

PREFACE

The Budget in Brief is a summary of the Federal Budget 2010-11. It is designed to provide essential budgetary information about the revenues and expenditures at a glance. Detailed information is available in other budgetary documents.

The federal budget is being prepared in accordance with the budgeting and accounting classification system that has been approved by the Government of Pakistan as an integral part of the New Accounting Model.

The three years medium-term indicative budget ceilings for the current and development budgets as approved by the Cabinet were issued to all Principal Accounting Officers of the Federal Government. A new budget preparation method, called the 'Output Based Budgeting' has been introduced, which presents the federal budget by services and effects of services on target population and links these with performance indicators and targets over the three years period. Medium Term Macroeconomic Indicators covering a period of three years have been included in this document.

For the convenience of readers, some additional information regarding subsidies, loans and advances has been shown separately. Another facility is that after approval of the Parliament, the Annual Budget Statement, Explanatory Memorandum and Estimates of Foreign Assistance will be placed on the Ministry of Finance website www.finance.gov.pk for unrestricted access by all.

I hope that this document will prove to be useful and handy portal into the Budget 2010-11.

Salman Siddique
Secretary to the Government of Pakistan

Finance Division
Islamabad, the 5th June, 2010

CHAPTER - 1
REVIEW OF BUDGET 2009- 10

SALIENT FEATURES

- 1.1 The budget 2009-10 had the following salient features:
- a) The total outlay of budget 2009-10 was Rs 2462 billion. This size was 22.5% higher than the size of budget estimates 2008-09.
 - b) The resource availability during 2009-10 was estimated at Rs 2299 billion against Rs 1836 billion in the budget estimates of 2008-09.
 - c) Net revenue receipts for 2009-10 were estimated at Rs 1352 billion indicating an increase of 21.7% over the budget estimates of 2008-09.
 - d) The provincial share in federal revenue receipts was estimated at Rs 655 billion during 2009-10 which was 15.3% higher than the budget estimates for 2008-09.
 - e) The capital receipts (net) for 2009-10 were estimated at Rs 191 billion against the budget estimates of Rs 221 billion in 2008-09.
 - f) The external receipts in 2009-10 were estimated at Rs 510 billion. This showed an increase of 70% over the budget estimates for 2008-09.
 - g) The overall expenditure during 2009-10 was estimated at Rs 2462 billion of which the current expenditure was Rs 1699 billion and development expenditure at Rs 803 billion. Current expenditure showed an increase of 3% over the revised estimates of 2008-09, while development expenditure increased by 68.1% in 2009-10 over the revised estimates of 2008-09.
 - h) The share of current expenditure in total budgetary outlay for 2009-10 was 69% as compared to 79% in revised estimates for 2008-09.
 - i) The expenditure on General Public Services (inclusive of debt servicing transfer payments and superannuation allowance) was estimated at Rs 1189 billion which was 70% of the current expenditure.
 - j) The size of Public Sector Development Programme (PSDP) for 2009-10 was Rs 646 billion. While for Other Development Expenditure an amount of Rs 157 billion was allocated. The PSDP showed an increase of 54% over the revised estimates 2008-09.

- k) The provinces were allocated an amount of Rs 200 billion for budget estimates 2009-10 in their PSDP.
- l) An amount of Rs 25 billion was allocated to Earthquake Reconstruction and Rehabilitation Authority (ERRA) in the PSDP 2009-10.

1.2 In the light of features outlined above, a comparison has been drawn between budget estimates and revised estimates 2009-10 in the following Table:

TABLE - 1
SUMMARY 2009 - 10

Classification	(Rs in Million)	
	Budget 2009-10	Revised 2009-10
RESOURCES	2,298,813	2,496,448
- Internal Resources	1,788,400	1,918,463
- Revenue Receipts (Net)	1,351,989	1,396,667
- Capital Receipts (Net)	190,513	260,271
- Financing of PSDP by Provinces	172,987	183,957
- Change in Provincial Cash Balance	72,911	77,568
- External Resources	510,413	577,985
EXPENDITURES	2,462,310	2,585,557
- Current Expenditure	1,699,193	2,017,255
- PSDP	646,000	510,000
- Other Development Expenditure	157,117	118,302
- Est. Operational Shortfall in Expenditures	(40,000)	(60,000)
PRIVATIZATION PROCEEDS	19,351	-
BANK BORROWING	144,146	89,109

RESOURCES:

INTERNAL RECEIPTS

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 2009-2010 in respect of tax and non-tax revenue, while Table-3 provides the details of net capital receipts.

TABLE - 2
REVENUE RECEIPTS

(2009- 10)

		(Rs in Million)	
Classification		Budget 2009-10	Revised 2009-10
A	TAX REVENUE	1,493,560	1,483,046
-	Direct Taxes	565,600	540,400
-	Indirect Taxes	927,960	942,646
B	NON - TAX REVENUE	513,646	568,898
-	Income from Property and Enterprises	118,719	115,580
-	Receipts from Civil Administration and Other Functions	281,014	337,891
-	Miscellaneous Receipts	113,913	115,428
	Revenue Receipts (Gross)	2,007,206	2,051,944
	Less Provincial Share	655,217	655,277
	Revenue Receipts (Net)	1,351,989	1,396,667

1.4 The tax revenue recorded a decrease of 0.7% over budget estimates while the non-tax revenue increased from Rs 513646 million to Rs 568898 million or an increase of 10.8%.

1.5 After deducting the provincial share, the net revenue receipts were estimated at Rs 1351989 million in the budget 2009-10. These are now estimated at Rs 1396667 million in the revised estimates 2009-10 i.e. an increase of 3.3%.

CAPITAL RECEIPTS (NET)

1.6 The capital receipts (net) expected to register an increase of Rs 69758 million or by 36.6% in the revised estimates 2009-10. The following Table provides the details:

TABLE - 3
CAPITAL RECEIPTS (NET)
(2009- 10)

		(Rs in Million)	
Classification		Budget 2009-10	Revised 2009-10
I.	Receipts (A + B)	284,747	375,691
	A. Federal Consolidated Fund	49,776	184,998
	- Recovery of Loans	38,461	47,495
	- Permanent Debt	315	42,750
	- Floating Debt	11,000	94,753
	B. Public Account	234,971	190,694
II.	Disbursements	94,234	115,420
	CAPITAL RECEIPTS (NET) (I-II)	190,513	260,271

EXTERNAL RESOURCES

1.7 The Government obtains foreign loans and grants to use for capital and development expenditure. The external resources for 2009-10 were budgeted at Rs 510413 million which are now projected at Rs 577985 million in revised estimates or an increase of 13.2%. This increase is mainly due to receipts from Other Aid. The following Table gives the details:

TABLE - 4
EXTERNAL RESOURCES
(2009- 10)

		(Rs in Million)	
Classification		Budget 2009-10	Revised 2009-10
<u>I.</u>	EXTERNAL LOANS (a to e)	444,975	450,217
	a. Project Loans	77,065	90,526
	b. Programme Loans	140,333	172,017
	c. EURO Bonds	41,250	-
	d. Other Aid	41,250	121,570
	e. Tokyo Pledges	145,078	66,104
<u>II.</u>	EXTERNAL GRANTS	65,438	127,768
	TOTAL (I + II)	510,413	577,985

EXPENDITURE

1.8 The budget estimates of current and development expenditures for the year 2009-10 have been compared with the revised estimates 2009-10 in Table-5.

