

# EMBASSY OF PAKISTAN ECONOMIC DIVISION

JULY 1, 2009

## SUBSIDIES FISCAL YEAR 2009-10

- **Subsidies are phasing out** gradually and have declined from **2.4% of GDP** in budget estimates 2008-09 to **1.9% of GDP** in revised estimates 2008-09 and have been further reduced to **0.9% of GDP** in the budget estimates 2009-10
- **Subsidy expenditure** in 2008-09 decreased to Rs 252 billion against budget estimates of Rs 295 billion
- **Overall Subsidies** during FY2009-10 are estimated at **Rs 131.915** billion, a reduction of **48%** compared to 2008-09 revised estimated and **56%** compared to budget estimates 2008-09
- **R&D support** to the textile sector has been withdrawn
- **Subsidy on DAP** fertilizer and other soil nutrients has been withdrawn
- **Subsidy** for Pakistan Dairy Development has been withdrawn
- **Subsidy to the oil sector** has been reduced from Rs 70 billion to Rs15 billion
- **Reduction in subsidy to WAPDA** from Rs 92.84 to Rs 62.9 billion and to KESC from Rs 18.8 to Rs 3.8 billion during 2009-10. This will cater for subsidy on tubewells for agriculture, FATA (Rs 10 billion) and interest on WAPDA Term Finance Certificates (Rs 30 billion)
- **Subsidy details** are as follow:

Rs in billion

	<u>B.E.2008-09</u>	<u>R.E.2008-09</u>	<u>B.E.2009-10</u>
<b><u>Power Sector</u></b>	<b><u>88.412</u></b>	<b><u>111.640</u></b>	<b><u>66.703</u></b>
WAPDA	74.612	92.840	62.903
KESC	13.800	18.800	3.800
<b><u>TCP</u></b>	<b><u>26.600</u></b>	<b><u>26.600</u></b>	<b><u>30.000</u></b>
Wheat Import	20.000	20.000	25.500
Sugar Import	6.300	6.300	4.000
Cotton Operation	0.300	0.300	0.500
<b><u>USC</u></b>	<b><u>2.700</u></b>	<b><u>3.800</u></b>	<b><u>4.200</u></b>
Sale of Flour	0.500	0.500	1.200
Ramazan Package	0.200	1.300	1.500
Ghee Package	1.500	1.500	1.000
Sale of Pulses	0.500	0.500	0.500
<b><u>Development Subsidies</u></b>	<b><u>35.000</u></b>	<b><u>31.662</u></b>	<b><u>12.000</u></b>
Import of Urea Fertilizer	3.000	3.000	10.000
DAP Fertilizer	12.000	21.037	0.000
Import of Phosphate	20.000	7.625	0.000
Benazir Tractor Support			2.000
<b><u>Others</u></b>	<b><u>142.492</u></b>	<b><u>78.312</u></b>	<b><u>19.012</u></b>
Oil Refineries/OMCs	140.000	70.000	15.000
Misc	2.492	8.312	4.012
<b>Total</b>	<b><u>295.204</u></b>	<b><u>252.013</u></b>	<b><u>131.915</u></b>