**Government of Pakistan**
**Ministry of Planning, Development and Special Initiatives**
**Money, Prices and Fiscal Policy Section**

## Review of Consolidated Fiscal Operations (FY2019-20)

### Revenue

Total revenue during 2019-20 stood at Rs. 6,272.2 billion, registering a growth of 28 percent over the previous year's revenue of Rs. 4,900.7 billion. Tax revenue at Rs. 4,747.8 billion recorded a growth of 6.1 percent. Federal tax revenue grew by of 6.4 percent with 4.4 percent growth in FBR tax collection and 38.9 percent growth in other taxes, which were 7.8 percent of federal taxes. Within FBR taxes, direct and indirect taxes grew by 5.4 percent and 3.8 percent, respectively. Within indirect taxes, customs duties declined by 8.6 percent whereas sales tax and federal excise duty grew by 9.4 percent and 5.2 percent, respectively. The 38.9 percent growth of other taxes is attributed to growth in ICT taxes, Natural Gas Development Surcharge and Petroleum Levy (major revenue spinner in case of other taxes with a size of Rs. 293.7 billion). Provincial tax revenue recorded a growth of 2.9 percent which was contributed by growth in property taxes and GST on services.

**Table-1: Major Fiscal Indicators in FY20**

***(Percent of GDP)***

| Indicator | BE 2019-20 | RE 2019-20 | Actual 2019-20 |
|---|---|---|---|
| **Total Revenue** | **16.7** | **14.3** | **15.0** |
| a. Tax | 14.4 | 11.0 | 11.4 |
| - FBR Taxes | 12.6 | 9.4 | 9.6 |
| b. Non-Tax | 2.3 | 3.3 | 3.7 |
| **Total Expenditure** | **23.8** | **23.5** | **23.1** |
| a. Current | 20.2 | 20.9 | 20.4 |
| b. Development | 3.6 | 2.6 | 2.8 |
| **Fiscal Deficit** | **7.1** | **9.1** | **8.1** |

*Source: Finance Division*

Non-tax revenue at Rs. 1,524.4 billion recorded a massive growth of 256.7 percent due to 317 percent growth in federal non-tax revenue which was contributed by surplus profit of SBP, profits of post office/PTA and mark-up receipts from PSEs and others. Provincial non-tax revenue recorded a growth of 18.6 percent through contributions of hydel power profits and irrigation sector revenue, etc.

A summary of consolidated fiscal operations during 2019-20 is given in Table-2 whereas their details are at Annex-I.

**Table-2: Summary of Consolidated Fiscal Operations 2019-20**

***(Billion Rs.)***

| Indicator | 2018-19 | 2019-20 | Percent Growth |
|---|---|---|---|
| **Total Revenue** | **4,900.7** | **6,272.2** | **28.0** |
| a. Tax Revenue | 4,473.4 | 4,747.8 | 6.1 |
| - FBR Taxes | 3,828.5 | 3,997.9 | 4.4 |
| b. Non-Tax Revenue | **427.3** | **1,524.4** | 256.7 |
| **Total Expenditure** | **8,345.6** | **9,648.5** | **15.6** |
| a. Current Expenditure | 7,104.0 | 8,532.0 | 20.1 |
| b. Development Expenditure | 1,178.4 | 1,155.2 | -2.0 |
| **Fiscal Deficit** | **170.2** | **65.5** | **61.5** |

*Source: Finance Division*

The last five years' trend of revenue collection in absolute terms and as percentage of GDP is depicted in Figure-1 and Figure-2, respectively. Total revenue experienced a dip in FY19 due to decline in FBR revenue and non-tax revenue. A significant improvement in FY20 was in non-tax revenue though it experienced a downward trend in past two years. Tax-to-GDP ratio rose to 12.9 percent in FY18 and declined gradually during the last two fiscal years. Total revenue to GDP ratio posted some recovery in FY20 due to a massive growth of non-tax revenue.

