

Strengthening National and Provincial Legislative Governance Project

PROCEEDINGS

ROUNDTABLE
DISCUSSION ON

Understanding the Budget 2004-05

June 27, 2004
Hotel Marriott, Islamabad

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Prepared By

Pakistan Institute of Legislative Development And
Transparency - PILDAT



As a Part of
Pakistan Legislative Strengthening
Consortium - PLSC



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Abbreviations & Acronyms

MMAP	Muttahidda Majlis-e-Amal Pakistan
BNP (A)	Balochistan National Party (Awami)
MQM	Mottahidda Qaumi Movement
NFC	National Finance Commission
NUST	National University of Science and Technology
PARCO	Pak Arab Refinery
PIA	Pakistan International Airlines
PILDAT	Pakistan Institute of Legislative Development And Transparency
PLSC	Pakistan Legislative Strengthening Consortium
PML(N)	Pakistan Muslim League (Nawaz)
PML(Q)	Pakistan Muslim League (Quaid-e-Azam)
PPPP	Pakistan Peoples Party Parliamentarian
PRSP	Poverty Reduction Strategy Paper
PSDP	Public Sector Development Programme
PSO	Pakistan State Oil
SPDC	Social Policy and Development Centre
SUPARCO	The Pakistan Space and Upper Atmosphere Research Commission

Acknowledgments

PILDAT, as a part of the PLSC, wishes to acknowledge the support of USAID under the project of Strengthening National and Provincial Legislative Governance for the organisation of the Roundtable Discussion. PILDAT would also like to acknowledge the invaluable contribution of all its participants at this Roundtable Discussion.

PILDAT would especially like to thank all the resource persons for their commitment and effort. Key speakers included Dr. Kaiser Bengali, Managing Director, Social Policy and Development Centre, Dr. Qazi Masood Ahmed, Associate Professor, Institute of Business Administration, Syed Naveed Qamar, MNA, and Dr. Ashfaque Hasan Khan, Economic Advisor, Ministry of Finance. PILDAT would also like to acknowledge the invaluable contribution of all its participants at the Roundtable Discussion.

We would also like to thank the Session Chair Senator Prof. Khurshid Ahmed, Chairman Institute of Policy Studies for presiding over the session and actively participating in the discourse.

Disclaimer

PILDAT has made every effort to ensure the accuracy of views, discussion and presentations in compiling and editing of this report. PILDAT, however, does not take any responsibility of any omission or an error since it is not deliberate. The views expressed at this workshop and presented in this report are those of the resource persons and participants and do not necessarily represent the views of PILDAT, PLSC or USAID.

Introduction

Pakistan Institute of Legislative Development And Transparency - PILDAT held a Roundtable Discussion on "***Understanding the Budget 2004-05***" on Sunday, June 27, 2004 at Hotel Marriott, Islamabad. The Roundtable was organised under the Strengthening National and Provincial Legislative Governance (SNPLG) project supported by USAID.

The Roundtable Discussion was arranged in order to give parliamentarians an overview of the new budget for Pakistan, the Government's policies towards economic development and their reflection in the Budget, and the role of parliamentarians in the budget process. The objective of the Roundtable was to raise awareness of legislators about the budget process, and to equip them with the tools to effectively contribute to the budget process and economic policies.

A total of 27 parliamentarians attended the Roundtable Discussion, out of which there were 11 Senators, 14 MNAs and 2 MPAs. The Discussion was also attended by selected government officials.

Appendix A carries the detailed programme of the event. A list and profile of participants is included as **Appendix B**.

Executive Summary

The Roundtable Discussion on "Understanding the Budget 2004-05" was held in order to provide an in-depth analysis of the Budget 2004-05 to parliamentarians, civil society members, and other stake-holders. It was an effort to enhance the understanding of all relevant stakeholders about the provisions in the budget and their implications for Pakistan's social and economic development.

A total of 26 parliamentarians and 7 other participants attended the Roundtable. The general consensus amongst participants was that there needed to be greater parliamentary involvement in the Budget process. Other conclusions reached by participants included:

- The need for a collaborative effort between the private, public and civil sector in attempts to mobilize economic activity.
- The need for political stability and a stable law and order situation to build confidence among foreign and local investors.
- The government should provide additional incentives for domestic production particularly in the sector of agriculture.
- Clarification and transparency was necessary for the public as to the detailed expenditure of the military and existing budget classifications needed to be elaborated on to help economists conduct a more accurate analysis.
- The shortage of water was one of the greatest impediments to agricultural growth in Pakistan and needed to be addressed on an urgent basis and to bring additional land under cultivation.
- Despite the shift from stabilization to growth-oriented policies, results would be visible after a time lag and consistent effort needed to be made to ensure those results.

Participants felt that greater participation of both parliamentarians and civil society was needed in the budget process in order to make it more effective and responsive to Pakistan's social and economic development needs.

Introduction

Mr. Ahmed Bilal Mehboob
Executive Director, PILDAT

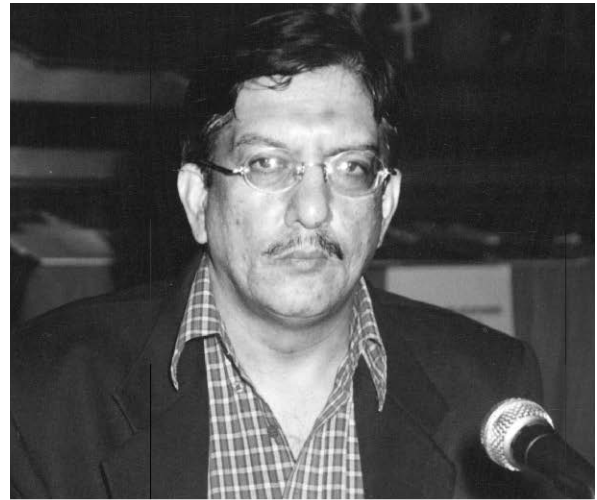


Mr. Ahmed Bilal Mehboob welcomed all participants to the Roundtable Discussion on "Understanding the Budget 2004-2005". He commented on the fact that although several reviews of the Budget 2004-2005 had been conducted, a detailed and informed analysis was yet to be held. He hoped that this forum of eminent policy analysts and parliamentarians could play an instrumental role in facilitating this endeavour. He described the forum as a serious effort to analyze the budget and highlight its implications for the direction of the economy.

Mr. Ahmed Bilal Mehboob introduced PILDAT as a research and training organisation dedicated to strengthening democratic institutions and processes in Pakistan. He stressed on the need for greater participation of the public in development of laws and policies which affect them. He emphasized the need for institutionalizing this principle and to move towards a political system where parliamentarians play a more proactive role in policy development and a culture where the general public has greater interest in the workings of the Parliament and Government.

Understanding the
Budget 2004-05

Dr. Qazi Masood Ahmed
Associate Professor
Institute of Business Administration



Dr. Qazi Masood Ahmed described the Budget as the most important document of the government's fiscal policy that denotes economic indicators displaying the future direction for the economy. He added that it was an instrument that was representative of the government's fiscal policies and their impact on the economy.

Dr. Ahmed stated that he would analyze the Budget by focusing on three angles, first, outlining what the governments policies are, second, what steps the has government taken to implement these policies and third, what the consequences are of those policies.

He emphasized that it was very important to analyze how the federal budget would impact the revenues of provincial governments. He elaborated on how social, community and economic services are a provincial responsibility and provinces are becoming increasingly dependent on the transfer of federal revenues towards provincial expenditure.

Dr. Ahmed described Pakistan from 1988 onwards and particularly from 1997 onwards as a nation in which stabilization policies were strongly emphasized to reduce the budget deficit, and promote transparency. He observed that the government was able to stabilize the economy in the last 5 years, however poverty and unemployment had increased and income distribution had worsened. The government reduced development expenditure in order to reduce the budget deficit. He maintained that in 1970, development expenditure accounted for 10 %, in 1980 it was about 6 - 6.5% and fell to about 2.5-3% after that. He added that this decrease impacted growth of infrastructure and productivity.

Dr. Ahmed pointed out that that with the current budget, the government had shifted its focus to expansionary fiscal policies by reducing taxes and increasing expenditure with the aim of expanding the economy. He said that the Budget Estimate for Development Expenditure for 2004-5 was Rs 202 billion, which was a positive indicator.

Dr. Ahmed drew a comparison with India, and pointed out that development expenditure has accounted for about 14-15% of India's GDP and deficit accounts for 10 % for the last 10-11 years or so. He added that in contrast, our fiscal deficit accounts for 4.5-5% of GDP and development expenditure account for less than 6%.

