Budget Analyses

Financial Year 2021-2022 as a background

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Budget for the fiscal year 2022-23

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1. Budget at Glance

At Glance
Federal Budget 2022-23

(Rs. in Billion)

RESOURCES		EXPENDITURE	
Revenue Receipts		**Revenue Expenditure**	
Tax Revenue (FBR) - Federal	**7,004**	**Current**	**8,694**
Direct Tax: Income	**2,573**		
: Income tax	2,558	**Defense Services**	1,523
: Workers' Fund & Others	14	**Mark-Up**	4,050
: CVT	1	: Foreign Debts	3,539
Indirect Tax: Custom duties	**4,431**	: Domestic Debts	511
: Custom duties	953	**Grants**	1,242
: Sales Tax	3,076	: Provincial	82
: FED	402	: Others	1,160
Non-Tax Revenue	**2,000**	**Subsidies**	**699**
: Levies & Fee	35	**Govt. Running Expenses**	**550**
: Mark-up	280	**Other Ministries**	**630**
: Civil Adminstartion	354	: Economic Affairs	139
: Miscellaneous	1,331	: Health Affairs & Services	20
		: Education Affairs & Services	91
a) Gross Revenue Receipts	**9,004**	: Others	381
b) Less Provincial Share	**(4,100)**		
I. Net Revenue Receipts (a-b)	**4,904**	**Net Revenue Expenditure**	**8,693.80**
Capital Receipts		**Capital Expenditure**	
II. Non Bank Borrowing (NSSs & Others) - Public Account	1,996	**Development**	**808**
III. Net External Receipts - Fed. Consolidated Fund	533	Federal PSDP	727
IV. Estimated Provincial Surplus	800	Grants (Sindh & KPK)	81
V. Bank Borrowing (T-Bills, PIBs, Sukuk) - Fed. Consolidated Fund	1,172		
VI. Privatization Proceeds - Fed. Consolidated Fund	96		
Net Capital Receipts	**4,598**	**Total Capital Expenditure**	**808**
TOTAL RESOURCES	**9,502**	**TOTAL EXPENDITURE**	**9,502**
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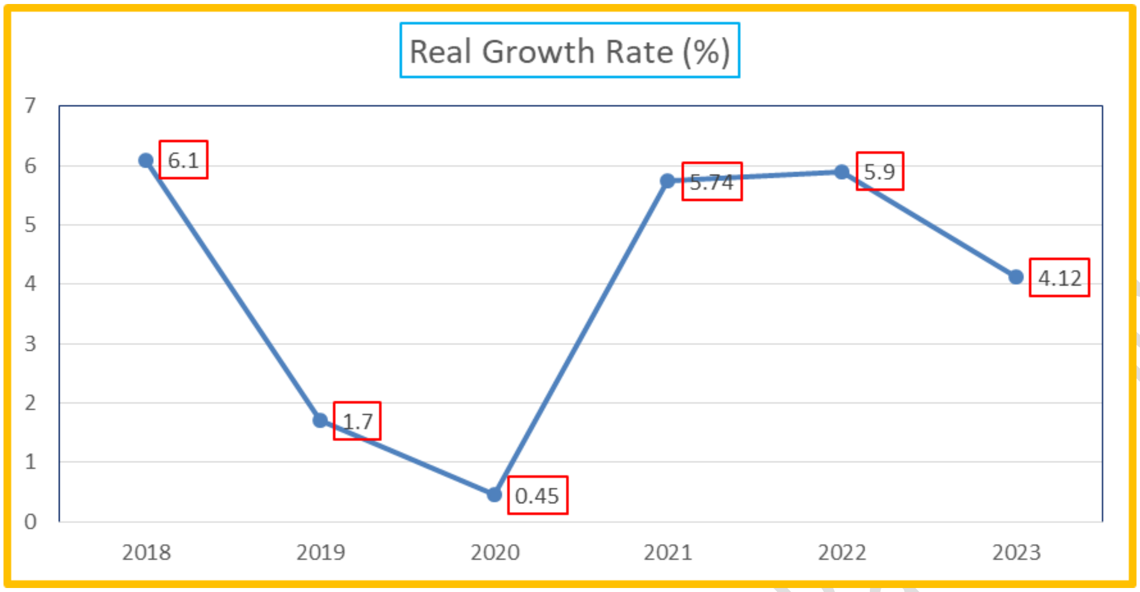
2. Preamble

Two months old coalition government has presented an annual budget for Fiscal Year 2022-23 with devastated background on all three political, economic social fronts.

- **Political Front**: Newly formed coalition government has serious demand from establishment and Judiciary either to remain neutral or help stabilizing the government's political status. Government demanded so much so that this message should be realized by the word to calculate for no political unrest in Pakistan to have any economic tie / contract without political or financial risk. A controversial statement of outgoing government," International Conspiracy against PTI for throwing it out" plays an important role for political instability. Long term political unrest may push the country into further financial crises.

- **Economic Front**:
  - **Economic Trade-off**: There is very complex, diversified and inculcated situation of economy due to different trade of transitions. For example, we will face further inflation if we increase the growth rate. If growth rate is compromised to curtail inflation, unemployment starts increasing. Accumulated trade deficit was $ 19 b in 2018 that increase to $ 43 n in 2022. If GDP is increased, assuming other factors remain constant, trade deficit will further increase because our overall industry imports 52 % raw material while textile industry imports 70% of total cost. Trade deficit created will hamper different primary macroeconomic indicators. All macroeconomic indicators are at the verge of collapse leaving no room for any adjustment such as 13% inflation, 15% policy rate, $ 43 b trade deficit, 6% V shaped economic growth, Rs. 5,600 fiscal deficit and exchange rate of Rs. 202.00 against Dolor.
  - **V-Shaped growth curve**: Economy was put on hold from March 2020 to June 2021 due to devastated Covid-19. The growth rate of first year of PTI government slashed down from 5.8% to 1.7 % due to unfavorable policy rate and depreciation of currency-blind policy of economic mangers. Growth rate further decreased to -0.94% due to Covid -19. Production was at lowest while demand for most of the products remained same. Consequently, the stocks depleted from the market. Though economy recovered from the pandemic (a -0.94 percent drop in FY2020) and maintained V-Shaped recovery by posting real GDP growth of 5.97 percent in the fiscal year 2022. This high growth, however, is unsustainable and has resulted in financial and macroeconomic imbalances. Especially the inflation and trade deficit is the products of this imbalance growth. V-shaped curve took more than a financial year to reach its peak and, definitely, Growth Rate should be less in next year to balance the macroeconomic indicators.



- **Growth Strategy:**

a. **Remittances Led Growth**: It's very interesting to note that nominal growth rate is 20% for the fiscal year 2021-22.For aggregate demand analysis, Nominal GDP (MP) i.e., GDP (MP-Market Price) at current prices is used. For FY2022, GDP at current market prices stands at Rs 66,950 billion showing a growth of 20.0 percent over last year (Rs 55,796 billion). This significant growth was observed in Net Primary Income (NPI) mainly due to substantial growth in workers remittances on account of travel restrictions during Covid-19. The other major factor causative of high nominal growth is inflation. Aggregate demand, hence emerged, and could not find aggregate supply in Pakistan that generated 20% growth rate at MP attributed to inflationary pressure. Remittances led growth rate failed due further misbalancing the macroeconomic indicators.

b. **Export Led Growth**: This strategy also failed while creating imbalance among macroeconomic imbalances. Most of the exports are based on imported input. Textile imports 70% inputs while other industry 52%. Increase in export, little on quantity and more on prices based, created a huge CAD of $43 b which was $19 b in 2018.