**Figure-1: Revenue Collection since FY16 ( Billion Rs)**

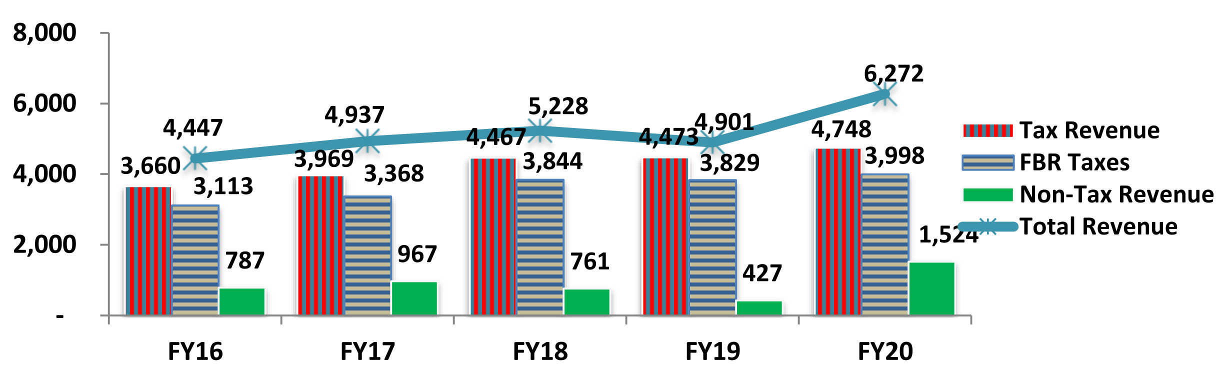
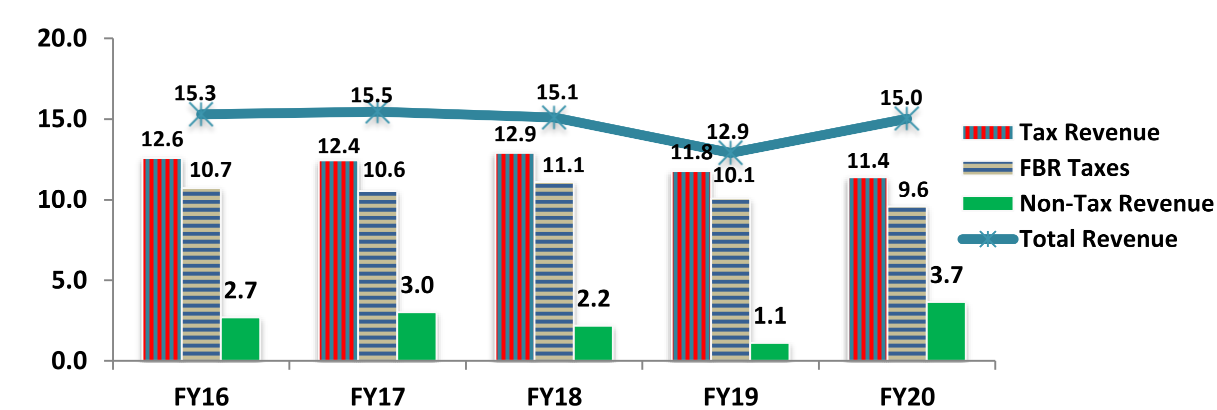