TABLE - 5
CURRENT AND DEVELOPMENT EXPENDITURES
(2009- 10)

(Rs in Million)		
Classification	Budget 2009-10	Revised 2009-10
A. CURRENT	1,699,193	2,017,255
- General Public Services	1,189,081	1,471,743
- Defence Affairs & Services	342,913	378,135
- Public Order and Safety Affairs	34,641	37,385
- Economic Affairs	84,926	80,608
- Environment Protection	415	415
- Housing and Community Amenities	1,522	1,801
- Health Affairs & Services	6,484	6,743
- Recreational, Culture and Religion	3,697	4,506
- Education Affairs and Services	31,569	31,535
- Social Protection	3,944	4,384
B. DEVELOPMENT	763,117	568,302
- Public Sector Dev. Programme (PSDP)	646,000	510,000
- Other Development Expenditure	157,117	118,302
- Est. Operational Shortfall in PSDP	(40,000)	(60,000)
Total Expenditure (A + B)	2,462,310	2,585,557

1.9 The overall expenditure at Rs 2585557 million in revised estimates 2009-10 shows an increase of 5% over budget estimates 2009-10.

CHAPTER - 2
THE BUDGET 2010 - 11

SALIENT FEATURES

2.1 The budget 2010-11 has the following main salient features:

- a) The total outlay of budget 2010-11 is Rs 2764 billion. This size is 12.3% higher than the size of budget estimates 2009-10.
- b) The resource availability during 2010-11 has been estimated at Rs 2598 billion against Rs 2299 billion in the budget estimates of 2009-10.
- c) Net revenue receipts for 2010-11 have been estimated at Rs 1377 billion indicating an increase of 1.9% over the budget estimates of 2009-10.
- d) The provincial share in federal revenue receipts is estimated at Rs 1034 billion during 2010-11 which is 57.9% higher than the budget estimates for 2009-10.
- e) The capital receipts (net) for 2010-11 have been estimated at Rs 325 billion against the budget estimates of Rs 191 billion in 2009-10 i.e. an increase of 70.2%.
- f) The external receipts in 2010-11 are estimated at Rs 387 billion. This shows a decrease of 24% over the budget estimates for 2009-10.
- g) The overall expenditure during 2010-11 has been estimated at Rs 2764 billion of which the current expenditure is Rs 1998 billion and development expenditure at Rs 787 billion. Current expenditure shows a decline of less than 1% over the revised estimates of 2009-10, while development expenditure will increase by 25.3% in 2010-11 over the revised estimates of 2009-10.
- h) The share of current expenditure in total budgetary outlay for 2010-11 is 72% as compared to 78% in revised estimates for 2009-10.
- i) The expenditure on General Public Services (inclusive of debt servicing transfer payments and superannuation allowance) is estimated at Rs 1388 billion which is 69.5% of the current expenditure.

- j) The size of Public Sector Development Programme (PSDP) for 2010-11 is Rs 663 billion. While for Other Development Expenditure an amount of Rs 124 billion has been allocated. The PSDP shows an increase of 30% over the revised estimates 2009-10.
- k) The provinces have been allocated an amount of Rs.373 billion for budget estimates 2010-11 in their PSDP as against Rs 200 billion in 2009-10.
- l) An amount of Rs 10 billion has been allocated to Earthquake Reconstruction and Rehabilitation Authority (ERRA) in the PSDP 2010-11.

2.2 The comparative position of 2009-10 (budget & revised) and 2010-11 (budget) is given in Table-6 below:

TABLE - 6
COMPARATIVE BUDGETARY POSITION
2009- 10 AND 2010 - 11

		(Rs in Million)		
Classification	Budget 2009-10	Revised 2009-10	Budget 2010-11	
i) RESOURCES (a + b)	2,298,813	2,496,448	2,597,893	
a. Internal Resources	1,788,400	1,918,463	2,211,273	
- Revenue Receipts (Net)	1,351,989	1,396,667	1,377,349	
- Capital Receipts (Net)	190,513	260,271	325,384	
- Financing of PSDP by Provinces	172,987	183,957	341,615	
- Change in Provincial Cash Balance	72,911	77,568	166,925	
b. External Resources	510,413	577,985	386,620	
ii) EXPENDITURE	2,462,310	2,585,557	2,764,437	
- Current Expenditure	1,699,193	2,017,255	1,997,892	
- Development Expenditure (PSDP)	646,000	510,000	663,000	
- Other Development Expenditure	157,117	118,302	123,545	
- Est. Operational Shortfall in Expendit	(40,000)	(60,000)	(20,000)	
PRIVATIZATION PROCEEDS	19,351	-	-	
BANK BORROWING	144,146	89,109	166,544	

CHAPTER - 3
RESOURCES POSITION
(2010 - 11)

3.1 The internal resources comprise of revenue receipts, capital receipts, financing of Public Sector Development Programme (PSDP) by the Provinces and change in the provincial cash balance. The external resources come from foreign loans and grants. The overall comparative resource position for the year 2009-10 (budget and revised) and 2010-11 (budget) is given in Table -7 below:

TABLE - 7
RESOURCE POSITION

(Rs in Million)			
Classification	Budget 2009-10	Revised 2009-10	Budget 2010-11
A. INTERNAL RESOURCES	1,788,400	1,918,463	2,211,273
Revenue Receipts (Net)	1,351,989	1,396,667	1,377,349
Capital Receipts (Net)	190,513	260,271	325,384
Financing of PSDP by Provinces	172,987	183,957	341,615
Change in Provincial Cash Balance	72,911	77,568	166,925
B. EXTERNAL RESOURCES	510,413	577,985	386,620
TOTAL RESOURCES (A + B)	2,298,813	2,496,448	2,597,893

INTERNAL RESOURCES

REVENUE RECEIPTS

3.2 The revenue receipts in budget 2010-11, on gross basis, are estimated at Rs 2410994 million showing an increase of 20.1% over the budget estimates 2009-10. The provincial share in taxes for 2010-11 is estimated at Rs 1033644 million which is 57.8% higher than the budget estimates of 2009-10.

