

# BUDGET 2011-12

## Federal Budget

### Salient Features of National Budget 2011-12

Following are salient features of the national budget for Fiscal Year 2011-12

- The total outlay of budget 2011-12 is Rs.2767 billion. The size is 14.2 per higher than the size of budget estimates of 2010-11.
- The resource availability during 2011-12 has been estimated at Rs. 2463 billion against Rs. 2256 billion in the budget estimates of the outgoing fiscal year.
- Net revenue receipts for 2011-12 have been estimated at Rs. 1529 billion indicating an increase of 11 percent over the budget estimates of fiscal year 2010-11.
- The provincial share in federal revenue receipts is estimated at Rs. 1203 billion during 2011-12 which is 16.4 per cent higher than the budget estimates for 2010-11.
- The capital receipts (net) for 2011-12 have been estimated at Rs. 396 billion against the budget estimates of Rs. 325 billion in 2010-11 indicating an increase of 11 per cent.
- The external receipts in 2011-12 are estimated at Rs. 414 billion. This shows an increase of 7.1 per cent over the budget estimates for 2010-11.
- The overall expenditure during 2011-12 has been estimated at Rs. 2767 billion of which the current expenditure is Rs. 2315 billion and development expenditure at Rs. 452 billion. Current expenditure shows increase of less than one per cent over the revised estimates of 2010-11, while development expenditure will increase by 64.4 per cent in 2011-12 over the revised estimates of 2010-11.
- The share of current expenditure in total budgetary outlay for 2011-12 is 83.7 per cent as compared to 89 per cent in revised estimates for 2010-11.
- The expenditure on General Public Services (inclusive of debt servicing transfer payments and superannuation allowance) is estimated at Rs. 1660 billion which is 71.1 per cent of the current expenditure.
- The size of Public Sector Development Programme (PSDP) for 2011-12 is Rs. 730 billion. While for Other Development Expenditure an amount of Rs. 97 billion has been allocated. The PSDP shows an increase of 58 per cent over the revised estimates of 2010-11.
- The provinces have been allocated an amount of Rs. 430 billion for budget estimates 2011-12 in their PSDP as against Rs. 373 billion in 2010-11.

### Public Sector Development Programme (PSDP)

- Rs 730 billion set aside for development in 2011-12
- The federal government announced a total development budget of Rs 730 billion for the fiscal year 2011-12 against last financial year's Rs 663 billion, showing a 10 percent increase.
- Of the total Public Sector Development Programme (PSDP), a sum of Rs 290 billion has been allocated for uplift projects of the federal government, Rs 430 billion for the provinces through their Annual Development Programmes (ADPs) and Rs 10 billion for the Earthquake Reconstruction and Rehabilitation Authority (ERRA).
- As per the annual development plan, the GDP growth target for the year 2011-12 has been fixed at 4.2 percent.
- Distribution of the Rs 290 billion federal component of the PSDP among different ministries/divisions/organizations would be as follows:
  - Rs 36.136 billion for the Water and Power Division (Water Sector)
  - Rs 22 billion for the Pakistan Atomic Energy Commission
  - Rs 10.37 billion for the Finance Division
  - Rs 15 billion for the Railways Division

- Rs 31.197 billion for the Planning and Development Division
- Rs 14 billion for the Higher Education Commission (HEC)
- Rs 2.137 billion for the Industries and Production Division
- Rs 5.8 billion for the Interior Division
- Rs 3.845 billion for the Defense Division
- Rs 1.396 billion for the Housing and Works Division
- Rs 2.692 billion for the Cabinet Division
- Rs 1.146 billion for the Science and Technological Research Division
- Rs 1.2 billion for the Law and Justice Division
- Rs 1.97 billion for the Revenue Division
- Rs 149.7 million for the Petroleum and Natural Resources Division
- Rs 793.1 million for the Information Technology and Telecom Division
- Rs 1.454 billion for the Defense Production Division
- Rs 424.6 million for the Commerce Division
- Rs 172 million for the Communication Division (other than NHA)

