



**GOVERNMENT OF THE PUNJAB
FINANCE DEPARTMENT**

WHITE PAPER BUDGET 2012-13

June 09, 2012

PREFACE

White Paper is a title derived from the parliamentary traditions of established democracies where the term is used for explaining the government's intentions or a policy on a subject. However, in our context, white paper on the budget is a non technical description of the salient features of budget. It is an endeavor to give meanings and substance to the figures in the budget. It attempts to summarize and unfold the mysteries hidden under budgetary classifications besides explaining the rationale for various provisions in the budget estimates. It is hoped that the insight provided by this document will enable the reader to formulate an informed and independent opinion about the intent, benefits and accuracy of various projections in the budget estimates.

In Executive Summary, in addition to an update on current economic situation, major thematic areas of development program for Financial Year 2012-13 have also been mentioned. However, details of different interventions under the Annual Development Program for FY 2012-13 are provided in the Chapter 4 of White Paper. A new chapter titled 'An overview of Fiscal Management Reforms' planned in Financial Year 2012-13 have been added. Moreover, glossary of technical terms relating to budget continues to be the part of White Paper to facilitate the reader in understanding the budgetary jargons.

This document is a product of collective efforts of the officers and officials of Finance Department. However, I do wish to especially acknowledge and appreciate the painstaking efforts of Mr. Furqan Ahmad, Composer, Mr. Faisal Rashid, Deputy Secretary Resources and Mr. Farid Ahmad Tarar, Additional Secretary Budget who have worked diligently in formulation of White Paper for Financial Year 2012-13.

June 09, 2012

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EXECUTIVE SUMMARY

In the last few years, Pakistan's economy has been treading on a path of high inflation and low growth. Economic problems of the country have further been compounded by low tax to GDP ratio, higher fiscal deficit, depreciating exchange rate, precarious law and order situation, severe energy shortages and widespread natural disasters including floods and heavy rains. Continuous period of low growth has constrained the fiscal position of both federal and provincial governments thereby compromising their ability to make adequate investments in improving and expanding the physical infrastructure and harnessing true potential of their productive work force which is critically important for economic progress and growth.

As per the statistics revealed in Economic Survey 2011-12, Pakistan's GDP growth has been projected to grow @ 3.7% in FY 2011-12 against the target of 4.2%. Less than targeted growth is primarily attributable to under-performance in all major sectors of the economy i.e. Agriculture, Industry and Services. Agriculture sector grew by 3.1% against a target of 3.4%, Large Scale Manufacturing (which is the largest subsector within the Industry sector) grew by 1.8% against the target of 2.0% and Services sector growth is estimated at 4.0% against a target of 5.0%. Considering high population growth rate and even higher growth rate of labor force in the Punjab province due to demographic distribution of the country, current growth rate of the economy, which is almost 50%¹ of its potential growth rate, is insufficient to address the growing problem of unemployment.

A deeper look into country's macroeconomic indicators clearly shows that the nation is experiencing 'stagflation' as the economy unfortunately carries all features of sustained inflationary period accompanied by rising unemployment and sluggish economic growth. To compound the problems further, energy crises has badly hurt both agriculture and manufacturing sectors resulting in significant increase in number of unemployed / underemployed people which in turn is leading to increasing social tension and unrest in the society.

Punjab in particular, continues to face disproportionately high load-shedding of electricity and gas in year 2011-12 which besides creating operational problems for the existing industries and businesses in the province, discouraged new private investments and impeded the process of new employment generation. According to the findings of a study², cost of load shedding to the province in terms of losses and higher costs of industrial production are as large as Rs. 250.0¹ billion or i.e. equal to 3% of Gross Regional Product (GRP). In addition, power shortage is also

¹ Medium Term Fiscal Framework (2011-12 to 2014-15), Government of Punjab

² State of the Economy, Emerging From The Crises, Second Annual Report 2010

worsening unemployment / underemployment situation in the province. It is estimated that over 330,000 people in the province have lost their jobs because of load shedding resulting in an approximate export losses of about a billion dollar. More recently, gas shortages, especially in the industry have contributed further to the production loss. According to a survey by Lahore Chamber of Commerce and Industries, more than 1300 small to medium sized industrial units have been forced to shut down because of energy crises. Institute of Public Policy, Beacon House National University estimates that cost to the economy as a consequence of gas shortfall could be as high as Rs. 110.0 billion with Punjab facing the major brunt. Clearly these developments have aggravated problems of poverty in the country including Punjab. Recognizing the role of energy as a major constraint on economic growth in the province, Government of Punjab besides urging the Federal Government to resolve the problem of energy shortages has evolved a comprehensive strategy and program for energy generation in the province. In the first phase, this would provide uninterrupted power supply to our major industrial hubs.

In the context of fiscal federalism, provincial budget is largely a function of Federal Divisible Pool receipts. In this arrangement, all major and robust taxes are classified under Federal Divisible Pool taxes. Since provinces are largely dependent on Federal Divisible Pool receipts, slippages or variance in actual versus budgeted amount under FBR receipts have a consequential negative impact on budgetary projections of provincial government resulting into fiscal constraints. Based on the reported collection of first 11 months of FY 2011-12 to the tune of Rs.1610.0 billion, it would be difficult for Federal Board of Revenue to achieve the assigned target of Rs.1952.0 billion as collection of Rs.342.0 billion would be required in the last month. Consequently, Federal Divisible Pool transfers to Punjab Government are likely to fall short by an amount of Rs.15 – 20 billion.

Under 7th NFC, General Sales Tax on services has now been recognized in the provincial domain. This has provided a window of opportunity for provincial government to improve its share of revenue collection in the overall resource envelope. To fully harness the true potential of GST on Services, Punjab Government has decided to establish Punjab Revenue Authority which will initially be responsible for collection of GST on Services from financial year 2012-13. Similarly, through structural reforms and administrative simplifications in the existing tax collection framework, provincial government would be striving to further improve its revenue collection in financial year 2012-13. Pending the issue of collection and transfer of proceeds of General Sales Tax on Services being collected by FBR on the behalf of Provincial Government in FY 2011-12 and non-realization of receipts of electricity duty withheld by PEPCO, growth of approximately 17% has been witnessed in provincial tax collection during first 10 months of the financial year in comparison to actual collection in corresponding period of FY 2010-11.

In the current climate of fiscal restraint and limited resource availability, it would be our endeavor in financial year 2012-13 to manage the available resources in an effective, economical and efficient manner. On expenditure side, besides focusing on allocative efficiency, aim would be

to encourage targeted reduction in the current expenditure without compromising the capacity and ability of the government to provide basic amenities and services to general public at an affordable cost. This will allow the government to increase its social sector and pro-poor budgetary outlays in the medium term which are essential for growth and socioeconomic development of the province. Through implementation of austerity measures, ban on purchase on transport, machinery & equipment, furniture & fixtures shall continue in financial year 2012-13 and such purchases would only be allowed after ascertaining the exigency and need of these articles after due diligence / scrutiny by Austerity Committee constituted by the Government.

In this less positive economic milieu, constraints of increases in salary, rising O&M costs and surge in POL and utility prices due to rampant inflation, budget for the financial year 2012-13 has been prepared in a manner which besides ensuring macroeconomic stability will spur growth, generate employment especially for youth and bring improvements in quality of lives for common citizens. Specifically, emphasis in the development spending would be to:

- Promote balanced and inclusive growth for equitable development of the province;
- Ensure adequate investments in public infrastructure to address the existing infrastructure gaps;
- Develop major cities as engines of growth;
- Provide state of the art public transport facilities in all major cities of the province;
- Impart employable skills through well designed skill development programs;
- Create employment opportunities through targeted youth employment schemes;
- Improve service delivery through better governance, monitoring and oversight;
- Increase agriculture productivity through subsidies on agriculture implements (tractors), improvements in water efficiency at farm level through sprinkler / drip irrigation systems and laser leveling, provision of better quality seeds, better value chain management and marketing;
- Create knowledge based economy through provision of IT tools, establishment of centers of excellence, deployment of science teachers, revision of existing syllabi and qualitative improvements in our education system;
- Adopt cluster based approach for harnessing the competitive advantage of a particular city / area i.e. sports / surgical instruments in Sialkot, textile in Faisalabad.

BUDGET AT A GLANCE

(Rs. in Million)

CLASSIFICATION	BE 2011-12	RE 2011-12	BE 2012-13
General Revenue Receipts	655,699.097	667,441.763	780,674.805
Current Expenditures	434,749.818	467,993.236	532,859.871
A - Net Revenue Account-Surplus(+)/ Deficit(-)	220,949.279	199,448.527	247,814.934
Current Capital Receipts	35,315.192	2,804.052	15,558.620
Current Capital Expenditure	54,557.766	48,186.602	55,039.484
B - Net Capital Account-Surplus(+)/ Deficit (-)	(19,242.574)	(45,382.550)	(39,480.864)
C - Surplus for Development (A+B)	201,706.705	154,065.977	208,334.070
D - ADP Financing Items	18,293.295	11,445.196	41,665.930
Foreign Project Assistance	18,610.000	11,397.000	11,487.514
Operational Shortfall	--	--	30,000.000
Public Account	(316.705)	48.196	178.416
Total Resource for Development (C+D)	220,000.000	165,511.173	250,000.000

OVERVIEW OF BUDGET 2012-13

In Financial Year 2012-13, total financial outlay of the government has been estimated at Rs.782,859.871 million. Table below summarizes the estimates of both current and development expenditure.

CURRENT AND DEVELOPMENT EXPENDITURE

(Rs. in million)

CLASSIFICATION	BE 2011-12	RE 2011-12	BE 2012-13
A. CURRENT	434,749.818	467,993.236	532,859.871
General Public Services (including transfers to Local Governments)	245,735.165	269,697.567	305,300.357
Public Order & Safety Affairs	69,244.576	75,700.040	81,864.264
Economic Affairs	61,600.671	48,603.066	71,684.904
Environment Protection	58.251	74.862	71.381
Housing and Community Amenities	2,639.981	3,016.710	3,296.079
Health	25,484.686	31,707.190	35,656.545
Recreational, Culture and Religion	1,022.538	1,431.239	1,478.413
Education Affairs & Services	27,141.130	33,573.988	31,307.272
Social Protection	1,822.820	4,188.574	2,200.656
B.DEVELOPMENT	220,000.000	165,511.173	250,000.000
ADP including operational shortfall	188,000.000	159,186.612	210,000.000
Financing Items of ADP	32,000.000	6,324.561	40,000.000
TOTAL EXPENDITURE (A+B)	654,749.818	633,504.409	782,859.871

REVENUE BUDGET

Revenue budget includes General Revenue Receipts and Revenue Expenditures. Table below summarizes the General Revenue Receipts and Revenue Expenditures.

GENERAL REVENUE RECEIPTS

(Rs. in Million)

	BE 2011-12	RE 2011-12	BE 2012-13
General Revenue Receipts	655,699.097	667,441.763	780,674.805
Federal Divisible Pool Taxes	531,528.327	533,830.744	650,735.911
Provincial Own Receipts	114,240.439	111,370.744	121,206.802
Tax Receipts	88,517.300	80,862.928	95,014.294
Non-Tax Receipts	25,723.139	30,507.816	26,192.508
Federal Transfers	9,930.331	22,240.275	8,732.092
Straight Transfers	5,423.944	8,163.431	6,585.092
Federal Grants	3,481.387	13,392.844	2,030.000
Grants (Foreign)	1,025.000	684.000	117.000

Table below summarizes the estimates of revenue / current expenditure:

REVENUE / CURRENT EXPENDITURE

(Rs. in Million)

	434,749.818	467,993.236	532,859.871
General Public Services	245,735.165	269,697.567	305,300.357
Public Order & Safety Affairs	69,244.576	75,700.040	81,864.264
Economic Affairs	61,600.671	48,603.066	71,684.904
Environment Protection	58.251	74.862	71.381
Housing and Community Amenities	2,639.981	3,016.710	3,296.079
Health	25,484.686	31,707.190	35,656.545
Recreational, Culture and Religion	1,022.538	1,431.239	1,478.413
Education Affairs and Services	27,141.130	33,573.988	31,307.272
Social Protection	1,822.820	4,188.574	2,200.656
Net Revenue Account – Surplus	220,949.279	199,448.527	247,814.934

Budget estimates of FY 2012-13 for General Revenue Receipts have been pitched at Rs. 780,674.805 million, which represent an increase of 19.1% over the budget estimates for FY2011-12. Revenue Expenditures are estimated at Rs. 532,859.871 million, which show an increase of 13.9% over revised revenue / current expenditure estimates for FY 2011-12. Major portion of net revenue account surplus will be used to finance the Annual Development Program for financial year 2012-13.

CURRENT CAPITAL BUDGET

Both Current Capital Receipt and Current Capital Expenditure are included in the Budget Estimates of Current Capital Budget. Current Capital Receipts primarily consist of budgetary support loans and recovery of outstanding loans extended by the government to its various provincial bodies, agencies etc. Current Capital Receipts also include receipts in Account No.II (Food) of the Government. These resources are realized through commodity financing receipts extended to the Government by a commercial banking consortium for purchase of wheat by Food Department.

Current Capital Expenditure includes payments of principal portion of domestic and foreign debt incurred by the Provincial Government and equity / capital investments that the Government intends to make in various enterprises. Similarly, repayment of commercial bank loans through sale of wheat stock purchased by the Provincial Government is also included in the Capital Expenditure from Account No.II (Food). In financial year 2012-13, there would be a negative balance in current capital budget due to less capital receipts as budgetary support receipts are not likely to be realized on account of influence of US Government on IMF for non-issuance of Letter of Comfort to World Bank, Asian Development Bank and other donors.

Details of Current Capital Budget are provided below:

CURRENT CAPITAL BUDGET

(Rs. in Million)

RECEIPTS AND DISBURSEMENT	BE 2011-12	RE 2011-12	BE 2012-13
A: Current Capital Receipts	286,625.166	197,010.880	229,042.134
Account No. I	35,315.192	2,804.052	15,558.620
<i>Recoveries of Loans and Advances</i>	<i>5,218.758</i>	<i>538.926</i>	<i>6,816.186</i>
<i>Permanent Debt – Domestic</i>	<i>0.434</i>	<i>0.035</i>	<i>0.434</i>
<i>Permanent Debt (Access to Justice Program)</i>	<i>--</i>	<i>59.008</i>	<i>--</i>
<i>Recoveries of Investment</i>	<i>--</i>	<i>7.783</i>	<i>--</i>
<i>Debt Management</i>	<i>30,096.000</i>	<i>2,198.300</i>	<i>8,742.000</i>
Account No. II	251,309.974	194,206.828	213,483.514
<i>Recoveries of Investment-State Trading</i>	<i>153,588.970</i>	<i>92,225.545</i>	<i>107,578.000</i>
<i>Cash Credit Accommodation</i>	<i>97,721.004</i>	<i>101,981.283</i>	<i>105,905.514</i>
B: Current Capital Disbursement	305,867.740	242,393.430	268,522.998
Account No. I	54,557.766	48,186.602	55,039.484
<i>Public Debt</i>	<i>0.434</i>	<i>0.035</i>	<i>0.434</i>
<i>Repayment of Principal (Domestic + Foreign Debt)</i>	<i>13,545.785</i>	<i>19,278.233</i>	<i>16,564.819</i>
<i>Investments</i>	<i>11,000.000</i>	<i>7,000.000</i>	<i>8,500.000</i>
<i>Loans and Advances (BOP, PPCBL, Principal repayment of Blocked Account, Loan to other financial institutions etc.)</i>	<i>29,987.166</i>	<i>21,886.050</i>	<i>29,947.396</i>
<i>State Trading in Medical Stores</i>	<i>24.381</i>	<i>22.284</i>	<i>26.835</i>
Domestic Debt Management (Account II)	251,309.974	194,206.828	213,483.514
Net Capital Account (A-B) (Surplus/Deficit)	(19,242.574)	(45,382.550)	(39,480.864)

DEVELOPMENT BUDGET

Annual Development Program is primarily financed through surpluses accruing from the revenue and capital accounts of the Provincial Government described above. Development Budget of the province has been pitched at Rs. 250,000.000 million for FY 2012-13 in comparison with the Rs.220,000.000 million for FY 2011-12 depicting an increase of Rs.30,000.000 million. However, in comparison with the revised estimates of Rs.165,511.173 million, there is an increase of Rs.84,488.827 million or 51%.

Overall size of the ADP for FY 2012-13, Budget Estimates and Revised Estimates of development program is shown below:

DEVELOPMENT BUDGET FOR FY 2012-13, BE 2011-12 & RE 2011-12

(Rs. in Million)

Nomenclature	BE 2011-12	RE 2011-12	BE 2012-13
ADP	188,000.0	159,186.612	210,000.000
Other Development Expenditure	32,000.000	6,324.561	40,000.000
<i>TEVTA / TEVTEC</i>	<i>2,000.000</i>	<i>2,112.192</i>	<i>1,500.000</i>
<i>Daanish School</i>	<i>3,000.000</i>	--	<i>2,000.000</i>
<i>Punjab Millennium Development Goals Program (PMDGP)</i>	<i>8,500.000</i>	--	<i>5,500.000</i>
<i>Punjab Education Endowment Fund</i>	<i>2,000.000</i>	<i>2,000.000</i>	<i>2,000.000</i>
<i>Punjab Education Foundation</i>	<i>6,000.000</i>	--	<i>6,500.000</i>
<i>Financing of Vertical Program</i>	--	--	<i>5,000.000</i>
<i>PHAs</i>	--	--	<i>600.000</i>
<i>PLDC (Aashiana Housing Scheme)</i>	--	--	<i>2,000.000</i>
<i>PLDDB</i>	--	--	<i>500.000</i>
<i>Women Development</i>	--	--	<i>500.000</i>
<i>Sports and Youth</i>	--	--	<i>500.000</i>
<i>PSIC (Self Employment Scheme)</i>	--	--	<i>3,000.000</i>
<i>PIEDMC / FIEDMC</i>	--	--	<i>1,900.000</i>
<i>Innovation Development Fund</i>	--	--	<i>500.000</i>
<i>Punjab Technology University</i>	--	--	<i>1,000.000</i>
<i>PAMCO (LMC)</i>	--	--	<i>500.000</i>
<i>Internship Program</i>	--	--	<i>1,500.000</i>
<i>Establishment of Model Bazars</i>	--	--	<i>500.000</i>
<i>Loans to other non-financial institutions (PIEDMC, FIEDMC, PLDC, SWMC, LMC, PLDDB, PSIC etc.)</i>	<i>6,440.000</i>	--	--
<i>Low income housing</i>	<i>1,200.000</i>	<i>281.015</i>	<i>1,500.000</i>
<i>Population Welfare</i>	<i>2,860.000</i>	<i>1,931.354</i>	<i>3,000.000</i>
Total Development	220,000.000	165,511.173	250,000.000

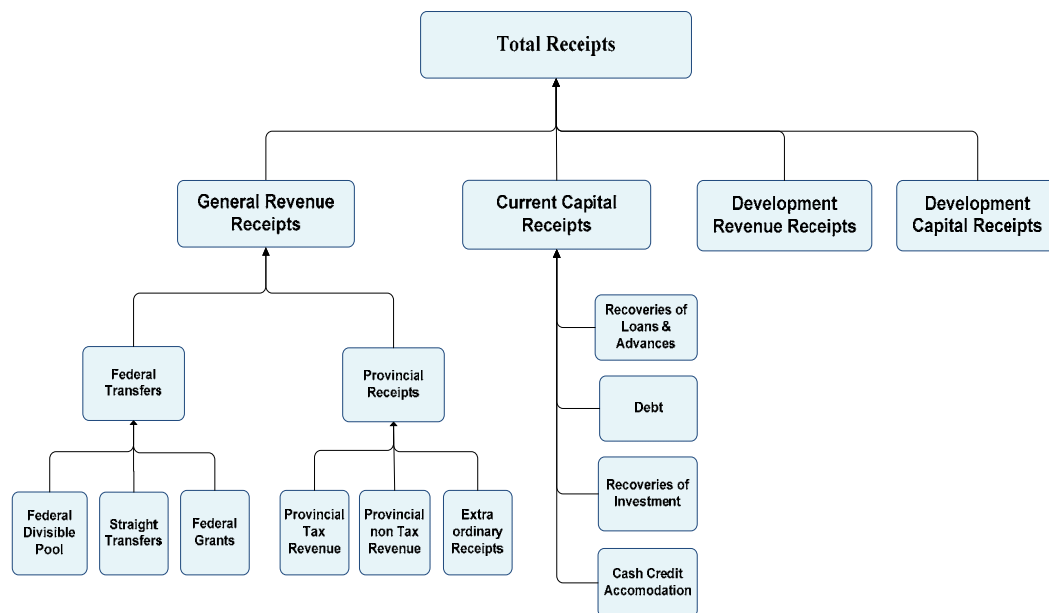
Chapter 1

ESTIMATES OF RECEIPTS

Annual Budget Statement (ABS) divides Government receipts into the following categories:

- I. General Revenue Receipts
- II. Development Revenue Receipts
- III. Current Capital Receipts
- IV. Development Capital Receipts

The following flow diagram provides different sub-categories of the receipts under the four main categories mentioned above:-



For the purpose of this chapter and the budget, Development Revenue Receipts have been included as a part of Non-Tax Receipts.

In FY 2011-12, total receipts were estimated at Rs.960,934.263 million. For FY 2012-13, total receipts have been estimated to the tune of Rs.1,021,204.453 million against the Revised Estimate of Rs.875,849.643 million. In this way, Budget Estimate 2012-13 of total receipts reflect a growth of 16.6% over Revised Estimates of FY 2011-12. It may be worthwhile to add that the Budget Estimate 2012-13 of Rs.1,021,204.453 million includes an amount of Rs.213,483.514 million, which is the expected receipt of Food Account. Total receipt of the Provincial Consolidated

Fund (PCF) has been pitched at Rs.807,720.939 million for the next financial year compared to BE 2011-12 of Rs.709,624.289 million. Increase in estimates of General Revenue Receipts for FY2012-13 is mainly attributable to estimated increase of 13.8% in Provincial Consolidated Fund receipts over budget estimates for FY 2011-12.

BE 2012-13 of Provincial Tax Receipts have been fixed at Rs.95,014.294 million in comparison with revised estimates of Rs.80,862.928 million for FY 2011-12 showing a growth of 17.5%. For non-tax receipts, an estimate of Rs.34,924.600 million has been fixed in FY 2012-13 against a budget estimates of Rs.35,653.470 million in FY 2011-12. Slight decrease in overall estimate of Provincial non-tax receipts for FY2012-13 vis-à-vis budget estimates for FY 2011-12 is due to lower estimate of Federal Grants anticipated in FY 2012-13.

Table below summarises the estimates of total provincial receipts of the government.

Table 1.1
Total Provincial Receipts

RECEIPTS	BE 2011-12	RE 2011-12	BE 2012-13
General Revenue Receipts	655,699.097	667,441.763	780,674.805
<i>Federal Divisible Pool</i>	<i>531,528.327</i>	<i>533,830.744</i>	<i>650,735.911</i>
<i>Provincial Tax Revenue</i>	<i>88,517.300</i>	<i>80,862.928</i>	<i>95,014.294</i>
<i>Provincial Non-Tax Receipts</i>	<i>35,653.470</i>	<i>52,748.091</i>	<i>34,924.600</i>
Current Capital Receipts	286,625.166	197,010.880	229,042.134
<i>Recoveries of Loans and Advances</i>	<i>5,218.758</i>	<i>538.926</i>	<i>6,816.186</i>
<i>Debt</i>	<i>30,096.434</i>	<i>2,265.126</i>	<i>8,742.434</i>
<i>State Trading - (A/c. No.II)</i>	<i>153,588.970</i>	<i>92,225.545</i>	<i>107,578.000</i>
<i>Cash Credit Accommodation- (A/c. No.II)</i>	<i>97,721.004</i>	<i>101,981.283</i>	<i>105,905.514</i>
Development Capital Receipts	18,610.000	11,397.000	11,487.514
Total Provincial Receipts	960,934.263	875,849.643	1,021,204.453

(Rs. in Million)

The definitions, composition and analysis of different types of receipts are given below:-

1.1 GENERAL REVENUE RECEIPTS

Main elements of General Revenue Receipts are as follows:

- I) Federal Transfers:
 - Share of Federal Divisible Pool of Taxes under the 7th NFC Award.
 - Straight Transfers on account of constitutional provisions: royalties on oil and gas
 - Federal Grants
- II) Provincial Own Revenue:
 - Provincial Tax Revenue including Sales Tax on Services
 - Provincial Non-Tax Revenue (As per the classification used in Annual Budget Statement (ABS), the Provincial Non-Tax Revenue includes Federal Grants and Straight Transfers)
 - Extraordinary Receipts

Table 1.2 shows the estimates for General Revenue Receipts for FY 2012-13 in comparison with RE 2011-12 and BE 2011-12. For the purpose of clarity, Federal Grants and Straight Transfers, which are part of the provincial non-tax receipts in the Annual Budget Statement, have been shown separately to give a clear picture of the provincial non-tax revenues under the control of the Provincial Government.

As depicted in Table 1.2 below, General Revenue Receipts were estimated at Rs.655,699.097 million. In FY 2012-13, budget estimate of General Revenue Receipts has been pitched at Rs.780,674.805 million against revised estimate of Rs.667,441.763 million showing an increase of approximately 17% over revised estimates of these receipts in FY 2011-12. This increase is attributable predominantly to increase in Divisible Pool Transfers under 7th National Finance Commission (NFC) Award to the Provincial Government as FBR is expecting an increase in collection of these receipts in FY 2012-13. Moreover, substantial increase of 17% has been budgeted in the estimates of Provincial Tax Revenue in FY 2012-13 against the revised estimates of these receipts for FY 2011-12.

Table 1.2
General Revenue Receipts

(Rs. in Million)

GENERAL REVENUE RECEIPTS	BE 2011-12	RE 2011-12	BE 2012-13
a Federal Divisible Pool Taxes	531,528.327	533,830.744	650,735.911
Tax on Income	207,416.238	207,913.902	258,043.580
Wealth Tax		1.988	
Land Customs	57,267.225	60,089.602	69,542.939
Sales Tax	222,405.901	229,254.071	290,238.987
Federal Excise	43,716.703	35,864.681	32,233.225
Capital Value Tax		13.915	
Excise Duty on Natural Gas	722.260	692.585	677.180
b Provincial Tax Revenue	88,517.300	80,862.928	95,014.294
Board of Revenue	26,978.552	26,596.522	30,588.603
Excise & Taxation	16,600.738	14,002.772	18,836.122
Transport	276.559	400.000	460.000
Finance	39,909.401	36,564.176	40,496.470
Energy	4,752.050	3,299.458	4,633.099
c Total Non Tax Revenue (Excluding Straight Transfers and Grants)	25,723.139	30,507.816	26,192.508
Income from Property and Enterprise	6,560.677	6,644.274	5,797.890
Receipts from Civil Administration and Other Functions	6,089.283	6,214.156	6,757.831
Miscellaneous Receipts	13,073.179	17,649.386	13,636.787
d Straight Transfers	5,423.944	8,163.431	6,585.092
<i>Net Proceeds of Royalty on Crude Oil assigned to Provinces</i>	<i>2,342.159</i>	<i>4,517.428</i>	<i>2,949.935</i>
<i>Net Proceeds of Royalty on Natural Gas assigned to Provinces</i>	<i>1,361.228</i>	<i>1,844.821</i>	<i>1,534.356</i>
<i>Surcharge on Natural Gas-share of net proceeds assigned to provinces</i>	<i>1,720.557</i>	<i>1,801.182</i>	<i>2,100.801</i>
e Federal Grants	4,506.387	14,076.844	2,147.000
Development Grants from the Federal Govt.	1,122.000	10,396.880	--
Foreign Grants - Dev. Grants from Foreign Govts.	3,384.387	3,635.734	2,147.000
Non-Dev. Grants from the Federal Govt.	--	44.230	--
Total Non Tax	35,653.470	52,748.091	34,924.600
Total General Revenue Receipts (A+B)	655,699.097	667,441.763	780,674.805

Figure 1.1 below shows the comparison of Budget Estimates 2011-12 & Budget Estimates 2012-13 of different components of General Revenue Receipts. It also shows that substantial growth is expected in Federal Divisible Pool Transfers.

Figure 1.1
General Revenue Receipts BE 2011-12 Vs. 2012-13

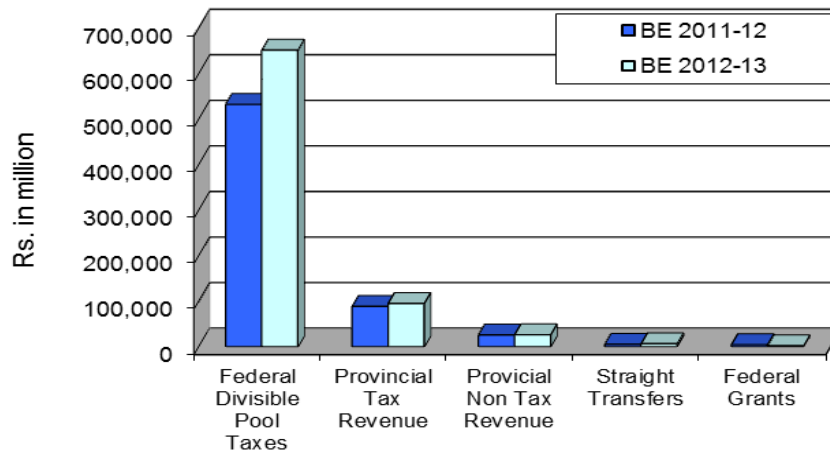
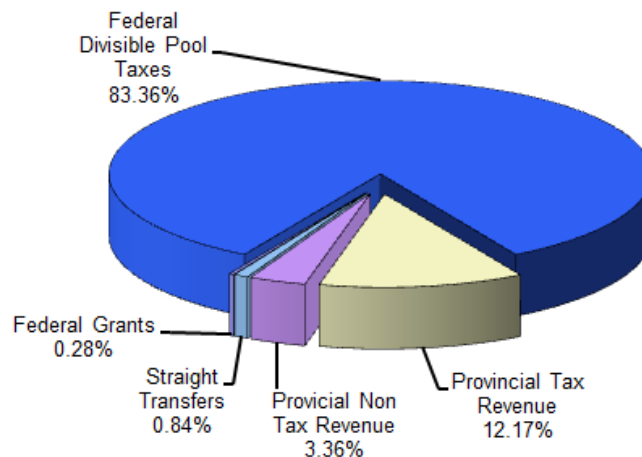


Figure 1.2 shows the share of different components of General Revenue Receipts

Figure 1.2
General Revenue Receipts BE 2012-13



The above pie chart depicts the dependence of Provincial Government on Federal Transfers. The combined share of Federal Divisible Pool Taxes and Straight Transfers is approximately 84%. Therefore, even a small percentage variation in Federal Transfer warrants a major adjustment in provincial expenditure.

The following table explains the variance between budget estimates and actual collection of taxes by the Federal Board of Revenue during last three years:

Table 1.3
Shortfall in FBR Collection

(Rs. in Million)

	2009-10	2010-11	2011-12
Budget Estimates	1,380,000.000	1,667,000.000	1,952,000.000
Actual Collection	1,329,000.000	1,558,000.000	* 1,952,000.000
Shortfall	51,000.000	109,000.000	0
% Shortfall	3.70%	6.54%	0%

* Revised Estimates 2011-12

Despite the fact that Federal Government has not revised the FBR collection target of Rs.1952.0 billion in FY 2011-12, based on the reported collection of first 11 months to the tune of Rs.1610.0 billion, it would be difficult for Federal Government to collect Rs.342.0 billion in the last month of current financial year to meet the assigned target of Rs.1952.0 billion. Consequently, Federal Divisible Pool transfers to Punjab Government may fall short by an amount of Rs.15–20 billion.

