

# FISCAL DEVELOPMENT

## I. Introduction

Fiscal year 2007-08 proved to be a difficult year for Pakistan, with several political and economic events transpiring unexpectedly. These events include heightened political tensions, soaring global oil prices, the international and domestic food inflation phenomena, a slowdown in global economic activity, and the troubled law and order situation prevalent in the country. However, the most important aspect was the non-responsive stance on account of political expediency, that is, not responding to the policy challenges emerging on Pakistan's economic scene during most part of the fiscal year 2007-08. All these events have had adverse consequences for fiscal discipline. Because of the instability experienced at the onset of 2007-08, the fiscal deficit is expected to miss the target of 4.0 percent of GDP this year by a wide margin. The hard earned macroeconomic stability underpinned by fiscal discipline appears to have been evaporated. In other words, financial indiscipline during the outgoing fiscal year has already caused severe macroeconomic imbalances, for which, Pakistan is likely to pay a heavy price in terms of deceleration in growth and investment, and the associated rise in the levels of poverty; widening of current account deficit and the attendant rise in public and external debt; a loss of foreign exchange reserves and the associated pressure on the exchange rate; and most importantly, higher inflation and the associated rise in interest rates.

A sound fiscal position is vital for achieving macroeconomic stability, which is increasingly recognized as being critical for sustained economic growth and poverty reduction. The sooner Pakistan improves its fiscal position by making sharp fiscal adjustments, the lesser the price it is likely to pay for its fiscal indiscipline. A sharp fiscal adjustment can reduce large external current account

imbalances, restore the confidence of global investors, ease financing constraints, support growth and contain inflation. With a new government coming to power late in the fiscal year 2007-08, the need to adjust policies and counter the burden on the fiscal position has become a challenging task.

## II. Fiscal Policy Developments

Pakistan's fiscal policy position remained focused on sustained economic growth in unison with declining debt services, alleviating poverty and investing in physical and human infrastructure. The last seven years (2001-07) saw Pakistan improve its fiscal position considerably, given that the overall fiscal deficit, that averaged nearly 7.0 percent of GDP in the 1990s, had declined to an average of 3.8 percent (including earthquake spending). The underlying fiscal deficit targeted at 4.0 percent of GDP for 2007-08 is most likely to be surpassed owing to a variety of factors stated earlier.

A study of Table 4.1 discloses a change in pattern of both government revenues as well as expenditures over the last 17 years. Under revenues, tax-to-GDP and hence revenue-to-GDP ratios have shown a declining trend, owing mainly to structural deficiencies in the tax collection system. The expenditures of the government follow a similar pattern, with total expenditures showing an overall decline since the beginning of the 1990s. It should be pointed out that despite an overall decrease in total expenditures, it is heartening to see that development expenditure has shown a steady increase in recent years.

Fiscal deficit as percent of GDP has steadily declined during the same period, picking up slightly in the last two fiscal years, mainly on account of earthquake spending. The declining

pattern of the fiscal deficit was more to do with falling expenditures than rising revenues. Since 1999-2000, the fiscal deficit has been contained primarily due to an improvement in total revenues and also partly due to the rationalization of expenditure. The shifting of expenditure from current to development while leaving total expenditures stagnant at around 18 percent of GDP has helped improve the fiscal position while maintaining the focus of the government's developmental needs for the country.

Moving forward, an additional reduction in fiscal deficit in the future should be largely driven from improvements in total revenue, more specifically, through the taxation system. The improvement in the tax collection effort should not just be the responsibility of the Federal Government but also the Provincial Governments, who must contribute their share by enhancing their provincial tax-to-GDP ratio from the current stagnant level of 0.5 percent to at least 1.0 percent of GDP in the medium-term.

**Table 4.1: Fiscal Indicators as Percent of GDP**

Year	Real GDP Growth	Overall Fiscal Deficit	Expenditure			Revenue		
			Total	Current	Development	Total Rev.	Tax	Non-Tax
FY91	5.4	8.8	25.7	19.3	6.4	16.9	12.7	4.2
FY92	7.6	7.5	26.7	19.1	7.6	19.2	13.7	5.5
FY93	2.1	8.1	26.2	20.5	5.7	18.1	13.4	4.7
FY94	4.4	5.9	23.4	18.8	4.6	17.5	13.4	4.1
FY95	5.1	5.6	22.9	18.5	4.4	17.3	13.8	3.5
FY96	6.6	6.5	24.4	20.0	4.4	17.9	14.4	3.5
FY97	1.7	6.4 <sup>†</sup>	22.3	18.8	3.5	15.8	13.4	2.4
FY98	3.5	7.7	23.7	19.8	3.9	16.0	13.2	2.8
FY99	4.2	6.1	22.0	18.6	3.4	15.9	13.3	2.7
FY00	3.9	5.4	18.7	16.5	2.2	13.5	10.7	2.8
FY01	1.8	4.3 <sup>†</sup>	17.2	15.5	1.7	13.3	10.6	2.7
FY02	3.1	4.3 <sup>†</sup>	18.8	15.9	2.9	14.2	10.9	3.3
FY03	4.7	3.7	18.6	16.3	2.3	14.9	11.5	3.4
FY04	7.5	2.4	16.7	13.5	3.2	14.3	11.0	3.3
FY05	9.0	3.3 <sup>†</sup>	18.4	14.5	3.9	13.8	10.1	3.7
FY06	5.8	4.2* <sup>†</sup>	18.7	14.4	4.3	14.2	10.4	3.8
FY07	6.8	4.3* <sup>†</sup>	20.2	15.8	4.4	14.9	11.0	3.9
FY08 B	7.2	4.0	18.8	13.8	5.0	14.8	11.0	3.8

Note 1: The base of Pakistan's GDP has been changed from 1980-81 to 1999-2000, therefore, wherever GDP appears in denominator the numbers prior to 1999-2000 are not comparable.

<sup>†</sup> Statistical discrepancy (both positive and negative) has been adjusted in arriving at overall fiscal deficit numbers.

\* Include earthquake related expenditure worth 0.8 and 0.5 percent of GDP for 2005-06 and 2006-07 respectively.

### III. Reforms in Tax Policy and Tax Administration

An adequate level of revenue generation is a *sine quo non* for public policy to meet expenditure obligations. Conversely, inadequacy of revenue generation directly affects the government's resource position and the availability of socially desirable public goods. In Pakistan's economic history, the mismatch between revenue collections and budgetary requirements was a norm rather than an exception. The reform efforts remained ineffective due to the inherent weaknesses in the tax system and an ineffective tax administration.

**Pakistan's tax structure is characterized by a number of structural weaknesses.** First, due to a number of wide-ranging exemptions and concessions as well as rampant tax evasion, the tax base is narrow and punctured. Second, tax rates have been pitched at high levels, which created a vicious cycle of tax-base erosion and higher tax rates. Third, there is the issue of multiplicity of taxes, with an individual firm facing numerous types of taxes. Fourth, there is over dependence on indirect taxes, which until recently, accounted for nearly 60 percent share in revenues. This has increased the regressivity of the tax system and imposed a higher burden of taxation. Fifth, the tax

system is complex and tedious which, along with high rates, has bred corruption and encouraged evasion.

The combined result of such characteristics is the low and stagnant tax-to-GDP ratio on one hand, and low tax elasticity on the other. The tax-GDP-ratio, which represents the country's fiscal effort, has remained stagnant in the neighborhood of 12 to 14 percent over the last three decades. Successive governments have introduced a number of wide-ranging reforms since the 1990s. The government specifically planned to make the tax policy more equitable; bring more taxpayers into the net; reduce the tax rate; streamline the tax laws so as to make them taxpayer friendly; improve tax enforcement and put in place a tax administration system that is efficient and responsive.

### **III.I. Major Reforms in Direct Taxes:**

Major reforms introduced in the Direct Tax structure include the promulgation of the **Income Tax Ordinance, 2001**, which came into effect from 13<sup>th</sup> September 2001. The objective was to simplify the language of the Ordinance by removing ambiguities for ensuring uniformity in treatment of various categories of taxpayers, reduce the dependency on withholding taxes, encourage voluntary compliance backed by strong audit, and minimum tax exemption.

The introduction of **Universal Self Assessment Scheme (USAS)** for all categories of taxpayers, without any conditionality, has been a major breakthrough. The basic threshold of income tax is continuously being raised and the removal of a large number of income tax exemptions have been put in place. A two-tier agricultural income tax was initiated during the same period. A self-assessment scheme for filing of corporate tax was introduced. Some revenue reducing measures, principally cuts in corporate income tax rates have been put in place in recent years. This also ensured parity between the rates applicable to private, public and banking companies. Wealth tax was also abolished.

### **III.II. Major Reforms in Indirect Taxes:**

**a) The enactment of the Sales Tax Act, 1990 introduced its value added version renamed as General Sales Tax (GST).**<sup>1</sup> This was levied on goods only (with many exemptions) and that too at the manufacturing and import stages. A major leap forward was taken in 1995-96 when GST was converted into a full-fledged VAT mode tax with all its basic features; self-assessment, functional distribution, input tax credit facility and audit based procedures. To further increase its base, its coverage was extended to importers in 1997 and to wholesalers and retailers in 1998. With the expansion of service sector in 1990s, the anomaly that goods are being taxed but not the services was removed and the scope of GST was extended in 2000.

**b) The major policy change introduced in the 2005 budget regarding Federal Excise was the system of self-assessment by withdrawal of federal excise staff from the manufacturing units.** The idea was to improve the confidence of the taxpayers which should promote voluntary compliance. Similarly, the Federal Excise Act was transformed in conformity with the Sales Tax Act and the registration procedure was changed. The sales tax registration number will also be sufficient for the federal excise taxpayers. The mode of payment was rationalized to provide relief to the taxpayers. On some services and goods FED is payable in VAT mode i.e. in the same manner as provided in the Sales Tax Act of 1990.

**c) Pakistan has made significant efforts in liberalizing its trade regime during the last two decades.** The maximum tariff rate had declined from 225 percent in 1990-91 to 45 percent by 1996-97. It was further reduced to a maximum tariff rate of 25 percent (barring automobile sector) during fiscal year 2007-08. The average tariff rate stood at just 6 percent in fiscal year 2007-08 as compared to 65 percent in 1990-91. The number of tariff slabs was reduced from 13 to 4 during the same period. Quantitative import restrictions have already been eliminated except those relating to security, health, religious and cultural concerns.

---

<sup>1</sup> The terms VAT, GST or Sales Tax have been used interchangeably in this paper implying same meaning.

The number of statutory orders that exempted certain industries from import duties was phased out by June 2004 and import duties on 4,000 items were reduced. Import liberalization measures were adopted for agricultural and petroleum products. Restrictions on agriculture exports were also removed.

### III.III. Tax Administration Reforms:

The tax administration reform strategy stresses upon *Policy, Administrative* and *Organizational* reforms.

**Policy reforms:** This includes the simplification of laws, introduction of universal self-assessment, elimination of exemptions, reducing dependence on withholding taxes, and an effective dispute resolution mechanism.

**Administrative reforms:** This includes the transformation of the income tax organization on more functional lines, the re-engineering of manual processes of all taxes, increasing the effectiveness of FBR, and improving skills and integrity of the workforce.

**Organizational reforms:** This includes re-organization of FBR headquarters, reductions in the number of tiers, and the reduction in workforce from existing levels with enhanced financial packages. Simultaneously, the Government has constituted a Cabinet Committee for Federal Revenue (CCFR) to provide functional autonomy to the FBR.

The aim of these reforms is to have a fully integrated tax management system. There is a strong realization in the FBR that, apart from customs, other tax wings i.e. Sales Tax and Income Tax should be developed on similar standards so that at the end, FBR has one comprehensive integrated system. The change in name of the revenue board from CBR to FBR signifies a complete paradigm shift from an adversarial relationship between the taxpayers and collectors, to taxpayers' facilitation and education to mobilize resources. The government has also approved a medium-term program for reforming tax administration in November 2001. Since then,

major efforts have been made to improve tax administration.

Some of the milestones already achieved under tax administration reform are summarized below:

- **Establishment of Large and Medium Taxpayer Units:** LTU was established on July 1, 2002 in Karachi, encompassing the three domestic taxes i.e. sales tax, central excise duty, and income tax. **Medium Taxpayer Unit** had started working in Lahore w.e.f. October, 1, 2002 to facilitate taxpayers. Before the FBR administrative reforms, Direct Taxes were being collected through the administrative set up of regional and zonal Commissionerates. This has now been converted into 13 RTOs in all the major cities and 3 LTUs Karachi, Lahore and Islamabad. The concept is to provide maximum facilitation to the taxpayers while consolidating the taxpayer's data by co-locating the Direct Taxes, Sales Tax and the Federal Excise Duty
- **Universal Self Assessment System:** USAS is the corner-stone of the reform strategy of FBR. While sales tax is already on a self assessment basis, income tax has also been brought under the USAS through the Income Tax Ordinance 2001.
- **Customs Administration Reform (CARE):** The CARE project was established in April 2005. This project has introduced computerized Processing of Customs documents (PACCS) under which Goods Declaration (GD) can be filed by an importer on-line without physical interaction with customs officials. Model Customs Collectorates (MCCs) have been built around the functioning of PACCS as per reformed administrative structure that has evolved under the CARE initiative. The effectiveness and efficiency of the CARE program has encouraged the FBR to roll it out at 11 MCCs during FY06-07 and FY07-08, including four regional hubs.
- **Sales Tax Automated Refund Repository (STARR) Project:** The re-engineering and automation of the sales tax refund system was

identified as an essential component of the reform in sales tax. The implementation of the first phase had been completed and the system was evaluated and reviewed for the development and implementation of the second phase of the project. The second phase was implemented in July 2003 and on its completion the sales tax refund system will be transformed into a simpler, fully automated, risk-based system, enabling quick refunds and identifying high risk cases for scrutiny and audit. The STARR system has been upgraded and now refund claims are processed through Risk-based Refund Analysis System (RRAS). Existing sales tax offices located in Karachi have been consolidated in a single unit called the Model Sales Tax House, Karachi.

