

Institute for Policy Reforms
Press Release, 7 May 2014

Proposals for the Federal Budget

An event was held where IPR launched its report “Budgetary Proposals 2014-15” which was discussed in the presentation by Dr. Pasha. IPR has constituted a working group, under the lead of Dr Hafiz A. Pasha, comprising of the former Secretary General Finance, Mr. Mueen Afzal, Mr. Humayun Khan, Mr. Haroon Akhtar Khan and Mr. Ashraf Hayat.

With the rapid increase in the fiscal deficit to above 8% of the GDP, due to the falling tax- to-GDP ratio and rapidly rising current expenditures, especially on power sector subsidies, this report provides budget proposals which can facilitate the economy of Pakistan to revive from the current situation.

Dr. Pasha, said that these budgetary proposals 2014-15 are based on the fiscal deficit target of 6.5%. The tax-to GDP ratio in the coming year has to be increased by 0.5% of the GDP. For an increase of 20% in the Federal PSDP, with major investments in the water and power sectors, current expenditure growth will have to be restricted to less than 8 %.

He further elaborated that Rs.200 Billion can be yielded from the tax proposals given in the report, which includes focusing on the development of the direct tax regime, withdrawal of SRO’s in import duties, scaling down of import tariff and sticking to the current VAT system.

Furthermore, in order to reduce the current expenditure, reducing the size of the federal government, zero-based budgeting to determine the contribution of the existing autonomous organizations and rebalancing of the debt portfolio are some proposals presented in this report. Suggestions for better accountability were also made which are as follows: In view of the violation of (FRDL) Act, Federal Government to present a detailed medium- term action plan to come within the limits imposed by the Fiscal Responsibility and Debt Limitation Act (FRDL) to the National Assembly, supplementary grants exceeding the annual voted expenditure should be reported to the Finance Committee of the National Assembly during the year, all discretionary funds to be abolished and greater scrutiny of the defense budget.

IPR report sets federal PSDP is set at Rs 420 billion in 2014-15. The priority should be given to the water and power sectors, and 50% of the next year’s PSDP should be allocated to these sectors as compared to 30% this year. New projects other than in sectors mentioned above should not be undertaken for the time being. The Pakistan Development Fund (PDF) may be

brought into the Federal Consolidated Fund and grants received be used for energy investments rather than on transport projects.