An analysis of the major components of the General Revenue Receipts is presented below:

1.1.1 Federal Transfers

a) Federal Divisible Pool Taxes

The tax revenue collected by the Federal Government is distributed between the Federation and the Provinces and amongst the Provinces on the basis of NFC Award. This share of the province under the NFC Award is known as Federal Divisible Pool Transfer. Table 1.4 below reflects the budget estimate, revised estimate of FY 2011-12 along with estimated FBR receipts for FY 2012-13:

Table 1.4
FBR Revenue *

(Rs. in Million)

Particulars	BE 2011-12	RE 2011-12	BE 2012-13
I. Direct Taxes	743,600.00	745,000.00	932,000.00
Income Tax	718,600.00	730,000.00	914,000.00
Workers Welfare Fund	25,000.00	15,000.00	18,000.00
II. Indirect Taxes	1,208,700.00	1,207,000.00	1,449,000.00
Customs	206,400.00	215,000.00	247,500.00
Sales Tax	836,700.00	852,030.00	1,076,500.00
Federal Excise	165,600.00	139,970.00	125,000.00
Total	1,952,300.00	1,952,000.00	2,381,000.00

*The proceeds of Workers Welfare Fund and Excise Duty on Natural Gas do not form part of the Federal Divisible Pool

Under the 7th National Finance Commission Award, the percentage share of the provinces in the Divisible Pool is 57.5% w.e.f. FY 2011-12. Due to increase in the nominal size of the Federal Divisible Pool, transfers to Punjab are expected to increase to Rs.650,735.911 million during FY 2012-13 compare to Budget Estimate for FY 2011-12 of Rs.531,528.327 million. The share of the Divisible Pool Taxes for FY 2012-13 is based on the Federal Board of Revenue's target of Rs.2,381,000.000 million. This would actually mean that the BE 2012-13 is pitched to be 22% higher than RE 2011-12.

Under the 7th NFC Award, the Divisible Pool now comprises Taxes on Income, Customs Duties, Sales Tax, Federal Excise excluding Excise Duty on Gas charged at well head, and any other tax levied by the Federal Government. With the exception of Federal Excise Duty on gas, the taxes listed above are distributed between the provinces and the Federal Government in the ratios given below:

Table 1.5
Vertical Distribution of Resources

Provincial share	Federal share
57.50%	42.50%

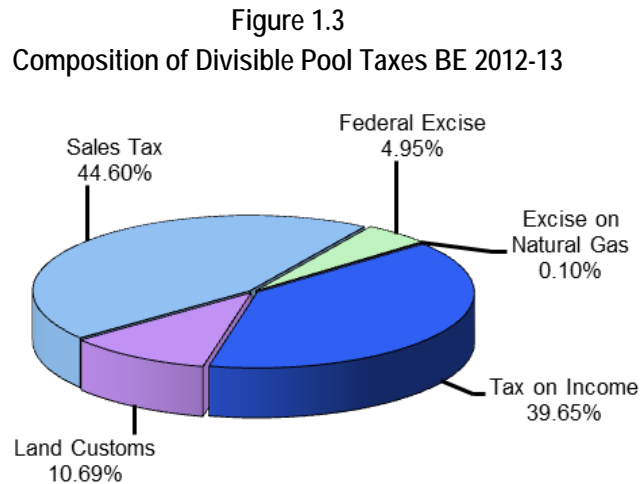
The provincial share is divided amongst the provinces in the ratios given below. This share was decided on the basis of a multiple criteria based on population, inverse population density, revenue and poverty.

Table 1.5.1
Horizontal Distribution of Resources

Punjab	Sindh	Khyber Pakhtunkhwa	Balochistan
51.74%	24.55%	14.62%	9.09%

The major increase in the Divisible Pool Taxes is expected from the Income Tax and Sales Tax. These two taxes collectively contribute 83.6% of Punjab's share from the Federal Divisible Pool. The balance 16.4% is contributed by Land Customs and Federal Excise.

The distribution of taxes in the Federal Divisible Pool share of Punjab is depicted in the Figure 1.3 below:-



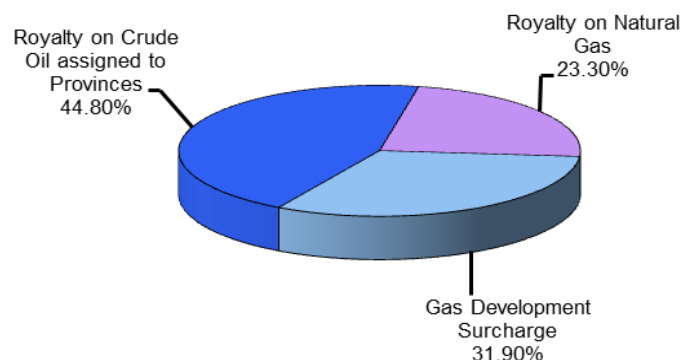
b) Straight Transfers

Under Article 161 of the Constitution and the NFC Award, Straight Transfers to the provinces include:

- i) The net proceeds of the Federal excise duty on natural gas
- ii) Net proceeds of royalty on crude oil and natural gas assigned to the provinces under the Constitution.

The budget estimates 2012-13 of Straight Transfers has been pitched at Rs.6,585.092 million compared to budget estimate 2011-12 of Rs.5,423.944 million. Straight Transfers comprise a smaller portion of the financing package to Punjab in comparison with other provinces such as Sindh & Balochistan. Therefore, Punjab, unlike smaller provinces, puts a greater premium on federal revenue collection and its own provincial revenue collection to finance its expenditures. It may also be mentioned that the size of Straight Transfers expected during financial year 2012-13 is lower than the RE 2011-12, mainly due to expected decrease in production of Oil and Gas in Punjab. The composition of projected Straight Transfers is given in Figure 1.4.

Figure 1.4
Composition of Straight Transfers BE 2012-13



Previously hydro-electric profits were also a part of the Straight Transfers but under the New Accounting Model (NAM), they are included in provincial non-tax revenues under the category of Income from Property and Enterprises. Similarly, Straight Transfers also have been reflected under provincial Non-Tax Revenue in the Annual Budget Statement but have been identified separately in the White Paper for the purpose of clarification.

c) Federal Grants

Federal Grants can be divided into development and non-development grants. The Budget Estimate 2012-13 of Federal Grants is Rs.2,147.000 million against Budget Estimate 2011-12 of Rs.4,506.387 million. The Federal Grants shown in table 1.6 below comprise of Foreign Budgetary Support Grants, Federal Development Grants and Federal Non-Development Grants. Development Revenue Receipts comprises the grants provided by foreign agencies for specific projects. During FY 2012-13, the Government is expected to receive project grants worth Rs.117.00 million, whereas estimate of Federal Grants has been pitched at Rs.2,030.000 million. Here it may also be clarified that RE 2011-12 of Federal Grants is very high compared to the BE 2011-12 on account of PSDP grants / development grants from Federal Governments which are only a pass through item. These grants are released to executing agencies for implementation of Federal development projects. Therefore, the estimate of PSDP grants is only made part of the revised estimates. It may also be pointed out that RE 2011-12 of PSDP grants is Rs.10,396.880 million. Due to this pass through item, BE 2012-13 appears to be much smaller compared to RE 2011-12.

Table 1.6
Federal Grants (Foreign Grants)

(Rs. in Million)

Sr. No.	Particulars	Budget Estimates 2011-12	Revised Estimates 2011-12	Budget Estimates 2012-13
1.	Federal Grants	3,481.387	13,392.844	2,030.000
2.	Development Revenue Receipt	1,025.00	684.000	117.00
	Total Grant (Program)	4,506.387	14,076.844	2,147.000

It is clear from the table 1.6.1 below that RE 2011-12 of Federal Grants is high due to Federal Development Grants listed at Sr. No.4 of this table. During FY 2012-13, Government expects to receive Federal Grants of Rs.2,030.000 million mainly from Department for International Development (DFID), UK for Education Sector Reform Project and Punjab Economic Opportunities Program.

The Table 1.6.1 provides the breakup of Federal Grants.

Table 1.6.1
Federal Grants

(Rs. in Million)

Sr. No.	Particulars	Budget Estimates 2011-12	Revised Estimates 2011-12	Budget Estimates 2012-13
1.	DFID Grant-Punjab Education Sector Project	1,459.387	2,400.152	930.000
3.	Punjab Economic Opportunities Program	900.000	300.000	1,100.000
3.	CIDA-IBRD-TA 98382 Grant-Punjab Education Sector Project.	-	251.582	-
4.	Other Grants from the Federal Govt. - Development	1,122.000	10,396.880	-
5.	Other Grants from the Federal Govt. - Non-Development	-	44.230	-
	Total Grant (Program)	3,481.387	13,392.844	2,030.000

1.1.2 Provincial Own Receipts

The Provincial Own Receipts consist of the following:

- a) Tax Receipts
 - I. Receipts from Direct Taxes (Agricultural Income Tax, Property Tax, Land Revenue, Professional Tax, Capital Value Tax etc.)
 - II. Receipts from Indirect Taxes (Sales Tax on Services, Provincial Excise, Stamp Duties, Motor Vehicle Taxes, Electricity Duty etc.)
- b) Non-Tax Receipts
 - I. Income from property and enterprises
 - II. Receipts from civil administration and other functions
 - III. Miscellaneous Receipts (other receipts excluding Federal Grants and Development Surcharges and Royalties)
 - IV. Extraordinary Receipts

The estimates of Provincial Own Receipts are provided in Table 1.7 below. The table shows that during FY 2011-12, the actual collection of Provincial Own Receipts was only 3.7% lower than the original budget estimates. This shortfall is primarily attributable to shortfall in GST on Services and Extra Ordinary Receipts. It may be worthwhile to add that both major revenue collecting departments of the Government i.e. Board of Revenue and Excise and Taxation have collectively achieved a growth of 17% in the first ten months of FY 2011-12 compared to corresponding period last financial year. It may be added that the tax collection target for FY 2011-12 excluding GST on Services was Rs.48,607.901 million. The RE 2011-12 of these taxes is Rs.44,295.980 million. In this way, the RE 2011-12 is quite close to the BE 2011-12 of taxes collected by the Government itself. The slight shortfall in Own Tax Collection is due to lesser than targeted growth in UIP Tax and Electricity Duty.

The estimates of Provincial Own Receipts are provided in Table 1.7.

Table 1.7
Provincial Own Receipts

(Rs. in Million)

RECEIPTS	BE 2011-12	RE 2011-12	BE 2012-13
a) Tax Receipts	88,517.300	80,862.928	95,014.294
i. Direct Taxes	22,960.562	20,766.641	25,311.940
ii. Indirect Taxes	65,556.738	60,096.287	69,702.354
b) Non-Tax Receipts	25,723.139	30,507.816	26,192.508
i. Income from Property and Enterprises	6,560.677	6,644.274	5,797.890
ii. Receipts from Civil Administration and other Functions	6,089.283	6,214.156	6,757.831
iii. Miscellaneous Receipts	13,073.179	17,649.386	13,636.787
Total Provincial Own Receipts	114,240.439	111,370.744	121,206.802

a) Tax Receipts

The estimates of provincial tax receipts are shown in Table 1.8 below. Some of the major reasons for the shortfall in Revised Estimates 2011-12 compared to the Budget Estimate 2011-12 are as under:

- Reform of major taxes such as Property Tax was not implemented as the same would have resulted in higher rates leading to additional financial burden on tax payers at a time of high inflation and economic downturn;
- The tax administration machinery requires major overhauling and revamping;

The Budget Estimate 2012-13 of provincial tax receipts has been pitched at Rs.95,014.294 million against the Revised Estimate 2011-12 of Rs.80,862.928 million. In this way, the Government has again set a target of achieving more than 17.5% growth in its tax collection during FY 2012-13 over the RE 2011-12.

It may be pertinent to mention that the Government has made necessary legal and institutional preparations for establishment of its own revenue authority which will eventually collect all taxes. The authority to be known as Punjab Revenue Authority would initially collect GST on Services. The Government would carry out Business Process Reengineering (BPR) of the other taxes in the order of their priority. Once the BPR of a tax is completed, the screened tax would be taken out from the existing tax collection regime and shall be assigned to Punjab Revenue Authority. The primary objective of BPR would be to reduce contact between the assessor and the assessee through the use of information communication technology. Creation of Revenue Authority is an extremely important policy initiative of Punjab Government which is expected to improve tax administration and management besides plugging leakages in the revenue collection.

Table 1.8 provides department wise comparison of BE 2011-12, RE 2011-12 and BE 2012-13 of provincial taxes.

Table 1.8
Provincial Tax Receipts

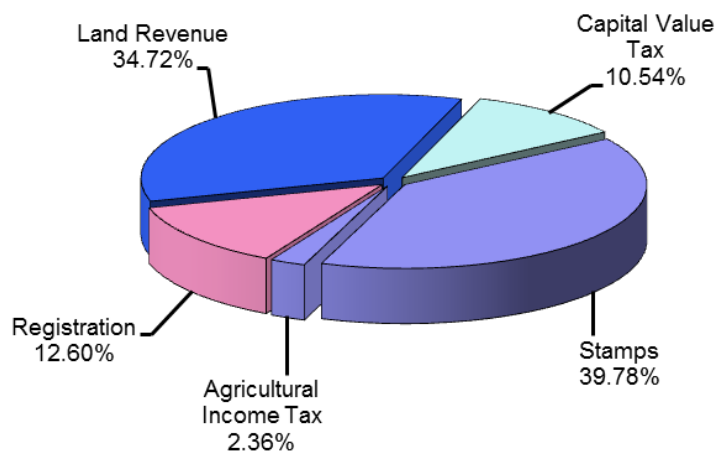
(Rs. in Million)

TAX RECEIPTS	BE 2011-12	RE 2011-12	BE 2012-13
Board of Revenue	26,978.552	26,596.522	30,588.603
Agricultural Income Tax	927.189	715.454	720.522
Registration	2,975.334	3,294.071	3,854.580
Land Revenue	9,968.039	9,235.707	10,621.004
Capital Value Tax	3,000.000	2,770.279	3,224.334
Stamps	10,107.990	10,581.011	12,168.163
Excise & Taxation	16,600.738	14,002.772	18,836.122
Urban Immovable Property Tax	5,580.000	4,300.000	5,905.000
Tax on Professions, Trades and Callings	510.000	448.358	886.500
Opium	15.773	9.400	10.810
Receipts under Motor Vehicle Acts	8,182.367	7,052.840	8,510.767
Provincial Excise	1,440.000	1,268.515	2,058.867
Farm house tax	--	2.772	100.000
Education Cess	--	--	100.000
Other Indirect Taxes	872.598	920.887	1,264.178
Transport	276.559	400.000	460.000
Motor Vehicles fitness certificate and permit fee	276.559	400.000	460.000
Finance	39,909.401	36,564.176	40,496.470
Sales Tax on Services	39,909.401	36,564.176	40,496.470
Energy	4,752.050	3,299.458	4,633.099
Electricity Duty	4,752.050	3,299.458	4,633.099
Total Provincial Tax Revenue	88,517.300	80,862.928	95,014.294

BOARD OF REVENUE

The following pie-chart shows the composition of taxes collected by Board of Revenue as estimated for FY 2012-13.

Figure 1.5
Board of Revenue Taxes BE 2012-13



Agricultural Income Tax

Agricultural Income Tax (AIT) was originally envisaged as a tax on income from agricultural activities, but for the sake of convenience it is also being collected in the form of a land tax with a fixed levy per acre. In its present form, AIT is being levied in two modes; one is the Land Tax levied on land holdings at fixed rates per acre (separately for irrigated and non-irrigated cultivated lands); and the other, introduced as income based tax. All income from agriculture above Rs.80,000 per year is subject to tax. AIT is levied on land holdings of above 12½ or 25 acres, respectively for irrigated and non-irrigated cultivated land.

The target for the next financial year 2012-13 for AIT has been set at Rs.720.522 million compared to BE 2011-12 of Rs.927.189 million. This clearly shows the downward trend in revenue collection from Agricultural Income Tax on account of following factors:

- The rates of AIT have remained unchanged since 2002-2003.
- The income mode of Agriculture Income Tax has not been implemented.
- The base has remained static. In fact, there has been a decline in the cultivated area liable to Agriculture Income Tax. This has been caused due to division and sub-division of land on account of inheritance/partition of land and urbanization.

The issue of taxing agriculture appropriately has been a subject of great debate in the recent times. In this regard, the contrast between the contribution of agriculture sector in national GDP and share contributed by this sector in national revenue collection has been cited as a justification to more effectively tax agriculture income. In this context, it was considered appropriate to develop a consensus among provinces and to harmonize agriculture income tax across provinces. The issue was discussed in a meeting of Council of Common Interests (CCI) and it was decided to constitute a committee of Finance Ministers and Agriculture Ministers headed by Federal Finance Minister to firm up recommendations for harmonization of agriculture income tax. It is expected that the recommendations would be finalized at an early date and implemented across the country.

Land Revenue

Land Revenue is a broad category which includes a number of receipts related to Land Revenue functions. Mutation Fee is the major component of the Land Revenue receipts. Land Revenue is expected to contribute Rs.10,621.004 million to the provincial exchequer during FY 2012-13. The collection from Land Revenue during financial year 2010-11 and 2011-12 has shown considerable buoyancy. The RE 2011-12 of Land Revenue is Rs.9,235.707 million compared to actual collection of Rs.8,281.865 million during FY 2010-11. It may be worthwhile to add that the Government implemented a major reform initiative i.e. imposition of valuation tables for determination of Mutation Fee w.e.f. 01.07.2010. The reform measure seems to have contributed positively to the growth in revenue from Land Revenue. Computerization of land record is also being carried out under the Punjab Land Record Management Information System Project. During FY2011-12, Government has established few automated service centre in three districts of Punjab, where, people can get a copy of the ownership record of their properties. Owing to different

complexities involved in automation of revenue record, complete automation of revenue record will take more time. However, when completed it will not only bring more transparency in land revenue record management but will also improve revenue collection on this account.

Stamp Duty

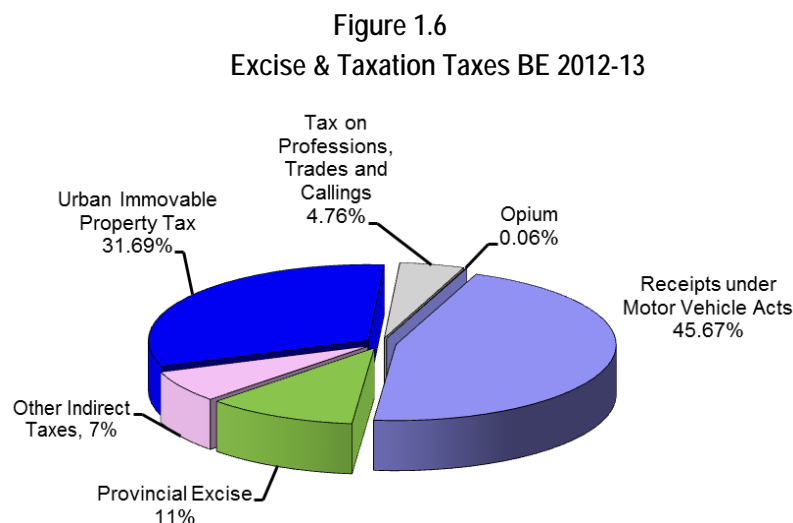
Stamp Duty is being levied @ 2% of the value in case of transfer of immovable property. The rates of Stamp Duty were revised downwards from 4% to 2% in the year 2004-05 in a move towards encouraging greater documentation of the economy. The stamp duty base, however, continued to be eroded by levy of Capital Value Tax by the Federal Government @ 4%. The correction took place w.e.f. 01.07.2010 when the provincial right to levy Capital Value Tax on immovable property was recognized. The Government, in order to bring down the overall cost of property transaction, levied Capital Value Tax @ 2%. Due to this reform measure and the expected recovery of real estate sector in the province, the BE 2011-12 was pitched at Rs.10,107.990 million. This target is expected to be achieved and the RE 2011-12 of stamp duty is Rs.10,581.011 million. The BE 2012-13 of Stamp Duty has been pitched at Rs.12,168.163 million. It may also be added that the Government is now revising valuation tables/DC tables every year to reduce the gap between the value of property assessed by the DC tables and the market value of properties which is helping the Government in increasing revenue from Stamp Duty. The right of provincial governments to levy taxes on property has further been clarified and widened by 18th Constitutional Amendment. It has now been recognized in the constitution that all taxes on property fall within the taxation authority of provincial governments.

Registration

Registration fee is collected at the time of registration of a sale deed of property. BE 2012-13 of Registration has been set at Rs.3,854.580 million compared to RE 2011-12 of Rs.3,294.071 million meaning a growth of 17% over RE 2011-12.

EXCISE & TAXATION DEPARTMENT

The following pie-chart shows the composition of taxes collected by Excise & Taxation as estimated for FY 2012-13.



Property Tax

The UIPT is essentially a devolved tax but for administrative convenience it is being collected by the Provincial Government and passed on to the TMAs. The Provincial Government intended to implement a number of reform measures to enhance the revenue potential of the UIPT during FY 2010-11. These measures included updation of valuation tables and reduction in differential between owner occupied and rented properties.

RE 2011-12 of UIPT is Rs.4,300.000 million which is compared to collection of Rs.3,220.969 million in FY 2010-11. In this way, the RE 2011-12 is 33.5% higher compared to actual collection in previous financial year. This impressive growth rate has been achieved through increase in tax based by better administration and improved recovery of arrears. BE 2012-13 of UIP Tax has been pitched at Rs.5,905.000 million. The Government intends to achieve this target through improving its revenue collection efficiency and reducing leakages in tax collection.

Professional Tax

The B.E. 2012-13 of Professional Tax is Rs.886.500 million compared to RE 2011-12 of Rs.448.358 million which indicates that the Government is targeting 97% growth in professional tax compared to the collection in FY 2011-12. Excise & Taxation Department has prepared a plan to achieve this ambitious target by plugging gaps in professional tax law due to which a large number of companies legally avoid this tax.

Contribution of Professional Tax is not huge but it is an important tax due to being a direct tax having a potential for buoyancy in the long term. Some experts, however, recommend merger of professional tax into Sales Tax on Services with a view to reduce number of taxes levied by the Government.

FINANCE DEPARTMENT

GST on Services

GST on Services was levied in the year 2000 and following services were brought in the tax network

- Advertisement on TV and Radio
- Courier services
- Custom agents
- Stevedores
- Marriage halls and lawns
- Beauty parlours, beauty clinics and slimming centres
- Laundries and dry cleaners

However, the tax on Marriage halls and lawns, beauty parlours and laundries / dry cleaners was withdrawn w.e.f. 01.07.2005. The Government levied GST on services on following additional services w.e.f. 01.07.2010 as the right of provinces to collect GST on Services was recognized by

the Federal Government during deliberations on 7th NFC Award:-

- Telecommunication
- Banking
- Insurance
- Shipping Agents
- Stock Brokers
- Advertisements on Cable TV

Collection of General Sales Tax on Services in FY 2011-12 was assigned to Federal Board of Revenue in conformity with Record Note signed between Federal Government and Provincial Governments. In FY 2011-12, receipts on account of GST on Services were estimated at Rs.39,909.401 million. Federal Government has communicated revised estimates on this account to the extent of Rs. 36,564.176 million. In FY2012-13, budget estimates for collection from GST on Services have been proposed to be Rs.40,496.470 million.

In FY 2012-13, Government intends to collect GST on Services through its own Revenue Authority w.e.f. 01.07.2012. It is expected that creation of Punjab Revenue Authority would not only harness the true potential of GST on Services in the province but would also be a major step in improving the tax collection, administration and management in the province.

b) Non-Tax Revenue

Non-Tax Receipts accrue mainly on account of regulatory functions performed by the Provincial Government and rates and fees charged for the provision of certain social and economic services but as earlier explained it includes other items like Federal Grants etc. Table 1.9 summarises the Revised Estimates for FY 2011-12 and Budget Estimates for FY 2012-13 of Non-Tax Revenue. The table shows a large number of non-tax receipt items in the provincial budget but only a few are significant contributors to the total receipts. Most important is the receipt from 'Property and Enterprise' which includes profit from net hydel power generation in the province. A large component of non-tax receipt collection has been classified as 'Miscellaneous' receipts under the NAM. This classification also includes extraordinary receipts which are in the nature of one-time receipts accruing mostly on account of sale of Government assets (privatization) or through liquidation of Government investments and hence are not a regular source of revenue.

There is also a category of "Others" which includes unclaimed deposits, sale proceeds of stores and material, rent, receipts from royalty and minerals, recoveries of over payment, collection of payment for services rendered, fees, fines, forfeitures, arms licence fee, and other receipts.

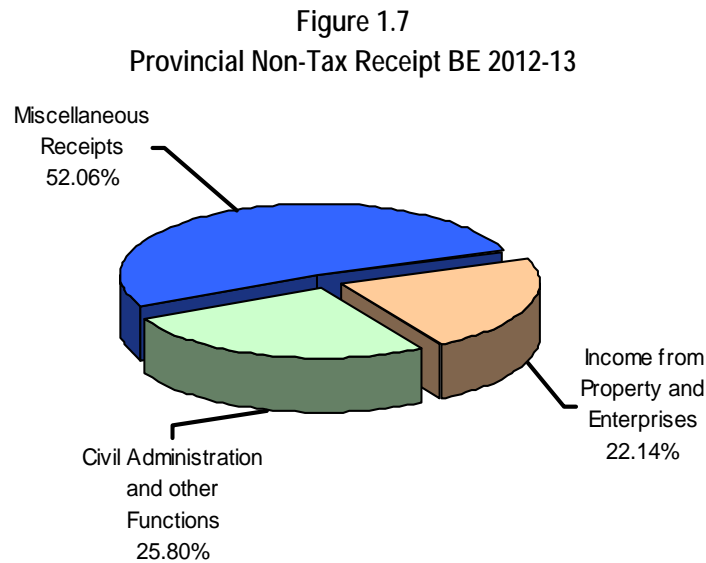
Grants received from the Federal Government and Development Surcharges on Gas and Royalties on Oil and Gas are taken under non tax receipt but for the purpose of Table 1.9 they are not included in the total.

Table 1.9 shows a comparison of the Provincial Non-Tax receipts between FY 2011-12 and FY 2012-13.

Table 1.9
Provincial Non Tax Revenue
(Excluding Federal Grants and Development Surcharges and Royalties)

<i>(Rs. in million)</i>			
NON TAX REVENUE	BE 2011-12	RE 2011-12	BE 2012-13
Income from Property and Enterprises	6,560.677	6,644.274	5,797.890
State Trading Schemes-Electricity	5,166.000	5,166.000	5,117.000
Interest on Loans to District Govts. / TMAs	170.406	179.254	157.120
Interest on Loans to Financial Institutions.	1,061.065	1,293.211	455.000
Interest on Loans to Non-Financial Institutions.	60.000	2.273	65.234
Interest on Loans & Advances to Govt. Servants	0.206	0.536	0.536
Interest on Loans – Others	3.000	3.000	3.000
Dividends	100.000	-	-
Civil Administration and other Functions	6,089.283	6,214.156	6,757.831
Fiscal Administration	67.187	68.693	72.128
Law and Order	2,482.028	2,671.000	2,928.277
<i>Justice</i>	264.103	242.647	266.912
<i>Police Department</i>	2,156.086	2,362.282	2,598.510
<i>Jails</i>	60.946	65.178	62.690
<i>Civil Defence</i>	0.893	0.893	0.165
Community Services	1,755.663	1,794.006	1,973.748
<i>Communications & Works</i>	1,725.578	1,746.196	1,920.815
<i>Public Health</i>	30.085	47.810	52.933
Social Services	1,358.261	1,296.497	1,361.322
<i>Education</i>	946.198	872.072	915.676
<i>Health</i>	412.063	424.425	445.646
Housing and Physical Planning	426.144	383.960	422.356
Miscellaneous Receipts	13,073.179	17,649.386	13,636.787
Agriculture	740.209	594.125	670.138
Board of Revenue	4,048.772	857.611	3,723.372
Fisheries	197.849	200.000	230.000
Forest & Wildlife	1,300.771	1,246.502	1,427.891
L&DD	563.938	653.785	719.164
Cooperation	4.627	7.888	8.677
Irrigation	2,869.326	2,498.854	2,948.739
Industries	198.022	123.775	136.153
Mines & Minerals	2,000.000	1,900.000	2,200.000
Home	660.000	660.000	832.700
Misc.	489.665	8,906.846	739.953
TOTAL NON-TAX RECEIPTS	25,723.139	30,507.816	26,192.508

Figure 1.7 shows the share of Income from Property and Enterprises, Receipts of Civil Administration and other functions and Miscellaneous Receipts as estimated for FY 2012-13:



Non Tax Revenue – Income from Property and Enterprises

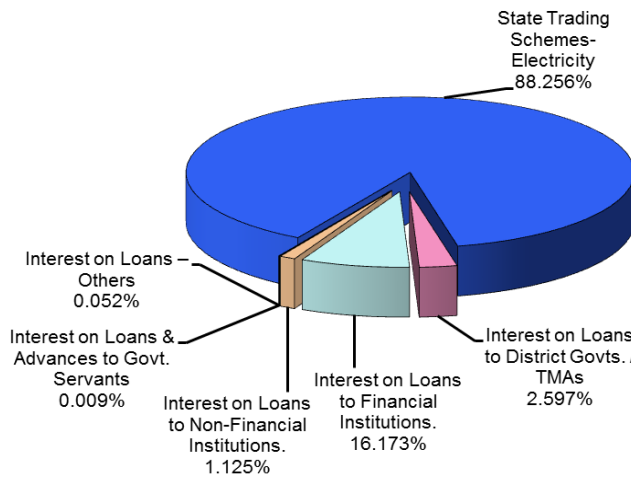
Income from property and enterprises comprises of two components. The first is income from net hydel profit whereas the other is income from interest on loans advanced to financial institutions, local governments, autonomous bodies and government servants etc.

Government was not receiving net hydel profits from the Federal Government since 1996-97 as a result of incorrect recording of minutes of a meeting of ECC. Present government realizing the importance of this source of revenue, took up the case with the Federal Government on the grounds that net hydel profit is a constitutional right of the province and cannot be surrendered on account of statement of the Chief Executive of the province. The Federal Cabinet agreed with the above mentioned view point of Punjab Government and restored the right of Punjab province to receive net hydel profits. Following this decision, the committee constituted for the purpose worked out arrears of net hydel profit to the tune of Rs.28,501.000 million payable to Punjab Government up to year 2004-05. Out of the said amount, Federal Government has transferred an amount of Rs.23,335.000 million to Punjab Government. The remaining amount of Rs.5,117.000 million is likely to be received during next financial year. Punjab Government is now emphasizing upon the Federal Government to resolve the issue of payment of arrears of net hydel profit to Punjab after 2004-05 and also start paying net hydel profit to Punjab on annual basis. In this regard, the Federal Government is also being pursued to start making a provisional payment to Punjab Government as it is making to province of Khyber Pakhtunkhwa.

Provincial Government extends loans to local governments, financial institutions and autonomous bodies under its purview for meeting their current and development expenditures. The interest from these loans is another important part of receipts of "Income from Property and Enterprises". Interest amounting to Rs.1,478.274 million was received during FY 2011-12. The

estimate of receipts from interest income during FY 2012-13 is Rs.680.890 million. It may be highlighted that during FY 2011-12 Government was receiving interest from Bank of Punjab against the Advance Subscription Money of Rs.10.000 billion provided to the Bank in FY 2009-10. The right shares against the subscription money are expected to be issued in the first quarter of FY 2012-13. The interest income from this amount would not accrue after issuance of the right shares. Hence, the interest income during next financial year is expected to be considerably lower than FY 2011-12.