Dr. Ahmed stated that the government claimed that it had been successful in meeting its tax collection targets. He said that these targets were based on a projected economic growth, 5 - 5.5% and industrial sector growth of 8-9%. However, when the revised budget was announced the growth rate was 6.25% and the manufacturing sector had increased growth by 17.1%. He stressed that the tax revenues did not reflect the impact of this growth and that Rs. 161 billion was the target at a growth rate of 5% however only Rs. 161 billion was achieved despite a higher growth rate.

Dr. Ahmed stressed that regarding expenditure, in the current economic survey the classification of expenditure has been changed significantly and it

is difficult to compare current expenditure trends to previous years. He elaborated that general expenditure trends pertaining to government salaries could not be determined and that debt servicing, general administration and subsidies were all merged together under one heading of general public services. He added that since the government has re-classified these categories, more time was needed to analyze this correctly and conduct a detailed comparison.

Highlighting estimates, Dr. Ahmed stated that the fact that current expenditure had risen was beneficial because it included payment of foreign debt. He added that defence expenditure for 2004-5 had been increased by 7% and expenditure to maintain law and order had also been increased marginally. He also stated that since social services such as health, education were provincial responsibilities, he would not discuss them at this stage.

According to Dr. Ahmed, in the Budget 2004-5, there was a category of "others" that accounts for 41 billion. He questioned what the category of "others" included. He said actual current expenditure in 2003-4 had been 714, 021 million against a target of 645, 236 million and it is forecasted at 700,769 million for 2004-5, 13 per cent lower than the actual for 2003-4.

His second point was that the subsidies column painted a poor picture, there used to be food, fertilizer, consumer subsidies however they have been replaced by KESC and WAPDA subsidies. He added that they used to be 57 - 58% but have risen to 71% of total subsidies and the share of WAPDA and KESC is increasing.

One of the points was according to Dr. Ahmed was that the fiscal deficit was actually 173.9 billion compared to a target of 179.1 billion. According to Dr. Ahmed the target for next year is Rs. 213 billion and it was important to note that the federal government had shifted the burden of this deficit to the provinces.

Dr. Ahmed stated that the result was that resources were now flowing from the provinces governments to the federal government and this included

interest payment, recovery of loans, self-financing of PSDP and surplus of Provincial governments. Therefore the budget deficit of the federal government was reduced.

Dr. Ahmed identified this as a major negative shift in Pakistan's fiscal policy that the federal government budget deficit was reduced due to the fact that the burden was shifted onto provinces. He felt that this hindered growth and affected health, education and community services negatively.

Dr. Ahmed advocated that the burden on the provinces should be reduced and it was the moral responsibility of the federal government that some of the burden should be alleviated from the provinces and they should benefit from revenues.

In conclusion, Dr. Ahmed also stated, that the federal government provides loans to the provincial governments at a higher interest rate of 16-18 % whereas it only pays a nominal rate for loans. He maintained that the federal government needed to provide some relief in interest rates and debt repayment so that the money could be directed towards social services.

Dr. Kaiser Bengali
Executive Director
Social Policy and
Development Center



Dr Bengali stated that SPDC had strongly lobbied for a new agenda that the present budget includes and that an important achievement was that for the first time since 1994 development expenditure was more than defence expenditure.

He added that regarding taxes, the projected growth rate was 5.3% whereas the growth rate of the economy rose from 5.3 to 6.4 %, yet the tax rate did not which was a good sign.

Dr. Bengali pointed out that indirect taxes had become a larger share of tax revenue which increases the burden on the poor and suggested that Dr. Ashfaqe may be able to shed some light on why the projected and actual tax rates are exactly the same in the budget.

He also asked Dr. Ashfaqe to clarify why 10 out of 13 items on the projected customs duty data have exactly the same growth rate. Dr. Bengali highlighted that expenditure of the cabinet had risen from 44 billion to 448 billion to include the expense of a hospital and similarly the finance division's expenditure has risen from Rs. 3,911 million to Rs. 7,629 million due to Lyari Express way. He stated that significant increases in the division of expenses are difficult to analyze unless the classification is explained.

Dr. Ashfaque Hasan Khan
Economic Advisor, Ministry of Finance



Dr. Ashfaque began his speech by stating that he would like to elaborate on the budget and also clarify certain misconceptions so that everyone was clear on various perspectives on the budget. He stated that apart from the statistics that can be seen, the new budget has been created on the basis of a particular philosophy and the government has certain objectives for it.

He added that we are keen to see results overnight; however, economic development and policy implementation take time. According to Dr. Ashfaque, the 1990s decade was a difficult period for Pakistan, and debts had increased so much that two-thirds of the revenue was being directed towards debt-servicing, and only one-third remained to finance public sector development, social services and infrastructure.

He emphasized that in order to finance development expenditure, Pakistan continued to borrow and consequently fell into a debt trap. He added that Public Sector Development used to

account for 10% but fell to 2-3 % and the rate of economic growth also lagged as a consequence.

Dr. Ashfaqe maintained that as Employment generation capacity was also reduced, the pool of unemployed increased and people began to fall below the poverty line. He stated that in order to remedy this, the government pursued a stabilization policy for 3 years. He felt that we needed to reduce debt so that we could reduce the need to borrow and reduce the cost of borrowing to fill the revenue expenditure gap.

Dr. Ashfaqe mentioned that Debt servicing as a per cent of revenue started falling as a result and the money that was left over was then invested into public sector development programmes.

According to Dr. Ashfaqe, external debts were also rising and he quoted that a high figure for total external debt and liabilities as a per cent of your foreign exchange earnings of 335% was dangerous extremely dangerous for Pakistan because if the ratio exceeded 200%, it meant defaulting and Pakistan had technically defaulted.

Dr. Ashfaqe highlighted that today that ratio was 107 % and we have been able to pay \$ 1.6 billion before the due date. He identified that in 2002-2003, a reversal could be seen in the trend of macroeconomic indicators and that over the last year, further improvement was a great encouragement. Dr. Ashfaqe announced that the government's target for economic growth for next year was 6.6 % and 8 % by 2007-08.

Dr. Ashfaqe elaborated on how the private sector would play an instrumental role in achieving this and the government was responsible for creating a conducive environment that provides incentives for the private sector. He described that steps taken to provide incentives were first eliminating four different rates for sales tax such as 15%, 18%, 29% and 23% and levying only 15% as a sales tax rate. More steps included lowering duty on imported raw materials to increase imports and increase profitability.

Dr. Ashfaqe identified the second important player as the agricultural sector where the biggest constraint was that of water. He stated that the government had a plan to bring 2.9 million acres of land under cultivation so that there would be a quantum leap. Another important sector, he highlighted was that of housing and construction which could provide employment for several industries.

Dr. Ashfaqe pointed out that there were several changes that faced Pakistan, the biggest one being sustaining the momentum of the economic growth that has been achieved. He mentioned that we have a tendency to become fiscally irresponsible.

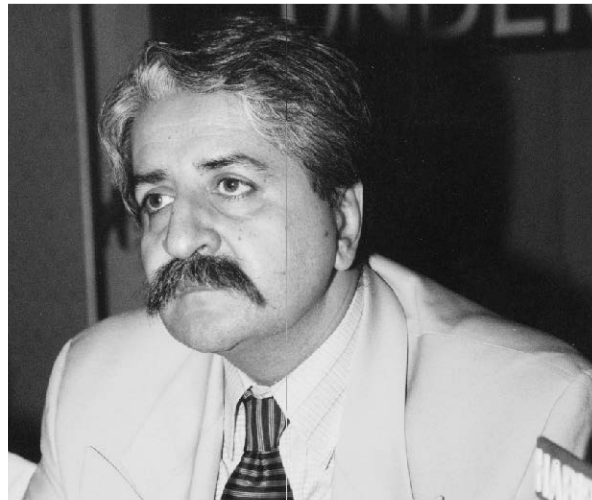
Dr. Ashfaqe described that a reporter of DAWN had conducted an analysis and observed that during December 2003, 4,632 advertisements had been made for jobs in comparison with December 2002, where only 602 jobs had been advertised.

He stated that due to May 1998's economic sanctions, Pakistan was in a balance of payments crisis. Dr. Ashfaqe identified two options, one Pakistan could keep borrowing to pay off the debts to avoid defaulting however there was no identifiable lender, given the sanctions. The second option was to borrow from the market and Pakistan bought \$ 5.6 billion from the market without accumulating any additional external debt. Consequently, debts were paid and Pakistan did not default.

He added that after Pakistan had stabilized the payments, we shifted to the Interbank market and shifted from a managed float exchange regime to a floating exchange rate.

In conclusion, he described the State Bank as being responsible for keeping a consistent exchange rate, controlling inflation and building reserves. He added that the State Bank counts the number of dollars that are bought and sold at the end of each day and then buys dollars with the difference so that the rupee does not appreciate and exports are not affected.

