



**GOVERNMENT OF THE PUNJAB  
FINANCE DEPARTMENT**

# **WHITE PAPER BUDGET 2011-12**

**June 10, 2011**



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# PREFACE

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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 this year's White Paper certain additions have also been made. There is a new chapter on the subject of topical interest – 18<sup>th</sup> Constitutional Amendment – Implication and Challenges. Moreover, chapter on the conceptual dimensions and salient features of Medium Term Budgetary Framework (MTBF) has also been updated. Similarly, in glossary of technical terms relating to budget, more terms have also been added to facilitate the reader to develop an understanding and insight about different 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, Mr. Muhammad Arshed, Director (Budget) and Mr. Farid Ahmad Tarar, Additional Secretary Budget who have worked tirelessly under the supervision and guidance of Mr. Imdad Ullah Bosal, Special Secretary Finance.

*June 10, 2011*

**TARIQ BAJWA**  
**FINANCE SECRETARY**  
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## EXECUTIVE SUMMARY

Budget is the most important economic policy instrument of the Government which translates its political vision and commitment into reality. In a democratic dispensation, the government in office is not only accountable to the people but also carries an additional responsibility of responding to the aspirations of the people.

However, budget making has never been an easy business in our environment. Given the enormity of problems facing the economy, the exercise even became a more arduous task this year. With Pakistan's economy in a grip of acute energy shortages, heightened security challenges, persistent inflationary trends, limited capital inflows, a general slow down in the economic activity was inevitable. Resultantly, growth rate in financial year 2010-11 hovered round 2.4% of GDP.

The problem was exacerbated, when the country came in a grip of devastating floods in the months of July and August 2010 resulting in an extensive loss of life and property. Massive floods took a heavy toll on Agriculture and infrastructure while energy crisis coupled with decline in foreign direct investment dampened business activity during FY 2010-11. Floods not only wiped out about two percentage points from the growth but also inflicted a colossal damage of approximately Rs. 860.0 billion on the country's economy including a loss of Rs. 219.0 billion in Punjab. As many as 20 million people were rendered homeless through out the country, over 6 million of which were in Punjab's eleven affected districts. To cope with the natural catastrophe of this magnitude and scale, Punjab Government under the able leadership of Chief Minister Punjab responded promptly by providing immediate relief to the affected people in terms of food, basic amenities, medicines etc. followed by a well organized rehabilitation and reconstruction program. This however meant a re-alignment of provincial finances and diversion of the allocations of some part of development budget towards more pressing needs relating to relief, rehabilitation and reconstruction.

On the expenditure side, Punjab Government through its prudent fiscal consolidation measures during 2010-11 not only provided additional resources of Rs. 10.0 billion for flood relief / rehabilitation program but also protected the allocations of essential social services, pro-poor initiatives and special infrastructure development projects. Through implementation of the austerity measures, functional review of provincial / district government departments culminating into merger/abolition of different departments and abolition of large number of posts, savings of approximately Rs. 6.0 billion were materialized during the year.

On the revenue side, Provincial Government put in place an affective monitoring regime under the chairmanship of Chief Secretary Punjab whereby monthly review of the trends of Provincial Own Receipts was carried out throughout the year. Resultantly, a growth of 20% in tax revenue and 5% to 6% in non tax revenue has been witnessed in Financial Year 2010-11 in comparison to the actual revenue realization for Financial Year 2009-10.

However, it is pertinent to add that in our system of fiscal federalism the province is largely dependent on transfers from the Federal Government. While greater degree of resource transfer was anticipated with an increase in the provincial share under 7<sup>th</sup> NFC Award, the actual realization of revenue resources during the year from the Federal Divisible Pool has been appreciably less than anticipated. With the passage of 18<sup>th</sup> Constitutional Amendment Act 2010 in the Constitution of Islamic Republic of Pakistan and the omission of Concurrent Legislative list, forty seven new subjects have been transferred to the Provinces. This development in itself presents a formidable challenge for the province as transfer of these functions is likely to intensify the spending pressures on the provincial government without the corresponding resource transfer by the Federal Government.

Despite difficulties highlighted above, the budget for the FY 2011-12 has been prepared in a manner which besides ensuring macroeconomic stability will provide a platform for growth, job creation and improvement in quality of life of the ordinary people. Emphasis in the development spending would be to:

- Promote growth and enhance productivity through targeted employment schemes;
- Provide basic amenities for general public;
- Create new physical infrastructure;
- Develop agriculture with a special focus on small farmers;
- Launch skill development schemes;
- Expand and improve the coverage and quality of health services;
- Promote education through a special emphasis on technical education.

In current budget, the aim would be to ensure allocative efficiency besides targeted reduction in the current expenditure. 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.

**BUDGET AT A GLANCE***(Rs. in Million)*

CLASSIFICATION	BE 2010-11	RE 2010-11	BE 2011-12
General Revenue Receipts	570,381.694	544,513.808	654,674.097
Current Expenditures	386,786.957	387,575.236	434,749.818
<b>A - Net Revenue Account-Surplus(+)/ Deficit(-)</b>	<b>183,594.737</b>	<b>156,938.572</b>	<b>219,924.279</b>
Current Capital Receipts	222,049.580	248,504.190	286,625.166
Current Capital Expenditure	222,378.148	271,396.840	305,867.740
<b>B - Net Capital Account-Surplus(+)/ Deficit (-)</b>	<b>(328.568)</b>	<b>(22,892.650)</b>	<b>(19,242.574)</b>
<b>C - ADP Financing Items</b>	<b>10,233.900</b>	<b>4,721.610</b>	<b>19,318.295</b>
Foreign Project Assistance	12,597.000	5,462.400	18,610.000
Grants (Foreign)	677.500	188.998	1,025.000
Public Account	(3,040.600)	(929.788)	(316.705)
<b>Total Resource for Development (A+B+C)</b>	<b>193,500.000</b>	<b>138,767.532</b>	<b>220,000.000</b>

**OVERVIEW OF BUDGET 2011-12****REVENUE BUDGET**

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

**SUMMARY OF REVENUE BUDGET***(Rs. in Million)*

RECEIPTS & EXPENDITURES	BE 2010-11	RE 2010-11	BE 2011-12
<b>A: General Revenue Receipts</b>	<b>570,381.694</b>	<b>544,513.808</b>	<b>654,674.097</b>
Federal Divisible Pool Taxes	435,503.995	419,474.874	530,806.067
Straight Transfers	6,263.243	7,838.285	6,146.204
Federal Grants	2,840.000	10,729.570	3,481.387
Provincial Tax Revenue	91,578.862	75,315.375	88,517.300
Provincial Non Tax Revenue	* 34,195.594	31,155.704	25,723.139

\* Includes the Budget Estimates of Privatization Proceeds of Rs. 12,000.000 million



<b>B: Revenue / Current Expenditures</b>	<b>386,786.957</b>	<b>387,575.236</b>	<b>434,749.818</b>
General Public Services	222,145.898	216,461.489	245,735.165
Public Order & Safety Affairs	63,017.082	64,775.089	69,244.576
Economic Affairs	44,888.796	42,448.741	61,600.671
Environment Protection	47.025	59.417	58.251
Housing and Community Amenities	3,501.843	2,003.853	2,639.981
Health	21,999.629	21,870.287	25,484.686
Recreational, Culture and Religion	880.821	1,004.316	1,022.538
Education Affairs and Services	28,885.359	28,301.085	27,141.130
Social Protection	1,420.504	10,650.959	1,822.820
<b>Net Revenue Account – Surplus / Deficit (A-B)</b>	<b>183,594.737</b>	<b>156,938.572</b>	<b>219,924.279</b>

Budget estimates of FY 2011-12 for General Revenue Receipts have been pitched at Rs. 654,674.097 million, which represent an increase of 14.8% over the budget estimates for FY 2010-11. Revenue Expenditures are estimated at Rs. 434,749.818 million, which show an increase of over 12.4% over the revenue expenditure estimates for FY 2010-11. Major portion of net revenue account surplus will be used to finance the Annual Development Program.

### **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 extended to the Government by a commercial banking consortium for the purchase of wheat.

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 2011-12, there would be a negative balance though not significant in the current capital budget primarily due to greater capital

expenditure owing to investments for capitalization of Pension Fund and other liabilities related to loans and advances.

### CURRENT CAPITAL BUDGET

(Rs. in Million)

RECEIPTS AND DISBURSEMENT	BE 2010-11	RE 2010-11	BE 2011-12
<b>A: Current Capital Receipts</b>	<b>222,049.580</b>	<b>248,504.190</b>	<b>286,625.166</b>
<b>Account No. I</b>	<b>45,341.185</b>	<b>12,597.035</b>	<b>35,315.192</b>
<i>Recoveries of Loans and Advances</i>	5,637.251	537.699	5,218.758
<i>Debt Management</i>	39,703.934	12,059.336	30,096.434
<b>Account No. II</b>	<b>176,708.395</b>	<b>235,907.155</b>	<b>251,309.974</b>
<i>Recoveries of Investment-State Trading</i>	81,585.963	124,787.109	153,588.970
<i>Cash Credit Accommodation</i>	95,122.432	111,120.046	97,721.004
<b>B: Current Capital Disbursement</b>	<b>222,378.148</b>	<b>271,396.840</b>	<b>305,867.740</b>
<b>Account No. I</b>	<b>45,669.753</b>	<b>35,489.685</b>	<b>54,557.766</b>
<i>Public Debt</i>	0.434	0.035	0.434
<i>Debt Management - Repayment of Principal</i>	13,118.776	13,044.277	13,545.785
<i>Investments</i>	2,000.000	--	11,000.000
<i>Loans and Advances</i>	30,531.739	22,424.456	21,987.166
<i>State Trading in Medical Stores</i>	18.804	20.917	24.381
<i>Loan through PSIC for unemployed youth</i>	--	--	1,000.000
<i>Loan to WASAs / TMAs for clearance of outstanding PEPCO dues</i>	--	--	7,000.000
<b>Domestic Debt Management (Account II)</b>	<b>176,708.395</b>	<b>235,907.155</b>	<b>251,309.974</b>
<b>Net Capital Account (A-B) (Surplus/Deficit)</b>	<b>(328.568)</b>	<b>(22,892.650)</b>	<b>(19,242.574)</b>

### 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. 220,000.000 million for FY 2011-12 in comparison with the Rs. 193,500.000 million for FY 2010-11 depicting an increase of 13.7%.

Overall size of the ADP for FY 2011-12, Budget Estimates of ADP for FY 2010-11 and Revised Estimates for FY 2010-11 is shown below:

## DEVELOPMENT BUDGET FOR FY 2011-12, BE 2010-11 &amp; RE 2010-11

(Rs. in Million)

Nomenclature	BE 2010-11	RE 2010-11	BE 2011-12
<b>Core ADP</b>	<b>182,000.0</b>	<b>128,000.0</b>	<b>188,000.0</b>
<b>Other Development Expenditure</b>	<b>11,500.0</b>	<b>10,767.5</b>	<b>32,000.0</b>
<i>TEVTA / TEVTEC</i>	<i>2,000.0</i>	<i>1,560.2</i>	<i>2,000.0</i>
<i>Daanish School</i>	<i>3,000.0</i>	<i>-</i>	<i>3,000.0</i>
<i>Punjab Millennium Development Goals Program (PMDGP)</i>	<i>6,500.0</i>	<i>6,900.0</i>	<i>8,500.0</i>
<i>Punjab Education Endowment Fund</i>	<i>-</i>	<i>-</i>	<i>2,000.0</i>
<i>Punjab Education Foundation</i>	<i>-</i>	<i>-</i>	<i>6,000.0</i>
<i>Loans to other non financial institutions (PIEDMC, FIEDMC, PLDC, SWMC, LMC, PLDDB, PSIC etc.)</i>	<i>-</i>	<i>-</i>	<i>6,440.0</i>
<i>Low income housing</i>	<i>-</i>	<i>287.5</i>	<i>1,200.0</i>
<i>Population Welfare</i>	<i>-</i>	<i>1,341.1</i>	<i>2,860.0</i>
<i>Other Development Expenditure</i>	<i>-</i>	<i>678.7</i>	<i>--</i>
<b>Total Development</b>	<b>193,500.0</b>	<b>138,767.5</b>	<b>220,000.0</b>

## CHAPTER 1

### ESTIMATES OF RECEIPTS

The 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:-

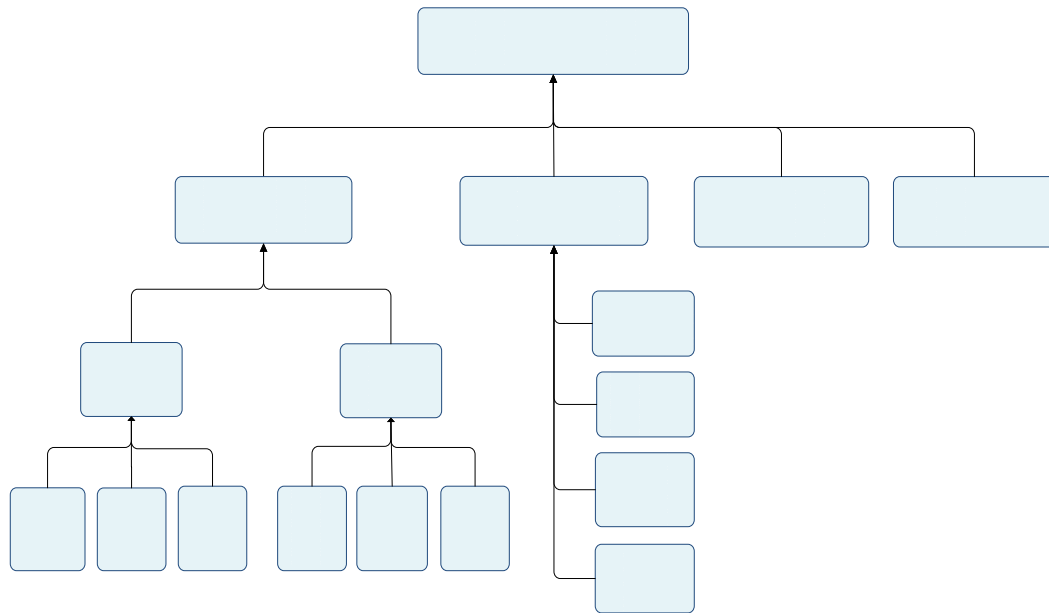


Table 1.1 below provides a summary of total receipts of the Government. The table shows that total receipt of the Government was estimated at Rs.805,705.724 million for FY 2010-11. The Revised Estimate of these receipts is Rs.798,669.392 million, whereas, the Budget Estimate 2011-12 is estimated to be Rs.960,934.263 million. In this way, the Budget Estimate 2011-12 of total receipts is expected to grow at 19.3% over Budget Estimates 2010-11. It may be worthwhile to add that the Budget Estimate 2011-12 of Rs.960,934.263 million includes an amount of Rs.251,309.974 million, which is the expected receipt of Food Account. In this way, the total receipt of the Provincial Consolidated Fund (PCF) has been pitched at Rs.709,624.339 million for the next financial year compared to BE 2010-11 of Rs.628,997.329 million. The growth in General Revenue

Receipt is mainly responsible for the upward increase in total receipts of the PCF which is expected to show a growth rate of 14.8% over BE 2010-11. The BE 2011-12 of Provincial Receipts is lower than the last year, mainly on account of more rational budgeting. It may be added that an amount of Rs. 1,178.050 million was expected to be received on account of "Interest on Loans to Non-Financial Institutions" during FY 2010-11. However, only an amount of Rs.87.711 million was realized. Therefore, the BE 2011-12 from this head has been rationalized downward to Rs.60.000 million due to this factor, the BE 2011-12 of Non-Tax collection is slightly lower than the BE 2010-11 despite the fact that Non-Tax collection targets for FY 2011-12 to most of the departments have been fixed by giving a growth of 10% over the respective RE 2010-11. In this regard further detail has been provided in the ensuing paragraphs.