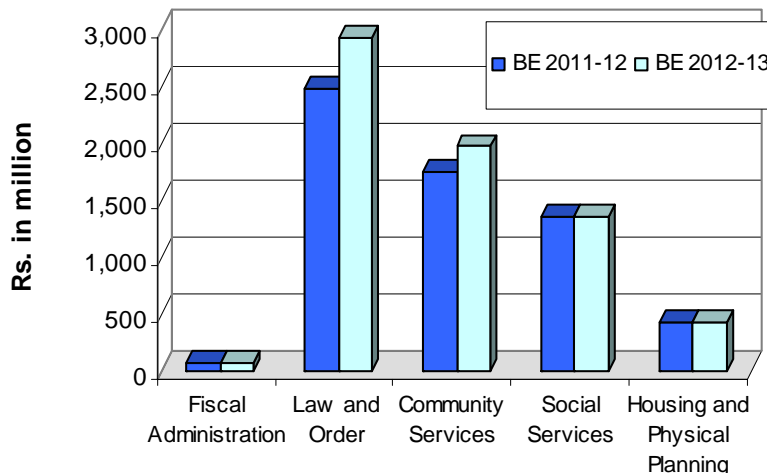
Figure 1.8
Income from Property and Enterprises BE 2012-13



Non Tax Revenue – Civil Administration & Other Functions

These receipts generally accrue from the regulatory and administrative functions of the Government and pension contribution on behalf of provincial civil servants working in autonomous bodies etc. Government is expected to collect Rs.6,757.831 million during FY 2012-13 from these sources of revenue. A break-up of these receipts is discussed below:

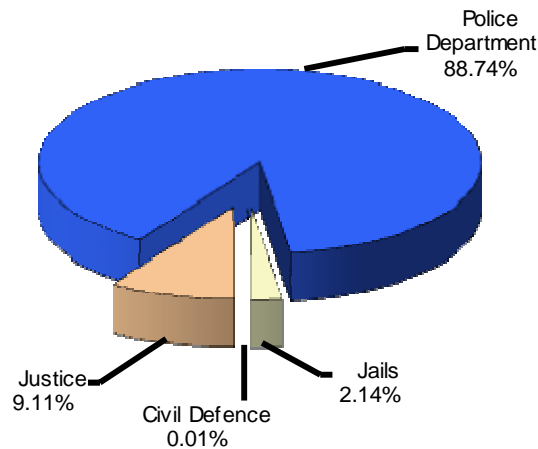
Figure 1.9
Civil Administration and other Functions BE 2011-12 vs. BE 2012-13



a) Law and Order

These are receipts accruing to the Provincial Government through judicial courts and policing functions. The biggest contribution comes from Police Department through traffic fines, driving license fee etc. The collection of Police Department during FY 2012-13 is expected to be Rs.2,598.510 million. During the FY 2011-12, the collection by Police Department was higher than the budget estimate 2011-12. The total Law & Order receipts are estimated at Rs.2,928.277 million in FY 2012-13.

Figure 1.10
Law and Order BE 2012-13



b) Community Services

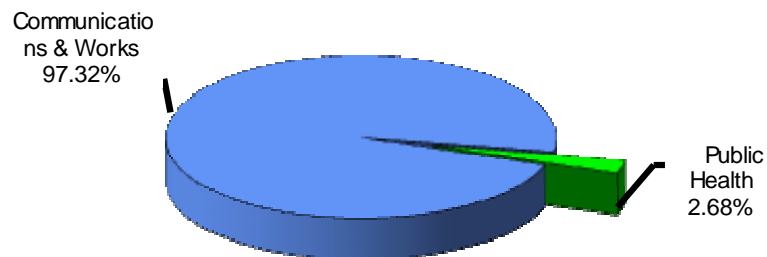
The major income in this category is realised through tolls on provincial roads and bridges and through rent of Government buildings. The revenue from Communication and Works department had stagnated as there was no increase in the toll charged on roads. The Government decided to levy toll on following newly constructed roads w.e.f. 01.07.2011.

- i. Pindi Bhattian-Chiniot-Kamalpur Road
- ii. Chiniot-Sargodha-Khushab Road
- iii. Jhang – TT Singh – Chichawatni Road
- iv. Lahore -Kasur Road

The estimated revenue impact of levying toll on these roads was estimated at Rs.650.000 million. Accordingly, the RE 2011-12 of collection by C&W Department is estimated to be Rs.1,746.196 million compared to a collection of Rs.1,032.847 million during FY 2010-11. This significant increase in the collection by C&W Department is a result of levy of toll on newly constructed roads. The BE 2012-13 of C&W Department has been set at Rs.1,920.815 million.

The receipts from community services are estimated to be Rs.1,973.748 million in FY 2012-13 which includes major receipt contribution from Communication & Works Department as shown in the figure below.

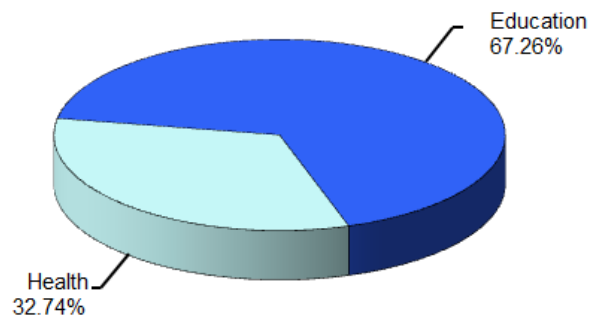
Figure 1.11
Community Services BE 2012-13



c) Social Services

These receipts consist of user fees charged on health and education services; the largest component being the education sector (67%). These receipts are largely declining as the Government is aiming to provide health and education services to the common man at highly subsidized cost. Receipts under this category of non-tax revenue is estimated to be Rs.1,361.322 million.

Figure 1.12
Social Services BE 2012-13

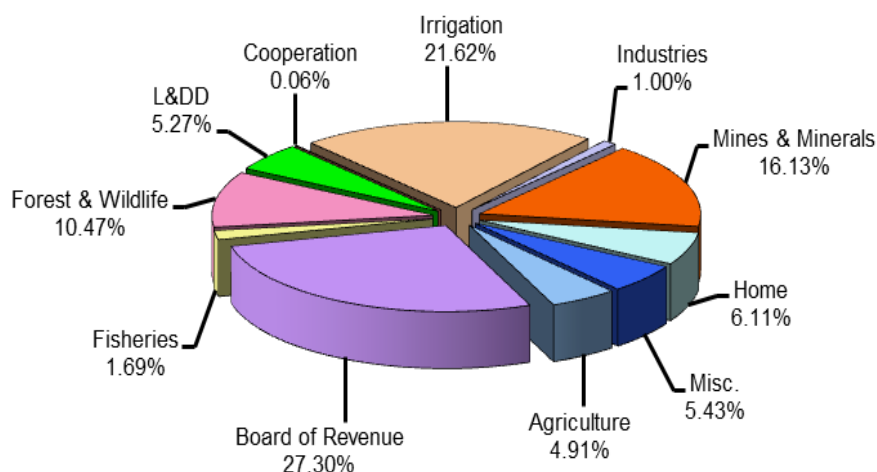


Non Tax Revenue – Miscellaneous Receipts

Miscellaneous receipts comprise the largest category of Provincial Non-Tax Receipts. These receipts can be categorised into two sub categories: (i) Receipts accruing from Economic Functions; (ii) general category.

Under the receipts from economic functions, revenue on account of Abiana (water rate for irrigation), receipts from rental of agricultural machinery / equipment, receipts from sale of forest timber are included. In the general category, other receipts such as small fees / charges on account of regulatory functions of the Government are included. Similarly, major receipts such as those accruing from arms licence fee and royalty from mines and minerals are also included under this classification. Against the Budget Estimates 2011-12 of Rs.13,073.179 million, Revised Estimate is to the tune of Rs.17,649.386 million. Increase in Revised Estimate 2011-12 is due to inclusion of certain notional receipts such as surrenders of public account deposits from assignment accounts whereas estimate of such notional receipts are not included in the Budget Estimates 2012-13, which has been pitched at Rs.13,636.787 million. Following is the contribution of different types of Miscellaneous Receipts in the BE 2012-13:

Figure 1.13
Miscellaneous Receipts BE 2012-13



Under Miscellaneous Receipts, the important receipts include receipts from Forest, Wildlife & Fisheries, Irrigation (mainly Abiana) and Mines & Minerals. The revised estimate 2011-12 of all these receipts was above the respective budget estimates. Accordingly, a reasonable growth is expected from these receipts during the FY 2012-13 also.

d) Extra-Ordinary Receipts

Extraordinary receipts were previously reflected as a part of capital receipt but are now part of General Revenue Receipts. A significant portion of these receipts accrue from expected privatization / disinvestment of government owned assets, and sale of land. During the financial year 2011-12, the budgeted target of Rs.4,048.772 million whereas the Revised Estimate 2011-12 is only to the extent of Rs.857.611 million. The major reason for shortfall during FY 2011-12 is continuing depression in real estate sector due to which auctions of Government property could not fetch the

maximum price. Keeping in view the slow pace of privatization, the BE 2012-13 has been rationalized to Rs.3,723.372 million, which includes an estimate of Rs.3,000.000 million through sale of properties by Punjab Privatization Board. The Government has decided that privatization receipts would only be utilized for development activities preferably in those areas from where the receipts would be realized.

1.2 DEVELOPMENT REVENUE RECEIPTS

Development Revenue Receipts are primarily grants from foreign multilaterals for specific development projects. The RE 2011-12 of Development Revenue Receipt was Rs.684.000 million compared to BE 2011-12 of Rs.1,025.000 million. The BE 2012-13 has been pitched at only Rs.117.000 million.

Table 1.10
Development Revenue Receipt

(Rs. in Million)

Sr. No.	Particulars	BE 2011-12	RE 2011-12	BE 2012-13
1.	Japanese Grant	32.000	32.000	-
2.	Improvement of Water Supply in Faisalabad (JICA Assisted)	-	643.000	-
3.	JICA-Punjab Water & Sanitation Academy, Lahore.	150.000	-	10.000
4.	JICA-Retrieval of Sewerage & Drainage for Lahore City.	824.000	-	48.000
5.	Australia-Optimizing Canal and groundwater Management to assist Water User Association in Maximizing Crop Production and Management Salinisation with Australia Assistance	14.000	9.000	7.000
6.	EU-11723-Access to Justice for Poors, Punjab.	5.000	-	-
7.	Up-gradation of Mechanical System of WASA, Faisalabad.	-	-	25.000
8.	Non-formal Education Promotion Project (JICA).	-	-	27.000
	Total Grant	1,025.000	684.000	117.000

1.3 CURRENT CAPITAL RECEIPTS

Current Capital Receipts mainly accrue from new loans borrowed or raised by the Provincial Government and recoveries of loans granted to provincial establishments or their employees.

Current Capital Receipts may be credited either to the Provincial Government's Account No. I (Non-Food Account) or Account No. II (Food Account), depending on the nature of the receipt. Money raised through loans, budgetary support programme of multilaterals, recoveries of principal amount of loans advanced by the Government to its employees and autonomous bodies are credited to Current Capital Receipts (Account No.I). On the other hand, receipts from sale of wheat and financing for procurement of wheat accrue to Account No. II.

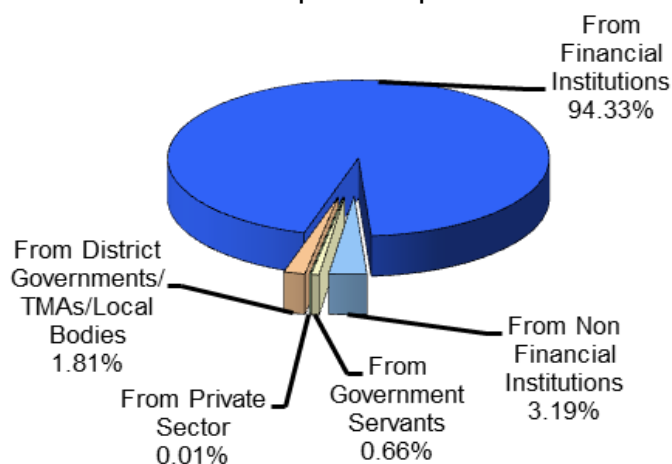
Current Capital Receipts figures for FY 2011-12 and FY 2012-13 are presented in Table 1.11 below.

Table 1.11
Current Capital Receipts

RECEIPTS	BE 2011-12	RE 2011-12	BE 2012-13
a) Loans & Advances/Recoveries of Loans and Advances	5,218.758	538.926	6,816.186
From District Governments/TMAs/Local Bodies	142.171	169.694	123.571
From Financial Institutions	4,900.000	-	6,430.000
From Non Financial Institutions	132.413	323.966	217.349
From Government Servants	43.895	45.165	45.165
From Private Sector	0.279	0.101	0.101
b) Debt	30,096.434	2,265.126	8,742.434
Permanent Debt-Domestic	0.434	0.035	0.434
Permanent Debt-Direct (Access to Justice Programme)	-	59.008	-
Recovery of Investment	-	7.783	-
Permanent Debt-Foreign	30,096.000	2,198.300	8,742.000
Account No. I (a) + (b)	35,315.192	2,804.052	15,558.620
Recoveries of Investment-State Trading Schemes	153,588.970	92,225.545	107,578.000
Cash Credit Accommodation	97,721.004	101,981.283	105,905.514
Account No. II	251,309.974	194,206.828	213,483.514
Total Current Capital Receipts (I & II)	286,625.166	197,010.880	229,042.134

It will be useful to provide a synopsis of the more significant items categorised under Current Capital Receipts.

Figure 1.14
Current Capital Receipts BE 2012-13



a) Recoveries of Loans and Advances

In this category, Rs.6,816.186 million are estimated to be received in FY 2012-13. It includes an amount of Rs.6,430.000 million which will be recovered from Bank of the Punjab and Punjab Provincial Cooperative Bank Limited. An amount of Rs.4,900.000 million will be recovered from Bank of Punjab on issuance of right shares consequent to a capital injection of Rs.10,000.000

million by Government of the Punjab through a loan from State Bank of Pakistan and an amount of Rs.1,530.000 million will be repaid by Punjab Provincial Cooperative Bank Limited (PPCBL) on account of repayment of loan extended to PPCBL.

b) Permanent Debt - Account No. I

Direct debt and loans borrowed from or through the Federal Government i.e. domestic and foreign loans comprise the permanent debt of the provincial government. B.E. 2012-13 for the permanent debt-foreign has been estimated at Rs.8,742.434 million. During FY 2011-12, the inflow of Current Capital Receipts received a severe set back as releases to Punjab Government by ADB were made conditional to issuance of clearance letter by the International Monetary Fund. The table below clearly shows that during FY 2011-12, the Government only received budgetary support loan from World Bank under Punjab Education Sector Reforms Program.

Table 1.12
Details of Current Capital Receipts (Foreign Loans)

(Rs. in Million)

Sr. No.	Detail of Loan	B.E. 2011-12	R.E. 2011-12	B.E. 2012-13
1	Punjab Government Efficiency Improvement Program (ADB)	8,800.000	--	--
2	Punjab MDG Attainment Programme (ADB)	8,800.000	--	--
3	Punjab Education Sector Development Program	12,496.000	2,198.300	8,742.000
Total		30,096.000	2,198.300	8,742.000

c) Public Debt – Account No. II (Food Account)

Account No.II, like Account No.I, is also maintained with the State Bank of Pakistan. The distinction, however, is that this account is meant exclusively for transactions relating to state trading in food commodities by the Food Department. Finances for food commodity purchases are raised through what is known as 'Cash Credit Accommodation'. This is currently being carried out through a consortium of banks organised with the assistance of the Bank of Punjab. Under this arrangement wheat grain is procured directly from farmers by the Food Department, and financed by the banking consortium. Receipts from the sale of wheat are then deposited in Account No. II, from where they are utilised to retire the consortium loan. Noticeably, the RE 2011-12 of 'Recoveries of Investment-State Trading Schemes' was Rs.92,225.545 million compared to BE 2011-12 of Rs.153,588.970 million on account of lower than targeted sale of wheat during the financial year.

1.4 DEVELOPMENT CAPITAL RECEIPTS

Development Capital Receipts comprise loans borrowed from multilateral donor agencies through the Federal Government for specific foreign-assisted development projects. Combined with the Development Revenue Receipts and surpluses from the General Revenue Account and Capital Account, Development Capital Receipts finance the Annual Development Programme of the province. The Budget Estimates 2012-13 for Development Capital Receipts is Rs.11,487.514

million compared to Budget Estimates 2011-12 of Rs. 18,610.000 million and RE 2011-12 of Rs.11,397.000 million.

Table 1.13
Development Capital Receipts

(Rs. in Million)

DEVELOPMENT CAPITAL RECEIPTS	B.E. 2011-12	R.E. 2011-12	B.E. 2012-13
Domestic Debt	--	--	--
Foreign Debt	18,610.000	11,397.000	11,487.514
Total	18,610.000	11,397.000	11,487.514

A complete list of projects for whom the above mentioned Development Capital Receipt are to be utilized is as under:

Table 1.14
Detail of Foreign Aid

(Rs. in Million)

Sr. No.	Particulars	BE 2011-12	RE 2011-12	BE 2012-13
1	IDA-4258-Pak Land Records Management Information System Project.	2,500.000	800.000	912.000
2	Punjab Irrigated Agriculture Improvement Program Project (PIPIP)	-	630.000	3,415.514
3	JBIC-PK-P53 Rehabilitating Lower Chanab Canal System (Part B)	2,000.000	775.000	310.000
4	ADB-2134-Pak Sustainable Livelihoods in Barani Areas Project.	650.000	317.000	-
5	IBRD-7380-Pak Punjab Municipal Services Improvement Project (Including Sustainable Development of Walled City Lahore)	1,200.000	1,050.000	957.000
6	OFID-1134-Pak Establishment of Govt. Institute of Emerging Technologies, Raiwind Road, Lahore.	180.000	168.000	232.000
7	ADB-2386-Pak T.A. for Punjab Government Efficiency Program Implementation Support Project.	200.000	74.000	-
8	ADB-2300-Pak Punjab Irrigated Agriculture Improvement Project	100.000	100.000	100.000
9	ADB-2299-Pak (PIAIP) Lower Bari Doab Canal Improvement Project	4,200.000	1,703.000	1,000.000
10	JBIC-PK-P59 Punjab Irrigation System Improve. Project	1500.000	2,622.000	1,000.000
11	IBRD-7900-Punjab Barrages Improvement Phase-II Project (Jinnah Barrage)	2300.000	1,800.000	700.000
12	ADB-2286-Pak Renewable Energy Development Sector Investment Program	870.000	973.000	1400.000
13	ADB-2287-Pak Renewable Energy Development Sector Investment Program	150.000	20.000	100.000
14	France/VINCI-Extension of Water Resource for Faisalabad City Phase-I	1,260.000	50.000	75.000
15	Construction of Waste Water Treatment Plant Lahore (Construction of Mehmood Booti Waste Water Treatment Plant, Lahore).	1,000.000	200.000	-
16	Southern Punjab Poverty Alleviation Project	500.00	100.000	736.000
17	2841-New Khanki Barrage Construction Project	-	15.000	500.000
18	Lahore Water Supply, Sewerage & Drainage Improvement Project	-	-	50.000
	Total Loans	18,610.000	11,397.000	11,487.514

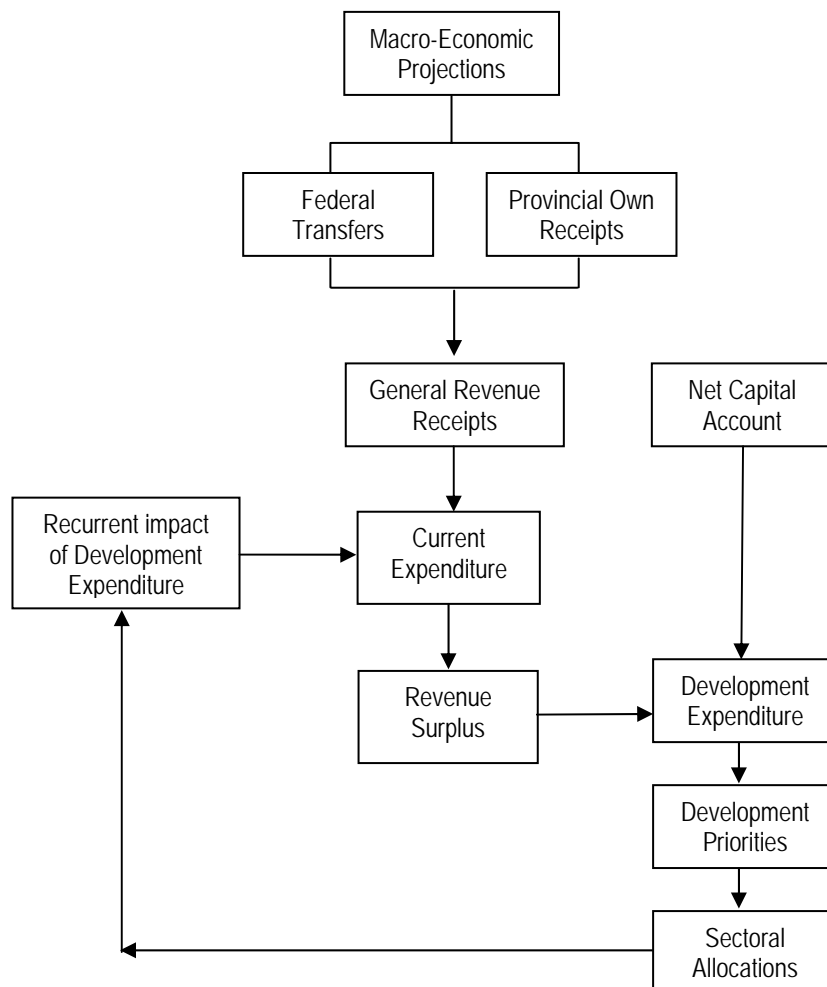
Chapter 2

ESTIMATES OF EXPENDITURE

2.1 FRAMEWORK

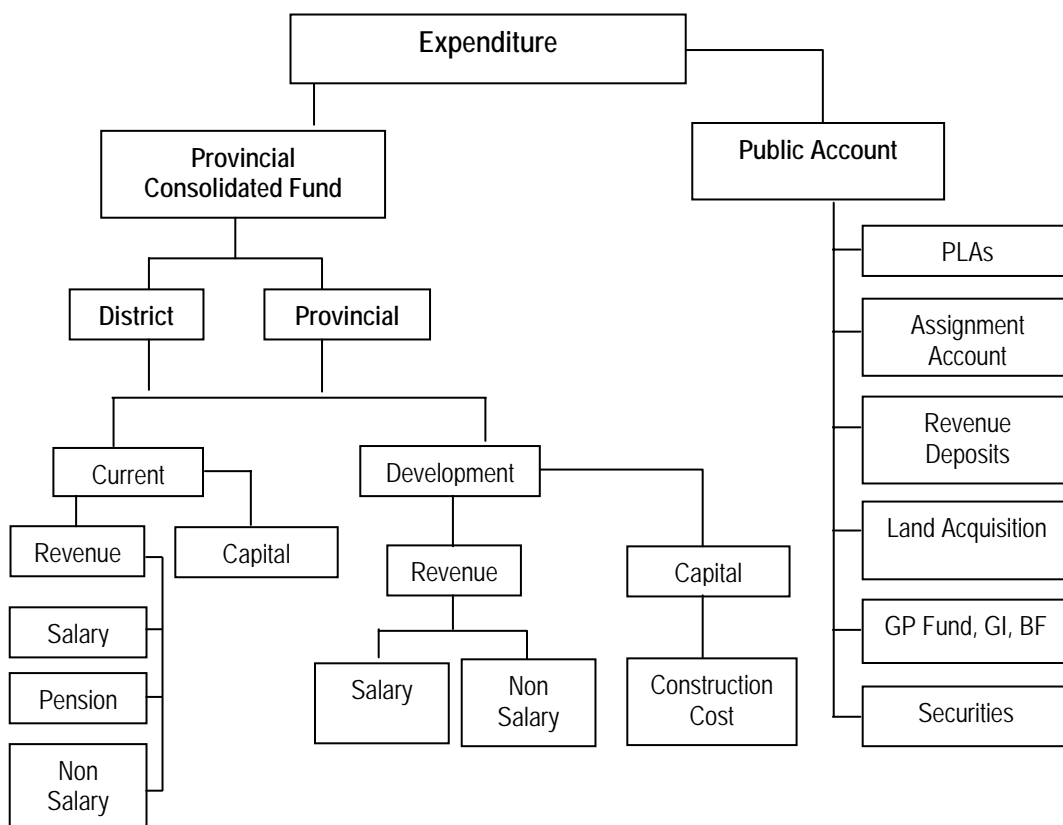
Before dilating upon the functional classification of the expenditures, it is appropriate that the framework in which the budget estimates are being formulated is also presented. Budgetary framework shown below reflects the components and the context in which the receipts and expenditures are derived while preparing the budget estimates.

Figure 2.1
Budgetary Framework



Overall expenditures of the government are classified under Provincial Consolidated Fund and Public Account of the province. Components and streams of financing items of Provincial Consolidated Fund and Public Account are represented in the Figure 2.2.

Figure 2.2
Expenditure Classification



Transactions on receipt and expenditure side which are not part of the Provincial Consolidated Fund are explained separately in the Chapter-3 of the White Paper on Public Account.

As regards the expenditures from the Provincial Consolidated Fund, the same are classified into following categories:

- a) **Current**
 - I. Current Revenue Expenditure
 - II. Current Capital Expenditure
- b) **Development**
 - III. Revenue Expenditure
 - IV. Capital Expenditure

I. Current Revenue Expenditure

Current Revenue Expenditure includes the expenditures on the regulatory functions of the government and provision of social and economic services. According to the Chart of Accounts under the New Accounting Model adopted in 2005-06, following are the main functional heads of expenditure in Current Revenue Expenditure:

- General Public Service
- Public Order and Safety Affairs
- Economic Affairs
- Environment Protection
- Housing and Community Amenities
- Health
- Recreational, Culture and Religion
- Education Affairs and Services
- Social Protection

II. Current Capital Expenditure

Current Capital Expenditure like current capital receipt figures both in the Account No. I and Account No. II of the Provincial Government maintained with the State Bank of Pakistan. Expenditure items under Current Capital Expenditure in Account No. I include the following:

- (i) Principal Repayment of Domestic, Foreign and Market Debt. Expenditure on repayment on account of Ways and Means Advances availed by the Government of the Punjab from the State Bank of Pakistan is also included in this category;
- (ii) Loans and advances to corporate bodies of the Government of Punjab or associated with the Government of Punjab.

Expenditure in Account No.II are mainly incurred on state trading operations of the government in food grains especially procurement of wheat and repayment of loans taken from the commercial banks for trading operations of Food Department.

III. Development Revenue Expenditure

Development revenue expenditure is classified under grant PC22036 (036) – Development– Revenue. The expenditure under this grant pertains to most of the expenses other than the brick and mortar expense. Employees related expense, purchase of transport, machinery and equipment, operating expenses, research and development, training etc. provided under the projects during the execution of the projects are all part of the development revenue expenditures.

IV. Development Capital Expenditure

Development capital expenditure is the capital investment under the development programs for roads, buildings, irrigation sectors etc.

2.1 OVERVIEW OF EXPENDITURE

In Financial Year 2012-13, total financial outlay of the government has been estimated at Rs.782,859.871 million. In FY 2012-13, size of the Annual Development Program has been pitched at Rs.250,000.000 million indicating an increase of Rs.30,000.000 million over ADP for FY2011-12. An allocation of Rs.532,859.871 million has been proposed for current expenditure in FY2012-13, against revised budget estimates of Rs. 467,993.236 million in FY 2011-12 representing an increase of approximately 14%. Despite persistent inflationary trends, increase in salary, allowances and pension of employees of the government, allocations of development expenditure have been protected by adopting a considerable increase in development budget in comparison with the Annual Development Program for FY 2011-12. This is in conformity with the development vision of the present government where allocations of development budget are protected through austerity measures, curbing wasteful expenditure, improving allocative efficiency, monitoring outcomes against budgetary allocations and bringing efficiency, effectiveness and economy in government operations.

Table 2.1 reflects the allocations for Current Revenue Expenditure and Development Expenditure of Punjab Government for the year 2011-12 and 2012-13.

Table 2.1
Current and Development Expenditure

CLASSIFICATION	(Rs. in million)		
	BE 2011-12	RE 2011-12	BE 2012-13
A. CURRENT	434,749.818	467,993.236	532,859.871
General Public Services (including transfers to Local Governments)	245,735.165	269,697.567	305,300.357
Public Order & Safety Affairs	69,244.576	75,700.040	81,864.264
Economic Affairs	61,600.671	48,603.066	71,684.904
Environment Protection	58.251	74.862	71.381
Housing and Community Amenities	2,639.981	3,016.710	3,296.079
Health	25,484.686	31,707.190	35,656.545
Recreational, Culture and Religion	1,022.538	1,431.239	1,478.413
Education Affairs & Services	27,141.130	33,573.988	31,307.272
Social Protection	1,822.820	4,188.574	2,200.656
B.DEVELOPMENT	220,000.000	165,511.173	250,000.000
ADP including operational shortfall	188,000.000	159,186.612	210,000.000
Financing Items of ADP	32,000.000	6,324.561	40,000.000
TOTAL EXPENDITURE (A+B)	654,749.818	633,504.409	782,859.871

In the last few years, allocations for development budget have increased significantly which augurs well for socio-economic development of the province.

Table 2.2 shows the outlay of development budget of Punjab Government for last four years and allocation for FY2012-13.

Table 2.2
Development Budget

(Rs. in billion)

Year	Development Budget	%
2008-09	160.000	
2009-10	175.000	9%
2010-11	193.500	11%
2011-12	220.000	14%
2012-13	250.000	14%

In this regard, it would be pertinent to add that in last three years despite substantial increase in salary and allowances of government employees, allocations for development program of the province have either been protected or it has registered a significant increase.

2.2 CURRENT REVENUE EXPENDITURE

Table 2.3 summarises the Budget Estimates and Revised Estimates of Current Revenue Expenditure for FY 2011-12 along with Budget Estimates for FY 2012-13.

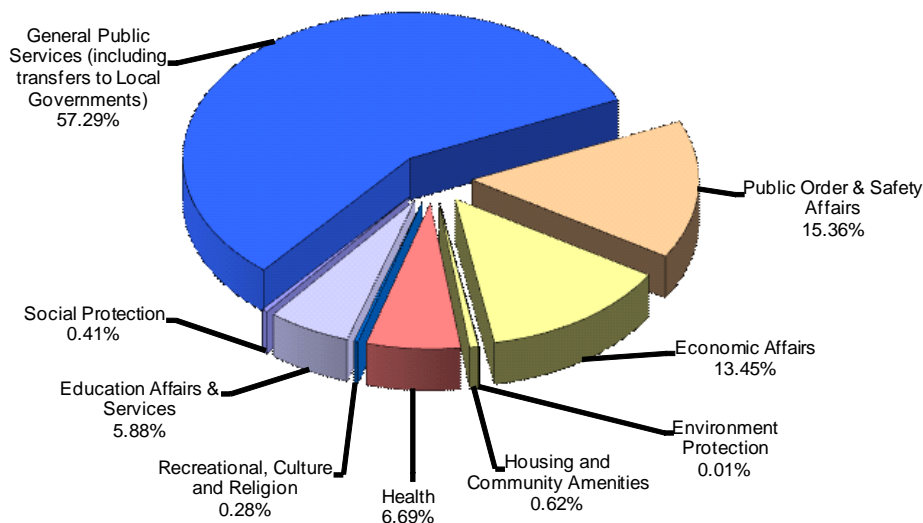
Table 2.3
Current Revenue Expenditure

(Rs. in Million)

CURRENT REVENUE EXPENDITURES	BE 2011-12	RE 2011-12	BE 2012-13
General Public Services (including transfers to Local Governments)	245,735.165	269,697.567	305,300.357
Public Order & Safety Affairs	69,244.576	75,700.040	81,864.264
Economic Affairs	61,600.671	48,603.066	71,684.904
Environment Protection	58.251	74.862	71.381
Housing and Community Amenities	2,639.981	3,016.710	3,296.079
Health	25,484.686	31,707.190	35,656.545
Recreational, Culture and Religion	1,022.538	1,431.239	1,478.413
Education Affairs & Services	27,141.130	33,573.988	31,307.272
Social Protection	1,822.820	4,188.574	2,200.656
Total Revenue Expenditure	434,749.818	467,993.236	532,859.871

Current Revenue Expenditure budgeted for FY 2012-13 is presented graphically below:-

Figure 2.4
Current Revenue Expenditure



2.2.1 Trends in Current Expenditure by Function

Table 2.4 shows the level of current expenditure under different functions for last five years and budgetary allocations for FY 2012-13.