Syed Naveed Qamar
MNA (Hyderabad-V, PPPP)
Former Finance Minister



In Mr. Qamar's opinion, the discussion on statistics had been helpful in laying a foundation and he proposed steering the discussion towards the new direction of government policy from stabilization to growth. He emphasized the need to examine whether these targets were achievable or not.

Mr. Qamar said he did not think that the projected growth rate of 7-8 % would render visible results of decreases in poverty, unemployment and other indicators.

He stated that regarding agriculture, as a representative of the zamindar community, he could not see any substance in the incentives provided.

Mr. Qamar identified that taxes had been levied on agro inputs such as fertilizers and pesticides according to IMF conditionalities and that the government claimed that it would not continue with the IMF conditionalities any longer after this year. He pointed out that the agricultural sector had not been relieved of sales tax nor had any

incentives been given to the fertilizer industry.

According to Mr. Qamar, local blending of pesticides had been discouraged and there was a heavy reliance on imported pesticides. He stated that similarly, the incentives provided for tractors had been given on those that are less than 35 horse power and those that are higher than 100 horse power, neither of which are suitable for agricultural use in Pakistan with the exception of mountainous regions in Balochistan.

He highlighted that prices for other inputs such as diesel are increasing and if the market trend prevails, they will keep increasing.

Mr. Qamar stressed that although in financing, the interest rate is lower and does benefit new farmers in the market, expansion of actual acreage under cultivation is not expected to be too high because money lending facilities tend to lend only to those who were borrowers last year. He identified shortage of water, particularly in Sindh as another major main obstacle.

He stated that the programme mentioned earlier by Dr Ashfaque pertaining to lining of water courses has been in progress for a number of years and a quantum jump is quite ambitious.

In conclusion, Mr. Qamar emphasized that several military expenses are hidden and the figure for military expenditure does outweigh development expenditure once military pensions are included. Moreover, Mr. Qamar was of the view that the fundamental problem was that of political instability and long-term sustainable investment is only secure within the environment of a stable political future.

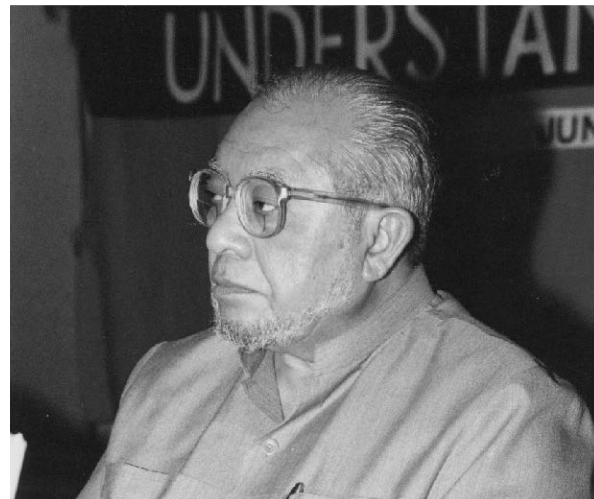
Concluding Remarks

Senator Prof. Khurshid Ahmed Chairman, Institute of Policy Studies

Senator Prof. Khurshid Ahmed presented his views as a panelist and highlighted that he could not ascertain any structural change in the new budget from the previous ones. He stated that during the 1990s, overall economic mismanagement prevailed.

He maintained that the stabilization policy was introduced in a certain policy framework. He said that after the collapse of the Berlin Wall, policies of deregulation, liberalization, privatization and market economy were adopted.

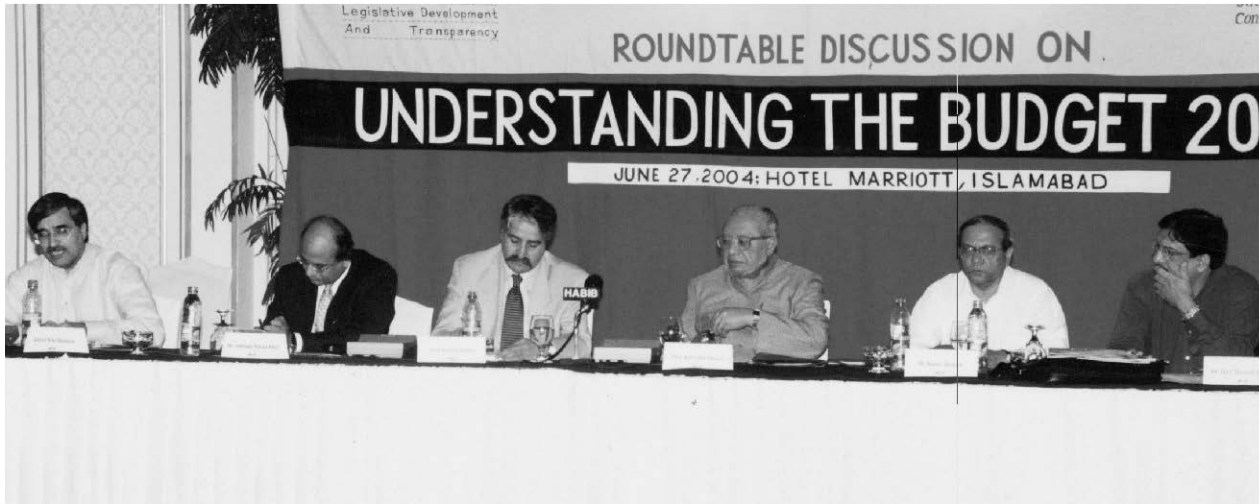
Prof. Khurshid Ahmed supported the market economy and believed that privatization should



occupy a central figure however he did not condone market fundamentalism. In his view, he thought it strange that policies had been enforced in the light of international pressures and trends. He said that the public sector and private sector needed to cooperate to achieve economic stability.

He emphasized that we needed to invest in agriculture, small-scale enterprises, and infrastructure and encourage greater participation of the public in policy making.

In conclusion, Senator Prof. Khurshid Ahmed stated that it was a political decision to maintain the value of the dollar and the devaluation of the dollar globally was not reflected in our economy. Senator Ahmed stated that the message he wanted to convey at this session was that the collaboration of the private and public sector was essential in order to devise concrete policies so that the existing lop-sided approach to policy planning could be corrected and the efforts of the private sector, civil sector and government needed consolidation to render results.



Q&A / Comments

Question

Senator Dr. Muhammad Akbar Khwaja
(Technocrat, Punjab, PPPP)

I would like to compliment Dr. Ashfaq on skillfully presenting the numbers to create the impression that this budget reflects tremendous economic growth for Pakistan. However looking at the same numbers, it is very misleading for citizens if you do not explain what the impact of the base year has on GDP growth rates.

Regarding the Law and Order situation, the government confirms that there is poor law and order in the country. Our Poverty Reduction Programme (PRSP) indications are not enough. A Public Sector Review Study published by the World bank indicates that public service delivery in Pakistan is the poorest at the moment.

Question

Senator Prof. Muhammad Saeed Siddiqui
(Technocrat, Sindh, MQM)

In India, electricity has been provided free of cost in certain rural areas to provide support. Can we not have a facility like this in Balochistan?

I have a question regarding welfare accounts relating to widows, pensioners etc with national saving centers. Their investment has been increased from 1 million to 2 million. It is unclear whether existing investors will be allowed to benefit from this increase in the amount of investment.

Question

Senator Rukhsana Zuberi
(Woman, Sindh, PPPP)

In the defence budget, garrison and cantonment institutions are receiving money from this allocation. If we look at the Higher Education Commission, the land for NUST is being financed by this department. Similarly, look at the Science and Technology allocation, it finances SUPARCO and licence fee for satellite technology. Each and every ministry actually finances a large portion of its allocation for defence purposes therefore the defence budget is much more than stated.

Second, there is a greater need for transparency. There are 2 committees that I am on in which we investigated PIA and Pakistan State Oil and I have discovered upon investigation that there is a tremendous amount of money being siphoned

off from PIA and PSO to offshore accounts.

Question

Senator Dr. Nighat Agha
 (Woman, Punjab, PML-Q)

My main point is that no budget is ever ideal. We need to look at previous governments and budgets. This is the first expansionary budget and even though it is not perfect we should not be impatient as economic growth is a gradual process.

The rate of inflation has decreased. I have a question about debt servicing, I know that debt servicing of foreign debts has been shown to be Rs. 44 billion. However domestic debt is Rs. 170 billion which is 4 times as much. How can we redirect this money towards development expenditure?

Question

Senator Mohim Khan Baloch
 (General, Balochistan, BNP(A))

I think this budget is correct. When we look at the social services, we need to see if they are benefiting the average citizen. I would like to ask Dr. Bengali whom the tax revenue collection ratio impacts the most and where does the burden fall? I would like to ask Dr. Ashfaque, out of last year's Rs. 107 billion allocated for public services, what was provided to the public and how does the government plan to equalize distribution through the NFC Award for the provinces?

