5 Public Finance and Fiscal Policy

5.1 Overview

The successful implementation of the macroeconomic stabilization program in FY09 resulted in considerable fiscal consolidation during the year. Specifically, overall fiscal deficit dropped to Rs 680.4 billion during FY09 from Rs 777.2 billion in the preceding year (see **Figure 5.1**). As a percentage of GDP, the fiscal improvement consists of a reduction in budget deficit by 2.4 percentage points to 5.2 percent during FY09. The consolidation of fiscal balance during FY09 resulted largely from a steep deceleration in the growth in total expenditures. Total revenues, despite exhibiting accelerated growth, declined as a share of GDP to 14.1 percent in FY09 from 14.6 percent a year earlier.

Figure 5.1; Fiscal Consolidation

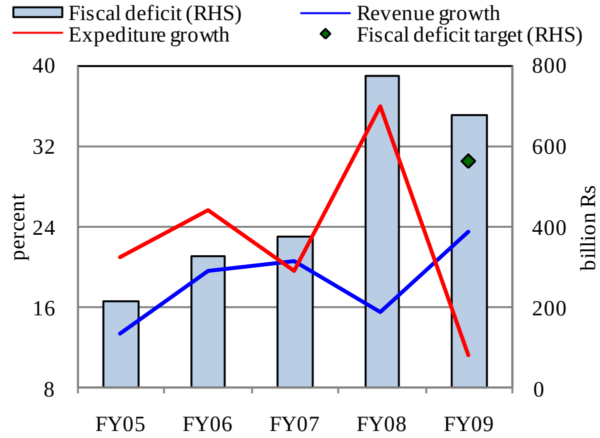


Table 5.1: Buildup of Fiscal Deficit

billion Rupees

	FY09	
	Jul-Mar	**Apr-Jun**
Total revenue	**1,301.4**	**549.5**
Tax revenue	849.2	355.5
Nontax	452.2	194.0
Total expenditure	**1,706.6**	**824.7**
of which		
Current	1,415.5	626.1
Development	243.2	205.6
Budget deficit	**-405.2**	**-275.2**

Source: MoF, Islamabad

Notwithstanding the fiscal improvement, reduction in overall fiscal deficit fell short of end-June FY09 target agreed with the IMF by Rs 118.2 billion. Quarterly trends show that accumulation of the budget deficit remained prudent till third quarter of FY09. Thus, during Jul-Mar FY09, total expenditures were severely limited, in line with total resources available to the government, so as to attain end-June FY09 fiscal deficit target. However, end-June fiscal accounts saw a large addition to the fiscal deficit in Q4-FY09. As a matter of fact, fiscal deficit during Apr-Jun FY09 represents 40.4 percent of the budget deficit of the entire fiscal year (see **Table 5.1**). The oversized addition to fiscal deficit in Q4-FY09 was led by Rs 205.6 billion rise in development spending during the quarter, reflecting IDP related expenditures and a surge in development spending by the provinces.

Another major development during FY09 relates to the welcome shift in the composition of budgetary financing away from extremely inflationary borrowing from the central bank. This occurred as (1) overall budgetary borrowing requirements shrank due to absolute fall in fiscal deficit, (2) budgetary shortfall in external financing inflows was moderate, (3) NSS inflows far exceeded budgetary estimates, and (4) the government was able to fetch Rs 186.5 billion from scheduled banks during FY09 against net retirement of Rs 134.2 billion in FY08. Large NSS inflows raised the share of non-bank in total budgetary borrowing from domestic sources to 42.3 percent in FY09 from 16.7 percent in the preceding year. This is in sharp contrast to FY08 where budgetary borrowings from SBP effectively funded the entire domestic financing of the fiscal deficit for the year. Notwithstanding the reduction in fiscal deficit during FY09 and strict limits on the government's budgetary borrowing

