
- Contingent Liabilities	180,000	195,000	210,000	
- Miscellaneous Grants	70,000	80,300	77,000	
- Other outstanding Liabilities	20,000	20,000	20,000	
- Pakistan Railways to meet their losses	40,000	38,500	37,000	

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**GRANTS AND TRANSFERS**

<b>Classification</b>	<b>(Rs in Million)</b>		
	<b>Budget 2017-18</b>	<b>Revised 2017-18</b>	<b>Budget 2018-19</b>
- National Internship Programme	55	55	53
- Lump Provision for Relief etc.	2,400	6,736	4,096
- Competition Commission of Pakistan	210	210	210
- Reimbursement of Telegraphic Transfers (TT) Charges on Home Remittances	12,000	12,000	12,000
- Pakistan Remittance Initiative	20	20	20
- Grants to AJK Government	40,000	40,000	49,000
- Grant-in-Aid to Gilgit Baltistan	27,500	27,650	29,500
- Grant to Bait-ul-Maal	6,000	6,000	5,000
- Wheat Subsidy to Gilgit Baltistan	6,045	6,045	6,045
- National Disaster Risk Management Fund	-	2,638	-
<b>TOTAL GRANTS (I + II):</b>	<b>430,230</b>	<b>461,638</b>	<b>477,924</b>



**CHAPTER - 7**  
**LOANS AND INVESTMENTS**  
**2018-19**

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 49,076 million in budget 2018-19. The following Table provides the details:

**TABLE - 29**  
**CURRENT LOANS & ADVANCES**

		(Rs in Million)		
Classification	Budget 2017-18	Revised 2017-18	Budget 2018-19	
1	AJK for Repayment of Principal & Interest	13,714	13,710	14,494
2	Junagadh and Kathiawar Chiefs	1	1	1
3	Loans/Advances to Employees of PNRA	15	15	15
4	Loans/Advances to Friendly Countries	500	-	500
5	Gilgit-Baltistan for Repayment of Principal and Interest	-	4	6
6	Interest free Loans to WAPDA Operation and Maintenance, Hub Dam & Khanpur Dam	40	-	40
7	GOP Loan to PCP, Islamabad	-	1,577	-
8	Loan to State Engineering Corporation	55	38	20
9	Current Loans to PIA	-	-	18,000
10	Loans and Advances to:			
	- Federal Gov't Servants Islamabad	6,002	6,002	7,631
	- Federal Gov't Servants Lahore	1,239	1,239	1,352
	- Federal Gov't Servants Karachi	1,389	1,389	1,518
	- Federal Gov't Servants Quetta	337	337	370
	- Federal Gov't Servants Peshawar	600	600	656
	- Federal Gov't Servants Gilgit	405	405	443
11	Pakistan Mint Lahore	27	27	29
12	Loans to Pakistan Steel Mills Karachi	4,000	4,180	4,000
	<b>TOTAL:</b>	<b>28,324</b>	<b>29,524</b>	<b>49,076</b>

## **DEVELOPMENT LOANS AND ADVANCES**

7.3 Development loans and advances are made by the Federal Government to Provinces, Government of Azad Jammu and 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 595,212 million in the budget 2017-18, which have now been revised upwards to Rs 596,686 million in revised estimates 2017-18. For budget 2018-19, total development loans and advances have been estimated at Rs 461,539 million, showing a decrease of 22.5% over budget estimates 2017-18 and 22.7% over revised estimates 2017-18.

7.5 For budget 2018-19, development loans and advances (local) have been estimated at Rs 156,315 million, while development loans and advances (external) at Rs 305,225 million. The details are as in Table-30 below:

**TABLE - 30**  
**DEVELOPMENT LOANS AND ADVANCES**

<b>Classification</b>	<b>(Rs in Million)</b>		
	<b>Budget 2017-18</b>	<b>Revised 2017-18</b>	<b>Budget 2018-19</b>
1 Development Loans and Advances	264,274	265,621	156,315
2 External Development Loans and Advances	330,939	331,065	305,225
<b>TOTAL:</b>	<b>595,212</b>	<b>596,686</b>	<b>461,539</b>

**CURRENT INVESTMENTS**

7.6 The federal current investments for the year 2018-19 have been estimated at Rs 19,436 million as compared with Rs 19,949 million and Rs 28,790 million in the budget and revised estimates of 2017-18 respectively. The allocation for investment in 2018-19 is lower by 2.6% and 32.5% as compared with budget and revised estimates 2017-18 respectively. Table-31 provides the comparative position.