### **Tax Collection Target Set At Rs 1.96 Trillion**

- The federal government has assigned the Federal Board of Revenue (FBR) a tax collection target of Rs 1.952 trillion for the next fiscal year 2011-12 as against the revised target of Rs 1.587 trillion for the outgoing year 2010-11, projecting an increase of Rs 365 billion.
- Direct taxes target was fixed at Rs 657.7 billion for the year 2010-11, however, the same was revised to Rs 626.9 billion. The government has fixed a direct taxes target of Rs 743.6 billion for the year 2011-12, indicating an increase of Rs 116 billion.
- Sales tax target was fixed at Rs 674.9 billion for the year 2010-11, however, this was revised to Rs 654.6 billion. The government has fixed a sales tax target of Rs 836.7 billion for the year 2011-12, indicating an increase of Rs 182.1 billion.
- Federal Excise Duty (FED) target was fixed at Rs 153.6 billion for 2010-11, however, this was revised to Rs 132.9 billion. The government has fixed a FED target of Rs 165.6 billion for 2011-12, indicating an increase of Rs 32.7 billion.
- Customs duty target was fixed at Rs 180.8 billion for 2010-11, however, this was revised to Rs 173.3 billion. The government has fixed a customs duty target of Rs 206.4 billion for 2011-12, indicating an increase of Rs 33.1 billion.

*[The information has been compiled from different dailies]*

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### **NA Approves Federal Budget 2011-12**

The government cleared a major hurdle in the National Assembly with the approval of the federal budget for the fiscal year 2011-12, rejecting all amendments moved by the PML-N. Only two loud voices of 'No' were heard while the majority said 'Yes'. PML-Q's Marvi Memon was one of the two who said 'No' and then resigned as member of the National Assembly. Unlike the occasion of the presentation of the budget, when the opposition created a tumult in the House, the approval of the budget turned out to be a surprisingly smooth affair. But fireworks started after the passage of the budget. The National Assembly will take up the supplementary budget of more than Rs. 350 billion. A number of amendments proposed by the finance minister were incorporated in the Finance Bill, 2011-12, including those envisaging tax concessions for industrial undertakings. New industrial undertakings for manufacturing in the country will get a tax credit equal to hundred per cent of the tax payable on the taxable income arising from such undertaking for five years.

**[The News – June 23, 2011]**

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## Punjab Budget

### Punjab Unveils Rs. 654bn Balanced Budget

The Punjab government, while imposing direct and indirect provincial taxes of more than Rs. 12,623 million in the budget for fiscal year 2011-12, also announced a 15 percent increase in salaries and 15 to 20 percent increase in pensions of provincial employees. The total financial outlay of the budget for FY 2011-12 has been estimated at Rs. 654,749.818 million with an allocation of Rs. 220,000 million to the Annual Development Programme (ADP). Minority Affairs Minister, Kamran Michael, who had been given the position of Finance Minister, presented the budget in the Punjab Assembly (PA). It was the first time in the history of Punjab that a member from the Christian community was selected for the task during the 27th session of the PA. Opposition parties, especially the Pakistan People's Party (PPP), some of the members kept chanting slogans of "shame" at different stages of the speech, especially when the finance minister announced some new projects of the provincial government. The current expenditure in the budget had been estimated at Rs. 434,749.818 million against the previous budget estimation of Rs. 386,786 million for FY 2010-11. The Punjab government expects Rs. 530,806.067 million from the Federal Divisible Pool; meanwhile the Provincial Tax Revenue has been estimated at Rs. 88,517.300 million and Provincial Non-Tax Revenue at Rs. 21,674.367 million. A 25 percent increase in conveyance allowance of all government employees from Grade 1 to Grade 15 was announced. Implementation on this announcement would be effected from July 1. Reduction in Entertainment Tax from 65 percent to 20 percent, fixing it for theatre and circus and exempting cinema houses from taxes for the next three years was also proclaimed. Tickets for chair lifts installed at different places in the province would also be exempted from the taxes for the next three years. Announcing introduction of the Punjab Rozgar Scheme, PML-N government plans to reintroduce the Yellow Cab Scheme in the province. Rs. 4,500 has been allocated for the scheme in which 20,000 yellow cabs would be distributed among the skilled yet unemployed youth. Government would also provide no-interest loans worth Rs. 20,000 to 0.1 million skilled and educated people of the province during the next financial year. Imposition of taxes on big farmhouses, swimming pools, services and memberships of elite clubs and luxury vehicles are asserted.