Table 5.2: Summary of Consolidated Public Finance
billion Rupees

	FY05	FY06	FY07	FY08	Budget FY09	FY09	Budget FY10
Total revenue	**900.0**	**1,076.6**	**1,298.0**	**1,499.4**	**1,809.2**	**1,850.9**	**2,155.4**
Tax revenue	632.6	753.0	889.7	1,050.7	1,317.9	1,204.7	1,563.6
Non-tax receipts	267.4	323.6	408.3	448.7	491.4	646.2	591.8
Total expenditure	**1,117.0**	**1,401.8**	**1,675.5**	**2,276.5**	**2,391.5**	**2,531.3**	**2,877.4**
Current	943.1	1,121.0	1,375.3	1,857.6	1,857.8	2,041.6	1,513.8
Development and net lending	252.5	367.1	424.7	423.4	516.6	455.7	773.6
Unidentified	-78.5	-86.3	-124.5	-4.4	-	34.0	-
Revenue surplus (+)/deficit (-)	**-43.0**	**-44.4**	**-77.4**	**-358.2**	**-48.6**	**-190.7**	**-51.6**
Overall deficit	**-217.0**	**-325.2**	**-377.5**	**-777.2**	**-582.3**	**-680.4**	**-722.1**
Financing through:	217.0	325.2	377.5	777.2	582.3	680.4	722.1
External resources	120.4	148.9	147.2	151.3	165.2	149.7	312.3
Internal resources	68.3	79.0	158.9	624.2	391.9	529.5	390.4
Banking system	60.2	70.9	102.0	519.9	149.0	305.6	246.3
Non-bank	8.1	8.1	56.9	104.3	242.9	223.8	144.1
Privatization proceeds	28.3	97.3	71.5	1.7	25.1	1.3	19.4

Source: Economic Survey 2008-09 and www.finance.gov.pk

from SBP, fiscal sustainability would require persistence in fiscal consolidation. That, in turn, hinges crucially on undertaking significant structural reforms in the months and years ahead.

Empirical research has shown that the size and composition of fiscal adjustment is critical for the persistence of fiscal adjustment. In particular, (1) fiscal adjustment based on curtailing current expenditures have been found to be more sustainable than those based on reduced capital outlays, and (2) when fiscal consolidation is supported by more buoyant tax revenues, the probability of ending an adjustment is lower.[1]

These findings call for: (1) a line-by-line review of government budget outlays with a view to rationalize the structure of subsidies, (2) expansion of total revenues, particularly by broadening the tax base, and (3) develop a debt management strategy that ensures the provision of adequate budgetary financing to the government with least stress on the financial sector. The fact that the government was able to switch budgetary financing from SBP to commercial banks, with little upward pressure on interest rates, was largely a result of the collapse of private sector credit through FY09. However, significant interest rate pressures are likely to emerge once credit to private sector picks up. Thus, a major component of any debt management strategy would entail the development of a liquid domestic debt capital market, particularly for government securities. This would not only reduce the volatility of interest rates but also help curtail the cost of funding to the government. It would also increase competitive pressures for banks inspiring their efficiency.

5.2 Fiscal Performance Indicators

All the balance indicators of fiscal performance showed significant improvement in FY09 after a large slippage in FY08 (see **Figure 5.2**). Overall fiscal deficit, as a percentage of GDP, dropped to 5.2 percent in FY09 from 7.6 percent last year. The improvement in fiscal deficit reflected acceleration in revenue growth and an overwhelming expenditure restraint, brought about through reduction in development spending and subsidy related expenses.

[1] Baldacci, Emanule. et. al (2004): *Persistence of Fiscal Adjustments and Expenditure Composition in Low-Income Countries*, in 'Helping Countries Develop: The Role of Fiscal Policy', International Monetary Fund, Washington D.C.

The deficit in revenue balance[2] declined, as a share of GDP, to 1.5 percent in FY09 compared to a deficit of 3.5 percent last year. Nevertheless, the continued revenue deficit is truly troubling since it not only violates the target set under the Fiscal Responsibility and Debt Limitation Act (FRDL), which required a revenue surplus from FY08 onward, but also suggests persisting strong growth of current expenditures compared to government's resource envelope.

Encouragingly, primary balance[3], as a share of GDP, recorded a deficit of 0.3 percent in FY09 against a deficit of 2.8 percent in FY08. The near zero deficit in primary balance reflects the viability of current level of non interest expenditures compared to total government resources, which could lead to reduction in total debt stock.

5.3 Revenues

Total revenues stood at Rs 1850.9 billion, registering an impressive 23.4 percent rise in FY09 compared to 15.5 percent increase in the preceding year. A breakup analysis shows that this improvement came exclusively from a large impetus to non tax revenues (see **Figure 5.3**). Growth in tax revenues, on the other hand, witnessed a deceleration during FY09. However, a slightly larger growth in nominal GDP meant that total revenues, as percent of GDP, witnessed marginal weakening during FY09 (see **Figure 5.4**). The sharp divergence in the growth path of the components of total revenue induced a rise in the share of non-tax revenues in total revenues by 5 percentage points.