**Table 1.1**  
**Total Provincial Receipts**

*(Rs. in Million)*

RECEIPTS	BE 2010-11	RE 2011-12	BE 2011-12
<b>General Revenue Receipt</b>	<b>570,381.694</b>	<b>544,513.808</b>	<b>654,674.097</b>
<i>Federal Transfer</i>	<i>444,607.238</i>	<i>438,042.729</i>	<i>540,433.658</i>
<i>Provincial Receipts</i>	<i>125,774.456</i>	<i>106,471.079</i>	<i>114,240.439</i>
<b>Development Revenue Receipts</b>	<b>677.450</b>	<b>188.998</b>	<b>1,025.000</b>
<b>Current Capital Receipts</b>	<b>222,049.580</b>	<b>248,504.190</b>	<b>286,625.166</b>
<i>Recoveries of Loans and Advances</i>	<i>5,637.251</i>	<i>537.699</i>	<i>5,218.758</i>
<i>Debt</i>	<i>39,703.934</i>	<i>12,059.336</i>	<i>30,096.434</i>
<i>State Trading - (A/c. No.II)</i>	<i>81,585.963</i>	<i>124,787.109</i>	<i>153,588.970</i>
<i>Cash Credit Accommodation- (A/c. No.II)</i>	<i>95,122.432</i>	<i>111,120.046</i>	<i>97,721.004</i>
<b>Development Capital Receipts</b>	<b>12,597.000</b>	<b>5,462.396</b>	<b>18,610.000</b>
<b>Total Provincial Receipts</b>	<b>805,705.724</b>	<b>798,669.392</b>	<b>960,934.263</b>

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 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 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 2010-11 and FY 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.570,381.694 million for FY 2010-11. RE 2010-11 of these receipts is Rs.544,513.808 million, whereas the budget estimate for FY 2011-12 has been pitched at Rs.654,674.097 million. In this way, the budget estimate of General Revenue Receipt for FY 2011-12 shows an increase of 14.8% over BE 2010-11, predominantly on account of increase in Divisible Pool Transfers due to nominal growth and increase of 1.5% in the provincial share under 7<sup>th</sup> National Finance Commission (NFC) Award.

**Table 1.2**  
**General Revenue Receipts**

(Rs. in Million)

GENERAL REVENUE RECEIPTS		BE 2010-11	RE 2010-11	BE 2011-12
<b>a</b>	<b>Federal Divisible Pool Taxes</b>	<b>435,503.995</b>	<b>419,474.874</b>	<b>530,806.067</b>
	Tax on Income	177,942.395	169,368.551	207,416.238
	Wealth Tax	-	-	-
	Land Customs	50,198.808	47,887.226	57,267.225
	Sales Tax	165,813.957	166,800.781	222,405.901
	GST (CE in Sales Tax Mode)	-	-	-
	Federal Excise	41,548.835	34,168.812	43,716.703
	Capital Value Tax	-	1,249.504	-
<b>b</b>	<b>Provincial Tax Revenue</b>	<b>91,578.862</b>	<b>75,315.375</b>	<b>88,517.300</b>
	Direct Taxes	17,784.347	17,683.801	22,960.562
	Indirect Taxes	69,073.792	52,586.034	59,932.090
	Indirect Taxes – Others	4,720.723	5,045.540	5,624.648
<b>c</b>	<b>Total Non Tax Revenue</b>	<b>21,792.401</b>	<b>27,656.820</b>	<b>21,674.367</b>
	Income from Property and Enterprise	7,267.918	6,829.644	6,560.677
	Receipts from Civil Admin. & Other Functions	6,167.996	4,940.299	6,089.283
	Miscellaneous Receipts	8,356.487	15,886.877	9,024.407
<b>d</b>	<b>Extraordinary Receipts</b>	<b>12,403.193</b>	<b>3,498.884</b>	<b>4,048.772</b>
<b>e</b>	<b>Straight Transfers (i+ii)</b>	<b>6,263.243</b>	<b>7,838.285</b>	<b>6,146.204</b>
<b>i</b>	Net Proceeds on Excise Duty on Natural Gas assigned to provinces	407.387	580.160	722.260
<b>ii</b>	<b>Development Surcharges and Royalties</b>	<b>5,855.856</b>	<b>7,258.125</b>	<b>5,423.944</b>
	<i>Net Proceeds of Royalty on Crude Oil assigned to Provinces</i>	<i>2,792.131</i>	<i>3,853.000</i>	<i>2,342.159</i>
	<i>Net Proceeds of Royalty on Natural Gas assigned to Provinces</i>	<i>1,885.636</i>	<i>1,363.000</i>	<i>1,361.228</i>
	<i>Surcharge on Natural Gas-share of net proceeds assigned to provinces</i>	<i>1,178.089</i>	<i>2,042.125</i>	<i>1,720.557</i>
<b>f</b>	<b>Federal Grants</b>	<b>2,840.000</b>	<b>10,729.570</b>	<b>3,481.387</b>
	Other Grants from the Federal Govt. - Dev.	-	3,897.219	1,122.000
	Foreign Grants	2,730.000	5,051.417	2,359.387
	Other Grants from the Federal Govt. - Non-Dev	110.000	1,780.934	-
<b>A</b>	<b>Total Federal Transfers(a+e+f)</b>	<b>444,607.238</b>	<b>438,042.729</b>	<b>540,433.658</b>
<b>B</b>	<b>Total Provincial Own Revenue (b+c+d)</b>	<b>125,774.456</b>	<b>106,471.079</b>	<b>114,240.439</b>
	<b>Total General Revenue Receipts (A+B)</b>	<b>570,381.694</b>	<b>544,513.808</b>	<b>654,674.097</b>

Figure 1.1 below shows the comparison of Budget Estimates 2010-11 & Budget Estimates 2011-12 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 2010-11 Vs. 2011-12

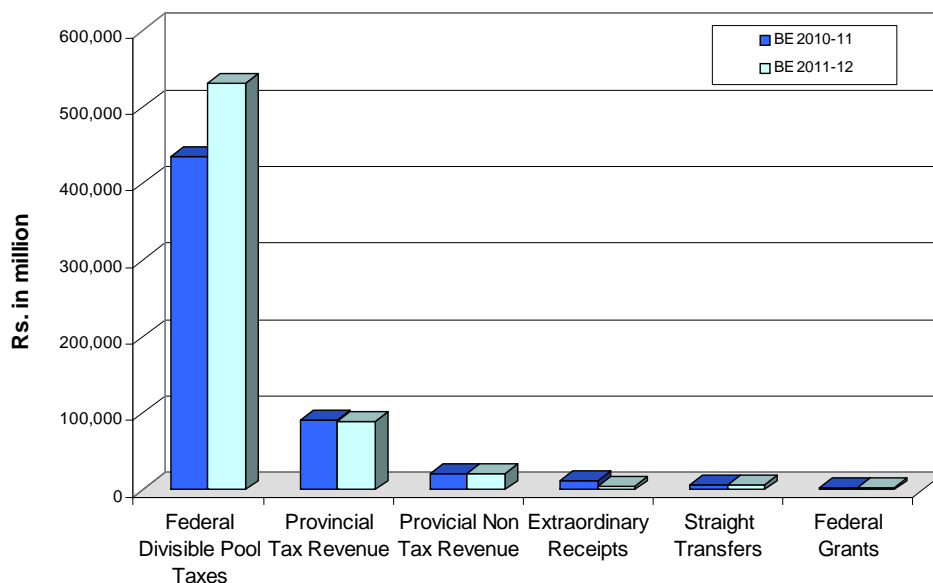
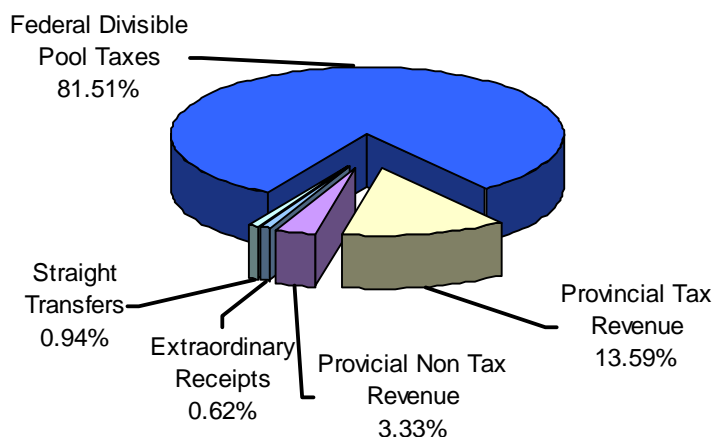


Figure 1.2 shows the share of different components of General Revenue Receipts projected for FY 2011-12.

**Figure 1.2**  
General Revenue Receipts BE 2011-12



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 82.45%. Therefore, even a small percentage variation in Federal Transfer mandates a major adjustment in provincial expenditure. In this context, 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)

	2008-09	2009-10	2010-11
Budget Estimates	1,250,000.000	1,380,000.000	1,667,000.000
Actual Collection	1,161,200.000	1,329,000.000	*1,588,000.000
Shortfall	88,800.000	51,000.000	79,000.000

\* Revised Estimates 2010-11

The shortfall in Divisible Pool Transfers during 2010-11 was one of most important reasons for downward revision of Provincial ADP.

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. In this regard, it may be interesting to take a look at the estimate of tax collection by Federal Board of Revenue (responsible for collection of Federal Taxes) during FY 2011-12:

**Table 1.4**  
**FBR Revenue\***

(Rs. in Million)

Particulars	BE 2010-11	RE 2010-11	BE 2011-12
<b>I. Direct Taxes</b>	<b>657,700.00</b>	<b>626,900.00</b>	<b>743,600.00</b>
Income Tax	633,000.00	602,500.00	718,600.00
Workers Welfare Fund	20,000.00	20,000.00	25,000.00
Capital Value Tax	4,700.00	4,400.00	-
<b>II. Indirect Taxes</b>	<b>1,009,300.00</b>	<b>960,800.00</b>	<b>1,208,700.00</b>
Customs	180,800.00	173,300.00	206,400.00
Sales Tax	674,900.00	654,600.00	836,700.00
Federal Excise	153,600.00	132,900.00	165,600.00
<b>Total</b>	<b>1,667,000.00</b>	<b>1,587,700.00</b>	<b>1,952,300.00</b>

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

Under the 7<sup>th</sup> National Finance Commission Award the percentage share of the provinces in the Divisible Pool increased from 48.75% (including subventions) during FY 2009-10 to 56% in the first year of NFC i.e. 2010-11. This share will further increase to 57.5% in the FY 2011-12. This



increase along with normal growth in Federal Divisible Pool (due to inflation and growth in Gross Domestic Product) is mainly responsible for increase in the size of Federal Divisible Pool share to Punjab during FY 2011-12 by Rs.95,302.072 million compared to Budget Estimate for FY 2010-11. Accordingly, the BE 2011-12 of Federal Divisible Pool share has been estimated at Rs.530,806.067 million. The share of the Divisible Pool Taxes for FY 2011-12 is based on the Federal Board of Revenue's target of Rs.1,952,000 million. This would actually mean that the BE 2011-12 is pitched to be 26.5% higher than RE 2010-11. This appears ambitious; however, Federal Government is targeting to achieve this growth through widening the scope of General Sales Tax and Income Tax. The Federal Government has already announced withdrawal of various exemptions from GST. Similarly, a large number of potential defaulters of Income tax have also been identified.

Under the 7<sup>th</sup> 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%

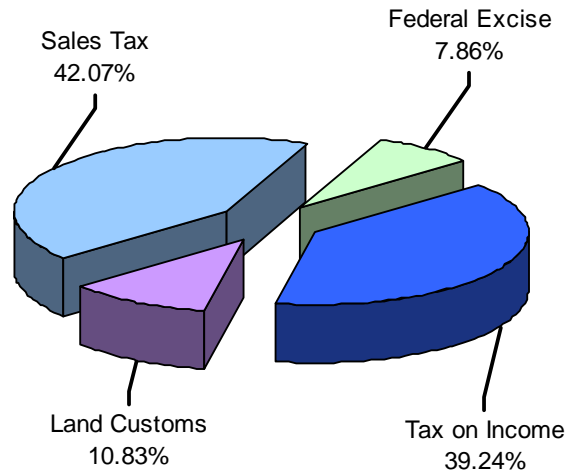
The provincial share is divided amongst the provinces in the ratios given below. This share was decided on the basis of following multiple criteria based on population, inverse population density, revenue and poverty.

**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 81% of Punjab's share from the Federal Divisible Pool. The balance 19% 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:-

**Figure 1.3**  
Composition of Divisible Pool Taxes BE 2011-12



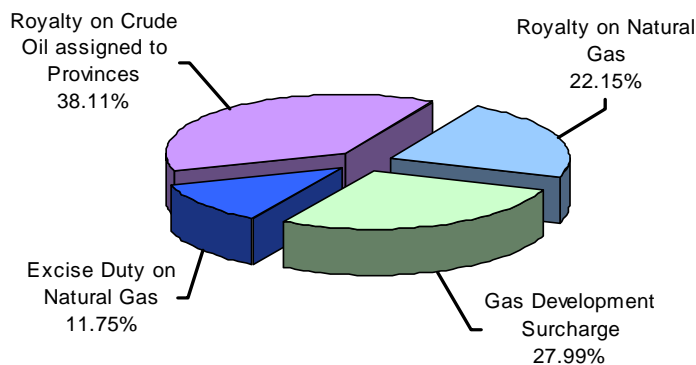
#### b) Straight Transfers

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 2011-12 of Straight Transfers has been pitched at Rs.6,146.204 million compared to budget estimate 2010-11 of Rs. 6,263.243 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 2011-12 is lower than the last year, 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 2011-12



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 2011-12 of Federal Grants is Rs.3,481.387 million against Budget Estimate 2010-11 of Rs.2,840.000 million. In this way the Budget Estimates for Federal Grants for financial year 2011-12 has increased by almost 22.6% in comparison with the Budget Estimates 2010-11.

**Table 1.6**  
**Federal Grants**

(Rs. in Million)

Sr.	Particulars	BE 2010-11	RE 2011-12	BE 2011-12
1	DFID Grant-Punjab Education Sector Project	1,730.000	3,413.316	1,459.387
2	Punjab Economic Opportunity Program	1,000.000	700.000	900.000
3	CIDA - IBRD - TA 98382 Grant - Punjab Education Sector Project	-	938.101	-
4	Other Grants from the Federal Govt. - Development	-	3,897.219	1,122.000
5	Other Grants from the Federal Govt. - Non-Dev	110.000	1,780.934	-
<b>Total Federal Grants</b>		<b>2,840.000</b>	<b>10,729.570</b>	<b>3,481.387</b>

### 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 2010-11, the actual tax collection was 9.2% lower than the original budget estimates. This shortfall is 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 achieved over 20% year on year growth during financial year 2010-11 as they were able to achieve in the last financial year. It may be added that the tax collection target for FY 2010-11 excluding GST on Services was Rs.40,423.528 million. The RE 2010-11 of these taxes is Rs.39,034.169 million. In this way the RE 2010-11 is approximately equal to BE 2010-11 of taxes collected by the Government itself. The Government also expects to receive the proceeds of Electricity Duty from PEPCO authorities. The bulk of these proceeds were adjusted during the last FY against outstanding dues of Government Departments, autonomous bodies and Local Governments.

**Table 1.7**  
**Provincial Own Receipts**

*(Rs. in Million)*

<b>RECEIPTS</b>	<b>BE 2010-11</b>	<b>RE 2011-12</b>	<b>BE 2011-12</b>
<b>a) Tax Receipts</b>	<b>91,578.862</b>	<b>75,315.375</b>	<b>88,517.300</b>
i. Direct Taxes	17,784.347	17,683.801	22,960.562
ii. Indirect Taxes	69,073.792	52,586.034	59,932.090
iii. Indirect Taxes Others	4,720.723	5,045.540	5,624.648
<b>b) Non-Tax Receipts</b>	<b>21,792.401</b>	<b>27,656.820</b>	<b>21,674.367</b>
i. Income from Property and Enterprises	7,267.918	6,829.644	6,560.677
ii. Receipts from Civil Administration and other Functions	6,167.996	4,940.299	6,089.283
iii. Miscellaneous Receipts *	8,356.487	15,886.877	9,024.407
<b>c) Extraordinary Receipts</b>	<b>12,403.193</b>	<b>3,498.884</b>	<b>4,048.772</b>
<b>Total Provincial Own Receipts</b>	<b>125,774.456</b>	<b>106,471.079</b>	<b>114,240.439</b>

#### 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 2010-11 compared to the Budget Estimate 2010-11 are as under:

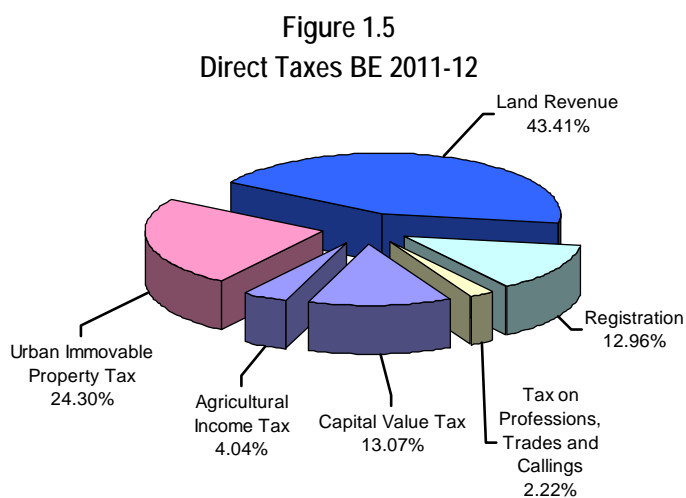
- The BE 2010-11 was based on expected widening of the scope of GST on Services. The same, however, could not materialize as consensus on RGST could not be reached.
- Reform of major taxes such as Property Tax was not implemented as the same would have resulted in additional financial burden on tax payers at a time of high inflation and economic downturn;
- The tax administration machinery requires major overhauling and revamping;
- The estimates were based on significant recovery in the estate market. Some growth was witnessed in this sector but it was lower than the expectation.