- Social Front: High inflation, increase in unemployment and claim of high moral ground by outgoing PM left indelible bad impression on general public about the democracy. Further he confused people with blame game on opposition for theft and misappropriation. He focused the only activity through his tenor but could not materialize even one claim form dozen arrested top line of politicians of opposition. Instead, the corruption cases of his top line cabinet / leaders were leaked on daily bases. Rigged elections added more fuel on burning fire. Tall claims of Ex-PM, without delivery, depressed the socio-economic position of general public. Further 20 million people were pushed below the poverty line. Consequently the outgoing political party seriously damaged the confidence of people on democracy.

There will very little support of general people for ruling party, whatever they good or bad do, and credit goes to outgoing party for shaking the confidence of people on democracy.

3. Key Priorities of the Federal Government for FY 2022-23

Following are the Key Priorities of the Federal Government:

a) Rejuvenate the Development Programs
b) Eliminate the Power outages
c) Boost Agricultural Production for food security
d) Reduce fiscal deficit to restore fiscal sustainability
e) Increase in agriculture and industrial production
f) Ban on imports of luxury items to save the foreign exchange
g) Reduce the losses of Public Sector Enterprises
h) Enhance the Tax rate on wealthy persons of the country

The Budget Strategy for FY 2022-23

The Budget 2022-23 is a growth budget. It is based on a well thought out strategy to boost the economic growth earlier outlined in the Medium Term Budgetary Strategy Paper for FY 2022-23 to FY 2024-25, which gave a clear roadmap of the strategic priorities, revenue and spending policies of the Government. The main strategies of the Federal Government for FY 2022-23 are:

1) Stabilization in economic growth
2) Control the increasing inflation
3) Increase in Revenue
4) Enhancement in Exports
5) Protectant the vulnerable segments of society
6) Maximum relief measures to improve the socio-economic condition of
7) Control tax leakages
8) Incentives to tax collection agencies

Main Objectives of Budget 2022-23

a) Control the fiscal deficit to boost growth of the economy
b) Maintain primary balance at a sustainable level
c) Protection of social spending to support the poor of the society
d) Mobilization of resources by increasing tax net

4. Budget Highlights 2022-23

- GDP growth targeted at 5%.
- Pension increased to PkR530 billion
- GDP projected at 78.3trillion vs 67 trillion this year
- Inflation expected at 11.5% in FY23 vs 11.7% in FY22
- Tax to GDP to be taken to 9.2% in FY23 vs.8.6% in FY22
- Fiscal l deficit to be reduced to 4.9% in FY23 vs 8.6% in FY22
- Primary surplus expected at 0.19% in FY23 vs. a primary deficit of 2.4% in FY22
- Imports projected at $70bn in FY23 vs US$76bn in FY22
- Exports projected at US$35bn in FY23 vs US$31.3bn in FY22
- Remittances estimated at US$33.2bn vs US$31.lbn in FY22
- CAD projected at 2.2% of GDP in FY23 vs 4.1% of GDP in FY22
- Total interest payment of PkR3,144bn;Domestic interest payment: PkR2,770bn and External interest payment: PkR373bn
- Debt ceiling at 60% of GDP
- FBR revenue: PkR6,000 billion; Non tax revenue PkR1,315bn
- Total PSDP: PkR800bn;Federal PSDP: PkR550bn
- Overdue receivables of petroleum sector estimated at PKR284bn,while next year's allocatetion is set at PKR71bn
- 5 year tax holiday for film makers, new cinemas, production houses
- Fixed income and sales tax on small retailers - to be collected with electricity bills
- 100% depreciation adjustment in first year of operations for corporates and businesses
- Advance income tax at import stage to be made adjustable.
- People having more than one immovable property worth more than PkR25 mn will be assumed to have 5% rental income on market value, which will be taxed at 1% of this fair market value
- 15% CGT on immovable property on 1year holding period, reducing by 2.5% for every additional year
- Advance tax on filers to be increased to 2% from previous 1% on purchase of property (non-filers: 5%)

- People / companies with income above PkR300mn to pay additional 2% tax
- Increased advanced tax on autos above 1600cc
- Taxation increased on Banks to 42% from previous 39% (including super tax)
- Credit / Debit card payments made outside country to be taxed at 1% (filers) and 2% (non-filers), adjustable in full year tax
- No sales tax on solar panels
- Annulment of sales tax on tractors, wheat, maize, sunflower, canola etc.
- Custom duty eliminated on agriculture machinery
- Custom duties rationalized on 400 items within the manufacturing sector
- Tariff rationalized on synthetic yarn (PSF)
- More than 30 pharma APIs free from custom duties
- 10% salary increase for GoP employees
- DLTL: PkR40.5bn to be released in Jun'22
- Power subsidy: PkR570bn; Petrol subsidy: PkR71bn

5. Budget 2022-23 in my opinion.

Budget targets are very much optimistic and there are sufficient chances, except inflation, all other variables will be capped, though possibility of growing more worsen is there. Moreover, no revolutionary action plan announced in any of the economic sectors to ensure the turnaround of economy. In my opinion, setting aside the appreciated measures adopted by the economic manager, followings are serious hurdles to achieve budget targets;

- ✓ It's like to walk at knife edge to maintain the balance between / among the different macroeconomic variables such as growth & inflation, import for raw material & trade deficit, remittances & motivators of remittances, growth rate & inflation, trade deficit & exchange rate, employment & PSDP and other variable depending upon more than one variables.
- ✓ Chances of mini budgets are there.
- ✓ No planning in budget to used ideal resources including a vast virgin land, waste of rain fed water in Pothohar Plateau and huge young labor force.
- ✓ Agriculture sector is still not getting the required attention. No revolutionary policy in agriculture sector announced to feed agro-based industry and to address the food security as a most brisk danger of near feature.
- ✓ No planning of production and export of non-tradition crops to reduce the CAD.
- ✓ No tangible planning for substitution industry for imported raw material. Still huge quantity of chemicals & parts for textile industry are imported to burden the trade gap.
- ✓ No accountability system for inefficient minister for his frailer.
- ✓ Untimely decision may be much harmful to achieve the budget targets as outgoing government made the mistake of delay in decision to procure the energy and compromised on huge trade deficit and finally CAD.

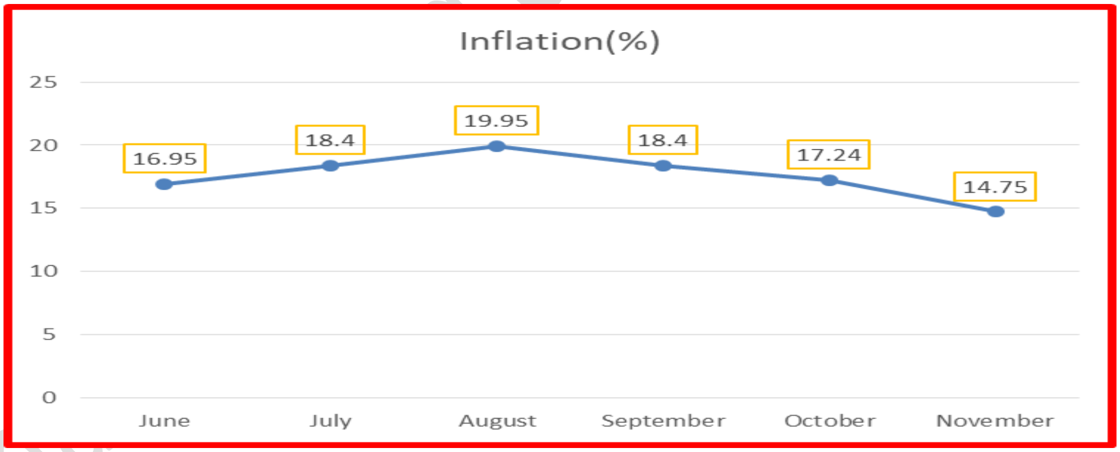
CAD			
Period	2013	2018	2022
$ (b)	3	19	43

- ✓ Reduction in CAD will be more worsen if energy prices further hikes. Current Account Deficit is $43b for 2022 s against $19 b in 2018.
- ✓ To maintain fiscal discipline with 5% GDP will be a cumbersome job with alarming peak of all macroeconomic indicators handed over by the outgoing political party. Different external and internal resources will be used to finance the fiscal deficit of Rs. 4,598 b which is 48% of total budget outlay. This will make harder to achieve the targets set in budget. After debt service, defense payment and other government expenses, only 9% budget is left development.