3.3 The tax revenue at Rs 1778715 million for 2010-11 shows an increase of 20% over revised estimates 2009-10. Non-tax revenue has been projected at Rs 632279 million in 2010-11 as compared with Rs 513646 million in budget estimates 2009-10. At this level the non-tax revenue is higher by 23% when compared with the budget estimates 2009-10.

3.4 Detailed information on various components of tax revenue and non-tax revenue is given in the following Table 8 to 10.

TABLE - 8
REVENUE RECEIPTS

Classification	(Rs in Million)		
	Budget 2009-10	Revised 2009-10	Budget 2010-11
Tax Revenue	1,493,560	1,483,046	1,778,715
Direct Taxes	565,600	540,400	657,700
Indirect Taxes	927,960	942,646	1,121,015
Non - Tax Revenue	513,646	568,898	632,279
Property and Enterprises	118,719	115,580	169,985
Civil Administration and Other Functions	281,014	337,891	332,250
Miscellaneous Receipts	113,913	115,428	130,044
Revenue Receipts (Gross)	2,007,206	2,051,944	2,410,994
Less: Provincial Share	655,217	655,277	1,033,644
Revenue Receipts (Net)	1,351,989	1,396,667	1,377,349

TABLE - 9
TAX REVENUE

Classification	(Rs in Million)		
	Budget 2009-10	Revised 2009-10	Budget 2010-11
*TAX REVENUE (I + II)	1,493,560	1,483,046	1,778,715
I. Direct Taxes	565,600	540,400	657,700
Income Tax	544,531	520,400	633,000
Workers Welfare Tax	-	15,600	20,000
Workers Participation Tax	13,861	-	-
Capital Value Tax	7,208	4,400	4,700
II. Indirect Taxes	927,960	942,646	1,121,015
Customs	162,200	164,900	180,800
Sales Tax	499,400	540,300	674,900
Federal Excise	152,800	134,400	153,600
Other Taxes (ICT)	1,500	1,430	1,640
Airport Tax	60	70	75
Petroleum Levy	112,000	101,546	110,000
* Of which F.B.R	1,380,000	1,380,000	1,667,000

TABLE - 10
NON - TAX REVENUE

(Rs in Million)

Classification	Budget 2009-10	Revised 2009-10	Budget 2010-11
NON - TAX REVENUE	513,646	568,898	632,279
Income From Property and Enterprises	118,719	115,580	169,985
Profits (PTA/Pakistan Post Office)	1,300	1,000	51,100
Interest (Provinces)	16,819	18,746	16,638
Interest (PSEs & Others)	25,372	36,692	38,032
Dividends	75,229	59,142	64,215
Receipts from Civil Admn and Other	281,014	337,891	332,250
General Administration	1,021	735	788
SBP Profits	150,000	213,000	185,000
Defence	128,200	121,514	133,463
Law and Order	713	1,546	1,733
Community Services	709	711	811
Social Services	371	384	10,455
Miscellaneous Receipts	113,913	115,428	130,044
Economic Services	1,778	1,969	2,402
Gas Development Surcharge	29,937	29,995	29,995
Discount Retained on Local Crude Oil	15,045	6,000	12,000
Royalty on Oil	7,973	14,246	15,500
Royalty on Gas	27,057	28,000	32,000
Passport and Citizenship Fee	8,950	8,950	10,850
Others	23,173	26,267	27,297

CAPITAL RECEIPTS (NET)

3.5 Capital receipts (net) in the budget 2010-11 have been estimated at Rs 325384 million against Rs 190,513 million in the budget estimates 2009-10 and Rs 260271 million in the revised estimates 2009-10. The details of capital receipts and disbursements are reflected in Table-11.

TABLE - 11
CAPITAL RECEIPTS (NET)

(Rs in Million)			
Classification	Budget 2009- 10	Revised 2009-10	Budget 2010- 11
I. RECEIPTS (A + B)	284,747	375,691	380,034
A. Federal Consolidated Fund (1+2+3)	49,776	184,998	163,890
1. Recovery of Loans	38,461	47,495	47,460
Provinces	20,400	23,975	25,863
Others	18,061	23,520	21,598
2. Permanent Debt	315	42,750	61,430
Income Tax Refund Bonds	(73)	(73)	(6,495)
Federal Investment Bonds	(537)	(498)	-
Pakistan Investment Bonds	5,000	25,000	30,000
FEBCs	(50)	(50)	(50)
FCBCs	(10)	(10)	(10)
U.S. Dollar Bearer Certificate	(15)	(15)	(15)
Ijara Sukuk Bonds	-	20,396	40,000
Special US Dollar Bonds	(4,000)	(2,000)	(2,000)
3. Floating Debt	11,000	94,753	55,000
Prize Bonds	10,000	34,753	35,000
Treasury Bills	1,000	60,000	20,000
B. Public Account	234,971	190,694	216,144
Saving Schemes	231,482	186,821	213,014
G.P.Fund	2,000	2,000	2,000
Deposits (Net)	1,489	1,873	1,130
II. DISBURSEMENT	94,234	115,420	54,650
Government Investments, Loans and Advances and Others	28,536	50,752	28,190
Repayment of Short Term Credits	65,699	64,668	26,460
CAPITAL RECEIPTS (NET) (I - II)	190,513	260,271	325,384

3.6 The provinces are able to finance their PSDP as well as improve their cash balance because of federal transfers on account of divisible pool, straight transfer, grants and external assistance. Self-financing of PSDP by provinces during 2010-11 has been estimated at Rs 341615 million.

CHANGE IN PROVINCIAL CASH BALANCE

3.7 The provincial change in cash balance is estimated at Rs 166925 million for 2010-11 (budget).

3.8 Total net transfers to provinces is given in Table-12.

TABLE - 12
TRANSFER TO PROVINCES (NET)

Classification	(Rs in Million)		
	Budget 2009-10	Revised 2009-10	Budget 2010-11
Divisible Pool	569,821	574,064	865,778
Straight Transfer	85,396	81,213	167,864
Special Grants/Subventions	52,900	81,969	54,398
Project Aid	26,923	16,043	31,385
Japanese Grant	90	13	90
Total Transfer to Provinces	735,130	753,302	1,119,516
Less Payments to Federal Govt.	37,218	42,721	42,500
Interest Payments	16,819	18,746	16,638
Loans Repayments	20,400	23,975	25,863
Transfer to Provinces (Net)	697,912	710,580	1,077,015

3.9 The transfer to provinces on net basis registered an increase of Rs 12669 million in the revised estimates 2009-10. These are placed at Rs 1077015 million in budget estimates 2010-11 i.e. an increase of 51.6% over the revised estimates 2009-10.