**TABLE - 31**  
**CURRENT INVESTMENTS**

Classification	(Rs in Million)		
	Budget 2017-18	Revised 2017-18	Budget 2018-19
1 GoP Contribution in Equity of Pak China Investment Co. Ltd. Islamabad	100	-	500
2 GoP Equity in GENCO holding Copmany Ltd. (GHCL)	-	0.1	-
3 GoP Equity Investment against the liability of Peoples Steel Mills	5	-	-
4 GoP Equity in Discos through CPPA-G for payment of Power Sector Payables	-	20,000	-
5 Lump Provision for Miscellaneous Expenditure	12,000	-	11,000
6 Paid up Capital for the proposed Exim Bank of Pakistan	3,000	-	1,000
7 4th General Increase of Capital Stock Islamic Development Bank (IDB)	841	777	933
8 Fifth General Increase of Asian Development Bank (ADB)	-	0.05	-
9 GoP Equity in DISCOs through PHPL for payment of DSL of STFF	4,000	8,010	6,000
10 Pakistan's Annual Contribution to Inter Governmental Group IF 24 (G-24)	3	3	3
<b>TOTAL:</b>	<b>19,949</b>	<b>28,790</b>	<b>19,436</b>

## **CHAPTER - 8**

### **PUBLIC SECTOR DEVELOPMENT PROGRAMME (PSDP) 2018-19**

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 2018-19 National Economic Council (NEC) has approved an overall size of PSDP at Rs 1,650 billion, which is 4.3% of Gross Domestic Product (GDP).

8.3 The Salient features of PSDP allocation for 2018-19 are as follows:

- The size of national PSDP (Rs 1,650 billion) in the budget for 2018-19 showing a decrease of 21.9% over budget estimates 2017-18, while an increase of 6.5% over revised estimates 2017-18.
- Federal PSDP for the year 2018-19 has been kept at Rs 800 billion, which is lower by 20.1% than budget estimates 2017-18 and higher by 6.7% than revised estimates 2017-18.
- The share of Federal Ministries/Divisions in 2018-19 PSDP is Rs 420.4 billion indicating an increase of 11.3% over budget estimates 2017-18.
- The Corporations' PSDP for 2018-19 has been placed at Rs 246.1 billion indicating a decrease of 35.3% over budget estimates 2017-18.
- An amount of Rs 5 billion has been allocated in the budget 2018-19 to Pakistan Sustainable Development Goals (SDGs) and Community Development Programme.
- Earthquake Rehabilitation and Reconstruction Authority (ERRA) has been allocated Rs 8.5 billion in the budget 2018-19 reflecting an increase of 13.3% over budget and revised estimates of outgoing fiscal year.
- An amount of Rs 5 billion has been allocated in the budget 2018-19 to Special Provision for CEPEC Projects.
- In the budget 2018-19, Rs 10 billion has been kept for FATA 10 year Plan.
- In the budget 2018-19, 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 2018-19.
- Rs 10 billion has been allocated for Prime Minister's Youth Programme in the budget 2018-19.
- Gas Infrastructure Development Cess (GIDC) has been allocated Rs 5 billion in the budget 2018-19.
- The Provincial Development Programme for 2018-19 has been estimated at Rs 850 billion as against Rs 800 billion in revised estimates 2017-18, showing an increase of 6.3%.