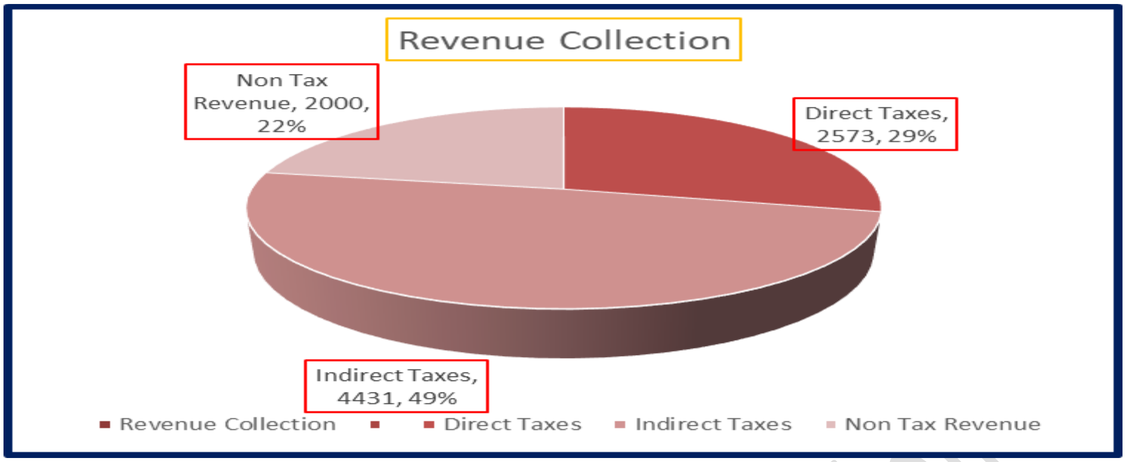
(Rs. in Billion)

Fiscal Deficit		Financing	
A) Federal Revenue (Net)	**4,904**	**A) Net External Financing**	**1,667**
B) Total Federal Expenditure (i+ii)	**9,502**	Multilateral & Bilateral Sources	1,223
		Commercial Sources	444
i) Current Expenditure	8,694		
ii) Development and Net Lending (a+b)	**808**	**B) Net Domestic Financing**	**2,835**
a) Federal PSDP	727	National Saving Schemes and Others	-125
b) Net Lending	81	Bank (Govt. Securities)	2,960
		C) Privatization Proceeds	**96**
C) Federal Deficit (A-B)	**-4,598**	**Total Financing (A+B+C)**	**4,598**

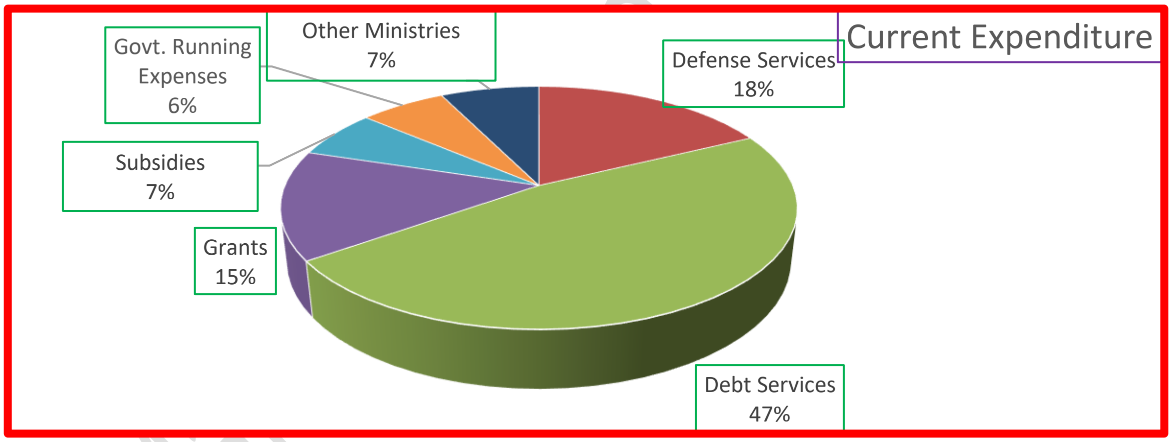
- ✓ Still a huge forex is required to import edibles items including 3.0 million wheat.
- ✓ PSDP of Rs. 808 b is insufficient to create required quantum of jobs.
- ✓ Inflation may take six months to bounce back at 11%. People from all walks of lives will react on this high inflation due to price hike in both energy and power sectors.



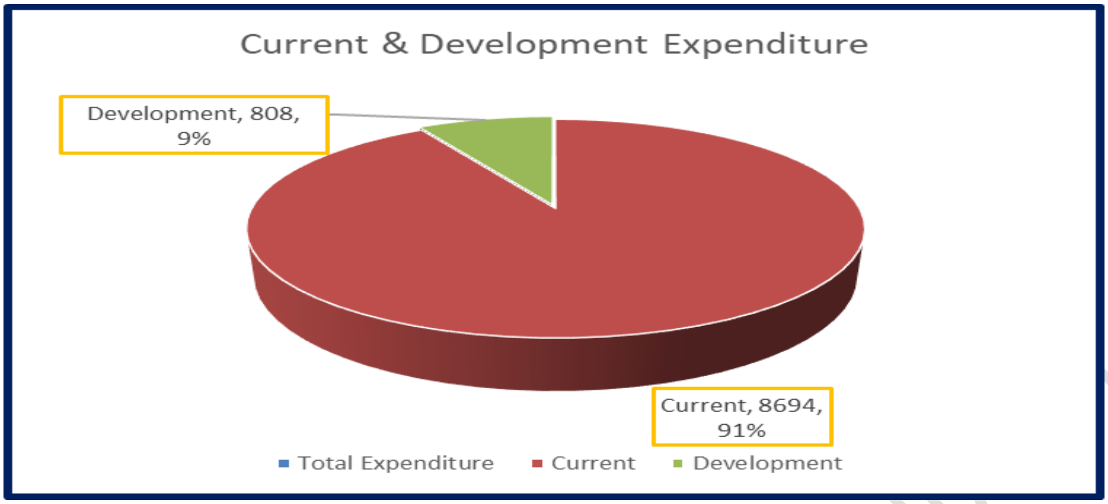
- ✓ It's good that collection burden is slightly shifted to income winner through direct taxes.



- ✓ Major portion of revenue (both revenue & capital receipt) is eroded by only two head of accounts i.e Defense Services and Debt Services.
- ✓ Less GDP growth target of 5% as against 5.97 % of previous year, to correct the inflated economy, will be backlash on economic managers by the opposition. Current expenditures on alone debt service is 47%-the main obstacle achieve 5% growth rate.



- ✓ Current expenditure supersedes Development expenditure so much so that very tiny amount left for development of 220 million people. About 91%funds go to current expenditure and only 9% are reserved for development to create jobs. In case of emergency, development expenditures are cut down to feed the current expenditure.