Table 2.4
Trends in Current Revenue Expenditure (Function Wise)

(Rs. in Million)

FUNCTION	Actual 2008-09	Actual 2009-10	Actual 2010-11	RE 2011-12	BE 2012-13
General Public Services	150,136.4	181,765.2	209,603.6	269,697.6	305,300.3
Public Order & Safety Affairs	46,425.4	58,768.4	63,144.2	75,700.0	81,864.3
Economic Affairs	34,713.5	23,686.5	38,369.1	48,603.1	71,684.9
Environment Protection	37.6	42.0	72.4	74.9	71.4
Housing and Community Amenities	1,574.6	1,534.6	1,901.2	3,016.7	3,296.1
Health	15,299.0	17,945.5	19,709.2	31,707.2	35,656.5
Recreational, Culture and Religion	1,093.9	998.5	866.7	1,431.2	1,478.4
Education Affairs & Services	25,475.9	20,296.7	26,200.6	33,574.0	31,307.3
Social Protection	1,767.4	1,584.5	10,252.3	4,188.6	2,200.7
Total Revenue Expenditure	276,523.7	306,621.9	370,119.3	467,993.3	532,859.9

2.2.2 Salient Features of the Allocations for different Departments / Functions for FY 2012-13

Outlay of current expenditure for FY 2012-13 is estimated at Rs. 532,859.871 million against Revised Budget Estimates of Rs. 467,993.236 million for FY 2011-12 which shows an increase of approximately 14%. Broadly, allocations in the current budget for FY 2012-13 have been made on the following principles / parameters:

- 20% increase in pay and pension for civil employees of Government of Punjab.
- Recurring cost of transfer of development programs to non development budget after the completion of schemes.
- In the last few years, while new capital was being created through greater development expenditure, it was witnessed that due to inadequacy of M&R allocations, the existing stock of capital was not being properly maintained thereby reducing its productive life. A review of M&R spending in last few years suggested that squeezing of M&R expenditure would not be a desirable course of action. Accordingly, to ensure the maintenance of public infrastructure and to avoid massive capital investment thereafter, a reasonable increase in allocations of M&R for public infrastructure have been adopted in the budget estimates for financial year 2012-13.
- Allocation of Rs. 34.0 billion for pro-poor initiatives i.e. Ramzan package, public transport and wheat subsidy have been made in FY 2012-13.
- Owing to persistent inflationary trends, prices of POL and Utilities like electricity have been revised upwards frequently in last two years. To absorb this increase, allocations in FY 2012-13 have been made commensurate with this increase. Under electricity head, against a budget estimate of Rs.3.447 billion, a provision of Rs.4.443 billion have been made in FY 2012-13. Similarly, under POL, against an allocation of Rs.5.717 billion in FY 2011-12, an allocation of Rs.7.510 billion have been made in the budget estimates for FY2012-13. Increased provision on this account will not only improve the general efficiency of the government but will also help Police in performing its essential function of maintenance of Law & Order.
- While ascertaining the shares of Provincial Allocable and Retained, the effort has been made to protect the shares of local governments under PFC Award. However, pending the announcement of new PFC owing to completion of tenure of local governments, consideration of actual fiscal needs of local governments in financial year 2012-13 have also been taken into account in determining the shares of local governments under PFC award. It would also be pertinent to mention that in last few years, substantial investments have been made in development of public infrastructure, improvement in service delivery in Health sector through better coverage and creation of new facilities, investments in education, water & sanitation sector. As a consequence of increased capital investment in various strategically important sectors of economy, there has been increase in recurrent expenditure of

the government. In addition, double digit inflation prevailing for last few years has contributed to increase in cost of acquisition of goods and services by the government. Resultantly, district governments are also witnessing a period of sustained fiscal distress. To cater for essential needs of District Governments, an analysis of revenue and expenditure trends of these governments was undertaken in FY2011-12. On the basis of this analysis, allocations to District Governments have been increased substantially in budget estimates for FY 2012-13. Moreover, to inculcate a sense of greater fiscal discipline in District Governments, certain arrangements have been put in place to 'ring-fence' the allocations of development programs to ensure that these are expended specifically for the purpose for which amounts have been allocated. It is hoped that through these measures District Governments would be in a better position to correct their fiscal imbalances and to allocate a greater degree of resource for their development spending which will ensure greater productivity and growth in an equitable and inclusive manner throughout the province.

- Allocation of Rs. 5,845.764 million has been made in FY 2012-13 for provision of free medicines in public sector hospitals and Rs. 1,437.165 million for dietary charges for prisoners in the jails of Punjab.
- Under the Punjab Education Sector Reform Project, a provision of Rs. 6,250.000 million has been made for disbursement of stipend to girls, free textbooks and management of public sector schools through school councils.

In the succeeding paragraph, variance in the budgeted expenditure for financial year 2011-12 and FY 2012-13 under important functions / sectors is explained as under:-

- i) An allocation of Rs. 34,000.000 million has been made for subsidies and pro-poor initiatives in financial year 2012-13 against the budget estimates of Rs. 30,000.000 million in FY 2011-12.
- ii) Transfers to Local Governments have been budgeted at Rs. 210,983.105 million in FY 2012-13 against budget estimate of Rs. 169,788.730 million in FY 2011-12. In this way, an additional sum of Rs. 41,194.375 million has been provided for Local Governments in FY 2012-13 showing an increase of 24.3% over budget estimates for FY 2011-12.
- iii) Allocations for the Health Department have increased from Rs. 25,484.686 million in FY 2011-12 to Rs. 35,656.545 million in FY 2012-13 representing an increase of 40% over the budget estimates of FY 2011-12.
- iv) Expenditure on the Education Sector has been estimated at Rs. 31,307.272 million in FY 2012-13 against Budget Estimates of Rs. 27,141.130 in FY 2011-12 showing increase of 15%.

- v) Expenditure on Pension is pitched at Rs. 55,736.200 million in FY 2012-13 against the revised estimate of Rs.51,490.038 million under grant PC21028-Pension in FY2011-12. Increase in allocations on this account have been made to absorb the impact of 20% increase in pensionery benefits for FY 2012-13 announced in the Federal Budget to be adopted by Provincial Government.
- vi) Expenditure on account of Public Order and Safety Affairs has been estimated at Rs. 81,864.264 million in FY 2012-13 against the budget estimate of Rs.69,244.576 million in FY 2011-12 showing an increase of 18% in comparison with the FY2011-12.

2.2.3 General Public Services

Expenditures on executive and legislative organs, financial and fiscal affairs are classified under this category. Further, transfers to local governments under the PFC Award, 2006, are also included in this category of expense. In the budget estimates for FY 2012-13, allocation of Rs.210,983.105 million has been made for local governments against a revised estimate of Rs.187,204.653 million in FY 2011-12 representing an increase of 12.7% over the revised estimates for FY2011-12.

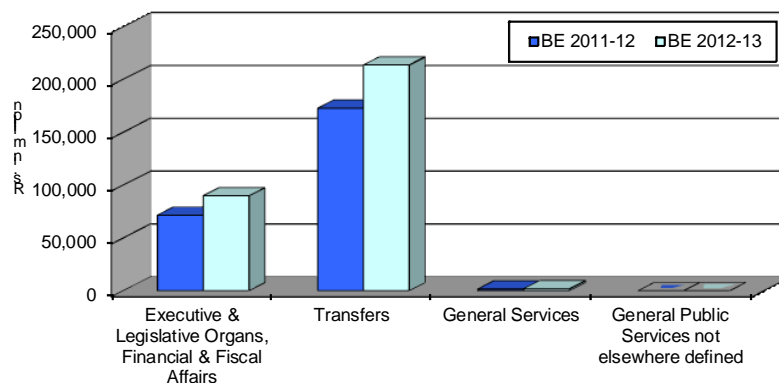
Allocations under General Public Services including the transfers to Local Governments are shown in Table 2.5 and 2.6 below:

Table 2.5
General Public Services

(Rs. in Million)

General Public Services	BE 2011-12	RE 2011-12	BE 2012-13
Executive & Legislative Organs, Financial & Fiscal Affairs	71,417.251	76,278.719	89,819.358
Transfers	172,730.162	191,629.503	213,603.039
General Services	1,585.899	1,787.492	1,876.093
General Public Services not elsewhere defined	1.853	1.853	1.867
Total	245,735.165	269,697.567	305,300.357

Figure 2.5
General Public Services



Transfers to various tiers of local governments are given in the table below:

Table 2.6
Transfers to Local Governments (Current)

(Rs. in Million)

TRANSFERS (INTER-GOVERNMENTAL)	BE 2011-12	RE 2011-12	BE 2012-13
To District Government	148,000.000	165,050.660	186,783.105
To TMAs	15,570.000	15,151.000	17,000.000
To Union Administration	5,018.730	5,247.837	6,000.000
Cantonment Boards	1,200.000	1,755.156	1,200.000
Total	169,788.730	187,204.653	210,983.105

2.2.4 Public Order and Safety Affairs

Expenditures on courts of law, police, prisons, relief and crisis management including fire protection, anticorruption establishment / economic crimes, and civil defence are included under this head. Allocation for Police has been increased from Rs. 52,788.270 million in 2011-12 to Rs. 62,251.774 million in 2012-13. In this way, an additional allocation of Rs. 9,463.504 million has been provided to Police which represents an increase of 18% over Budget Estimates of FY 2011-12. Allocation for Law Courts and Prisons Administration Department in FY 2012-13 has also been increased by 14% and 29% respectively in comparison with the budget estimates of 2011-12. These increases depict the present government's commitment and resolve for provision of speedy justice and better law and order situation in the province to protect its citizens.

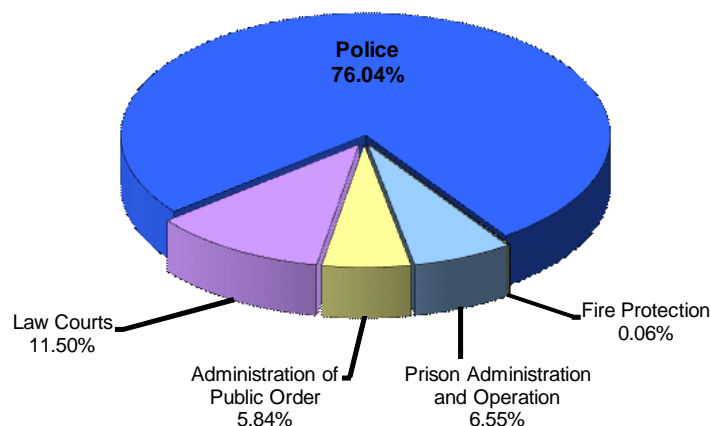
Table 2.7 below gives the breakup of this allocations for different departments classified under public order and safety affairs.

Table 2.7
Public Order and Safety Affairs

(Rs. in Million)

PUBLIC ORDER AND SAFETY AFFAIRS	BE 2011-12	RE 2011-12	BE 2012-13
Law Courts	8,253.714	7,715.773	9,416.002
Police	52,788.270	59,825.949	62,251.774
Fire Protection	45.965	43.036	51.172
Prison Administration and Operation	4,143.587	4,862.835	5,364.201
Administration of Public Order	4,013.040	3,252.447	4,781.115
PUBLIC ORDER AND SAFETY AFFAIRS	69,244.576	75,700.040	81,864.264

Figure 2.6
Public Order and Safety Affairs BE 2012-13



2.2.5 Economic Affairs

Expenditures on sectors / departments contributing in economic development of the province viz. Agriculture, Food, Irrigation, Forestry & Fishing, Construction and Transport, Communication and Works, Mining and Manufacturing, and Industries etc. are included under this classification. Current Revenue Expenditure in these sectors also includes allocations for research, extension and field services to farmers, maintenance and repair of the irrigation network and vocational training of the labour force. All major economic infrastructure departments and departments involved primarily in activities relating to economic affairs are included under this functional classification.

Table 2.8 shows the break-up of this expenditure across major departments.

Table 2.8
Economic Affairs

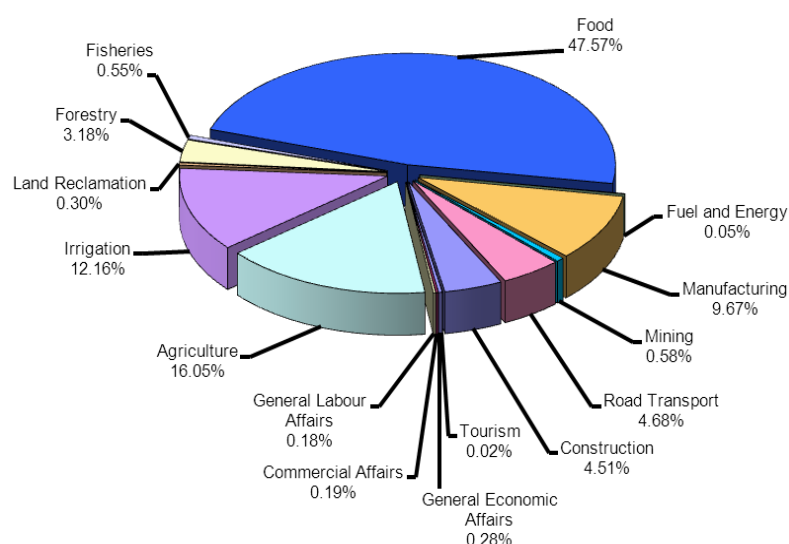
(Rs. in Million)

ECONOMIC AFFAIRS	BE 2011-12	RE 2011-12	BE 2012-13
General Economic, Commercial & Labour Affairs	426.662	447.748	471.540
General Economic Affairs	172.550	177.851	202.522
Commercial Affairs	157.328	160.104	138.491
General Labour Affairs	96.784	109.793	130.527
Agriculture, Food, Irrigation, Forestry & Fishing	49,839.774	35,603.547	57,223.896
Agriculture	9,160.935	8,908.748	11,508.985
Irrigation	8,192.441	8,894.252	8,718.297
Land Reclamation	216.481	219.012	217.728
Forestry	1,850.098	2,159.026	2,282.262
Fishing	339.285	385.105	396.869
Food	30,080.534	15,037.404	34,099.755
Fuel and Energy Administration	--	32.879	33.170
Administration	--	32.879	33.170

ECONOMIC AFFAIRS	BE 2011-12	RE 2011-12	BE 2012-13
Mining and Manufacturing	6,322.541	7,068.152	7,353.455
Manufacturing	5,979.297	6,723.330	6,935.030
Mining	343.244	344.822	418.425
Construction and Transport	5,011.694	5,439.269	6,591.480
Road Transport	3,276.181	3,544.624	3,358.294
Construction (Works)	1,735.513	1,894.645	3,233.186
Other Industries	--	11.471	11.363
Tourism	--	11.471	11.363
Grand Total	61,600.671	48,603.066	71,684.904

For Economic Affairs, an allocation of Rs. 71,684.904 million has been suggested against budget estimate of Rs. 61,600.671 million in FY 2011-12 which caters not only for 20% increase in salary of employees of government announced in FY 2012-13 but also to absorb the impact of persistent inflation resulting in increase in cost of acquisition of goods and services by the government.

Figure 2.7
Economic Affairs Expenditure, BE 2012-13



2.2.6 Housing and Community Amenities

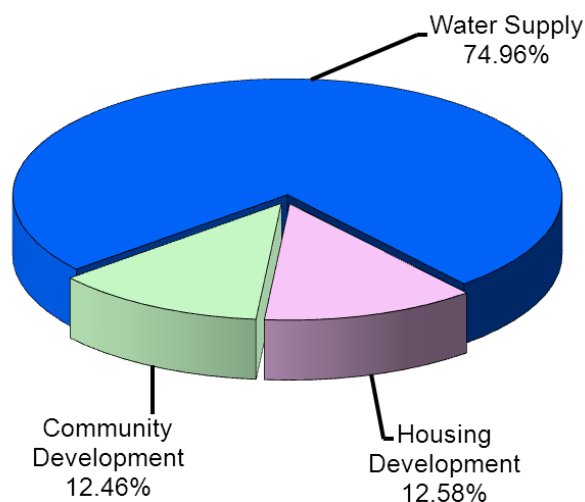
Details of expenditure on Housing and Community Amenities are provided in Table below:

Table 2.9
Housing and Community Amenities

HOUSING AND COMMUNITY AMENITIES	BE 2011-12	RE 2011-12	BE 2012-13
Housing Development	303.852	304.354	414.627
Community Development	343.091	421.486	410.636
Water Supply	1,993.038	2,290.870	2,470.816
Total	2,639.981	3,016.710	3,296.079

(Rs. in Million)

Figure 2.8
Housing and Community Amenities BE 2012-13



3.2.7 Health Services

Health services include Hospital Services, Public Health Services (laboratories and health related population welfare activities), and Health Administration. Details of current expenditure on the Health sector are shown in Table 2.10. Major allocations are for Hospital Services which include current expenditures on autonomous medical institutions. Allocation for major Teaching/Tertiary Care Hospitals has been increased to Rs. 32,819.201 million in FY 2012-13 as against Rs. 23,535.538 million in FY 2011-12. In line with the policy of the present government to provide free medicines, disposables and provision of dialysis facilities in public sector hospitals, an increase of approximately Rs. 9,283.663 million has been adopted in FY 2012-13 in comparison with the budget estimates of FY 2011-12.

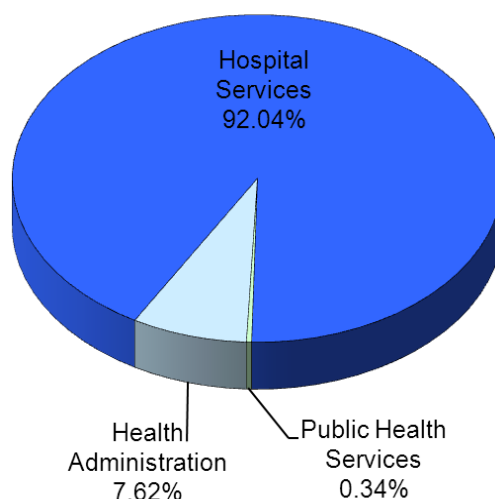
To improve its outcome on different indicators of Millennium Development Goals, sufficient allocations have been made in the budget estimates for FY 2012-13. Accordingly, in addition to the allocations mentioned above, an amount of Rs. 5,500.000 million has been made available in FY 2012-13 under Punjab Millennium Development Goals Program in the development budget of financial year 2012-13 as a separate financing item.

Table 2.10
Health Services

(Rs. in Million)

HEALTH	BE 2011-12	RE 2011-12	BE 2012-13
Hospital Services	23,535.538	26,849.698	32,819.201
Public Health Services	111.995	108.903	121.646
Health Administration	1,837.153	4,748.589	2,715.698
Total	25,484.686	31,707.190	35,656.545

Figure 2.9
Health Services BE 2012-13



3.2.8 Recreational, Culture and Religion Services

Table 2.11 shows the break up of different services under this functional classification and their allocations for financial year 2012-13 along with budget estimates of 2011-12 and Revised Estimates for FY 2011-12.

Table 2.11
Recreational, Culture and Religion

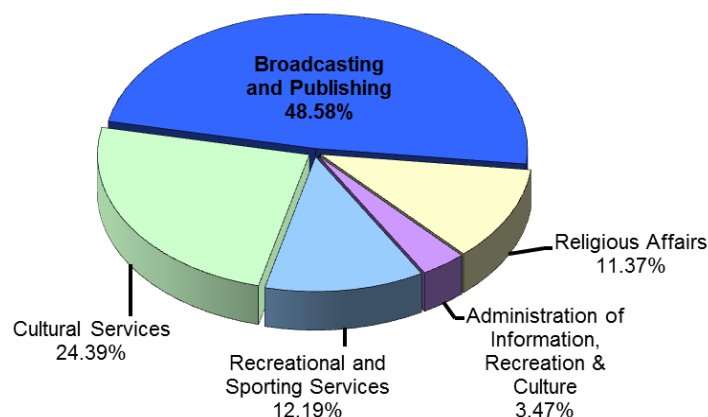
(Rs. in Million)

RECREATIONAL, CULTURE AND RELIGION	BE 2011-12	RE 2011-12	BE 2012-13
Recreational and Sporting Services	123.170	319.833	180.197
Cultural Services	202.202	356.010	360.573
Broadcasting and Publishing	504.367	568.035	718.270
Religious Affairs	151.827	139.979	168.102
Administration of Information, Recreation & Culture	40.972	47.382	51.271
Total	1,022.538	1,431.239	1,478.413

Cultural Services, Broadcasting and publishing constitute a major expenditure under this classification. Government of Punjab being cognizant of its cultural heritage and also to manage the affairs of sports and religious matters has increased the allocation of this function in comparison with budget estimates for financial year 2011-12.

To provide healthy environment to the youth of the province and to promote sports activities in the province, an allocation of Rs.500.000 million has also been made for Sports and Youth as a financing item of Annual Development Programme for FY 2012-13. It is hoped that in the current environment of social and economic distress, participation in youth festivals and sports activities will provide avenues of recreation to the youth of Punjab province.

Figure 2.10
Recreational, Culture and Religion BE 2012-13



3.2.9 Education Affairs and Services

Education sector continues to be the priority sector in the overall policy framework of the government. Accordingly, against an allocation of Rs. 27,141.130 million in FY 2011-12, the estimates for FY 2012-13 are pitched at Rs. 31,307.272 million representing an increase of 15%. Moreover, in line with the Education Sector vision of Chief Minister Punjab and to achieve the targets envisaged in Education Sector road map, substantial resource allocation have also been made in the development budget for FY 2012-13 as below the line / financing items of ADP for following initiatives in the sector.

- Daanish School Rs. 2,000.000 million
- Punjab Education Foundation Rs. 6,500.000 million
- Punjab Education Endowment Fund Rs. 2,000.000 million
- Punjab Technology University Rs. 1,000.000 million
- Internship Program Rs. 1,500.000 million

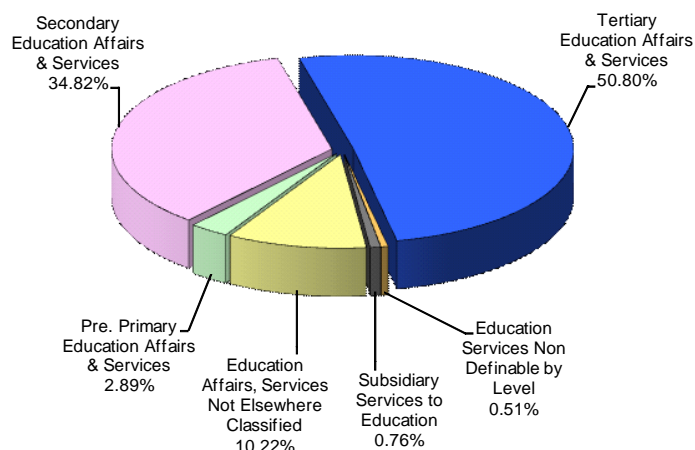
Allocations under various sub sectors of Education are tabulated below:

Table 2.12
Education Affairs and Services

EDUCATION AFFAIRS & SERVICES	<i>(Rs. in Million)</i>		
	BE 2011-12	RE 2011-12	BE 2012-13
Pre. Primary Education Affairs & Services	808.876	764.893	904.286
Secondary Education Affairs & Services	9,998.527	15,650.108	10,899.934
Tertiary Education Affairs & Services	13,082.686	13,529.877	15,904.214
Education Services Non Definable by Level	315.177	381.204	160.966
Subsidiary Services to Education	185.512	295.123	239.435
Education Affairs, Services Not Elsewhere Classified	2,750.352	2,952.783	3,198.437
Total	27,141.130	33,573.988	31,307.272

In the overall allocation of Education Affairs & Services shown in Table 2.12, budgetary provisions relating to universities of Education, Health and Agriculture are also included.

Figure 2.11
Education Affairs & Services BE 2012-13



2.3 DEBT MANAGEMENT AND ALLOCATIONS FOR PENSIONS

Budget Estimates under this functional classification for the FY 2012-13 are pitched at Rs.71,920.081 million against the provision of Rs. 59,363.513 million in FY 2011-12. In this classification, expenditures on Debt Servicing including payment of interest on Foreign and Domestic Debt, General Provident Fund and interest on blocked loan of Government of Punjab payable to State Bank of Pakistan are included. In the category of Interest payments, an amount of Rs.16,183.881 million has been provided against the budget estimates of Rs. 18,867.298 million in FY2011-12. Decrease on this account is due to deferment / rescheduling of Rs.2,000.000 million payable to State Bank of Pakistan on account of blocked account against an additional equity injection of Rs.2,000.000 million to Bank of Punjab by Punjab Government to meet its statutory liquidity requirements. Expenditure on Pension is pitched at Rs.55,736.200 million in FY2012-13 against the revised estimate of Rs.51,490.038 million under grant PC21028-Pension in FY2011-12. Increase in allocations on this account have been made to absorb the impact of 20% increase in pensionary benefits for FY 2012-13 announced in the Federal Budget to be adopted by Provincial Government.

The itemized allocations on this account are shown in Table 2.13.

Table 2.13
Debt Management and Pensions

EXPENDITURE	BE 2011-12	RE 2011-12	BE 2012-13
Debt Management (Interest Payment)	18,867.298	14,189.323	16,183.881
<i>Domestic Debt *</i>	11,455.055	9,517.557	7,154.339
<i>Domestic Debt (General Provident Fund)</i>	3,526.782	4,397.611	4,702.835
<i>Foreign Loans</i>	3,885.461	274.155	4,326.707
Pensions	40,496.215	51,490.038	55,736.200
Total	59,363.513	65,679.361	71,920.081

* Includes interest on domestic loans from federal government, market loans, floating debt, and other obligations

2.4 CURRENT CAPITAL EXPENDITURE

The details of the current capital expenditures are shown in Table 2.14.

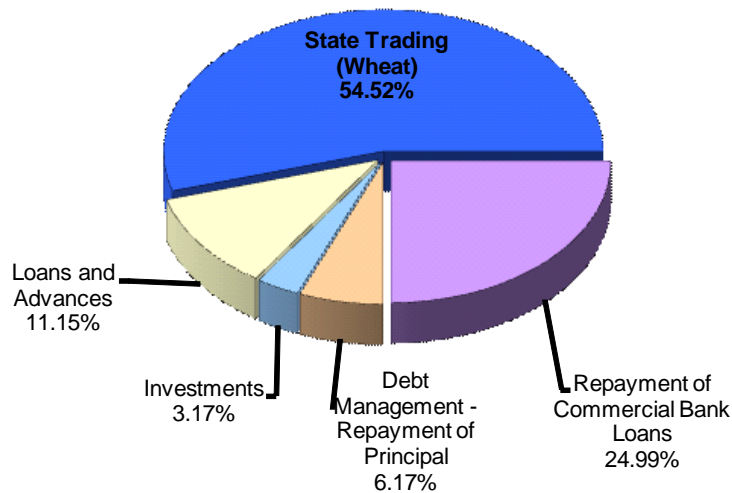
Table 2.14
Current Capital Expenditure

(Rs. in Million)

CURRENT CAPITAL EXPENDITURES	BE 2011-12	RE 2011-12	BE 2012-13
Public Debt	0.434	0.035	0.434
Permanent Debt (Market Loan)	0.434	0.035	0.434
Debt Management - Repayment of Principal	13,545.785	19,278.233	16,564.819
Domestic Debt Federal Government (CDL)	4,489.838	4,489.838	4,091.483
Foreign Debt	8,955.947	14,788.395	12,373.336
Blocked Allocation for Exchange Risk Cover	100.000	--	100.000
Investments	11,000.000	7,000.000	8,500.000
Capitalization of Pension Fund	11,000.000	7,000.000	8,500.000
Loans and Advances	29,987.166	21,886.050	29,947.396
Loan to Bank of Punjab for its recapitalization	6,175.000	1,209.375	6,175.000
Transfer to Financial Institutions to retire the debt liability of PPCBL	2,194.500	1,944.442	--
Principal repayment of blocked account	12,725.028	10,604.190	12,725.028
Loans to other Non Financial Institutions	8,792.638	8,128.043	10,947.368
Government Servants	100.000	--	100.000
State Trading in Medical Stores	24.381	22.284	26.835
Total Account No. I	54,557.766	48,186.602	55,039.484
Public Debt Account No. II	251,309.974	194,206.828	213,483.514
State Trading (Wheat)	136,733.644	131,697.891	146,374.794
Repayment of Commercial Bank Loans	114,576.330	62,508.937	67,108.720
Total Current Capital Expenditure	305,867.740	242,393.430	268,522.998

The details of the current capital expenditures are represented in the pie chart below:

Figure 2.12
Current Capital Expenditure BE 2012-13



Chapter 3

PUBLIC ACCOUNT

3.1 INTRODUCTION

Article 118 of the Constitution of the Islamic Republic of Pakistan defines Public Account as all moneys which do not form the part of the Provincial Consolidated Fund but are: (a) received by or on behalf of the Provincial Government or (b) received by or deposited with the High Court or any other Court established under the authority of the Province.

These transactions are outside the Provincial Consolidated Fund on both the receipt and expenditure side, and are categorized as:

- a) Unfunded Debt (deferred liabilities);
- b) Deposits and reserves;
- c) Remittances.

Public Account consists of those moneys for which the Provincial Government has a statutory or other such obligation. These are in the form of trust money for which the Government has a fiduciary responsibility. Public Account consists of series of accounts, each of which is separately governed under specific rules framed for the said purpose. Main elements of the Public Account in the Annual Budget Statement are summarised as follows:

- a) Assets
 - Cash and Bank Balances
 - Receivable
- b) Deposits and Reserves / Liabilities
 - Control Account
 - Trust Account-Fund
 - Trust Accounts-Others
 - Special Deposit-Investments
 - Special Deposit Fund

Table 3.1 summarises the Budget Estimates, Revised Estimates for FY 2011-12 and Budget Estimates for FY 2012-13 of the Public Account's inflows and outflows and their net effect.