[Daily Times – June 11, 2011]

## Sindh Budget

### Sindh Presents Rs. 457.5bn Surplus, Tax-Free Budget

The Sindh government announced Rs. 457.5 billion revenue-oriented budget for next fiscal, 2011-12. Provincial Finance Minister Murad Ali Shah, while presenting the tax-free budget in the Sindh Assembly, said that the total receipts were pitched at Rs. 458.4 billion. Thus, the province is estimating a surplus of Rs. 882.1 million. The overall development portfolio is an unprecedented Rs. 161 billion. Under the National Finance Commission Award, the revised estimates of receipts from federal divisible pool are Rs. 199.03 billion as against budget estimates of Rs. 207.3 billion. Revised estimates of Straight Transfers are Rs. 61.5 billion as against budget estimates of Rs. 51.2 billion. The total federal receipts for the outgoing year are estimated at Rs. 266.03 billion, a rise of 34 percent over last year's Rs. 199 billion. Sindh will get about Rs. 19.2 billion under the head of Sales Tax. As against the budget estimate of Rs. 50.5 billion, provisional tax and non-tax receipts are revised to Rs. 45.1 billion, indicating a 13 percent increase from revised estimates for the last financial year.

The current revenue expenditure for 2010-11 has been revised upward at Rs. 281.237 billion as against budget estimate of Rs. 268.267 billion. The revised figure for current capital expenditure is Rs. 20.488 billion against the budget estimate of Rs. 18.898 billion. Estimated revenue receipt from federal divisible pool for financial year 2011-12 is Rs. 251.9 billion, which is a 21 percent

increase over budget estimates of 2010-11. Receipts under straight transfer are estimated at Rs. 53.4 billion which is marginally higher than last year's budget estimates of Rs. 51.2 billion. The province's own receipts are estimated at Rs. 79.9 billion with the inclusion of Sales Tax. The expenditure for financial year 2011-12 is estimated at Rs. 283.147 billion which is only one percent higher over the revised estimates of Rs. 281.237 billion for financial year 2010-11. The current revenue expenditure of the province has decreased from Rs. 147.451 billion for outgoing financial to Rs. 146.276 billion for coming financial year. A development package of Rs. 2 billion was announced for Karachi in the budget. A new city called Zulfiqarabad will be established along coastal belt of Thatta, for which 325,000 acres of land were allocated. The province suffered economic loss of Rs. 454 billion due to the floods.

[Daily Times – June 11, 2011]

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## Balochistan Budget

### Provincial Budget 2012 Balochistan Neglects Its Own Development

Balochistan Finance Minister Mir Asim Kurd unveiled a Rs. 1,644 billion budget for the fiscal year ending June 30, 2012 and announced that the province would spend Rs. 31.2 billion on development, or about 19% of the total and 10% less than the outgoing fiscal year. By contrast, Punjab plans to spend 33% on development, Khyber-Pakhtunkhwa 34%, and Sindh a little over 35%. The single biggest non-development allocation in the provincial budget is towards education, which is slated to get Rs.19.3 billion, or about 11.7% of the total budget, and only 11% (less than inflation) more than last year. Much of the increase comes from allocating more funds for higher education since education became part of the provincial government's responsibility as a result of the 18th Amendment to the constitution. Health is expected to get Rs. 8.8 billion, about 5.3% of the budget. The government has announced its intention to increase salaries for doctors by about 25%. Law enforcement and public safety has been allocated Rs. 11.5 billion, which is less than the Rs. 12.5 billion allocation last year. The decrease comes despite the government's announced intention of increasing the capabilities of its own civilian police force and paramilitaries to improve the deteriorating law and order situation in the province.

The provincial government has completely abolished its local government system and will allocate no money to sub-provincial governments. The overall budget for the province is only 8.2% more than the Rs.152 billion outlay for fiscal year 2011, an increase that is almost half the pace of inflation (clocking in currently around 14%). Balochistan appears to lack the fiscal space to increase its budget allocations for development or other necessary expenditures, especially after it was forced by precedent to follow the federal government's announcements of salary increases of 15% and pension increases of up to 20% for government employees and retirees. The provincial government then further handicapped its own ability to generate revenues by announcing an expansion in its own workforce of about 6,300. The government will also spend about half a billion rupees on subsidizing wheat. Quetta plans to rely on its own tax collection efforts for less than 3% of its total revenues, with only Rs. 4.8 billion set as the province's collection target. The budget deficit is expected to be about Rs. 6.7 billion, also likely to be financed by the federal government. The province is slated to receive Rs. 11 billion extra from the federal government on account of increased income tax collections and sales tax on services, collected on behalf of the province. However, it must also spend about Rs. 5.3 billion on debt servicing, which is nearly equal to the provincial budget deficit.