Non-tax revenues added Rs 646.2 billion to total revenues in FY09 compared to Rs 448.7 billion last year, registering an exceptionally strong growth of 44.0 percent. The remarkably strong performance of non-tax revenues during FY09 is mainly attributable to (1) a sharp increase in transfer of SBP profits to the government, (2) strong inflows

Figure 5.2: Fiscal Performance Indicators

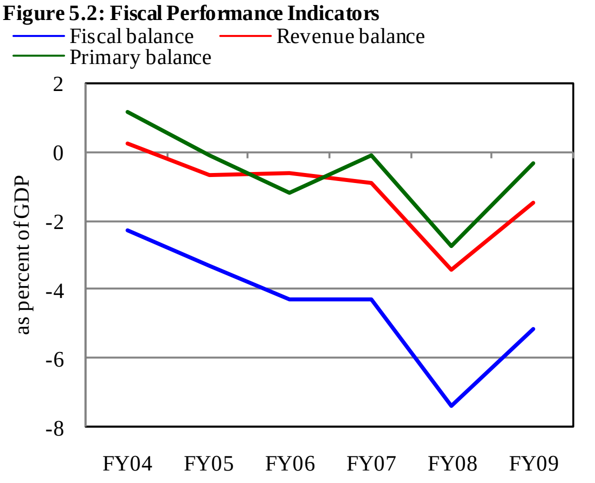


Figure 5.3: Revenue Growth

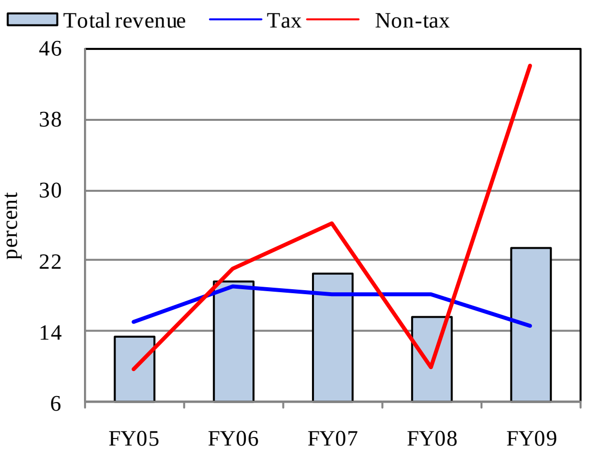
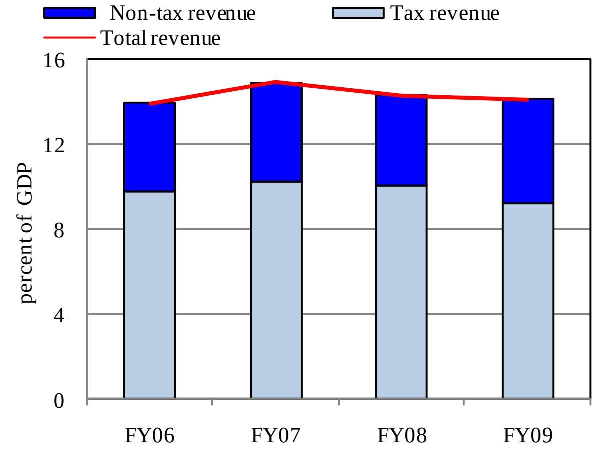


Figure 5.4: Revenue Ratios



[2] Revenue balance measures the saving capacity of the government and is calculated as the difference between total revenues and current expenditures.

[3] Primary balance helps assess the sustainability of the fiscal deficit. It highlights the *current* discretionary budgetary stance by excluding the impact of interest payments (that are caused by past policies).

under logistic support grant, and (3) substantial collection of surcharge on petroleum products on account of large spread between international oil prices and domestic POL products prices. While the fall in interest income, dividends, and profits from PTA and Post Office might be due to a joint effect of weak corporate earnings and a delay in these receipts, this was largely compensated by a rise in discount retained on crude oil, royalty on oil and gas, and other smaller heads. Thus the combined contribution of transfer of SBP profits, petroleum surcharge and logistic support grant explains nearly the entire rise in non-tax revenues during FY09.