Current & Development Expenditure
Development, 808, 9%
Current, 8694, 91%
Total Expenditure
Current
Development

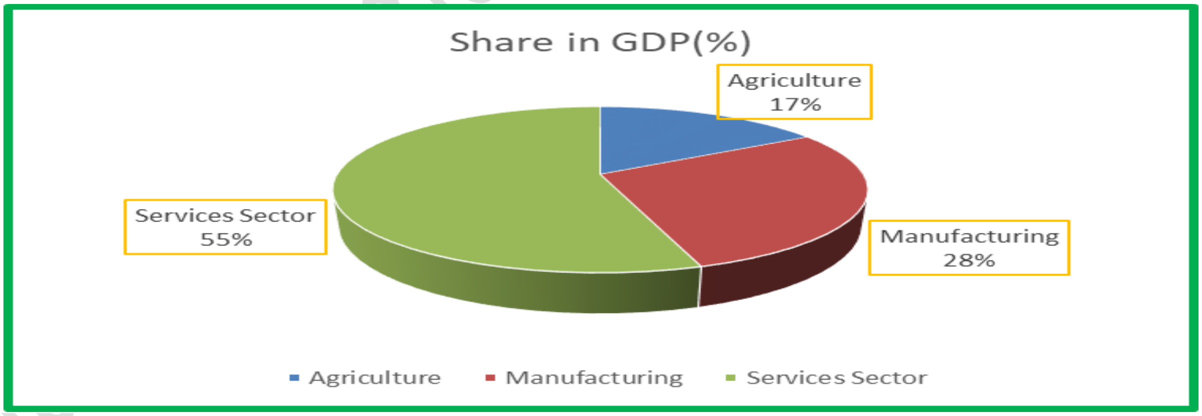
6. Agriculture Sector

• Government efforts to boost agriculture sector.

➢ **Government Incentives in budget 2022-23:** Following incentives are given in this budget 2022-23;

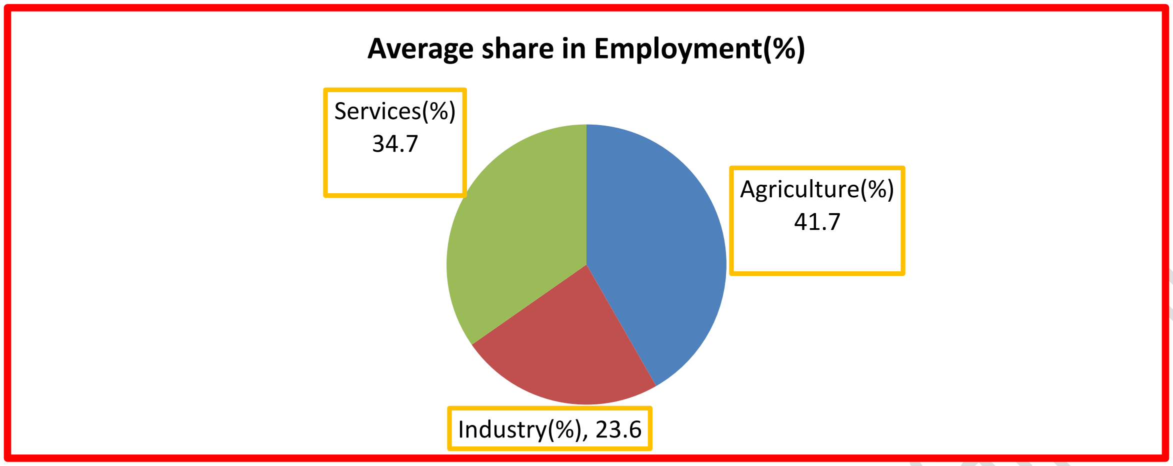
* Credit Guarantee Scheme for small formers-Grant
* Live Stock insurance scheme.-Grant
* Agriculture Relief Incentives-Grant
* Tax free import of agriculture machinery – incentives
* Adoption of Electronic Land Record Management Information System (LRMIS) by banks for Agriculture Financing
* Promoting Electronic Warehouse Receipt Financing (EWRF)
* Introduction of Scoring Model for Agriculture Credit Performance of Banks
* Introduction of Champion Bank Concept

➢ **Share in GDP (%):** It is a major contributor to the employment and foreign exchange earnings. In addition to that it provides industrial raw material, hence growth in this sector has multiple linkages with the overall economy. It contributes 17%, on average, to the GDP and provides employment to around 37.4 percent of the labor force. The improvement in agriculture production systems will increase farm income, reduce consumer prices and enhance diverse food supplies besides generating an exportable surplus. Above incentives surely increase agriculture product and share in GDP.



Sustainable growth of the agriculture sector stands vital for food security and rural development in Pakistan. Realizing the importance of agriculture sector, the Government encourage financial inclusion activities in the agriculture sector to adopt new approaches in order to boost the productivity and exports, thus enhancing a rural development-driven economic growth.

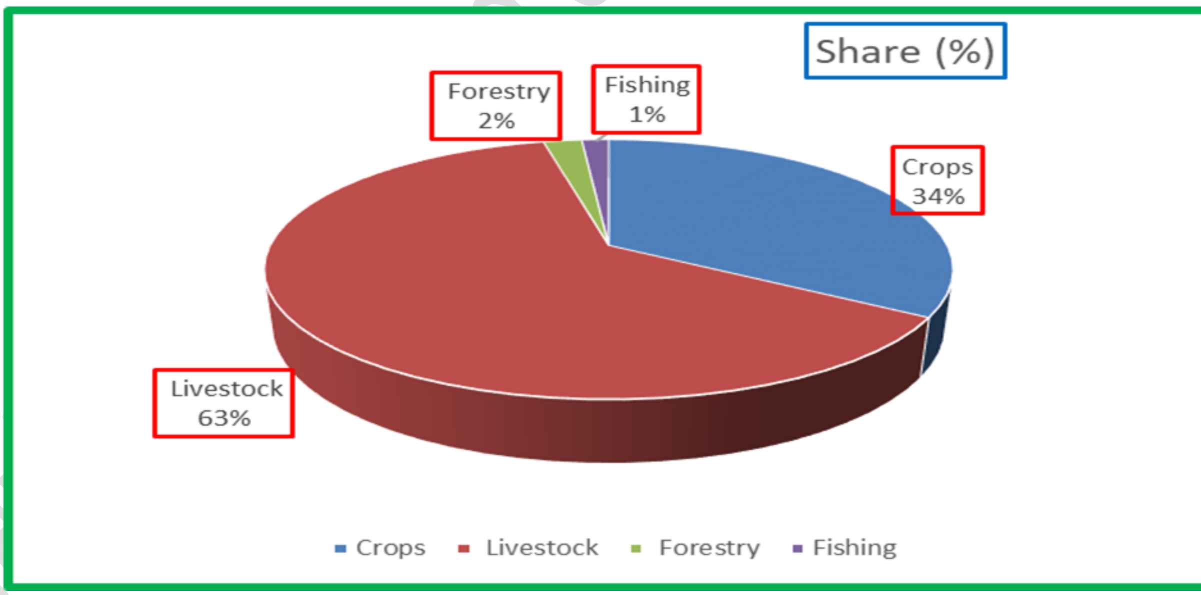
➢ **Employment in Agriculture Sector:** Agriculture is innately a labor intensive activity that's why it takes the lead over both industrial and service sector in deploying the more number of labors.



- **Agriculture sector break-up**

Agricultural Sector is divided into following **four** main **sub-sectors;**

1. Crops;
2. Livestock;
3. Fisheries and Aquaculture (including capture fisheries);
4. Forestry.



- **Performance of agriculture sector during fiscal year 2022-23**: Agriculture sector, on average, has 18.5.% share in GDP with absorption of 47.1% labor force of country having growth rate of 0.85% per annum (2019). Growth rate of all four sub-sectors is given for last three years for in-depth analyses.