Table 3.1
Public Account

(Rs. in Million)

RECEIPTS AND DISBURSEMENTS	BE 2011-12	RE 2011-12	BE 2012-13
A: RECEIPTS	(1,627,226.342)	(88,241.633)	(88,241.633)
Assets	(1,074,626.387)	(49.834)	(49.834)
Cash and Bank Balances	(1,072,399.682)	--	--
Receivable	(2,183.174)	(49.834)	(49.834)
Other Assets	(43.531)	--	--
Deposits and Reserves	(552,599.955)	(88,191.799)	(88,191.799)
Other Liabilities	(264,510.469)	(5,691.306)	(5,691.306)
Control Account	(90,298.032)	--	--
Trust Account Fund	(10,012.842)	(4,400.000)	(4,400.000)
Trust Accounts-others	(123,821.074)	(10,180.643)	(10,180.643)
Special Deposit - Investments	(65,064.496)	(67,840.722)	(67,840.722)
Special Deposit Fund	1,106.958	(79.128)	(79.128)
B: DISBURSEMENTS	1,626,909.637	88,289.829	88,420.049
Current Assets	1,019,379.129	--	--
Cash and Bank Balances	1,016,840.740	--	--
Receivables	2,538.389	--	--
Liability	607,530.508	88,289.829	88,420.049
Current / Other Liabilities *	222,315.279	65,518.179	65,778.619
Control Account	92,349.824	--	--
Trust Account Fund	11,573.113	4,400.000	4,400.000
Trust Account Others	189,945.862	16,997.763	16,867.543
Special Deposit - Investments	88,774.467	1,373.887	1,373.887
Special Deposit Fund	2,571.963	--	--
Net Public Account (A-B)	(316.705)	48.196	178.416

* This includes the Pension Fund liability.

3.2 RECEIPTS

3.2.1 ASSETS

Assets as Public Account receipts include cash and bank balances, investments, loans and advances, imprest monies, advances to departments and returns from investments and loans etc.

3.2.2 DEPOSITS AND RESERVES

Deposits and Reserves constitute a major part of receipts of the Public Account. Deposits and reserves include intergovernmental adjustments, remittances, suspense funds, special deposit fund, welfare fund, development fund, education & training fund, Income Tax deductions from salaries, Personal Ledger Accounts (PLAs) and most importantly, Trust Account Fund, comprising the Provident, Benevolent and Insurance Fund receipts. Table 3.2 details the Trust Account Fund.

3.3 DISBURSEMENTS

3.3.1 CURRENT ASSETS

Outflows from Assets are included under the category of Current Assets which includes cash, bank balances and receivables.

3.3.2 LIABILITY

Disbursements from Deposits and Reserves are indicated as liabilities. This is a contra item to the deposits and reserves indicated on the receipt side.

In FY 2012-13, the Public Account is expected to exhibit a positive balance of Rs.178.416 million. The practice of using Public Account funds as financing for budgetary expenditures has been abandoned since 2008-09.

Chapter 4

REVIEW OF DEVELOPMENT PROGRAMME 2011-12 & ANNUAL DEVELOPMENT PROGRAMME 2012-13

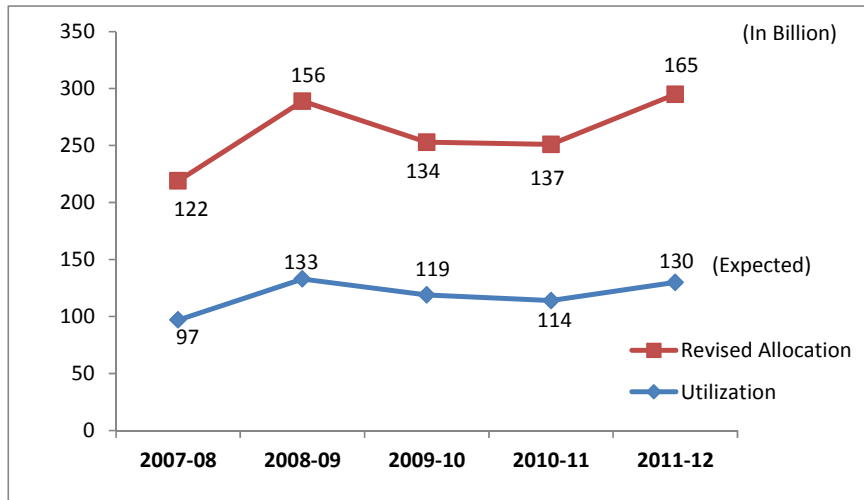
Annual Development Programme (ADP) is composed of public investments made in different sectors of the economy in a given year by the Government. These investments are not only instrumental in accelerating economic growth and development but also define and open up economic opportunities for the private sector and other stakeholders. ADP with its sectoral composition reflects the development priorities of the Government and thus, has a pivotal role in guiding the strategic direction of the provincial economy.

Before outlining the contours of ADP 2012-13, it will be appropriate to take stock of ADP performance during the last fiscal year ending 30th June, 2012. The size of the provincial ADP was originally fixed at Rs.188.0billion at the beginning of the year. It was scaled down to Rs.182.7billion during the year due to transfer of some of the development schemes and their corresponding allocations to current side of the budget. The major impact was due to relocation of scheme for provision of yellow cabs to young men and women which was budgeted at Rs.4.5 billion. Compared to last year, resource availability for funding the development budget improved during 2011-12. However, it still fell short of projections for Divisible Pool receipts to Punjab under NFC at the time of formulation of budget estimates for FY 2011-12 leading to revision in the size of Development Program to the extent of Rs. 165.5 billion.

For fast execution of development schemes, contrary to the practice of quarterly release adopted in FY 2010-11, development funds were released in two biannual installments by P&D during FY 2011-12. This has not only contributed to timely execution of the schemes but would also ensure optimum utilization of development funds by the close of financial year 2011-12. As per the utilization status of development program during first 10 months of FY 2011-12, an expenditure of Rs.104.7 billion has been reported. Based on this utilization trend, end of year utilization is expected to be approximately Rs.130.0 billion representing a significant improvement in the overall expenditure of Annual Development Programme against reported expenditure of Rs.114.7 billion in FY2010-11.

The historical trend of the last five years revised ADP allocation and utilization is given in the following graph:

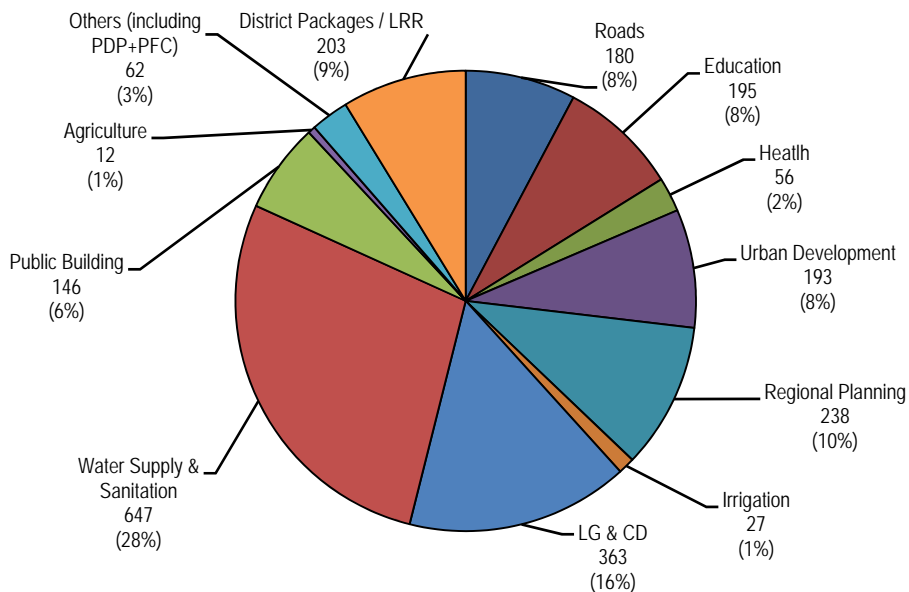
**Trend of ADP Allocation (Revised) and Utilization
2007-08 to 2011-12**



During the year 2011-12, a total of 3755 schemes were implemented which includes ongoing and new schemes included in the ADP 2011-12 and also the schemes initiated during the year. Out of these 3755 schemes, 2322 schemes were completed during the year which represent almost 62% completion rate. Amongst the completed schemes 606 were ongoing schemes from the previous years.

Sector-wise breakup of 2322 completed schemes is depicted in the following pie-chart:

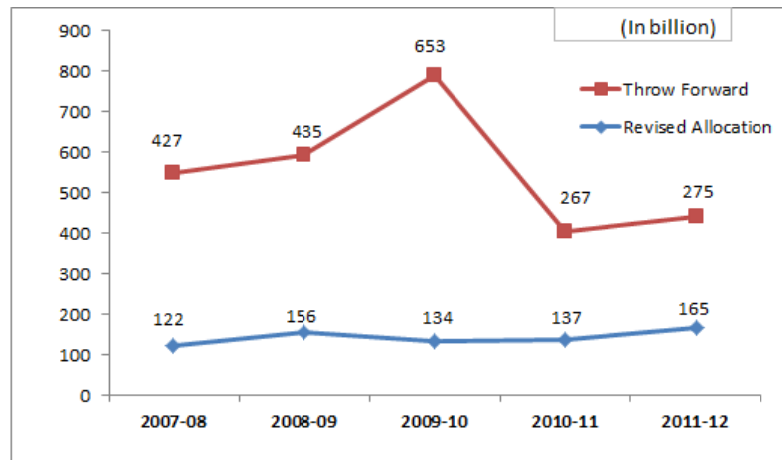
Schemes Completed during 2011-12



Like the previous year, a concerted effort was again made to minimize throwforward of on-going ADP schemes by weeding out unfeasible and slow moving schemes. Resources have also been re-appropriated from slow moving to fast moving schemes for their expeditious completion, particularly in the last quarter. Provision of token allocation for new schemes has been discouraged. These interventions have helped to clean up the current ADP portfolio and curtail the throwforward. At the close of the fiscal year, expected throwforward has slightly increased from Rs.267.0 billion in 2010-11 to Rs.275.0 billion in 2011-12. However, in percentage terms throw forward has decreased significantly from 419% of revised size of ADP in 2009-10 to 201% in 2011-12.

The historical trend of revised allocation and throwforward over the last 5 years is given in the following graph:

**Trend of ADP Allocation (Revised) and Throwforward
2007-08 to 2011-12**



Despite the less than projected receipt from Divisible Pool transfer from Federal Government warranting rationalization of the size of ADP, many notable milestones were crossed during the year.

During the year, a special effort has been made to remove regional disparities by providing equal opportunities of growth to poor and less developed areas of the Punjab including Southern Punjab, Cholistan and the Barani Tract. This includes enhanced flow of development resources and sustainability of development momentum in the less privileged area for growth, creation of job opportunities and mitigation of poverty of low income groups. The two pronged strategy includes increasing the overall development allocations to 11 districts of South Punjab from Rs.22.0 billion in 2007-08 to Rs.70.0 billion in 2011-12 and secondly, launching of new south centered special development programs. During the past five years, the allocation for regional planning initiatives has accordingly been increased from Rs. 2.3 billion in 2007-08 to Rs.15.0 billion in 2011-12 which shows 6.4 times increase in resources in the past five years, overwhelmingly earmarked for the Southern Punjab areas.

Southern Punjab Development Programme launched in 2009 has continued to be implemented in 2011-12. Under the programme, 180 major schemes pertaining to roads, health, water supply, education, technical education and irrigation have been implemented during 2011-12. So far 169 schemes have been completed. Another programme "Punjab Economic Opportunities Programme (PEOP)" funded by Department for International Development (DFID) was initiated in the districts of Bahawalnagar, Bahawalpur, Lodhran and Muzaffargarh last year. Under this programme, 17,635 youth including 7000 female trainees have been provided skill training during the current financial year. This training has been provided through outsourcing the activity to private/public training providers including technical training institutions and NGOs through a transparent process. This initiative has not only been instrumental in creating employment opportunities for poorest segments of the project area by imparting specialized skill training to its youth but also in developing the capacity and interest of private sector training providers in South Punjab and rest of the province in this field. In addition, focus of skill development strategy on funding of trainees marks a departure from the traditional approach of investing in brick and mortar adopted by the public sector in the past. The project has a target of training 80,000 youth which will be met by 2014-15. This pioneering model/initiative is being considered for up scaling in other districts of Southern Punjab and rest of the province with the support of international development partners. The programme is also providing input to enhance milk and meat production through provision of animal health services in the four districts.

Implementation of ADB assisted Southern Punjab Basic Urban Services Programme (SPBUSP) for provision of urban municipal services in 21 TMAs of Six Districts has also been completed during the current financial year with an additional allocation of Rs.1.0 billion. This has resulted in completion of 166 schemes in the sectors of water supply & sewerage, roads and solid waste management which were left over from the previous years.

International Fund for Agriculture Development (IFAD) has joined the efforts of Government of the Punjab for maintaining regional balance and poverty alleviation by launching a new project "Southern Punjab Poverty Alleviation Project" in the districts of Bahawalnagar, Bahawalpur, Muzaffargarh and Rajanpur. The programme having a total cost of Rs. 4.1 billion will provide support to 80,000 poorest families through asset creation, vocational training, community projects and productivity enhancement in Agriculture and Livestock sectors. Its rolling out has started during the year with initiation of recruitment process for the staff. All these interventions have been / will be helpful in removing regional disparities and increasing employment / income generation opportunities for the poorest segments of the Punjab's population.

In strategy for Accelerating Economic Growth and Improving Service Delivery 2009, Government of Punjab undertook to develop the potential of cities as drivers of economic growth for the provincial economy side by side with the traditional sectors. This is immensely important as more than 40% of the Punjab's population now resides in urban areas. A number of large, intermediate and small cities across the province house this ever growing segment of population.

In 2011-12, a number of major projects in large cities have been completed in a record time such as Flyover at Kalma Chowk and Muslim Town in Lahore, and at Chandni Chowk in

Rawalpindi. Building projects for new medical colleges in D.G. Khan, Sahiwal and Gujranwala have been started. A waste water treatment plant in Multan has been completed alongwith a water supply scheme in Faisalabad and a water supply and sewerage schemes in D.G. Khan and Rahim Yar Khan. Urban roads and infrastructure in Bahawalpur, D.G. Khan, Sargodha, Sahiwal and Chiniot has been upgraded and an overhead bridge on railway line from GT Road Bahawalpur has been constructed. Besides 150 major projects pertaining to roads / water supply etc. costing around Rs. 10.3 billion were executed during 2011-12 in urban centers of Punjab.

In order to address transport problems of urban residents and reduce traffic congestion in large cities, a dedicated 'Bus Rapid Transit System' project has been launched in Lahore. Its first phase is under implementation. This project will serve as a path breaking effort for resolving traffic problems of other large cities of the Punjab in future. In addition, almost 400 new CNG buses have started operating in Lahore to ease the transport problem faced by the commuters.

During the current year, the special development packages being implemented in different districts and cities of the Punjab since 2009-10, have been continued with an allocation of Rs. 15.0 billion. With this allocation, a total number of 204 new and 70 ongoing schemes left over from the last two years packages were executed in the road, education, health, water and sanitation sectors. To facilitate quick implementation of these schemes within the current year, total earmarked funds were released in one installment. It is expected that almost 95% of these schemes will be completed by 30th June, 2012 which will create a visible impact and improvement in the urban infrastructure of the recipient cities.

Issues of health and education sectors have been effectively addressed in 2011-12 through a comprehensive approach including increased financial allocations, institutional strengthening and policy measures. Health Sector development programme has focused on improvement and upgradation of primary, secondary & tertiary health care and expansion of medical education in the public sector. Efforts have been made for optimal utilization of the existing health facilities.

For health care, total development outlay during 2011-12 was Rs. 17.3 billion. Total number of 56 schemes were completed. Four new medical colleges at Gujranwala, Sialkot, Sahiwal and D.G. Khan have been established in 2011-12. Classes of 1st year MBBS have commenced in current financial year. Funds amounting to Rs.1.7 billion were provided in ADP 2011-12 for developing infrastructure and labs in accordance with standard of PMDC. All these facilities are to be completed in 2012-13 for which funds have been provided in ADP 2012-13. Regarding mega projects, Rawalpindi Institute of Cardiology costing Rs.2.9 billion is nearing completion. Balance funds are being provided in ADP 2012-13 for its operation soon. In addition, 410-Bedded Civil Hospital, Bahawalpur is to start its operation soon as building works are completed on EPC mode and purchase of equipment is finalized. Furthermore provision of additional facilities in 42 existing hospitals, establishment of 3 new THQ Hospitals, establishment of 2 new RHCs, upgradation of 4 RHC to THQ Hospitals and upgradation of 2 BHU to RHC were also accomplished during the year.

Chief Minister's Health Initiative for Attainment of Realization of MDGs Programme was launched for provision of 24/7 emergency Obstetrics & Newborn Care services at selected RHC of flood affected districts namely Bhakkar, Mianwali, R.Y. Khan, Layyah, D.G. Khan, Muzaffargarh and Rajanpur. BHUs, where no more than one delivery was conducted every month, now boast of an average of over 40 verifiable deliveries per BHU. A strong referral system has also been established for referral of high risk and complicated pregnancies to comprehensive EmONC facilities (THQs and DHQs). Ambulances have been provided at the BHUs for pickup and referrals.

In order to ensure quality of health care delivery, developing clinical standards and licensing/registering/accrediting health care organizations, Punjab Health Care Commission has been established in October, 2011. Detailed technical spadework has been completed by development of minimum service delivery standards for Tertiary Care Hospitals, licensing protocol and governance mechanism with technical assistance from DFID. Health Care Commission is now hiring its management team and is well poised to start the actual work of licensing and regulating public and private health facilities in the province.

A draft new health sector strategy has been developed through a consultative process by Punjab Health Sector Reform Programme. The strategy addresses all major issues in health sector and suggests solutions. Focus is proposed to be reoriented towards primary health care under this strategy. World Bank & DFID have expressed interest to provide support in implementation of strategy through Punjab Health Sector Programme Project.

Priorities of education sector include 100% enrolments and retention at elementary education level, gender parity, child friendly environment coupled with provision of quality education. Various interventions have been made to attract the children to schools. Total development outlay during 2011-12 for School Education and Higher Education was Rs.17.5 billion and Rs.4.9 billion respectively. In School Education Sector following achievements were made:

- Facilities lacking in schools such as toilets, boundary walls, additional class rooms etc. were provided to 1613 schools.
- Works on 6 (six) Daanish Schools one each for boys and girls at D.G Khan, Piplan (Mianwali) and Jand (Attock) was initiated.
- 853 schools were upgraded to next level.
- Training was provided to 120,000 teachers and mangers.
- Merits scholarship amounting to Rs.99.9 million was provided to the talented students of schools.
- Capacity of 26,000 school councils was enhanced through provision of training.
- Punjab Education Foundation provided support to 800,000 students enrolled in 2200 private schools through Foundation assisted schools programme. In addition, education vouchers were provided to 60,000 children in age group of 4-17 years for enrolment to any pre-selected schools.

In addition, various measures have been taken to improve quality and governance which includes merit based teacher's recruitment, strengthening professional competence of teachers and establishment of Punjab Examination Commission to conduct Grade 5 & 8 examinations.

In Higher Education Sector, the following major achievements have been made:

- 15 new degree colleges were established.
- Missing/additional facilities were provided to 14 existing colleges.
- 10 intermediate colleges were upgraded to degree level.
- 12,500 scholarships were allocated through Punjab Education Endowment Funds and an amount of Rs.775.0 million was disbursed.
- 110,000 Laptops were provided to students free of cost purely on merit, with a view to complement Government policy of digitization and to bring parity in terms of possession of IT equipment between students belonging to different segments of society.

One of the key policy goals of ADP 2011-12 has been the strengthening and rehabilitation of irrigation network of barrages and canals in the Punjab. This has been a fundamental investment priority of the provincial government not only to address issue of water scarcity but also to mitigate potential threat to structural stability of century old water conveyance network. This is a serious concern emanating from the expected increase in frequency of super floods in the coming years due to climate changes. A total of 81 schemes, 42 ongoing and 39 new, included in the irrigation sector during 2011-12 covered wide-ranging water conservation, drainage and flood management, irrigation system rehabilitation and development, and institutional reforms programs within the overall sectoral allocation of Rs.11.2 billion.

Some of the significant development milestones in the irrigation sector during the financial year are:

- Launching of project implementation activities for the mega barrages rehabilitation & modernization projects at Jinnah over River Indus at a cost of Rs.12.7 billion, at Khanki over River Chenab at a cost of Rs.23.4 billion and at Balloki over River Ravi at a cost of Rs.2.4 billion;
- 90% completion of Lower Chenab Canal (Part – B) feeding vast canal command area of 1.67 million acre;
- Fast-paced progress of the Lower Bari Doab Canal Improvement Project (LBDCIP) and Punjab Irrigation System Improvement (PISIP) canal remodeling projects catering irrigation needs in 25% of irrigated areas in central and southern Punjab;
- Province-wide implementation of lining of distributaries and minors in a number of canal commands;

- Development of six (6) small dams serving for irrigation supplies to over 10,000 acre of rain-fed (barani) farmlands in Pothohar;
- Completion of two flood-cum-rain water storage ponds in greater Cholistan area, and
- 50% completion of flood dispersion and management structures to harness and channelize hill torrents in D.G. Khan and Rajanpur districts to avoid devastation in vast areas in Southern Punjab.

Alongwith a strong irrigation network, agriculture and livestock sectors have a paramount role in ensuring food security for the large population of the province. In ADP 2011-12, the major focus of strategy in this sector has been meeting the challenges of food security, productivity enhancement, developing direct linkages of agriculture and livestock farmers with the markets and quality improvements through accreditation and certification. A brief account of important development activities of 2011-12 in these sectors is as follows:

- Distribution of 1770 house-cum-garden plots on lease basis to poorest of the poor in southern Punjab. Out of 9 sites work on four sites has been completed and plots are ready for allotment.
- Germ plasm unit alongwith mother block has been completed and technology transfer through Farmers Field School under Fruit and Vegetable Development project has been accomplished and now consolidation phase will be taken up.
- 250,000 seed kits have been distributed for kitchen gardening in big towns to overcome high vegetable prices.
- Preliminary work on launching of Supply chain improvement project to provide three tier supports to farmers, processors and exporters to enhance export of fruit and vegetables Global GAP/IFC compliances parameters has been completed.
- Bio-Gas technology has been adopted to mitigate energy crisis
- Work on establishment of Rice Research Station at Bahawalnagar and Mango Research Institute, Multan has been initiated.
- Five Shadbad Cooperative Livestock Farms in Cholistan have been completed and companies for their operation and maintenance (O&M) have been registered.
- Under the project "Enhancing Beef Production" 10000 doses of exotic semen imported and fattening of 7,500 calves completed
- Preliminaries for enhancement of sheep/goat production in D.G Khan and Rajanpur completed.
- 70% of construction work at Para-veterinary School at Layyah completed.
- Project for strengthening of Buffalo Research Institute, Pattoki commenced and construction work taken in hand.

- 50% of construction work of female hostels at Ravi Campus, UVAS Pattoki accomplished.

The most important mid-term initiative in the agriculture sector for productivity enhancement of agricultural outputs i.e. "Irrigated Agriculture Productivity Enhancement Project" costing Rs. 36.0 billion has also been rolled out during the current year with the support of IDA and World Bank.

This project will be a landmark intervention in the farming sector encompassing improvement of water courses, laser land leveling, introduction of high efficiency drip and sprinkler farm irrigation systems, which will facilitate efficient and effective use of farm inputs leading to enhanced productivity level and greater economic returns to the farmers.

Given the paucity of resources available with the Provincial Government for undertaking new development projects, the need for mobilizing resources from the private sector in a transparent manner to aid the provincial development effort is pressing. The new PPP Cell set up in 2010-11 in the Planning & Development Department has gradually progressed in institutionalizing and popularizing this new mode of development funding in the province both with the government agencies / departments and the private sector.

The projects approved by PPP Steering committee since 1st July 2011 are at various progress levels as described below:

- Punjab Grain Storage Project (Food Department) is ripe for bid submission by seven (07) prequalified consortiums (including international firms) for construction of wheat silos (350,000 MT capacity) involving private sector investment worth approximately Rs. 5700 million. This project would eventually lead to setting up a commodity exchange at Lahore
- Lahore Ring Road Project-Southern Loop (Communication & Works Department) is ready for bid submission by four prequalified firms involving construction of 50 Km southern loop through USD 550 million private sector investment
- Project for Vehicle Inspection and Certification System in Punjab (Transport Department) is ready for prequalification of firms, involving approximately Rs. 673 million of private sector investment.
- Project for construction of multimodal inter-city bus terminals at three (03) locations in Lahore is at option analysis stage, involving transaction advisory services, with private sector investment quantum of Rs. 5000 million
- The pipeline of projects involves highly bankable investment propositions through private sector investments in key projects like: Faisalabad Ring Road, Veterinary Research institute, Lahore, Establishment of entertainment city in Lahore, Establishment of modern slaughter house in Faisalabad, LED Energy Efficient Street Lighting System in Lahore, Establishment of Parking Plazas in (5 CDG's)

IFC and ADB have shown keen interest in capacity building of Public-Private Partnership Cell and Risk Management Unit. MOU between P&D Department and International Finance Corporation (IFC) for Provision of Transaction Advisory Services for Public-Private Partnership Projects is almost ready to be signed. Aid-memoire for Establishment of Punjab Infrastructure Fund is getting final shape, involving DFID, World Bank and ADB for technical and financial support of Public-Private Partnership initiatives in Punjab.

Punjab utilizes 68% of the total electricity generated in the country and is coping with severe energy shortfalls that have adversely hit its annual growth rates for the past many years. Since revision of the Punjab Power Policy in year 2009, the province has accelerated activities for development of the energy sector.

During the last year, implementation of the ADB-assisted "Renewable energy Development Sector Investment Program (REDSIP)" for construction of five (5) hydropower projects at Marala (Sialkot), Chianwali (Gujranwala), Deg Out Fall (Sheikhupura), Pakpattan (Pakpattan), Okara (Okara) with cumulative installed potential of 25 MW and annual generation of 140 GWh made a significant headway. Out of these execution contracts under International Contract Bidding (ICB) for Marala (7.64 MW) and Pakpattan (2.82 MW) have been awarded and the contracting Joint Ventures have started detailed designing to undertake these turnkey projects. Bids on Deg outfall (4.04 MW), Chianwali (5.38 MW) and Okara (4.16 MW) are presently under evaluation for award during June-July 2012.

Further, feasibility appraisals are in progress for development of five (5) additional hydropower sites at barrages and canal systems (Khanki and Qadirabad barrages and LCC, UCC and QB Link Canals) to have total installed capacity of 55 MW with annual energy generation potential of 206 GWh. Under a separate initiative, a detailed technical feasibility study has also been launched to investigate 120 MW power generation potential at the Taunsa Barrage. An allocation of Rs 9.0 billion was made for power sector in 2011-12. This allocation was to be utilized for equity sharing by Government of the Punjab in new private sector power projects. Due to non-resolution of circular debt issue by the Federal Government, private sector has however been hesitant to invest in power projects the allocation thus have not been fully utilized.

Punjab does not have a significant potential for hydel power generation. While addition of hydel generation capacity by installing plants on low head canals in the province will provide marginal relief, energy sector requires a lot more focus and investment in the next few years from Annual Development Programme to overcome the huge challenge. More important than new investments are institutional, regulatory and legal reforms to plug inefficiencies within the existing generation, transmission and distribution system in the country through collaborative effort amongst all the stakeholders.

ADP 2012-13

Annual Development Programme 2012-13 has been formulated within a Medium Term Development Framework (MTDF), a rolling plan providing development estimates for a three year period i.e. base year and the following two years. The main objectives of the Annual Development Programme 2012-13 continue to be to:

- Achieve equitable growth embracing all classes, sectors and regions
- Extend social sector coverage
- Generate employment
- Enhance productivity and competitiveness in the production sector
- Encourage public private partnership
- Infrastructure development, its re-habilitation and consolidation
- Provide more resources for the less developed areas.

The size of Development Programme 2012-13 is pitched at Rs.210.0billion which is Rs.53.0billion higher than last year's revised size. The Core Programme is of Rs.180.0billion which is 72% of the total proposed development outlay.

The important features and new initiatives included in ADP 2012-13 are:

- Annual Development Programme within the Medium Term Framework
- Adequate funding for foreign aided and mega projects
- Allocation of Rs.86.7 billion for social sectors investments with major focus on education (Rs.25.0 billion) and health (Rs.16.5 billion)
- Regional balance in allocation of resources with extra weight for less developed districts
- Continued focus on undertaking projects that can be completed within one year to control throwforward
- Continued strategic interventions in large cities to realize their potential as engines of growth and enabling medium cities to share the urbanization pressure
- No token allocations for new schemes
- Allocation of Rs.17.4 billion for District Development Packages
- Allocation of Rs.14.0 billion for Women Empowerment initiatives
- Allocation of Rs.11.0 billion for construction of Bus Rapid Transit System (BRTS)
- Allocation of Rs10.5 billion for Southern Punjab Development Programme (SPDP)
- Allocation of Rs.10.0 billion for investment in the energy sector to overcome power shortages in the Province
- Allocation of Rs.4.0 billion for provision of Laptops to the students
- Allocation of Rs2.0 billion for Green Tractor scheme for rural youth

- Allocation of Rs.1.0 billion for Solar Tubewells / renewable energy
- Allocation of Rs. 1.0billion for Solar Panles
- Provision of Rs.1.0 billion for purchase of Buses for Women Colleges
- Allocation of Rs.0.5 billion for Rural Ambulance Services

The Development Programme 2012-13 is guided by the Chief Minister and his cabinet's overarching vision to create and nurture a literate, healthy and culturally vibrant society in the Punjab driven by private and public initiatives in the economy. In framing the Development Programme for the current year, valuable input received from various Committees constituted by the Chief Minister and recommendations of the Parliamentarians have been given due consideration within the available resources.