Table 5.3: Composition of Tax and Non-tax Revenues

billion Rupees

					YoY change (%)	
	FY06	**FY07**	**FY08**	**FY09**	**FY08**	**FY09**
Tax revenue	**753**	**889.7**	**1,050.7**	**1,204.7**	**18.1**	**14.7**
Direct taxes	215	334.2	387.9	440.3	16.1	13.5
Taxes on property	9.1	3.5	4.1	4.6	17.1	12.3
Taxes on goods and services	352	383.3	472	571.8	23.1	21.1
Taxes on international trade	138.2	132.2	150.5	148.4	13.8	-1.4
Other taxes	38.7	36.6	36.1	39.6	-1.4	9.7
Non-tax revenue	**323.6**	**408.3**	**448.7**	**646.2**	**9.9**	**44.0**
Profits from PTA/post office dept	11	5.8	5	0.0	-13.8	-99.3
Interest (PSE and others)	13.8	19.6	40.4	24.3	106.1	-39.9
Dividends	64.2	60	76	58.5	26.7	-23.0
SBP profits	13.9	69.2	87.3	161.2	26.2	84.6
Defence	67.5	79.6	47.5	73.7	-40.3	55.1
Surcharges	50.8	64.5	35.2	126.1	-45.4	258.3
Petroleum	24.5	29.7	14.5	112.1	-51.2	673.2
Gas	26.3	34.9	20.7	14.0	-40.7	-32.3
Royalty on oil/gas	24.8	28.5	34.9	49.2	22.5	40.9
Discount retained on crude oil	-	-	18.6	25.6	-	37.5
Others	77.7	81.1	103.9	127.8	28.1	23.0
Total revenue	**1,076.6**	**1,298.0**	**1,499.4**	**1,850.9**	**15.5**	**23.4**

Source: Ministry of Finance

Tax revenues increased by 14.7 percent in FY09, much lower than the 18.1 percent recorded in FY08, reaching to Rs 1204.7 billion. Worryingly, the deceleration in tax revenues is caused by the deterioration in the growth of all major tax heads. Thus, while the poor performance by direct tax receipts continued for the second consecutive year, taxes on goods and services also showed signs of weakening due to slowdown in domestic demand and a fall in world commodity prices (see **Table 5.3**). Furthermore, taxes on international trade recorded an actual decline as rupee value of imports experienced a sharp deceleration. The broad-based large deceleration in tax revenues gave rise to a historic low ratio of tax-to-GDP of 9.2 percent in FY09.

5.3.1 FBR Tax Performance

Tax collection by the Federal Board of Revenue (FBR) failed to pick up for the second consecutive year in FY09. Slowdown in domestic demand, fall in industrial production due largely to energy crisis and global recession, and a decline in growth in rupee value of imports caused significant weakening in FBR tax collection since October 2008. Legal challenges to the tax administration reform process also affected the FBR performance. As a result, FBR had to slash its annual collection target of Rs 1250 billion by a substantial Rs 71 billion. Yet, the FBR collection fell short of even the revised target by Rs 22 billion during FY09. The net tax collection by FBR stood at Rs 1157.0 billion

Table 5.4: FBR Tax Collection (net)
billion Rupees

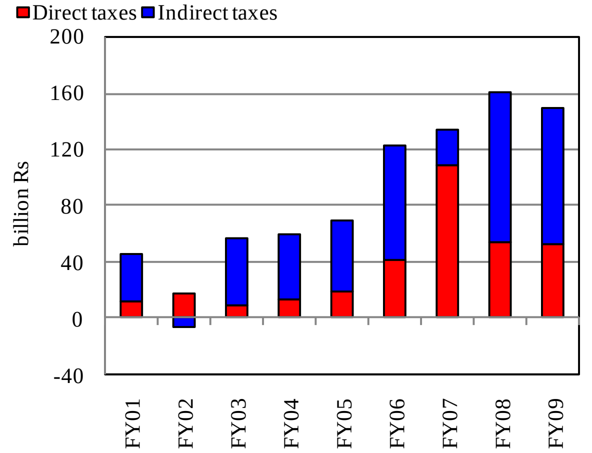
Tax head	FY09 target		Net collection		Collection as % of target		YoY change (%)	
	Original	**Revised**	**FY08**	**FY09**	**Original**	**Revised**	**FY08**	**FY09**
Direct taxes	498.9	463.0	387.8	440.3	88.2	95.1	16.2	13.5
Indirect taxes	751.1	716.0	619.8	716.7	95.4	100.1	20.7	15.6
Sales tax	469.9	454.0	377.0	452.3	96.3	99.6	21.8	20.0
Federal excise duty	112.0	117.0	92.1	116.1	103.6	99.2	28.3	26.0
Custom duty	169.2	145.0	150.7	148.4	87.7	102.3	13.9	-1.5
Total collection	1,250.0	1,179.0	1,007.6	1,157.0	92.6	98.1	18.9	14.8