**Figure-2: Revenue Collection since FY16 (Percent of GDP)**

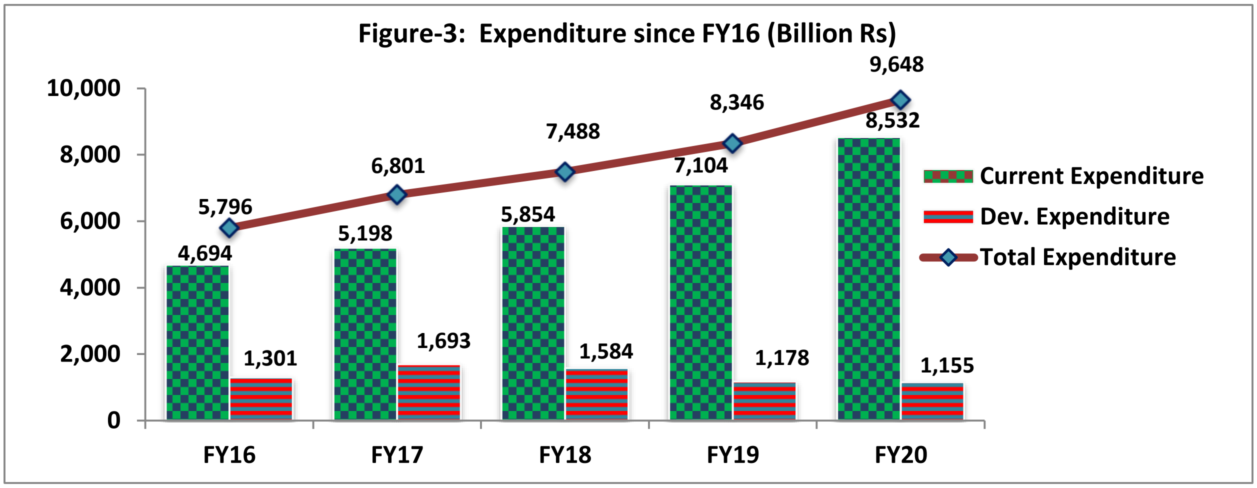


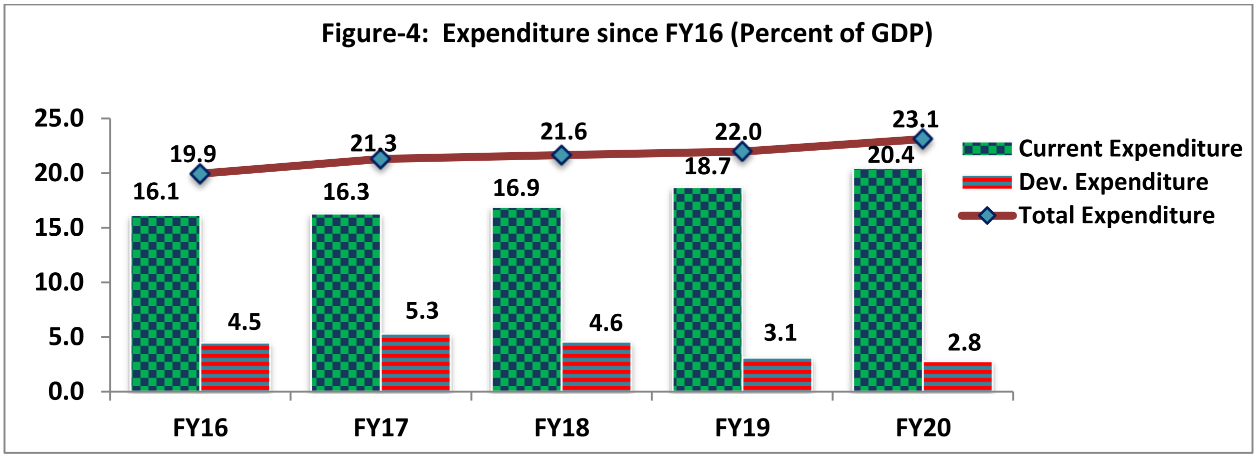

*Source: Finance Division*

## Expenditure

Total expenditure during FY20 stood at Rs. 9,648.5 billion, registering a growth of 15.6 percent. Current expenditure grew by 20.1 percent whereas development expenditure decreased by 2 percent due to 6.8 percent fall in federal PSDP spending and 61.5 percent decline in other development expenditure (the shift of BISP from development to current side also resulted in the decline of other development expenditure). COVID-19 pandemic also hampered the development activities. Provincial ADPs spending (combined), on the other hand, posted a growth of 22.9 percent (only Sindh recorded a decline of 4.8 percent in its ADP expenditure). Net lending to Public Sector Enterprises (PSEs) grew by 19.1 percent.