Sector wise comparison of the allocations of development programme in FY 2011-12 and FY 2012-13 is presented below:

Table 4.1
Sector Wise Comparison of Development Programme 2011-12 and 2012-13

(Rs. in Million)

S.No	Sector	Original Allocation 2011-12	R.E (core) ADP 2011-12	Total ADP 2012-13	% Change Over 2011-12 (R.E)
1	2	3	4	5	6
SOCIAL SECTORS		78,635	59,160	86,461	46.15
1	Education	23,900	15,800	25,065	58.64
	(i) School Education	14,500	9,300	15,000	61.29
	(ii) Higher Education	6,500	5,000	6,650	33.00
	(iii) Special Education	500	300	700	133.33
	(iv) Literacy	800	600	915	52.50
	(v) Sports	1,600	600	1,800	200.00
2	Health inc. Medical Colleges	16,300	11,500	16,500	43.48
3	Water Supply & Sanitation	10,000	9,000	9,886	9.84
4	Social Protection	935	360	1,200	233.33
	(i) Social Welfare Department	480	195	237	21.75
	(ii) PVTC	455	165	550	232.65
	(iii) Women Development Department	-	-	413	-
5	Regional Planning	5,000	4,500	5,000	11.11
6	Devolved Planning	22,500	18,000	28,810	60.06
	(i) Southern Punjab Development Programme (SPDP)	10,000	7,500	8,300	10.67

S.No	Sector	Original Allocation 2011-12	R.E (core) ADP 2011-12	Total ADP 2012-13	% Change Over 2011-12 (R.E)
1	2	3	4	5	6
	(ii) Accelerated Southern Punjab Development Programme	-	-	2,200	-
	(iii) LG&CD	7,000	5,000	910	(81.80)
	(iv) District Packages	5,500	5,500	12,400	125.45
	(v) Accelerated District Development Package	-	-	5,000	-
INFRASTRUCTURE DEVELOPMENT		69,200	61,950	62,900	1.53
7	Roads	37,850	37,850	33,045	(12.69)
	i) Provincial Highways	36,650	36,650	31,045	(15.29)
	ii) Lahore Ring Road	1,200	1,200	2,000	66.67
8	Irrigation	11,250	11,000	11,250	2.27
9	Energy	9,000	2,000	10,000	400.00
10	Public Buildings	2,600	2,600	3,245	24.81
11	Urban Development	8,500	8,500	5,360	(36.94)
PRODUCTION SECTORS		10,525	7,175	8,615	20.07
12	Agriculture	3,400	2,035	5,040	147.67
13	Forestry	470	420	475	13.10
14	Wildlife	395	350	350	-
15	Fisheries	370	140	250	78.57
16	Food	230	230	200	(13.04)
17	Livestock	2,500	1,000	1,650	65.00
18	Industries, Commerce and Investment	2,860	2,800	350	(87.50)
19	Mines & Minerals	300	200	300	50.00
SERVICES SECTORS		11,750	10,900	11,100	1.83
20	Information Technology	2,000	1,910	2,400	25.65
21	Labour & HR Development	100	100	100	-
22	Transport	7,300	7,300	6,200	(15.07)
23	Emergency Service	2,100	1,440	2,100	45.83
24	Tourism	250	150	300	100.00
OTHERS		5,890	5,760	5,424	(5.83)
25	Environment	350	220	350	59.09
26	Information, Culture & Youth Affairs	170	170	200	17.65
27	Archeology	-	-	350	-
28	Auqaf & Religious Affairs	150	150	185	23.33
29	Human Rights & Minority Affairs	220	220	220	-
30	Planning & Development	5,000	5,000	4,119	(17.62)

S.No	Sector	Original Allocation 2011-12	R.E (core) ADP 2011-12	Total ADP 2012-13	% Change Over 2011-12 (R.E)
1	2	3	4	5	6
SPECIAL PROGRAMME / INITIATIVES		12,000	12,000	35,500	195.83
	(i) Bus Rapid Transit System (BRTS)	-	-	11,000	-
	(ii) Provision of Laptops	-	-	4,000	-
	(iii) Green Tractor Scheme	-	-	2,000	-
	(iv) Provision of Buses for Women Colleges in Punjab	-	-	1,000	-
	(v) Establishment of Balochistan Institute of Cardiology, Quetta	-	-	1000	-
	(vi) Provision of Rural Ambulance Service	-	-	500	-
	(vii) District / TMA Development Programme	12,000	12,000	12,000	-
	(viii) Equalization Grant for District Development	-	-	4,000	-
NET DEVELOPMENT PROGRAMME		188,000	156,945	210,000	33.80
31	Other Development Expenditure	32,000		40,000	
32	<i>TEVTA / TEVTEC</i>	<i>2,000</i>		<i>1,500</i>	
33	<i>Daanish School</i>	<i>3,000</i>		<i>2,000</i>	
34	<i>Punjab Millennium Development Goals Program (PMDGP)</i>	<i>8,500</i>		<i>5,500</i>	
35	<i>Punjab Education Endowment Fund</i>	<i>2,000</i>		<i>2,000</i>	
36	<i>Punjab Education Foundation</i>	<i>6,000</i>		<i>6,500</i>	
37	<i>Financing of Vertical Program</i>	--		<i>5,000</i>	
38	<i>PHAs</i>	--		<i>600</i>	
39	<i>Women Development</i>	--		<i>500</i>	
40	<i>Sports and Youth</i>	--		<i>500</i>	
41	<i>PSIC (Self Employment Scheme)</i>	--		<i>3,000</i>	
42	<i>Innovation Development Fund</i>	--		<i>500</i>	
43	<i>Punjab Technology University</i>	--		<i>1,000</i>	
44	<i>Internship Program</i>	--		<i>1,500</i>	
45	<i>Establishment of Model Bazars</i>	--		<i>500</i>	
46	<i>Companies (PIEDMC, FIEDMC, PLDC, PLDDDB, PAMCO/LMC etc.)</i>	<i>6,440</i>		<i>4,900</i>	
47	<i>Low income housing</i>	<i>1,200</i>		<i>1,500</i>	
48	<i>Population Welfare</i>	<i>2,860</i>		<i>3,000</i>	
Sub-Total Other Development Programme		32,000	-	40,000	-
GRAND TOTAL		220,000	156,945	250,000	59.29

In terms of budget estimates of development budget for FY 2011-12, it would be pertinent to add that an allocation for other development expenditure / financing items of ADP to the tune of Rs.32.0 billion was made as per details shown in the Table 4.1 above. In the revised estimates, the allocations have been shown as 'nil' as authorization and subsequent utilization of the said item is either being shown under the revised estimates of current or capital expenditure for FY2011-12 for accounting / financial reporting purposes. In essence, owing to developmental nature of these activities, these are classified as financing items of development program as shown in the budget estimates of development program for FY 2011-12. During financial year 2011-12, an amount of Rs.22.0 billion has been released by taking an equivalent surrender from financing items of ADP shown in the estimates at Table 4.1. Accordingly, in reality overall authorization will be to the tune of Rs.179.0 billion against an allocation of Rs.220.0 billion of development program for FY2011-12.

Chapter 5

OVERVIEW OF FISCAL MANAGEMENT REFORMS

Improving the level, composition and efficiency of public expenditures is the key for achieving fiscal sustainability. Moreover, to provide adequate resources for economic development and growth, it is important that the revenue generation capacity of the government is optimized. Both the policy objectives of the government are primarily achieved through:

- Integrating 'top down' strategic resource allocation with bottom up outcome / output based budgeting;
- Enhancing revenue generation capacity through better tax coverage, administrative simplifications and management reforms.

Presently, problems in existing taxation system are not only related to low coverage but to administrative bottlenecks and weaknesses in tax policy framework. Besides tax evasion, a wide regime of tax exemption is also prevalent. Notwithstanding the limitations of current economic distress, Punjab Government intends to initiate certain structural reforms in its tax management framework by introducing administrative simplifications and by creating the requisite institutional arrangements to address the capacity constraints in the current system of tax administration and management.

To achieve the policy objectives narrated above, three important fiscal management reforms have been planned in financial year 2012-13 as under:

- (i) Establishment of Punjab Revenue Authority;
- (ii) Designing and implementation of budget execution and monitoring framework for departments under Medium Term Budgetary Framework (MTBF);
- (iii) Automation of pension disbursement systems through use of Information Communication Technology (ICT) based applications.

5.1 ESTABLISHMENT OF PUNJAB REVENUE AUTHORITY

Revenue collection authority of the Government stems from Constitution of Islamic Republic of Pakistan, 1973. As per the constitutional arrangements in place, collection of more buoyant taxes such as Income Tax, Sales Tax on Goods, Custom Duties and Excise Duties is

assigned to the Federal Government. The taxes being administered by the Provincial Governments include the following:

- i. Tax on agricultural income;
- ii. Taxes on purchase and sale of services (excluding railway, sea or air transport);
- iii. Land revenue;
- iv. Motor vehicle tax;
- v. Stamp duties;
- vi. Tax on immoveable property;
- vii. Capital gains tax on immoveable property;
- viii. Excise duties on alcoholic liquors, opium and other narcotics;
- ix. Tax on professions, trades, callings or employment;
- x. Entertainment taxes.

Analysis of the taxes assigned to the provinces listed above reveals that primarily provinces have been given the mandate to collect taxes from services, land / property transactions and motor vehicles. These taxes help not only in generating resources for the Provincial Government but also contribute to overall tax to GDP ratio of the country. However, provincial tax collection is beset with corruption and inefficient process. Reforms in tax administration shall besides increasing the revenue base of the Provincial Government also help in reducing the dependence of the Provincial government on Federal transfers.

Presently, tax collection in the Provincial Government is being carried out by different departments/agencies i.e. Board of Revenue, Excise and Taxation Department and other entities in a fragmented manner. Board of Revenue is mainly collecting Agriculture Income Tax and taxes on property / land transactions. Excise and Taxation Department is entrusted with the collection of Motor Vehicle Taxes, Urban Immovable Property Tax and Excise Duty on liquors. General Sales Tax on Services has been assigned to Federal Board of Revenue temporarily as the Provincial Government does not have the capacity to collect this tax in an effective manner. Under the present tax collection system, lack of competent and professionally qualified manpower along with absence of effective governance structures in the Departments currently entrusted with the revenue collection function results in sub-optimal revenue collection by these entities / departments. In this scenario, any attempt to introduce new reforms aimed at improving tax collection and broadening the existing tax are bound to fail because of existing organizational culture steeped in rent seeking.

In view of the organizational weaknesses listed above, Finance Minister in his budget speech for the Financial Year 2011-12 announced the creation of Punjab Revenue Authority (PRA). It is believed that through the creation of a specialized agency, revenue potential of different taxes especially GST on Services would not only be fully tapped but this would also result in an efficient, transparent and effective collection. Besides streamlining and modernizing the function of tax administration, it is hoped that creation of Punjab Revenue Authority would improve tax

efficiency, promote accountability, prevent tax evasion and facilitate taxpayers thereby enhancing revenue collection. Further, the Authority would also be able to address the issue of tax compliance and broadening of the tax base.

Transferring of the existing taxes (along with the staff) to the proposed PRA would not achieve the desired results as all the problems associated with the tax collection culture today would be transferred to the new authority. Accordingly, it would be imperative in the first instance to complete "Business Process Re-engineering" (BPR) for each tax and once this exercise is completed, the tax with some screened staff of the original department (along with some essential new recruitment) is populated in the Provincial Revenue Authority.

The twin pillars of the 'BPR' would be to:

- (a) Minimise discretion of the government functionaries;
- (b) Reduce interaction between assessee and the assessor;

The above mentioned objectives would be achieved through effective use of Information Communication Technology (ICT) based applications. While conducting the Business Process Re-engineering, we must challenge ourselves to think beyond traditional solutions. For example, why is it not possible to collect Motor Vehicle Tax through scratch cards. These and other such initiatives would create ease for the assessor and eliminate corruption. Reiterating the proposal, the steps involved in this exercise would be:

- (a) Creation of an enabling legal framework for establishment of Punjab Revenue Authority with skeleton structure;
- (b) Identification and prioritization of taxes to be entrusted to PRA;
- (c) Undertaking comprehensive reform of the taxation system through BPR;
- (d) Shifting the tax to PRA.

In FY 2012-13, Government intends to collect GST on Services through its own Revenue Authority w.e.f. 01.07.2012. It is expected that creation of Punjab Revenue Authority (PRA) would not only harness the true potential of GST on Services in the province but would also be a major step in improving the tax collection, administration and management in the province.

As the PRA develops its capacity, in addition to entrusting the collection of GST on Services which is presently collected by FBR on behalf of provincial government, government shall also assign the collection of other taxes to this entity after business process re-engineering and prioritization and screening of existing taxes. For accomplishing the objective of establishment of Punjab Revenue Authority and allied taxation reforms, Government of Punjab intends to complete legal and procedural formalities by 30.06.2012 for functioning of the PRA with effect from 01.07.2012.

5.2 DESIGNING AND IMPLEMENTATION OF BUDGET EXECUTION AND MONITORING FRAMEWORK FOR DEPARTMENTS UNDER MEDIUM TERM BUDGETARY FRAMEWORK (MTBF)

Medium Implementation of Medium Term Budgetary Framework (MTBF) is at the heart of Public Financial Management Reform initiatives in Punjab. One of the aims of MTBF is to establish a link between outcomes, outputs and costs. Contrary to annual budgeting, MTBF is a multi-year approach to budgeting which links the spending plans of the government to its policy objectives set out in a fiscal framework. Multi-year horizon provides the line departments the requisite space and flexibility to formulate, plan and implement the policies focusing solely on service delivery and outputs. Given the fact that public policy decisions normally take more than one year for their implementation, it is important to keep the multi-year horizon in determining the resource allocation amongst the different functions of the Government.

MTBF is built on two components:

- (i) "Top down" implies strengthening of overall resource management framework along with aligning the budgetary resources with government's policies and priorities;
- (ii) "Bottom up" which aims to strengthen budgetary management processes within the line ministries.

In summary, MTBF intends to achieve the following:-

- Ensuring systematic use of rolling multi-year perspective to formulate annual budgets;
- Linking resources with Medium Term Fiscal Framework and fiscal/ policy indicators;
- Facilitating strategic prioritization of expenditures which synchronize with the departmental priorities.

How is MTBF different from Traditional Budgeting?

Traditional Budgeting	MTBF
Annual focus	Multi-year focus
Lack of resource indication to line departments	Clear resource indication to line departments
Incremental	Strategic orientation and result focused
Dominated by Finance and limited ownership by line departments	Joint ownership and based on departmental policy priorities
Reactive and unpredictable	Proactive and predictable

5.2.1 MTBF in Line Departments

Budget preparation exercise for Financial Year 2012-13 in MTBF Departments began with the issuance of MTBF Budget Call Circular and Guidelines in November 2011. These included a set of instructions which the MTBF Departments were required to follow in developing estimates.

Specially designed budget forms intended to encourage prioritization and to maximize the predictability in budgetary allocations were provided to these departments. Multi-year budgetary ceilings were issued to MTBF Departments to indicate a probable resource envelope in case of each department. This was deemed necessary to promote a culture of prioritization rather than need being the sole criteria for formulation of budget estimates for the ensuing year.

In conformity with the requirements of the MTBF Budget Call Circular, 'Budget and Priorities Committee' was established in MTBF Departments. Objective of this Committee was to create a forum within departments which can determine the overall budget priorities of the Department for the upcoming year. Once the priorities are crystallized, the departments may decide the distribution of budget ceilings provided by Finance Department to various functions / spending units / entities of the department. This in turn helped in creating an environment which will promote budget making in a fiscally prudent manner.

While enough work was undertaken for improving the 'top down' approach under MTBF framework, budget execution and monitoring framework remained relatively unattended area warranting interventions both at Finance and departmental level. To put in place necessary arrangements for better monitoring and execution of budgetary allocations, Financial Management Application (FMA) software was secured and customized to fulfil the needs of this endeavour. Fundamental objectives of proposed budget execution framework would be to:

- Monitor progress of expenditure against budgetary allocations;
- Monitor progress against budgetary outcomes / outputs;
- Serve as a financial management tool for senior management of the department;
- Assist Finance Department in its critical function of cash planning and management.

Cash plans and budget expenditure reports under this framework shall be an essential part of budget execution and monitoring system to be prepared on modified cash basis of accounting which is in practice under Project for Improvement and Financial Reporting. It would employ that the expenditure and cash will be reported as and when it is spent rather than when it is committed. Notwithstanding the fact that New Accounting Model (NAM) has envisaged the concept of commitment accounting, however, the same is not yet in practice fully or it has not been embedded in financial reports and systems of accounting. Moreover, the SAP (as it stands) does not fully conform to the requirements of the commitment control systems since it does not differentiate between recording (issuance of purchase order) and liquidating commitments (issuing cheques against invoices on receipts of goods and services).

Designed templates / managerial reports shall be divided into three key areas summarizing the progress:

- **Budgetary target / outputs:**
Progress achieved in meeting outputs targets showing progress for the month, cumulative progress and balance of targets and outputs to be achieved.

- **Expenditure by major object classification (economic classification):**

Against each major object classification, current status of budget appropriations (revised budget after adjustments relating to re-appropriations, supplementary and surrenders), expenditure for the month and cumulative expenditure.

- **Expenditure by detailed object classification (economic classification):**

Against each detailed object classification, current status of budget appropriations (revised budget after adjustments relating to re-appropriations, supplementary and surrenders), expenditure for the month and cumulative expenditure

At the end of each month (or quarter), Financial Management Reports shall be prepared by attached departments for consumption of Principal Accounting Officer i.e. Administrative Secretary of the department which will summarize the information relating to budget, expenditure and outputs.

Reports shall have following key sections:

- Summary of financial operations;
- Summary of financial operations – current & development budget (by object classification);
- Summary of financial operations – current & development budget (by functional classification);
- Summary of re-appropriations and supplementary grants;
- Summary of Output Progress Report – current budget;
- Summary of Output Progress Report – development budget;
- Summary of Annual Development Programme.

Title of the reports and different thematic areas of such reports are placed as Annex-I of the White Paper. One of the advantages of the proposed Budget Execution Management System is that its build upon the strengths of SAP R/3 system currently in place in terms of information being captured and processed in SAP. It does not attempt to create a parallel system of budget monitoring. In essence, it largely imbeds the reporting framework of SAP. Pilot implementation of the budgetary execution monitoring will be initiated in certain DDOs of selected line departments under MTBF framework. Once the intended system is actually put to practice, technical assistance would also be provided to line departments for which requisite budgetary provisions have also been made in the budget estimates for FY 2012-13.

5.3 AUTOMATION OF PENSION DISBURSEMENT SYSTEMS THROUGH USE OF INFORMATION COMMUNICATION TECHNOLOGY (ICT) BASED APPLICATIONS

5.3.1 Pension Scheme – An Overview

In terms of population, Punjab is the biggest province of the country. It employs a large workforce with approximately 436,995 pensioners and the number is growing continuously. As per actuarial assessment undertaken in 2010, total pension liability estimated at 30th June 2010 is to the tune of Rs. 687.0 billion. Amount of pension paid annually to the pensioners is around Rs.50.0 billion.

Government has an elaborate and well defined pension benefit scheme based on the last pay drawn and running on 'pay as you go' basis. The scheme entitles the pension to the employees who have either reached the age of superannuation or have retired early after serving for 25 years. Rule 4.6(ii)(b) of the Pension Rules also prescribes ten years as a minimum qualifying service for receipt of pensionary benefits. Gross Pension is determined on the basis of last drawn Pay multiplied with the number of years of service and factor 7/300. However, a pensioner has the option of commuting a part of his gross pension at the time of retirement. Net pension is paid for the life time of the employee. After his death, his family is entitled to family pension. The Government also increases pension periodically to mitigate the effects of inflation.

5.3.2 Need for Pension Reforms

In recent times, Pension Reforms have gained pace around the World. In conformity with the global trend, Government of Punjab also initiated number of pension reforms in last few years. To ascertain pension liabilities, an actuarial analysis was undertaken. Pursuant to this study and as an important reform agenda of Government of Punjab under its program for public sector financial management reforms, a dedicated corporate entity i.e. Punjab Pension Fund was established through enactment by Punjab Provincial Assembly. An elaborate structure for the management of Punjab Pension Fund was established with the induction of professional management. Moreover, number of committees such as management committee, investment committee, accounts and audit committee, HR committee etc. were also established to monitor and oversee the activities of the Fund. These committees are not only represented by public sector but also have an adequate representation of professionals from private sector. An elaborate oversight mechanism is also in place to review and oversee the investment policy, funding strategy and other such arrangements related to fund management. In line with the parameters laid down in the legal framework of Punjab Pension Fund, Central Depository Company (CDC) has been appointed as the trustee of the Fund.

While far reaching reforms were introduced not only to ascertain the pension liabilities but to formulate medium and long term funding / investment strategy of the Fund, it was also felt that there is a need to reform and improve the existing pension disbursement system focusing on facilitating existing and future pensioners. Accordingly, it has been found expedient to conceive, develop and implement a reformed pension disbursement system through the use of ICT based applications. It is hoped that in addition to ease of doing business, reformed pension disbursement

system will allow the pensioners to have access to additional instruments / products for receipt of pension. The system is intended to be piloted first in Lahore District which has the maximum number of existing pensioners. After the successful implementation of the pilot, the same will be up scaled and rolled out to other districts of Punjab Province.

5.3.3 Pension Payments – Current Dispensation

Pension papers with the formal sanction of Pension Sanction Authority are submitted to District Accounts Officer (DAO) / Accountant General Office (AG) for issuance of Pension Payment Order (PPO). DDO / AG Office issues PPO after due verification of pension papers. Pension is paid manually either by Treasury Officer or by National Bank. After disbursement, claim is lodged by Treasury Office / National Bank for reimbursement. In the current system, after issuance of the PPO there is disconnect between Accounting Office and Disbursing Authority. Pensioner or his representative visits NBP / Treasury Office for disbursement of pension. Appearance of the pensioner twice a year in the NBP / Treasury Office is mandatory as a proof of his / her life. Any change in pension on account of annual revision is posted manually by NBP/ Treasury Office. The current system for pension disbursement is cumbersome and lacks transparency.

5.3.4 Reformed Pension Disbursement System – Drawl through Bank Account

Assisting pensioners in receipt of pensions by providing an option of pension disbursement through scheduled commercial banks in addition to existing mechanism of pension disbursement only through National Bank / Treasury is an important part of reformed pension disbursement system. Under this system, it has been envisaged that there would be front loading of the pensionery benefits on the analogy of payroll through pension roll system in SAP R/3 system of PIFRA. Pensioners would be entitled to pension disbursement inside and outside the branches of scheduled banks by provision of various instruments such as ATM, Debit Card etc. Biometric enrolment, verification and authentication of biometric verices of pensioners shall be undertaken by NADRA. Electronic pension disbursement and revision in pensionery emoluments announced by the Government from time to time shall be made by respective Accounting Offices / Banks. For effective functioning of this system, technological integration of various offices/ entities involved in pension disbursement i.e. Accountant General / DAOs, PIFRA, NADRA and banks have also been envisaged. Moreover, for pensioners establishment of facilitation centre has also been visualised in office of Accountant General Punjab not only for submission and tracking of pensionery documents through one window operation but also for recording and addressing the complaints relating to pension.

5.3.5 Financial inclusion Program through use of Information Communication Technology (ICT)

An automated pension disbursement has the potential to be an important milestone in the financial inclusion program being jointly pursued by State Bank and Government of Punjab. By accessing modern banking services through this program, pensioners will find drawl of pension

much easier in comparison with the erstwhile manual, cumbersome and non-transparent system. Greater number of pensioners to be brought in this system over a period of time will encourage banks to offer better services to hitherto uncovered population.

5.3.6 Uniqueness and impact of Innovation

Cash withdrawal by pensioners' through branchless banking outlets and bank-led model of mobile companies is unique in a sense that it even saves them from visiting the bank. The innovation will be of great convenience to pensioners'. Further, biometric verification of pensioners' including proof of their life through NADRA will allow the pensioners to get these particulars recorded without visiting to NBPs/Treasury Offices and waiting in queue for verification of their particulars manually. The pensioners will also be encouraged to save as withdrawal of the money will take place when it is actually needed by the pensioner. A host of banking disbursement modes e.g. Cheque, Debit Card, ATMs, branchless banking outlets like UBL Omni and bank-led model of mobile companies will facilitate pensioners as they can withdraw anytime from anywhere in Pakistan. The automated pension disbursement will bring greater transparency and accuracy into the whole system. It will also help in reducing the leakages in the system.

5.3.7 Seamless transition from a serving civil servant to a pension

Reformed pension disbursement system besides offering new avenues of withdrawal of pension would also focus on 'seamless transition' of a civil servant to a pensioner. The project has been designed in a manner where in collaboration with AG/DAOs and Administrative Departments, a data of retiring civil servants for year 2012 and 2013 has been retrieved from PIFRA system relating to Lahore district. Currently, data cleansing exercise aimed at verification of particulars of serving civil servants recorded in the automated data on payroll is being undertaken. It has been visualized that once this system is fully operational, shifting / transition of pensioners would be possible in a seamless manner. Moreover, while issuing the Pension Payment Order (PPO), retrieval and comparison of the corrected data of civil servants by AG / DAOs for allowing pensionary emoluments would be far easier than the current system of manual recording.

5.3.8 Institutional arrangements for Reformed / Automated Pension Disbursement System

In order to accomplish specific verification needs of particulars of pensioners, NADRA and PIFRA will chalk out an arrangement of technological integration of set of data being maintained by NADRA and accounting offices in automated SAP R/3 PIFRA system. This technological integration will be of great importance as its success will open new avenues for disbursement of other welfare payments by use of Information Technology tools to be implied under this system.

Commercial banks, office of the Accountant General Punjab, District Account Offices will be the key partners in reformed pension disbursement system. SAP R/3 system with its expected updated and improved version shall serve as a backbone of automated pension disbursement

system. Commercial banks will partner in this initiative as the government intends to broaden the scope of admissible pensionary benefits through commercial banks.

Key steps involved in the reformed pension disbursement system shall inter-alia include the following:

- (i) Creation of a dedicated project office in the Finance Department if warranted.
- (ii) Establishment of Facilitation Center at AG Punjab similar to one already functional with Project to Improve Financial Reporting & Auditing (PIFRA), Islamabad.
- (iii) Arrangements with NADRA for Biometric identification and verification of pensioners at the time of account opening and subsequent proof of life, and available of network of kiosks at banks and AG Office / DAOs.
- (iv) Capacity building of DAO's / Treasury Officers / AGs Office.
- (v) Retrieving of manual records of existing pensioners from NBP/Treasury Office and putting them into SAP R/3 after correction of anomalies in recorded data if any.
- (vi) Creating awareness of the new scheme through publicity of the scheme
- (vii) Establishing reliable network connectivity and end-user computing stations at DAOs/Treasury offices/AG office - only where necessary.
- (viii) Setting-up a proper data archival mechanism.

5.3.9 Planned Project Implementation and Up-scaling

Automated pension disbursement system is being piloted in Lahore district. Once all the project parameters are in place and transition from manual to automated pension disbursement is successfully achieved, the project will be up-scaled in other districts of the Province. Successful implementation of automated pension disbursement system will encourage the Government to implement automated disbursements in other departments. It is expected that transition from manual to automated pension disbursement will be accomplished in Lahore district in FY 2012-13.

Chapter 6

DEBT AND CONTINGENT LIABILITIES

Government has embarked upon a comprehensive reform package for strengthening provincial finances. Management of outstanding debt and contingent liabilities in a prudent manner is an integral part of this reform agenda. Effective management of debt and contingent liabilities is also expected to provide the requisite fiscal space, which can then be utilized for investments in social, economic and industrial sectors of the economy.

Review of overall fiscal position of the province would remain incomplete if future financial obligations of the government are not taken into account. Conventional fiscal management in the past focused only on the explicit liability of the Government without taking into consideration the growth in unfunded and deferred obligatory payments like Pension and General Provident Fund. Further, payments accruing due to issuance of Letters of Comfort by Government of Punjab to bail out certain financial institutions including banks working under the provincial ambit were not properly documented while ascertaining the debt liability for a particular financial year.

Accordingly, White Papers for FY 2010-11 and FY 2011-12 provided a summary of both the explicit and implicit liabilities. Following this practice, the reporting of such liabilities in a transparent, comprehensive and a predictable manner is being continued for FY 2012-13. Importance of such disclosures is also significant in the circumstances where provincial government intends to forge an equitable and transparent partnership with private sector for important infrastructure undertakings. Investment partners from the private sector or lenders would definitely feel confident by these statistics before making any investment or lending decision.

6.1 DEBT OUTSTANDING

The total outstanding debt stock of the Punjab Government (as of June 30, 2012) would stand at Rs.414.556 billion, which includes a domestic loan of Rs.59.844 billion and foreign debt to the tune of Rs.354.712 billion (Table 6.1). In percentage terms, the domestic debt constitutes 14.4% while foreign debt accounts for 85.6% of the total debt liability.

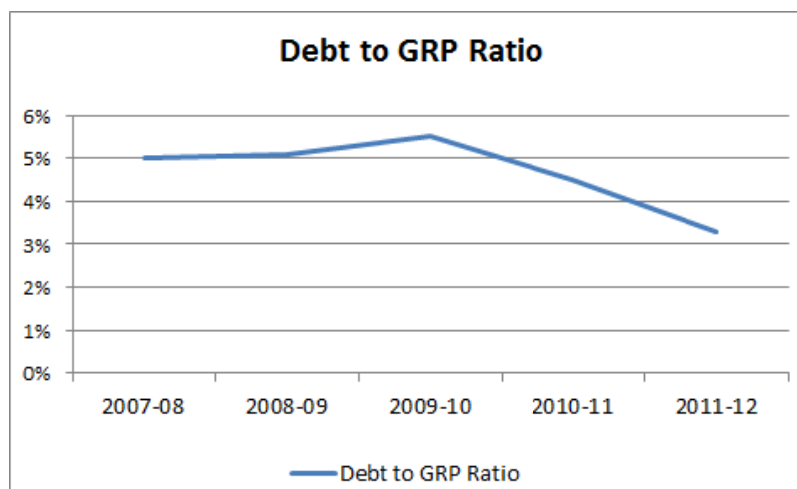
Table 6.1
Debt Stock of the Provincial Government as of 30.06.2012

	<i>(Rs. in Billion)</i>	
	Principal	Percentage
Total Domestic Debt	59.844	14.4%
Total Foreign Debt *	354.712	85.6%
Total Debt	414.556	100.0%

* Debt stock of foreign debt as on 30.06.2012 has been recorded in accordance with disbursement / likely disbursement of foreign loans.

The proportion of foreign loans in the total debt stock is high due to constitutional bar on provincial government to raise domestic debt. In case of foreign loans, the foreign currency in which the loan is negotiated is retained by the Federal Government to meet its foreign exchange needs and the share of the province is transferred in equivalent Pak Rupees. However, foreign exchange risk is picked up by the Provincial Government in most of the cases. On the basis of loan agreements of foreign loans, total debt 'commitment' of foreign loans was to the tune of Rs.416.065 billion as recorded in White Paper 2011-12. However, debt stock of foreign loans as on 30th June, 2011 was to the tune of Rs. 344.514 billion in accordance with the 'disbursement' of foreign loans on that date. During financial year 2011-12, new foreign loans equivalent to Rs.13.590 billion were received. Moreover, Government also retired Rs.14.788 billion during this financial year. Depreciation of Pak Rupee has contributed an amount of Rs. 11.396 billion to the increase in the size of foreign debt stock. Consequently, total foreign debt stock of the Government as of June 30th, 2012 works out to Rs. 354.712 billion. Details of debt stock of Punjab Government as on 30.06.2012 is at Annex-II of the White Paper.

As per universally acclaimed principles of determining the admissible debt for a particular government, tax to GDP ratio in the context of Federal Government and tax to GRP ratio in case of sub national / provincial governments is a better indicator as compared to the total debt stock on a particular date. In this regard, it would be pertinent to add that debt to GDP ratio of Punjab Government was 5% as on 30.06.2008 whereas the said ratio was 4.5% as on 30.06.2011. In terms of total outstanding debt to the tune of Rs.414.556 billion, as on 30.06.2012, debt to GRP ratio of Punjab province has further reduced to 3.28%. Pattern of tax to GRP ratio from 2007-08 onwards is shown in the graph below:



Outstanding domestic debt stock of the Government of the Punjab as of 30th June, 2011 was Rs.76.147 billion. An amount of Rs. 16.303 billion was repaid by the Government. In this way the total liability of the Government on account of domestic loan liability stands at Rs.59.844 billion.

Different components of this liability have been shown in Table 6.2 below:

Table 6.2
Domestic Debt

(Rs. in Billion)

Type of Loan	Principal
CDL Normal	24.123
CDL SCARP	10.244
Blocked Account	18.027
Loan from SBP for Capitalization of BOP	7.450
TOTAL	59.844

Debt servicing cost of both the Foreign and Domestic loans has been shown in the table below:

Table 6.3
Budgeted Estimates for Debt Servicing both Domestic and Foreign Debt for the FY 2012-13

(Rs. in Billion)

	Principal	Interest	Total Debt Servicing
Domestic Debt	22.992	11.857	34.849
Foreign Debt	12.473	4.327	16.800
Total Debt	35.465	16.184	51.649

It is important to point out that the repayment of domestic loan will be relatively high during FY 2012-13 due to the following:

- i. Repayment of Rs.12.72 billion pertaining to blocked account;
- ii. Repayment of Rs.4.9 billion pertaining to liability of Rs.10.0 billion borrowed from State Bank of Pakistan for Advance Subscription Money to Bank of Punjab.

The repayment of liability at Sr. No. i will end in FY 2013-14 whereas repayment at Sr. No.ii is for FY 2012-13 as the amount of Rs.4.9 billion is to be repaid to State Bank of Pakistan after issuance of right shares by Bank of Punjab. Therefore, from year i.e. 2013-14, the repayment of domestic debt is likely to go down from the current level.