- **Taxpayers Facilitation Centers (TFCs):** With a view to promote voluntary compliance in a self assessment system of tax administration, taxpayer education and facilitation was given a priority.
- **Income Tax Organization Structure:** A new income tax organizational structure containing functions of taxpayer services, information processing, audit, enforcement, collection, legal, information technology, HRM and internal control was developed.
- **Tax Administration Reform Program (TARP):** The objectives of TARP include: (i) the implementation of universal self-assessment, (ii) creation of a functional organization, (iii) building of a taxpayer service function, (iv) use of modern work layout for conducting tax administration, (v) creation of database for management reporting, (vi) audit selection, (vii) statistical analysis, and (viii) automation in FBR and its field formations. An amount of US\$ 24 million was utilized for establishment of the following projects under TARP: a) Establishment of 13 RTOs at Karachi, Hyderabad, Sukkur, Quetta, Lahore, Faisalabad, Multan, Gujranwala, Sialkot, Rawalpindi, Peshawar, Sahiwal, and

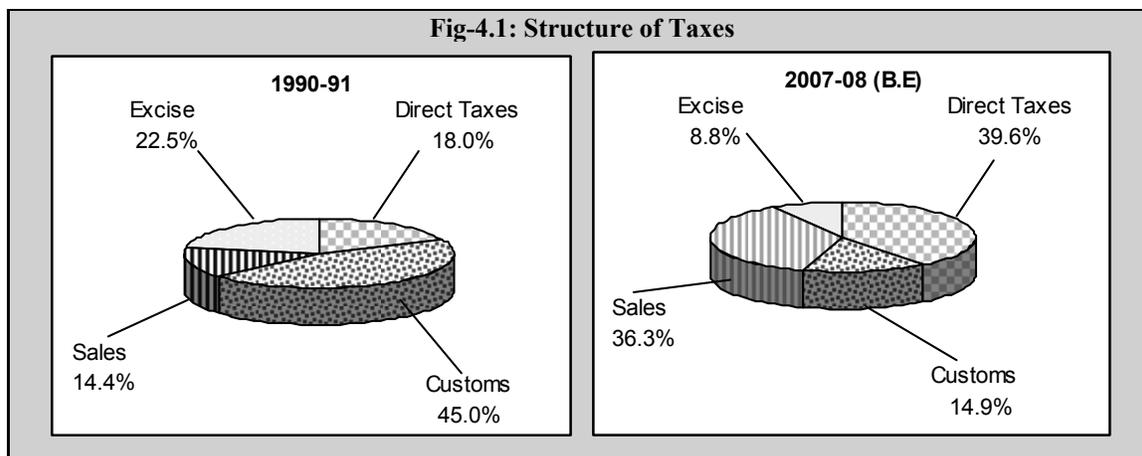
Abbotabad. b) Establishment of third LTU at Islamabad. c) Establishment of 12 MCCs d) Establishment of 65 TFCs throughout the country e) Construction of transit accommodation with RTOs.

To enhance the operations of the revenue board and increase tax collection many modern and innovative techniques have been adopted such as:

- *E-Filing:* The facility to file tax returns online.
- *IC3:* The Integrated Cargo/Container Control Program, which involves inspecting US-bound cargo at Pakistan's seaports through a screening and imaging process.
- *Improving Direct Tax Collection:* The FBR is using a National Taxpayer Number for all taxpayers. However, it was recommended that the FBR uses the Computerized National Identification Card (CNIC) number for individuals while continuing the use of NTN for businesses.
- *Case Tracking System for collection/enforcement:* This system will track a case and provide its status (received, closed and inventoried, etc.) as it proceeds through the system.
- *Computerized audit selection system:* This system will select cases for audit based on an audit selection criteria established by member audit.

#### IV. Outcomes of Reforms

The structure of taxation in Pakistan has changed considerably following a number of tax and tariff reforms that started in the 1990s and were intensified during the recent decade. With a gradual reduction on the dependence on foreign trade taxes (collected through customs) and a concurrent increase in GST and direct tax collections, the composition of tax collections has been successfully modernized (see, Table 4.2 and Fig-4.1).



Excise duties accounted for about a fifth of FBR's collection until 1998/99, targeting levies on utility services, bank advances, and other goods and services at the point of production. Since then, gradual cuts in excise duties, as well as removal of selected items from the excise net, have led to a sharp decline in collection, with excises comprising of only 8.8% of total FBR revenues or 0.8 percent of GDP in FY07-08.

Pakistan's tax revenue-to-GDP ratio stood at only 10 percent of GDP during 2007/08 compared to an average of 18 percent for other developing countries indicating that substantial tax policy measures are still needed to broaden the tax base. The buoyancy and elasticity of the taxation system does not exhibit the desired improvements and needs to be focused upon. The country's tax regime resembles the one generally practiced throughout Latin American countries, where indirect tax, in particular sales tax, occupies a relatively high share within the overall tax revenues. The indirect tax-to-GDP ratio stood at around 6 percent, and direct tax-to-GDP ratio was calculated to be 4 percent and less than 2 percent if withholding taxes are excluded. The government recognizes the need to broaden the tax base and reduce marginal tax rates which would stimulate investment and production. This would also promote voluntary tax compliance. Broadening of the tax base will also ensure the fair distribution of the tax burden among various sectors of the economy. The overall services sector including wholesale and retail trade as well as agriculture, are potential candidates for broadening of the tax bases.

During the decade ending in 1999-2000, the average growth of FBR tax collections stood at 12 percent. This growth rate was calculated at 14.5 percent during the period between 2000-2008. The slight increase from 12 to 14.5 percent confirms the positive impact of reforms but also reveals that more defined efforts are required to enhance overall collections. It is however encouraging to know that during the last few years the growth in revenue collection has been impressive at close to 20 percent.

The share of Direct Taxes in federal tax receipts has increased from around 18 percent in the early 1990s to 32 percent in 2000-01. It further increased to 39.6 percent in 2007-08. One of the implications of this change is that direct taxes have now emerged as the leading revenue contributors to federal taxation receipts – a transition that has always been desired on equity and efficiency grounds. Consequently, the direct-tax-to-GDP ratio continues to increase from 3.8% in FY06-07 to 4.1% in FY07-08. It is distressing however, that direct taxation in Pakistan accounts for only 4% of GDP whereas in other competing developing countries this ratio is as high as 7%.<sup>2</sup>

Indirect taxes currently account for 62 percent of the total revenues. The largest among these is the GST, which accounts for 39 percent of the total tax collections and its share in indirect taxes stood at 60.3 percent for FY07-08. VAT or GST in

<sup>2</sup> For instance, the income and corporate tax to GDP ratio in Indonesia is 6.8%, Philippines 5.7%, Malaysia 7%, Thailand 6.3%, and India 3.7%. In the case of Bangladesh it is only 1.7% [Source: Information down loaded

Pakistan is a recent phenomenon. Nonetheless, its growth has been faster than any other tax. It has increased sharply both at domestic and import stage, from Rs. 16.0 billion in FY90-91 to Rs. 375 billion in FY07-08.

Induced largely by trade liberalization, the customs collection declined sharply over the past decade, but rose sharply from FY02-03 because of higher imports. As a share of GDP, customs collections

declined from 3.4 percent in FY94 to 1.1 percent in FY02. During the last few years, imports were growing in excess of 30 percent due to an unprecedented surge in domestic demand. Consequently, the current fiscal year witnessed an increase in gross and net collection from Rs. 132.2 billion in FY06-07 to 154 billion in FY07-08. Custom duties accounted for 24.7 percent of the total indirect taxes for the current year as compared to 25.5 percent last year.

**Table 4.2: Structure of Federal Tax Revenue** (Rs. Billion)

Year	Total (FBR)	Tax Rev as % of GDP	Direct Taxes	Indirect Taxes			
				Customs	Sales	Excise	Total
1990-91	111.0	11.0	20.0	50	16.0	25.0	91.0
			[18.0]*	(54.9)^	(17.6)^	(27.5)^	[82.0]*
1996-97	282.0	12.0	85.0	86	56.0	55.0	197.0
			[30.1]	(43.7)	(28.4)	(27.9)	[69.9]
1997-98	293.7	11.0	103.3	74.5	53.9	62.0	190.4
			[35.0]	(39.1)	(28.3)	(32.6)	[65.0]
1998-99	308.5	10.0	110.4	65.0	72.0	60.8	198.1
			[35.8]	(33.0)	(36.3)	(30.7)	[64.2]
1999-00	346.6	9.1	112.6	61.6	116.7	55.6	234.0
			[32.5]	(26.4)	(49.9)	(23.7)	[67.5]
2000-01	392.3	9.4	124.6	65.0	153.6	49.1	267.7
			[31.8]	(24.3)	(57.4)	(18.3)	[68.2]
2001-02	403.9	9.2	142.5	47.8	166.6	47.2	261.6
			[35.3]	(18.3)	(63.7)	(18.0)	[64.7]
2002-03	460.6	9.6	148.5	59.0	205.7	47.5	312.2
			[32.2]	(18.9)	(65.9)	(15.2)	[67.8]
2003-04	518.8	9.2	165.3	89.9	219.1	44.6	353.6
			[31.9]	(25.4)	(62.0)	(12.6)	[68.1]
2004-05	588.4	8.9	176.9	117	235.5	58.7	411.4
			[30.1]	(28.5)	(57.2)	(14.3)	[68.9]
2005-06	713.4	9.4	224.6	138	294.6	55.0	487.9
			[31.5]	(28.3)	(60.4)	(11.3)	[68.5]
2006-07	847.2	9.7	333.7	132.3	309.4	71.8	513.5
			[39.4]	(25.8)	(60.3)	(13.9)	[60.6]
2007-08 (B.E)	1025.0	10.3	408.2	154	375	91.0	622.3
			[39.6]	(24.7)	(60.3)	(14.6)	[60.4]

\*as % of total taxes

^ as % of indirect taxes

Source: Federal Board of Revenue

## V. Trends in Expenditure

The Government's plan of better fiscal transparency and improving expenditure management is still at the forefront of policy despite the impediments faced by the country during this fiscal year. The total expenditure of the government has remained more or less stable in a narrow band of 17 to 18 percent of GDP during the last nine years. There has been a substantial

decline in interest payments, from as high as 6.9 percent of GDP or Rs 262 billion in 1999-00 to 4.2 percent of GDP or Rs 369 billion in 2006-07. Interest payment are budgeted at 3.8 percent of GDP or Rs. 375 billion for FY07-08. This has provided fiscal relief, which has allowed expenditures to restructure in favour of development expenditure. Consequently, the share of current expenditure in total expenditure has

declined from 89 percent in 1999-00 to 82.3 percent in 2006-07. Current expenditures are budgeted at 73.4 percent for FY07-08. In absolute terms, the current expenditure stood at Rs 1375.3 billion during the last fiscal year and budgeted at Rs. 1378 billion for this fiscal year. Additionally, the share of development expenditure rose from 13.5 percent to 23.4 percent during the same period. Development expenditure bore the burden of structural adjustments during the 1990s as it declined from as high as 7.5 percent of GDP in 1991-92, to 2.5 percent of GDP by 1999-2000.

During the last eight years, development expenditure improved from 2.2 percent of GDP or Rs 89.8 billion in 2000-01 to 4.5 percent of GDP or Rs 394 billion in 2006-07. Development

expenditure is budgeted at 5.6 percent of GDP or Rs. 561 billion for FY07-08. The second largest component of current expenditure, namely, defence spending remained stagnant at around 3 percent of GDP during the last five years, and stood at Rs 275.0 billion in 2007-08. This shows that the Government is focused on removing infrastructural bottlenecks and building physical assets. The Government is also committed to achieving the goal of fiscal stabilization without compromising its spending on the social sector. Non-defence-non-interest expenditure has improved from 7.7 percent of GDP or Rs 95.6 billion in 1999-2000 to 12.3 percent of GDP or Rs 1225.1 billion in 2007-08. The historical trends observed in various components of expenditure are documented in Tables-4.3 (a+b).