The Budget Estimate 2011-12 of provincial tax receipts has been pitched at Rs.88,517.300 million against the Revised Estimate 2010-11 of Rs.75,315.375 million. In this way, the Government has again set a target of achieving more than 20% growth during FY 2010-11 over the actual collection in all taxes other than GST on Services. In case of GST on Services a growth rate of only 9.1% over RE 2010-11 has been set due to stagnation in tax collection from Telecommunication, which is the biggest source of revenue under the GST on Services, and no change in scope or rate of the tax.

**Table 1.8**  
**Provincial Tax Receipts**

<i>(Rs. in Million)</i>			
TAX RECEIPTS	BE 2010-11	RE 2011-12	BE 2011-12
<b>Direct Taxes</b>	<b>17,784.347</b>	<b>17,683.801</b>	<b>22,960.562</b>
Agricultural Income Tax	1,200.000	772.657	927.189
Urban Immovable Property Tax	4,362.120	3,400.000	5,580.000
Land Revenue	6,900.965	8,306.699	9,968.039
Registration	3,300.002	2,479.445	2,975.334
Tax on Professions, Trades and Callings	521.260	425.000	510.000
Capital Value Tax	1,500.000	2,300.000	3,000.000
<b>Indirect Taxes</b>	<b>69,073.792</b>	<b>52,586.034</b>	<b>59,932.090</b>
General Sales Tax (Provincial) (Federally Collected)	51,155.334	36,281.206	39,909.401
Opium	19.039	13.144	15.773
Receipts under Motor Vehicle Acts	6,468.359	6,468.359	8,458.926
Provincial Excise	1,230.284	1,200.000	1,440.000
Stamps	10,200.776	8,623.325	10,107.990
<b>Other Indirect Taxes</b>	<b>4,720.723</b>	<b>5,045.540</b>	<b>5,624.648</b>
Duty Recovered by Sale of Stamps	11.169	36.033	43.240
Duty Recovered Otherwise than by Sale of Stamps	37.709	72.731	87.278
Cess Educational Institutions	0.280	0.002	0.002
Development Cess on Hotels	277.795	281.478	337.773
Electricity Duty	3,960.572	4,318.375	4,752.050
Cotton Fee	433.198	336.921	404.305
<b>Total Provincial Tax Revenue</b>	<b>91,578.862</b>	<b>75,315.375</b>	<b>88,517.300</b>

The following pie-chart shows the composition of Direct Taxes as estimated for FY 2011-12.



### ***Direct Tax – Property Tax***

Direct taxes are defined as the taxes which target the income of a person. The common examples of direct taxes are income tax, wealth tax and agriculture income tax.

Property Tax mainly comprises Urban Immovable Property Tax (UIPT) on property units and Registration Fee collected at the time of registration of a sale deed. 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. However, keeping in view the tough economic conditions for general public, the implementation of new valuation tables has been put off for the time being.

BE 2011-12 of UIP Tax has been pitched at Rs.5,580.000 million which is 21.8% higher compared to BE 2010-11. The Government intends to achieve this target through improving its revenue collection efficiency and reducing leakages in tax collection.

BE 2011-12 of Registration has been set at Rs. 5,580.000 million compared to RE 2010-11 of Rs.3,400.000 million. In this way, an extremely ambitious growth rate over RE 2010-11 has been set by the Government to determine the BE 2011-12.

### ***Direct Tax – 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.9,968.039 million to the provincial exchequer during FY 2011-12. The collection from Land Revenue during financial year 2009-10 and 2010-11 has shown considerable buoyancy during the last couple of years. During FY 2010-11, the RE 2010-11 of Land Revenue is Rs.8,306.699 million compared to BE 2010-11 of Rs.6,900.965 million which translates into 20% higher growth compared to what was envisaged while setting the budget estimate. It may be worth while 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 significantly to higher than expected growth in collection from Land Revenue. Computerization of land record is also being carried out under the Punjab Land Record Management Information System Project. It is expected that the trend in growth of Land Revenue proceeds will continue during the FY 2011-12, therefore, a target of Rs.9,968.039 million has been set. It may be noticeable that due to higher growth in Land Revenue compared to Stamp Duty, the expected collection during 2011-12 in Land Revenue is approximately equal to that of Stamp Duty although there was a huge difference in their sizes in the BE 2010-11.

### ***Direct Tax – 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 in the year 2000, is on agricultural income. 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 2011-12 for AIT has been set at Rs.927.189 million compared to BE 2010-11 of Rs.1200.000 million. This clearly shows the downward trend in revenue collection from Agricultural Income Tax on account of following factors:

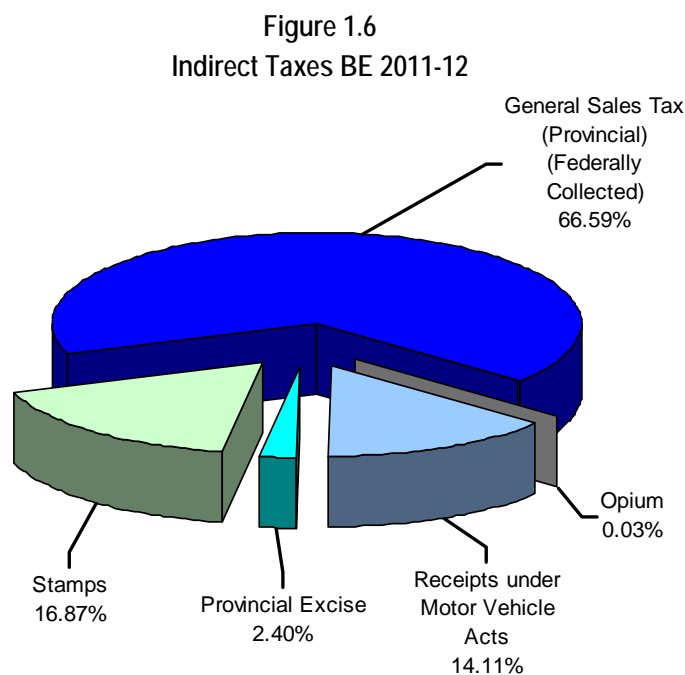
- The rates of AIT have remained unchanged since 2002-2003.
- The income mode of Agriculture Income Tax has not been implemented.
- The base has remained static. In fact, there has been a decline in the cultivated area liable to Agriculture Income Tax. This has been caused due to division and sub-division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

#### *Direct Tax – Professional Tax*

The B.E. 2011-12 of Professional Tax is Rs.510.000 million compared to RE 2010-11 of Rs.425.000 million which again means that the Government is targeting 20% growth in professional tax compared to the collection in FY 2010-11. Although 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.

#### *Indirect Taxes – Motor Vehicle, Stamp Duty and Provincial GST*

The composition of the some of the major indirect taxes for Budget Estimates 2011-12 is given in the Figure 1.6 below:



GST on Services (Provincial), Stamp Duty, Motor Vehicle Taxes, and Electricity Duty (payable to the Provincial Government by PEPCO and other electricity suppliers in the province) are classified as Provincial Indirect Taxes. Receipts from these taxes constitute a larger proportion of total provincial tax receipts (74%). The above pie-chart also shows the significance of GST on Services in the Provincial Tax Collection as the tax is expected to contribute 66.59% of the proceeds of Indirect Taxes. The other major Indirect Taxes include Stamp Duty, M.V. Tax (Registration, Token Tax, etc.)

#### ***Indirect Tax – 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 was, 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 estate sector in the province, the BE 2010-11 was pitched at Rs.10,200.776 million. This target could not be achieved as the recovery in real estate sector has been below the expectations. It is expected that the sector will continue to recover in 2011-12 from the effects of overall economic down turn. Therefore, the BE 2011-12 from Stamp Duty has been pitched at Rs.10,107.990 million compared to RE 2010-11 of Rs.8,623.325 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.

#### ***Indirect Tax – 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. As noted above, the Government levied GST on services on following 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 7<sup>th</sup> NFC Award:-



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

The BE 2010-11 of Rs. 51,155.334 million of GST on Services had been worked out on the assumption of levy of RGST / VAT under which a much broader array of services was to be brought under the tax net. The plan could not materialize owing to various reasons. Therefore, the RE 2010-11 fell well short of the budgeted targets. Further, the revenue generation from Telecommunication Services seems to have stagnated. Therefore, the BE 2011-12 of collection from GST on Services has been pitched at Rs.39,909.401 million, which means a growth of only 10% over RE 2010-11.

### **b) Non-Tax Revenue**

A significant portion of Non-tax receipts do not follow any trend and comprise various miscellaneous receipt items. 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 2010-11 and Budget Estimates for FY 2011-12 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. However, for ease of understanding the proceeds of extraordinary receipts have been shown separately from Non-Tax Receipts in the table showing General Revenue Receipts. Miscellaneous receipts also include user fee (Abiana) on irrigation water.

There is also a category of "Others" which includes unclaimed deposits, sale proceeds of stores and material, rent, receipts from royalty and minerals, collection charges of Sugar Cane Development Cess, 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 1.8 they are not included in the total.

Table 1.9 shows a comparison of the Provincial Non-Tax receipts between FY 2010-11 and FY 2011-12.

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

(Rs. in Million)

NON TAX REVENUE	BE 2010-11	RE 2011-12	BE 2011-12
<b>Income from Property and Enterprises</b>	<b>7,267.918</b>	<b>6,829.644</b>	<b>6,560.677</b>
State Trading Schemes-Electricity	5,150.000	5,166.000	5,166.000
Interest on Loans to District Govts. / TMAs	310.518	226.420	170.406
Interest on Loans to Financial Institutions.	625.000	1,066.477	1,061.065
Interest on Loans to Non-Financial Institutions.	1,178.050	87.711	60.000
Interest on Loans & Advances to Govt. Servants	0.350	0.206	0.206
Interest on Loans – Others	4.000	7.062	3.000
Dividends	-	275.768	100.000
<b>Civil Administration and other Functions</b>	<b>6,167.996</b>	<b>4,940.299</b>	<b>6,089.283</b>
Fiscal Administration	59.099	61.079	67.187
Law and Order	2,844.530	2,256.390	2,482.028
<i>Justice</i>	292.129	240.094	264.103
<i>Police Department</i>	2,490.782	1,960.078	2,156.086
<i>Jails</i>	60.619	55.406	60.946
<i>Civil Defence</i>	1.000	0.812	0.893
Community Services	1,433.159	1,000.644	1,755.663
<i>Communications &amp; Works</i>	1,365.684	973.295	1,725.578
<i>Public Health</i>	67.475	27.349	30.085
Social Services	1,481.208	1,234.783	1,358.261
<i>Education</i>	819.598	860.180	946.198
<i>Health</i>	661.610	374.603	412.063
Housing and Physical Planning	350.000	387.403	426.144
<b>Miscellaneous Receipts</b>	<b>8,356.487</b>	<b>15,886.877</b>	<b>9,024.407</b>
Agriculture	576.900	672.918	740.209
Fisheries	150.000	179.861	197.849
Forest & Wildlife	1,186.000	1,182.520	1,300.771
L&DD	561.490	602.004	563.938
Cooperation	6.146	4.206	4.627
Irrigation	2,965.491	3,614.046	2,869.326
Printing & Stationery	83.323	62.097	68.305
Industries	28.816	26.358	28.996
TEVTA	101.035	91.564	100.721
Mines & Minerals	1,500.000	1,750.000	2,000.000
Home	440.000	600.000	660.000
Misc.	757.286	7,101.303	489.665
<b>TOTAL NON-TAX RECEIPTS</b>	<b>21,792.401</b>	<b>27,656.820</b>	<b>21,674.367</b>

Figure 1.7  
Provincial Non-Tax Receipt BE 2010-11 vs. BE 2011-12

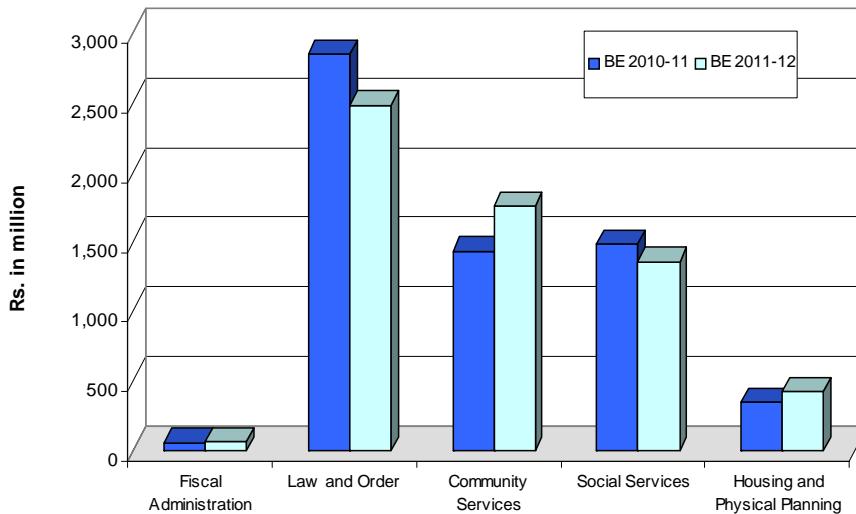
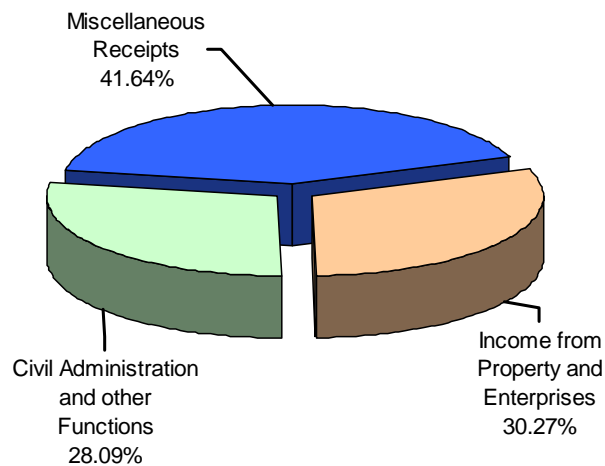


Figure 1.8  
Provincial Non-Tax Receipt BE 2011-12



### *Non Tax Revenue – Income from Property and Enterprises*

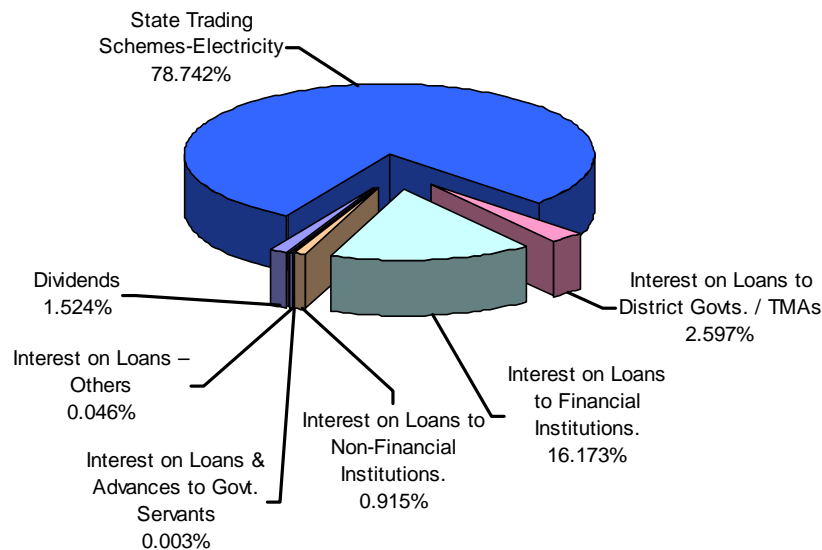
Income from property and enterprises comprises of two components. The first is income from net hydel profit whereas the other is income from interest on loans advanced to financial institutions, local governments, autonomous bodies and government servants etc.