The last five years' trend of expenditure in absolute terms and as percentage of GDP is depicted in Figure-3 and Figure-4. Current expenditure has steadily during this period whereas development expenditure has decreased considerably during the three years in a bid to curtail fiscal deficit. In terms of GDP ratios, current and total expenditures have followed upward trends while development expenditure has been constantly on downward trajectory since FY17.



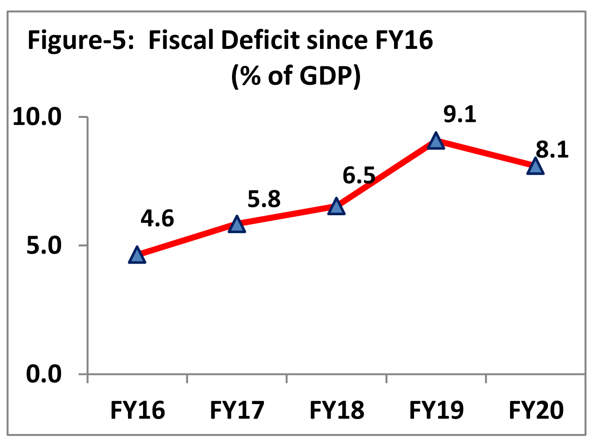




*Source: Finance Division*

**Fiscal Deficit**

Fiscal deficit during FY20 stood at Rs. 3,376.3 billion (8.1 percent of GDP) as compared to Rs. 3,444.9 billion (9.1 percent of GDP) during FY19. Federal deficit stood at Rs. 3,601.2 billion (8.6 percent of GDP) whereas provincial surplus stood at Rs. 224.9 billion (0.5 percent of GDP) during FY20.

The last five years' trend fiscal deficit is depicted in Figure-5, which shows that fiscal deficit widened to a historically high level of 9.1 percent of GDP in FY19 but improved in FY20.




*Source: Finance Division*

Primary deficit recorded a decline from Rs. 1,353.8 billion (3.6 percent of GDP) in FY19 to Rs. 756.6 billion (1.8 percent of GDP) in FY20 but stood higher than the FY20 target of 0.6 percent of GDP. It shows that total revenue was not enough to meet even the non-interest expenses as mark-up payments rose to a record high level of Rs. 2,619.7 billion in FY20 mainly due to higher policy rate in three quarters of the years.

Revenue balance (total revenue minus current expenditure) which shows the government's savings or dis-savings, also recorded a deterioration in absolute terms as revenue deficit of increased from Rs. 2,203.3 billion in FY19 to Rs. 2,259.9 billion in FY20. However, a percentage of GDP, this deficit declined from 5.8 percent to 5.4 percent during the year.

For financing of the fiscal deficit, the government relied more on domestic borrowing to the tune of Rs. 2,480.8 billion, which registered a decline of 18.1 percent over the previous year. External borrowing at Rs. 895.5 billion recorded a substantial increase of 114.9 percent. Within the domestic resources, bank and non-bank borrowings stood at Rs. 1,940.6 billion and Rs. 540.3 billion, respectively.

**Conclusion**

Fiscal deficit as a percentage of GDP surpassed the original target of 7.1 percent but remained lower than the revised target of 9.1 percent due to record increase in non-tax revenue collection, cut on development expenditure and provincial surplus. During the first three quarters, deficit was recorded at 4.0 percent and its surge in the last quarter is attributed to COVID-19 related expenditures and relief packages. Without these expenditures, fiscal deficit would have been closer to the original target.