**Table 4.3 a): Trends in Components of Expenditure (As % of GDP)**

Year	Total Expenditure (A)	Current Expenditure (B)	Interest Payments (C)	Defence (D)	Development Expenditure (E)	Non Interest Non-Defence Exp (A-C-D)	Fiscal Deficit	Revenue Deficit/Surplus (TR-Total CE)	Primary deficit (TR-NI Exp)
1980-81	22.9	13.6	2.1	5.5	9.3	15.3	-6.0	3.3	-3.9
1984-85	24.7	17.7	3.5	6.7	7.0	14.5	-8.3	-1.3	-4.8
1988-89	26.1	19.9	5.0	6.6	6.3	14.5	-8.1	-1.8	-3.1
1989-90	25.9	19.3	5.5	6.9	6.5	13.6	-7.3	-0.8	-1.9
1990-91	25.6	19.2	4.9	6.3	6.4	14.3	-9.5	-3.1	-4.6
1991-92	26.5	19.0	5.2	6.3	7.5	15.1	-8.7	-1.1	-3.5
1998-99	20.9	18.6	7.5	4.9	3.3	8.6	-5.0	-2.7	2.5
1999-2000	18.5	16.4	6.9	3.9	2.5	7.7	-5.1	-3.0	1.7
2000-01	18.8	16.9	6.5	3.4	2.3	8.8	-4.3	-2.4	2.2
2001-02	18.6	15.7	6.2	3.4	2.8	9.1	-4.5	-1.7	1.6
2002-03	18.4	16.0	4.1	3.3	2.6	11.0	-3.6	-1.3	0.5
2003-04	16.4	13.8	3.5	3.2	2.9	9.7	-2.3	0.3	1.2
2004-05	17.2	14.5	3.2	3.3	3.5	10.7	-3.3	-0.7	-0.1
2005-06	18.5	14.8	3.1	3.2	4.3	12.2	-4.3	-0.6	-1.2
2006-07	19.2	15.8	4.2	2.9	4.5	12.1	-4.3	-0.9	-0.1
2007-08 B	18.8	13.8	3.8	2.8	5.6	12.3	-4.0	1.0	-0.2

B Budgeted

Source: E A Wing Finance Division

Note: The GDP was rebased w.e.f 1999-2000, so figures thereafter may not be comparable with earlier years

The two tables highlight the major developments on the expenditure side over the last three decades. Firstly, the rising trend in current expenditure has been arrested, mainly on account of declining interest payments and defence—the two major components of current expenditure. Interest payments have declined from a peak level of 7.5 percent of GDP in 1998-99 to almost 4.0 percent during the current year. Similarly, defence spending was at a significantly high level in 1989-90 at 6.9 percent of GDP but has declined gradually to below 3 percent today. These developments have provided more fiscal space to

the government for directing expenditures towards the development side, particularly towards physical and human infrastructure. These two tables reflect that both development and non-interest-non-defence spending have gone up substantially, particularly over the last five years. The message from these two tables is clear; going forward, the government must keep budget deficit at a lower level which would release resources from interest payment. In other words, a fiscal space would be available for investment in physical infrastructure and human development which are critical for sustaining growth and poverty reduction.

Year	Total Expenditure (A)	Current Expenditure (B)	Interest Payments (C)	Defence (D)	Development Expenditure (E)	Non Interest Non-Defence Exp (A-C-D)	Fiscal Deficit	Revenue Deficit/Surplus (TR-Total CE)	Primary deficit (TR-NI Exp)
1980-81	63.6	37.8	5.9	15.3	25.8	42.4	-16.6	9.2	-10.7
1984-85	116.8	83.7	16.5	31.8	33.1	68.4	-39.4	-6.4	-22.9
1988-89	201.2	153.1	38.1	51.1	48.1	112.0	-62.1	-14.0	-23.9
1989-90	221.6	165.6	46.7	58.7	56.1	116.2	-62.8	-6.8	-16.1
1990-91	260.9	195.7	50.0	64.6	65.3	146.3	-97.1	-31.8	-47.1
1991-92	321.5	230.1	62.4	75.7	91.3	183.3	-104.9	-13.6	-42.5
1998-99	615.0	547.3	220.1	143.5	98.3	251.5	-146.4	-78.7	73.7
1999-2000	709.1	626.4	262.2	150.4	95.6	296.5	-196.6	-113.9	65.6
2000-01	717.9	645.7	249.3	131.2	89.8	337.4	-164.9	-92.7	84.4
2001-02	826.3	700.2	273.9	149.3	126.2	403.1	-202.2	-76.1	71.7
2002-03	898.1	781.9	199.8	159.7	129.2	538.6	-177.4	-61.2	22.4
2003-04	923.6	778.4	196.3	180.4	160.9	546.9	-129.5	15.7	66.8
2004-05	1117	943.1	210.2	211.7	228	695.1	-216.8	-42.9	-6.6
2005-06	1401.8	1121	237.1	242	326.7	922.7	-325.2	-44.4	-88.1
2006-07	1675.5	1375.3	368.8	249.9	394	1056.8	-377.5	-77.3	-8.7
2007-08 B	1874.7	1378.2	374.6	275	561	1225.1	-398.7	97.8	-24.1

B Budgeted

Source: E A Wing, Finance Division

### V.I. Trends in Real Expenditure

Expenditure in real terms (adjusted for inflation) is much more interesting than the nominal monetary value of expenditure, which is a direct charge on the budget. Therefore, it is worth scrutinizing the real growth patterns in expenditure and the interesting facts that it will reveal. Total real expenditure grew at a modest pace of 7.7 percent per annum, on average, in the 1980s owing to sharp acceleration of 10.5 percent in real current expenditure. Development expenditure grew by a modest 2.7 percent on average in real terms but interest payments grew by 18.1 percent, reflecting a tremendous pace of accumulation of public debt. Interestingly, real defence spending followed a higher growth path and grew by 8.9 percent on average. Such a level of fiscal indiscipline in the past forced Pakistan to undergo a painful period of structural adjustments in the 1990s. The rate of growth of real expenditure slowed in the first half

of the 1990s but at the expense of development expenditures which witnessed a contraction of 1.7 percent, on average, to contribute 2.4 percent growth in real expenditure in the period. Current expenditure, however, grew by 3.9 percent thanks to only 0.7 percent growth in defence spending and a relatively slower growth of 4.2 percent witnessed in interest payments. Non-defence-non-interest expenditure also grew by a modest 3.0 percent in real terms. Even the sharp fall in real development expenditure which contracted sharply by 3.5 percent in the second half of the 1990s could not restrict current expenditure to grow at a faster pace of 5.0 percent, mainly because of a massive 13.7 percent average growth in interest payments. Resultantly, total expenditure grew by 3.1 percent per annum in the period; however, non-interest non-defence expenditure registered a negative growth of 1.2 percent per annum. The second major item, defence spending, inched up marginally by 0.1 percent per annum.

**Table 4.4: Trends in Real Expenditure(1999-2000=100) (%Growth)**

Period	Total Expenditure	Current Expenditure	Development Expenditure	Interest payment	Defense	Non-Defence Non-Interest Expenditure
1980's	7.7	10.5	2.7	18.1	8.9	4.9
1990's	2.8	4.5	-2.6	8.9	0.4	0.9
1990-I	2.4	3.9	-1.7	4.2	0.7	3
1990-II	3.1	5.0	-3.5	13.7	0.1	-1.2
2000-04	1.4	0.14	9.4	-10.9	-0.2	11.0
2004-08*	10.9	7.4	27.2	10.7	3.3	13.8

\* Budget estimate for 2007-08

Source: EA Wing, Finance Division

Total expenditure grew by 1.4 percent in the first four years (2000-04) of the current decade but accelerated to 10.9 percent during the last four years (2004-08). The main contribution came from development expenditure which grew by 9.4 percent per annum during the first four years (2000-04) and by 27.2 percent in the recent four years (2004-08). Current expenditure grew by 0.14 percent on average in the first four years (2000-04) of the decade, mainly on account of a sharper decline in interest payments and a marginal contraction in defense spending. During the last four year (2004-08) current expenditure in real term grew by 7.4 percent mainly on account of a sharper increase in interest payments and a moderate growth in defense expenditure.

## V.II. Comparison of Defence, Development (PSDP) and Social Sector & Poverty-Related Expenditures

Defense expenditure at current prices showed a constantly increasing trend in the last decade.

During the current fiscal year 2007-08, defense expenditure went up by 10% from Rs 250 billion in 2006-07 to Rs 275 billion in 2007-08. The average growth of Defense expenditure at constant prices has been relatively sluggish at 4.5% owing to the government's consistent efforts to minimize it and increase development and social sector expenditures.

A comparison of defence, development, social sector and poverty related expenditures in real term is well documented in Table 4.5. Contrary to the general perception, defence spending in real terms has grown at an average rate of 4.5 percent per annum as opposed to 15.2 percent for social sector and poverty related expenditures and 20.8 percent for development spending. In other words, development spending has grown at a much faster pace than social sector and poverty-related expenditures, its pace has over thrice the speed of growth in defence spending.

Table 4.5: Comparison of Defence, Development (PSDP) and Social Sector & Poverty-Related Expenditures

	Defence				Social Sector and Poverty Related-Expenditure				Development Expenditure (PSDP)			
	Current Prices Rs. Bn	% Change	Constant Price Rs. Bn	% Change	Current Prices Rs. Bn	% Change	Constant Price Rs. Bn	% Change	Current Prices Rs. Bn	% Change	Constant Price Rs. Bn	% Change
1999-2000	150.4	-	-	-	-	-	-	-	95.6	-	-	-
2000-01	131.2	-12.8	122.9	-	122.3	-	114.6	-	89.8	-6.1	84.1	-
2001-02	149.3	13.8	136.5	11.0	167.3	36.8	153.0	33.5	126.2	40.5	115.4	37.2
2002-03	160.0	7.2	140.0	2.6	209.0	24.9	182.9	19.6	130.0	3.0	113.8	-1.4
2003-04	180.0	12.5	144.5	3.2	254.0	21.5	203.9	11.5	161.0	23.8	129.3	13.6
2004-05	212.0	17.8	159.0	10.0	316.0	24.4	237.1	16.2	228.0	41.6	171.0	32.3
2005-06	242.0	14.2	166.2	4.5	435.0	37.7	298.8	26.0	327.0	43.4	224.6	31.3
2006-07	250.0	3.3	159.3	-4.2	394.5	-9.3	251.3	-15.9	394.0	20.5	251.0	11.8
2007-08	275.0	10.0	-	-	520.0	31.8	-	-	508.0	28.9	-	-
			Average	4.5			Average	15.2			Average	20.8

Source: Budget Wing, Finance Division

## VI. Fiscal Performance: 2007-08

The total revenue collected during the current year stood at Rs 1545.5 billion, higher than the targeted level of Rs 1476 billion. This increase of Rs 69.5 billion from the budgeted revenues was mainly due to higher than targeted non-tax collections. Tax revenues however, exhibited a disappointing performance. Political disturbances and a less than satisfactory law and order situation seriously hampered the revenue collection efforts of the FBR. There are expectations that the FBR may fall short of its targeted level, and the year is most likely to end with tax collection amounting to Rs

1.0 trillion—Rs. 25 billion less than the original target. Notwithstanding the shortfall, the government has made an extraordinary effort to collect more resources from the non-tax revenue side. There are expectations that the government may collect an additional Rs. 103 billion in non-tax revenues, reaching to Rs. 483 billion. Slippages in provincial tax revenues amount to Rs. 8 billion [see Table 4.11].

The FBR was assigned an ambitious revenue target of Rs 1,025 billion for FY 2007-08, and to reach this target a reasonably high growth of 21% was required over the last year collection of Rs 847

billion. With a booming economy, the possibility of achieving this target was quite bright. However, revenue collection efforts were seriously hampered due to political unrest in the country during most of 2007-08. The chaotic incidents of December 2007, accompanied with a severe energy crisis and long hours of load shedding, adversely affected industrial production. Resultantly, FBR also suffered a revenue loss of Rs 35 billion. At the end of April 2008, the net collections had reached Rs 763.6 billion, higher by 16.3% over the net collection of PFY, but short of the assigned target of Rs 787.7 billion. Thus, revenue collection has so far achieved 97.0 percent of its target, which was Rs.1025 billion at the beginning of the year.

A detailed analysis reveals that the gross and net collection has increased by 12.3% and 16.3% respectively (see, Table 4.6). In absolute terms, the gross and net collections have gone up by Rs. 89.9 billion and 107.1 billion respectively. The overall refund/rebate payments during the first ten months of the current fiscal year (CFY) amounted to Rs. 55.8 billion relative to Rs. 73.0 billion paid back during the corresponding period of the past fiscal year (PFY). Among the four federal taxes, the highest growth of 28.9% was recorded in the case of federal excise receipts, followed by sales tax (19.5%), direct taxes (12.5%) and customs (11.4%).