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. In that meeting a conditional offer made by the Chief Executive of Punjab was taken as an unconditional withdrawal of Punjab Province's claim from net hydel profit. The conditional offer was made with a good intent to reduce the price of electricity in the country by foregoing net hydel profit, provided other provinces followed

suit. Previous governments tried to get the restoration of this right of the people of Punjab but to no avail. The 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 a committee was formulated which worked out that arrears amounting to Rs.28,501.000 million were payable to the Punjab Government up to year 2004-05. Federal Government paid an amount of Rs.13,000.000 million out of these arrears during financial year 2009-10 and an amount of Rs.5,166.000 million during FY 2010-11. The remaining amount will be paid by the Federal Government in the next two financial years. The 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.

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 from “Income from Property and Enterprises”. Interest amounting to Rs.1,663.644 million was received during FY 2010-11. The estimate of receipts from interest income during FY 2011-12 is Rs.1,394.677 million.

**Figure 1.9**  
**Income from Property and Enterprises BE 2011-12**



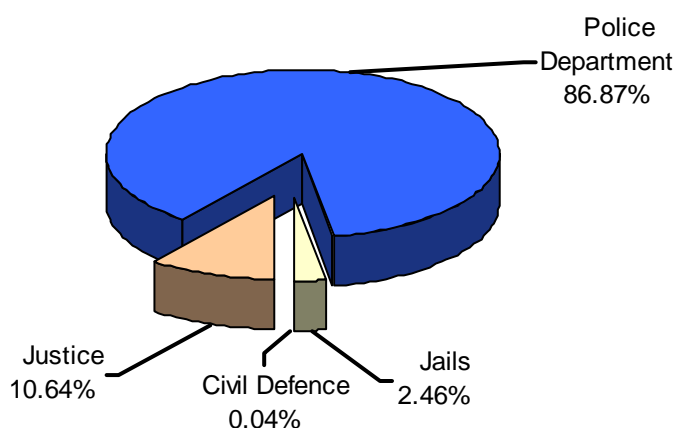
### ***Non Tax Revenue – Civil Administration & Other Functions***

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.6,089.283 million during FY 2011-12 from these sources of revenue. A break-up of these receipts is discussed below:

### 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 2011-12 is expected to be Rs.2,156.086 million. During the FY 2010-11, the collection by Police Department remained below the budget estimate, mainly on account of ambitious budget estimates and downward revision of rates of traffic fines in the previous years. Therefore, the budget estimate 2011-12 of revenue accruing from Police Department has accordingly been rationalized. The total Law & Order receipts are estimated at Rs.2,482.028 million in FY 2011-12.

Figure 1.10  
Law and Order BE 2011-12



### b) Community Services

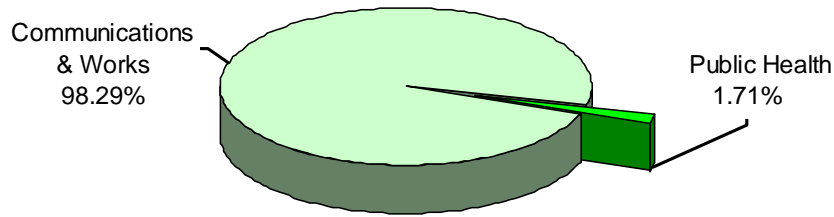
The major income in this category is realised through tolls on provincial roads and bridges and through rent of Government buildings. The revenue from Communication and Works department was stagnated as there had been no increase in the toll charged on roads. The Government has now decided to levy toll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

- 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 is estimated at Rs.650.000 million. Accordingly, there is a noticeable spike in the BE 2011-12 of revenue collection by Communication & Works Department compared to RE 2010-11. The BE 2011-12 has been set at Rs.1,725.578 million.

The receipts from community services are estimated to be Rs.1,755.663 million in FY 2011-12 which mainly comprises of receipts from Communication & Works Department.

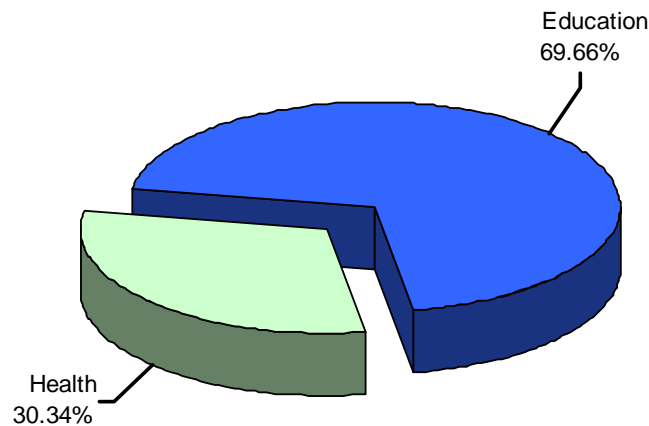
Figure 1.11  
Community Services BE 2011-12



### c) Social Services

These receipts consist of user fees charged on health and education services; the largest component being the education sector (70%). These receipts are largely declining as the Government is aiming to provide health and education services to the common man at a largely subsidized cost. Receipts under this category of non-tax revenue is estimated to be Rs.1,358.261 million.

Figure 1.12  
Social Services BE 2011-12



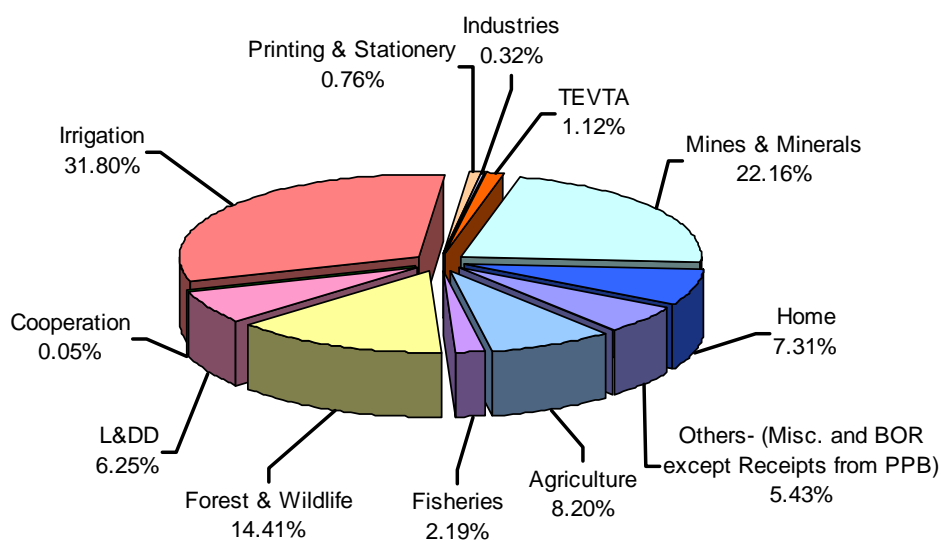
### *Non Tax Revenue – Miscellaneous Receipts*

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 2010-11 of Rs.8,356.487 million, Revised Estimate is to the tune of Rs.15,886.877 million. Increase in Revised Estimate 2010-11 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 2010-11, which has been pitched at Rs. 9,024.407 million. Following is the contribution of different types of Miscellaneous Receipts in the BE 2011-12:

**Figure 1.13**  
**Miscellaneous Receipts BE 2011-12**



Among the Miscellaneous Receipts, the important receipts include receipts from Forest, Wildlife & Fisheries, Irrigation (mainly Abiana) and Mines & Minerals. The revised estimate 2010-11 of all these receipts was above the respective budget estimates. Accordingly, a reasonable growth is expected from these receipts (with the exception of Irrigation Receipts) during the FY 2011-12 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 2010-11 the budgeted target of Rs.12,403.193 million whereas the Revised Estimate 2010-11 is only Rs.3,498.884 million. The major reason for shortfall during FY 2010-11 is sluggishness in the real estate sector due to which auctions of Government property could not materialize as against what was expected while fixing / formulating the budget estimates. Keeping in view the slow pace of privatization, the BE 2011-12 has been rationalized to Rs.4,048.772 million, which includes an estimate of Rs.3,500.000 million through sale of properties by Punjab Privatization Board.

The Government has decided that privatization receipts would only be utilized for development activities in the province.

## 1.2 DEVELOPMENT REVENUE RECEIPTS

Development Revenue Receipts are primarily grants from foreign multilaterals for specific development projects. The RE 2010-11 of Development Revenue Receipt was Rs.188.998 million compared to BE 2010-11 of Rs.677.450 million.

**Table 1.10**  
**Development Revenue Receipt**

(Rs. in Million)

Sr.	Particulars	BE 2010-11	RE 2011-12	BE 2011-12
1	Japanese Grant	45.000	31.500	32.000
2	PPTA for Punjab Cities Improvement Investment Program	-	102.000	-
3	Improvement of Water Supply in Faisalabad (JICA Assisted)	600.000	-	-
4	JICA Punjab Water and Sanitation Academy, Lahore	-	36.000	150.000
5	JICA Retrieval of Sewerage and Drainage for Lahore City	-	6.410	824.000
6	Australia-Optimizing Canal and groundwater Management to assist Water User Association in Maximizing Crop Production and Management Salinisation with Australia Assistance.	15.000	13.088	14.000
7	EU-11723-Access to Justice for Poors, Punjab	-	-	5.000
8	Punjab Municipal Improvement	17.450	-	-
	<b>Total Development Revenue Receipt</b>	<b>677.450</b>	<b>188.998</b>	<b>1,025.000</b>

## 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 2010-11 and FY 2011-12 are presented in Table 1.11 below.

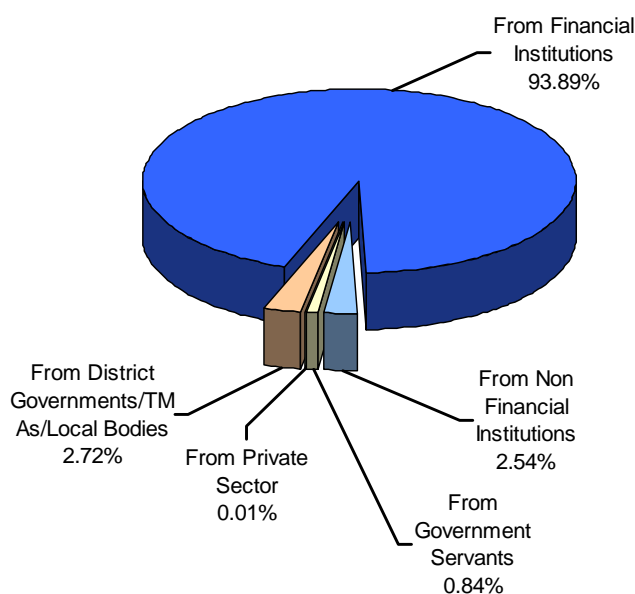


**Table 1.11**  
**Current Capital Receipts**

RECEIPTS	BE 2010-11	RE 2011-12	BE 2011-12
<i>(Rs. in Million)</i>			
<b>a) Recoveries of Loans and Advances</b>	<b>5,637.251</b>	<b>537.699</b>	<b>5,218.758</b>
From District Governments/TMAs/Local Bodies	278.042	257.465	142.171
From Financial Institutions	4,900.000	-	4,900.000
Loans from Financial Institutions (SBP)			
From Non Financial Institutions	408.430	235.860	132.413
From Government Servants	50.000	44.095	43.895
From Private Sector	0.779	0.279	0.279
<b>b) Debt</b>	<b>39,703.934</b>	<b>12,059.336</b>	<b>30,096.434</b>
Permanent Debt-Domestic	0.434	0.035	0.434
Permanent Debt-Direct (Access to Justice Programme)	-	-	-
Floating Debt – Ways & Means Advances	-	-	-
Permanent Debt-Foreign	39,703.500	12,059.301	30,096.000
<b>Account No. I (a) + (b)</b>	<b>45,341.185</b>	<b>12,597.035</b>	<b>35,315.192</b>
Recoveries of Investment-State Trading Schemes	81,585.963	124,787.109	153,588.970
Cash Credit Accommodation	95,122.432	111,120.046	97,721.004
<b>Account No. II</b>	<b>176,708.395</b>	<b>235,907.155</b>	<b>251,309.974</b>
<b>Total Current Capital Receipts (I &amp; II)</b>	<b>222,049.580</b>	<b>248,504.190</b>	<b>286,625.166</b>

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 201-12**



**a) Recoveries of Loans and Advances**

In this category Rs.5,218.758 million are estimated to be received in FY 2011-12. It includes an amount of Rs.4,900.000 million which will be recovered from Bank of the Punjab on

completion of the 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.

***b) Permanent Debt - Account No. I***

Direct debt and loans borrowed from or through the Federal Government comprising domestic and foreign loans comprise the permanent debt of the provincial government. Direct debt includes market loans and loans raised by floating bonds and securities. Market loans are generally long-term loans borrowed from the general public and financial institutions. B.E. 2011-12 for the permanent debt-foreign has been estimated at Rs.30,096.434 million. During FY 2010-11, the inflow of Current Capital Receipts received a severe setback 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 2010-11, 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. 2010-11	R.E. 2010-11	B.E. 2011-12
1	Punjab Government Efficiency Improvement Program (ADB)	12,975.000	0.000	8,800.000
3	Punjab Education Sector Reform Program	9,428.500	12,059.301	12,496.000
4	Punjab MDG Attainment Programme (ADB)	12,975.000	0.000	8,800.000
5	Development Policy Loan for Large Cities.	4,325.000	0.000	0.000
	<b>Total</b>	<b>39,703.500</b>	<b>12,059.301</b>	<b>30,096.000</b>

***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 2010-11 of 'Recoveries of Investment-State Trading Schemes' was Rs.124,787.109 million compared to BE 2010-11 of Rs. 81,585.963 million on account of more than targeted sale of wheat during the financial year as a result of Government's decision to export surplus wheat.

#### 1.4 DEVELOPMENT CAPITAL RECEIPTS

Development Capital Receipts mainly 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 2011-12 for Development Capital Receipts is Rs.18,610.000 million compared to Budget Estimates 2010-11 of Rs. 12,597.000 million and RE 2010-11 of Rs.5,462.396 million.