EXTERNAL RESOURCES

3.10 The budget estimates 2010-11 have been projected at Rs 386620 million which is 24.3% lower than budget estimates 2009-10. Details of receipts from external resources are given in Table-13 below:

TABLE - 13
EXTERNAL RESOURCES

(Rs in Million)				
Classification		Budget 2009-10	Revised 2009-10	Budget 2010-11
I.	EXTERNAL LOANS (A to E)	444,975	450,217	286,934
A.	PROJECT LOANS (1+2)	77,065	90,526	64,794
	1 Federal Government	52,528	77,475	39,180
	- Ministries/Divisions	26,189	44,839	26,076
	- Corporations/Autonomous Bodies	26,339	32,636	13,104
	2 Provinces	24,537	13,051	25,613
B.	PROGRAMME LOANS	140,333	172,017	80,341
C.	EURO BONDS	41,250	-	43,250
D.	TOKYO PLEDGES	145,078	66,104	55,299
E.	OTHER AID	41,250	121,570	43,250
	- Islamic Development Bank	41,250	27,184	43,250
	- IMF	-	94,387	-
II.	EXTERNAL GRANTS	65,438	127,768	99,686
	- Project Grants	8,798	15,865	13,566
	• Federal	6,365	12,666	7,576
	• Provinces	2,386	2,992	5,772
	• Autonomous Bodies	46	206	218
	- Budget Support Grants	10,313	14,703	7,526
	- Tokyo Pledges	46,328	29,600	26,694
	- Other Aid	-	67,600	-
	- Kerry Lugar	-	-	51,900
	TOTAL (I + II)	510,413	577,985	386,620

CHAPTER - 4

PROVINCIAL SHARE IN FEDERAL REVENUE RECEIPTS

4.1 The NFC Award 1997 was amended under the Distribution of Revenue and Grant-in-Aid Amendment Order 2006. The details are as follows:

4.2 **Distribution of Revenue:** The Provincial Governments shall be assigned in each financial year a share equal to the percentage of the net proceeds of the following taxes and duties levied and collected by the Federal Government:

- (a) Taxes on Income;
- (b) Wealth Tax;
- (c) Capital Value Tax;
- (d) Taxes on Sales & Purchase of goods;
- (e) Export Duty on Cotton;
- (f) Custom Duty;
- (g) Federal Excise Duty excluding the Excise Duty on Gas charged at all well head; and
- (h) Any other tax which may be levied by the federal government.

4.3 The percentage share of the provinces, from the net proceeds of taxes and duties in each year shall be as under:

<u>Financial Year</u>	<u>Percentage share</u>
2006-07	41.50%
2007-08	42.50%
2008-09	43.75%
2009-10	45.00%
2010-11 and onward	46.25%

Allocation of Share to the Provincial Governments

4.4 Out of the sum assigned to the Provincial Government under Article 3 an amount equal to the net proceeds of 1/6th of Sales Tax shall be distributed amongst the Provinces at the following ratio and the Provincial Governments shall further transfer the whole of such amount to the District Governments and Cantonment Boards without retaining any part thereof:

Punjab	50.00%
Sindh	34.85%
Khyber Pakhtunkhwa	9.93%
Balochistan	<u>5.22%</u>
Total:	100.00%

4.5 The balance shall be distributed amongst the provinces on the basis of their respective population in the percentage specified against each:

Punjab	57.36%
Sindh	23.71%
Khyber Pakhtunkhwa	13.82%
Balochistan	<u>5.11%</u>
Total:	100.00%

Grant-in-Aid to the Provinces:

4.6 There shall be charged upon the Federal Consolidated Fund each year a sum of Rupees twenty seven billion seven hundred and fifty million, as grant-in-aid of the revenues of the provinces to be distributed amongst the provinces as per ratio specified against each province, namely:

<u>Province</u>	<u>Amount</u>
Punjab	11.00%
Sindh	21.00%
Khyber Pakhtunkhwa	35.00%
Balochistan	<u>33.00%</u>
Total:	100.00%

Note: The grants-in-aid will be increased annually in line with the growth of net proceeds of divisible taxes for each year.

Explanation: With the arrangements contained in para 4.3 and 4.6 {Articles 3 and 7 of Distribution of Revenue and Grant-in-Aid (Amendment) Order, 2006} provincial share in the net divisible pool would not be less than 45% in the first financial year and 50% in the last financial year.

4.7 The net proceeds of divisible pool are arrived at by deducting 5% collection charges by the federal government. The federal share in the net proceeds of divisible pool for the year 2010-11 is 55% with the remainder 45% going to the four provinces, under Distribution of Revenue and Grant-in-Aid (Amendment) Order, 2006.

4.8 The royalty on crude oil and development surcharge on natural gas, after deducting 2% collection charges, is transferred to the provinces on the basis of well-head production. The royalty and excise duty on natural gas, after deducting 2% collection charges, is also transferred to the provinces in accordance with Article 161(1) of the Constitution of the Islamic Republic of Pakistan. The GST on Services (Provincial) is also transferred to the Provinces after deducting 2% collection charges.

NFC Award 2010.

4.9 The NFC Award 2007 has been amended under the Distribution of Revenue and Grant-in-Aid Amendment Order 2010. The details are as follows:

Distribution of Revenues. 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 sales and purchases;
- (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;

4.10 One percent of the net proceeds of divisible pool taxes shall be signed to Government of Khyber Pakhtunkhwa Province to meet the expenses on war on terror.

4.11 After deducting the amounts as prescribed as indicated above 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

Allocation of shares to the Provincial Governments.

4.12 The sum assigned to the Provincial Governments 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%

4.13 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.

Payment of net proceeds of royalty on crude oil.

4.14 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

Payment of net proceeds of development surcharge on natural gas to the Provinces.

4.15 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. The average rate per MMBTU shall be derived by clubbing both the royalty on natural gas and development surcharge on gas. Royalty on natural gas would be distributed in accordance with clause (1) of Article 161(1) of the Constitution whereas the development surcharge on natural gas would be distributed by making adjustments based on this average rate.

4.16 The development surcharge on natural gas for Balochistan with effect from 1st July, 2002, shall be reworked out on the basis of the formula given in clause (1) and the amount, subject to maximum of ten billion rupee shall be paid by the Federal Government in five years.

Grants-in-Aid to the Provinces

4.17 Grants-in-Aid to the Provinces 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.

4.18 The following table show the estimated transfers to the Provincial Governments on account of their share in federal taxes and by straight transfers during the years 2010-2011.