Question

Senator Farhatullah Babar
 (Technocrat, NWFP, PPPP)

Dr Ashfaque, are we not spending more than we are capable of and are we not taking the same risk by manipulating the figures as shown by Senator Rukhsana. How much of the defence expenditure is military expenditure and how much is actually defence? We need to make this information accessible and transparent. The biggest concern is transparency.

Question

Ms. Farzana Raja,
 MPA Punjab (W-341, Woman, PPP)

The 1990s was a bad decade for Pakistan. The ground reality is that dictatorship was the biggest reason for our economic downturn and civil governments after that could not change things around so quickly? I want to highlight that when the budget is formulated, how much do you involve parliamentarians? And second, a large amount is put in the Bait-ul-maal, why don't we invest that money in small and cottage industries to promote small-scale entrepreneurship?

Question

Senator Roshan Khursheed Barucha
 (Woman, Balochistan, PML)

Every budget, in itself, is good. Budgetary targets are not attained due to corruption and mis-allocation of resources.

Answer

Dr. Ashfaque Hasan Khan
 Economic Advisor, Ministry of Finance

Naveed Qamar asked an important question about why we are not able to spend the total amount of what we allocate. As Qazi Sahib has shown in his presentation, in every quarter the Deputy Chairman of the Planning Commission meets with the Principal Accounting Officer to discuss what they did about the allocation.

If the law and order situation is unstable then it is a problem to win the confidence of investors. However in Feb 8, 2004 to Feb 12, 2004 when we floated Pakistan's Euro Bond in the International market it was a time when Dr Qadeer Khan's episode was at its peak. It did not impact the price that we achieved at the International market.

Regarding employment, NADRA and Labour Force have different statistics for labour, the difference lies in the definition and those numbers are not comparable

Prof Sahib mentioned the exchange rate, the

impact of the floating exchange rate cannot be seen in our rupee dollar parity. Our exchange rate was Rs. 57.36 and became Rs. 58.10 why? Because in June, there were a lot of payments and we made a pre payment of \$ 460 million to PARCO. We borrowed from the Interbank market, there was pressure on the supply and demand which resulted in the increase in the parity. This is the market mechanism

Regarding the base year impact, for the last 5 years the numbers have been changed.

You are also confusing the growth rate at constant prices and nominal prices. I would like to present a few numbers before you. First of all to compare defence expenditure, social expenditure and Public sector development expenditure you separate inflation and calculate it at constant prices. From 2000-2001, Defence spending at the constant prices of 1999-2000, has risen at 5.7%, social sector has risen at 18% and Public Sector Development has risen at 18%.

Looking at 1991, real increase in spending is 1.1 % per annum for Defence expenditure. Each country's defence expenditure is dependent on its security budget. We have to maintain a strategic balance.

Answer

Syed Naveed Qamar
MNA (Hyderabad-V, PPPP)
Former Finance Minister

Dr Ashfaq said that because we sold the Euro Bond and it was over subscribed, we are still attracting investment. I don't think that is an indication of investment in Pakistan.

Regarding transparency, defence will be much stronger if people are more involved. There is no credibility unless you build the credibility. We have to move away from the policies of the 60s, the Berlin wall has collapsed and the Cold War is over.

In response to a question about how we can create political stability? We need to create a system where the government is not imposed on us. Hopefully by the end of the year we will have

overcome the uniform issue and other contentious issues and will be moving towards a more progressive path.

Answer

Dr. Kaiser Bengali
Executive Director, Social Policy
and Development Center

This year the change from stabilization to growth-oriented policies, from contractionary to expansionary fiscal policy is visible. However, we still need to see its impact on taxes. The government should not claim that poverty and unemployment have reduced. We have to see the consequences over the next decade or so. Poverty was at its lowest in 1970 but it took 20 years to achieve that. We should appreciate and acknowledge the change in policy but also wait for its results to become more visible.

Comment

Senator Prof. Khurshid Ahmed
Chairman, Institute of Policy Studies

I would like to thank Mr Ahmed Bilal Mehboob for providing an environment in which we can discuss important issues and concerns. I would also like to thank the panel for their invaluable contribution.

Personally I feel sad that even after 50 years, the parliament has not been as intricately involved in budget formulation as it should have been. I strongly urge all parliamentarians to involve themselves in controlling the tax burden on the people they represent. I propose to parties across the board that they should actively participate in budget formulation.

Secondly, transparency is essential to render improvement in economic policy formulation and in building confidence among the public. It will build the motivation to pay taxes.

It is unfortunate that the statistics issued by the government are not very credible. Statistics should be independently calculated and comparative analyses and estimates should be conducted to provide check and balance.

APPENDIX A
PROGRAMME

Programme

SUNDAY, JUNE 27, 2004

ITEM	Subject/ Topic/Activity	TIME	SPEAKER
1	Welcome Remarks and Introduction	11:00 - 11:10 am	Mr. Ahmed Bilal Mehboob Executive Director, PILDAT
2	Understanding the Budget 2004-05	11:10 - 12:10 am	Dr. Kaiser Bengali Executive Director, Social Policy and Development Centre (SPDC)
		10:15 - 10:45 am	Dr. Qazi Masood Ahmed Head, Integrated Social Policy and Macro Modeling Unit, SPDC
		12:10 - 12:30 pm	Syed Naveed Qamar MNA, Former Finance Minister
		12:30 - 12:50 pm	Dr. Ashfaque Hasan Khan Economic Advisor, Ministry of Finance
		12:50 - 01:10 pm	Senator Prof. Khurshid Ahmed Chairman, Institute of Policy Studies
3	Q&A/ Comments	01:10 - 02:00 pm	
4	Lunch	02:00 pm	

APPENDIX B
Lists and Profiles
of Participants

List of Participating Parliamentarians

1.	Ahmed Ghafoor	NA-34
2.	Akbar Khawaja	Senator
3.	Bibi Yasmeen Shah	Senator
4.	Farhatullah Babar	Senator
5.	Farzana Raja	PP-341
6.	Fauzia Fakhar-uz-Zaman, Mrs.	Senator
7.	Hizbullah Bughio	NA-205
8.	Jamila Ahmad	NA-326
9.	Kazi Abdul Quddoos Rajar	NA-235
10.	Khalid Iqbal Memon	NA-206
11.	Khalida Mohsin Qureshi	NA-176
12.	Khalil Ahmad	NA-13
13.	Maulana Asadullah	NA-33
14.	Mir M. Naseer Mengal	Senator
15.	Mohammad Anwar Bhutto	NA-204
16.	Mohim Khan Baloch	Senator
17.	Nafisa Raja	NA-313
18.	Nighat Agha	Senator
19.	Prof. Khurshid Ahmed	Senator
20.	Prof. M. Saeed Siddiqui	Senator
21.	Rafiq Ahmed Jamali	NA-232
22.	Raja Shafqat Abbas	PP-1
23.	Ramesh Lal	NA-338
24.	Roshan Khurshid Bharocha	Senator
25.	Rukhsana Zubairi	Senator
26.	Sherry Rehman	NA-309
27.	Syed Naved Qamar	NA-222

List of Other Participants

- | | | |
|----|-------------------|---|
| 1. | Agha Rafiq | NIPA, Lahore |
| 2. | K. M. Dilshad | Joint Secretary, Election
Commission of Pakistan |
| 3. | K. N. Naseer | The Researchers |
| 4. | M. Iqbal | Joint Secretary, NA |
| 5. | Qazi Shafique Ali | NA |
| 6. | Shahnawaz Mahmood | |
| 7. | Shamsher Khan | Deputy Director NIPA |

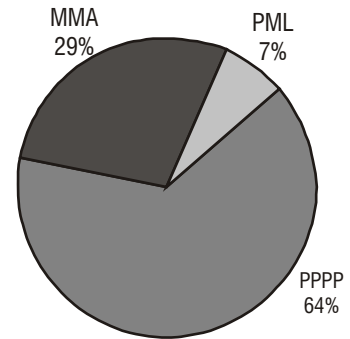
List of Participating Media

1.	Farrukh Nawaz	NNI
2.	Fida Hussain	Business Recorder
3.	Humaira Sharif	APP
4.	M. Anwar	PTV
5.	Muhammad Israr	Daily Business Recorder
6.	Raja Shafiq	Daily Ausaf
7.	Shaiq Hussain	The Nation
8.	Tariq	Studio Inn
9.	Zafar Aslam	Pak Observer
10.	Zubair	Pak Observer