**Table 1.13**  
**Development Capital Receipts**

*(Rs. in Million)*

DEVELOPMENT CAPITAL RECEIPTS	B.E. 2010-11	R.E. 2010-11	B.E. 2011-12
Domestic Debt	-	-	-
Foreign Debt	12,597.000	5,462.396	18,610.000
<b>Total</b>	<b>12,597.000</b>	<b>5,462.396</b>	<b>18,610.000</b>

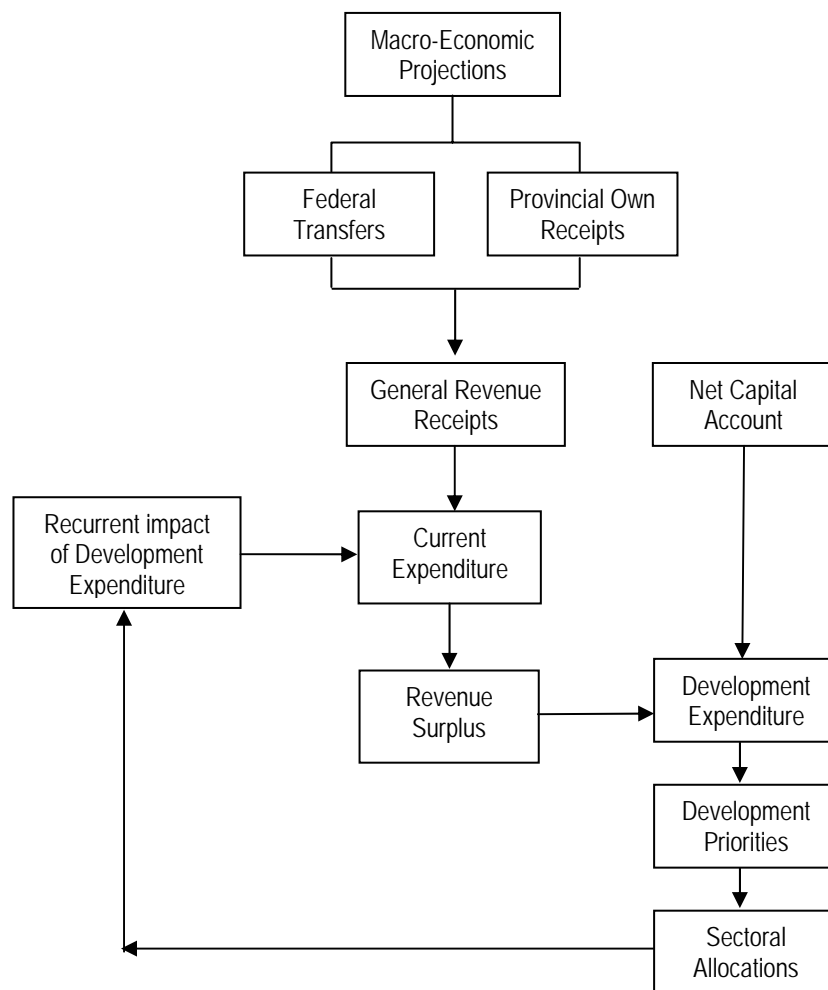
## CHAPTER 2

# ESTIMATES OF EXPENDITURE

## 2.1 FRAMEWORK

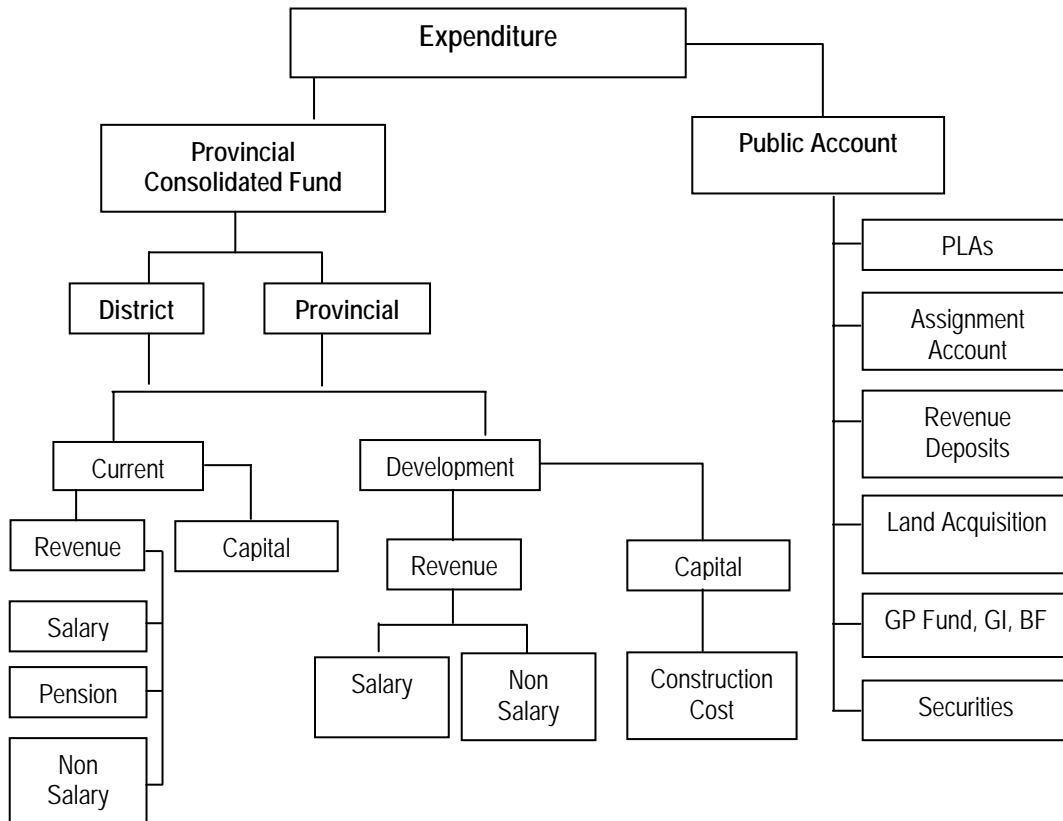
Before dilating upon the functional classification of the expenditures, it is appropriate that the framework in which the budget estimates are being formulated is also presented. The budgetary framework shown below reflects the components and the context in which the receipts and expenditures are derived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

**Figure 2.1**  
**Budgetary Framework**



Overall expenditures of the government is 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. The expenditures under this head 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 2011-12, total financial outlay of the government has been estimated at Rs. 654,749.818 million. Out of this, allocations of Rs. 220,000.000 million for Annual Development Programme in FY 2011-12 have been proposed against ADP allocation of Rs. 193,500.000 million in FY 2010-11 showing an increase of 13.7%. For current expenditure, budget estimates for FY 2011-12 have been pitched at Rs. 434,749.818 million against budget estimates of Rs. 386,786.957 million in FY 2010-11 representing an increase of 12.4%. Despite persistent inflationary trends, increase in salary and allowances of the employees of the government and adequate allocations for maintenance and repair of roads, increase in development spending would be more in percentage terms in comparison with increase in current expenditure. This is in conformity with the development vision of the present government where allocations of development budget are protected through austerity measures, freezing non development expenditures in non productive areas and curbing wasteful expenditure.

Table 2.1 reflects the allocations for Current Revenue Expenditure and Development Expenditure of Punjab Government for the year 2010-11 and 2011-12.

**Table 2.1**  
**Current and Development Expenditure**

(Rs. in million)		
CLASSIFICATION	BE 2010-11	BE 2011-12
<b>A. CURRENT</b>	<b>386,786.957</b>	<b>434,749.818</b>
General Public Services (including transfers to Local Governments)	222,145.898	245,735.165
Public Order & Safety Affairs	63,017.082	69,244.576
Economic Affairs	44,888.796	61,600.671
Environment Protection	47.025	58.251
Housing and Community Amenities	3,501.843	2,639.981
Health	21,999.629	25,484.686
Recreational, Culture and Religion	880.821	1,022.538
Education Affairs & Services	28,885.359	27,141.130
Social Protection	1,420.504	1,822.820
<b>B. DEVELOPMENT</b>	<b>193,500.000</b>	<b>220,000.000</b>
ADP including operational shortfall	182,000.000	188,000.000
Below the line / Financing Items	11,500.000	32,000.000
<b>TOTAL EXPENDITURE (A+B)</b>	<b>580,286.957</b>	<b>654,749.818</b>

In the last few years, the allocations for development budget in percentage terms have increased vis-à-vis non development budget which augurs well for socio-economic development of

the province. Table 2.2 shows the shares of current and development budget in the overall financial outlay of the Government of Punjab.

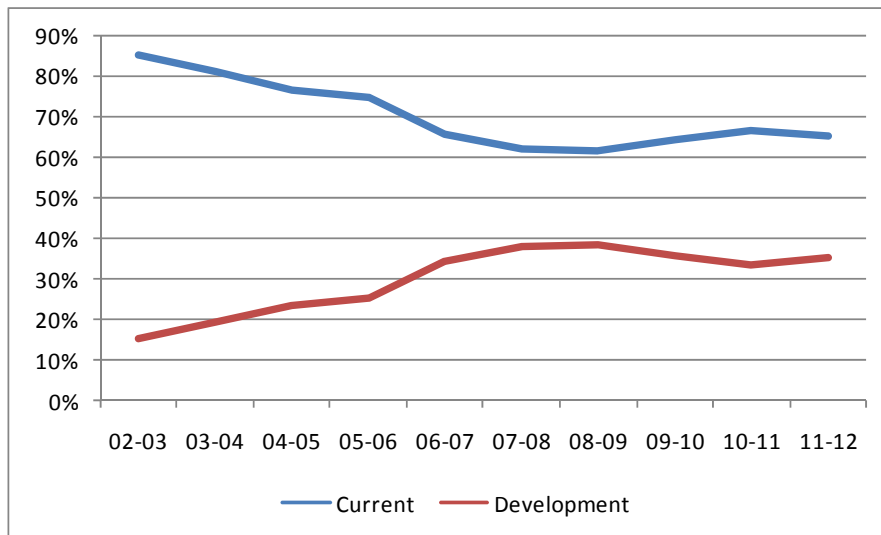
**Table 2.2**  
**Share of Current and Development Expenditure in the Overall Financial Outlay**

*(Rs. in billion)*

Year	Current	%	Development	%	Total
2002-03	117.100	85%	20.750	15%	137.850
2003-04	129.195	81%	30.500	19%	159.695
2004-05	141.884	77%	43.440	23%	185.324
2005-06	157.528	75%	53.000	25%	210.528
2006-07	191.378	66%	100.000	34%	291.378
2007-08	243.487	62%	150.000	38%	393.487
2008-09	256.949	62%	160.000	38%	416.949
2009-10	314.873	64%	175.000	36%	489.873
2010-11	386.786	67%	193.500	33%	580.286
2011-12	434.749	66%	220.000	34%	654.749

Figure 2.3 shows the trend of current and development expenditure in the overall financial outlay of the Government of Punjab from 2002-03 to 2011-12.

**Figure 2.3**  
**Current and Development Expenditure**



Trend of the allocations for current and development expenditure in last ten years suggests that the allocations for the current expenditure have decreased from 85% in FY 2002-03 to 66% in FY 2011-12 whereas the allocations for development budget have increased from 15% in FY 2002-03 to 34% in FY 2011-12.



## 2.2 CURRENT REVENUE EXPENDITURE

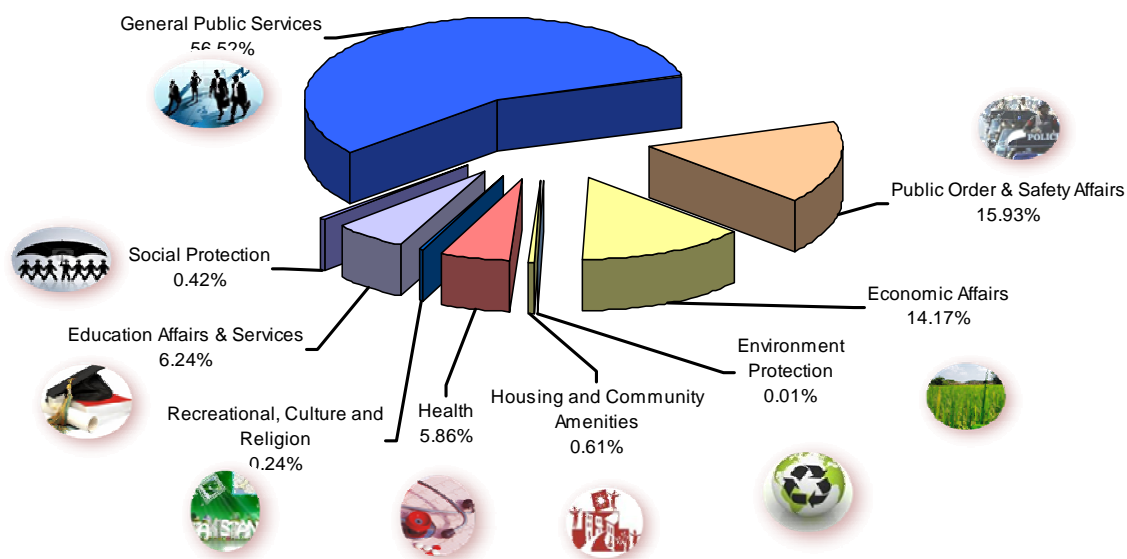
Table 2.3 summarises the Budget Estimates and Revised Estimates of Current Revenue Expenditure for FY 2010-11 along with Budget Estimates for FY 2011-12.

**Table 2.3**  
**Current Revenue Expenditure**

CURRENT REVENUE EXPENDITURES	BE 2010-11	RE 2010-11	BE 2011-12
General Public Services (including transfers to Local Governments)	222,145.898	216,461.489	245,735.165
Public Order & Safety Affairs	63,017.082	64,775.089	69,244.576
Economic Affairs	44,888.796	42,448.741	61,600.671
Environment Protection	47.025	59.417	58.251
Housing and Community Amenities	3,501.843	2,003.853	2,639.981
Health	21,999.629	21,870.287	25,484.686
Recreational, Culture and Religion	880.821	1,004.316	1,022.538
Education Affairs & Services	28,885.359	28,301.085	27,141.130
Social Protection	1,420.504	10,650.959	1,822.820
<b>Total Revenue Expenditure</b>	<b>386,786.957</b>	<b>387,575.236</b>	<b>434,749.818</b>

Current Revenue Expenditure budgeted for FY 2011-12 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 2011-12.

**Table 2.4**  
**Trends in Current Revenue Expenditure (Function Wise)**

(Rs. in Million)

FUNCTION	Actual 2006-07	Actual 2007-08	Actual 2008-09	Actual 2009-10	RE 2010-11	BE 2011-12
General Public Services	134,076.6	144,503.3	150,136.4	181,765.2	216,461.5	245,735.2
Public Order & Safety Affairs	31,261.4	36,312.8	46,425.4	58,768.4	64,775.1	69,244.6
Economic Affairs	16,417.1	17,437.8	34,713.5	23,686.5	42,448.7	61,600.7
Environment Protection	29.9	30.9	37.6	42.0	59.4	58.3
Housing and Community Amenities	826.5	1,222.2	1,574.6	1,534.6	2,003.9	2,640.0
Health	9,011.4	9,623.7	15,299.0	17,945.5	21,870.3	25,484.7
Recreational, Culture and Religion	1,006.0	2,797.4	1,093.9	998.5	1,004.3	1,022.5
Education Affairs & Services	11,857.6	11,834.5	25,475.9	20,296.7	28,301.1	27,141.1
Social Protection	1,351.2	2,398.2	1,767.4	1,584.5	10,651.0	1,822.8
<b>Total Revenue Expenditure</b>	<b>205,837.7</b>	<b>226,160.8</b>	<b>276,523.7</b>	<b>306,621.9</b>	<b>387,575.2</b>	<b>434,749.8</b>

### 2.2.2 Salient Features of the Allocations for different Departments / Functions for FY 2011-12

Outlay of current expenditure for FY 2011-12 is estimated at Rs. 434,749.818 million against the Budget Estimates of Rs. 386,786.957 million for FY 2010-11 which shows an increase of 12.4%. This is less than percentage increase of 13.7% in the development budget for FY 2011-12 which is estimated at Rs. 220,000.000 million. As a principle, allocations in the current budget are frozen at the level of the Budget Estimates of 2010-11. However, in certain cases increase in the allocations for the FY 2011-12 has been proposed after thorough analysis of the demands in different objects / sectors.

Broadly, allocations in the current budget for FY 2011-12 have been made on the following principles / parameters:

- Impact of normal increment + 15% increase in pay for civil employees of Government of Punjab.
- Provision of Conveyance Allowance to the civil employees at the enhanced rate of 25% in BS-1 to 15 and admissibility of the Conveyance Allowance to the civil employees in FY 2011-12 irrespective of their place of duty.
- Recurring cost of transfer of development programs to non development budget after the completion of schemes.
- Impact of Rs. 5.2 billion on account of announcement of Chief Minister's Package for Medical Professionals.
- Sanctioning of posts in social sector development initiatives under current budget (approximately 10,000 posts in the Education and Health Sector have been created in FY 2010-11).

- Cost of devolution of Ministries transferred to provinces as a consequence of 18th constitutional amendment.
- In the last few years, there has been sub optimal allocation / investments under M&R Grants. 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 especially roads have been made.
- Allocation of Rs. 30.0 billion for pro-poor initiatives i.e. Ramzan package, public transport and wheat subsidy have been made in FY 2011-12.
- Allocations under utilities and POL were frozen since 1<sup>st</sup> July, 2009 onwards. 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 2011-12 have been made commensurate with this increase.
- While the overall bifurcation into “Provincial Retained Amount” and “Provincial Allocable Amount” has been based on the PFC formula, allocations in FY 2011-12 has been made in accordance with the actual expenditure needs of local governments in FY 2010-11 pending constitution of new PFC for local governments. As Primary Healthcare and School Education is a devolved function, employee’s related expense of these sectors over a period of time has grown substantially. Allocations to Local Governments would be made in FY 2011-12 at a significantly higher level as the budget estimates of Local Governments were under pitched in FY 2010-11.
- Allocation of Rs. 6.3 billion has been made in FY 2011-12 for provision of free medicines in public sector hospitals (Rs. 5.0 billion) and dietary charges for prisoners in the jails of Punjab (Rs. 1.3 billion).
- Under the Punjab Education Sector Reform Project, a provision of Rs. 4.7 billion 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 2010-11 and FY 2011-12 under important functions / sectors is explained as under:-

- i) An allocation of Rs. 30,000.000 million has been made for subsidies and pro-poor initiatives in financial year 2011-12 against the budget estimates of Rs. 21,000.000 million in FY 2010-11.
- ii) Transfers to Local Governments have been budgeted at Rs. 169,788.730 million in FY 2011-12 against Rs. 151,671.730 million in FY 2010-11. In this way, an additional sum of Rs. 18,117.000 million has been provided for Local Governments in FY2011-12.