**Table 4.6: Gross and Net Revenue Receipts**

Months	FY 07-08		FY 06-07		Growth%	
	Gross	Net	Gross	Net	Gross	Net
July	55.9	50.9	54.5	46.2	2.6	10.3
August	63.0	60.1	54.0	46.3	16.7	29.8
September	100.7	94.1	101.0	91.4	-0.9	2.9
October	69.8	66.4	60.4	53.3	15.6	24.5
November	73.4	68.5	67.1	59.0	9.4	16.1
December	106.6	95.0	123.9	114.2	-13.9	-16.8
January	85.2	77.5	55.6	52.2	53.3	48.7
February	75.9	72.8	56.8	52.4	33.5	38.8
March	100.0	94.5	89.3	81.9	11.9	15.4
April	89.0	83.7	66.4	59.5	34.0	40.7
<b>July-April</b>	<b>819.4</b>	<b>763.6</b>	<b>729.5</b>	<b>656.5</b>	<b>12.3</b>	<b>16.3</b>

*Source: Federal Board of Revenue*

## VI.I. Detailed Analysis of Individual Taxes

**Direct Taxes:** The collection of direct taxes has suffered a substantial shortfall during July-March

FY 07-08 (see, Table 4.7). The gross and net collections have registered a growth of only 8.8% and 12.5%, respectively during the first ten months of the CFY.

**Table 4.7: Direct Taxes: Gross and Net Revenue Receipts**

Months	FY 07-08		FY 06-07		Growth%	
	Gross	Net	Gross	Net	Gross	Net
July	15.2	14.1	11.6	10.1	30.8	39.9
August	15.4	15.0	12.9	11.1	19.0	35.1
September	51.1	48.4	52.0	45.3	-1.8	6.9
October	17.6	17.2	17.9	16.1	-1.8	6.8
November	20.2	18.7	17.4	13.9	16.0	34.4
December	58.5	51.2	80.4	76.2	-27.3	-32.9
January	31.1	27.1	13.5	12.5	130.0	117.3
February	25.6	25.0	14.8	13.8	73.2	81.6
March	43.1	41.0	42.8	38.9	0.8	5.4
April	28.3	26.9	17.8	15.1	58.6	78.5
<b>July-April</b>	<b>306.1</b>	<b>284.6</b>	<b>281.3</b>	<b>252.9</b>	<b>8.8</b>	<b>12.5</b>

*Source: Federal Board of Revenue*

The refund payments have declined by 24.1%. The major reasons for less than expected growth in collection has been a substantial reduction in

payments with returns and a modest growth in advance tax payments partly because of procedural change in the tax regime largely due to a reduction

in taxable income of leading corporate entities. However, this shortfall has been recouped through extra tax effort. In fact, an amount of Rs 29.8 billion has been realized through demand creation during the period under review as against Rs 6.5

billion during the comparable period of PFY. Similarly, WHT has grown by 23.1%, whereas contracts and dividends have registered 36.8% and 37.5% growth in collection, respectively.

**Table 4.8: Sales Taxes: Gross and Net Revenue Receipts**

Months	FY 07-08		FY 06-07		Growth%	
	Gross	Net	Gross	Net	Gross	Net
July	29.2	26.2	28.7	24.0	1.7	9.2
August	30.5	28.8	25.2	20.9	21.0	37.9
September	30.7	27.7	32.9	30.6	-6.8	-9.7
October	33.4	31.5	26.0	22.0	28.4	43.4
November	32.2	29.7	31.8	28.1	1.5	5.7
December	28.3	25.3	24.7	20.5	14.8	23.2
January	32.0	29.9	26.4	24.8	21.1	20.7
February	30.3	28.8	26.2	23.7	15.7	21.6
March	32.8	30.6	26.7	24.1	23.1	26.9
April	37.3	35.0	30.3	30.0	23.0	29.9
<b>July-April</b>	<b>316.8</b>	<b>293.7</b>	<b>278.9</b>	<b>248.8</b>	<b>13.6</b>	<b>19.5</b>

*Source: Federal Board of Revenue*

**Sales Tax:** The gross and net sales tax collections amounted to Rs. 316.8 billion and Rs. 293.6 billion, showing a growth of 13.6% and 19.5%, respectively over the corresponding period of PFY (see, Table 4.8). The refund payment has declined by 30% during the same period. Most of the refunds have been paid to the textile, electrical energy and petroleum sectors. Of net collections, 46.2% was contributed by sales tax on domestic production and sales, while the rest was generated from imports. Within net domestic sales tax collections, major contribution has come from telecom services, POL products, electrical energy, natural gas (sugar, Iron & Steel) and cigarettes. Similarly, POL products, plastic & plastic

products, edible oil, vehicles, iron and steel and chemicals have major contribution in the import stage collection of sales tax.

**Customs Duties:** Collection under Customs duties has registered a positive growth of 10.0% and 11.4% in gross and net terms, respectively. The net and gross collection has increased from 114.4 billion and 103.1 billion in 06-07 to Rs 125.9 billion and Rs 114.8 billion during CFY (see, Table 4.9). The refund payments have declined by 2.6%. Major revenue sources have been the Automobiles, POL, machinery, edible oil, iron and steel etc. This sector has contributed around 62% of the net collection from Customs duties.

**Table 4.9: Custom Duties: Gross and Net Revenue Receipts**

Months	FY 07-08		FY 06-07		Growth%	
	Gross	Net	Gross	Net	Gross	Net
July	9.6	8.7	10.2	8.1	-5.2	8.2
August	10.5	9.7	11.2	9.7	-5.8	0.2
September	11.4	10.5	11.2	10.1	1.7	4
October	11.2	10.2	10.9	9.8	2.3	3.8
November	12.6	11.8	12.3	11.5	2.6	2.8
December	12	10.7	12.9	11.6	-6.7	-7.6
January	15.3	13.8	10.3	9.6	48.2	43.6
February	12.2	11.2	10.2	9.3	19.3	19.9
March	16.2	15.3	13.9	13	16.9	17.5
April	14.7	12.9	11.3	10.4	30.4	24.2
<b>July-April</b>	<b>125.9</b>	<b>114.8</b>	<b>114.4</b>	<b>103.1</b>	<b>10.0</b>	<b>11.4</b>

*Source: Federal Board of Revenue*

**Federal Excise Duty:** A significant growth of 28.9% has been recorded in the net collection of FED due to extension of its base and levying of special excise duty @ 1% on domestic production and imports. The inclusion of a broad range of non-fund financial services and air travel into FED net has extended the scope of the tax by about 10%. The net collection during July-April 2008

has been Rs. 70.6 billion as against Rs 54.7 billion, amounting to an increase of Rs. 15.9 billion or 28.9 percent over previous year. The five major commodity groups namely cigarettes, cement, natural gas, beverages and POL products have contributed around 68% of FED receipts. The month-wise comparison of gross and net collection is reflected in Table 4.10.

**Table 4.10: Federal Excise: Gross and Net Revenue Receipts**

Months	FY 07-08		FY 06-07		Growth%	
	Gross	Net	Gross	Net	Gross	Net
July	1.9	1.9	4.0	4.0	-53.6	-53.4
August	6.6	6.6	4.6	4.6	41.4	42.6
September	7.5	7.5	5.4	5.4	38.3	38.3
October	7.5	7.5	5.5	5.5	37.9	38
November	8.3	8.3	5.6	5.5	49.4	50.5
December	7.8	7.8	5.9	5.9	33.2	33.1
January	6.8	6.8	5.3	5.3	27.5	27.5
February	7.7	7.7	5.6	5.6	38.0	38.0
March	7.8	7.8	6.0	6.0	30.1	30.2
April	8.8	8.8	7.0	7.0	24.9	25.0
<b>July-April</b>	<b>70.6</b>	<b>70.6</b>	<b>54.9</b>	<b>54.7</b>	<b>28.7</b>	<b>28.9</b>

*Source: Federal Board of Revenue*

## VI-II. Review of Public Expenditure: 2007-08

The total expenditure for 2007-08 was budgeted at Rs. 1875 billion -- 11.9 percent higher than last year. Current expenditure on the other hand was budgeted at Rs. 1378 billion (almost equivalent to last year's level) of which, Rs 862 billion was earmarked for the Federal government and the remaining Rs 416 billion was allocated for provincial governments. Development expenditure (after adjusting for net lending) was targeted at Rs 496 billion – 16.7 percent higher than last year. On the basis of revenue and expenditure projections, the overall fiscal deficit was targeted at Rs 398 billion or 4 percent of GDP as against 4.3 percent last year.

Fiscal Year 2007-08 has been a tough year for Pakistan's economy. This year began in the backdrop of challenges emanating from domestic and external front. Surging oil, food and commodity prices accompanied by the turmoil in international financial markets and the disturbed domestic political conditions had an adverse impact on Pakistan's budgetary position. Furthermore, over a year of inaction by the

previous government, on account of political expediency for addressing the challenges, accentuated the budgetary imbalances.

Large slippages have occurred on the expenditure side mainly on account of subsidies on oil, power, fertilizer, wheat and other foods. In addition to this, the interest payment significantly surpassed their targeted level. Oil subsidy was budgeted at Rs 15 billion and the price of oil in the international market was \$50-55 per barrel (Arab Gulf Mean) during the time of the preparation of the budget 2007-08. It was also assumed that the government would pass on the rise in international price of oil to domestic consumers. Two factors had a significant impact on the budgetary outlook. Firstly oil prices continued to rise at a greater pace, reaching as high as \$ 115 per barrel in May 2008--- an increase of over 116 percent during the fiscal year. Secondly, the lack of action on the part of the government aggravated the fiscal situation as the high international price of oil was not passed on to the domestic consumers. Consequently, the oil subsidy is projected to rise to Rs 175 billion— missing the targeted level by Rs 160 billion. Similarly, the higher cost of furnace oil used in

power generation, was not allowed to pass through to domestic consumers of electricity. Therefore, against the budgeted subsidy of Rs. 52.9 billion the projected power subsidy is likely to be Rs. 113 billion --- a slippage of Rs. 60 billion. At the time of the preparation of the Federal Budget 2007-08, the government never thought of importing wheat as there was a bumper wheat crop (23.3 million tonnes) in 2006-07. Hoarding, smuggling and mismanagement of wheat operations forced the government to import 1.7 million tonnes of wheat

at all time high prices. Since the government imported wheat at inflated prices and sold it in the domestic market at a cheaper price, the difference of Rs 40 billion had to be picked up by the government. Similarly, the government had to make extra payments on research and development in the textile sector, subsidy on imported fertilizer etc which were not a part of the 2007-08 budget. Altogether, there was a slippage of Rs. 324 billion under the item 'others' in current expenditures.

**Table 4.11: Consolidated Revenue & Expenditure of the Government (Rs. Billion)**

	Prov. Actual July-June 2005-06	Prov. Actual July-June 2006-07	Budget Estimate 2007-08	Revised Projections 2007-08*
<b>A. Total Revenue</b>	<b>1077</b>	<b>1298</b>	<b>1476</b>	<b>1545.5</b>
<b>a) Tax Revenue</b>	<b>804</b>	<b>890</b>	<b>1096</b>	<b>1062.5</b>
FBR Revenue	713.4	847.2	1025	1000
Provincial Tax Revenue	37	37	65	57
Others	54	7	6	0
<b>b) Non-Tax Revenue</b>	<b>273</b>	<b>408</b>	<b>380</b>	<b>483</b>
<b>B. Total Expenditure</b>	<b>1402</b>	<b>1675</b>	<b>1875</b>	<b>2228.9</b>
<b>a) Current Expenditure</b>	<b>1121</b>	<b>1375</b>	<b>1378</b>	<b>1832.5</b>
<b>i) Federal</b>	<b>788</b>	<b>973</b>	<b>962</b>	<b>1416.5</b>
- Interest	237	369	375	503.2
- Defense	242	250	275	277.3
- Others	309	354	312	636
<b>ii) Provincial</b>	<b>333</b>	<b>402</b>	<b>416</b>	<b>416</b>
<b>b) Development Expenditure &amp; Net Lending</b>	<b>367</b>	<b>425</b>	<b>496</b>	<b>396.4</b>
PSDP	365	434	520	520
Net Lending	2	-9	3	-15.3
Operational Shortfall	0	0	-50	-125
Other Development expenditure	-	-	23.3	16.7
<b>c) Unidentified Expenditure</b>	<b>-86</b>	<b>-125</b>	<b>0</b>	<b>1</b>
<b>C. Overall Fiscal Deficit</b>	<b>325</b>	<b>377</b>	<b>398</b>	<b>683.4</b>
As % of GDP	4.2	4.3	4.0	6.50%
<b>Financing of Fiscal Deficit</b>	<b>325</b>	<b>377</b>	<b>399</b>	<b>683.4</b>
<b>i) External Sources</b>	<b>149</b>	<b>147</b>	<b>193</b>	<b>119.4</b>
<b>ii) Domestic</b>	<b>79</b>	<b>159</b>	<b>131</b>	<b>564</b>
- Bank	71	102	81	464
- Non-Bank	8	57	50	100
- Privatization Proceeds	97	71	75	0
<b>GDP at Market Prices</b>	<b>7623</b>	<b>8723</b>	<b>9970</b>	<b>10478</b>

\*As revised on May 23rd, 2008

Source: Budget Wing, Ministry of Finance

Interest payments surpassed their targeted level by a significant margin. A sum of Rs. 375 billion was budgeted for interest payments in 2007-08. The year is likely to end with interest payments of Rs. 503.2 billion--- surpassing the targeted level by Rs 128.2 billion mainly due to two reasons. Firstly

there was a slippage on account of the National Savings Scheme (NSS) particularly with respect to Defence Savings Certificates (DSCs), amounting to Rs 54 billion. There was a massive maturity of DSCs that were issued in 1997-98 which were due for payment in 2007-08 (this is a ten year paper).