During FY2022, the agriculture sector recorded a remarkable growth of 4.40 percent and surpassed the target of 3.5 percent and last year's growth of 3.48 percent. This growth is mainly driven by high yields, attractive output prices and supportive government policies, better availability of certified seeds, pesticides, and agriculture credit.

The crops sector outperformed and posted a growth of 6.58 percent during FY2022 against 5.96 percent last year. At the sub-sector level, important crops, other crops, and cotton ginning depicted a significant growth of 7.24 percent, 5.44 percent, and 9.19 percent, respectively, against last year's growth of 5.83 percent, 8.27 percent, and -13.08 percent. The growth in production of important crops namely cotton, rice, sugarcane, and maize are estimated at 17.9 percent, 10.7 percent, 9.4 percent, and 19.0 percent, respectively. The cotton crop increased from 7.1 million bales reported last year to 8.3 million bales during 2021-22; rice production increased from 8.4 million tonnes to 9.3 million tonnes; sugarcane production increased from 81.0 million tonnes to 88.7 million tonnes; maize production increased from 8.9 million tonnes to 10.6 million tonnes respectively, while wheat production decreased from 27.5 million tonnes to 26.4 million tonnes. Other crops having a share of 13.86 percent in agriculture value addition and

3.14 percent in GDP, grew by 5.44 percent on the back of an increase in the production of pulses (29.82 percent), oilseeds (24.75 percent), vegetables (11.52 percent), fruits (1.53 percent) and fodders (0.36 percent).

Livestock having a share of 61.89 percent in agriculture and 14.04 percent in GDP, recorded a growth of 3.26 percent in 2021-22 compared to 2.38 percent during the same period last year. The fishing sector having a share of 1.39 percent in agriculture value addition and 0.32 percent in GDP grew at 0.35 percent compared to a growth of 0.73 percent in the same period last year. The forestry sector having a share of 2.14 percent in agriculture value addition and 0.49 percent in GDP posted a positive growth of 6.13 percent against the negative growth of 0.45 percent last year.

Water availability during Kharif 2021 was recorded at 65.1 million-acre feet (MAF) compared to 65.1 MAF of Kharif 2020. Rabi season 2021-22 stood at 27.4 MAF, showing a decrease of 12 percent over Rabi 2020-21.

The domestic production of fertilizers during FY2022 (July-March) increased by 1.9 percent over the same period of last year. This increase in domestic production of fertilizer is mainly due to the running of two LNG-based plants, FatimaFert and Agritech Limited, from September 2021 to March 2022. Although the import of fertilizer decreased by 6.2 percent, however, the total availability of fertilizer slightly increased by 0.5 percent. There was a decrease in the total offtake of fertilizer nutrients by 3.6 percent.

During July-March FY2022, total tractor production reached 41,871 compared to 36,900 produced last year, a 13.5 percent higher than the same period last year.

During FY2022 (July-March), banks disbursed Rs 958.3 billion which is 56.4 percent of the overall annual target and 0.5 percent higher than the disbursement of Rs 953.7 billion made during the same period last year. Further, the outstanding portfolio of agricultural loans has increased by Rs 30.9 billion i.e., from Rs 601.8 billion to Rs 632.7 billion at end of March 2022 as compared to the same period last year. In terms of outreach, the number of outstanding borrowers reached 3.2 million in March 2022.

During FY2022 (July-March), total fish production was recorded at 696.0 thousand MT (marine: 468 thousand MT and inland: 228 thousand MT) witnessing an increase of 0.8 percent over the same period of last year's fish production of 690.6 thousand MT (marine: 465.2 thousand MT and inland: 225.4 thousand MT).

Seven year performance, growth rate, is depicted below;

Sector	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22 P
Agriculture	**2.22**	**3.88**	**0.94**	**3.91**	**3.48**	**4.40**
1. Crops (i+ii+iii)	1.37	4.61	-4.38	6.32	5.96	6.58
i) Important Crops	2.68	4.27	-8.59	5.24	5.83	7.24
ii) Other Crops	-1.24	4.65	3.62	9.21	8.27	5.44
iii) Cotton Ginning	5.24	8.27	-11.23	-4.06	-13.08	9.19
2. Livestock	2.89	3.59	3.65	2.80	2.38	3.26
3. Forestry	-2.92	2.24	7.22	3.36	-0.45	6.13
4. Fishing	1.22	1.57	0.78	0.63	0.73	0.35

- Important Crops; There are four major crops contribute about around 30% share in agriculture sector

I. **Cotton**: Pakistan is 5th largest producer of cotton in the world. Export of cotton and textile products have a share of around 60 percent in overall exports of the country. It contributes around 0.6 percent to GDP and 2.4 percent of the value added in agriculture. Over the last decade or so, area under cotton cultivation has been declined and replaced by its competing crops like sugarcane, maize, potato and rice. During 2021-22, the cropped area declined to 1,937 thousand hectares (6.8 percent) against last year's 2,079 thousand hectares. Cotton production increased to 8.329 million bales (17.9 percent) against last year's 7.064 million bales.

Year	Area		Production		Yield	
	(000 Hectare)	% Change	(000 Bales)	% Change	(Kgs/Hec)	% Change
2017-18	2,700	-	11,946	-	753	-
2018-19	2,373	-12.1	9,861	-17.5	707	-6.1
2019-20	2,517	6.1	9,148	-7.2	618	-12.6
2020-21	2,079	-17.4	7,064	-22.8	578	-6.5
2021-22(P)	1,937	-6.8	8,329	17.9	731	26.5

II. **Sugarcane:** Sugarcane is of great significance for sugar related industries and 2nd largest agro-based industry after textile. Its production accounts for 3.7 percent in agriculture's value addition and 0.8 percent in GDP. During 2021-22, sugarcane was cropped on 1,260 thousand hectares recorded an increase of 8.2 percent compared to last year's sown area of 1,165 thousand hectares. A bumper sugarcane crop production recorded at 88.651 million tonnes during 2021-22, up by 9.4 percent over last year (81.009 million tonnes).

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III. Rice: Rice is an important cash crop and after wheat and it is 2nd major staple food item consumed in the country. Its production comprises of 34 percent of basmati (fine) types and 66 percent of coarse types. During the last few years, production of coarse types is increasing as the farmers are bringing more areas under coarse hybrid types. It contributes 2.4 percent of value added in agriculture and 0.5 percent in GDP. During 2021-22, the crop was sown on 3,537 thousand hectares, showing an increase of 6.1 percent as against 3,335 thousand hectares last year. The record high output of rice stood at 9.323 million tonnes during 2021-22, higher by 10.7 percent than last year's production of 8.420 million tonnes. From the last couple of years, area under rice cultivation is witnessing rising trend.