- iii) Allocations for the Health Department have increased from Rs. 21,999.629 million in FY 2010-11 to Rs. 25,484.686 million in FY 2011-12 representing an increase of 16% over the budget estimates of FY 2010-11.
- iv) Expenditure on the Education Sector has been estimated at Rs. 27,141.130 million in FY 2011-12 against Budget Estimates of Rs. 28,885.359 in FY 2010-11 showing a decrease of 6%. This is primarily attributable to the fact that allocations of Punjab Education Foundation of Rs. 6,000.000 billion and of Punjab Education Endowment of Rs. 2,000.000 billion are shown as separate financing item under development budget in FY 2011-12 against the allocation of the same in current budget for FY2010-11.
- v) The expenditure on Pension is pitched at Rs. 40,535.247 million in FY 2011-12 against a provision of Rs. 27,990.494 million in FY 2010-11. This is primarily attributable to 15% - 20% increase in pension in the Federal Budget for 2011-12.
- vi) Expenditure on account of Public Order and Safety Affairs has been estimated at Rs. 68,244.576 million in FY 2011-12 against an allocation of Rs. 63,017.082 million in FY 2010-11 showing an increase of 8% in comparison with the FY 2010-11.

### 2.2.3 General Public Services

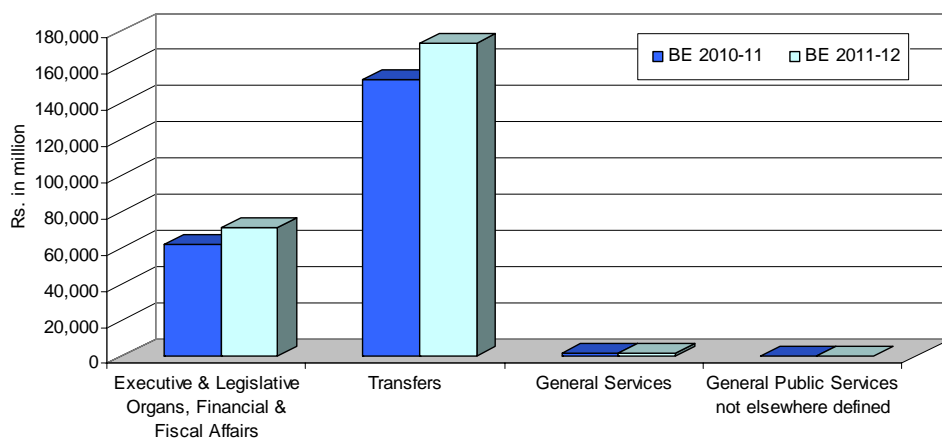
Expenditures on executive and legislative organs, financial and fiscal affairs are classified under this category. Further, transfers to local governments under the PFC Award, 2006, are also included in this category of expense. In the budget estimates for FY 2011-12, an allocation of Rs. 169,788.730 million has been made for District Governments against an amount of Rs. 151,671.730 representing an increase of 11.9% over the allocations in FY 2010-11.

The allocations on this account including the transfers to Local Governments are shown in Table 2.5 and 2.6 below:

**Table 2.5**  
**General Public Services**

<i>(Rs. in Million)</i>			
General Public Services	BE 2010-11	RE 2010-11	BE 2011-12
Executive & Legislative Organs, Financial & Fiscal Affairs	68,824.177	62,060.675	71,417.251
Transfers	152,064.988	152,681.353	172,730.162
General Services	1,254.880	1,717.608	1,585.899
General Public Services not elsewhere defined	1.853	1.853	1.853
<b>Total</b>	<b>222,145.898</b>	<b>216,461.489</b>	<b>245,735.165</b>

**Figure 2.5**  
**General Public Services**



**Table 2.6**  
**Transfers to Local Governments (Current)**

(Rs. in Million)

TRANSFERS (INTER-GOVERNMENTAL)	BE 2010-11	RE 2010-11	BE 2011-12
To District Government	131,653.000	133,928.251	148,000.000
To TMAs	13,800.00	10,440.000	15,570.000
To Union Administration	5,018.730	5,018.730	5,018.730
Cantonment Boards	1,200.000	1,200.000	1,200.000
<b>Total</b>	<b>151,671.730</b>	<b>150,586.981</b>	<b>169,788.730</b>

#### 2.2.4 Public Order and Safety Affairs

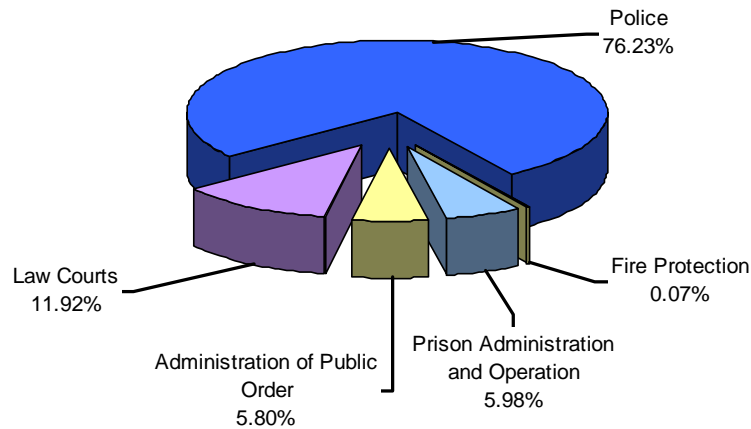
Expenditures on courts of law, police, prisons, relief and crisis management including fire protection, anticorruption establishment / economic crimes, and civil defence are included under this head. The allocation for Police has been increased from Rs. 49,714.118 million in 2010-11 to Rs. 52,788.270 million in 2011-12. In this way, an additional allocation of Rs. 3,074.152 million has been provided to Police which represents an increase of 6.2% over Budget Estimates of FY 2010-11. The allocation for Law Courts and Prisons Administration Department has also been increased by 4.5% and 8.4% respectively in comparison with the budget estimates of 2010-11. These increases depict the present government's commitment and resolve for provision of justice and better law and order situation to protect its citizens from the ongoing terrorist activities.

**Table 2.7**  
**Public Order and Safety Affairs**

*(Rs. in Million)*

PUBLIC ORDER AND SAFETY AFFAIRS	BE 2010-11	RE 2010-11	BE 2011-12
Law Courts	6,942.245	6,507.048	8,253.714
Police	49,714.118	52,000.419	52,788.270
Fire Protection	35.458	39.498	45.965
Prison Administration and Operation	3,823.996	3,972.828	4,143.587
Administration of Public Order	2,501.265	2,255.296	4,013.040
<b>PUBLIC ORDER AND SAFETY AFFAIRS</b>	<b>63,017.082</b>	<b>64,775.089</b>	<b>69,244.576</b>

**Figure 2.6**  
**Public Order and Safety Affairs BE 2011-12**



### 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.

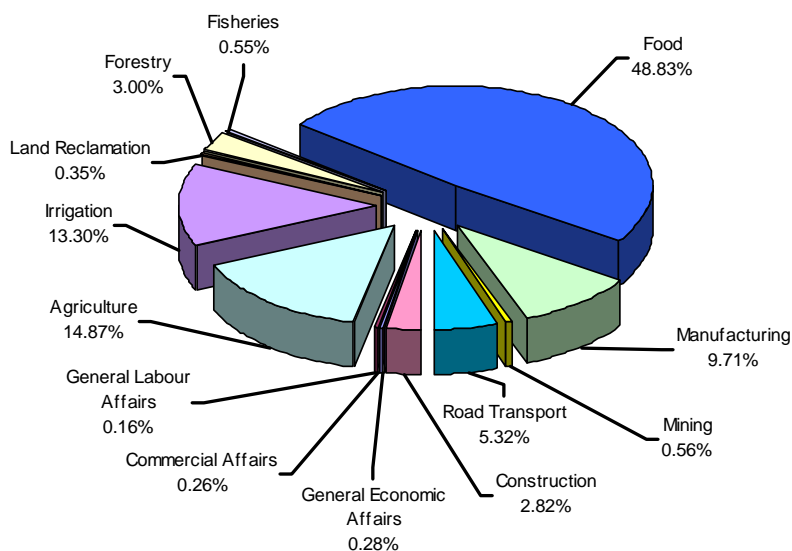
**Table 2.8**  
**Economic Affairs**

(Rs. in Million)

ECONOMIC AFFAIRS	BE 2010-11	RE 2010-11	BE 2011-12
<b>General Economic, Commercial &amp; Labour Affairs</b>	<b>291.862</b>	<b>270.080</b>	<b>426.662</b>
General Economic Affairs	49.194	59.078	172.550
Commercial Affairs	161.944	127.797	157.328
General Labour Affairs	80.724	83.205	96.784
<b>Agriculture, Food, Irrigation, Forestry &amp; Fishing</b>	<b>35,980.845</b>	<b>30,401.986</b>	<b>49,839.774</b>
Agriculture	6,464.119	7,001.180	9,160.935
Irrigation	6,522.953	8,012.249	8,192.441
Land Reclamation	203.594	182.514	216.481
Forestry	1,460.990	1,801.116	1,850.098
Fishing	262.587	331.804	339.285
Food	21,066.602	13,073.123	30,080.534
<b>Mining and Manufacturing</b>	<b>5,658.404</b>	<b>6,076.338</b>	<b>6,322.541</b>
Manufacturing	5,374.056	5,786.753	5,979.297
Mining	284.348	289.585	343.244
<b>Construction and Transport</b>	<b>2,935.074</b>	<b>5,690.469</b>	<b>5,011.694</b>
Road Transport	1,510.397	3,465.771	3,276.181
Construction (Works)	1,424.677	2,224.698	1,735.513
<b>Other Industries</b>	<b>22.611</b>	<b>9.868</b>	<b>--</b>
Subsidies	22.611	9,868	--
<b>Grand Total</b>	<b>44,888.796</b>	<b>42,448.741</b>	<b>61,600.671</b>

The budget allocation for Economic Affairs for FY 2011-12 is Rs. 61,600.671 million as against the budget estimates of Rs. 44,888.796 million for FY 2010-11 which caters for not only 50% increase in salary announced in FY 2010-11 but also 15% increase in salary and provision of conveyance allowance @25% of the salary announced in FY 2011-12.

**Figure 2.7**  
**Economic Affairs Expenditure, BE 2011-12**



### 2.2.6 Housing and Community Amenities

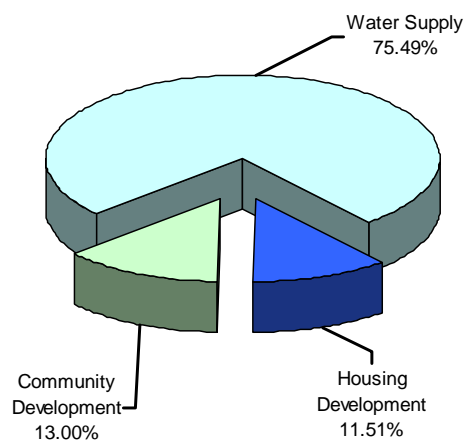
The details of expenditure on Housing and Community Amenities are provided in Table below:

**Table 2.9**  
**Housing and Community Amenities**

*(Rs. in Million)*

HOUSING AND COMMUNITY AMENITIES	BE 2010-11	RE 2010-11	BE 2011-12
Housing Development	1,329.498	261.054	303.852
Community Development	819.100	328.628	343.091
Water Supply	1,353.245	1,414.171	1,993.038
<b>Total</b>	<b>3,501.843</b>	<b>2,003.853</b>	<b>2,639.981</b>

**Figure 2.8**  
**Housing and Community Amenities BE 2011-12**



### 3.2.7 Health Services

Health services include Hospital Services, Public Health Services (laboratories and health related population welfare activities), and Health Administration. The details of current expenditure on the Health sector are shown in Table 2.10. The major allocations are for Hospital Services which include current expenditures on autonomous medical institutions. The allocation for major Teaching/Tertiary Care Hospitals has been increased to Rs. 23,535.538 million in FY 2011-12 as against Rs. 20,135.792 million in FY 2010-11. 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. 3,399.746 million has been adopted in FY 2011-12 in comparison with the budget estimates of FY 2010-11.

In addition to the allocations mentioned above, an amount of Rs. 8,500.000 million has been made available in FY 2011-12 under Punjab Millennium Development Goals Program in the



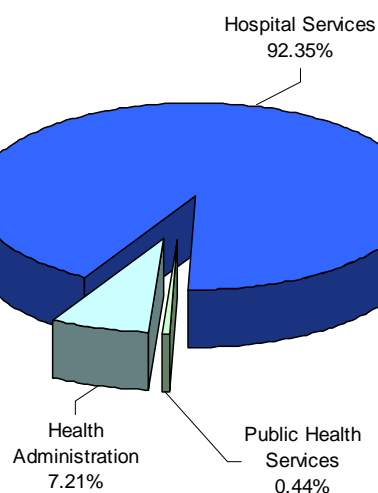
development budget of financial year 2011-12 as a separate item. PMDGP is designed to address the binding constraints in the Health Sector. Government of Punjab has implemented the first phase of these reforms under sub program-I. Sub program-II will continue to support policy actions in three core policy areas namely; improving availability and quality of primary and secondary health services; better management of health service delivery and sustainable pro-poor healthcare financing.

**Table 2.10**  
**Health Services**

*(Rs. in Million)*

HEALTH	BE 2010-11	RE 2010-11	BE 2011-12
Hospital Services	20,135.792	19,490.185	23,535.538
Public Health Services	74.103	93.265	111.995
Health Administration	1,789.734	2,286.837	1,837.153
<b>Total</b>	<b>21,999.629</b>	<b>21,870.287</b>	<b>25,484.686</b>

**Figure 2.9**  
**Health Services BE 2011-12**



### 3.2.8 Recreational, Culture and Religion Services

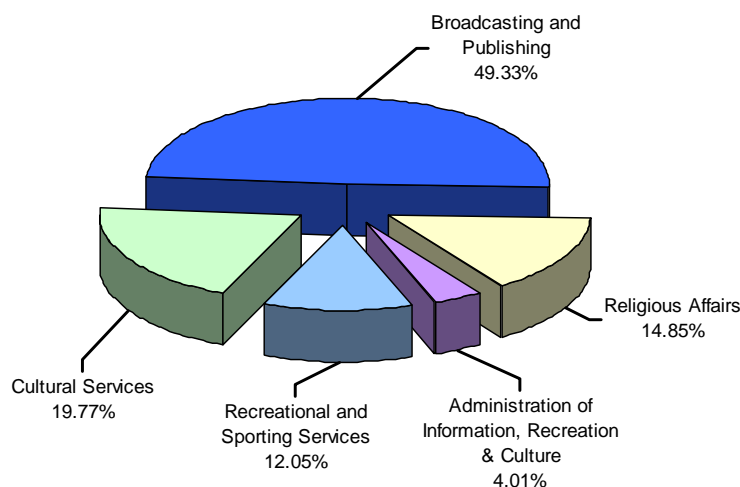
'Recreational, Culture and Religion' constitutes only 0.24% of the Current Revenue Expenditure. Table 2.11 shows the break up of different services under this functional classification and their allocations for financial year 2011-12 along with budget estimates of 2010-11 and Revised Estimates for FY 2010-11.

**Table 2.11**  
**Recreational, Culture and Religion**

	<i>(Rs. in Million)</i>		
RECREATIONAL, CULTURE AND RELIGION	BE 2010-11	RE 2010-11	BE 2011-12
Recreational and Sporting Services	124.724	155.292	123.170
Cultural Services	229.284	249.708	202.202
Broadcasting and Publishing	377.277	436.485	504.367
Religious Affairs	125.922	130.110	151.827
Administration of Information, Recreation & Culture	23.614	32.721	40.972
<b>Total</b>	<b>880.821</b>	<b>1,004.316</b>	<b>1,022.538</b>

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 2010-11.