Profile of Participating MNAs

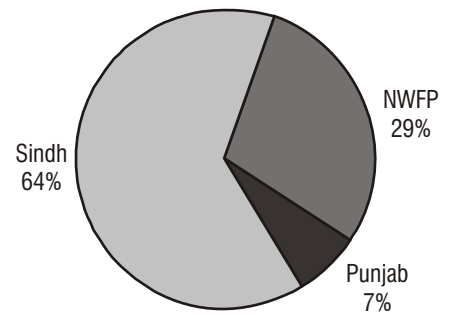
Party Wise Representation

Party	Representation in Roundtable Discussion		Percentage in Assembly
	Number	Percentage	
PPPP	19	64	17
MMA	4	29	18
PML	1	7	43
Total	14	100	



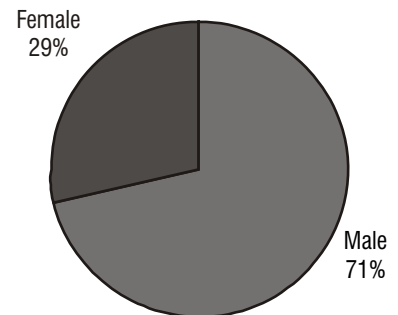
Party Wise Representation

Party	Representation in Roundtable Discussion		Percentage in Assembly
	Number	Percentage	
NWFP	4	29	13
Punjab	1	7	55
Sindh	9	64	23
Total	14	100	



Gender Wise Representation

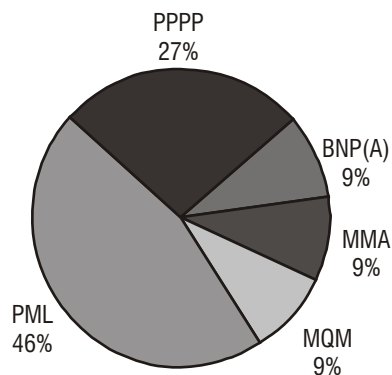
Gender	Representation in Roundtable Discussion		Percentage in Assembly
	Number	Percentage	
Male	10	71	78
Female	4	29	22
Total	14	100	100



Profile of Participating Senators

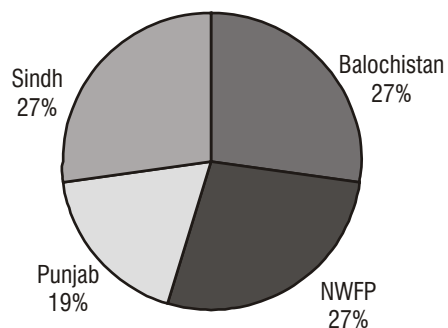
Party Wise Representation

Party	Representation in Roundtable Discussion		Percentage in Senate
	Number	Percentage	
BNP(A)	1	9	1
MMA	1	9	18
MQM	1	9	7
PML	5	46	37
PPPP	3	27	11
Total	11	100	



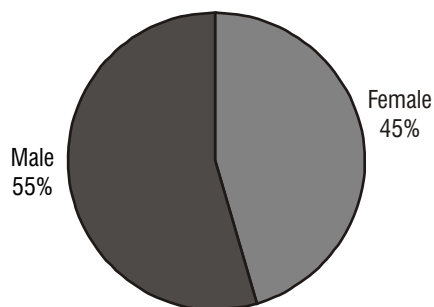
Party Wise Representation

Party	Representation in Roundtable Discussion		Percentage in Senate
	Number	Percentage	
Balochistan	3	27	22
NWFP	3	27	22
Punjab	2	19	22
Sindh	3	27	22
Total	11	100	



Gender Wise Representation

Gender	Representation in Roundtable Discussion		Percentage in Senate
	Number	Percentage	
Male	5	45	18
Female	6	55	82
Total	11	100	100



APPENDIX C
Presentation by
Dr. Ashfaque Hasan Khan
Economic Advisor, Ministry of Finance

FINANCING OF PROVINCIAL DEVELOPMENT PROGRAMME 2003-04					
	(%)				
	Punjab	Sindh	NWFP	Balochistan	Four Prov. Combined
<i>Province-wise Composition of ADP Financing</i>					
ADP	100.0	100.0	100.0	100.0	100.0
Provincial Contribution	71.9	80.8	44.1	91.9	73.3
Federal Assistance	28.1	19.2	55.9	8.1	26.7
<i>Foreign Project Assistance</i>	27.9	18.9	55.7	8.0	26.5
Loans	19.4	18.8	39.6	6.9	19.7
Grants	8.5	0.1	16.1	1.1	6.8
<i>Financing as per centage of Total Provincial ADP (Four-Province Combined)</i>					
ADP	50.1	16.5	14.0	19.4	100.0
Provincial Contribution	49.1	18.2	8.4	24.3	100.0
Federal Assistance	52.9	11.9	29.4	5.9	100.0
<i>Foreign Project Assistance</i>	52.9	11.8	29.5	5.9	100.0
Loans	49.4	15.7	28.1	6.8	100.0
Grants	63.1	0.3	33.4	3.2	100.0

Source: Explanatory Memorandum on Federal Receipts 2004-05

Estimated Divisible Pool Transfers For 2004-05					
	(Rs. In Million)				
	Collection	Divisible Pool	Provincial Share	Provincial Share	Provincial Share
	B.E.	95% of B.E.	37.5% of DP	47.5% of DP	Difference
Divisible Pool Transfers	568,709	499,073	187,152	237,060	49,907
Direct Taxes					
Taxes on Income*	174,362	163,900	61,463	77,853	16,390
CVT	650	618	232	293	62
Indirect Taxes					
Customs Duties	103,200	98,040	36,765	46,569	9,804
Federal Excise**	41,297	39,232	14,712	18,635	3,923
Sales Tax***	249,200	197,283	73,981	93,710	19,728

*Excluded additional 1% income tax consisting of remuneration paid out of Federal Consolidating Fund
**Excluding Share of Natural Gas from Federal Excise Duty
***Excluding Rs. 39,456.67 as a 2.5 % of additional GST to compensate OZT

TABLE - I
WHO IS BEARING THE BURDEN OF STABILIZATION

(Revised Estimates in Rs. Billion)

Heads / Years	Provincial Component					Fiscal Deficit	Provincial Component % of Fiscal Deficit
	Total	Interest payments from Provinces	Recovery of Loans from Provinces	Self-Financing of PSDP by Provinces	Provincial Surplus		
1990-91	15.0	13.5	1.5	0.0	0.0	65.3	23.0%
1991-92	17.6	15.9	1.7	0.0	0.0	93.7	18.8%
1992-93	20.1	18.0	2.1	0.0	0.0	95.6	21.1%
1993-94	22.5	20.1	2.4	0.0	0.0	99.1	22.7%
1994-95	29.7	21.9	2.8	5.0	0.0	109.6	27.1%
1995-96	36.8	22.7	3.4	10.7	0.0	132.4	27.8%
1996-97	43.2	24.2	5.0	14.0	0.0	153.3	28.2%
1997-98	35.7	26.1	5.8	3.9	0.0	141.0	25.3%
1998-99	35.7	25.5	6.4	3.9	0.0	103.4	34.6%
1999-00	57.8	28.3	8.0	6.8	14.8	122.0	47.4%
2000-01	59.3	29.4	9.0	20.5	0.4	185.6	32.0%
2001-02	56.6	29.5	10.1	15.4	1.6	257.1	22.0%
2002-03	92.0	28.0	18.8	28.7	16.6	181.3	50.7%
2003-04*	96.7	26.9	11.8	30.0	28.0	175.3	55.2%

Source: Federal Budget in Brief and Explanatory Memorandum of Federal Receipts

* Budget Estimates

TREND IN DEVELOPMENT EXPENDITURES

	Allocation for 2004-05		
	Total	Ongoing	New
Federal Ministries/Divisions	<u>96,583</u>	<u>80,969</u>	<u>15,614</u>
Cabinet Division	448	138	310
Pakistan Atomic Energy Commission	4,820	4,549	271
Commerce Division	40	40	0
Communications Divisions	6,245	6,245	0
Cluture, Sports, Tourism & YA Division	631	502	129
Defence Division	963	628	335
Education Division & HEC	12,463	8,188	4,275
Environment Division	355	318	37
Establishment Division	5	4	1
Finance Division	7,629	4,317	3312
Food, Agriculture & Livestock Division	7,290	6,967	323
Health Division	6,045	5,502	543
Industires & Investment Division	392	87	305
Information & Broadcasting Division	500	456	43.6
Information Tech. & Telecom Division	2,733	2,005	728
Interior Division	4,930	2,979	1951
Labor, Manpower & OP Division	91	40	51
Law & Justice Division	2,400	2,400	0
Local Govt. & Rural Development Division	272	272	0
Narcotics Control Division	167	163	4.08
Petroleum & Natural Resources Division	534	81	453
Planning & Development Division	688	357	330.68
Population Welfare Division	2,586	2,586	0
Railways Division	9,281	9,026	255
Science & Technilogical Research Division	1,910	1,188	722
Statistics Division	63	8	55
Water & Power Division (Water Sector)	20,767	20,383	384
Women Dev. & Social Welfare Division	1,259	674	585
Housing & Works Division	926	867	59.2
Foreign Affairs Division	150	0	150
Corporations	<u>31,334</u>	<u>28,634</u>	<u>2,700</u>
WAPDA (Power)	13,714	13,714	0
WAPDA - Village Electrification	500	500	0
KESC	0	0	0
National Highway Authority	17,120	14,420	2700