TABLE - 14
SHARE OF PROVINCES IN FEDERAL REVENUE RECEIPTS

Classification	(Rs in Million)		
	Budget 2009-10	Revised 2009-10	Budget 2010-11
Income Tax	226,826	220,129	352,667
Capital Value Tax	3,081	1,881	2,645
Sales Tax & GST	134,588	143,808	328,630
1/6th of the Sales Tax	79,170	84,593	-
Federal Excise (Net of Gas)	55,921	54,729	82,346
Customs Duties	70,235	68,924	99,490
Royalty on Crude Oil	7,814	13,961	15,037
Royalty on Natural Gas	26,516	25,697	29,439
Surcharge on Gas	29,338	29,395	27,061
Excise Duty on Natural Gas	6,458	6,251	7,144
GST on Services	15,270	5,907	89,183
Total	655,217	655,277	1,033,643
PROVINCE- WISE SHARE			
Punjab	334,407	331,588	494,257
Sindh	194,049	199,283	279,630
Khyber Pakhtunkhwa	85,329	88,894	160,359
Balochistan	41,433	35,512	99,398
Total	655,217	655,277	1,033,644

CHAPTER - 5
CURRENT EXPENDITURE
(2010 - 11)

5.1 The revised estimates for 2009-10 on account of current expenditure have increased to Rs 2017255 million from the budget estimates of Rs 1699193 million. For 2010-11, the current expenditure has been estimated at Rs 1997892 million, showing a decrease of 1.0% over revised estimates 2009-10.

5.2 Following table indicates the comparative position of the budget and revised estimates of current expenditure for the year 2009-10 and the budget estimates for 2010-11.

TABLE - 15
CURRENT EXPENDITURE
(SUMMARY)

Classification	(Rs in Million)		
	Budget 2009-10	Revised 2009-10	Budget 2010-11
General Public Services	1,189,081	1,471,743	1,387,664
Defence Affairs and Services	342,913	378,135	442,173
Public Order and Safety Affairs	34,641	37,385	51,263
Economic Affairs	84,926	80,608	66,897
Environment Protection	415	415	448
Housing and Community Amenities	1,522	1,801	1,842
Health Affairs & Services	6,484	6,743	7,283
Recreational, Culture and Religion	3,697	4,506	4,359
Education Affairs and Services	31,569	31,535	34,500
Social Protection	3,944	4,384	1,463
TOTAL:	1,699,193	2,017,255	1,997,892

5.3 The bulk of expenditure has been placed under General Public Service. The expenditure against this head has been budgeted at Rs 1387864 million i.e. 69.5% of current expenditure, while 22.1% for Defence, 3.4% for Economic Affairs and 5% for other services have been allocated in the budget estimates 2010-11.

GENERAL PUBLIC SERVICE

5.4 The details under General Public Service are given in Table-16.

TABLE - 16
GENERAL PUBLIC SERVICE

(Rs in Million)			
Classification	Budget 2009-10	Revised 2009-10	Budget 2010-11
GENERAL PUBLIC SERVICE	1,189,081	1,471,743	1,387,664
Executive & Legislatives Organs, Financial	939,910	1,108,418	1,090,236
Superannuation Allowance and Pension	69,763	85,085	90,680
Servicing of Foreign Debt	70,334	70,762	76,797
Foreign Loan Repayment	132,446	148,054	174,369
Servicing of Domestic Debt	576,770	595,787	621,759
Others	90,597	208,730	126,630
Foreign Economic Aid	99	99	103
Transfer Payments	221,620	341,083	227,168
General Services	2,263	2,563	2,488
Basic Research	2,153	2,153	2,267
R&D General Public Services	4,857	4,857	5,665
Administration of General Public Service	1,161	1,161	1,254
General Public Services(not defined elsewhere)	17,017	11,408	58,483

5.5 Under General Public Service, the major portion goes to executive & legislative organs, financial and fiscal affairs. At Rs 1090236 million, it forms 78.5% of the allocation of Rs 1387664 million. The main heads of expenses are superannuation allowances and pensions, domestic and foreign debt servicing. Other major item is the transfer payments.

DEFENCE AFFAIRS AND SERVICES

5.6 Details of estimates of expenditure on Defence Affairs and Services in 2009-10 (budget & revised) and 2010-11 (budget) are given below:

TABLE - 17
DEFENCE AFFAIRS AND SERVICES

Classification	(Rs in Million)		
	Budget 2009-10	Revised 2009-10	Budget 2010-11
DEFENCE AFFAIRS AND SERVICES	342,913	378,135	442,173
Defence Administration	1,289	1,289	1,427
Military Defence	341,624	376,846	440,746
Employees Related Expenses	115,034	138,389	176,726
Operating Expenses	92,210	97,398	111,240
Physical Assets	107,377	110,126	119,370
Civil Works	27,495	32,088	34,664
<i>Less Recoveries</i>	(492)	(1,154)	(1,254)

PUBLIC ORDER AND SAFETY AFFAIRS

5.7 Under this head an amount of Rs 51263 million has been provided in the budget 2010-11 as compared with Rs 37385 million in the revised estimates and Rs 34641 million in the budget estimates 2009-10. The allocation for Police (Rs 47760 million) forms the major component under this classification which is higher by 48.5% as compared with the budget estimates 2009-10. The following Table provides the details.

TABLE - 18
PUBLIC ORDER AND SAFETY AFFAIRS

(Rs in Million)			
Classification	Budget 2009-10	Revised 2009-10	Budget 2010-11
PUBLIC ORDER AND SAFETY AFFAIRS	34,641	37,385	51,263
Law Courts	1,483	1,488	1,744
Police	32,169	34,273	47,760
Fire Protection	81	81	89
Prison Administration and Operation	15	15	17
R and D Public Order and Safety	16	92	17
Administration of Public Order	877	1,436	1,637

ECONOMIC AFFAIRS

5.8 The allocation under this head in the budget 2010-11 has been projected at Rs 66897 million. This is less by 17% than the budget estimates of 2009-10. The main reason for this reduction is elimination of subsidies. The following Table provides the details under this head.

TABLE - 19
ECONOMIC AFFAIRS

(Rs in Million)			
Classification	Budget 2009-10	Revised 2009-10	Budget 2010-11
ECONOMIC AFFAIRS	84,926	80,608	66,897
General Economic, Commercial and Labour Affair	35,169	30,544	24,603
Agriculture, Food, Irrigation, Forestry and Fishing	38,300	38,304	29,821
Fuel and Energy	468	660	507
Mining and Manufacturing	1,715	1,634	1,806
Construction and Transport	6,919	6,919	7,503
Communication	1,689	1,689	1,773
Other Industries	666	858	885

ENVIRONMENT PROTECTION

5.9 Environment Protection has been provided with Rs 448 million for 2010-11 under Water Waste Management.

TABLE - 20
ENVIRONMENT PROTECTION

(Rs in Million)			
Classification	Budget 2009-10	Revised 2009-10	Budget 2010-11
ENVIRONMENT PROTECTION	415	415	448
Water Waste Management	415	415	448

HOUSING AND COMMUNITY AMENITIES

5.10 An allocation of Rs 1842 million has been provided in the budget 2010-11 for community development which is higher by 21% against the budget estimates for 2009-10.