6.2 PENSION AND GENERAL PROVIDENT FUND LIABILITIES

Government has a Defined-Benefit Pension Scheme for its permanent employees. Traditionally the Pension Scheme was being managed on 'pay-as-you-go' basis i.e. pension payment during a year was made out of that year's revenues regardless of point of accrual of a particular liability. Considering the rising burden of pension payments, Government has, over the last few years, been following a more systematic approach towards assessment, reporting & funding of these liabilities.

In addition to the Pension Scheme, Government requires its permanent employees to subscribe to the General Provident Fund which is a Defined Contribution Scheme. General Provident Fund contributions are deducted from salaries of Government employees and credited to GP Fund Account which is a part of the Public Account of the province. The Government has a fiduciary responsibility for these contributions. However, to avert the possibility of using Public Account balances as a borrowing window for Government expenditures, there was a need to create a separate GP Fund. Further, there was also a need to replenish the amounts earlier utilized from GP Fund Account due to the fact that the Government maintained a common cash balance for both Provincial Consolidated Fund and Public Account.

Following major steps have been taken by the Government for improving the management of its contingent liabilities:

- Actuarial Assessment of Pension and General Provident Fund liability of Government is being made on a regular basis;
- Funding strategies for meeting the Pension and General Provident Fund liabilities have been adopted and are regularly reviewed and updated in the Medium Term Budgetary Framework (MTBF); and
- Punjab Pension Fund and Punjab General Provident Investment Fund have been created to invest the funds (set aside by the Government for meeting, at least partially, its future Pension and General Provident Fund liabilities) in accordance with the investment policies approved by the Management Committee of the Fund.

During last two financial years, to cater for its infrastructure development needs and to absorb the impact of increase in salary and pension of government employees in financial year 2010-11 and 2011-12, Punjab Government could not provide the amounts budgeted for capitalization of the GP Fund and Pension Fund. However during FY 2012-13, Punjab Government intends to provide an amount of Rs.3.0billion for capitalization of the GP Fund and Rs.5.5billion for Pension Fund which covers in part arrears of prior years.

6.2.1 Pension Liability

The estimated accrued pension liability of active employees and pensioners (combined) as of 30th June 2010 is Rs. 687.7 billion detailed below:-

Table 6.4

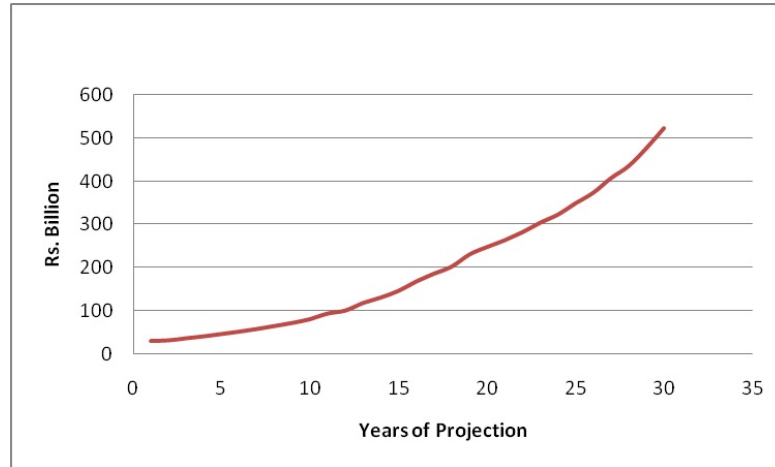
(Rs. in billion)

	No of employees/pensioners	Accrued Liability
Active Employees	938,511	401.9
Pensioners	436,995	285.8
Total	1,375,506	687.7

Increase in pension payments over 30 years time scale is illustrated in Annex-III:

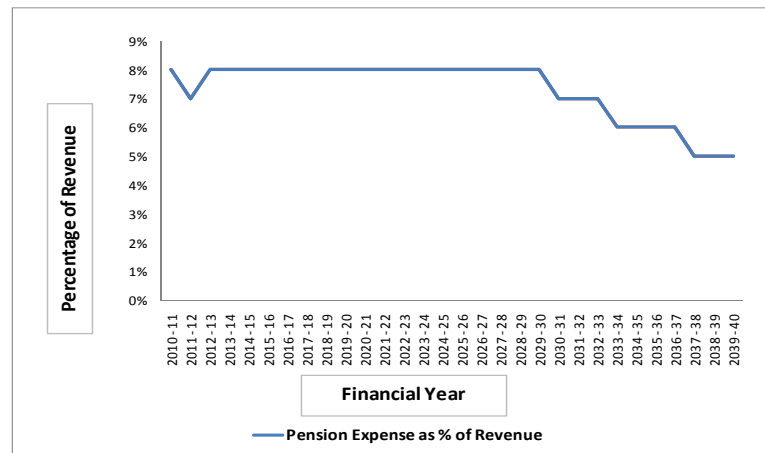
Graphical representation of expected pension payments over the next 30 years is as under:

Figure6.1
Expected Pension Benefit Payments



It may, however, be noted that despite increase in pension liability, the liability as percentage of total Government revenue is expected to remain within 8% of the total revenue as shown below:-

Figure 6.2
Pension Expenses as Percentage of Revenue



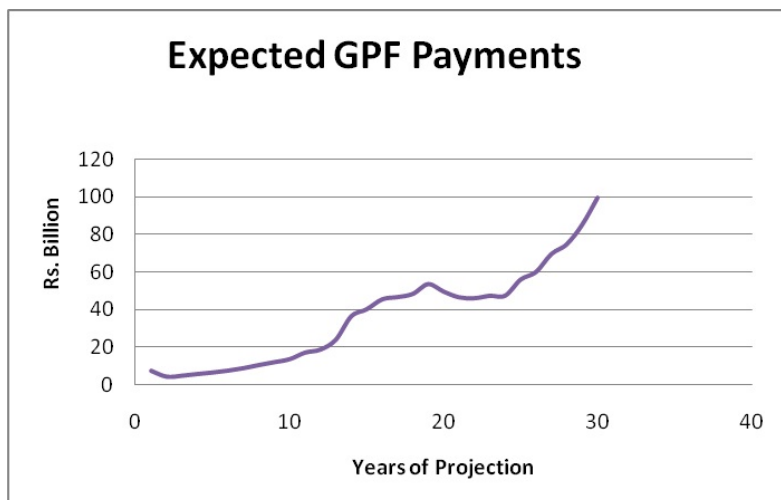
6.2.2 General Provident Fund Liability

The amount of GP Fund payment of a Government employee is the accumulated contribution deducted from his/her salary during service plus interest announced by the Government on such contributions on annual basis. As per the Actuarial Assessment, the accrued GP Fund liability of in service employees as of 30th June, 2010 is Rs. 86.9 billion.

Increase in GP Fund payments over 30 years time scale is illustrated in Annex-IV.

Graphical representation of expected GP Fund payments over the next 30 years is as under:

Figure 6.3
Expected GP Fund Payments



The growth in GP Fund balances (i.e. liability), assuming interest credited to GP Fund balances at rate of 12% per annum, for the next 30 years, is illustrated in Annex-V.

6.2.3 Assumptions underlying actuarial assessment of contingent liability

For the purpose of actuarial valuation of Punjab Government pension and GP Fund schemes, the following assumptions have been used:

- Rate of inflation 10% p.a.
- Rate of return of Fund 12% p.a. (Real return 2% p.a.)
- Employees' Salary growth 11% p.a. (Real growth 1% p.a.)
- Pension growth rate 8% p.a. (Real growth -2% p.a.)
- GP Fund subscriptions growth rate 8% p.a.
- Govt. Revenue growth rate 10% p.a.
- Increase in employees 1% of total active employees at beginning of the year

6.2.4 Funding Strategy

Funding strategy 2010-40 aims at:

- (i) Building up reasonable pension assets during the next 5-10 years with a view not only to discharge a major of pension expense as an off-budget item but also to cater for any expected or unexpected spikes in pension expenditures through the earnings of the Punjab Pension Fund. This in turn will create fiscal space to meet partial pension outgo, if needed. The funding would be made available from provincial resources.

- (ii) The Government would transfer equivalent amount from the Provincial Consolidated Fund to the annual employees GP Fund contributions every year and in addition would amortize past arrears of GP Fund annually from the Provincial Consolidated Fund for the next 30 years.

During the initial 5 years, contributions will be relatively limited, owing to the continuing economic downturn which has a direct correlation with the tax collection effort. Thereafter, it is expected that greater resources would be spared for funding the Pension and GP Fund liabilities once the economic situation stabilises. The table below illustrates the funding strategy for the next five 5 years:

Table 6.5
Funding Strategy 2012-17

(Rs. in billion)

Financial Year	Annual Regular Contribution deducted from Salaries	Past GP Fund Liability Amortization Instalment	Total Amount of Pension Fund Contribution	Total Contribution
2012-13	6.7	3.0	3.0	12.7
2013-14	7.4	3.0	3.0	13.4
2014-15	8.1	4.0	4.0	16.1
2015-16	8.9	5.1	6.0	20.0
2016-17	9.8	6.2	6.6	22.6

After accumulation period, 5% of the basic pay budgeted for the provincial employees will be contributed to the Punjab Pension Fund.

6.2.5 Punjab Pension Fund's Investments

Fund Size

- A summary of changes in fund size during the current financial year is given in the following table:

(Rs. in millions)

	Jul 2011-May 2012
Beginning fund size	13,708
Add: contribution during the period	-
Add: gain/(loss) during the period	1,754
Less: expenses during the period	(20)
Ending fund size	15,442

The numbers exclude unrealized capital gains/losses

Fund's Portfolio

- The Fund's exposures to different investment types are summarized as under:

(Rs. in millions)

	30 Jun 2010		30 June 2011		31May 2012	
	Amount	%	Amount	%	Amount	%
Pakistan Investment Bonds (PIBs)	5,737	47.4	8,942	65.2	8,897	57.6
Treasury Bills (T-Bills)	3,145	26.0	1,254	9.1	138	0.9
Short term bank deposits	3,015	24.9	3,002	21.9	5,880	38.1
Corporate bonds/Term Finance Certificates (TFCs)	176	1.5	501	3.7	510	3.3
Cash at bank	21	0.2	8	0.1	14	0.1
Other assets*	3	0.0	1	0.0	3	0.0
Total Fund Size	12,097	100.0	13,708	100.0	15,442	100.0

*Other assets include prepaid expenses for management and book value of fixed assets of the Fund

- Long-term investments consist of PIBs and TFCs whereas short-term investments consist of T-bills and bank deposits.
- The Fund has been switching short-term exposure between T-bills & short-term bank placements in pursuit of higher rates of return.

Fund's Performance

- Time Weighted Return (TWR) earned by the Fund is summarized as under:

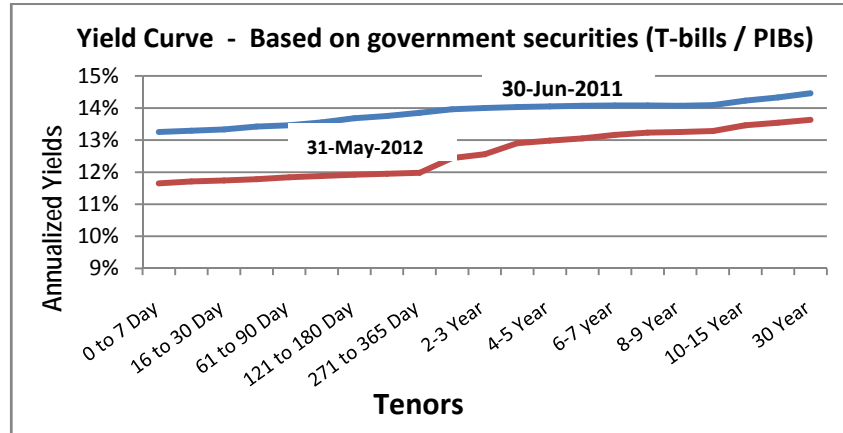
Period	Annualized Return for the period		CPI Inflation	Long-term Benchmark
	Gross Return	Net Return*		CPI Inflation + 3%
FY 2008-09	15.21%	15.00%	13.14%	16.14%
FY 2009-10	13.79%	13.61%	12.69%	15.69%
FY 2010-11	13.48%	13.32%	13.13%	16.13%
Jul 2008-Jun 2011 (CAGR) **	14.16%	13.97%	12.99%	15.99%
Jul 2011 – May 12	13.98%	13.81%		

*Net Return means the return after deducting expenses incurred on management of PPF

** CAGR means Compound Annualized Growth Rate

- Inflation rates over the last 3-4 years have been much higher than our long-term inflation expectations of 9%-10% p.a. Interest rates have also been higher than our long-term expectations.
- The Fund plans to gradually increase its investment in long-term fixed-rate instruments consisting mainly of PIBs. The Fund's investment in long-term PIBs stands at 57.6% of Fund size at the end of May 2012.

- During the eleven months of the current financial year, inflation and interest rates have declined considerably. Despite that, PPF is set to earn a stable (net) rate of return in the range of 13.8% during the FY 2011-12 due to its large PIB portfolio and timely placement of a sizeable amount in TDRs at attractive rates. The following chart shows the downward shift in yield curve since Jun 2011:



Growth in Assets vs. Liabilities and Funding Ratio

- As per the last Actuarial Assessment Report, the present value of pension liabilities of the Government of the Punjab stood at Rs. 687.7 billion as on 30th June, 2010.
- The actual assets of PPF stood at Rs. 15.4 billion as on 31st May, 2012.
- If PPF was envisaged as a fully funded pension plan, the value of its assets would match the value of the total pension liability of the Government of the Punjab, and the funding ratio (the ratio of its assets to its liabilities) would equal one (or 100%). This would mean that for the accrued pension liabilities, the Government of the Punjab would not have to earmark any budgetary resources because these would be met by PPF from the return on its assets.
- Currently the Government of the Punjab does not have an explicit target for the Funding Ratio. The desired Funding Ratio can be inferred from the projected injections of funds in PPF by the government as stated in the Medium Term Budgetary Framework 2009-12 announced by Government of the Punjab. If the injections of funds were to stay on course and there were no withdrawals then at the current average rate of return on PPF funds, the projected funding ratio in the foreseeable future is expected to stay in the range of 2%-2.5%.
- When interest rates go down the rate of return on assets can also dip. Consequently, pension plan would require more assets to pay the pension liabilities promised to the employees. Thus a decline in interest rates can lower the Funding Ratio of a pension plan further.

- In order to properly manage a pension plan, two things are important.
 - Firstly, the Funding Ratio of the pension plan should be high so that sufficient assets vis-à-vis the liabilities are available. A Funding Ratio of 100% is ideal.
 - Currently, the Funding Ratio of the pension plan is in the range of 2% which means that the current level of assets is sufficient to meet only 2% of accrued pension liabilities of the Government of the Punjab. This Funding Ratio is clearly quite low and the government may consider increasing this ratio which would require a long-term and sustainable plan of gradual injection of funds into the pension plan.
 - Secondly, the Fund should preferably make long-term fixed-rate investments whose maturity is as close as possible to the maturity of pension liabilities. With fixed-rate investments, the rate of return on the assets of the Fund will be less vulnerable to the fluctuations in the market rate of interest.
 - Considering the importance of long-term fixed-rate investments, PPF has invested 57.6% of its assets in long-term fixed-rate bonds at 31st May, 2012 and remains ready to invest further as opportunities to invest long-term at attractive fixed rates arise.

6.2.6 Reporting of Pension and GP Fund Liabilities as per IPSAS 25:

Pension and GP Fund liabilities of Government as on 30th June, 2010 as per IPSAS 25 reported in the Actuarial Report has been summarized at Annex-VI of White Paper.

Chapter 7

LOCAL GOVERNMENT FINANCE

Provincial Finance Commission (PFC) Award was decreed in July 2006 as the Punjab Specification and Distribution of Provincial Resources Order 2006. The award replaced the interim PFC arrangement of 2002-03 which only permitted incremental increase on the basis of historical expenditures of local governments. PFC Award of 2006 factored in fiscal capacity of all levels of local governments; passed on UIP tax proceeds to the TMAs; provided funds to Union Administrations on population/delimitation basis; distributed development grants to the districts 50% on the basis of population and 50% based on development index; and allowed additional resources to the City District Governments to perform municipal functions.

PFC Award 2006 laid down a more structured, transparent, and equitable mechanism for resource allocation to the local governments. The award also apportioned risks amongst the provincial and local governments by offering a more transparent and predictable inter-governmental fiscal transfer system to the local governments. After the expiry of the term of PFC Award on June 30, 2009, the resource transfers to local governments are being made in terms of Section 120(F)(5) of Punjab Local Government Ordinance 2001 which allows the order to remain in force till such time that the new award is announced. Since the tenure of local governments have expired, new PFC has not yet been constituted. Once the functional distribution between the provincial and local governments is finalized and enabling legal framework is approved by the Provincial Assembly, constitution of new PFC would be announced to determine the shares of Provincial Allocable and Provincial Retained Amounts. Pending the constitution of new PFC, resource distribution on interim basis is being made on the principles / parameters prescribed in Specification and Distribution of Provincial Resources Order 2006.

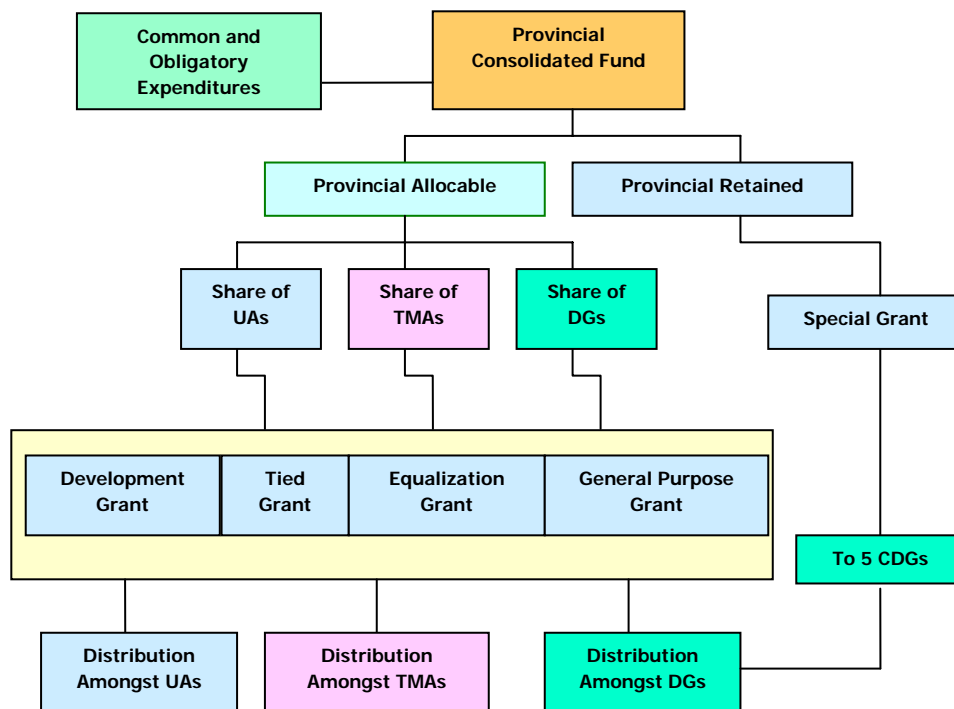
Given the inherent inelasticity of current expenditure and substantial increase in salary and allowances of civil employees of the government announced in last two years, most of the District Governments are finding it extremely challenging to finance their obligatory expenses. Coupled with abysmal revenue generation effort, most of the local governments are experiencing periods of profound fiscal distress. Recognizing the negative implication of these constraints, an objective analysis for ascertaining the actual fiscal needs of District Governments has also been

undertaken. Findings of this analysis suggest that in addition to genuine fiscal constraints, this distress in few cases is also attributable to imprudent financial management practices i.e. creation of certain posts without availability of corresponding finances. To help fiscally distressed local governments, in FY2011-12, Provincial Government has provided additional resources to the tune of Rs.1,681.661 million to these District Governments. Simultaneously, local governments have also been urged to observe better fiscal discipline and improve their own source revenue.

Provincial government is also fully cognizant of the fact that empowering and strengthening of local government system is a key for ensuring equitable development throughout the province. Identification of development priorities by local representatives and execution of development initiatives by local governments with community involvement and participation shall remain as a preferred option to foster economic development and growth throughout the province.

In line with the principles envisaged under the Provincial Finance Commission, 2006, the funds to the local governments are being allocated for financial year 2012-13. The Figure below reflects the components of resource transfer from the Provincial Consolidated Fund to the local governments under the PFC Award

Figure 7.1



The pattern of resource distribution to the local governments since 2006 onwards and the budget estimates of 2012-13 are summarized in the Table 7.1:-

Table 7.1
Allocation to Local Governments under the PFC Award 2006

(Rs. in Million)

Year	District Governments	Tehsil Municipal Administrations	Union Administrations	Total
2006-07	106,189.631	7,381.457	4,008.780	117,579.868
2007-08	106,321.834	18,531.551	4,630.732	129,484.117
2008-09	109,129.910	18,780.695	4,807.658	132,718.263
2009-10	107,351.472	15,208.800	4,818.730	127,379.002
2010-11	131,653.000	13,800.000	5,018.730	150,471.730
2011-12(RE)	165,050.660	15,151.000	5,247.837	185,449.497
2012-13	186,783.105	17,000.000	6,000.000	209,783.105

Note: Total resource transfer to local governments includes the amounts allocated / transferred under current, development, grant-in-aid and other miscellaneous grants as envisaged in PFC.

Note: District wise detail of the allocations of the District Government for the FY 2011-12 and FY 2012-13 are appended as Annex-VII of the White Paper.

Analysis of the figures tabulated above show that there is an incremental increase in the PFC share of District Governments from 2006-07 to 2008-09 except in FY 2009-10 when there were less allocations than FY 2008-09. Due to economic downturn in that particular year, there was a shortfall in the revenue realization both under Federal Transfers and Provincial Receipts resulting in less resource transfer to the local governments. From 2010-11 onwards, resource transfers to local governments has increased as a consequence of higher Provincial Receipts. Moreover, in current financial year, budget estimates under PFC have been revised upwards to absorb the impact of increases in salary and allowances, greater recurring expenditure needs as a result of more development spending and to cater for increasing cost of acquisition of goods and services as a result of high inflation.

7.1 ESTIMATES OF RESOURCE DISTRIBUTION TO LOCAL GOVERNMENTS UNDER PFC 2006

Table 7.2 shows the horizontal distribution of resource between different tiers of local governments for FY 2011-12 and FY 2012-13 under the PFC Award, 2006.

Table 7.2

Total Resource Transfer to Local Governments

(Rs. in Million)

Local Governments	PFC Transfers 2011- 12(BE)(Excluding Tied Grants)	PFC Transfers 2012- 13(Excluding Tied Grants)	Percentage change
District Governments	148,000.000	186,783.105	26.2%
Tehsil Municipal Administrations	15,570.000	17,000.000	9.2%
Union Administrations	5,018.730	6,000.000	19.6%
Cantonment Boards	1,200.000	1,200.000	--
Total	169,788.730	210,983.105	24.3%

In terms of overall resources to be made available to local governments in FY 2012-13, an increase of 24.3% is being adopted in the budget estimates for FY 2012-13 against the budget estimate of FY 2011-12. Projected resource allocation to local governments in FY 2012-13 shows an increase of 26.2% to District Governments, 9.2% in respect of TMAs and 19.6% for Union Administrations against budget estimate of FY 2011-12.

While determining the expenditure needs of local governments, it has however been observed that most of the local governments have failed to tap the potential avenues of revenue within the local government taxation system. Resultantly, in comparison to increase in current / recurring expenditure of these governments, the revenue realization has either remained stagnant or had actually plummeted over a period of time. It is apprehended that the sustenance of local government system may be jeopardized if these governments continue to look towards provincial government for easing their fiscal distress without focusing on improving their revenue generation.

GLOSSARY

A

Ad Valorem Taxes: Taxes levied as a percentage of the price of a good or service.

B

Bridge Financing: It is a method of financing used to maintain liquidity while waiting for an anticipated inflow of cash.

Budget: A financial statement of government's estimated revenues and expenditures for the fiscal year.

Budget Outlay: Total estimate of receipts and expenditures from the sources and for the purposes indicated in the budget.

Budget Deficit: Excess of government expenditures over revenues raised by taxes, fees and charges levied by governmental authorities.

C

Cash Development Loans: The CDLs were raised by the Federal Government to cover its foreign currency deficits on very high mark up rates in most of the cases and transferred to provincial governments from time to time.

Capital Gains: Increases in the value of assets over a given accounting period.

Current Capital Expenditure: Current Capital Expenditure like current capital receipt figures both in the Account No.I and Account No. II of the Provincial Government maintained with the State Bank of Pakistan. The expenditures under this head in Account No.I consist of the following:

- I. Principal Repayment of Domestic, Foreign and Market Debt. It also includes repayment on account of Ways and Means Advances availed by the Government of the Punjab from the State Bank of Pakistan during the financial year.
- II. Loans and advances to corporate bodies of the Government of Punjab or associated with the Government of Punjab.

Expenditures in Account No. II are mainly incurred on state trading operations of the government in food grains especially procurement of wheat and repayment of loans taken from the commercial banks for trading operations of Food Department.

Current Revenue Expenditure: Current Revenue Expenditure includes expenditures on government's regulatory, administrative and other such functions including provision of social and economic services.

D

Debt Finance: Use of borrowed funds to finance government expenditures.

Development Expenditure: As per the classification in the Annual Budget Statement, development expenditure is divided into two distinct parts:

- a) Revenue Expenditure
- b) Capital Expenditure

Development revenue expenditure is classified under grant PC22036 (036) – Development – Revenue. The expenditure under this grant pertains to most of the expenses other than the brick and mortar expense. Employees related expense, purchase of transport, machinery and equipment, operating expenses, research and development, training etc. provided under the projects during the execution of the projects are all part of the development revenue expenditures. Development capital expenditure is the capital investment under the development programs in roads, buildings, irrigation sectors etc.

Direct Tax: Direct tax is a tax the burden of which is born entirely by the individual or the entity that pays it and it can not be passed elsewhere; for example corporate tax, income tax etc.

Dividends: Direct payments by a corporation to its share holders.

Domestic Debt: Debt owed to the creditors residing in the same country as the debtor.

E

Entity: The organizational unit within the government responsible for management and control of particular resources. In a budgetary framework, each entity shall receive an allocation of funds and the entity managers would be responsible for the expenditure incurred.

External Debt: Portion of a government's debt owed to the foreigners / external governments and institutions

Extraordinary Receipts: Extraordinary receipts were previously reflected as a part of capital receipt but now are classified as General Revenue Receipts. A significant portion of these receipts accrue from privatization / disinvestment of government owned assets, and sale of land etc.

F

Federal Divisible Pool: The biggest source of revenue for the Provincial Government is its share from the Federal Divisible Pool of Taxes. The Divisible Pool comprises of taxes on income, wealth tax, capital value tax, taxes on sales and purchases, export duty on cotton, customs duties, GST (CE Mode) and federal excise duties excluding the excise duty on gas charged at well-head, and any other tax which may be levied by the Federal Government. With the exception of federal excise duty on gas, the taxes mentioned above are distributed between the Provinces and the Federal Government.

Federal Transfers: A payment made by the Federal Government to the province either out of the Federal Divisible Pool or for other social benefit programs.

Fiscal Capacity: Fiscal capacity is a measure of the ability of a jurisdiction / government to finance government services.

Fiscal Equalisation: Use of grants to adjust for differences in the capacity to finance basic government services amongst states / governments.

Fiscal Federalism: Division of taxing and expenditure functions amongst different levels of government.

Foreign Debt: The money one country owes to another country as a result of loan and / or a negative balance of trade.

Function: The economic function relating to provision of a particular service, activity or a program.

Fund: The pool of money from where the budget allocation is made e.g. consolidated fund.

G

General Revenue Receipt: General Revenue Receipts include the following:

- I) Federal Transfers:
 - Share of Federal Divisible Pool of Taxes under the NFC Award, 2009
 - Straight Transfers on account of constitutional provisions, royalties on oil and gas
 - Federal Grants
- II) Provincial Own Revenue:
 - Provincial Tax Revenue including Provincial GST on Services collected by the Federal Board of Revenue
 - Provincial Non-Tax Revenue (As per the classification used in ABS, the Provincial Non-Tax Revenue includes Federal Grants and Straight Transfers)
 - Extraordinary Receipts

H

Historical Cost: Acquisition price of the asset.

I

Indirect Tax: A charge levied by the state on consumption, expenditure, privilege or right but not on income or property. Custom duties levied on imports, excise duties on production, sales tax or value added tax at some stage in production – distribution process are few examples of Indirect Tax.

Incremental Budgeting: Budgetary approach that uses the previous period's budget or actual performance as a base with incremental amounts added for the new period.

Inflation: In economic terms, inflation is a general increase in prices and fall in the purchasing value of money.

L

Land Revenue: Land Revenue means all sums and payments in money received or legally claimable by or on behalf of the Government from any person on account of any form of land.

M

Matching Grants: Grants containing the requirement that the recipient government / jurisdiction will match the money through its own revenues.

MTBF: Medium Term Budgetary Framework (MTBF) is a multi year approach to budgeting which links the spending plans of the government to its policy objectives in medium term (usually three years).

N

Nominal Value: Nominal value refers to a value expressed in money of the day (year etc.) as opposed to real value which adjusts for the effect of inflation on the nominal value.

O

Object: Accounting classification describing the item of expenditure, receipt, asset or liability.

Overdraft: An overdraft is a state where the withdrawals exceed the available balance.

P

Property Tax: A government levy based on the market value as assessed by assessing agency or based on certain formulas / parameters. It is a capital tax on property calculated on the estimated value of the property.

Provincial Consolidated Fund: The Fund which comprises all revenues received and all loans raised by the provincial government and all monies received by it in repayment of any loan.

Public Account: Public Account consists of those moneys for which the Provincial Government has a statutory or other such obligation to account for but these are not available for appropriation for the general operations of the Government

Public Debt: Public Debt is the total liability arising from the borrowings of the government including both domestic loans and foreign (or external) loans.

Public Finance: Field of economics that studies government activities, alternative means of financing government expenditures and their effects upon the economies in general.

S

State Trading: State Trading operations of the provincial government relate to procurement and sale of food grains especially wheat. Transactions pertaining to state trading are kept separately and their receipts and expenditures are credited and debited to the provincial government's food account i.e. Account No.II with the State Bank of Pakistan. It is carried out with the borrowing from commercial banks as per cash credit facility extended by these banks.

Straight Transfers: The expression Straight Transfers used in the White Paper means the transfers on account of surcharge and royalties on oil and gas made by the Federal Government in pursuance of the relevant constitutional provisions.

T

Tax Revenue: It is a compulsory financial contribution imposed by the Government to raise revenue. It is levied on a specified rate on income or property, prices of goods and services etc.

Transfer Payments: Government expenditures that redistribute purchasing power amongst citizens.

U

Unconditional Grants: Sharing revenues among governments with no string attached to the use of funds.