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 2017-18	Revised 2017-18	Budget 2018-19
<b>A. Federal Ministries/Divisions</b>	<b>377,870</b>	<b>310,109</b>	<b>420,375</b>
1 Aviation Division	4,349	2,108	4,677
2 Board of Investment	-	-	125
3 Cabinet Division	160	142	1,116
4 Capital Administration & Development Division	5,188	2,464	13,906
5 Climate Change Division	815	785	803
6 Commerce Division	1,200	665	1,500
7 Communications Division (other than NHA)	13,660	13,247	14,481
8 Defence Division	535	351	641
9 Defence Production Division	4,468	3,136	2,810
10 Economic Affairs Division	-	-	70
11 Establishment Division	270	-	175
12 Federal Education & Professional Division	2,962	2,316	4,337
13 Finance Division	18,936	15,675	16,951
14 Foreign Affairs Division	200	-	200
15 Higher Education Commission	35,663	32,950	35,830

Contd.....

**SIZE OF PSDP**

(Rs in Million)

<b>Classification</b>	<b>Budget 2017-18</b>	<b>Revised 2017-18</b>	<b>Budget 2018-19</b>
16 Housing & Works Division	10,386	8,092	5,433
17 Human Rights Division	306	47	300
18 Industries and Production Division	2,737	569	1,775
19 Information & Broadcasting & National Heritage Division	812	210	1,644
20 Information Tech. & Telecom Division	1,538	2,470	3,046
21 Inter Provincial Coordination Division	3,044	2,920	3,553
22 Interior Division	15,667	13,401	24,008
23 Kashmir Affairs & Gilgit Baltistan Division	43,644	42,835	44,706
24 Law and Justice Division	1,200	844	1,025
25 Narcotics Control Division	220	120	251
26 National Food Security & Research Division	1,614	885	1,808
27 National Health Services, Regulations & Coordination Division	48,701	28,062	25,034
28 National History & Literary Heritage Division	273	105	551
29 National Security Division	100	-	-
30 Pakistan Atomic Energy Commission	15,085	12,201	28,340
31 Pakistan Nuclear Regulatory Authority	322	287	300
32 M/o. Energy (Petroleum Division)	554	16,521	943
33 Planning, Development & Reform Division	16,799	4,157	16,240
34 Postal Services Division	-	-	370
35 Maritime Affairs Division	12,776	2,688	10,119
36 Railways Division	42,900	22,020	34,411
37 Revenue Division	790	633	2,559
38 Science & Technological Research Division	2,428	1,252	3,900
39 States & Frontier Regions Division	26,900	35,947	28,256
40 Statistics Division	200	742	200

Contd.....

**SIZE OF PSDP**

(Rs in Million)

Classification	Budget 2017-18	Revised 2017-18	Budget 2018-19
41 SUPARCO	3,500	3,500	4,700
42 Textile Division	218	21	280
43 Water Resources Division	36,750	35,740	79,000
<b>B. Corporations</b>	<b>380,630</b>	<b>410,622</b>	<b>246,125</b>
1 Power Division	60,909	84,901	36,125
2 National Highway Authority (NHA)	319,720	325,720	210,000
<b>C. Pak SDGs &amp; Community Development Programme</b>	<b>30,000</b>	<b>21,770</b>	<b>5,000</b>
<b>D. Special Federal Development Programme</b>	<b>40,000</b>	-	-
<b>E. Energy for All</b>	<b>12,500</b>	-	-
<b>F. Clean Drinking Water for All</b>	<b>12,500</b>	-	-
<b>G. ERRA</b>	<b>7,500</b>	<b>7,500</b>	<b>8,500</b>
<b>H. Special Provision for CEPEC Projects</b>	<b>5,000</b>	-	<b>5,000</b>
<b>I FATA 10 Year Plan</b>	-	-	<b>10,000</b>
<b>J. Relief and Rehabilitation of IDPs</b>	<b>45,000</b>	-	<b>45,000</b>
<b>K Security Enhancement</b>	<b>45,000</b>	-	<b>45,000</b>
<b>L Prime Minister's Initiative</b>	<b>20,000</b>	-	<b>10,000</b>
<b>M Gas Infrastructure Development Cess</b>	<b>25,000</b>	-	<b>5,000</b>
<b>Total Federal PSDP (A to M):</b>	<b>1,001,000</b>	<b>750,000</b>	<b>800,000</b> ★
<b>N Provinces</b>	<b>1,112,000</b>	<b>800,000</b>	<b>850,000</b>
<b>TOTAL NATIONAL PSDP (A to N):</b>	<b>2,113,000</b>	<b>1,550,000</b>	<b>1,650,000</b>

★ Total Federal PSDP 2018-19 would be Rs 1,030 billion out of which Rs 230 billion would be self financing by the corporation/authorities and Rs 800 billion would be provided through budget 2018-19.