The NSS is still ill-equipped to determine how many of these certificates were encashed prematurely and how many were held till maturity. Secondly there was a slippage on account of floating debt and permanent debt mainly due to the substantial rise in the volume of borrowing as well as the rising interest rates. Therefore, a combination of underestimating the extent of maturity of the NSS instruments as well as substantial rise in the government's borrowing requirements (because fiscal deficit was high: Rs 683 billion vs Rs 398 billion) and the consequential rise in interest rates of various instruments were responsible for the slippages in interest payments.

In order to counter massive gaps between budgeted and estimated targets in current expenditure, the government made efforts to mobilize more resources on the one hand, and postpone development spending on the other. An adjustment of Rs 100 billion was made in development expenditure. All these efforts were made to bring the budget deficit at an acceptable level in the wake of a difficult domestic and external environment.

The above developments on the revenue and expenditure sides resulted in massive slippages in the overall fiscal deficit for the year 2007-08. Against the target of Rs 398 billion or 4 percent of GDP the overall fiscal deficit is likely to be Rs 683.4 billion or 6.5 percent of GDP--- the highest in the last ten years (see, Table 4.11)

While domestic and external shocks of extraordinary proportions caused large slippages on the fiscal account, the financing plan of the fiscal deficit was also affected by these shocks. The overall fiscal deficit of Rs 398 billion was to be financed by external sources (Rs. 193 billion), and domestic sources (Rs 131 billion). The remaining Rs 75 billion was to come from privatization proceeds. Within domestic sources, Rs 81 billion financing was to come from banking sources while the remaining Rs 50 billion was to come from non-

bank sources. The domestic and external shocks not only increased the size of the fiscal deficit but they also changed the composition of financing. The borrowing requirements increased from Rs 324 billion (the net of privatization proceeds) to Rs 683.4 billion (with no privatization proceeds)—an increase of 111 percent.

External resource inflows were adversely affected by these shocks and against the budgeted level of Rs 193 billion, only Rs 119.4 billion is likely to materialize. Pakistan could not complete the transaction of Global Depository Receipts (GDRs) of the National Bank of Pakistan and could not launch sovereign and exchangeable bonds. Furthermore, some of the lending from the multilateral banks could not be materialized. These developments had adversely impacted the external resource inflows which remained below the budgeted level. Thus, the brunt of adjustments on the financing side fell on domestic sources. Against the budgeted financing of Rs 131 billion from domestic sources, it increased to Rs 564 billion. Within domestic sources the bulk (82.2 percent) of financing came from banks while the remaining Rs 100 billion or 17.8 percent came from non-bank sources. Most importantly, the borrowings from the State Bank of Pakistan (SBP) reached an alarming level. Such an elevated level of borrowing from the SBP is highly inflationary as well as posing serious complications for the conduct of effective monetary policy. Due to the excessive borrowing from the SBP, the money supply growth for the year 2007-08 is expected to breach the target of 13.7 percent.

## **VII. Provincial Budgets**

The total outlay of the four provincial budgets for 2007-08 stood at Rs.521.7 billion, which is 19.0 percent higher than the outlay for last year (Rs.438.3 billion). NWFP witnessed the highest increase of 18.6 percent in budgetary outlay followed by the Punjab (16.3%). Sindh posted an increase of 9.9% while Baluchistan witnessed a decline of 8.8% in its expenditures mainly due to correction in the higher expenditures of the last

year. The overall provincial revenue receipts for 2007-08 are estimated at Rs. 645.9 billion, which is 21.5% higher than last year. Tax revenue, accounting for 80.8 percent of overall revenue receipts, amounted to Rs. 460.5 billion which is 19.2 percent higher than last year and non-tax revenue is estimated at Rs.78.8 billion which is 49.2 percent higher than last year. The total budget outlay of Rs. 755.2 billion is shared in the ratio of

67.8 percent and 32.2 percent between current and development expenditures, respectively. The allocations for development expenditure are 2.7 percent higher than last year and for current expenditure, they are higher by 17.9 percent. The main components of the Provincial budgets 2007-08 in comparison with revised estimates of last year are presented in Table-4.12.

**Table 4.12: Overview of Provincial Budgets** (Rs Billion)

Items	Punjab		Sindh		NWFP		Baluchistan		Total	
	2006-07 (R.E)	2007-08 (B.E)								
<b>A. Total Tax Revenue</b>	<b>217.7</b>	<b>270.4</b>	<b>144.4</b>	<b>161.7</b>	<b>47.3</b>	<b>59.1</b>	<b>28.9</b>	<b>30.6</b>	<b>438.3</b>	<b>521.7</b>
Provincial Taxes	31.5	37.3	16.3	18.8	3.1	3.9	1.1	1.2	52	61.2
Share in Federal Taxes	186.3	233.1	128.1	142.8	44.2	55.2	27.8	29.4	386.3	460.5
<b>B. Non-Tax Revenue</b>	<b>35.2</b>	<b>59.8</b>	<b>6.9</b>	<b>7.8</b>	<b>8.7</b>	<b>9.2</b>	<b>2</b>	<b>2</b>	<b>52.8</b>	<b>78.8</b>
<b>C. All Others</b>	<b>6.1</b>	<b>8.6</b>	<b>9.2</b>	<b>11.3</b>	<b>10.6</b>	<b>11.3</b>	<b>14.4</b>	<b>14.2</b>	<b>40.3</b>	<b>45.4</b>
<b>Total Revenues (A+B+C)</b>	<b>259</b>	<b>338.8</b>	<b>160.6</b>	<b>180.8</b>	<b>66.6</b>	<b>79.5</b>	<b>45.3</b>	<b>46.8</b>	<b>531.5</b>	<b>645.9</b>
<b>a) Current Expenditure</b>	<b>201.1</b>	<b>243.5</b>	<b>144.2</b>	<b>166.7</b>	<b>55.2</b>	<b>61</b>	<b>34</b>	<b>41.1</b>	<b>434.5</b>	<b>512.3</b>
<b>b) Development Expenditure</b>	<b>137.1</b>	<b>150</b>	<b>43.9</b>	<b>40</b>	<b>29.5</b>	<b>39.5</b>	<b>25.9</b>	<b>13.5</b>	<b>236.4</b>	<b>242.9</b>
i) Rev. Account	68.8	78.1	7	5.8	5.6	6.3	0	0	81.4	90.2
ii) Cap. Account	68.3	71.9	36.9	34.2	23.9	33.2	25.9	13.5	155	152.8
<b>Total Exp (a+b)</b>	<b>338.2</b>	<b>393.5</b>	<b>188.1</b>	<b>206.7</b>	<b>84.7</b>	<b>100.5</b>	<b>59.9</b>	<b>54.6</b>	<b>670.9</b>	<b>755.2</b>

*Source: Provincial Finance Wing, Ministry of Finance*

### VIII. Allocation of Revenue between the Federal Government and Provinces

The Constitution governs the relationship between the Government and the provinces with respect to the distribution of a divisible pool of taxes. According to the Constitution, every five years, the President forms a National Finance Commission (NFC) consisting of the Minister for Finance of the Federal Government, the Minister of Finance of each of the Provincial governments and other presidential appointees in consultation with the Governors of the provinces. The NFC then recommends to the President the distribution to be made between the Federal Government and the provinces with respect to the divisible pool of taxes consisting of income tax, sales tax, export duties on cotton, customs duties, excise duties (excluding excise duty on natural gas) and any other tax that may be specified by the President. Soon after the receipt of the recommendations of the NFC, the President implements these through a Presidential order specifying the share of the net proceeds of the taxes to be allocated to the provinces and the federal government. [The recommendations of the NFC together with an explanatory memorandum of action taken thereon are required to be sent to both Houses and to Provincial Assemblies]. Under the

Constitution, the President has the power to amend or modify the distribution of revenues as may be necessary or expedient. Since 1997, the share of the Federal Government in the divisible pool was fixed at 62.5% while the share of the provincial governments has been fixed at 37.5%. Beginning 2006-07, the share of the provincial governments in the divisible pool will rise annually to 41.5%, 42.5%, 43.75%, 45.0% and 46.25% thereafter in coming years. An account of transfer to provinces is given in Table-4.13.

### IX. Public Debt

Public debt is the outcome of the developments taking place on the fiscal and current account deficits. A larger gap in these two deficits would cause the public debt to grow at a faster pace. Exchange rate depreciation would also cause the public debt to grow even if the government does not borrow a single dollar. Low fiscal and current account deficits, along with stability in the exchange rate, are critical in keeping the public debt at a sustainable level. Large fiscal and current account deficits lead to an accumulation of domestic and external debt which increases the country's vulnerability to external shocks while

reducing investments and the consequent slowdown in economic growth.

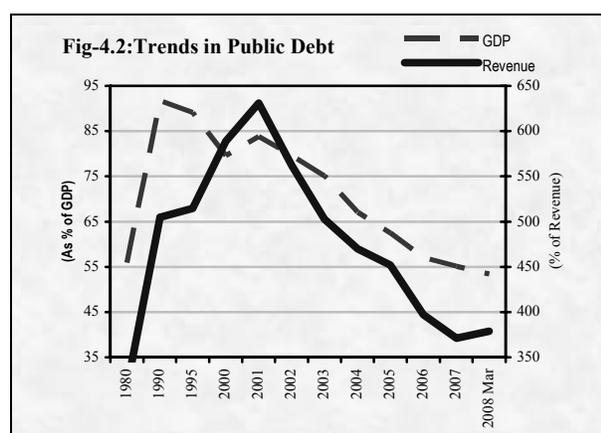
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08 (B)
Divisible Pool	158.5	176.4	204.8	244.6	320.6	403.1
Straight Transfer	34.3	38.5	40.5	56.8	70.3	62.8
Special Grants/ Subventions	26.3	32.8	35.3	63.5	29.3	31.3
Project Aid	12.9	12.9	15.5	17.5	16.8	26.1
Agriculture Sector Loan-II	12	12	1.4	2.8	2.6	1.1
Japanese Grant	0.1	0.1	0.1	0.1	0.1	0.1
<b>Total Transfer to Province</b>	<b>244.3</b>	<b>264.7</b>	<b>297.6</b>	<b>385.2</b>	<b>439.7</b>	<b>524.5</b>
Interest Payment	28	26.9	24.3	21.6	18.0	18.2
Loan Repayment	18.8	11.8	28.7	14.7	40.2	14.6
<b>Transfer to Province(Net)</b>	<b>226</b>	<b>226</b>	<b>244.6</b>	<b>348.9</b>	<b>381.5</b>	<b>491.8</b>

Source: Budget in Brief, 2007-08

**Table-4.14: Public Debt, FY00-FY08 (July-Mar)**

	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08 (Mar)
(In billions of Rs.)									
Domestic Currency Debt	1576	1728	1715	1852	1979	2152	2322	2601	3012
Foreign Currency Debt	1442	1761	1795	1766	1810	1913	2041	2213	2593
Total Public Debt	3018	3489	3510	3618	3789	4064	4363	4814	5604
(In percent of GDP)									
Rupees Debt	41.2	41.5	39.0	38.4	35.1	33.1	30.5	29.8	28.7
Foreign Currency Debt	37.7	42.3	40.8	36.6	32.1	29.4	26.8	25.4	24.7
Total Public Debt	78.9	83.8	79.8	75.0	67.2	62.5	57.2	55.2	53.5
(In percent of Revenue)									
Rupees Debt	308	312	275	257	246	239	212	200	195
Foreign Currency Debt	281	318	288	245	225	212	186	170	168
Total Public Debt	589	631	562	502	470	452	398	371	363
(In percent of Total Debt)									
Rupees Debt	52.2	49.5	48.9	51.2	52.2	52.9	53.2	54.0	53.7
Foreign Currency Debt	47.8	50.5	51.1	48.8	47.8	47.1	46.8	46.0	46.3
<b>Memo:</b>									
Foreign Currency Debt (\$ Billion)	27.5	27.8	29.9	30.6	31.3	32.1	33.9	36.5	41.3
Exchange Rate (Rs./U.S.\$, E.O.P)	52.5	63.4	60.1	57.7	57.9	59.7	60.2	60.6	62.8
GDP (in Rs. Billion)	3826	4163	4402	4823	5641	6500	7623	8723	10478
Total Revenue (in Rs. Billion)	513	553	624	721	806	900	1095	1298	1546

Source: Various Economic Survey, EAD, Budget Wing (MoF) and calculations by DPCO staff.