Annex-I

REPORTING FORMATS AND TIMELINES

Entity	Reporting Format	Frequency	Reported to
DDO / Spending Unit	EM-1 – Cash Plan	Annually	Attached Department
	EM-1A – Adjusted Cash Plan	Quarterly	Attached Department
	EM-2 – Expenditure Progress Report	Monthly	Attached Department
	Monthly Progress Report (Development Schemes)	Monthly	Attached Department
	Reconciliation of Expenditures	Monthly	Attached Department
Attached Department	EM-3 – Output Progress Report	Monthly / Quarterly / Half Yearly	Senior Management of Department HQ
	EM-4 – Consolidated Expenditure Progress Report	Monthly / Quarterly / Half Yearly	Senior Management of Department HQ
	Consolidated Progress Report (Development Schemes)	Monthly	Planning and Development Department
	EM-5 – Financial Management Report	Monthly / Quarterly / Half Yearly	Principal Accounting Officer
	EM-6 – Consolidated Cash Plan	Annually	Finance Department
	EM-6A – Consolidated Adjusted Cash Plan	Quarterly	Finance Department

Annex-II

DEBT STOCK OF PUNJAB GOVERNMENT AS ON 30.06.2012

(A) DOMESTIC DEBT:

(Rs. in million)

Sr. No.	Loan No. & Name	Rate of Interest	Total Amount of Loan	Amount Repaid	Balance outstanding
(i) Cash Development Loans					
1	1987-88	15.28%	2,881.961	2,483.363	398.598
2	1988-89	14.84%	2,610.940	1,937.376	673.564
3	1990-91	15.93%	7,472.036	3,953.922	3,518.114
4	1991-92	14.51%	7,331.700	4,045.446	3,286.254
5	1993-94 (NORMAL)	15.94%	4,640.959	1,761.211	2,879.748
6	1993-94 (SAP TIED)	15.94%	3,437.940	1,304.649	2,133.291
7	1994-95 (NORMAL)	15.59%	2,036.459	662.830	1,373.629
8	1994-95 (SAP TIED)	15.59%	1,215.433	395.652	819.781
9	1995-96 (SAP TIED)	15.94%	994.659	266.835	727.824
10	1996-97 (NORMAL)	16.31%	457.427	100.021	357.406
11	1997-98 (NORMAL)	8.50%	6,000.000	1,839.938	4,160.062
12	1999-2000 (NORMAL)	11.21%	470.246	85.447	384.799
13	1999-2000 (SAP TIED)	11.21%	4,167.200	757.169	3,410.031
Total Cash Development Loans			43,716.960	19,593.859	24,123.101
(ii) Cash Development Loans For Scarp Tubewells Projects					
1	1988-89	14.84%	320.125	263.776	56.349
2	1989-90	15.93%	461.174	322.098	139.076
3	1990-91	15.93%	554.411	324.543	229.868
4	1991-92	14.51%	518.700	240.041	278.659
5	1992-93	15.24%	708.055	352.148	355.907
6	1993-94	15.94%	709.082	259.107	449.975
7	1994-95	15.59%	1,034.210	314.361	719.849
8	1995-96	15.94%	1,362.837	347.913	1,014.924
9	1996-97	16.31%	791.617	191.284	600.333
10	1997-98	8.50%	707.146	199.442	507.704
11	1998-99	17.71%	1,049.209	140.212	908.997
12	1999-2000	11.21%	968.059	175.903	792.156
13	2000-01	11.70%	922.910	132.574	790.336
14	2001-02	10.72%	887.491	112.152	775.339
15	2002-03	7.42%	387.173	52.307	334.866
16	2003-04	7.20%	320.000	34.008	285.992
17	2005-06	9.79%	964.051	36.164	927.887
18	2007-08	10.14%	1,075.980	-	1,075.980
Total Loans for Scarp Tubewells			13,742.230	3,498.033	10,244.197
(iii) Loans from State Bank of Pakistan			60,900.106	35,422.986	25,477.120
TOTAL DOMESTIC DEBT (A)			118,359.296	58,514.878	59,844.418

(B) FOREIGN DEBT:

(Figures in million)

Sr. No.	Loan Number	Rate of Interest %	Contracted Amount of Loan (Foreign Currency)	UP TO 30.06.2012			
				Actual Disbursement (Foreign Currency)	Amount Repaid (Foreign Currency)	Outstanding Balance (Foreign Currency)	Outstanding Balance (Pak. Rs.)
1.	IFAD-18-PA (SF)	1.00	\$ 1.667	1.667	0.966	0.701	62.422
2.	IFAD-48-PA (SF)	1.00	\$ 6.555	6.555	3.526	3.029	269.596
3.	IFAD-83-PA (SF)	1.00	\$ 6.346	6.346	3.239	3.107	276.558
4.	IFAD-492-PAK(SF)	0.75	\$ 15.073	15.073	1.792	13.281	1,182.009
5.	IBRD-3327-PAK (SF)	0.75	\$ 11.160	11.160	3.358	7.802	694.378
6.	IBRD-7277-PAK (SF)	LIBOR	¥ 12,107.500	12,107.500	1,253.127	10,854.373	11,997.338
7.	IBRD-7379-Pak	LIBOR	¥ 11,780.000	11,780.000	-	11,780.000	13,020.434
8.	IBRD-7380-Pak	LIBOR	\$ 50.000	39.720	-	39.720	3,535.088
9.	IBRD-7454-Pak	LIBOR	\$ 100.000	100.000	-	100.000	8,900.000
10.	IBRD-7900-Pak	LIBOR	\$ 145.600	26.078	-	26.078	2,320.942
11.	PK-P37	2.60	¥ 5,016.600	5,016.600	-	5,016.600	5,544.848
12.	PK-P50 (SF)	2.30	¥ 5,788.761	5,788.761	1,553.079	4,235.682	4,681.700
13.	JBIC-PK-P53	1.30	¥ 12,523.000	9,020.392	-	9,020.392	9,970.239
14.	JBIC-PK-P59	1.30	¥ 11,382.000	3,313.646	-	3,313.646	3,662.573
15.	IDA-30-PAK	0.75	\$ 7.759	7.759	7.544	0.215	19.113
16.	IDA-50-PAK (SF)	0.75	\$ 8.587	8.587	8.213	0.374	33.286
17.	IDA-54-PAK (SF)	0.75	\$ 4.622	4.622	4.374	0.248	22.072
18.	IDA-106-PAK	0.75	\$ 1.750	1.750	1.494	0.256	22.784
19.	IDA-466-PAK (SF)	0.75	\$ 9.786	9.786	6.272	3.514	312.746
20.	IDA-620-PAK(SF)	0.75	\$ 12.586	12.586	7.496	5.090	453.046
21.	IDA-630-PAK(SF)	0.75	\$ 26.600	26.600	15.428	11.172	994.308
22.	IDA-678-PAK	0.75	\$ 2.745	2.745	1.551	1.194	106.266
23.	IDA-683-PAK (SF)	0.75	\$ 16.366	16.366	9.235	7.131	634.659
24.	IDA-813-PAK (SF)	0.75	\$ 12.500	12.500	6.524	5.976	531.864
25.	IDA-892-PAK (SF)	0.75	\$ 2.514	2.514	1.248	1.266	112.674
26.	IDA-1109-PAK (SF)	0.75	\$ 10.794	10.794	4.644	6.150	547.317
27.	IDA-1113-PAK (SF)	0.75	\$ 1.230	1.230	0.516	0.714	63.546
28.	IDA-1163-PAK (SF)	0.75	\$ 21.758	21.758	9.352	12.406	1,104.134
29.	IDA-1239-PAK (SF)	0.75	\$ 20.181	20.181	8.080	12.101	1,076.975

Sr. No.	Loan Number	Rate of Interest %	Contracted Amount of Loan (Foreign Currency)	UP TO 30.06.2012			
				Actual Disbursement (Foreign Currency)	Amount Repaid (Foreign Currency)	Outstanding Balance (Foreign Currency)	Outstanding Balance (Pak. Rs.)
30.	IDA-1348-PAK (SF)	0.75	\$ 4.077	4.077	1.498	2.579	229.524
31.	IDA-1375-PAK (SF)	0.75	\$ 5.810	5.810	2.146	3.664	326.096
32.	IDA-1487-PAK (SF)	0.75	\$ 27.310	27.310	9.710	17.600	1,566.400
33.	IDA-1603-PAK (SF)	0.75	\$ 19.390	19.390	6.014	13.376	1,190.464
34.	IDA-1670-PAK(SF)	0.75	\$ 13.809	13.809	3.864	9.945	885.107
35.	IDA-1693-PAK (SF)	0.75	\$ 2.989	2.989	0.840	2.149	191.217
36.	IDA-1762-PAK (SF)	0.75	\$ 20.941	20.941	5.554	15.387	1,369.429
37.	IDA-1888-PAK (SF)	0.75	\$ 32.521	32.521	14.644	17.877	1,591.084
38.	IDA-1895-PAK (SF)	0.75	\$ 83.834	83.834	36.680	47.154	4,196.734
39.	IDA-2003-PAK (SF)	0.75	\$ 18.596	18.596	7.430	11.166	993.737
40.	IDA-2004-PAK (SF)	0.75	\$ 3.836	3.836	1.488	2.348	208.966
41.	IDA-2154-PAK (SF)	0.75	\$ 7.624	7.624	2.688	4.936	439.295
42.	IDA-2245-PAK	0.75	\$ 22.248	22.248	6.672	15.576	1,386.264
43.	IDA-2257-PAK (SF)	0.75	\$ 5.825	5.825	1.752	4.073	362.469
44.	IDA-2354-PAK (SF)	0.75	\$ 65.693	65.693	16.420	49.273	4,385.312
45.	IDA-2383-PAK (SF)	0.75	\$ 4.028	4.028	1.000	3.028	269.464
46.	IDA-2464-PAK (SF)	0.75	\$ 11.262	11.262	2.556	8.706	774.803
47.	IDA-2468-PAK (SF)	0.75	\$ 31.150	31.150	7.391	23.759	2,114.551
48.	IDA-2593-PAK(SF)	0.75	\$ 23.820	23.820	4.768	19.052	1,695.617
49.	IDA-2999-PAK (SF)	0.75	\$ 16.849	16.849	2.110	14.739	1,311.771
50.	IDA-3050-PAK (SF)	0.75	\$ 20.190	20.190	2.016	18.174	1,617.460
51.	IDA-3855-Pak	0.75	\$ 100.644	100.644	-	100.644	8,957.284
52.	IDA-3904-Pak	0.75	\$ 3.000	2.565	-	2.565	228.285
53.	IDA-4046	0.75	\$ 96.469	96.469	-	96.469	8,585.716
54.	IDA-4176	0.75	\$ 102.573	102.573	-	102.573	9,128.997
55.	IDA-4258-Pak	0.75	\$ 46.000	16.636	-	16.636	1,480.604
56.	IDA-4317-Pak	0.75	\$ 99.426	99.426	-	99.426	8,848.941
57.	IDA-4586-Pak-PESRP	1.50	\$ 350.000	342.586	-	342.586	30,490.134
58.	IDA-4890-Pak-PESRP	1.50	\$ 50.000	48.879	-	48.879	4,350.231
59.	IDB-0079-Pak	2.50	ID 3.777	3.777	1.598	2.179	301.160
60.	ADB-331-PAK (SF)	1.00	\$ 39.500	39.500	30.810	8.690	773.410
61.	ADB-433-PAK (SF)	1.00	\$ 2.850	2.850	2.005	0.845	75.205

Sr. No.	Loan Number	Rate of Interest %	Contracted Amount of Loan (Foreign Currency)	UP TO 30.06.2012			
				Actual Disbursement (Foreign Currency)	Amount Repaid (Foreign Currency)	Outstanding Balance (Foreign Currency)	Outstanding Balance (Pak. Rs.)
62.	ADB-495-PAK (SF)	1.00	\$ 13.118	13.118	8.646	4.472	397.987
63.	ADB-734-PAK	1.00	\$ 19.456	19.456	9.735	9.721	865.167
64.	ADB-750-PAK (SF)	1.00	\$ 40.425	40.425	18.584	21.841	1,943.835
65.	ADB-758-PAK	1.00	\$ 15.026	15.026	6.913	8.113	722.066
66.	ADB-759-PAK (SF)	1.00	\$ 5.985	5.985	2.760	3.225	287.001
67.	ADB-851-PAK (SF)	1.00	\$ 5.670	5.670	2.698	2.972	264.479
68.	ADB-871-PAK (SF)	1.00	\$ 25.633	25.633	12.169	13.464	1,198.258
69.	ADB-901-PAK (SF)	1.00	\$ 44.536	44.536	20.044	24.492	2,179.771
70.	ADB-916-PAK (SF)	1.00	\$ 6.018	6.018	2.584	3.434	305.583
71.	ADB-917-PAK (SF)	1.00	\$ 45.061	45.061	19.663	25.398	2,260.422
72.	ADB-973-PAK (SF)	1.00	\$ 10.738	10.738	4.020	6.718	597.902
73.	ADB-977-PAK (SF)	1.00	\$ 17.805	17.805	6.685	11.120	989.654
74.	ADB-1012-PAK	1.00	\$ 24.117	24.117	9.035	15.082	1,342.279
75.	ADB-1146-Pak	1.00	\$ 111.888	111.888	-	111.888	9,958.026
76.	ADB-1185-PAK (SF)	1.00	\$ 79.163	79.163	18.810	60.353	5,371.376
77.	ADB-1200-PAK	1.00	\$ 13.147	13.147	3.116	10.031	892.739
78.	ADB-1209-PAK	1.00	\$ 39.206	39.206	9.310	29.896	2,660.742
79.	ADB-1210-PAK (SF)	1.00	\$ 17.454	17.454	4.142	13.312	1,184.731
80.	ADB-1260-PAK	1.00	\$ 48.134	48.134	10.234	37.900	3,373.095
81.	ADB-1297-PAK(SF)	1.00	\$ 46.351	46.351	9.843	36.508	3,249.170
82.	ADB-1301-PAK	1.00	\$ 56.670	56.670	11.328	45.342	4,035.458
83.	ADB-1350-PAK	1.00	\$ 2.803	2.803	0.525	2.278	202.745
84.	ADB-1373-PAK	1.00	\$ 15.946	15.946	2.786	13.160	1,171.225
85.	ADB-1401-PAK	1.00	\$ 50.662	50.662	8.229	42.433	3,776.542
86.	ADB-1454-Pak(SF)	1.00	\$ 29.947	29.947	4.114	25.833	2,299.166
87.	ADB-1467-PAK	1.00	\$ 30.655	30.655	4.213	26.442	2,353.354
88.	ADB-1493-PAK	1.00	\$ 64.479	64.479	8.866	55.613	4,949.535
89.	ADB-1531-PAK	1.00	\$ 30.842	30.842	3.474	27.368	2,435.752
90.	ADB-1534-Pak	1.00	\$ 14.671	14.671	1.656	13.015	1,158.335
91.	ADB-1578-PAK	1.00	\$ 14.909	14.909	1.674	13.235	1,177.909
92.	ADB-1671-PAK (SF)	1.50	\$ 15.800	13.229	3.036	10.193	907.177
93.	ADB-1679-PAK	1.00	\$ 7.968	7.968	0.700	7.268	646.847

Sr. No.	Loan Number	Rate of Interest %	Contracted Amount of Loan (Foreign Currency)	UP TO 30.06.2012			
				Actual Disbursement (Foreign Currency)	Amount Repaid (Foreign Currency)	Outstanding Balance (Foreign Currency)	Outstanding Balance (Pak. Rs.)
94.	ADB-1877-PAK	1.50	\$ 28.068	28.068	4.386	23.682	2,107.721
95.	ADB-1878-PAK	LIBOR	¥ 14,176.659	\$ 46.179	22.397	23.782	2,116.634
96.	ADB-1879-PAK	1.50	\$ 1.032	-	-	-	-
97.	ADB-1900-PAK	1.50	\$ 4.967	0.667	0.070	0.598	53.213
98.	ADB-1928-PAK	0.75	¥ 18,396.800	8,762.487	2,774.537	5,987.951	6,618.482
99.	ADB-1950-PAK (SF)	1.50	\$ 50.000	53.694	3.357	50.337	4,479.958
100.	ADB-2060-Pak (SF)	1.50	\$ 45.000	24.535	0.511	24.024	2,138.136
101.	ADB-2061-Pak	LIBOR	¥ 4,896.225	2,743.518	185.188	2,558.330	2,827.723
102.	ADB-2134-Pak	1.50	\$ 41.000	28.785	-	28.785	2,561.858
103.	ADB-2144-Pak	LIBOR	¥ 7,995.750	7,995.750	1,981.348	6,014.402	6,647.719
104.	ADB-2145-Pak	1.50	\$ 75.000	75.594	-	75.594	6,727.910
105.	ADB-2211	LIBOR	\$ 20.000	18.327	-	18.327	1,631.103
106.	ADB-2212	1.50	\$ 40.000	1.796	-	1.796	159.844
107.	ADB-2286-Pak	LIBOR	¥ 5,599.000	495.316	3.564	491.752	543.533
108.	ADB-2287-Pak	1.50	\$ 5.000	-	-	-	-
109.	ADB-2299-Pak	LIBOR	¥ 25,637.827	3,430.800	14.194	3,416.606	3,776.375
110.	ADB-2300-Pak	1.50	\$ 10.000	4.260	-	4.260	379.140
111.	ADB-2385-Pak	LIBOR	\$ 250.000	250.000	17.725	232.275	20,672.475
112.	ADB-2386-Pak	1.50	\$ 8.800	5.816	-	5.816	517.607
113.	ADB-2485-PMDGP (SP1)	1.50	\$ 100.000	95.974	-	95.974	8,541.686
114.	ADB-2644-PMDGP (SP2)	1.50	\$ 150.000	150.969	-	150.969	13,436.258
115.	ADB-2547-Pak PGEIP (SP2)	LIBOR	\$ 75.000	75.000	-	75.000	6,675.000
116.	ADB-2548-Pak PGEIP (SP2)	1.50	\$ 75.000	76.466	-	76.466	6,805.463
117.	OFID-1134-P (OPEC Funds for International Development)	2.50	\$ 5.250	1.863	-	1.863	165.807
118.	Punjab Irrigated Agriculture Improvement Programme	1.25	\$ 250.000	7.079	-	7.079	630.000
119.	New Khanki Barrage Construction Project	1.50	\$ 270.000	0.169	-	0.169	15.000
	Total						337,865.617

Sr. No.	Loan Number	Rate of Interest %	Contracted Amount of Loan (Foreign Currency)	UP TO 30.06.2012			
				Actual Disbursement (Foreign Currency)	Amount Repaid (Foreign Currency)	Outstanding Balance (Foreign Currency)	Outstanding Balance (Pak. Rs.)

Foreign loans to be repaid in Pak Rupees

120.	IDA-3776-PAK (SF)	0.75	\$ 10.533	\$ 7.892 Rs. 561.343	-	561.343	561.343
121.	ADB-2030-Pak	LIBOR	¥ 21,652.195	11,690.455	5,358.122	6,332.333	6,332.333
122.	ADB-2031-Pak	1.50	\$ 4.000	110.000	0.000	110.000	110.000
123.	ADB-2216-Pak	LIBOR	\$ 200.000	12,047.360	2,204.668	9,842.692	9,842.692
							16,846.368
GRAND TOTAL (IN PKR)							354,711.986
Total \$					\$	3,014.309	268,273.493
Total ¥					¥	62,689.735	69,290.964
Total Rs.					Rs.	16,846.368	16,846.368
Total Islamic Dinar					ID	2.179	301.160
Grand Total (in Rs.)							354,711.986

*Exchange Rates: US \$ 1 = Rs.89.00, ¥ 1 = Rs. 1.1053 & ID 1 = Rs.138.2188

Annex-III

PENSION PAYMENTS (5 YEAR INTERVALS)

(Rs. in billion)

Year	Expected Pension	Expected Commutation	Total Expense
2010-11	23.7	6.0	29.7
2014-15	36.3	9.7	46.0
2019-20	62.8	17.7	80.5
2024-25	111.3	34.9	146.2
2029-30	193.2	54.6	247.8
2034-35	297.0	52.3	349.3
2039-40	442.8	80.9	523.7

* Inflation is assumed at 10%

Annex-IV

GP FUND PAYMENTS (5 YEAR INTERVALS)

(Rs. in billion)

Year	Total Expense
2010-11	7.3
2014-15	6.4
2019-20	13.5
2024-25	40.0
2029-30	49.4
2034-35	55.8
2039-40	99.3

* Inflation is assumed at 10%

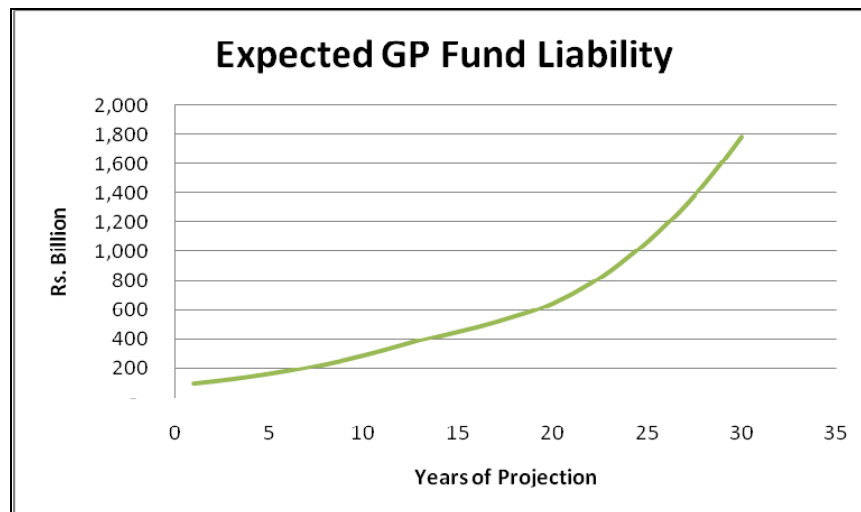
Annex-V

EXPECTED GP FUND LIABILITY (5 YEAR INTERVALS)

(Rs. in billion)

Year	Expected GPF Liability
2010 – 11	95.4
2013 – 14	141.5
2018 – 19	257.7
2023 – 24	421.8
2028 – 29	595.6
2033 – 34	964.9
2038 – 39	1617.7
2039 – 40	1,784.9

Graphical representation of growth in GP Fund liabilities over the next 30 years is as under:



Annex-VI

PENSION & GP FUND LIABILITY DISCLOSURES UNDER IPSAS 25**Pension Fund****Statement of Financial Position**

	30th June 2010 Rupees in '000	30th June 2009 Rupees in '000
Present Value of Defined Benefit Obligation	687,725,241	597,622,375
Plus Actuarial Gains/Less Actuarial Losses not yet recognised	(2,336,136)	(14,208,481)
Minus Past Service Cost not yet recognised	(137,230,205)	(147,032,363)
Minus Past Service Cost not yet recognised on account of benefit changes as at 30.06.2010	(5,570,800)	Nil
Minus fair value of Plan Assets	(12,050,495)	(3,486,611)
Statement of Financial Position	530,537,605	432,894,920

Expense Recognized in the Statement of Financial Performance

	2009-10 Rupees in '000	2008-09 Rupees in '000
Current Service Cost	25,040,019	25,173,434
Interest Cost	71,714,685	61,848,739
Expected Return on Plan Assets	(1,228,393)	(360,000)
Actuarial Gains and Losses	Nil	Nil
Non-Vested Past Service Cost that arose during the year	9,802,158	9,802,158
Non-Vested Past Service Cost that arose during the year	371,387	Nil
Vested Past Service Cost that arose during the year	23,768,749	Nil
Total Expense Recognized in the Statement of Financial Performance	129,468,605	96,464,331

Major reasons for the increase in P&L Charge for 2009-10

- Increase in interest cost on Benefit Obligations
- Increase in Benefit Obligations due to changes in Pension benefits with effect from 0.07.2010
- Increase in Pension amounts through indexation with effect from 0.07.2010
- Vested past service cost (of Rs.23.8 billion) due to changes in Pension benefits is charged to Profit & Loss account immediately

A break-up of the amounts of gains/losses from different sources is as follows:

(Rs. Billions)

Sources	Past Service Cost		Actuarial (Gain)/Loss	Total Increase / (Decrease) In Liability
	Vested	Non-vested		
Salary Increase			(35.5)	(35.5)
New Entrants			2.8	2.8
Benefit Changes	23.8	5.9		29.7
Indexation			22.8	22.8
Total (Active Employees)	23.8	5.9	(9.9)	19.8

**Reconciliation of Present Value of Defined Benefit
Obligation [141.(c)]**

	2009-10 Rupees in '000	2008-09 Rupees in '000
Present Value of Defined Benefit Obligation as at 1 st July	597,622,375	515,406,161
Current Service Cost	25,040,019	25,173,434
Interest Cost	71,714,685	61,848,739
Non-vested Past Service Cost due to benefit changes during the year	5,942,187	Nil
Vested Past Service Cost due to benefit changes during the year	23,768,749	Nil
Benefits paid	(24,625,920)	(18,654,440)
Actuarial gains and losses	(11,736,854)	13,848,481
Present Value of Defined Benefit Obligation as at 30th June	687,725,241	597,622,375

Reconciliation of Fair Value of Plan Assets [141.(e)]

	Rupees in '000
Fair Value of Plan Assets as at 1st July 2008	3,000,000
Contributions by the employer	Nil
Expected return on plan assets*	360,000
Benefits paid	Nil
Actuarial gains and losses	(360,000)
Fair value of plan assets as at 30th June 2009	3,000,000

Reconciliation of Fair Value of Plan Assets [141.(e)]

	2009-10 Rupees in '000	2008-09 Rupees in '000
Fair Value of Plan Assets as at 1st July	3,486,611	3,486,611
Contributions by the employer	9,000,000	Nil
Expected return on plan assets	1,228,393	360,000
Profit transferred to Reserve Pension Fund	(1,800,000)	Nil
Benefits paid	Nil	Nil
Actuarial gains and losses	135,491	(360,000)
Fair value of plan assets as at 30th June	12,050,495	3,486,611

Corroboration of Results

	2009-10 Rupees in '000
Statement of Financial Position as at 30th June 2009	432,894,920
Total Expense Recognized in the Statement of Financial Performance	129,468,605
Benefit Payments made during the Year	(24,625,920)
Payment to Reserve Pension Fund	1,800,000
Contribution made during the Year	(9,000,000)
Statement of Financial Position as at 30th June 2010	530,537,605

General Provident Fund

The Punjab Government is not a contributor to General Provident Fund. Employee is the sole contributor to this benefit. The money paid to the employees at the end of their service is the accumulated contributions with announced interest rates for various years.

As per IPSAS25:

- definitions given in **paragraph 10** of the Standard, Employee Benefits are all forms of consideration given by an entity in exchange for service rendered by employees;
- introduction note **IN1** of the Standard, benefits that are not consideration in exchange for service rendered by employees or past employees of reporting entities are not within the scope of this Standard; and
- **paragraph 28** of the Standard, for a post retirement benefit plan to be classified as a defined contribution plan, the entity must pay fixed contributions into a **separate entity**.

Keeping in view the above paragraphs and the nature of the GP Fund benefit, it is interpreted that reporting of this scheme does not fall under this Standard. However, if disclosures are prepared as per IPSAS25, they would be as follows:

GP Fund Liability Disclosures under IPSAS 25

Statement of Financial Position

	30th June 2010 Rupees in '000	30th June 2009 Rupees in '000
Present Value of Defined Benefit Obligation	83,772,168	79,185,192
Plus Estimated outstanding GP Fund payments during the year	3,109,253	Nil
Plus Actuarial Gains/Less Actuarial Losses not yet recognised	Nil	Nil
Minus Past Service Cost not yet recognised	Nil	Nil
Minus unrecognised Transitional Liability to be recognised in later periods	Nil	Nil
Minus fair value of Plan Assets	Nil	Nil
Statement of Financial Position as at 30th June	86,881,421	79,185,192

Expense Recognized in the Statement of Financial Performance

	30th June 2010 Rupees in '000	30th June 2009 Rupees in '000
Current Service Cost	Nil	Nil
Interest Cost	9,586,223	8,615,641
Miscellaneous Adjustment in Liability	(6,399,247)	Nil
Expected Return on Plan Assets	Nil	Nil
Total Expense Recognized in the Statement of Financial Performance	3,186,976	8,615,641

- The reason of decrease in P&L Charge is liability adjustment of Rs.6.399 billion during the year due.

Reconciliation of Present Value of Defined Benefit Obligation [141.(c)]

	Rupees in '000
Present Value of Defined Benefit Obligations as at 1st July 2008 (GP Fund Loan Balance on GOPB as at 01.07.2008)	69,275,369
Interest Cost	8,615,641
Benefits paid	(3,749,092)
Employees' contribution deducted during the period	5,043,274
Present Value of Defined Benefit Obligation as at 30th June 2009 (GP Fund Loan Balance on GOPB as at 30.06.2009)	79,185,192

Reconciliation of Present Value of Defined Benefit Obligation [141.(c)]

	30th June 2010 Rupees in '000	30th June 2009 Rupees in '000
Present Value of Defined Benefit Obligations as at 1 st July 2009 (GP Fund Loan Balance on GOPB as at 01.07.2009)	79,185,192	69,275,369
Interest Cost	9,586,223	8,615,641
Benefits paid	(1,090,747)	(3,749,092)
Estimated Employees' contribution deducted during the period	5,600,000	5,043,274
Miscellaneous Adjustment during the year	(6,399,247)	Nil
Present Value of Defined Benefit Obligation as at 30th June 2010 (GP Fund Loan Balance on GOPB as at 30.06.2010)	86,881,421	79,185,192

Corroboration of Results

	Rupees in '000
Statement of Financial Position as at 30th June 2009	79,185,192
Total Expense Recognized in the Statement of Financial Performance	3,186,976
Benefit Payments made during the Year	(1,090,747)
Estimated Contributions deducted from employees during the year	5,600,000
Statement of Financial Position as at 30th June 2010	86,881,421

Annex-VII

BUDGET ESTIMATES OF RESOURCES DISTRIBUTION TO LOCAL GOVERNMENTS IN FY 2012-13

(In Millions)

Name of District	Share of 2011-12	Share for 2012-13	Increase
Attock	3,406.988	4,330.255	923.267
Bahawalnagar	5,393.436	6,316.337	922.901
Bahawalpur	4,696.668	5,998.909	1,302.241
Bhakkar	2,665.451	3,577.488	912.037
Chakwal	3,153.436	3,955.599	802.163
Chiniot	1,631.349	2,131.925	500.576
D G Khan	3,770.311	4,736.713	966.402
Faisalabad	9,443.267	12,551.804	3,108.537
Gujranwala	6,134.214	7,559.564	1,425.350
Gujrat	4,078.775	5,281.405	1,202.630
Hafizabad	1,777.571	2,219.928	442.357
Jhang	4,066.503	5,157.415	1,090.912
Jhelum	2,383.394	3,151.652	768.258
Kasur	4,010.400	5,080.689	1,070.289
Khanewal	4,363.375	5,537.446	1,174.071
Khushab	2,328.260	2,965.947	637.687
Lahore	11,408.730	13,399.498	1,990.768
Layyah	2,983.702	3,839.087	855.385
Lodhran	2,128.727	2,662.179	533.452
Mandi Bahauddin	2,352.389	3,063.076	710.687
Mianwali	2,837.951	3,645.669	807.718
Multan	5,401.509	6,815.162	1,413.653
Muzaffargarh	4,403.585	5,512.644	1,109.059
Nankana Sahib *	2,157.151	2,851.409	694.258
Narowal	3,080.536	4,016.123	935.587
Okara	3,908.475	5,241.708	1,333.233
Pakpattan	2,293.191	2,763.978	470.787
Rahimyar Khan	5,569.514	7,081.952	1,512.438
Rajanpur	2,247.207	2,810.110	562.903
Rawalpindi	6,385.467	8,021.582	1,636.115
Sahiwal	4,026.644	5,170.867	1,144.223
Sargodha	6,108.477	7,943.793	1,835.316
Sheikhupura **	4,179.030	5,076.614	897.584
Sialkot	5,426.000	6,568.644	1,142.644
Toba Tek Singh	3,674.077	4,554.445	880.368
Vehari	4,124.230	5,191.489	1,067.259
TOTAL	148,000.000	186,783.105	38,783.115

* Adjusted PFC Share of District Nankana after handing over the Administrative & Financial control of Tehsil Safdarabad to District Government Sheikhupura.

** Adjusted PFC Share of District Sheikhupura after taking over the Administrative & Financial control of Tehsil Safdarabad from District Government Nankana Sahib.