TREND IN DEVELOPMENT EXPENDITURES

	Allocation for 2004-05				
	Total	Ongoing	Share (%)	New	Share (%)
FEDERAL PROGRAM (A+B+C)	<u>148,002</u>	<u>129,188</u>	<u>87.3</u>	<u>18,814</u>	<u>12.7</u>
A. Federal Ministries/Divisions (i+ii+iii)	<u>127,917</u>	<u>109,103</u>	<u>85.3</u>	<u>18,814</u>	<u>14.7</u>
i <i>Infrastructure Development</i>	<u>80,610</u>	<u>72,735</u>	<u>90.2</u>	<u>7,875</u>	<u>9.8</u>
ii <i>Social Development</i>	<u>22,444</u>	<u>16,989</u>	<u>75.7</u>	<u>5,455</u>	<u>24.3</u>
iii <i>Others</i>	<u>24,863</u>	<u>19,379</u>	<u>77.9</u>	<u>5,484</u>	<u>22.1</u>
B. Special Program	<u>8,840</u>	<u>8,840</u>	<u>100</u>	<u>0</u>	<u>0.0</u>
Tameer-i-Pakistan	5,340	5,340	100.0	0	0.0
Drought Relief Program	1,000	1,000	100.0	0	0.0
Federal Priority Projects	2,500	2,500	100.0	0	0.0
C. Special Area	<u>11,245</u>	<u>11,245</u>	<u>100</u>	<u>0</u>	<u>0.0</u>
Azad Kashmir	4,463	4,463	100.0	0	0.0
Northern Areas	2,782	2,782	100.0	0	0.0
FATA (Including Special Program)	4,000	4,000	100.0	0	0.0
PROVINCIAL PROGRAM	<u>54,000</u>	-	-	-	-
TOTAL PSDP	<u>202,002</u>	-	-	-	-

TREND IN DEVELOPMENT EXPENDITURES

(Rs in Billion)

Ministry/Division/Agency	Budget	Share	New	Share	On-Going	Share
	2003-04	(%)	Expenditures	(%)	Expenditures	(%)
A. Social Sectors Divisions	20.8	13.0	4.7	22.5	16.1	77.5
1 Education Division	3.1	1.9	0.4	12.5	2.7	87.5
2 Higher Education Commission	4.5	2.8	1.6	36.6	2.8	63.4
3 Health Division	4.4	2.7	1.0	23.6	3.3	76.4
4 IT & Telecommunications Division	2.0	1.2	0.7	36.9	1.3	63.1
5 Science & Technological Research Division	1.3	0.8	0.2	12.3	1.1	87.7
6 Works Division	0.7	0.4	0.2	29.8	0.5	70.2
7 Population Welfare Division	3.1	1.9	0.0	0.0	3.1	100.0
8 Women Development & Social Welfare Division	1.0	0.6	0.1	7.0	1.0	93.0
9 Culture, Sports Tourism & YA Division	0.7	0.4	0.4	57.4	0.3	42.6
10 Labour, Manpower & O.P. Division	0.1	0.1	0.1	67.6	0.0	32.4
B. Sustainable Development	17.5	10.9	4.2	23.9	13.3	76.1
1 M/o Water & Power (Water Sector)	14.7	9.2	2.6	17.8	12.1	82.2
2 Food, Agriculture & Livestock Division	1.5	0.9	0.8	50.5	0.7	49.5
3 Environment Division	0.6	0.3	0.4	74.1	0.1	25.9
4 Local Government & Rural Development Division	0.3	0.2	0.0	0.0	0.3	100.0
5 Industries & Production Division	0.5	0.3	0.4	85.5	0.1	14.5
C. Infrastructure Development	47.9	30.0	10.2	21.2	37.8	78.8
1 M/o Water & Power (Power Sector)	17.3	10.8	4.7	27.1	12.6	72.9
(i) WAPDA	13.6	8.5	1.0	7.4	12.6	92.6
(ii) KESCO	3.7	2.3	3.7	100.0	0.0	0.0
2 Communications Division	21.5	13.4	4.2	19.6	17.3	80.4
(i) NHA	18.4	11.5	4.2	22.9	14.2	77.1
(ii) Ports and NTRC	3.1	1.9	0.0	0.3	3.1	99.7
3 Railways Division	8.1	5.1	0.8	9.3	7.3	90.7
4 Pakistan Atomic Energy Commission	0.6	0.4	0.3	52.2	0.3	47.8
5 Petroleum & Natural Resources Division	0.5	0.3	0.2	44.3	0.3	55.7
D. Governance	6.3	3.9	1.5	24.4	4.7	75.6
1 Interior Division	2.7	1.7	0.3	10.8	2.4	89.2
2 Law & Justice Division	2.1	1.3	1.1	51.8	1.0	48.2
3 Establishment Division	0.1	0.0	0.0	9.1	0.1	90.9
4 Commerce Division	0.1	0.0	0.0	0.0	0.1	100.0
5 Cabinet Division	0.0	0.0	0.0	0.0	0.0	100.0
6 M/o Information & Broadcasting	0.5	0.3	0.0	7.8	0.5	92.2
7 Narcotics Control Division	0.2	0.1	0.0	2.9	0.2	97.1
8 Planning & Development Division	0.4	0.3	0.1	16.2	0.4	83.8
9 Statistics Division	0.1	0.0	0.0	0.0	0.1	100.0
E. Special Programmes	6.6	4.1				
1 Tameer-e-Pakistan Programme	3.6	2.2				
2 Sasti Basti	0.5	0.3				
3 Federal Priority Projects	2.0	1.2				
4 Drought Emergency Relief Assistance (DERA)	0.5	0.3				
F. Other Divisions	4.5	2.8	2.1	47.5	2.4	52.5
Finance Division	3.9	2.4	1.8	45.7	2.1	54.3
Defence Division	0.6	0.4	0.3	58.8	0.2	41.2
G. KA & NA and SAFRON Division	9.4	5.9				
Total Federal Programmes	113.0	70.6	22.7	20.1	90.3	79.9
Provincial Programmes	47.0	29.4				
TOTAL PSDP	160.0	100.0	22.7	14.2	137.3	85.8

TREND IN DEVELOPMENT EXPENDITURES

(Rs. In Millions)

	Allocation for 2004-05				
	Total	Ongoing	Share (%)	New	Share (%)
FEDERAL PROGRAM (A+B+C)	148,002	129,188	87.3	18,814	12.7
A. Federal Ministries/Divisions (i+ii+iii)	127,917	109,103	85.3	18,814	14.7
i <i>Infrastructure Development</i>	80,610	72,735	90.2	7,875	9.8
ii <i>Social Development</i>	22,444	16,989	75.7	5,455	24.3
iii <i>Others</i>	24,863	19,379	77.9	5,484	22.1
B. Special Program	8,840	8,840	100	0	0.0
<i>Tameer-e-Pakistan</i>	5,340	5,340	100.0	0	0.0
<i>Drought Relief Program</i>	1,000	1,000	100.0	0	0.0
<i>Federal Priority Projects</i>	2,500	2,500	100.0	0	0.0
C. Special Area	11,245	11,245	100	0	0.0
<i>Azad Kashmir</i>	4,463	4,463	100.0	0	0.0
<i>Northern Areas</i>	2,782	2,782	100.0	0	0.0
<i>FATA (Including Special Program)</i>	4,000	4,000	100.0	0	0.0
PROVINCIAL PROGRAM	54,000	-	-	-	-
TOTAL PSDP	202,002	-	-	-	-