TABLE - 21
HOUSING AND COMMUNITY AMENITIES

(Rs in Million)			
Classification	Budget 2009-10	Revised 2009-10	Budget 2010-11
HOUSING AND COMMUNITY AMENITIES	1,522	1,801	1,842
Community Development	1,522	1,801	1,842

HEALTH AFFAIRS AND SERVICES

5.11 Under Health Affairs and Services a total allocation of Rs 7283 million has been made in the budget estimates 2010-11. This allocation is higher by 12.3% when compared with budget estimates of 2009-10. Details are given in the following Table.

TABLE - 22
HEALTH AFFAIRS AND SERVICES

Classification	(Rs in Million)		
	Budget 2009-10	Revised 2009-10	Budget 2010-11
HEALTH AFFAIRS AND SERVICES	6,484	6,743	7,283
Medical Products, Appliances and Equipmer	65	65	83
Hospitals Services	5,708	5,953	6,408
Public Health Services	469	469	522
R & D Health	2	2	2
Health Administration	241	254	269

RECREATIONAL, CULTURE AND RELIGION

5.12 In budget 2010-11 an amount of Rs 4359 million has been provided for Recreational, Culture and Religion. The bulk of the expenditure has been earmarked for Broadcasting and Publishing which is more than 66% of the total allocation under this head. Details are given in Table-23:

TABLE - 23
RECREATIONAL, CULTURE AND RELIGION

Classification	(Rs in Million)		
	Budget 2009-10	Revised 2009-10	Budget 2010-11
RECREATIONAL, CULTURE AND RELIGION	3,697	4,506	4,359
Recreational and Sporting Services	115	115	151
Cultural Services	353	378	448
Broadcasting and Publishing	2,520	3,244	2,893
Religious Affairs	544	604	683
Administration of Information Recreation and Culture	166	167	184

EDUCATION AFFAIRS AND SERVICES

5.13 The Education Affairs and Services have been provided with Rs 34500 million in the budget estimates 2010-11 as compared with Rs 31535 million under revised estimates 2009-10 and Rs 31569 million in the budget estimates 2009-10. The bulk of expenditure at Rs 25210 million has been allocated for Tertiary Education Affairs and Services in budget 2010-11 which is 73% of the total allocation under this head. The details are as under:

TABLE - 24
EDUCATION AFFAIRS AND SERVICES

Classification	(Rs in Million)		
	Budget 2009-10	Revised 2009-10	Budget 2010-11
EDUCATION AFFAIRS AND SERVICES	31,569	31,535	34,500
Pre-Primary & Primary Education Affairs Services	2,887	2,887	3,174
Secondary Education Affairs and Services	3,828	3,828	4,232
Tertiary Education Affairs and Services	23,372	23,375	25,210
Social Welfare & Special Education Division	39	39	42
Subsidiary Services to Education	32	32	35
Administration	845	808	1,260
Education Affairs, Services (not elsewhere)	566	565	547

SOCIAL PROTECTION

5.14 The social protection with Rs 1463 million in the budget 2010-11 which is lesser by Rs 2481 million as compared with budget estimates 2009-10 and also lesser by Rs 2921 million than the revised estimates 2009-10.

TABLE - 25
SOCIAL PROTECTION

(Rs in Million)			
Classification	Budget 2009-10	Revised 2009-10	Budget 2010-11
SOCIAL PROTECTION	3,944	4,384	1,463
Administration	3,426	3,866	916
Others	517	517	548

CHAPTER - 6

SUBSIDIES

6.1 As a matter of public policy the Government provides current subsidies to give relief to the citizens. In the budget estimates 2009-10 subsidies were 0.9% of GDP; in revised estimates 2009-10 increased to 1.5% of GDP; and in the budget estimates 2010-11 reduced to 0.8% of GDP. Table-26 provides the details.

TABLE - 26

SUBSIDIES

Classification	(Rs in Million)		
	Budget 2009-10	Revised 2009-10	Budget 2010-11
WAPDA	62,903	147,005	84,000
GST WAPDA	6,000	5,527	4,000
WAPDA Tubewell (Balochistan)	4,746	5,318	-
WAPDA GOPshare (12.5%) for Agri. Tubewells	2,157	2,460	-
Inter-Disco Tariff differential	10,000	77,000	30,000
FATA	10,000	16,700	10,000
Interest on TFCs	30,000	40,000	40,000
KESC	3,800	32,521	3,317
KESC GST	1,285	306	1,000
KESC Tube well in Balochistan	198	198	-
KESC on account of Tariff Differential	2,000	31,700	2,000
KESC payable to PSO & PKGCL	317	317	317
TCP	30,000	30,000	17,130
TCP on Imports of Sugar	4,000	4,000	4,000
TCP for Wheat Imports	25,500	25,500	12,000
TCP for cotton operation	500	500	1130

Contd....

SUBSIDIES

(Rs in Million)

Classification	Budget 2009-10	Revised 2009-10	Budget 2010-11
USC	4,200	4,200	4,200
Utility Stores Corp. for sale of Atta	1,200	1,200	-
Utility Stores Corp. for Ramzan Package	1,500	1,500	700
Utility Stores Corp. for Ghee Package	1,000	1,000	-
Utility Stores Corp. for sale of Pluses. Rice & Tea.	500	500	-
Utility Stores Corp. for sale of Sugar	-	-	3,500
OTHERS	19,012	15,266	18,036
PASSCO/Wheat Export/Misc	320	599	600
PASSCO for paddy operation	2,000	1,721	2,000
PASSCO for Mung operation	1	1	300
FFC Bin Qasim Ltd;	210	439	185
Oil Refineries	15,000	11,224	10,807
Sale of Wheat in FATA	216	216	233
Sale of Wheat, Sugar etc. in Gilgit Biltistan	664	664	711
Sevrvcicing of outstanding labilities of SOPREST/GI	76	115	200
3% markup Subsidy to Spinning Sector	500	266	-
Wheat Reserved Stock	-	-	3,000
R&D support to Motorcycle Industry	25	21	-
Total Subsidies:	119,915	228,992	126,683

CHAPTER - 7
PUBLIC SECTOR DEVELOPMENT PROGRAMME (PSDP)
2010-11

7.1 For the year 2010-11 National Economic Council (NEC) has approved an overall size of Public Sector Development Programme (PSDP) at Rs 663 billion which is equal to 4.4% of the GDP compared to 3.3% of GDP in the Revised Estimates 2009-10.

7.2 The Salient features of PSDP allocation for 2010-11 are as follows:

- The PSDP has been raised to Rs 663 billion in the budget for 2010-11 showing an increase of 30% as against the revised estimates 2009-10 at Rs 510 billion.
- Federal PSDP for the year 2010-11 has been kept at Rs 290 billion.
- The share of Federal Ministries/Divisions in 2010-11 PSDP is Rs 168 billion.
- The Corporations' PSDP 2010-11 has been placed at Rs 57 billion indicating an increase of 11.4% over revised estimates 2009-10.
- Special Programme has been allocated a sum of Rs 30 billion in PSDP 2010-11.
- Earthquake Rehabilitation and Reconstruction Authority (ERRA) has been allocated Rs 10 billion for budget estimates 2010-11.
- .An amount of Rs 26 billion has been provided in the budget 2010-11 for the development of Special Areas i.e AJ&K, Gilgit-Baltistan and FATA which is higher by 8.7% as compared with revised .2009-10.
- The provincial programme for 2010-11 has been estimated at Rs 373 billion as against Rs 200 billion in revised estimates 2009-10.