Year	Area		Producti		Yield	
	(000 Hectare)	% Change	(000 Tonnes)	% Change	(Kgs/Hec.)	% Change
2017-18	2,901	-	7,450	-	2,568	-
2018-19	2,810	-3.1	7,202	-3.3	2,563	-0.2
2019-20	3,034	8	7,414	2.9	2,444	-4.6
2020-21	3,335	9.9	8,420	13.6	2,525	3.3
2020-22(P)	3,537	6.1	9,323	10.7	2,635	4.4

IV. **Wheat:** Wheat is the staple crop and it ensures food security of the country. Wheat is cultivated over 22 million acres and accounts for 7.8 percent of the value added in agriculture and

1.8 percent of GDP. Self-sufficiency in wheat has been an objective of every Government and thus always challenges for the agriculture experts and policy makers. Wheat is a strategic crop and any shortfall in its production can create an awkward situation leading to political uncertainty, significant drainage of foreign reserves, rise in prices of wheat flour and pocket shortages in vulnerable areas. During 2021-22, area sown decreased to 8,976 thousand hectares (2.1 percent) against last year's of 9,168 thousand hectares. The production of wheat declined to 26.394 million tonnes (3.9 percent) compared to 27.464 million tonnes production of last year. Wheat production declined due to decline in area sown

Year	Area		Production		Yield	
	(000 Hectares)	% Change	(000 Tonnes)	% Change	(Kgs /Hec.)	% Change
2017-18	8,797	-	25,076	-	2,851	-
2018-19	8,678	-1.4	24,349	-2.9	2,806	-1.6
2019-20	8,805	1.5	25,248	3.7	2,868	2.2
2020-21	9,168	4.1	27,464	8.8	2,996	4.5
2021-22(P)	8,976	-2.1	26,394	-3.9	2,940	-1.9

7. Agriculture Sector way forward in my Opinion;

Followings are number of problems that were not address for improvement in agriculture sector;

a. **No accountability** of government employees for their inefficiencies and no personal interest into progress of agriculture sector for which they are appointed.

   Solution: Increment and promotion on the bases of performance as per job description.

b. Nontraditional Crops /food items for export purpose: Pakistan can reduce CAD to extend of $ 2/3 billion just after 2-years if some attention is paid to these neglected food items.

- **Stevia** (Sugar / Tablets): Global market is $ 637.1 million in 2018 and is projected $ 1.2 billion in 2026. Pakistan has very conducive area, million hectares, in center Punjab to cultivate stevia both for local use as well as planning to export in Global market.
- **Maringa** / Soohajna (Used in Herbal Medicines & Food Items): The global moringa products market size was USD 7.08 billion in 2020. The market is projected to grow from USD 7.79 billion in 2021 to USD 14.80 billion in 2028. Maringa crop can be grown in six districts of central Punjab. Pakistan has nominal share in Global market.
- **Psyllium Husk** / Aspaghool: The Global Psyllium Products Market size was worth US$ 215 million in 2021 and grow to US$ 525 million by 2027 with an annual expansion rate of 6% between 2022 and 2027. Global demand is 2.2 million Tone and production is 1.9 million tone (India Production 0.6 million tons and earn Foreign Exchange on export while Pakistan produces 65,000 tone with nil export. Conducive arable land is available in western Punjab, Sindh & Baluchistan.
- **Water Chesnutt** / Sanggra: Also called supper food. Global Production is 20 million ton while demand is 30 million ton. Production trend is 1 ton per acre. Five million acres are required to produce 5 million ton having $ 1 b export value.
- **Bahang**: Global export volume is $ 34 b and will grow to $ 50 b in 2030. Pakistan has $ 3 b export potential if grown on 50,000 acre area available in Districts Haipripur, Chakwal, Jhelum and Rawalpindi.
- **Tea Plant**: Northern Areas is best suited to produce Tea Plants to reduce around $ 1 b import bill. About 2.60 million acres required while 3.60 million acres are available to produce tea equivalent to imported quantity per year.

c. **Pothohar Plateau** is completely ignored for any major incentive to patronize agriculture sector. Small holding, inherent division after division, are not feasible due to missing economies of scale. Cultivation at small holding is never feasible with mechanization.

(Rs. in Billion)

Fiscal Deficit		**Financing**	
A) Federal Revenue (Net)	**4,904**	**A) Net External Financing**	**1,667**
B) Total Federal Expenditure (i+ii)	**9,502**	Multilateral & Bilateral Sources	1,223
		Commercial Sources	444
i) Current Expenditure	8,694		
ii) Development and Net Lending (a+b)	**808**	**B) Net Domestic Financing**	**2,835**
a) Federal PSDP	727	National Saving Schemes and Others	-125
b) Net Lending	81	Bank (Govt. Securities)	2,960
		C) Privatization Proceeds	**96**
C) Federal Deficit (A-B)	**-4,598**	**Total Financing (A+B+C)**	**4,598**

Total arable area in Pakistan is 23.0 million hectares out of which 25 % or 5.75 million hectare is rain fed contributing 10 % of agriculture revenue. Pothohar spread over 1.61 m ha which is 28% of rain fed area. Arable area in Pothohar is 0.77 m ha (1,902,670 acre). Four districts comprises of 636,000 ha (1,571,556 acre), out of which, Rawalpindi shares 139,215 hectares or 344,000 acres. Wheat production is 180,980 tones which is 29 % of total requirement of District. Entire Pothohar is producing 54% of its annual requirement. Yield in Kg per hectare is 2,550, 2,620, 2,134 & 1,300 for Pakistan, Punjab, Baluchistan and Rawalpindi respectively on average bases.

Consequently resources including HR, Waste of Rainfall water, and Virgin land not cultivated due to missing economies of scale and capital used for purchase of plots in societies).

Solution: I have development the Community Entrepreneurship Economic Model (CEEM) with complete solution to use all ideal resource. Model is comprises of the following segments;

Copy past

(Written in 2012 & copy presented to Mr. Ahsan Iqbal in 2015 – but no progress due the then political unrest-needs up date). Some major parts , very briefly, attached.

1. **Community Entrepreneurship Economic Model – (CEEM).**

2.1 Background

There was a complete community based system in Pothohar areas since centuries that emerged spontaneously. This has been reduced to 20% due to abrupt development of mechanization trend in agriculture since 1975 in Pothohar. All family members, even jointly, were not able to complete the major tasks, from sowing to harvesting, unless helped by the other families. Village community or families used to help one another on the reciprocal bases since other family or families could extend their help when needed. Their dependency on agriculture was about 60 %. Everybody loved to store wheat grains, maize and pluses at least for one year till next season. Living overhead cost was proportionally too small that led people very much contended and made their response very passive to generate the income other than this conventional trend. The proportionate prime living cost and overhead cost was approximately **80% and 20%** respectively.

(Prime cost includes food, clothing and shelter while overhead cost means the expenses related to education, utility bills, medical, guest, recreations, travelling, self-maintenance, demonstration, fashion and BMR etc. This ratio is for mediocre class.)

World over inflationary pressure in mid-70's increased the living overhead cost that was mitigated by the government with two prong strategy i,e creating new job within the country and emigration policy. This abrupt swing in overhead cost activated the people from their lethargic and dormant positions. They continued cultivation to meet the prime cost and searched the jobs at regional, national and international levels to earn for overhead cost. Now the ratio of prime cost and overhead cost has changed to 25% and 75% respectively. Current economic meltdown, mismanagement of political elites and new phase of inflationary pressure pushed the cost of earning from 2% to 15% of the earnings. Village people are not in a position to either meet the overhead cost due to inflationary pressure or to earn for prime cost due to sub division of their inherited land. Surveys show that mechanized cultivation at individual level by a family, either turns into loss or just meets the cost of production. Overall 30% formers have less than 1 hectare holdings while other 24 % have up to 2 hectare which is not an economic size for mechanize cultivation.

If we treat the holdings of all the individuals' as a single units, due to advantage of economies of scale, we shall not only earn prime cost of livelihood but also contribute towards the overhead cost when income will be finally distributed among the individuals.

Research shows that the income of family will be approximately Rs. 20,000 per month through CEEM which is, presently, at break even, or even lower, per year.

CEEM is the model comprises of a nonprofit Organization which will financially & technically help the community to achieve the objectives with their participation both in term of holdings & in person.

My observation is that the proposed scheme will push the wheat production, by mobilizing the dormant landlords, to 734,396 tones that will be sufficient for 0.744 million people other than the present population of Rawalpindi - which is 4.7 million now.