Source: Federal Board of Revenue

in FY09, entailing a lower growth of 14.8 percent compared to 18.9 percent rise recorded last year (see **Table 5.4**).

An analysis of the incremental addition to FBR taxes show that (1) for the first time since FY02, incremental contribution to net tax collection declined in FY09, and (2) this was a broad-based deterioration as incremental contribution by both direct and indirect taxes suffered during FY09 (see **Figure 5.5**). This contrasts sharply with FY08, where strong rise in indirect taxes more than compensated for the steep decline in incremental contribution by direct taxes. Consequently, the growth in net tax collection as well as the tax-to- GDP ratio during FY08 was maintained at nearly the preceding year's level. However, the broad-based decline in the incremental addition to net tax collection during FY09 caused a significant deterioration in revenue trends during FY09.

Figure 5.5: Net Addition in FBR Tax Collection



5.3.1.1 Direct Taxes

With actual net collection of Rs 440.3 billion during FY09, direct tax receipts fell short of both the original and the revised targets by wide margins. Furthermore, growth in direct tax revenues showed considerable deceleration during FY09, reflecting poor performance of the non-agriculture sectors of the economy. While agriculture sector registered improved growth, low tax incidence on this sector reduced the overall buoyancy of direct taxes.

A break up of direct taxes for FY09 reveals that net income tax collection, which accounted for 95.6 percent of the direct tax receipts in FY09, registered a 14.4 percent growth against 16.8 percent increase recorded last year (see **Table 5.5**). The deceleration in income tax collection is largely explained by a considerable decline in the growth of withholding taxes and the continued decline in voluntary payments.

Table 5.5: Components of Income Tax Collection
billion Rupees

				Growth %	
	FY07	**FY08**	**FY09**	**FY08**	**FY09**
Coll. on demand	11.2	42.8	77.2	282.9	80.4
	(3.2)	(10.9)	(16.8)		
Voluntary	165.7	145.6	141.7	-12.1	-2.7
	(47.7)	(37.0)	(30.8)		
Withholding	168.9	205.1	240.5	21.5	17.3
	(48.7)	(52.1)	(52.3)		
Miscellaneous	1.3	0.2	0.3	-81.1	5.1
	(0.4)	(0.1)	(0.1)		
Gross income tax	**345.7**	**393.8**	**459.6**	**13.4**	**16.7**
Refunds	32.2	25.8	38.8	-19.9	50.3
Net collection	**315.2**	**368.0**	**420.8**	**16.8**	**14.4**

Note: Figures in brackets show the shares of the components in gross income tax.

Withholding taxes increased to Rs 240.5 billion during FY09, up by 17.3 percent compared to 21.5 percent rise last year (see **Table 5.6**). A disaggregated analysis reveals that the deceleration in withholding taxes was caused mainly by the decline in growth of receipts under contract. This was expected following a cut in development expenditures during FY09. As a result, contracts now contribute 34.3 percent in withholding taxes, down from 37.6 percent share last year. Other major heads contributing to withholding tax receipts during FY09 were imports (Rs 30.1 billion, up by 8.8 percent), salaries (Rs 27.0 billion, up by 19.2 percent), telephone (Rs 21.7 billion, up by 19.7 percent), and exports (Rs 14.4 billion, up by 24.9 percent)