FBR tax collection target was revised downward twice during the year from Rs. 5,555 trillion to Rs. 3,908 billion due to continuous shortfalls in collection and COVID-19 pandemic. FY2019-20 experienced an economic slowdown and growth remained negative which impacted tax revenue. The revenue loss due to COVID-19 was estimated at Rs. 900 billion. However, at the end of the year, FBR was able to surpass the revised target. Non-tax revenue stood at record high level during the year and it helped the government in controlling the fiscal deficit. This upsurge owed mainly to record surplus profits of the State Bank of Pakistan and receipts of outstanding cellular 3G/4G licenses renewal.

Current expenditure was mainly driven by mark-up payments, defence spending and grants (other than those provided to the provinces). Mark-up payments at Rs. 2,619.7 billion recorded a growth of 25.3 percent. The last quarter's mark-up payments stood at Rs. 740 billion or 28.2 percent of the whole year's payments. Debt servicing, defence spending and grants together constituted 55 percent of current expenditure and 48.6 percent of total expenditure as compared to 51.8 percent and 44.1 percent, respectively last year. The 92.7 percent growth in grants is mainly attributed to shifting of BISP from development to current budget. However, this shift also resulted in a decline in development expenditure. A major saving was in case of COVID-19 relief package of Rs. 1.24 trillion announced in March 2020 as a sizable amount could not be utilized by June 2020.

**Annex-I**

## Consolidated Fiscal Operations 2019-20 (Provisional)

*(Billion Rs)*

| | 2018-19 | 2019-20 | Percent Change | As Percent of GDP | |
|---|---|---|---|---|---|
| | | | | 2018-19 | 2019-20 |
| **Total Revenue** | **4,900.7** | **6,272.168** | **28.0** | **12.9** | **15.0** |
| **A) Tax Revenue** | **4,473.4** | **4,747.802** | **6.1** | **11.8** | **11.4** |
| a) Federal | 4,071.6 | 4,334.2 | 6.4 | 10.7 | 10.4 |
| i) FBR Taxes | 3,828.5 | 3,997.9 | 4.4 | 10.1 | 9.6 |
| - Direct Taxes | 1,445.5 | 1,524.3 | 5.4 | 3.8 | 3.7 |
| - Indirect Taxes | 2,383.0 | 2,473.7 | 3.8 | 6.3 | 5.9 |
| Customs Duties | 685.6 | 626.4 | -8.6 | 1.8 | 1.5 |
| Sales Tax | 1,459.2 | 1,596.8 | 9.4 | 3.8 | 3.8 |
| Federal Excise Duty | 238.2 | 250.5 | 5.2 | 0.6 | 0.6 |
| ii) Other Taxes | 242.2 | 336.3 | 38.9 | 0.6 | 0.8 |
| b) Provincial | 401.8 | 413.6 | 2.9 | 1.1 | 1.0 |
| **B) Non-Tax Revenue** | **427.3** | **1,524.4** | **256.7** | **1.1** | **3.7** |
| a) Federal | 341.0 | 1,422.0 | 317.0 | 0.9 | 3.4 |
| - Mark-up (PSEs & Others) | 35.7 | 105.2 | 194.6 | 0.1 | 0.3 |
| - Dividend | 60.2 | 40.1 | -33.4 | 0.2 | 0.1 |
| - Profits of Post Office Deptt/PTA | 18.2 | 127.0 | 596.4 | 0.0 | 0.3 |
| - Surplus Profit of SBP | 12.5 | 935.5 | 7372.2 | 0.0 | 2.2 |
| - Defence Receipts | 15.6 | 14.4 | -7.8 | 0.0 | 0.0 |
| - Passport Fee | 23.0 | 17.7 | -22.9 | 0.1 | 0.0 |
| - Discount Retained on Crude Oil Price | 14.0 | 13.0 | -7.3 | 0.0 | 0.0 |
| - Royalties on Oil/Gas | 87.9 | 79.4 | -9.7 | 0.2 | 0.2 |
| - Windfall Levy against Crude Oil | 7.7 | 5.2 | -33.0 | 0.0 | 0.0 |
| - Petroleum Levy on LPG | 3.7 | 3.2 | -12.6 | 0.0 | 0.0 |
| - Others | 62.4 | 81.3 | 30.3 | 0.2 | 0.2 |
| b) Provincial | 86.3 | 102.4 | 18.6 | 0.2 | 0.2 |
| **Total Expenditure** | **8,345.6** | **9,648.5** | **15.6** | **22.0** | **23.1** |
| **A) Current Expenditure** | **7,104.0** | **8,532.0** | **20.1** | **18.7** | **20.4** |
| a) Federal | 4,776.2 | 6,016.2 | 26.0 | 12.6 | 14.4 |
| - Markup Payments | 2,091.1 | 2,619.7 | 25.3 | 5.5 | 6.3 |
| - Servicing of Domestic Debt | 1,820.8 | 2,313.1 | 27.0 | 4.8 | 5.5 |
| - Servicing of Foreign Debt | 270.3 | 306.6 | 13.4 | 0.7 | 0.7 |
| - Defence | 1,146.8 | 1,213.3 | 5.8 | 3.0 | 2.9 |
| - Grants (Other than Provinces) | 442.0 | 851.8 | 92.7 | 1.2 | 2.0 |
| b) Provincial | 2,327.9 | 2,515.8 | 8.1 | 6.1 | 6.0 |
| **B) Development Expenditure & Net Lending** | **1,219.2** | **1,203.7** | **-1.3** | **3.2** | **2.9** |
| a) Development Expenditure | 1,178.4 | 1,155.213 | -2.0 | 3.1 | 2.8 |
| i) PSDP | 1,008.2 | 1,089.7 | 8.1 | 2.7 | 2.6 |
| - Federal* | 502.1 | 467.7 | -6.8 | 1.3 | 1.1 |
| - Provincial | 506.2 | 622.0 | 22.9 | 1.3 | 1.5 |
| ii) Other Development Expenditure | 170.2 | 65.5 | -61.5 | 0.4 | 0.2 |