**Figure 2.10**  
**Recreational, Culture and Religion BE 2011-12**



### 3.2.9 Education Affairs and Services

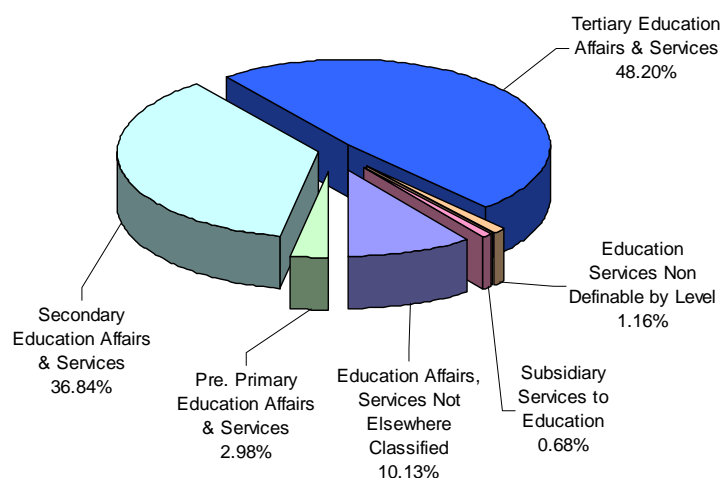
Education sector continues to be the priority sector in the overall policy framework of the government. Accordingly, against an allocation of Rs. 28,885.359 million in FY 2010-11, the estimates for FY 2011-12 are pitched at Rs. 27,140.630 million showing a decrease of 6%. However, the initiatives in the Education Sector such as Daanish School, allocations for Punjab Education Foundation and Punjab Education Endowment Fund to the tune of Rs. 11,000.000 million are being shown as separate financing items under development budget. As such, the allocation in this sector has actually been enhanced. The allocations in the sector are tabulated below:

**Table 2.12**  
**Education Affairs and Services**

*(Rs. in Million)*

EDUCATION AFFAIRS & SERVICES	BE 2010-11	RE 2010-11	BE 2011-12
Pre. Primary Education Affairs & Services	451.629	650.409	808.876
Secondary Education Affairs & Services	13,309.549	12,792.372	9,998.527
Tertiary Education Affairs & Services	14,853.252	14,445.821	13,082.686
Education Services Non Definable by Level	122.081	132.267	315.177
Subsidiary Services to Education	135.376	228.239	185.512
Education Affairs, Services Not Elsewhere Classified	13.472	51.977	2,750.352
<b>Total</b>	<b>28,885.359</b>	<b>28,301.085</b>	<b>27,141.130</b>

**Figure 2.11**  
**Education Affairs & Services BE 2011-12**



### 2.3 DEBT MANAGEMENT AND ALLOCATIONS FOR PENSIONS

Budget Estimates under this functional classification for the FY 2011-12 are pitched at Rs. 59,402.545 million against the provision of Rs. 49,184.980 million in FY 2010-11. 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. 18,867.298 million has been provided against the budget estimates of Rs. 21,284.980 million in FY 2010-11. Decrease on this account is primarily attributable to reduction in the amount of blocked account payable to State Bank of Pakistan. The estimates of expenditure on Pension during FY 2011-12 have been pitched at Rs. 40,535.247 million compared to Rs. 27,990.494 million in the last financial year, thereby, showing an increase of 44.8%. The higher allocation for Pension has been made on the basis of the projected expenditure for the FY 2011-12 and increase in the Pension @15 to 20% announced in the Federal Budget for the year 2011-12. The itemized allocations on this account are shown in Table 2.13.

**Table 2.13**  
**Debt Management and Pensions**

*(Rs. in Million)*

EXPENDITURE	BE 2010-11	RE 2010-11	BE 2011-12
Debt Management (Interest Payment)	21,284.980	21,596.998	18,867.298
<i>Domestic Debt*</i>	<i>15,073.865</i>	<i>13,677.398</i>	<i>11,455.055</i>
<i>Domestic Debt (General Provident Fund)</i>	<i>2,389.076</i>	<i>3,526.782</i>	<i>3,526.782</i>
<i>Foreign Loans</i>	<i>3,822.039</i>	<i>4,392.818</i>	<i>3,885.461</i>
Pensions	27,900.000	35,703.856	40,496.215
<b>Total</b>	<b>49,184.980</b>	<b>57,300.854</b>	<b>59,363.513</b>

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

## 2.4 CURRENT CAPITAL EXPENDITURE

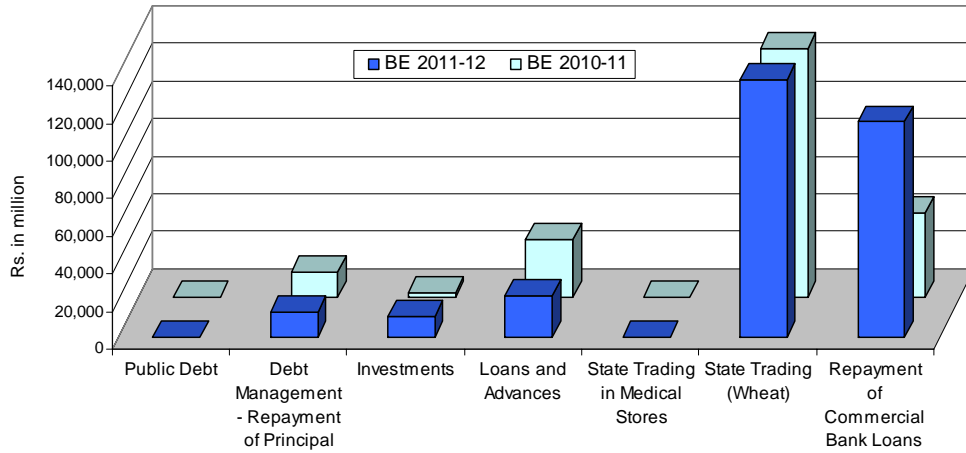
The details of the current capital expenditures are shown in Table 2.14.

**Table 2.14**  
**Current Capital Expenditure**

*(Rs. in Million)*

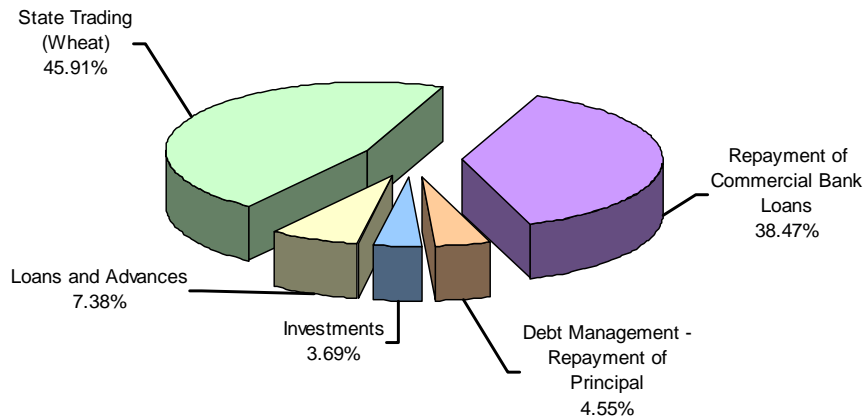
CURRENT CAPITAL EXPENDITURES	BE 2010-11	RE 2010-11	BE 2011-12
<b>Public Debt</b>	<b>0.434</b>	<b>0.035</b>	<b>0.434</b>
Permanent Debt (Market Loan)	0.434	0.035	0.434
Floating Debt (Ways and Means Advances)	--	--	--
Blocked Account	--	--	--
<b>Debt Management - Repayment of Principal</b>	<b>13,118.776</b>	<b>13,044.277</b>	<b>13,545.785</b>
Domestic Debt Federal Government (CDL)	4,506.594	4,506.594	4,489.838
Foreign Debt	8,612.182	8,537.683	8,955.947
Blocked Allocation for Exchange Risk Cover	--	--	100.000
<b>Investments</b>	<b>2,000.000</b>	<b>--</b>	<b>11,000.000</b>
Capitalization of Pension Fund	2,000.000	--	11,000.000
<b>Loans and Advances</b>	<b>30,531.739</b>	<b>22,424.456</b>	<b>29,987.166</b>
Loan to Bank of Punjab for its recapitalization	6,175.000	1,231.250	6,175.000
Transfer to Financial Institutions to retire the debt liability of PPCBL	5,000.000	5,267.558	2,194.500
Principal repayment of blocked account	12,725.000	12,725.028	12,725.028
Loans to other Non Financial Institutions	6,531.739	3,200.620	8,792.638
Government Servants	100.000	--	100.000
Loans to Cultivators	--	--	--
<b>State Trading in Medical Stores</b>	<b>18.804</b>	<b>20.917</b>	<b>24.381</b>
<b>Total Account No. I</b>	<b>45,669.753</b>	<b>35,489.685</b>	<b>54,557.766</b>
<b>Public Debt Account No. II</b>	<b>176,708.395</b>	<b>235,907.155</b>	<b>251,309.974</b>
State Trading (Wheat)	132,173.592	130,078.891	136,733.644
Repayment of Commercial Bank Loans	44,534.803	105,828.264	114,576.330
<b>Total Current Capital Expenditure</b>	<b>222,378.148</b>	<b>271,396.840</b>	<b>305,867.740</b>

**Figure 2.12**  
Current Capital Expenditure FY 2011-12 vs. FY 2010-11



The Current Capital Expenditure in Account No.II increased in financial year 2011-12 on account of repayment of commercial bank loans and state trading/procurement of wheat secured for record commodity operations in 2009-10 in view of bumper crop in that procurement season. Resultantly, there is an increase in the liability of the outstanding loan. Government of Punjab intends to discharge the outstanding liability of subsidy in FY 2011-12 besides requesting Federal Government to clear the outstanding dues to be picked by the Federal Government against the strategic reserve being maintained by Food Department on behalf of the Federal Government.

**Figure 2.13**  
Current Capital Expenditure BE 2011-12



## 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 and Revised Estimates for FY 2010-11 and Budget Estimates for FY 2011-12 of the Public Account's inflows and outflows and their net effect.

**Table 3.1**  
**Public Account**

*(Rs. in Million)*

RECEIPTS AND DISBURSEMENTS	BE 2010-11	RE 2010-11	BE 2011-12
<b>A: RECEIPTS</b>	<b>257,094.980</b>	<b>(1,631,226.342)</b>	<b>(1,627,226.342)</b>
<b>Assets</b>	<b>75.958</b>	<b>(1,074,626.387)</b>	<b>(1,074,626.387)</b>
Cash and Bank Balances	71.321	(1,072,399.682)	(1,072,399.682)
Receivable	4.637	(2,183.174)	(2,183.174)
Other Assets	--	(43.531)	(43.531)
<b>Deposits and Reserves</b>	<b>257,019.022</b>	<b>(556,599.955)</b>	<b>(552,599.955)</b>
Other Liabilities	4,239.000	(264,510.469)	(264,510.469)
Control Account	3,684.960	(90,298.032)	(90,298.032)
Trust Account Fund	13,448.595	(10,012.842)	(10,012.842)
Trust Accounts-others	159,470.069	(123,821.074)	(123,821.074)
Special Deposit - Investments	73,618.572	(65,064.496)	(65,064.496)
Special Deposit Fund	2,557.826	(2,893.042)	1,106.958
<b>B: DISBURSEMENTS</b>	<b>260,135.599</b>	<b>1,630,296.554</b>	<b>1,626,909.637</b>
<b>Current Assets</b>	<b>85.602</b>	<b>1,019,379.129</b>	<b>1,019,379.129</b>
Cash and Bank Balances	74.176	1,016,840.741	1,016,840.740
Receivables	11.426	2,538.388	2,538.389
<b>Liability</b>	<b>260,049.997</b>	<b>610,917.425</b>	<b>607,530.508</b>
Current / Other Liabilities *	7,622.424	222,315.279	222,315.279
Control Account	442.815	92,349.824	92,349.824
Trust Account Fund	10,550.003	11,573.113	11,573.113
Trust Account Others	157,557.204	189,945.862	189,945.862
Special Deposit - Investments	82,879.362	92,161.383	88,774.467
Special Deposit Fund	998.189	2,571.964	2,571.963
<b>Net Public Account (A-B)</b>	<b>(3,040.600)</b>	<b>(929.788)</b>	<b>(316.705)</b>

\* 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 99.9% 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, Public 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.

**Table 3.2**  
**Trust Account – Fund**

*(Rs. in Million)*

TRUST ACCOUNT – FUND	BE 2010-11	RE 2010-11	BE 2011-12
<b>A: Receipts</b>	<b>13,448.595</b>	<b>(10,012.842)</b>	<b>(10,012.842)</b>
Provident Fund	11,000.000	(5,864.604)	(5,864.604)
Benevolent Fund	1,610.595	(1,920.955)	(1,920.955)
Welfare Fund	--	(628.102)	(628.102)
Insurance Fund	838.000	(1,599.181)	(1,599.181)
<b>B: Disbursements</b>	<b>10,550.003</b>	<b>11,573.113</b>	<b>11,573.113</b>
Provident Fund	8,400.000	8,078.809	8,078.809
Benevolent Fund	1,831.000	1,601.689	1,601.689
Welfare Fund	315.415	280.673	280.673
Insurance Fund	3.588	1,611.942	1,611.942
<b>Net Trust Account Fund (A-B)</b>	<b>2,898.592</b>	<b>(1,560.271)</b>	<b>(1,560.271)</b>

### 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 2011-12, the Public Account is expected to exhibit a negative balance of Rs. 316.705 million. The policy of using Public Account funds as financing for budgetary expenditures has been abandoned.



## CHAPTER 4

### MEDIUM TERM DEVELOPMENT FRAMEWORK 2011-14 AND DEVELOPMENT PROGRAMME 2011-12

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 2011-12, it will be appropriate to take stock of ADP performance during the last fiscal year, closing on 30<sup>th</sup> June, 2011. The Provincial Government and P&D Department had to confront and overcome a number of formidable and unanticipated challenges in the implementation of ADP 2010-11.

The first and foremost challenge was posed by unprecedented floods, which devastated the province and rest of the country during the early part of last fiscal year. In addition to human misery and sufferings, massive damage was caused to provincial infrastructure and public service delivery outfits, particularly in the southern districts of the Punjab. To meet pressing needs of the affected population and with no expectation of any urgent resource-inflow from other sources, the provincial ADP funds were redirected and redeployed by the Provincial Government to undertake massive relief, recovery and rehabilitation operations. This not only reduced the resource availability for new and on-going ADP projects but also delayed their implementation especially in flood affected districts, which were immersed in flood waters for months.

The second challenge faced during the course of implementation of ADP 2010-11 has pertained to narrowing of fiscal space available to the province due to short fall in projected federal transfers and increase in salaries of government employees. Expectations for additional resource inflow to the provinces in the aftermath of 7<sup>th</sup> NFC Award have unfortunately not materialized.

As a result of these developments, the size of ADP 2010-11 had to be progressively reviewed and curtailed to keep the provincial expenditure in line with the resource availability. The provincial ADP, thus had to be scaled down to Rs.128 billion. The utilization of ADP funds during the first half of fiscal year also remained slow. It picked up in the second half and is expected to be around Rs.105 billion by the end of the year.

While the aforementioned challenges brought about rationalization of ADP, many notable milestones were crossed during the year. Repair and rehabilitation of damaged infrastructure in the flood affected districts was promptly executed, overwhelmingly with provincial resources and little federal or direct external assistance. Despite the ravages of floods, a number of new projects in the social and infrastructure sectors were implemented in the Southern Punjab. The significant ones inter-alia include:

- establishment of Daanish Schools
- launching of Punjab Skills Development Fund Company for imparting skills training to youth in four districts of Bahawalnagar, Bahawalpur, Lodhran and Muzaffargarh with the support of Department for International Development (DFID), UK.
- numerous road, education, water supply and sewerage projects under Southern Punjab Development Programme in eleven southern districts.
- completion of slaughter houses, landfill sites, water supply, drainage and sewerage schemes in 32 TMAs of various districts of Southern Punjab with an investment of Rs.700 million under Southern Punjab Basic Urban Services Project (SPBUSP), which was halted since last year due to funding issues.

All these interventions have been / will be helpful in removing regional disparities and increasing employment / income generation opportunities for some of the poorest segments of the Punjab's population. In other districts of Central and Northern Punjab, special development packages have been successfully implemented in social and infrastructure sectors; full funding for these schemes has been ensured and they are expected to be operational by the end of the 2<sup>nd</sup> quarter of the next fiscal year. Rigorous monitoring is being done by the Provincial Government to ensure their timely execution.