[The Express Tribune - June 22, 2011]

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## Khyber Pakhtunkhwa Budget

### Khyber Pakhtunkhwa Budget 2011-12

Khyber-Pakhtunkhwa Finance Minister Humayun Khan presented a Rs. 249 billion budget for 2011-12 to the KP Provincial Assembly, including a development component of Rs 85 billion. The presentation had much of its thunder stolen by the federal government's increase of pays and pensions, which the provincial governments had no choice but to implement for their employees. However, once this was done, the coalition ANP-PPP government found that the benefit of the 7th NFC Award was being frittered away. Originally it was increased because the provinces now had to take up the financial burden of the devolved departments; the NFC increases have so far merely gone to fund the raise in salaries. At the same time, the ANP-headed government, which as a believer in greater provincial autonomy, had been in the forefront of the move to devolve certain federal departments to the provinces, does not seem to have taken any of the steps that would tell people that devolution had taken place, and had some meaning. It seems that the ANP limits the reality of provincial autonomy to promoting Indian interests, as its federal ministers are doing, and opposition to Kalabagh Dam. The budget did not include any gesture, not even a token one, towards the power crisis that is gripping the country in no small measure because of the ANP leading the opposition to Kalabagh Dam, a project in the best national interest.

The creation of 6992 vacancies can be seen as an attempt to win electoral support as much as fulfil the needs of the provincial government. In development schemes, apart from the 632 ongoing schemes, there are also 403 new ones, which reflect a major expansion of development spending. This is not as good news for the province as it seems; for there is a lot of running to stay in the same place, because of the last monsoon floods, which wreaked such havoc in the province. Though nearing the end of its tenure, the ANP does not seem to be preparing for elections, at least not in making the budget.

[The Nation – June 13, 2011]

## Gilgit-Baltistan Budget

### Budget 2012: Gilgit-Baltistan Presents Rs15.4 Billion Budget

The government of Gilgit-Baltistan presented a Rs15.4 billion budget for fiscal year 2012, even as journalists in the region boycotted the election proceedings for what they felt were promises broken by Prime Minister Yousaf Raza Gilani and Chief Minister Mehdi Shah. The budget for the fiscal year ending June 30, 2012 is approximately 40.4% higher than the actual spending for the outgoing year of about Rs11 billion. However, it is only 18% higher than the announced Gilgit-Baltistan budget of Rs13 billion for fiscal year 2011. Like the four provinces, Gilgit-Baltistan's government lacks the capacity to spend all of the money that is allocated to it by the federal government.

Gilgit-Baltistan Finance Minister Muhammad Ali Akhtar presented the budget to the region's Legislative Assembly. About 47% of the budget, or Rs7.3 billion, has been allocated for development spending, a substantial increase over the Rs3.34 billion spent on development last year. However, last year, the regional government was only able to spend about 60% of the total budget allocated for development, which accounted for most of the unspent money in 2011's budget. Gilgit-Baltistan has allocated Rs1 billion for health, Rs1.75 billion for education, Rs1.5 billion for law enforcement and security and Rs2 billion for nine major hydroelectric power projects in the region. The budget also allocated Rs20 million for the promotion of tourism to the region — a vital source of revenue for Gilgit-Baltistan's economy. Gilgit-Baltistan is also the only government in Pakistan that makes its entire development budget available in a Microsoft

Excel file, available for download on its website. The existence of this format is highly convenient for civil society and journalists to analyze the government's spending patterns. Economists and public policy experts, including some at international organizations, have been asking the federal and provincial governments to adopt a similar approach.

**Budget Boycott:** Meanwhile, reporters in Gilgit-Baltistan boycotted the proceedings of the legislative assembly during the budget session in protests against what they feel are broken promises by the prime minister and the chief minister. Opposition lawmakers including PML-Q members Bashir Ahmed and Amina Ansari, PML-N member Janbaz Khan, MQM member Raja Azam, Balawaristan National Front member Nawaz Naji and independent member Didar Ali also joined the protesting journalists.

[The Express Tribune – June 21, 2011]

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