



FEDERAL BUDGET 2011-12

PRESS BRIEF

**Government of Pakistan
Finance Division
Islamabad**

ECONOMIC SITUATION

- ❖ The economy has shown resilience despite severe challenges i.e. floods, security situation, energy shortages, rising international oil and commodity prices and higher interest rates.
- ❖ GDP growth from 2.4% (revised) in 2010-11 to 4.2% (target) 2011-12.
- ❖ Inflation (CPI) from 15.5% during 2010-11 to 12.0% in 2011-12(target).
- ❖ Fiscal Deficit reduced from 6.3% in 2009-10 to 5.1% in 2010-11 and 4% of GDP in 2011-12 (target). During 2010-11 past arrears amounting to Rs.120 billion (0.6% of GDP) were paid. Fiscal deficit 2011-12 including grants would be at 3.4% of GDP.
- ❖ Exports grew by 27% in the first ten months and will cross \$ 24.5 billion mark.
- ❖ Remittances are likely to cross \$ 11 billion.
- ❖ The foreign reserves above \$ 17 billion.
- ❖ Pakistani Rupee is stable.
- ❖ FBR tax collection at Rs.1320 billion for 11 months i.e. an increase of 16% over the same period last year.
- ❖ Current account in surplus July-April 2011 (US \$ 748 million).

CHALLENGES

- ❖ Containing of Fiscal Deficit.
- ❖ Reducing Inflation.
- ❖ Overcoming energy shortage.
- ❖ Increasing investments.
- ❖ Creating employment.
- ❖ Reducing Public Debt.

PROPOSED BUDGET STRATEGY

- ❖ Containing Fiscal Deficit to 4% of GDP.
- ❖ FBR Tax to Rs.1952 billion.
- ❖ Gradual elimination of tariff differential subsidy.
- ❖ Targeted food and fertilizer subsidies.
- ❖ Zero net financing from SBP each year.
- ❖ Implementation of New Growth Strategy.
- ❖ Continuation of ban on new recruitments and purchase of durable goods.
- ❖ Rationalization of other expenditure.
- ❖ Establishment of an independent commission to scrutinize all development and current expenditure with a view to ensuring their necessity, efficacy and value to the public exchequer.
- ❖ Establishment of an independent commission to examine structure of pay and allowances across the public services and bring equity and fairness across them.

SALIENT FEATURES OF THE BUDGET

The budget 2011-12 has the following main salient features:

- ❖ The total outlay of budget 2011-12 is Rs 2767 billion. This size is 14.2% higher than the size of budget estimates 2010-11.
- ❖ The resource availability during 2011-12 has been estimated at Rs 2463 billion against Rs 2256 billion in the budget estimates of 2010-11.
- ❖ Net revenue receipts for 2011-12 have been estimated at Rs 1529 billion indicating an increase of 11% over the budget estimates of 2010-11.
- ❖ The provincial share in federal revenue receipts is estimated at Rs 1203 billion during 2011-12 which is 16.4% higher than the budget estimates for 2010-11.
- ❖ The capital receipts (net) for 2011-12 have been estimated at Rs 396 billion against the budget estimates of Rs 325 billion in 2010-11.
- ❖ The external receipts in 2011-12 are estimated at Rs 414 billion.
- ❖ The overall expenditure during 2011-12 has been estimated at Rs 2767 billion of which the current expenditure is Rs 2315 billion. Current expenditure shows an increase of less than 1% over the revised estimates of 2010-11, while development expenditure will increase by 64.4% in 2011-12 over the revised estimates of 2010-11.
- ❖ The share of current expenditure in total budgetary outlay for 2011-12 is 84% as compared to 90% in revised estimates for 2010-11.
- ❖ The expenditure on General Public Services (inclusive of debt servicing transfer payments and superannuation allowance) is estimated at Rs.1660 billion which is 71% of the current expenditure.

The salient features of the PSDP 2011-12 are as under:-

- ❖ The size of Federal Public Sector Development Programme (PSDP) for 2011-12 is Rs. 300 billion. While for Other Development Expenditure an amount of Rs.97 billion has been allocated. The PSDP shows an increase of 53% over the revised estimates 2010-11.
- ❖ The provincial PSDP for 2011-12 has been approved at Rs.430 billion against revised estimates of Rs.266 billion.
- ❖ An amount of Rs.10 billion has been allocated to ERRA in the PSDP 2011-12.
- ❖ Within the resource available, allocations have been made to maximize economic impact of the development programme and to achieve core objective of growth reducing poverty and to ensure balanced development.
- ❖ The proposed federal development programme places an equal emphasis on physical infrastructure sector (55%) and social sector (44%).
- ❖ Water sector has been allocated Rs.36 billion i.e. 12% of total federal PSDP. Raising of Mangla Dam including resettlement Satpara Multipurpose Dam, Gomal Zam Dam, Kachi Canal, Raini Canal and other water sector projects have been provided appropriate funds.
- ❖ To overcome energy shortage, investment would be made for power generation, distribution and conversation by the government in WAPDA during 2011-12 at Rs.115 billion which include Rs.32.5 billion through budget. This will help in reducing power shortage in the country.
- ❖ For Basha Diamer Dam, Rs.18 billion has been allocated from budget while WAPDA will arrange Rs.2.5 billion from the market. In addition, Neelum Jhelum

Hydro Power Project, Gudu Steam Power Project and Combined Cycle Power Plant at Chechoki Malian are being implemented by WAPDA.

- ❖ In addition to hydel projects, nuclear sources would also be used for power generation. An amount of Rs.22 billion has been allocated to Pakistan Atomic Energy Commission.
- ❖ Transport and Communication Sector has been allocated Rs.55 billion. NHA has been allocated Rs.40 billion and Rs.15 billion has been allocated to Railways. This would ensure economic integration and balance regional development.
- ❖ Health sector will be devolved to the provinces by June, 2011, however, to implement CCI decision, Rs.15 billion has been proposed to finance different vertical health programmes.
- ❖ HEC and Population Welfare Programme will also be financed by federal government with an allocation of Rs.14 billion and Rs.4 billion respectively.
- ❖ Allocation for Special Areas (AJK, GB and FATA) is at Rs.28 billion with a view to accelerate development activities in less developed areas.
- ❖ Allocation for special programmes (People Works Programme-I and People Works Programme-II) an allocation of Rs.33 billion has been made.

RELIEF MEASURES

Following relief measures are proposed to be extended to the Civil Servants and the Personnel of the Armed Forces with effect from 1st July, 2011:-

- ❖ An increase of 15% in pay of all Civil Servants and Personnel of the Armed Forces with effect from 1st July, 2011.
- ❖ Pensioners who retired on or after 01.07.2002 may be allowed an increase @ 15% and those who retired on or before 30.06.2002 may be allowed an increase @ 20% in pension.
- ❖ Existing Conveyance Allowance may be increased by 25% to all the employees in BPS 1-15 and their equivalent in the Armed Forces.
- ❖ All the Civil Servants and Personnel of the Armed may be allowed Conveyance Allowance at the prescribed rates irrespective of their place of duty.
- ❖ Increase in misc allowances mostly admissible to the employees in BPS 1-15.
- ❖ All the ad-hoc relief allowances granted upto 01.07.2009 will be merged in the Basic Pay Scales-2008 and to introduce the new pay scales.
- ❖ Compulsory Monetization of transport facility to the Civil Servants in BPS-20 to BPS-22 of the Federal Government.