Table 5.6: Withholding Tax Collection

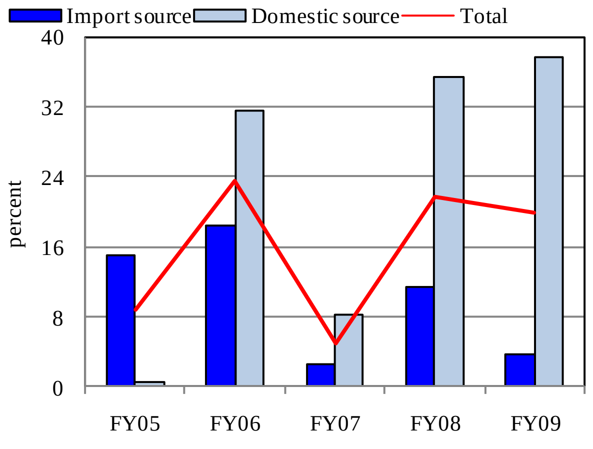
billion Rupees

				Growth (%)	
	FY07	**FY08**	**FY09**	**FY08**	**FY09**
Imports	26.1	27.7	30.1	6.0	8.8
Salaries	16.6	22.7	27.0	36.5	19.2
Dividends	4.3	6.5	6.6	50.8	1.3
Bank interest	9.4	8.5	11.5	-10.0	36.6
Contracts	58.7	77.2	82.5	31.5	6.9
Exports	10.9	11.5	14.4	5.5	24.9
Cash withdrawals	5	4.1	11.3	-18.0	176.6
Electricity bills	5.4	5.9	12.7	9.2	115.8
Telephone	13.1	18.1	21.7	38.5	19.7
Others	19.5	23.1	22.7	18.3	-1.7
Gross	**168.9**	**205.1**	**240.5**	**21.5**	**17.3**

5.3.1.2 Indirect Taxes

With collection of Rs 716.7 billion, growth in indirect taxes during FY09 decelerated to 15.6 percent from 20.7 percent last year. Worryingly, this was driven by deceleration in all the three heads. While indirect tax collection fell short of the original target, the rise in these receipts was only enough to just cover the revised revenue target for FY09. Nevertheless, higher growth in indirect taxes compared to that in direct taxes led to a slight increase in the share of indirect taxes in total taxes.

Figure 5.6: Growth in Sales Tax



Sales Tax

Growth in sales tax during FY09 remained 20.0 percent compared to 21.8 percent in FY08. The deceleration in sales tax is particularly significant as receipts from sales tax spearheaded the revenue effort during the initial months of FY09. The steep deceleration in sales tax receipts during the remaining months resulted in a below target collection for the entire year. A look at the components of sales tax shows that the lower growth was caused by the poor sales tax collection from import source on account of a decline in the growth in rupee value of imports during FY09. Thus, collection of sales tax at import stage grew only by 3.7 percent compared to 11.4 percent last year. In contrast, growth in collection of sales tax from domestic sources continued its upward trend for the third consecutive year and registered a growth of 37.6 percent in FY09 (see **Figure 5.6**).

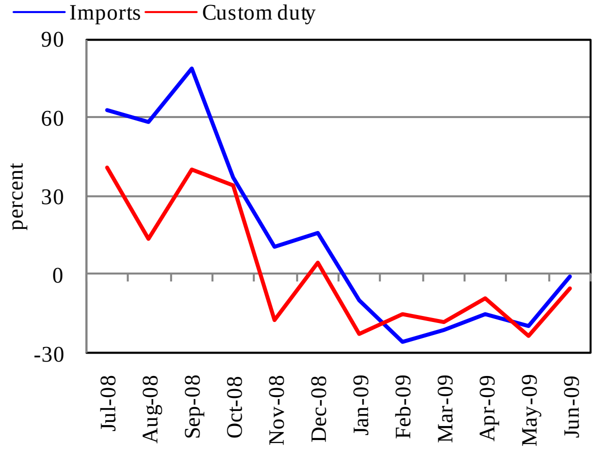
Federal Excise Duty

FED receipts increased to Rs 116.1 billion in FY09, reflecting a growth of 26.0 percent as compared to 28.3 percent in FY08. Although falling short of the revised target by Rs 0.9 billion, tax collection under federal excise duty exceeded its original target by Rs 4.1 billion. In fact, FED was the only category wherein tax collection target was revised upwards. With relatively better performance, the share of FED in indirect taxes improved.

Custom Duty

The revenue collection from custom duty declined to Rs 148.4 billion during FY09 compared to Rs 150.7 billion in FY08. The fall in custom receipts in FY09 was a direct result of the decline in rupee value of imports during the year. Monthly trends show a strong performance of custom receipts up to October 2008, consistent with robust import growth during this period (see **Figure 5.7**). However, growth in custom duty dropped sharply following the contraction in rupee value of imports during the remaining months of the year. This led to a considerably large reduction in the annual target of custom receipts for FY09. Thus, despite a fall in custom duty, the FBR was able to comfortably achieve the revised custom duty target for FY09.