Basic theme of the project is to create such an economic model that will activate the entire **community (a village)** to utilize its strength to enhance the living standard. There is great potential in rural areas of Pothowar in term of land, landlord, labor and MAF surface run of rain water. Management of all three factors will mitigate the poverty at micro level and ensure step by step solution of dragging out economy, at macro level, from current marsh of problems, sustainability, putting on progressive track and finally to compete the world economic vision 2050 in first, second, third and 4th phase respectively. **Arable area of 0.636 m ha has the potency to produce Rs. 126.7 billion crops (if half of the land is used for wheat cultivation).** Here is the brief of proposed model.

1.2 Model

1) A foundation, under section 42 of company's ordinance, 1984 will be registered to serve the **specific community (a village)** to improve livelihood through conventional, in first phase, and nonconventional farming. Foundation will develop, later on, a chain of foundations through its earnings at all suitable places of entire Pothowar.

2) All the family heads will be the members of Foundation.

3) All the inhabitants of community will be directly or indirectly involved in farming activities in terms of entrepreneur and/or employee.

4) A family unit will be called an "Entrepreneur" having a partnership contract with foundation to use their lands on 50/50 share bases.

5) The foundation will provide the financial & technical facilities to community for cultivation to earn Rs. 23,700, approximately, per month per family. The operational activities will be the responsibility of Entrepreneurs as per their previous practice.

6) Owner ship of Holdings will remain with entrepreneurs and will be transferable to the next of kin as usual. Foundation will remain aloof from any direct litigation or patronization or involvement of such litigation on the behest of any third party.

7) Traditional crops (wheat, groundnut & maize etc) will be focused in first phase.

8) After two years, the entrepreneurs will be given option to increase their income to Rs. 40,000/= per Entrepreneur.

9) Any member / Entrepreneur of the Foundation or commune will have an option to form a company, as an entrepreneur, for any business. Such entrepreneur will contribute 15 % of its income to foundation.

10) Entrepreneur will contribute its income to foundation, other than 15 %, to extend of its equity contributed by the foundation as a partner.

1.2 Comparison – Factors of production

There are four factors of production namely Land, Labor, Capital and Organization. They are contributing all four factors of production. Presently, all the cost for these four factors of production, Plowing, seeding, sowing, cutting, collecting and threshing and management of all the activities are borne by the village community for their individual holdings. This is why their annual revenue hardly meets the cost of production or input cost. The present set up is;

Before CEEM

Factors of Production	Community		CEEM	
	Contribution	Expenditure	Contribution	Expenditure
Land	√	√	X	X
Labor	√	X/ √	X	X
Capital	√	√	X	X
Organization	√	√	X	X

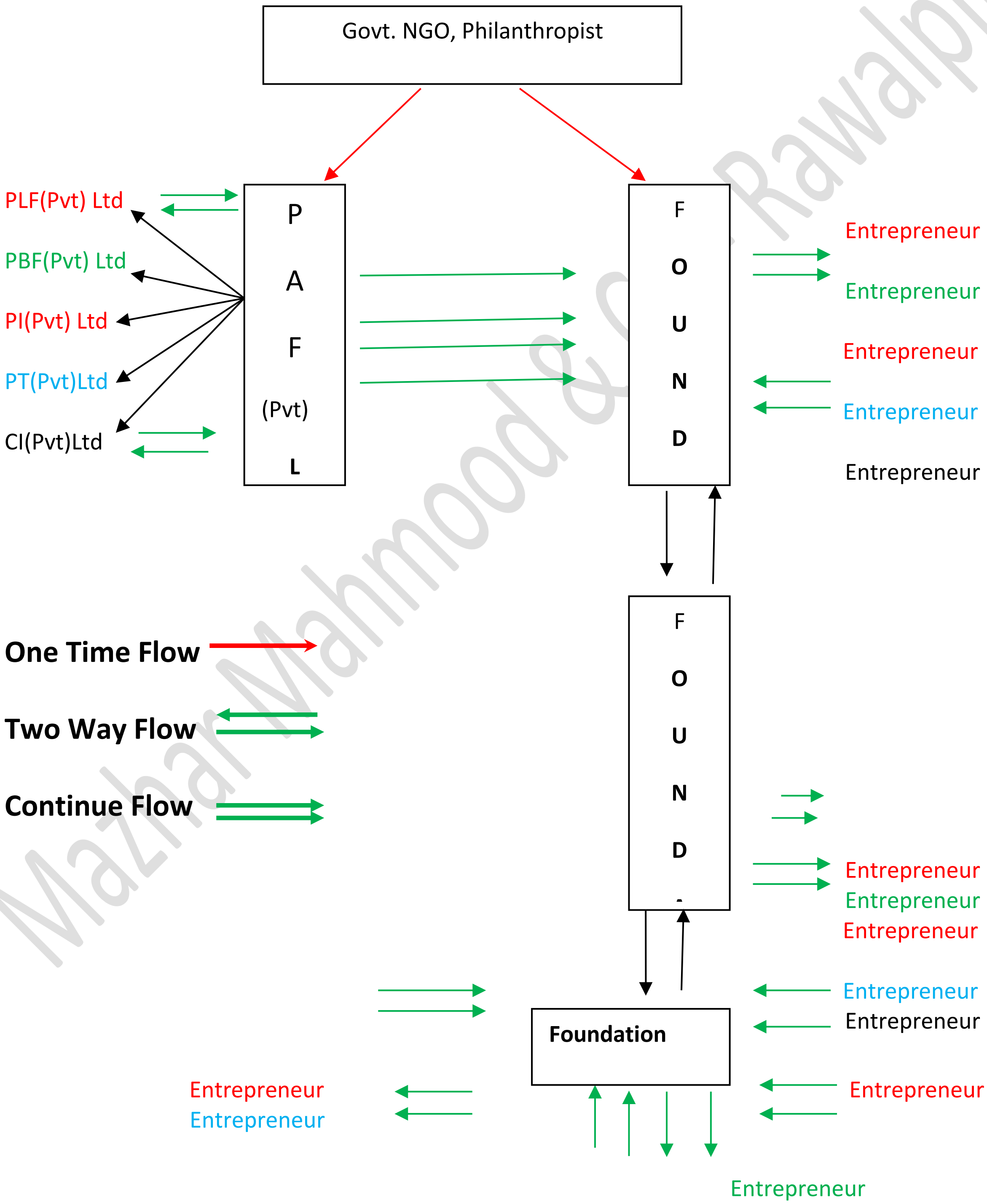
The position will totally be changed, regarding contribution and expenditure, when CEEM takes over the activities. Both CEEM & entrepreneur/ individuals from village community will share the factors of production. They will contribute their land & continue their personal involvements. Their annual invest will be zero which will give them 4 times high return as against 50 % consideration. CEEM will earn, against 50 % consideration, marginal profits due to meeting the expenditures for three factors of production. Let us see their mutual contribution schedule.