**DEVELOPMENT EXPENDITURE OUTSIDE PSDP 2018-19**

8.5 Under the head of Development Expenditure Outside Public Sector Development Programme (PSDP), Rs 180,238 million have been allocated in this head in the budget 2018-19, reflecting an increase of 18.4% over budget estimates 2017-18 and 17.7% over revised estimates 2017-18. Table-33 provides the details.

**TABLE - 33**  
**DEVELOPMENT EXPENDITURE OUTSIDE PSDP**

(Rs in Million)			
Classification	Budget 2017-18	Revised 2017-18	Budget 2018-19
1 Benazir Income Support Programme	121,000	113,000	124,700
2 Crop Loan Insurance Scheme	700	700	1,000
3 Livestock Insurance Scheme	1,000	1,000	100
4 Credit Guarantee Scheme for Small Farmers	1,000	-	100
5 Provision for Reconstruction of Afghanistan	3,000	3,000	3,000
6 Subsidy to TCP for Import of Urea Fertilizer	5,000	5,000	5,000
7 Provision for Misc. Dev. Exp. outside PSDP	3,000	-	18,000
8 Grants for Pakistan Poverty Alleviation Fund	2,000	1,500	688
9 Public Financial Management & Accountability to support services delivery programme	-	-	150
10 Prime Minister's Interest Free Loan (PMIFL)	-	-	3,500
11 Strategic Trade Policy Framework	5,000	-	4,000
12 Textile Policy 2009-14	5,000	-	6,000
13 Duty Drawback of Local Taxes and Levies 2014-15	-	673	-
14 Local Taxes and Levies 2015-16	-	500	-
15 Local Taxes and Levies 2016-17	-	500	-
16 Technology Upgradation Fund Order, 2016 for Textile Sector	-	700	-
17 Duty Drawback of Taxes Order 2016-17	4,000	18,500	10,000
18 Drawback of Local Taxes and Levies (Non-Textile) Order, 2017	1,500	2,627	4,000
19 Development Expenditure of FATA Outside PSDP	-	3,000	-
20 Development Expenditure of SAFRON Outside PSDP	-	1,190	-
21 Development Expenditure of Economic Affairs Division Outside PSDP	-	1,284	-
<b>TOTAL:</b>	<b>152,200</b>	<b>153,174</b>	<b>180,238</b>



## **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 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.

### **Budget Preparation Process**

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 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 and future projections, the Finance Division articulates its budgetary policy priorities and prepares a Medium-Term Fiscal Framework
- The Finance Division and Planning, Development & Reforms Division work out, for each Principal Accounting Officer, medium-term Indicative Budget Ceilings (IBCs) that align resource allocation with the Government's policies
- The macroeconomic and fiscal frameworks, together with the IBCs, are presented to the Cabinet through the 'Budget Strategy Paper' (BSP) for approval
- Based on these IBCs, ministries prepare their budgets that are reviewed for quality assurance by the Finance Division and Planning, Development and Reform Division
- 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 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 2017-21 are provided in Table - 34 below:

**TABLE - 34**

Consolidated Fiscal Projections	Budget 2017-18	Revised 2017-18	Budget 2018-19	Forecast	
				2019-20	2020-21
Real GDP Growth (%)	6.0	5.8	6.2	6.5	7.0
Inflation (%)	6.0	4.5	6.0	6.0	6.0
	(as percentage of GDP)				
<b>Total Revenue</b>	17.2	16.0	16.3	16.4	16.5
- Tax Revenue	13.7	13.2	13.9	14.1	14.3
- FBR Tax Revenue	11.2	11.4	11.6	11.8	12.1
- Non Tax Revenue	3.5	2.8	2.4	2.3	2.2
<b>Total Expenditure</b>	21.3	21.5	21.2	21.1	21.0
- Current	15.0	16.6	16.5	16.1	16.0
- Development	6.3	4.9	4.7	5.0	5.0
<b>Fiscal Balance</b>	-4.1	-5.5	-4.9	-4.7	-4.5
Revenue Balance	2.2	-0.6	-0.2	0.3	0.5
Total Public Debt-(Gross)	61.4	70.1	68.0	65.2	62.1
Total Public Debt-(Net)	59.2	64.9	63.3	61.1	58.6
GDP at market prices (Billions)	35,919	34,396	38,388	43,458	49,452