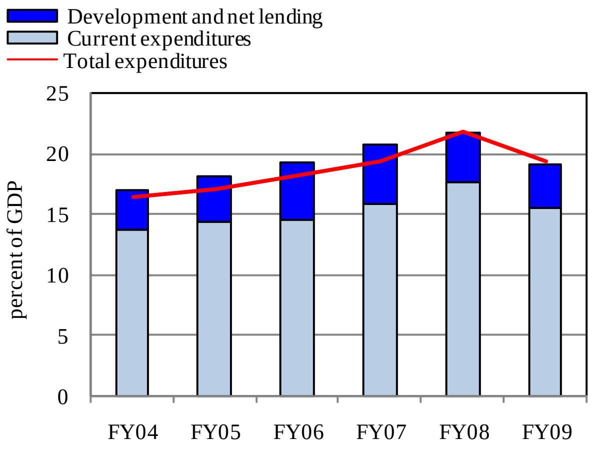
Figure 5.7: Growth in Imports and Custom Duty



5.4 Expenditures

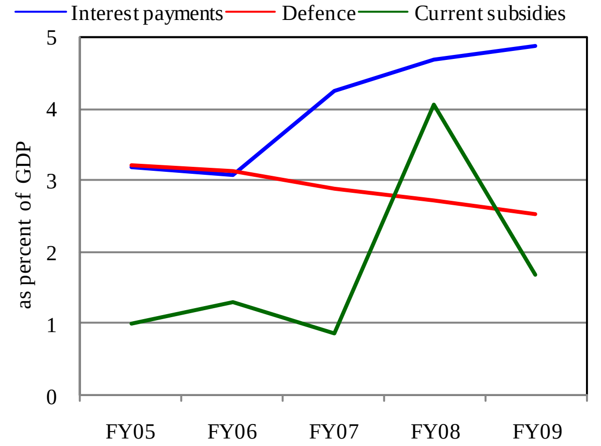
Growth in total expenditures remained at 11.2 percent during FY09, significantly lower than 35.9 percent recorded in FY08. In fact, this was the lowest expenditure growth in last five years. A further analysis shows that the FY09 deceleration in total spending resulted from a cut in development spending as well as a sharp deceleration in current expenditures. Importantly, the large deceleration in total expenditures during FY09 caused a reversal in the rising trend of total expenditures-to-GDP ratio. Thus, total expenditures, as a share of GDP, declined to 19.3 percent in FY09 from 22.1 percent last year (see **Figure 5.8**).

Figure 5.8: Expenditure Ratios



Current expenditures increased to Rs 2041.6 billion in FY09, reflecting a rise of 9.9 percent compared to 35.1 percent last year. Interestingly, the sharp deceleration in current expenditures witnessed during FY09 emanated from restraints by the federal government. Current expenditure of the provinces increased by an impressive 24.8 percent in FY09 compared to 8.7 percent rise recorded last year. A breakup analysis of federal current expenditures for FY09 shows that the deceleration was mainly caused by decline in current subsidies by nearly 50 percent. Accordingly, current subsidies, as percent of GDP, fell to 1.7 percent in FY09 from its peak of 4.1 percent last year (see **Figure 5.9**).

Figure 5.9: Composition of Current Expenditures



However, as current subsidies were reduced, the strong rise in interest payments, seen in last two year, persisted during FY09. This reflected: (1) heavy servicing of large government debt stock held by the central bank, (2) rise in maturity of external debt owed to multilateral agencies, and (3) depreciation of Pak Rupee against major currencies. As a result, interest payments increased from 489.7 billion in FY08 to Rs 637.8 billion in FY09, with a consequent rise in the ratio of interest payments-to-GDP to 4.9 percent in FY09. On the other hand, defence expenditures, as percent of GDP, continued to decline during FY09, to reach at 2.5 percent against 2.8 percent witnessed in FY08.

Given the rigidities in current expenditures, especially with regard to interest payments and defence expenditures, the government resorted to large cut in development spending during the first three quarters of FY09, producing a fiscal position which was broadly consistent with the annual fiscal deficit target. Specifically, the government slashed development expenditures by 25.7 percent by end March 2009, with a disproportionately large decline in federal PSDP. However, development spending during the last quarter of FY09 experienced sudden boost, with a rise of Rs 205.6 billion in Q4-FY09 alone compared with an outlay of Rs 243.2 billion during the first three quarters combined. As a result, development expenditures for the entire year witnessed only a marginal decline of 0.7 percent during FY09.