| | | | | | |
|---|---|---|---|---|---|
| b) Net Lending to PSEs | 40.8 | 48.5 | 19.1 | 0.1 | 0.1 |
| **Statistical Discrepancy** | **22.4** | **-87.3** | | | |
| **Fiscal Deficit** | **3,444.9** | **3,376.3** | **-2.0** | **9.1** | **8.1** |
| **Financing** | **3,444.9** | **3,376.3** | **-2.0** | **9.1** | **8.1** |
| a) External | 416.7 | 895.5 | 114.9 | 1.1 | 2.1 |
| b) Domestic | 3,028.2 | 2,480.8 | -18.1 | 8.0 | 5.9 |
| - Bank Borrowing | 2,263.2 | 1,940.6 | -14.3 | 6.0 | 4.7 |
| - Non-Bank Borrowing | 765.0 | 540.3 | -29.4 | 2.0 | 1.3 |
| Primary Balance | -1,353.8 | -756.6 | -44.1 | -3.6 | -1.8 |
| Revenue Balance | -2,203.3 | -2,259.9 | 2.6 | -5.8 | -5.4 |
| Gross Federal Receipts | 4,435.6 | 5,782.3 | 30.4 | 11.7 | 13.9 |
| Transfer to Provinces | 2,397.8 | 2,504.0 | 4.4 | 6.3 | 6.0 |
| Net Federal Receipts | 2,037.8 | 3,278.3 | 60.9 | 5.4 | 7.9 |
| Federal Deficit | 3,634.9 | 3,601.2 | -0.9 | 9.6 | 8.6 |
| Provincial Surplus | 190.0 | 224.9 | 18.4 | 0.5 | 0.5 |
| ***GDP (Current Market Prices)*** | **37972** | **41,727** | | | |

* Excludes grants to the provinces

Source: Finance Division