



**FEDERAL  
BUDGET  
2021-22**

**BUDGET SPEECH**

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## Budget Speech 2021-22

### Bismillahir-Rehmanir-Rahim

#### PART – I

**Mr. Speaker,**

1. It is my honour to present before this august house the third budget of the Government of Tehreek-e-Insaaf. Under the able and dynamic leadership of Prime Minister Imran Khan, we have weathered several storms to steer the economy to relatively calm waters. The challenges remain on the horizon, but the economy has been put on the sound footing where it is heading toward the desirable direction of growth and prosperity. From managing damaged economy received in inheritance to facing three waves of COVID-19, no government in the past would have faced such adverse conditions. Yet we have remained afloat and now cruising in placid waters. This journey would not have been possible without the visionary leadership of the Prime Minister Imran Khan.

## What we inherited

Mr. Speaker,

2. It is a matter of record that the Government of Imran Khan inherited a broken economy. On the one hand we were facing bankruptcy due to high levels of debt and, on the other, we had no money to support the high level of import demand which was created by the outgoing Government of PML-N through reckless borrowings. The exhibitionist growth touted by the previous government was made possible due to heavy borrowing at high interest rates, both from domestic and foreign sources, and the responsibility to bear its debt servicing was left for us to discharge. It is hard to recall another occasion when such precarious conditions were bequeathed to an incoming Government.

3. It is important to recall, briefly, the key features of the economy we inherited:

- (1) The current account deficit of \$20 billion was highest ever;
- (2) Imports at about \$56 billion were 224% of exports of \$25 billion, compared to 162% in 2012-13;

- (3) Higher imports were subsidized by an over-valued exchange rate which remained constant at Rs.104 for nearly five-year period;
- (4) Predictably, during this period, exports growth was negative 0.14% while imports grew by more than 100%;
- (5) The debt and liabilities, which stood at Rs.16 trillion as on 30-6-2013, rose sharply to reach about Rs.30 trillion as on 30-6-2018, reflecting an increase of Rs.14 trillion or 88%;
- (6) Interest rate was also kept artificially low and almost all borrowing was done from the State Bank to the exclusion of commercial banks leading to serious imbalances in the money and credit markets. SBP borrowing reached an alarming level of Rs.7 trillion;
- (7) The debt profile was seriously undermined with short term debt reaching 70% of the total debt posing serious refinancing risk;

- (8) The fiscal deficit was 6.6% of GDP, one of the highest in five-year;
- (9) Foreign reserves, largely built on borrowing, rose from \$6 billion in June 2013, to nearly \$20 billion in late 2016, but then sharply declined in the last two years of the PML (N) Government to \$10 billion by end June 18. In the same period huge foreign debts were also piled up;
- (10) Despite clearing a mammoth circular debt of Rs.485 billion through cash payments, a huge circular debt of Rs.1.2 trillion was again allowed to accumulate that was passed on to us.

**Mr. Speaker,**

4. This was the story of a wreckage that we were asked to clear and rebuild. Against this background, a growth rate of 5.5% is paraded as the main achievement of the previous government. Just imagine how expensive has been the sand-house of growth built on heedless borrowing, over-valued exchange rate, low interest rates and unprecedented borrowings from the State Bank. ***All these elements are***

***akin to spending without paying the bills. These were left to be paid by us or sink the country into default.***

5. We were thus saddled with a huge debt servicing burden. Investments, which they claimed had been made to achieve high growth, were nothing but an albatross in the neck of this government. There was an increase of Rs.500 billion or 25% in the interest cost in the first year of our government because of the heavy debts we carried, which were repriced on corrected exchange rate and interest rate. Furthermore, we had to make foreign borrowing to avert default which our brotherly Islamic countries and China were gracious to provide.

6. Such were the challenges when this government took office. We are not narrating this story to flagellate the past, but to a realistic perspective and benchmark for measuring our performance.

**Mr. Speaker,**

7. It is my principle that it is better to get out of graveyard and take the nation towards the lightness than digging graves.

8. Our biggest challenge was to fulfil our international obligations, avoid default and give stability to our economy. Even though due to