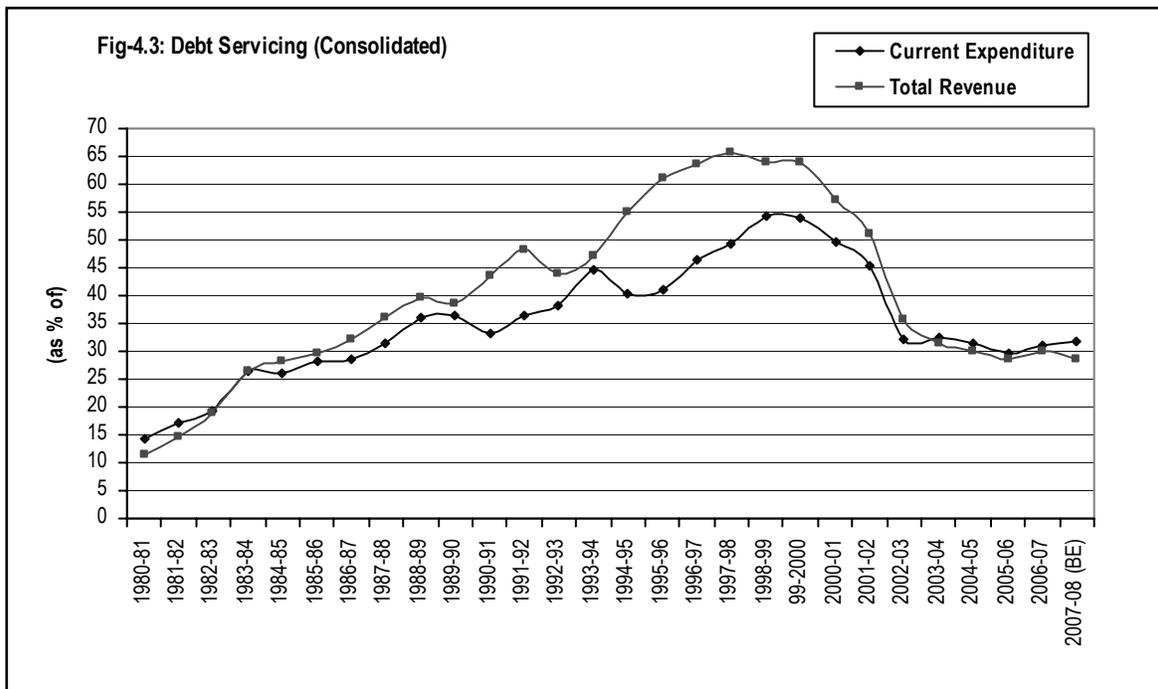
A debt reduction strategy was formulated in the early part of the decade, the salient features of which include: (i) a reduction in the fiscal and

current account deficits, (ii) lowering the cost of borrowing, (iii) raising revenue and foreign exchange earnings, and (iv) debt re-profiling from the Paris Club. To provide a legal cover to this initiative, the Fiscal Responsibility and Debt Limitation Act 2005 (FRDL) was promulgated in June 2005. To fulfill the legal requirements of the FRDL Act 2005, the Debt Policy Coordination Office (DPCO) was established in the Ministry of Finance. This office prepares and submits two reports annually, the Fiscal Policy Statement and Debt Policy Statement before the Parliament every January. It also submits a Medium-Term Budgetary Framework along with other budget documents at the time of the presentation of the Fiscal Budget.

The strategy followed so far has paid handsome dividends. Public debt as a percentage of GDP (a critical indicator of the country's debt burden), which stood at 85 percent in end-June 2000, has declined to 55.2 percent by end-June 2007 – a reduction of almost 30 percentage points of GDP in seven years. The declining trend in public debt is likely to be reversed in 2007-08, mainly on account of a widening of the fiscal and current account deficits and a sharp depreciation of the rupee vis-à-vis the US dollar. By end-March 2008 the public debt as percentage of full year GDP stood at 53.5 percent. More damage has however, been done to public debt in the last quarter (April-June) of the current fiscal year, that is, a further widening of the fiscal and current account deficits, increased borrowing from domestic and external sources to finance the deficits, and a sharper adjustment to the exchange rate. The year 2007-08 is likely to end with public debt at around 56

percent of GDP – marking the first time in a decade to see a reversal in trends. Public debt in rupee terms has increased by 15.8 percent in the first nine months (July-March) of the fiscal year 2007-08.

Public debt is a charge on the budget and therefore, it must be viewed in relation to government revenues. Public debt stood at 589 percent of total revenues by end-June 2000 but declined to 363 percent by end-March 2008 – a reduction of 226 percentage points of revenue. Going forward, the key to the success of reducing public debt burden includes: a reduction in fiscal and current account deficits and maintaining stability in the exchange rate. A declining public debt would release government resources for public sector investment, would enable private sector to borrow more (crowding-in) for investment and thus promoting growth.



The rising stock of public debt has serious implications for debt service obligations. The debt servicing liabilities have declined sharply from 65.0 percent of total revenue in 1999-2000 to 28.5 percent of revenue in 2007-08 and from 53.5 percent of current expenditure to 31.7 percent of

current expenditure during the same period (see Figure-4.3). The subsequent fiscal space created by bridging the revenue-expenditure gap and low debt servicing cost has enabled the Government to increase poverty and social sector related expenditures from Rs. 89.8 billion or 2.2% of GDP

in 2000-01 to a target level of Rs. 628.69 billion or 6.0% of GDP for 2007-08.

### IX.I. Dynamics of the Public Debt Burden

A look at some of the main factors behind the surge in public debt over the last two decades reveals some important structural follies. The rise appears to be largely contributed by the high real cost of borrowing and stagnant government revenue. Total public debt consists of debt payable in rupees and debt payable in foreign exchange. The real cost of borrowing for these two components of public debt is measured differently. As shown in Table-4.15, the real cost of Pakistan's domestic debt has varied substantially over time. During the 1980s, the real cost of borrowing for domestic public debt was only 1.0 percent. The interest rates on domestic debt rose sharply in early the 1990s due to financial sector liberalization but the impact of higher nominal interest rates to a large extent was wiped out by the sharp acceleration in inflation. The average real cost of borrowing for the domestic component of the public debt was 3.2 percent in the 1990's because of double-digit inflation. Further dis-aggregation of the 1990s suggests that the real cost of domestic borrowing was negative (1.9 percent) in the first half of the 1990s but rose sharply (5.7 percent) in the second half, mainly on account of a decline in the inflation rate. During the first four years of the decade (2000-04), the real cost of borrowing for domestic debt was 5.8 percent owing to lower inflation but in the last four years (2004-08) the real cost of borrowing declined to 1.0 percent partly due to rising inflationary pressures in the economy as well as the declining nominal cost of borrowing.

The average real cost of foreign borrowing was 2.7 percent per-annum in the 1990s [See Table-4.15]. Further dis-aggregation reveals that the real cost of borrowing was much higher (5.9%) in the second half of the 1990s mainly on account of a sharp depreciation of the rupee vis-à-vis the US dollar and falling domestic inflation. During the first four years of the current decade (2000-04), the real cost of borrowing for foreign exchange denominated loan declined to 1.3 percent and further turned into

negative 4.4 percent in the last four years (2004-08). During 2004-08, the depreciation of rupee along-with higher inflation contributed to negative incidence of real cost of borrowing. The low implied cost of external borrowing has contributed to overall declining trend in real cost of borrowing during the last eight years.

**Table 4.15: Real Cost of Borrowing**  
(Percent)

	External Debt	Domestic Debt	Public Debt
1980s	3.4	1.0	2.3
1990s	2.7	3.2	2.9
1990-I	-3.0	-1.9	-2.4
1990-II	-5.5	5.7	5.6
2000-04	1.3	5.8	3.6
2004-08*	-4.4	1.0	-1.5

Source: EA Wing and DPCO calculations.

\* Jul. 2004 - end Mar. 2008.

As a result of the sharp fluctuation in the real cost of borrowing for both domestic and foreign debt, the dynamics of the growth in public debt also changed over the last two decades. The changing dynamics of public debt is well-documented in Table-4.16. The growth in the public debt burden averaged 2.0 percent per annum during the 1990s. Real public debt grew at a faster pace of 6.2 percent during the second half of the 1990s as did the public debt burden which rose by 3.7 percent against a marginal rise of 0.4 percent during the first half of the 1990s. The real cost of borrowing was highest at 5.6 percent per annum, on average, during the second half of the 1990s. A sharp real depreciation in the exchange rate causing real cost of borrowing to rise, slower real growth in revenue and a low level of international as well as domestic inflation had been responsible for the rise in the public debt burden in the second half of the 1990s.

As shown in Table 4.16, the primary fiscal balance turned negative, standing at -0.9 percent of GDP during 2004-08 while the real growth of debt registered an increase of 0.5 percent and at the same time revenue grew at a healthy average rate of 6.1 percent per annum. The combined effect of growth in revenue and sharp reduction in debt

growth resulted in a sharp decline in the country's debt burden during the last seven years. In order to assess the cost of borrowing, an implied interest rate is calculated as interest payments in FY08 divided by the stock at the end of previous financial year. The higher expenditure on debt servicing is mainly because of the maturities of DSCs sold in FY 1997-98. This shows that the government's additional expenditure on domestic debt servicing was due to past financing commitments and not excessive spending in fiscal

year 2007-08. An analysis of the dynamics of the public debt burden provides useful lessons for policy-makers to manage the country's public debt. First, every effort should be made to maintain a primary surplus in the budget. Second, the interest rate and inflation environment should remain benign. Third, the pace of revenue growth must continue to rise to increase the debt carrying capacity of the country. Center to all these lessons is the pursuance of prudent monetary, fiscal and exchange rate policies.

**Table-4.16: Dynamics of Public Debt Burden**

	Primary Fiscal Balance	Real Cost of Borrowing	Real Growth of Debt	Real Growth of Revenues	Real Growth of Debt Burden
	% of GDP		% Per Annum		
1980s	-3.7	2.3	10.6	7.6	3.0
1990s	-0.3	2.9	4.9	2.9	2.0
1990-I	-1.8	-2.4	3.6	3.2	0.4
1990-II	1.1	5.6	6.2	2.5	3.7
2000-04	1.7	3.6	0.3	6.1	-5.8
2004-08*	-0.9	-1.5	0.5	6.1	-5.6

\* July 2004 - end March 08

Source: EA Wing & DPCO Calculations

## X. Domestic Debt

Most developing countries have a relatively small banking sector which limits the availability of loanable funds. Borrowing from domestic financial sources has several advantages including: *avoidance of exchange rate risk, lower liquidity risk and ability to deflate debt through higher inflation.* However, excessive borrowing by the public sector could lead to crowding out of the private sector as well as high interest rates and inflation. With the expansion of the financial sector in Pakistan, the government has relied more on borrowings from the domestic sector in recent years, reflecting in an increase in the share of domestic debt in total debt, standing in at 53.8 percent up to March 2008.

By end-June 2007 total domestic debt stood at Rs. 2610.2 billion which was estimated at 30 percent of GDP. The outstanding stock of domestic debt rose by Rs 409.9 billion and stood at Rs. 3020.1 billion by end-March 2008 or 30.3 percent of GDP. The domestic debt has increased by 15.7 percent

by end-March 2008 over end-June 2007 (see, Table 4.18). This growth in domestic debt when viewed at the back of an average growth of 8.1 percent of the last five years suggest that though the economy's debt carrying capacity has improved in recent years, the current rise in debt burden was witnessed mainly due to the excessive borrowing of the government from the central bank as well as from non-bank sources to finance a large budget deficit. The increase in domestic debt mainly emanates from floating debt (27.1%) while the other two components, unfunded and permanent, witnessed a modest growth of 6.1 percent and 9.4 percent, respectively.

### X.I. Composition of Domestic Debt

Pakistan's domestic debt has undergone considerable change in its composition in recent years. The share of floating debt (a short-term instrument) in total domestic debt increased from 36 percent in end-June 2005 to 46.6 percent in end-March 2008 – more than a 10 percentage points in the last four years. The shape of long-term debt instruments (unfunded debt) decline from almost

40 percent to 33 percent in the same period. More reliance on short-term instruments to finance the fiscal deficit involves risks as more resources will be required in quick succession. Going forward, attempts should be made to rely as little as possible on short-term instruments, particularly borrowing from the SBP to finance the fiscal deficit.

### X.I.i Unfunded Debt

The stock of unfunded debt has witnessed an increase for a third year running. Having fallen

from a stock of 909.5 billion in 2002-03 to Rs 854 billion in 2004-05, unfunded debt has risen to Rs 997.2 billion by the end of March 2008, an increase of 6 percent from last year or Rs 57.2 billion. This type of debt includes the various instruments that fall under the National Saving Schemes (NSS). In response to various reforms in the NSS, the unfunded debt saw a substantial increase starting in the first nine months of FY 2006-07 and the trend has continued into the current fiscal year.

**Table-4.17: Outstanding Domestic Debt (Rs. Billion)**

	End June						End March
	2002	2003	2004	2005	2006	2007	2008
Permanent Debt*	424.8	468.8	570.0	526.2	514.9	562.5	615.7
Floating Debt**	557.8	516.3	542.9	778.2	940.2	1107.7	1407.2
Unfunded Debt***	792.1	909.5	899.2	854.0	859.2	940.0	997.2
<b>Total</b>	<b>1774.7</b>	<b>1894.5</b>	<b>2012.2</b>	<b>2158.4</b>	<b>2314.3</b>	<b>2610.2</b>	<b>3020.1</b>
Total Domestic Debt as % of GDP	40.3	39.3	35.7	32.8	30.0	30.0	30.3

\* Market Loans, Federal Government Bonds, Income Tax Bonds, Government Bonds (L.R. – 1977), Special Government Bonds For SLIC (Original), Special Government Bonds for SLIC (Capitalization), Bearer National Fund Bonds (BNFB), Special National Fund Bonds, Fe

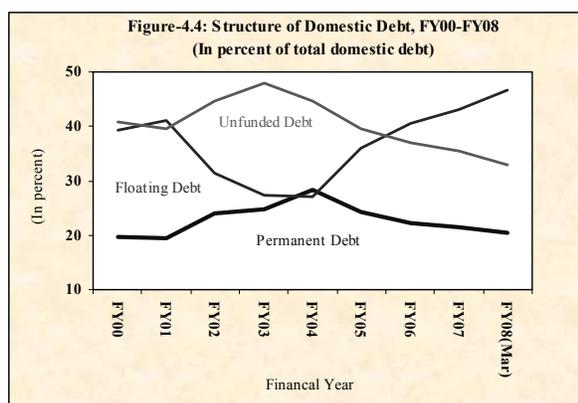
\*\* Treasury Bills (3 Months), Market Treasury Bills, MTBs for Replenishment.