## **CHAPTER - 10**

### **CLIMATE CHANGE BUDGETING**

10.1 Climate budgeting seeks to align and scale up the funding of national climate change priorities through the budget process. Increased availability of international climate finance, coupled with mounting evidence of the financial, material and human losses incurred over recent years due to climate-related phenomenon such as more frequent and intensive floods, heat waves, and cyclonic activities rationalise efforts to better translate climate strategies and action plans into budgetary commitments.

10.2 Pakistan ranks amongst the top ten countries most vulnerable to climate change. To increase its resilience, the government has taken some critical steps to systematically respond. The 2016 Climate Change Act envisages a new governance architecture to coordinate and implement climate policy priorities across levels of government and in 2015 an implementation framework for the 2012 National Climate Change Policy was also adopted.

10.3 Under the Paris Agreement on Climate Change, Pakistan has stated its intention to reduce its 2030 projected GHG emissions by up to 20%, subject to availability of international funding support to help meet the estimated cost of US\$ 40 billion at current prices. The Pakistan Nationally Determined Contribution (NDC) under this international agreement also affirmed government's commitment to intensify efforts for policies and measures to adapt to climate changes.

10.4 A Climate Change Financing Framework (CCFF) was launched by the Government of Pakistan in late 2017. This outlines a reforms agenda for mainstreaming climate change in planning, budgeting, and public financial management systems. Some of the reforms being implemented by the government include:

- Operationalising a budget coding and tracking system dedicated to climate expenditures, using data maintained by the Controller General of Accounts (CGA). This system will afford policymakers with more timely and transparent information on budgetary spending at both national and sub-national levels, enabling more informed investment decisions. It systematizes in real-time information previously obtained through the 'Climate Public Expenditure and Institutional Review' (CPEIR) diagnostics carried out in 2015 and again in 2017. The process of tracking provincial climate expenditure and integrating it at federal level has also begun.
- The Ministry of Climate Change (MoCC) has shared a proposal for revising the PC-1 template with the Ministry of Planning, Development and Reforms. This will facilitate basic climate change analysis at the project formulation stage. Further, MoCC is supporting the Ministry of Water Resources in formulating climate-responsive Output Based Budget (OBB)/MTBF as a pilot, in line with the CCFF. The approach will be replicated across the federal government in later years.
- The MoCC also intends to designate focal persons in relevant sector ministries to steer the climate budgeting process and to support broader capacity building to in line ministries to comply with relevant guidelines in the budget call circular.

10.5 The Finance Division and MoCC are leading these reforms which also involve Federal Ministries/Divisions that undertake climate change initiatives. These reforms are aimed at building 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 2018-19**

(Rs. in Billion)

Working Deficit		Financing of Deficit	
<b>A) Federal Revenue (net)</b>	<b>3,070.4</b>	<b>Gross External Loans</b>	<b>1,118.0</b>
<b>B) Total Federal Expenditure (i+ii)</b>	<b>5,246.2</b>	<b>Less Repayments</b>	<b>775.9</b>
i) Current Expenditure	4,178.6	Long Term Foreign Loans	601.8
ii) Development and Net Lending (a+b+c)	1,067.6	Short Term Foreign Loans	174.2
a) Federal PSDP	800.0	<b>i) Net External Financing</b>	<b>342.1</b>
b) Other Development Expenditure	180.2	<b>ii) Domestic Financing (a+b)</b>	<b>1,548.1</b>
c) Net Lending	87.4	<b>a) Bank Financing</b>	<b>1,015.3</b>
		of which SBP Financing	0.0
<b>C) Federal Deficit (A-B)</b>	<b>-2,175.8</b>	<b>b) Non Bank Financing</b>	<b>532.8</b>
Estimated Provincial Surplus	285.6	Public debt	406.1
		Public Account	126.7
		Privatization Proceeds	0.0
<b>Overall Fiscal Deficit</b>	<b>-1,890.2</b>	<b>Total Financing of Deficit (i+ii)</b>	<b>1,890.2</b>
<b>% of GDP</b>	<b>-4.9%</b>	<b>% of GDP</b>	<b>4.9%</b>