ANALYSIS OF GROWTH IN CBR TAX COLLECTIONS

Rs. Billio

	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	RE	BE
TAX REVENUES	282.1	293.6	308.5	347.1	392.3	404.1	460.6	510.0	580.0
<i>Growth</i>		4.1%	5.1%	12.5%	13.0%	3.0%	14.0%	10.7%	13.7
Direct Taxes	85.1	103.2	110.2	113.0	124.6	142.5	151.7	161.1	181
<i>Growth</i>		21.3%	6.8%	2.5%	10.3%	14.4%	6.5%	6.2%	12.9
<i>% Share in Taxes</i>	30.2	35.1	35.7	32.5	31.8	35.3	32.9	31.6	31.1
Indirect Taxes	197.0	190.4	198.3	234.2	267.7	261.6	308.9	348.5	398
<i>Growth</i>		-3.3%	4.1%	18.1%	14.3%	-2.3%	18.1%	12.8%	14.2
<i>% Share in Taxes</i>	69.8	64.9	64.3	67.5	68.2	64.7	67.1	68.3	68.9
Customs	86.1	74.5	65.3	61.7	65.0	47.8	69.1	86.6	103
<i>Growth</i>		-13.5%	-12.4%	-5.6%	5.5%	-26.5%	44.5%	25.3%	19.2
Federal Excise	55.3	62.0	60.9	55.8	49.1	47.2	45.0	43.5	45
<i>Growth</i>		12.2%	-1.8%	-8.4%	-12.0%	-3.9%	-4.6%	-3.4%	5.1
Sales Tax	55.7	53.9	72.1	116.7	153.6	166.6	194.8	218.4	249
<i>Growth</i>		-3.1%	33.7%	61.9%	31.6%	8.5%	16.9%	12.1%	14.1

Source: SBP annual Report Various issues and Federal Budget in Brief 2004-05

COMPARISON OF TARGET AND ACTUAL FEDERAL RECEIPTS

Rs. Billion

	1999-2000	2000-01	2001-02	2002-03*	2003-04*
Gross Revenue Receipts					
Target	560.9	594.6	643.8	674.9	728.4
Actual	531.3	535.1	622.7	703.3	761.0
Actual as % of Target	94.7	90.0	96.7	104.2	104.5
Tax Revenues (CBR)					
Target	356.0	435.7	457.7	460.6	510.0
Actual	347.1	392.3	404.1	460.6	510.0
Actual as % of Target	97.5	90.0	88.3	100.0	100.0
Direct Taxes					
Target	127.0	137.5	149.8	148.4	161.1
Actual	113.0	124.6	142.5	151.7	161.5
Actual as % of Target	88.9	90.6	95.1	102.2	100.2
Indirect Taxes					
Target	229.0	298.2	307.9	312.2	348.9
Actual	234.2	267.7	261.6	308.9	348.5
Actual as % of Target	102.3	89.8	85.0	98.9	99.9
Import Duties					
Target	65.5	73.0	69.6	56.5	78.1
Actual	61.7	65.0	47.8	69.1	86.6
Actual as % of Target	94.1	89.1	68.7	122.3	110.9
Federal Excise					
Target	67.0	52.6	53.1	50.0	47.7
Actual	55.8	49.1	47.2	45.0	43.5
Actual as % of Target	83.3	93.3	88.9	90.1	91.2
Sales Tax					
Target	96.5	172.6	185.2	205.7	223.1
Actual	116.7	153.6	166.6	194.8	218.4
Actual as % of Target	120.9	89.0	89.9	94.7	97.9
Surcharges					
Target	63.3	38.0	47.0	60.5	61.1
Actual**	38.9	30.5	53.9	66.9	64.4
Actual as % of Target	61.5	80.3	114.7	110.5	105.3
Non-Tax Revenues					
Target	141.7	120.9	139.1	153.8	157.2
Actual	145.3	112.3	164.7	175.8	186.6
Actual as % of Target	102.5	92.9	118.4	114.3	118.7

WHAT EXPLAIN GROWTH IN CUSTUM DUTIES

(Rs in Billion)

		2001-02	2002-03	2003-04	2004-05	Growth (%)		
		Revised	Revised	Revised	Budget	FY 02-03	FY 03-04	FY 04-05
1	Chemical and chemical products	7,476.0	7,711.0	8,459.0	10,739.0	3.1	9.7	27.0
2	Dyes, colours, paints and varnishes	2,105.0	2,171.0	2,382.0	3,024.0	3.1	9.7	27.0
3	Iron, steel and manufactures thereof	5,330.0	5,496.0	6,030.0	7,655.0	3.1	9.7	26.9
4	Machinery	7,309.0	7,540.0	9,081.0	10,500.0	3.2	20.4	15.6
5	Metals (other than gold)	1,014.0	1,046.0	1,147.0	1,465.0	3.2	9.7	27.7
6	Minerals, fuel oils(POI.)	883.0	4,259.0	4,671.0	5,930.0	382.3	9.7	27.0
7	Rubber and rubber products	1,563.0	1,612.0	1,769.0	2,246.0	3.1	9.7	27.0
8	Plastic Resins etc.	5,632.0	5,808.0	6,372.0	8,089.0	3.1	9.7	26.9
9	Vehicles	5,556.0	6,730.0	7,787.0	7,981.0	21.1	15.7	2.5
10	Wood pulp and papers	2,273.0	2,344.0	2,572.0	3,265.0	3.1	9.7	26.9
11	Yarn and fabrics	2,870.0	2,960.0	3,247.0	4,122.0	3.1	9.7	26.9
12	Medical & Photographic equipment	943.0	973.0	1,068.0	1,356.0	3.2	9.8	27.0
13	Other items	36,458.5	39,950.0	50,015.0	56,837.0	9.6	25.2	13.6
Gross Collection		79,412.5	88,600.0	104,600.0	123,200.0	11.6	18.1	17.8
Refund and Rebates		28,912.5	19,000.0	18,000.0	20,000.0	-34.3	-5.3	11.1
Net Collection		50,500.0	69,600.0	86,600.0	103,200.0	37.8	24.4	19.2

Source: Explanatory Memorandum on Federal Receipts 2002-03 (page # 7), 2003-04 (page # 8) & 2004-05 (page # 9)

ANALYSIS OF GROWTH IN NON-TAX COLLECTIONS				
				Rs. in Billion
	2003-04	2003-04	Difference	2004-05
	Estimate	Revised		Estimate
NON-TAX REVENUE	157.2	186.6	29.3	151.0
A. INCOME FROM PROPERTY AND ENTERPRISE	92.433	101.353	8.920	95.318
Profits of Post Office	0.3	0.3	0.0	0.3
Profit- Pak Telecom Company	0.4	0.4	0.1	6.2
Interest	68.0	67.3	-0.7	54.0
Dividends and Return	23.8	33.4	9.6	34.8
B. RECEIPTS FROM CIVIL ADMINISTRATION				
+ Miscellaneous Receipts	64.805	85.215	20.410	55.692
General Administration	1.6	1.7	0.0	2.0
Profits of SBP	0.0	0.0	0.0	1.0
Defence	30.7	42.9	12.3	11.6
Economic Services	1.8	1.7	-0.1	2.1
Royalty on Oil & Gas	17.1	14.7	-2.4	16.6
Workers' Participation Fund	3.0	3.0	0.0	4.0
Foreign Travel Tax	2.5	2.1	-0.4	4.2
Airport Tax	0.9	0.6	-0.3	1.3
Passport and Copy Right Fee	3.6	4.0	0.4	4.2
Others	3.5	14.5	11.0	8.7

Source: Federal Budget in Brief 2004-05

COMPARISON OF BUDGETED AND ACTUAL FEDERAL EXPENDITURES

Rs. in Billion

	1999-2000	2000-01	2001-02	2002-03*	2003-04*
Current Expenditures					
Budget Estimates	525.9	577.6	621.7	608.0	645.2
Actual	592.5	593.6	650.4	673.3	714.0
Actual as % of B.E.	112.7	102.8	104.6	110.7	110.7
Defence					
Budget Estimates	142.0	133.5	131.6	146.0	160.3
Actual	152.8	131.1	149.3	160.1	180.5
Actual as % of B.E.	107.6	98.2	113.4	109.7	112.7
Debt Servicing					
Budget Estimates	287.4	305.6	329.2	289.7	256.0
Actual	330.6	312.7	318.7	257.4	317.7
Actual as % of B.E.	115.0	102.3	96.8	88.9	124.1
Subsidies					
Budget Estimates	2.4	11.8	20.7	20.8	63.9
Actual	20.4	20.4	25.5	49.8	40.4
Actual as % of B.E.	841.7	172.4	123.2	239.4	63.3
Other Current Expenditures					
Budget Estimates	94.1	126.6	140.2	151.4	165.2
Actual	88.7	129.4	156.9	206.0	175.3
Actual as % of B.E.	94.3	102.2	111.9	136.0	106.1
Public Sector Development Program (PSDP)					
Budget Estimates	116.3	120.4	130.0	134.0	160.0
Actual	95.6	89.8	125.0	131.6	154.4
Actual as % of B.E.	82.2	74.6	96.2	98.2	96.5
Federal Current Expenditure + PSDP					
Budget Estimates	642.2	698.0	751.7	742.0	805.2
Actual	688.1	683.4	775.4	804.9	868.3
Actual as % of B.E.	107.1	97.9	103.1	108.5	107.8