\*\*\* Defence Savings Certificates, National Deposit Certificates, Khas Deposit Certificates, Special Savings Certificates (Reg), Special Savings Certificate (Bearer), Regular Income Certificates, Bahbood Savings Certificates, Khas Deposit Accounts, Saving P = Provisional.

Source: Debt Management Section, Ministry of Finance.

### X.I.ii Floating Debt and Permanent Debt

The share of floating debt, which was undergoing a substantial decline since the 1990s, increased by 27 percent or Rs 299.5 billion amounting to Rs 1407.2 billion by end-March 2008 (see, Table 4.17).



The stock of permanent debt also exhibited a moderate increase of Rs 53.2 billion or 9.4 percent and stood at Rs 615.7 billion by end March 2008. The increase in permanent debt is associated with efforts made by the Government to access funds

from auctions of the PIBs to satiate appetite for long-term paper and to promote the idea of secondary market development. The administration has made an effort to balance between long-term and short-term securities. The trade-off between short-run and longer run maturity is intricately designed to keep debt servicing cost lower.

The major reason for the weak performance of these long term instruments can be attributed to firstly increased market depth, providing diversified investment opportunities and secondly the rigidities in profit payment structure of these instruments that penalizes investors by denying them profit on the broken period. During July-Mar FY08 period, debt servicing cost of the domestic debt increased by 52.1 percent, and stood at Rs 328 billion mainly due to increase in unfunded debt servicing cost.

### X.II. Domestic Debt Burden

In recent years, the burden of interest payments on the domestic debt has declined sharply, thereby,

releasing resources for development and social sector programs.

A cursory look at the Table-4.18 is sufficient to see that the interest payments as a percentage of total revenue have been reduced to one-half (from 41 percent to 21.6 percent) over the last eight years. Similarly, share of interest payments in total expenditure declined from 29.6 percent to 17 percent during the same period. Most importantly

interest payments declined from 5.5 percent to 3.0 percent of GDP, in the last eight years. Interest payments stood at 21.6 as a percentage of total revenue as compared to 22.1, percent last year. A declining trend was also observed in interest payments as a percentage of GDP and total expenditure which has fallen from 3.3 percent to 3.0 percent and from 17.2 percent to 17.0 percent respectively during the current fiscal year.

**Table 4.18: Domestic Debt & Its Interest Payments**

Fiscal Year	Domestic Debt (Rs. Bln)	Interest Payments (Rs. Bln)	Interest Payments as % of				
			Tax Revenue	Total Revenue	Total Expenditure	Current Expenditure	GDP (mp)
1990-91	448.2	35.7	27.5	20.8	13.7	18.2	3.5
1991-92	531.5	50.3	30.6	21.7	15.6	21.9	4.2
1992-93	615.3	62.7	35.2	26.0	18.0	23.0	4.7
1993-94	711.0	77.5	37.2	28.4	21.3	26.4	5.0
1994-95	807.7	77.9	30.2	24.1	18.2	22.5	4.2
1995-96	920.3	104.5	34.2	27.5	20.2	24.7	4.9
1996-97	1056.1	126.5	39.0	32.9	23.4	27.3	5.2
1997-98	1199.7	167.5	47.2	39.0	26.4	31.6	6.3
1998-99	1452.9	175.3	44.9	37.4	27.1	32.0	6.0
1999-00	1644.8	210.2	51.8	41.0	29.6	33.5	5.5
2000-01	1799.0	188.5	42.7	34.1	26.3	29.2	4.5
2001-02	1774.7	189.5	39.6	30.4	22.9	27.1	4.3
2002-03	1894.5	166.9	30.0	23.2	18.6	21.1	3.4
2003-04	2027.5	161.5	26.1	20.0	17.2	21.2	2.9
2004-05	2177.6	176.3	26.7	19.6	15.8	20.4	2.7
2005-06	2336.8	202.5	25.2	18.8	14.4	19.6	2.7
2006-07	2610.2	287.5	32.3	22.1	17.2	23.0	3.3
2007-08*	3140.7	318.2	29.0	21.6	17.0	23.1	3.0

\*Budget Estimate

Source: Budget Wing, Ministry of Finance

## XI. Concluding Remarks

Fiscal Year 2007-08 has been one of the most difficult years for Pakistan's economy, as several political and economic events transpired unexpectedly, adversely affecting the country's fiscal position. As a result, the overall fiscal deficit is likely to be 6.5 percent of GDP against the budgeted number of 4 percent. Such a large slippage on the fiscal side has already caused severe macroeconomic imbalances. The hard-earned macro economic stability underpinned by fiscal discipline appears to have been lost and Pakistan is likely to pay a heavy price in terms of deceleration in growth and investment, reversal in poverty trends, widening of current account deficit,

rise in public and external debt, depletion of foreign exchange reserves and mounting pressures on the exchange rate.

A sound fiscal position is crucial for achieving macroeconomic stability, which is widely accepted as being imperative for sustained economic growth and poverty reduction. The sooner Pakistan improves its fiscal position by making decisive fiscal adjustments, the lesser the price it is likely to pay for its fiscal indiscipline. A sharp fiscal adjustment can reduce large external current account imbalances, restore the confidence of global investors, ease financing constraints, support growth and contain inflation.



TABLE 4.1

## FEDERAL GOVERNMENT OVERALL BUDGETARY POSITION

		(Rs Million)	
Fiscal Year/ Item		2006-07 (R.E)	2007-08 (Q.E)
<b>A. REVENUE</b>			
1.	Direct Taxes	<u>334,168</u>	<u>405,000</u>
2.	Indirect Taxes	<u>513,003</u>	<u>627,000</u>
	i. Customs	132,200	154,000
	ii. Sales Tax	309,228	375,000
	iii. Federal Excise	71,575	98,000
3.	Total Tax Revenue (1+2)	<u>847,171</u>	<u>1,032,000</u>
4.	Surcharges (Gas & Oil)	<u>64,546</u>	<u>53,000</u>
5.	Non-Tax Revenue	<u>362,864</u>	<u>403,000</u>
6.	Total Revenue Receipts Gross (3+4+5)	<u>1,274,581</u>	<u>1,488,000</u>
<b>B. EXPENDITURE</b>			
9.	Current Expenditure*	<u>973,130</u>	<u>1,416,500</u>
	i. Defence	249,858	277,300
	ii. Interest	369,000	503,200
	iii. Grants	111,475	87,000
	iv. Economic Services	87,447	78,900
	v. Subsidies	74,010	373,300
	vi. Other	81,340	96,800
10.	Development Expenditure(PSDP)	<u>200,600</u>	<u>297,300</u>
11.	Total Expenditure (9+10)	<u>1,173,730</u>	<u>1,713,800</u>

RE- Revised Estimate

Source: Budget Wing, Finance Division, Islamabad

Q.E.- Quick Estimates

@ : Include Law and Order, Social, Economic and Community Services

\* Current expenditure here includes earthquake related spendings

TABLE 4.2

## SUMMARY OF PUBLIC FINANCE (CONSOLIDATED FEDERAL AND PROVINCIAL GOVERNMENTS)

Fiscal Year/ Item	(Rs Million)											
	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07 R.E.	2007-08 (Q.E)	2007-08/ 2006-07 % Change
<i>Total Revenues (I+II)</i>	429,454	468,601	512,500	553,000	624,100	720,800	794,000	900,014	1,076,600	1,297,957	1,545,500	19.1
Federal	400,342	429,691	477,600	514,000	584,000	673,600	741,000	842,900	992,200	1,215,730	1,408,500	15.9
Provincial	29,112	38,910	34,900	39,000	40,100	47,200	53,000	57,114	84,400	82,227	137,000	66.6
I) Tax Revenues	354,754	390,726	405,600	441,600	478,100	555,800	611,000	659,410	803,700	889,685	1,062,500	19.4
Federal	338,042	375,078	386,800	422,500	459,300	534,000	583,000	624,700	766,900	852,866	1,005,500	17.9
Provincial	16,712	15,648	18,800	19,100	18,800	21,800	28,000	34,710	36,800	36,819	57,000	54.8
II) Non-Tax Revenues	74,700	77,875	106,900	111,400	146,000	165,000	183,000	240,604	272,900	408,272	483,000	18.3
Federal	62,400	54,613	90,800	91,500	124,700	139,600	158,000	218,200	225,300	362,864	403,000	11.1
Provincial	12,300	23,262	16,100	19,900	21,300	25,400	25,000	22,404	47,600	45,408	80,000	76.2
<i>Total Expenditures (a+b+c)</i>	634,014	647,778	709,100	717,900	826,250 *	898,200	956,000	1,116,981	1,401,900	1,799,968	2,228,900	23.8
a) Current	529,919	547,279	626,400	645,700	700,200	791,700	775,000	864,500	1,034,700	1,375,345	1,832,500	33.2
Federal	407,219	424,443	477,900	479,000	524,600	599,800	557,000	664,200	789,100	973,130	1,416,500	45.6
Provincial	122,700	122,836	148,500	166,700	175,600	191,900	218,000	200,300	245,600	402,215	416,000	3.4
b) Development(PSPDP)	104,095	98,286	95,600	89,800	126,250	129,200	161,000	227,718	365,100	433,658	411,700	-5.1
c) Net Lending to PSE's	-	2,213	-12,900	-17,600	-200	-22,700	20,000	24,763	2,100	-9,035	-15,300	-
d) Statistical Discrepancy	-	-	9,700	14,800	-11,700	3,200	-32,000	0	-86,307	-124,510	0	-
Overall Deficit	-204,560	-179,177	-206,300	-179,700	-190,450	-180,600	-130,000	-216,967	-325,300	-377,501	-683,400	-
Financing (net)	204,992	179,177	206,300	179,700	190,450	180,600	130,000	216,988	325,200	377,501	683,400	-
External (Net)	38,761	97,070	69,700	120,700	83,100	113,000	-5,900	120,432	148,900	147,150	119,400	-
<i>Domestic (I+II)</i>	166,231	82,108	136,600	59,000	107,350	67,600	135,900	96,556	176,300	230,351	564,000	-
i) Non-Bank	118,202	155,919	96,700	92,000	85,000	119,500	61,000	8,050	8,100	56,905	100,000	-
ii) Bank	48,029	-73,811	39,900	-33,000	14,000	-55,600	63,690	60,179	70,900	101,982	464,000	-
iii) Privatization Proce	-	-	-	-	8,350	3,700	11,210	28,327	97,300	71,464	0	-
Memorandum Item												
GDP (mp) in Rs. Billion	2,678	2,938	3,826	4,210	4,453	4,876	5,641	6,500	7,623	8,723	10,478	20.1
	(As Percent of GDP at Market Price)£											
Total Revenue	16.0	15.9	13.4	13.1	14.0	14.8	14.1	13.8	14.1	14.9	14.7	
Tax Revenue	13.2	13.3	10.6	10.5	10.7	11.4	10.8	10.1	10.5	10.2	10.1	
Non-Tax Revenue	2.8	2.7	2.8	2.6	3.3	3.4	3.2	3.7	3.6	4.7	4.6	
Expenditure	23.7	22.0	18.8	17.4	18.3	18.5	16.9	17.2	18.4	20.6	21.3	
Current	19.8	18.6	16.4	15.3	15.7	16.2	13.7	13.3	13.6	15.8	17.5	
Development	3.9	3.3	2.5	2.1	2.8	2.2	3.2	3.9	4.8	4.9	3.8	
Overall Deficit Incl. E.quak	7.7	6.1	5.4	4.3	4.3	3.7	2.3	3.3	4.3	4.3	6.5	

Q.E: Quick Estimates

Source: Budget Wing, Finance Division, Islamabad

R.E: Revised Estimates

£ Beginning from 1999-2000, Pakistan's GDP was rebased at 1999-2000 Prices from two decades old base of 1980-81  
Therefore, wherever, GDP appears in denominator the number of prior to 1999-2000 are not comparable.