## Glossary of Terms

<b>Bank Borrowing</b>	Includes borrowing from the State Bank of Pakistan and Scheduled Banks
<b>Capital Receipts</b>	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
<b>Community Services Receipts</b>	Income from rents of government buildings, land, guest houses, and hostels, etc.
<b>Current Expenditure</b>	Include interest payments, pension, defence affairs & services, grants & transfers, subsidies, and running of civil government
<b>Development Expenditure</b>	Include federal PSDP, development loans & grants to provinces, and other development expenditure (outside PSDP)
<b>Direct Taxes</b>	Income tax, workers welfare fund and capital value tax (CVT)
<b>Disbursements</b>	Government investments, loans, advances and others, and repayment of short term credit
<b>External Resources</b>	Include project and programme loans, foreign loans & credits, and foreign grants
<b>Grants</b>	Financial support to provinces, organisations, and industries for contingent liability, to fulfill losses, remission of loans, etc.
<b>Gross Revenue Receipts</b>	Sum of tax revenue and non-tax revenue (before excluding provincial share)
<b>Indirect Taxes</b>	Customs, sales tax and federal excise.

Contd.....

## Glossary of Terms

<b>Internal Resources</b>	Include net revenue receipts, net capital receipts, and estimated provincial surplus
<b>Net Capital Receipts</b>	Capital receipts <i>minus</i> disbursements
<b>Net Lending to Others</b>	Government investments, loans and advances from Public Sector Enterprises (PSEs) <i>minus</i> recoveries of loans and advances from PSEs
<b>Net Revenue Receipts</b>	Gross revenue receipts <i>minus</i> provincial share
<b>Non-Tax Revenue</b>	Income from property and enterprises; receipts from civil administration and other functions; and miscellaneous receipts of the federal ministries, divisions and departments
<b>Other Development Expenditure</b>	Other development expenditure comprises development expenditure of Federal Government outside the PSDP
<b>Other Taxes</b>	Islamabad Capital Territory (ICT) Tax, Airport Tax, Gas Infrastructure Development Cess (GIDC), Natural Gas Development Surcharge and Petroleum Levy.
<b>Provincial Share</b>	Provincial share in federal taxes and straight transfers
<b>Provincial Surplus</b>	Provincial government deposits with State Bank of Pakistan
<b>Resources</b>	Include internal and external financial resources
<b>Tax Revenue</b>	Income from direct, indirect and other taxes
<b>Total Outlay / Expenditure</b>	Includes current expenditure and development expenditure



**BUDGET AT A GLANCE**  
**FOR THE FISCAL YEAR 2018-19**

(Rs. in Billion)

RECEIPTS		EXPENDITURE	
TAX REVENUE	4,888.6	A. CURRENT	4,178.6
- FBR Taxes	4,435.0	Interest Payments	1,620.2
- Other Taxes	453.6	Pension	342.0
- NON-TAX REVENUE	771.9	Defence Affairs & Services	1,100.3
a) Gross Revenue Receipts	5,660.5	Grants and Transfers	477.9
b) Less Provincial Share	2,590.1	Subsidies	174.7
I. Net Revenue Receipts (a-b)	3,070.4	Running of Civil Govt.	463.4
II. Capital Receipts (Non-Bank)	532.8		
III. External Receipts (net)	342.1	B. DEVELOPMENT	1,067.6
IV. Estimated Provincial Surplus	285.6	Federal PSDP	800.0
V. Bank Borrowing	1,015.3	Net Lending	87.4
VI. Privatization Proceeds	0.0	Other Dev. Expenditure	180.2
<b><u>TOTAL RESOURCES (I to VI)</u></b>	<b><u>5,246.2</u></b>	<b><u>TOTAL EXPENDITURE(A+B)</u></b>	<b><u>5,246.2</u></b>