After CEEM

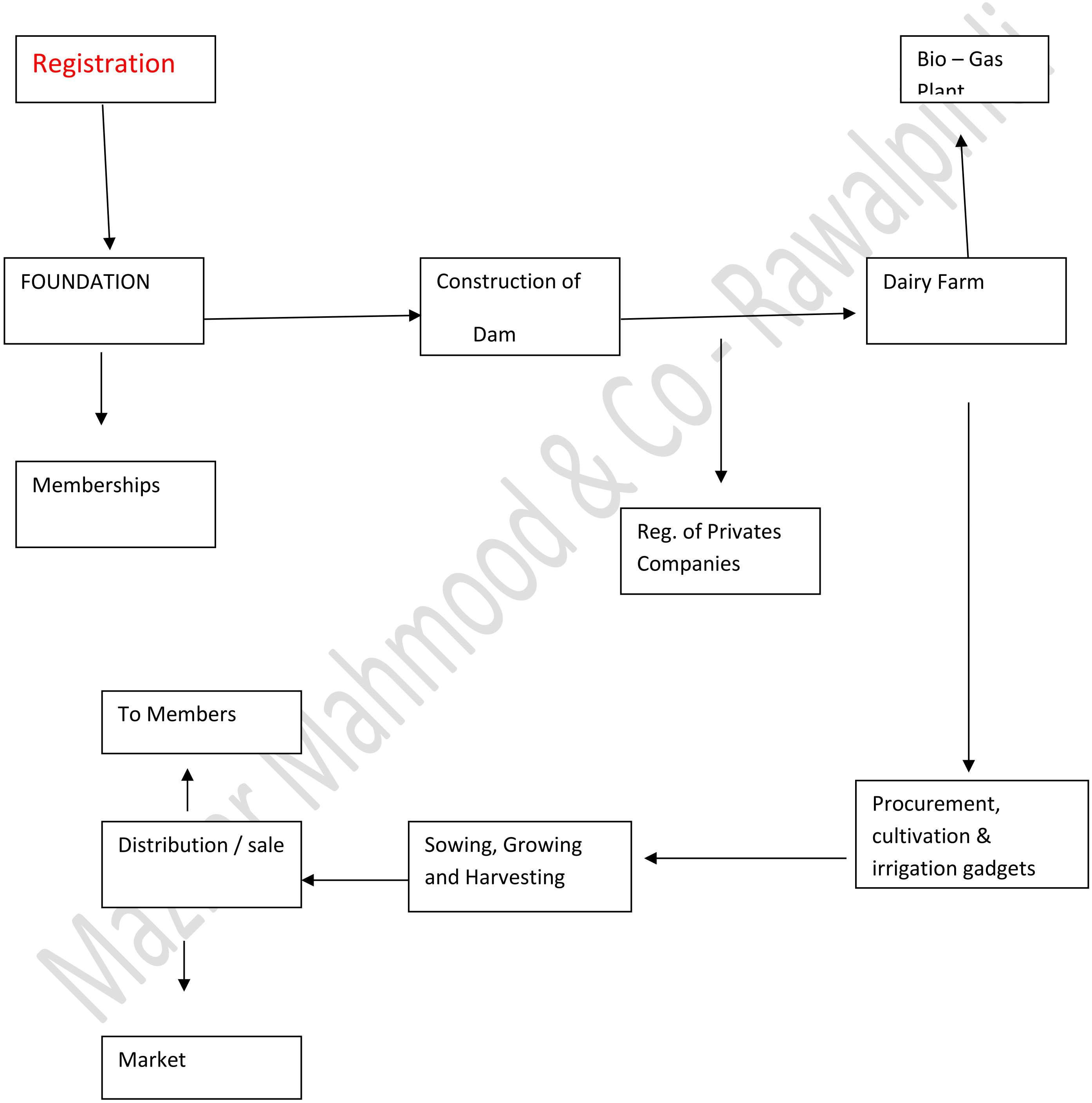
Factors of Production	Community		CEEM	
	Contribution	Expenditure	Contribution	Expenditure
Land	√	X	X	√
Labor	√	X / √	X	X
Capital	X	X	√	√
Organization	X	X	√	√

1. Financial Frame Work - CEEM

1) Government, NGO, NPO or Philanthropist will contribute **Rs.93.5 / 100 million onetime** separately both for Foundation and commercial companies.
2) Foundation will extend technical and financial assistance to rural landlords as a partner in consideration of money to strengthen its financial resources.
3) Private / commercial companies will contribute to foundation:
   a) 40 % of profit if 100 % funded by Government, NGO or NPO.
   b) 15% of profit if Private / commercial companies invest from its own resources.
   c) On prorate bases if invested by both private enterprise and foundation.
4) Foundation will create another foundation from its own resources for nearby village / community.
5) Least requirement for foundation is a dam, dairy form and a bio-gas plant.



'7. Gestation Frame Work - Flow Chart



8. Defense Budget

Pakistan Armed Forces is the 6th in the world in terms of active military personnel. The armed forces comprise three main inter–services branches: Army, Navy, and Air Force together with the number of paramilitary forces and the Strategic Plans Division forces. Chain of command of the military is organized under the Chairman of Joint Chiefs of Staff Committee alongside chiefs of staff of army, navy, and the air force. All of the branches work together during operations and joint missions under the Joint Staff HQ.

The estimates showed that defense expenses were the second biggest component of the annual expenditure after the debt payments. The total current expenditure for the next year would be Rs. 8,694 billion, which is 15.5 per cent higher than last year's budgeted figure.

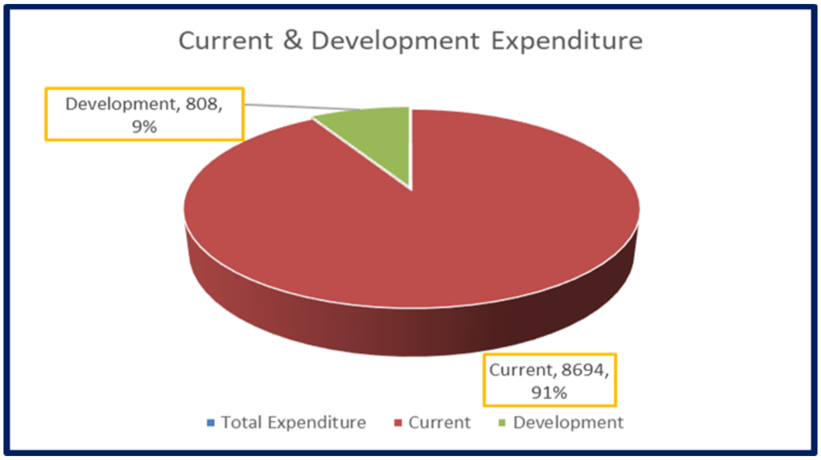
The estimates showed that defense expenses were the second biggest component of the annual expenditure after the debt payments. The total current expenditure for the next year would be Rs 8,694 billion, which is 15.5 per cent higher than last year's budgeted figure.
According to the budget documents, the government has committed Rs 1,523 billion for the defense of the country, higher than last year's Rs 1,370 billion, which was later on revised to Rs 1,450 billion on the demand of the ministry of defense. The powerful Pakistan Army, which has ruled the coup-prone country for more than half of its nearly 75 years of existence, has hitherto wielded considerable power in the matters of security and foreign policy.

Former prime minister Imran Khan, who was ousted from power in April through a no-trust vote, had apparently lost support of the Army after he refused to endorse the appointment of the ISI spy agency chief last year.
It was announced that the budget deficit was 8.6 per cent of the GDP but the government committed to reduce it to 4.8 per cent of GDP.

Defense Budgets - Pakistan							
Period	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Federal Budget	4390	4750	5246	7022	7295	8487	9502
Defense Budget	860	920	1137	1227	1289	1370	1523
Share (%)	20%	19%	22%	17%	18%	16%	16%

This budget is spent on salaries, posting transfers, construction, research, trainings, and procurement of defense equipment, spy, and wars, battles and many other such tasks.

This budget is allocated from current expenditure of the fiscal year with is 16% on average which is part of 91% current expenditure. This the second largest amount paid from current expenditure along with payment of markup on debts. This will depressed the capital budget allocated for development (PSDP). This must be rationalized with joint meeting of users.


Current & Development Expenditure
Development, 808, 9%
Current, 8694, 91%
Total Expenditure
Current
Development