* Revised Estimates

Source: State Bank Annual Report, Federal Budget in Brief, Various Issues

ANALYSIS OF GROWTH IN CURRENT EXPENDITURES

(Rs. in Million)

	2003-04		Difference RE-BE	2004-05	
	BE	RE		BE	Difference BE-RE
General Public Service	377,926	448,430	70,504	423,835	-24,59
Executive & Legislative Organs, Financial	308,440	377,217	68,777	349,514	-27,70
Interest on Domestic Debt	170,500	161,520	-8,980	170,209	8,68
Interest on Foreign Debt	39,490	44,945	5,455	44,039	-90
Repayment of Foreign Debt	45,978	111,258	65,280	51,080	-60,17
Pensions	37,625	40,995	3,370	42,533	1,53
Others	14,847	18,499	3,652	41,653	23,15
Foreign Economic Aid	61	61	0	60	-
Transfer Payments	62,058	65,026	2,968	65,412	38
General Services	1,639	1,644	5	1,727	8
Basic Research	404	577	173	566	-1
R&D General Public Services	2,114	2,187	73	2,453	26
Admn. Of General Public Service	189	189	0	422	23
General Public Services not defined elsewhere	3,021	1,529	-1,492	3,681	2,15
Defence Affairs & Services	160,250	180,537	20,287	193,926	13,38
Public Order and Safety Affairs	12,957	14,048	1,091	15,068	1,02
Economic Affairs	78,164	54,758	-23,406	48,767	-5,99
General Economic, Commercial & Labor Affairs	63,628	40,451	-23,177	37,507	-2,94
Agriculture, Food, Irrigation, Forestry & Fishing	7,671	7,498	-173	3,956	-3,54
Fuel & Energy	148	174	26	213	3
Mining and Manufacturing	416	415	-1	437	2
Construction and Transport	5,472	5,391	-81	5,672	28
Communication	680	680	0	819	13
Other Industries	149	149	0	163	1
Environment Protection	132	132	0	136	
Housing and Community Amenities	821	926	105	832	-9
Health Affairs and Services	2,805	2,809	4	3,254	44
Medical Products, Appliances and Equipment	26	26	0	32	
Hospitals Services	2,229	2,239	10	2,623	38
Public Health Services	195	195	0	227	3
R&D Health	3	3	0	3	
Health Administration	352	346	-6	369	2
Recreational, Cultural and Religion	2,002	2,003	1	2,197	19
Education Affairs and Services	9,644	9,641	-3	12,215	2,57
Pre-Primary & Primary Education Affairs Svcs.	1,293	1,288	-5	1,412	12
Secondary Education Affairs and Svcs.	1,465	1,462	-3	1,738	27
Tertiary Education Affairs and Svcs.	5,424	5,425	1	7,920	2,49
Education Services non-definable by Level	15	15	0	16	
Subsidiary Services to Education	19	17	-2	21	
Administration	676	676	0	821	14
Education Affairs, Services not defined elsewhere	752	758	6	287	-47
Social Protection	535	737	202	539	-19
Total	645,236	714,021	68,785	700,769	-13,25

Source: Federal Budget in Brief 2004-05

ANALYSIS OF SUBSIDIES					
	<i>Rs. In Bilion</i>				
	2003-04	2003-04	Difference	2004-05	Difference
	Estimate	Revised	RE-BE	Estimate	BE-RE
Subsidies for WAPDA	15.1	15.8	0.7	16.1	0
WAPDA for Adjustment of GST	12.1	13.3	1.2	13.3	0
WAPDA for Tariff Differential AJ&K	1.0	1.0	0.0	1.1	0
WAPDA for Agricultural Tubewells in Balochistan	1.5	1.5	0.0	1.7	0
WAPDA for Tubewells (PM Directives)	0.5	0.0	-0.5	0.0	0
Subsidies for KESC	13.2	11.7	-1.5	8.8	-2
KESC for Adjustment of GST	1.5	2.1	0.6	2.3	0
KESC to Pickup Cash Shortage	11.7	9.6	-2.1	6.5	-3
Fauji Fertilizer Bin Qasim LTD.	1.1	1.1	0.0	1.0	0
Oil Refineries	7.0	6.0	-1.0	6.0	0
TCP on Export of Cotton	0.3	0.3	0.0	0.0	-0
Shortfall in Off-setting Liabilities of PSEs	21.5	0.0	-21.5	0.1	0
PASSCO for Wheat Export	3.5	4.5	1.0	1.3	-3
Afghan Refugees	0.0	0.0	0.0	0.0	0
Punjab Govt on Account of Wheat Export	1.6	0.5	-1.1	0.0	-0
TCP on Export of Sugar	0.6	0.5	0.0	0.6	0
AMSL on Account of Operational Losses	0.1	0.1	0.0	0.0	-0
Total	63.9	40.4	-23.5	33.8	-6

ANALYSIS OF GROWTH IN DEVELOPMENT EXPENDITURE

(Rs. In Million)

	2003-04		2004-05		Growth (%)
	Amount	Share	Amount	Share	
Federal Program	113,003	70.6%	148,002	73.3%	31.0%
Federal Ministries/Divisions	61,335	38.3%	96,583	47.8%	57.5%
Cabinet Division	44	0.0%	448	0.2%	918.2%
Interior Division	2,729	1.7%	4,930	2.4%	80.7%
Pakistan Atomic Energy Commission	575	0.4%	4,820	2.4%	738.3%
Defence Division	593	0.4%	963	0.5%	62.4%
Law & Justice Division	2,125	1.3%	2,400	1.2%	12.9%
Finance Division	3,911	2.4%	7,629	3.8%	95.1%
Population Welfare Division	3,115	1.9%	2,586	1.3%	-17.0%
Women Dev. & Social Welfare Division	1,028	0.6%	1,259	0.6%	22.5%
Communications Divisions	3,089	1.9%	6,245	3.1%	102.2%
Information Tech. & Telecom Division	2,000	1.2%	2,733	1.4%	36.7%
Education Division & HEC	7,585	4.7%	12,463	6.2%	64.3%
Health Division	4,373	2.7%	6,045	3.0%	38.2%
Food, Agriculture & Livestock Division	1,500	0.9%	7,290	3.6%	386.0%
Water & Power Division	14,689	9.2%	20,767	10.3%	41.4%
Housing & Works Division	701	0.4%	926	0.5%	32.1%
Others	13,278	8.3%	15,079	7.5%	13.6%
Corporations	35,699	22.3%	31,334	15.5%	-12.2%
Special Program	6,600	4.1%	8,840	4.4%	33.9%
Special Area	9,369	5.9%	11,245	5.6%	20.0%
Provincial Program	47,000	29.4%	54,000	26.7%	14.9%
TOTAL PSDP	160,003	100.0%	202,002	100.0%	26.2%

Source: Federal Budget in Brief 2004-05

BUDGET PERFORMANCE IN 2003-04 AND 2004-05

(In Billion Rs.)

Heads	Budget Estimate 2003-04	Revised Estimate 2003-04	Diference RE-BE	Budget Estimate 2004-05	Diference BE-RE
Current Expenditures	645.2	714.0	68.8	700.8	-13.2
Minus Repayment of Foreign Loans	46.0	111.3	65.3	51.1	-60.2
Current Expenditures (Excluding Repayments of Foreign Debt)	599.3	602.8	3.5	649.7	46.9
Plus Development Expenditures	160.0	154.4	-5.6	202.0	47.6
Minus Net Revenue Receipts	513.5	549.6	36.0	557.1	7.6
Minus Self-Financing of PSDP by Provinces	30.0	34.8	4.9	33.1	-1.7
Minus Recovery of Loans from Provinces	11.8	17.3	5.5	13.2	-4.1
Minus Provincial Surplus	28.0	14.3	-13.6	31.6	17.2
Minus Net Lending to others	-11.1	-32.8	-21.7	3.6	36.4
FISCAL DEFICIT	179.1	173.9	-5.2	213.0	39.2

Source: Federal Budget in Brief 2004-05

ANALYSIS OF FISCAL DEFICIT FINANCING

Rs. In Billion

	2003-04	2003-04	Difference	2004-05	Difference
	Estimate	Revised	RE-BE	Estimate	BE-RE
FINANCING OF THE DEFICIT	179.1	173.9	-5.2	213.0	39.2
Non-Bank Borrowings	51.8	73.0	21.2	74.7	1.6
Net External Resources	89.4	15.8	-73.6	78.2	62.4
Bank Borrowings	27.9	74.1	46.1	45.2	-28.9
Privitization Proceeds	10.0	11.0	1.0	15.0	4.0



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