5.5 Provincial Fiscal Operations

Provincial public finance deteriorated during FY09, as growth in total revenues experienced considerable deceleration accompanied by a moderate rise in total expenditures. Consequently, the deficit in overall balance of the provinces increased to Rs 15.5 billion in FY09 compared to a deficit of Rs 3.9 billion in FY08.

Total revenue receipts of all provinces stood at Rs 750.5 billion, registering a growth of 12.5 percent in FY09 against 38.0 percent in FY08 (see **Table 5.7**). The sizeable decline in the growth of revenue receipts is mainly due to the low collection under nontax revenue and a reduction in transfer of the federal grants for the development expenditures to the provinces. Growth in federal tax assignment to the provinces increased only marginally as expansion in divisible pool was restricted following deceleration in the growth of FBR taxes.

Total expenditures of the provinces rose strongly during FY09, to reach Rs 766.0 billion in FY09 from Rs 671.1 billion last year. The sharp rise in total expenditures was brought about by acceleration in the growth of current expenditures, as development spending by the provinces experienced a decline during FY09. The sudden increase in total expenditures resulted in a decline in revenue surplus of provinces to Rs 186.3 billion in FY9 from Rs 210.2 billion in FY08.

Table 5.7: Summary of Consolidated Provincial Finance

billion Rupees

	FY07	FY08	FY09
Total revenue	**483.4**	**667.2**	**750.5**
Provincial share in federal revenue	400.1	457.4	525.6
Provincial taxes	36.8	40.8	46.1
Property taxes	3.5	4.1	4.6
Excise duties	2.5	2.9	3.5
Stamp duties	10.3	11.3	11.3
Motor vehicle tax	7.7	7.8	7.5
Other	12.9	14.6	19.2
Provincial non-tax	45.4	78	83.8
Interest	1.4	10.2	0.2
Profits from hydro electricity	4.2	7.8	3.5
Irrigation	2.7	2.8	3.2
Others	37.1	57.2	76.9
Federal loans and transfers/grants	1.1	91	95.0
Loans (net)	-28.4	15.3	36.9
Grants	29.5	33	40.6
Grant for dev. expenditure	-	42.7	17.5
Total expenditure	**602.9**	**671.1**	**766.0**
Current expenditure	420.3	457	564.5
Interest payments to federal govt	18.1	19.9	18.5
Other current expenditure	402.2	437.1	545.7
Development expenditure	182.6	214.1	201.8
Overall balance	**-119.5**	**-3.9**	**-15.5**

Source: Ministry of Finance

Table 5.8: Provincial Finance

billion Rupees

	Punjab		Sindh		NWFP		Balochistan	
	FY08	**FY09**	**FY08**	**FY09**	**FY08**	**FY09**	**FY08**	**FY09**
Total revenue	**327.0**	**364.4**	**188.8**	**210.0**	**99.8**	**111.9**	**51.6**	**64.2**
Provincial share in federal revenue	228.0	265.2	142.9	161.6	56.5	65.6	30.0	33.3
Provincial taxes	20.2	22.1	17.1	21.0	2.6	2.2	0.8	0.9
Provincial non-tax	41.0	53.0	11.2	5.9	23.2	21.9	2.7	2.9
Federal loans and transfers/grants	37.8	24.1	17.6	21.4	17.6	22.3	18.0	27.2
Total expenditure	**340.5**	**383.3**	**181.5**	**220.3**	**84.2**	**103.2**	**64.9**	**59.2**
Current expenditure	221.7	276.5	136.1	172.3	56.3	71.3	42.9	44.1
Development expenditure	118.8	106.8	45.4	48.1	27.9	31.9	22.0	15.0
Overall balance	**-13.5**	**-18.9**	**7.3**	**-10.4**	**15.7**	**8.8**	**-13.4**	**5.0**

Source: Ministry of Finance

Province wise details show that while the other three provinces experienced relative deterioration in their respective overall balance, Baluchistan recorded an improvement, turning the deficit in overall balance into a surplus during FY09. In contrast, deficit in overall balance of Punjab and Sindh worsened whereas NWFP experienced a reduction in the surplus in overall balance (see **Table 5.8**).