7.3 Table-27 indicates the allocations made for federal government and provincial governments.

TABLE - 27
SIZE OF PSDP

		(Rs in Million)		
Classification		Budget 2009-10	Revised 2009-10	Budget 2010-11
(i)	Federal Ministries/Divisions	284,855	190,450	167,578
1	Cabinet Division	4,919	3,500	3,619
2	Pakistan Atomic Energy Commission	21,534	21,100	15,228
3	Pakistan Nuclear Regulatory Authority	447	300	247
4	Commerce Division	839	600	474
5	Communications Division	266	150	145
6	Ports & Shipping Division	579	800	519
7	Culture Division	450	250	354
8	Sports Division	583	200	230
9	Youth Affairs Division	48	35	75
10	Tourism Division	178	100	125
11	Defence Division	7,584	5,020	3,887
12	Defence Production Division	1,677	1,030	1,230
13	Economic Affairs Division	16	10	15
14	Education Division	8,098	5,500	5,071
15	Higher Education Commission	22,500	18,500	15,763
16	Environment Division	2,969	1,000	1,000
17	Establishment Division	130	129	114
18	Local Govt. & Rural Dev. Division	444	225	82
19	Finance Division	44,799	17,000	14,566
20	Revenue Division (FBR)	2,448	1,500	1,235
21	Food & Agriculture Division	17,977	12,000	10,874
22	Livestock & Dairy Development Division	2,548	1,400	886
23	Foreign Affairs Division	250	135	141
24	Health	23,156	18,500	16,945
25	Industries and Production Division	8,772	4,300	3,220
26	Information & Broadcasting Division	916	450	508
27	Information Tech. & Telecom Division	1,119	600	718
28	Interior Division	7,031	6,000	5,654
29	Labour Manpower & OP Division	135	80	66
30	Law and Justice Division	2,551	1,000	1,000
31	Narcotics Control Division	679	500	550

Contd.....

SIZE OF PSDP

(Rs in Million)

Classification		Budget 2009-10	Revised 2009-10	Budget 2010-11
32	National Reconstruction Bureau	50	-	-
33	Petroleum & Natural Resources Division	2,374	1,000	623
34	Planning and Development Division	18,685	8,506	9,438
35	Population Welfare Division	5,271	3,600	4,116
36	Postal Services Division	300	200	81
37	Railways Division	12,681	14,000	13,630
38	Textile Industry Division	510	300	165
39	Science & Technological Research Divis	3,140	1,500	1,646
40	Statistics Division	180	100	82
41	Special Initiative Division	2,794	2,250	1,000
42	Water & Power Division	47,031	28,500	28,424
43	Women Development Division	344	200	153
44	Social Welfare & Special Education	488	250	108
45	Housing & Works Division	5,365	3,800	3,576
46	KESC	-	4,330	-
(ii)	Corporations	62,758	50,850	56,671
1	WAPDA (Power)	22,835	14,000	12,030
2	National Highway Authority	39,923	36,850	44,641
(iii)	Special Programme	35,000	35,000	30,000
1	People's Works Programme-I	5,000	5,000	5,000
2	People's Works Programme-II	30,000	30,000	25,000
(iv)	Special	38,386	23,700	25,751
1	Azad Kashmir	17,154	9,610	10,529
2	Gilgit Baltistan	8,367	5,890	6,579
3	FATA	12,865	8,200	8,643
A	Federal PSDP (i to iv)	421,000	300,000	280,000
B	ERRA	25,000	10,000	10,000
	Federal PSDP with ERRA	446,000	310,000	290,000
C	Provincial PSDP	200,000	200,000	373,000
	Total PSDP (A+B+C)	646,000	510,000	663,000

CHAPTER - 8
LOANS AND INVESTMENTS

8.1 The financial assets of the federal government consist of investible funds and loans provided to the AJ&K and various agencies/institutions and government servants to enable them to meet their loans and investment requirements. The significance of these funds lies in the fact that they meet the financial requirements of the provinces as well as some of the federal programmes.

CURRENT LOANS

8.2 Total current loans and advances have been estimated at Rs 10061 million in budget 2010-11. These loans are provided by the federal government for various purposes as specified in Table-28.

TABLE - 28
CURRENT LOANS & ADVANCES

		(Rs in Million)		
Classification	Budget 2009-10	Revised 2009-10	Budget 2010-11	
1	Loans - WAPDA	26	24,479	160
2	Loans to Govt. Servants	2,442	2,452	3,000
3	Ways & Means Advance to AJ&K	6,293	6,293	6,796
4	Loans to Friendly Countries	500	169	100
5	Loans to Employees of PNRA	4	4	4
6	Junagadh & Kathiawar Cheifs	1	1	1
7	Loan to PIAC for urgent requirement	3,000	-	-
8	Loan to Printing Corporation of Pakistan	100	-	-
9	Loan to UNHCR	4,040	-	-
Total:		16,406	33,399	10,061

DEVELOPMENT LOANS

8.3 Development loans and advances are granted to Provinces, Government of Azad Jammu & Kashmir, PSEs, Local Bodies and others to assist them in carrying out their development programmes. Total development loans are estimated at Rs 97961 million in the budget 2010-11 as against revised estimates of Rs 86724 million in 2009-10.

8.4 Table -29 shows the position of development loans:

TABLE - 29
DEVELOPMENT LOANS

(Rs in Million)				
Classification	Budget 2009-10	Revised 2009-10	Budget 2010-11	
1	Cash Development Loans	55,944	52,276	52,842
2	External Development Loans	55,825	34,448	45,119
	Total:	111,769	86,724	97,961

CURRENT INVESTMENT

8.5 The investment on current account for the year 2010-11 has been estimated at Rs 18129 million as compared to Rs 17353 million in the revised estimates of 2009-10 which is higher by 45%. The comparative position is given below:

TABLE - 30
FEDERAL MISC. INVESTMENTS ON CURRENT ACCOUNT

		(Rs in Million)		
Classification	Budget 2009-10	Revised 2009-10	Budget 2010-11	
1	Share capital of ECO Trade	2,048	2,079	2,100
2	Gateway foundation share subscription V	1	-	-
3	GOP Contribution to SAARC	1,100	1,160	1,165
4	KS&EW	526	512	578
5	GOP Equity in PIA	3,695	2,101	3,677
6	Payment of Mark up on loans by PASDE	50	-	50
7	5th General Capital Increase of ADB	495	512	517
8	Pak -Iran Investment Co.	500	500	-
9	Islamic Development Bank (IDB) Jeddah	1,070	1,691	1,127
10	GoP Equity Investment - Pak Steel Mills	152	150	232
11	Equity from GoP for Pak China Inv. Co	1,320	1,264	1,400
12	Equity from GoP - Pak Iran Joint Inv. Co.	500	500	-
13	GoP Equity in Pakistan Dairy Dev.Co.Ltd	77	77	83
14	GoP Equity Investment NIP Karachi	291	387	291
15	Contribution to Poverty Alleviation Fund	273	411	0
16	Capital Stock of Islamic Corp (ICIEC)	23	90	0
17	State Bank of Pakistan	-	-	3,200
18	SME Bank	-	-	2,500
19	Mortgage Refinance Company	-	-	1,200
20	KESC	0	5,912	-
21	Others	7	7	8
Total:		12,128	17,353	18,129

CHAPTER - 9

MEDIUM TERM BUDGETARY FRAMEWORK (MTBF)

9.1 Government of Pakistan has initiated budget reforms under Medium Term Budgetary Framework (MTBF). MTBF will assist in improving the overall quality of the planning and budgetary processes and also enhance the quality and effectiveness of public expenditure. Three year budget horizon provides the ministries the space and flexibility they need to formulate, plan and implement policies that focus on public service delivery or 'outputs'.

9.2 The MTBF is designed to focus on two important components; the 'strategic' component and the 'output based budgeting' component.

9.3 Under the 'strategic' component the Budget Strategy Paper is developed. The Budget Strategy Paper (BSP) is developed by two working groups; the macroeconomic working group and the budget strategy working group. These groups have representations from the Finance Division (including Principal Economic Adviser Wing and Debt Policy Coordination Office), Planning & Development Division, Federal Board of Revenue, Federal Bureau of Statistics and State Bank of Pakistan. The macroeconomic working group finalises the Financial Programming Framework; which is a macroeconomic forecasting tool. The BSP is a two-staged process. BSP1 is developed before the start of budget preparation cycle each year, while the BSP2 is developed to update figure. The BSP requires political endorsement. This component will help in enhancing fiscal discipline and linking the Government's strategic priorities with the budget.

9.4 The 'output based budgeting' component is designed to enhance efficiency and effectiveness in Government's spending. 'Output based budgeting' is the new method of budget preparation introduced by the Finance Division. Using this method, the federal Ministries present their budget by services and effects of the services on target population and link these with performance indicators and targets. A system that links Ministerial policy with the budget and performance indicators, when monitored on regular basis, results in improving service delivery performance.

9.5 This year, the Cabinet, in its meeting of 10th February 2010, approved the BSP1 and issuance of three year indicative budget ceilings of the current and development budgets to all Principal Accounting Officers. The BSP2 will be presented in the Cabinet with the budget.

9.6 Under the MTBF, the Priorities Committee was also further strengthened. The committee is chaired jointly by Secretary Finance, Secretary Planning & Development and Secretary Economic Affairs Division. In addition, the committee reviewed both the current and development budgets to focus on service delivery. The current budget was also discussed during the Annual Plan Coordination Committee.

9.7 This year, the Finance Division will present 'Medium Term Budget Estimates for Service Delivery' or 'Green Book' 2010-13 that will explain the services (outputs) provided by a Ministry, the budget to deliver those services and performance indicators and targets for the entire Federal Government.

9.8 Ministry of Finance is planning to take additional steps to further strengthen the MTFB including improving linkages with PIFRA reform (Project to Improve Financial Reporting and Auditing), introducing output based monitoring mechanism, further improvements in harmonisation of current and development budgets, introduction of organic budget law and embedding MTBF training courses in civil services induction and training institutes.

9.9 Macroeconomic Indicators/Rolling Targets for the year 2010 -13 are given as under:

TABLE - 31

Macroeconomic Indicators/Rolling Targets

Items	2009-10 Estimat	2010-11	2011-12 Forecast	2012-13
Real GDP Growth%	4.1	4.5	5.0	5.5
Inflation (%)	12.0	9.5	8.0	7.0
	As % of GDP at mp			
Total Revenue	15	15.2	15.5	15.9
Tax Revenue	11	10.9	11.7	12.3
FBR Tax Revenue	9	9.8	10.5	11.1
Total Expenditure	20.0	19.2	19.2	19.1
Current Expenditure	16	14.8	14.0	13.1
Development Exp. (incl. Net lending)	4	4.4	5.2	6.0
Fiscal Deficit	-5	-4.0	-3.7	-3.2
Revenue Deficit/Surplus	-1.3	0.4	1.5	2.8
Total Public Debt	54.8	51.5	48.9	46.3
GDP at market prices (Rs. in Billion)	14,668	16,975	19,546	22,416

BUDGET AT A GLANCE

2010- 11

(Rs in Billion)

Receipts		Expenditure	
(a) Tax Revenue*	1778.7	<u>CURRENT</u>	<u>1997.9</u>
(b) Non-Tax Revenue	632.3	General Public Service	1387.7
Gross Revenue Receipts	2411.0	Defence Affairs & Services	442.2
Less Provincial Share	1033.6	Public Order Safety Affairs	51.3
I. Net Revenue Receipts	1377.4	Economic Affairs	66.9
II. Net Capital Receipts	325.4	Environment Protection	0.4
III. External Receipts	386.6	Housing and Community	1.8
IV. Self Financing of PSDP by Provinces	341.6	Health Affairs and Services	7.3
V. Change in Provincial Cash Balance	166.9	Recreational, Culture Services	4.4
VI. Bank Borrowing	166.5	Education Affairs Service	34.5
		Social Protection	1.5
		<u>DEVELOPMENT</u>	<u>766.5</u>
		PSDP	663.0
		Federal Government	290.0
		Provincial Government	373.0
		Other Dev. Expenditure	123.5
		Est. Operational Shortfall	-20.0
<u>TOTAL RESOURCES</u> (I to VI)	<u>2764.4</u>	<u>TOTAL EXPENDITURE</u>	<u>2764.4</u>

* Out of which FBR collection has been estimated at Rs 1667 billion.

OVERALL FISCAL DEFICIT 2010-11

(Rs in million)

	Budget Estimate 2010-11
<u>Gross External Financing</u>	386,620
<u>Less Repayments of Foreign Debts</u>	200,829
Long Term	174,369
Short Term	26,460
<u>i) Net External Financing</u>	185,791
<u>ii) Non-Bank Financing</u>	332,574
Public Debt	116,430
Public Account	216,144
<u>iii) Bank Financing</u>	166,543
<u>Overall Fiscal Deficit</u>	684,908
<u>Say</u>	<u>684.9</u> Billion (4.0% of GDP)