TABLE 4.3

## CONSOLIDATED FEDERAL AND PROVINCIAL GOVERNMENTS REVENUES

Fiscal Year/ Item	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07 (R.E)	2007-08 (Q.E)	(Rs Million)
												% change 2007-08/ 2006-07
Total Revenue (I+II)	429,454	468,601	512,500	553,000	624,100	720,800	793,700	900,014	1,076,600	1,297,957	1,545,500	19.1
Federal	400,442	429,691	477,600	514,000	584,000	673,600	743,600	842,900	992,200	1,215,730	1,408,500	15.9
Provincial	29,012	38,910	34,900	39,000	40,100	47,200	50,100	57,114	84,400	82,227	137,000	66.6
I. Tax Revenues (A+B)	354,754	390,726	405,600	441,600	479,335	555,800	611,000	659,410	803,700	889,685	1,062,500	19.4
Federal	338,042	375,078	386,800	422,500	460,224	534,000	583,000	624,700	766,900	852,866	1,005,500	17.9
Provincial	16,712	15,648	18,800	19,100	19,111	21,800	28,000	34,710	36,800	36,819	57,000	54.8
A. Direct Taxes (1+2)	105,098	105,588	115,672	128,556	147,403	157,886	171,188	186,473	224,147	337,639	385,100	14.1
Federal	103,182	103,476	112,600	124,585	142,649	151,976	164,497	176,930	215,000	334,168	376,000	12.5
Provincial	1,916	2,112	3,072	3,971	4,754	5,910	6,691	9,543	9,147	3,471	9,100	162.2
B. Indirect Taxes (3+4+5+6+7)	249,656	285,138	289,928	313,044	331,932	397,914	439,812	472,937	579,553	552,046	677,400	22.7
3. Excise Duty	62,922	62,691	56,934	50,325	48,572	45,437	47,538	60,813	58,702	74,026	100,649	36.0
Federal	62,011	60,572	55,600	49,000	47,189	44,002	45,823	58,670	55,000	71,575	98,000	36.9
Provincial	911	2,119	1,334	1,325	1,383	1,435	1,715	2,143	3,702	2,451	2,649	8.1
4. Sales Tax*	53,942	68,680	116,767	153,500	166,618	195,138	220,607	235,533	294,600	309,228	375,000	21.3
5. Taxes on Interna- tional Trade	74,496	78,654	61,600	65,000	47,817	68,835	90,940	117,243	138,200	132,200	154,000	16.5
6. Surcharges*	42,911	61,927	38,912	30,200	54,854	68,230	61,381	26,769	50,800	64,546	53,000	-17.9
6.1 Gas	6,364	9,855	13,500	12,300	18,867	21,358	16,770	16,165	26,300	34,888	53,000	51.9
6.2 Petroleum	36,547	52,072	25,400	17,900	35,987	46,872	44,611	10,604	24,500	29,658	0	-
7. Other Taxes **	15,385	13,186	15,715	14,019	14,071	20,274	80,727	59,348	88,051	36,592	47,751	30.5
7.1 Stamp Duties	4,814	5,287	6,397	5,230	5,721	6,631	10,329	10,573	10,211	10,268	12,210	18.9
7.2 Motor Vehicle Taxes	2,113	2,368	2,803	3,121	3,195	3,893	4,722	5,749	7,107	7,719	9,100	17.9
7.3 Foreign Travel Tax*	1,464	1,769	1,350	1,048	1,097	4,054	4,751	2,050	3,593	3,681	3,713	0.9
7.4 Others	6,994	3,762	5,165	4,620	4,058	5,696	60,925	40,976	67,140	14,924	22,728	52.3
II. Non-Tax Revenues	74,700	77,875	106,900	111,400	146,000	165,000	182,700	240,604	272,900	408,272	483,000	18.3
Federal	62,400	54,613	90,800	91,500	124,700	139,600	160,600	218,200	225,300	362,864	403,000	11.1
Provincial	12,300	23,262	16,100	19,900	21,300	25,400	22,100	22,404	47,600	45,408	80,000	76

\* Revenues under these heads are exclusively Federal.

Source: Budget Wing, Finance Division, Islamabad

\*\* Mainly include Provincial Revenues.

Q.E. Quick Estimates

R.E. Revised Estimates.

TABLE 4.4

## CONSOLIDATED FEDERAL AND PROVINCIAL GOVERNMENTS EXPENDITURES

(Rs million)

Fiscal Year/ Item	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07 RE	2007-08 (Q.E)
Current Expenditure	529,911	547,279	626,400	645,700	700,200	791,700	775,000	864,500	1,034,700	1,375,345	1,832,500
Federal	407,211	424,443	477,900	479,000	524,600	599,800	557,000	664,200	789,100	973,130	1,416,500
Provincial	122,700	122,836	148,500	166,700	175,600	191,900	218,000	200,300	245,600	402,215	416,000
Defence	136,164	143,471	150,400	131,200	149,254	159,700	184,904	211,717	241,063	249,858	277,300
Interest	202,356	220,100	262,247	249,252	273,894	235,304	226,256	219,744	260,021	387,119	527,800
Federal	196,251	213,259	245,100	234,500	245,300	209,700	202,500	210,196	237,119	369,000	503,200
Provincial	6,105	6,841	17,147	14,752	28,594	25,604	23,756	9,548	22,902	18,119	24,600
Current Subsidies	8,840	15,035	23,239	29,028	29,221	57,114	67,920	66,673	101,238	76,039	389,500
Federal	6,268	9,533	14,700	19,900	25,488	50,000	62,500	57,800	86,300	74,010	373,300
Provincial	2,572	5,502	8,539	9,128	3,733	7,114	5,420	8,873	14,938	2,029	16,200
Gen. Administration*	61,431	66,950	92,108	100,981	91,024	100,210	120,023	130,531	252,241	384,784	368,159
Federal	27,344	26,650	47,500	70,700	56,300	60,900	75,500	81,400	103,100	146,017	175,700
Provincial	34,087	40,300	44,608	30,281	34,724	39,310	44,523	49,131	149,141	238,767	192,459
All Others**	121,120	101,723	98,406	135,239	156,807	239,372	175,897	235,835	180,137	277,545	269,741
Development Expenditure	104,095	98,286	95,600	89,800	126,250	129,200	161,000	227,718	365,100	433,658	411,700
Net Lending to PSEs	-	2,213	-12,900	-17,600	-200	-22,700	20,000	24,763	2,100	-9,035	-15,300
Total Expenditure	634,006	647,778	709,100	717,900	826,250	898,200	956,000	1,116,981	1,401,900	1,799,968	2,228,900
<u>Memorandum Items:</u>											
	(Percent Growth over Preceding period)										
Current Expenditure	16.4	3.3	14.5	3.1	8.4	13.1	-2.1	11.5	19.7	32.9	33.2
Defense	6.8	5.4	4.8	-12.8	13.8	7.0	15.8	14.5	13.9	3.6	11.0
Interest	25.6	8.8	19.1	-5.0	9.9	-14.1	-3.8	-2.9	18.3	48.9	36.3
Current Subsidies	-25.8	70.1	54.6	24.9	0.7	95.5	18.9	-1.8	51.8	-24.9	412.2
General Administration	33.8	9.0	37.6	9.6	-9.9	10.1	19.8	8.8	93.2	52.5	-4.3
All Others	11.2	-16.0	-3.3	37.4	15.9	52.7	-26.5	34.1	-23.6	54.1	-2.8
Development Expenditure	21.7	-5.6	-2.7	-6.1	40.6	2.3	24.6	41.4	60.3	18.8	-5.1
Total Expenditure	17.2	2.2	9.5	1.2	15.1	8.7	6.4	16.8	25.5	28.4	23.8
	As % of Total Expenditure										
Current Expenditure	83.6	84.5	88.3	89.9	84.7	88.1	81.1	77.4	73.8	76.4	82.2
Defense	21.5	22.1	21.2	18.3	18.1	17.8	19.3	19.0	17.2	13.9	12.4
Interest	31.9	34.0	37.0	34.7	33.1	26.2	23.7	19.7	18.5	21.5	23.7
Current Subsidies	1.4	2.3	3.3	4.0	3.5	6.4	7.1	6.0	7.2	4.2	17.5
General Administration	9.7	10.3	13.0	14.1	11.0	11.2	12.6	11.7	18.0	21.4	16.5
All Others	19.1	15.7	13.9	18.8	19.0	26.7	18.4	21.1	12.8	15.4	12.1
Development Expenditure@	16.4	15.5	11.7	10.1	15.3	11.9	18.9	22.6	26.2	23.6	17.8
Total Expenditure	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Budget Wing, Finance Division

\* Also include law &amp; order, social, Economic and Community Services.

\*\* Include mainly Provincial Expenditures.

@ Include net lending

Note: Variation in figures of interest payments of table 4.4 and 4.5 is on account of different methodology and sources of data collection used by Budget Resource Section and Debt Management Section of Finance Division.

QE: Quick Estimates

RE: Revised Estimates

TABLE 4.5

## DEBT SERVICING

Fiscal Year/ Item	(Rs million)											%Change 2007-08/ 2006-07
	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07 RE	2007-08 BE	
A. <u>Interest Payments</u>	202,356	220,100	273,909	254,234	278,671	241,678	236,849	250,611	276,565	358,780	336,264	29.7
A.1 Federal	196,251	213,259	256,762	239,482	250,077	216,074	202,940	216,042	244,648	335,880	318,164	37.3
Interest on Domestic Debt	167,513	175,273	210,155	188,482	189,477	166,874	161,540	176,342	202,548	287,463	443,800	41.9
Interest on Foreign Debt	28,738	37,986	46,607	51,000	60,600	49,200	41,400	39,700	42,100	48,417	59,400	15.0
Foreign Loans	24,836	30,335	34,691	40,355	68,134	45,571	111,258	35,030	63,603	50,651	53,251	-20.4
IMF Drawings	1,555	1,707	2,513	2,909	2,483	0.0	1,295	423	0	0	0	0.0
Food Credit/ Short Term Borrowings	2,347	3,133	6,167	4,187	2,483	1,840	288	445	814	1,213	385	49.0
Euro Bonds	-	2,811	3,236	4,690	4,812	3,609	2,242	4,720	5,774	7,762	9,365	34.4
\$ Denomination Bonds	-	-	-	-	-	429	265	198	264	265	265	0.2
A.2 Provincial	6,105	6,841	17,147	14,752	28,594	25,604	33,909	34,569	31,917	22,900	18,100	-28.3
B. <u>Repayments/Amortization of Foreign Debt.</u>	83,961	122,980	97,071	96,160	164,905	64,234	69,765	55,724	85,411	67,304	88,011	-21.2
Foreign Loans	59,327	77,431	78,608	74,623	68,134	46,207	45,978	54,258	63,603	54,040	62,886	17.2
Food Credits	24,634	45,549	18,463	21,537	96,771	18,027	23,787	1,466	21,809	13,264	25,125	1387.6
C. <u>Total Debt Servicing (A+B)</u>	286,317	343,080	370,980	350,394	443,576	305,912	306,614	306,335	361,976	426,084	424,275	18.2
MEMORANDUM ITEMS (As Percent of GDP) <sup>£</sup>												
Interest on Domestic Debt (Federal)	6.3	6.0	5.5	4.5	4.3	3.4	2.9	2.7	2.7	3.3	4.2	
Interest on Foreign Debt	1.1	1.3	1.2	1.2	1.4	1.0	0.7	0.6	0.6	0.6	0.6	
Repayment of Foreign Debt	3.1	4.2	2.5	2.3	3.7	1.3	1.2	0.9	1.1	0.8	0.8	
Total Debt Servicing	10.7	11.7	9.7	8.3	10.0	6.3	5.4	4.7	4.7	4.9	4.0	

Source: D.M. Section, Finance Division, Islamabad

Q.E: Quick Estimates

R.E: Revised Estimates

Note:

Variation in figures of interest payments of table 4.4 and 4.5 is on account of different methodology and sources of data collection used by Budget Resource Section and Debt Management Section of Finance Division.

£ Beginning from 1999-2000, Pakistan's GDP was rebased at 1999-2000 Prices from two decades old base of 1980-81. Therefore, wherever, GDP appears in denominator the number of prior to 1999-2000 are not comparable.

TABLE 4.6

## INTERNAL DEBT OUTSTANDING (AT END OF PERIOD)

Fiscal Year/ Type of Debt	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	(Rs million)		% Change 2007-08/ 2006-07
									2006-07 R.E.	2007-08 Q.E.	
Permanent Debt	317,402	325,569	349,212	424,767	468,768	570,009	526,179	514,879	562,540	618,313	9.3
Floating Debt	561,590	647,428	737,776	557,807	516,268	542,943	778,163	940,233	1,107,655	1,503,373	17.8
Un-funded Debt	573,945	671,783	712,010	792,137	909,500	914,597	873,248	881,706	940,007	1,020,736	6.6
Total	1,452,937	1,644,780	1,798,998	1,774,711	1,894,536	2,027,549	2,177,590	2,336,818	2,610,202	3,142,422	11.7
	(Percent Share in Total Debt)										
<u>Memorandum Items:</u>											
Permanent Debt	21.8	19.8	19.4	23.9	24.7	28.1	24.2	22.0	21.6	19.7	
Floating Debt	38.7	39.4	41.0	31.4	27.3	26.8	35.7	40.2	42.4	47.8	
Un-funded Debt	39.5	40.8	39.6	44.6	48.0	45.1	40.1	37.7	36.0	32.5	
Total Debt as % of GDP (mp)	49.4	43.0	42.7	39.9	38.9	35.9	33.5	30.7	29.9	30.0	

R.E: Revised Estimates

Q.E: Quick Estimates

Source: D.M. Section, Finance Division, Islamabad