During the year, a special effort has been made to minimize throw forward of on-going ADP schemes by weeding out unfeasible and slow moving schemes. Resources have been re-appropriated from slow moving to fast moving schemes for their expeditious completion. Provision of token allocation for new schemes has been discouraged and numerous new schemes with less than 15% allocation have been dropped. These interventions have helped to clean up the current ADP portfolio and will set the standard in the coming year.

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 undisputed. The Provincial Government enacted the Punjab Public Private Partnership (PPP) for Infrastructure Act 2010, for this purpose. During the year, a PPP Cell has been set up in the Planning & Development Department, which is carrying forward the intent of the law to generate additional fiscal space for development activities in the Punjab. Guidelines for designing and implementation of PPP projects have been prepared and approved by the PPP Steering Committee, which is also actively considering a few project proposals. As this intervention matures in the coming year, it is expected that private sector resources will start supplementing the tax payer's money in accelerating the development process in the Province.

Foreign assistance received by the province during the year has supplemented domestic resources and fostered economic development as well as policy reform in various priority areas. These include interventions for poverty reduction, governance reforms, wider education and health coverage, improvement of physical infrastructure including irrigation infrastructure. In the Punjab, major bilateral and multilateral agencies extending loans include ADB, World Bank, Japan International Cooperation Agency (JICA), International Fund for Agriculture Development (IFAD) and the French Government. Major donors providing grants include DFID, JICA, CIDA and United Nations agencies such as UNICEF, WFP, UNDP and UNESCO. During 2010-2011, an amount of Rs.12.06 billion is likely to be received from the World Bank for the education sector. In addition, DFID and CIDA grant of Rs.4.35 billion is also expected to be received in the same sector. However, planned budgetary support of ADB for Punjab Government Efficiency Improvement Programme and Millennium Development Programme did not materialize during 2010-2011 mainly because of macro economic issues not under the control of the Provincial Government. These programmes are now likely to be rolled over in 2011-2012.

### ADP 2011-12

Annual Development Programme 2011-12 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 2011-12 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 2011-12 is pitched at Rs.188 billion which is Rs.60 billion higher than last year's revised size. The Core Programme is of Rs.154 billion which is 82% of the total development outlay. Special emphasis has again been laid on removal of inter-regional disparities and a special allocation of Rs.10 billion has been proposed for 11 districts of Southern Punjab in 2011-12. An allocation of Rs.3.5 billion has been made for 7 districts for which no allocation was made last year. Other special packages for districts and large cities have also been continued in ADP 2011-12. The focus on gender based investments remain a priority with an approximate allocation of Rs.13 billion. Investments proposed in schemes in rural and urban areas are in the approximate ratio of 65:35.

The important features and new initiatives included in ADP 2011-12 are :

- Annual Development Programme within the Medium Term Framework
- Adequate funding for foreign aided and mega projects

- Protection of social sector investments
- Regional balance in allocation of resources with extra weight for less developed districts
- Focus on undertaking projects that can be completed within one year to control throw-forward
- Continued strategic interventions in large cities to realize their potential as engines of growth and enabling medium cities to share the urbanization pressure
- Inclusion of District Packages-II
- No token allocations for new schemes
- Allocation of Rs.9.0 billion for investment in the energy sector to overcome power shortages in the Province.
- Allocation of Rs 4.5 billion for Yellow cab scheme
- Allocation of Rs 4.0 billion for rehabilitation of existing road network and of Rs 2.0 billion for new Farm to Market Road (FMR)
- Allocation of Rs 2.5 billion for acquisition of land for new industrial city on motorway
- Allocation of Rs. 2.0 billion for provision of laptops to the students
- Allocation of Rs 2.0 billion for Saaf Pani Project
- Allocation of Rs 10 billion for Southern Punjab Development Programme (SPDP)
- Adoption and continuation of projects devolved by the Federal Government to the Punjab in the aftermath of 18th amendment.

Like ADP 2010-11, the Development Programme 2011-12 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 the various sectoral Committees constituted by the Chief Minister and recommendations of the Parliamentarians put across in the special pre-budget session of the Provincial Assembly, have been given due consideration within the available resources.

Sector wise comparison of the allocations of development program in FY 2010-11 and FY 2011-12 is presented below:

**Table 4.1**  
**Sector Wise Comparison of Development Programme 2010-11 and 2011-12**

*(Rs. in million)*

Sector	Original Allocation 2010-11	Revised Allocation 2010-11	Allocation 2011-12	% Change Over 2010-11 (Rev)
<b>Social Sectors</b>	<b>68,253</b>	<b>46,735</b>	<b>71,635</b>	<b>53.28</b>
Education	23,300	13,828	23,900	72.84
School Education	14,050	9,101	14,500	59.32
Higher Education	6,350	4,040	6,500	60.89
Special Education	500	42	500	1,090.48
Literacy	800	340	800	135.29
Sports	1,600	305	1,600	424.59
Health	14,500	8,193	14,800	80.64
Water Supply & Sanitation	9,500	8,551	10,000	16.95
Social Protection	900	400	935	133.75
Regional Planning	14,203	10,069	15,000	48.97
Local Govt. & Community Development	5,850	5,694	7,000	22.94
<b>Infrastructure Development</b>	<b>59,260</b>	<b>47,911</b>	<b>59,000</b>	<b>23.14</b>
Roads	32,885	27,827	36,650	31.71
Irrigation	11,005	7,755	11,250	45.07
Public Buildings	6,210	4,224	2,600	(38.45)
Urban Development	9,160	8,105	8,500	4.87
<b>Production Sectors</b>	<b>7,140</b>	<b>3,915</b>	<b>10,525</b>	<b>168.84</b>
Agriculture	3,200	1,524	3,400	123.10
Forestry, Wildlife & Fisheries	<b>1,080</b>	<b>878</b>	<b>1,235</b>	<b>46.36</b>
Forestry	450	511	470	(8.02)
Wildlife	395	256	395	54.29
Fisheries	235	111	370	233.33
Food	200	9	230	2,455.56
Livestock	2,000	1,065	2,500	134.74
Industries and Commerce & Investment	360	288	2,860	893.06
Mines & Minerals	300	151	300	98.68
<b>Services Sectors</b>	<b>6,910</b>	<b>3,472</b>	<b>11,750</b>	<b>120.33</b>
Information Technology	1,960	1,666	2,000	20.05
Labour & Human Resource Dev.	85	45	100	122.22
Transport	1,190	233	7,300	3,033.05
Emergency Service	2,000	1,310	2,100	60.31
Tourism	1,675	218	250	14.68
<b>Others</b>	<b>6,366</b>	<b>2,023</b>	<b>5,890</b>	<b>191.15</b>
Environment	335	138	350	153.62
Information Culture & Youth Affairs	295	170	170	-
Religious Affairs & Auqaf	276	136	150	10.29
Human Rights & Minority Affairs	215	215	220	2.33
Access to Justice Programme	50	470	-	-
Planning & Development	5,195	894	5,000	459.28

Sector	Original Allocation 2010-11	Revised Allocation 2010-11	Allocation 2011-12	% Change Over 2010-11 (Rev)
<b>Special Programmes / Packages</b>	<b>34,071</b>	<b>23,946</b>	<b>29,200</b>	<b>21.94</b>
Distt. / TMA Dev. Programme	12,000	12,000	12,000	-
Extra PFC Grants	0	1,523	0	-
Special Infrastructure (LRR)	19,121	7,473	1,200	(83.94)
Three new Medical Colleges	1500	1500	1500	-
District Packages.	1,450	1,450	5,500	279.31
Coal Based Thermal Power Generation	0	0	9,000	-
<b>Net Development Programme</b>	<b>182,000</b>	<b>128,002</b>	<b>188,000</b>	<b>46.87</b>
Daanish School System	3,000	3,000	3,000	-
Punjab Education Endowment Fund (PEEF)	2,000	2,000	2,000	
Punjab Education Foundation (PEF)	4,500	4,500	6,000	33.33
TEVTA	2,000	2,000	2,000	-
DLIs for MDGs	6,500	6,500	8,500	30.77
Low Income Housing	650	650	1,200	84.61
Population Welfare	1,865	1,865	2,860	53.35
Companies: FIDMC, PLDC, SWM, PLDDB, PARB etc.	-	-	6,440	-
<b>Grand Total Development</b>	<b>202,515</b>	<b>148,517</b>	<b>220,000</b>	<b>48.00</b>

Different sectoral allocations under the Annual Development Program are explained in greater detail in the following paragraphs:

#### 4.1 EDUCATION

The Government is committed to develop an enlightened and prosperous Punjab through improved governance, equitable access, quality education and ensuring achievement of education related Millennium Development Goals (MDGs) by 2015. The primary focus is on provision of quality education in the Province. The allocation for Education Sector for the financial year 2011-12 is pitched at Rs. 23,900.0 million which is higher than the last year's provision. During this year Chief Minister's Education Sector Reform Road Map would also be implemented.

Sub-sector wise key reforms and development initiatives are:

##### 4.1.1 School Education

###### Provision of Science Labs in Secondary Schools

To improve existing Science Labs in Secondary Schools and to strengthen Science Practical education, about 1000 High / Higher Secondary Schools having highest enrollment will be provided quality science equipment in the first phase. Standardized practical books will also be developed under this scheme.

###### Provision of Computer / I.T. Education in Elementary Schools

In order to better equip the students with IT Education, 515 IT Labs are being established in Elementary Schools in FY 2011-12.

### Provision of Missing Facilities in High Schools for conversion into Model Schools

In order to uplift the standard of education, existing 1000 High Schools will be converted into Model Schools by providing infrastructure and missing facilities.

### Punjab Daanish School System & Centres of Excellence

Daanish School and Centre of Excellence Authority has been established recently in 2010. 15 Daanish Schools will be established and 72 existing schools will be converted into Centres of Excellence. In Phase-I, 3 schools have been established at R.Y. Khan, Hasilpur (Bahawalpur) and Chishtian (Bahawalnagar). In addition to these, three schools are under construction at D.G. Khan, Piplan (Mianwali) and Jand (Attock). Poorest of the poor will get education of International Standards in these institutions.

**Table 4.2**  
**Outcome based Targets**

Intervention	Targets 2010-11	Achievements 2010-11	Targets		
			2011-12	2012-13	2013-14
Upgradation of Schools (Primary to Middle and Middle to High level)	1,000	818	400	300	300
Training of School Teachers and Managers.	150,000	120,000	150,100	175,300	200,000
Provision of Computer Labs. in 1000 Elementary Schools in Punjab.	-	-	1,000	-	-
Provision of Missing Facilities in Schools	1,500	1,613	1,500	1,500	1,500
Provision of Science Lab equipment in 1000 highly enrolled High / Higher Secondary Schools	-	-	1,000	500	500
Capacity building of School Councils	15,204	10,000	15,000	15,000	

### Devolved Projects

After 18th amendment in the Constitution of Pakistan, the Ministry of Education has been devolved to the provinces. Three Cadet Colleges at Pasrur, Chua Saidu Shah and Essa Khel under implementation have also been devolved. The main objective behind the establishment of Cadet Colleges is to provide an opportunity to the local people to get their children educated in quality institutions and to train them in a specialized field for a better future.

#### 4.1.2 College Education

Provision of equitable and accessible education for all the citizens of the Province is the commitment of the present government. A substantial allocation of Rs. 6,500 million has

been made during the year 2011-12 for completion of maximum ongoing schemes and initiation of new schemes. Major initiatives are:

#### **Punjab Education Endowment Fund**

Punjab Educational Endowment Fund (PEEF) is an initiative of the Government of Punjab with the objective of providing scholarships / monetary assistance to talented and needy students for pursuing quality education with equal opportunities. To make it autonomous in its functioning, the fund has been established under Section 42 of the Companies Ordinance, 1984. The Endowment fund was established initially with seed money of Rs. 2 billion. In the FY 2010-11, Rs. 2 billion was provided for the fund. In FY 2011-12, an amount of Rs. 2 billion would also be added to the fund. Special treatment will be given to the students of fifteen less developed districts of the Southern Punjab. Special quotas for orphans, children of Government employees (up to BS-14), disabled, minorities and widows have also been allocated. Bright and needy students of other provinces including Azad Kashmir will also be provided opportunities for higher education through this programme.

#### **Provision of Missing Facilities in Colleges**

Punjab Government has embarked upon a comprehensive plan to enhance the quality of college education with special focus on improvement of physical infrastructure of colleges. To complete the schemes under PESRP Phase-I, an allocation of Rs. 100 million has been made. However, an expenditure of Rs. 3536 million has already been incurred upto June, 2011. For the provision of missing facilities in other colleges an amount of Rs. 1460 million has also been allocated.

#### **4 Years Bachelor Degree Programme**

Higher Education Department has decided to introduce 4-Years Bachelor Degree Program in the public sector colleges throughout the province. For this purpose, 26 colleges have been identified so far. The scheme would be extended to all the colleges of the province in the coming years.

#### **Provision of Post Graduate Blocks**

In order to promote Higher Education in the Province, it has been decided to provide post graduate facility to all the colleges at District Headquarters; for this purpose, 3 sites i.e. Government Islamia College for Boys & Girls, Narowal, Government Degree College for Boys, Rajanpur and Government Degree College for Boys, Lodhran have been identified where post graduate facility is not available either for male or for female population of the area.

#### **Establishment of Computer Labs in Colleges**

In order to promote Higher Education in the Province, it has been decided to provide Computer Labs in all colleges of Punjab in a phased manner. At present, Public Private Partnership mode has been adopted by the department for computer education which is expensive. Through this project, computer education will be provided in all colleges of the



Punjab on nominal expenses and for the purpose, Rs. 30.0 million has been allocated to initiate the activity.

#### 4.1.3 Special Education

Government is trying to create conducive learning environment for the disabled students to make them self reliant members of the society and to utilize their potential and skills in various spheres of life. A provision of Rs. 500.0 million has been made available in Development Programme 2011-12.

##### **Establishment / Strengthening of Computer Labs in the Institutions of Special Education in Punjab**

The scheme aims at to provide IT equipment i.e. Computers with LCD, Key Boards, Mouse, Laser Printers, UPS, Braille Embosser etc. furniture along with staff to the disabled students of 37 institutions of Special Education in Punjab (Middle level). In the ADP 2011-12, an amount of Rs. 34.654 million has been allocated for this project.

##### **Devolved Projects**

After 18th amendment in the Constitution of Pakistan, the Ministry of Special Education has been devolved. In order to create conducive learning environment for disabled students and to make them self reliant members of the society, 4 devolved projects are included in the ADP 2011-12 with a provision of Rs. 25.700 million to complete them.

#### 4.1.4 Literacy & Non Formal Basic Education

Eradication of illiteracy is critical for achievement of Millennium Development Goals. To provide yet another opportunity for out of school population to return to education, special efforts are being made. For this purpose, an allocation of Rs. 800.0 million has been made in the Development Programme 2011-12. The major projects are:

- campaign for enhancement of literacy in four districts of Punjab
- Literacy Programme (ALCs & NFBE Schools in 31 districts)
- Punjab Literacy and Livelihood Programme
- Establishment of 300 Adult Literacy Centres & 200 NFBE Schools at Brick Kiln
- Non-formal Education Promotion Project with JICA

## 4.2 SPORTS

The main focus is to create a sustainable sports system, maximize community participation and maintaining Punjab's position as the premier producer of world class champions of future in different sports. Efforts are also being made to provide equal sports opportunities to all citizens of the province to develop an optimistic, vigorous and healthy society. Punjab government has decided to complete ongoing schemes in the first phase. An allocation of Rs. 1600.0 million has been made to this sector. Out of which Rs.600.0 million are earmarked to complete maximum ongoing schemes during 2011-12.

### 4.3 HEALTH

Health Sector Policy of Punjab aims at achieving a healthy population practicing healthy life style, in partnership with private sector including civil society, through a medical care system which is effective, efficient and responsive to the health needs of low income segments especially women in the reproductive age groups. Health Sector has been allocated Rs. 14,800 million in 2011-12 as compared to Rs. 14,500 in 2010-11. Government's health policy is largely guided by its commitments under Millennium Development Goals (MDGs) as reflected in the following table:

**Table 4.3**  
**MDGs Targets**

Indicators	Status (MICS 2007-08)	2011-12	MDGs 2015
Infant Mortality Rate per 1,000 live births	77	67	40
Maternal Mortality Ratio per 100,000 live births	227 (PDHS 2006-07)	218	140
Children Fully Immunized 12-23 months (%)	N.A	85	>90%
Proportion of Births attended by skilled Birth Attendants	43%	62%	>90%

#### Strategic Interventions

##### **Greater Focus on Preventive Health Care & Attainment of MDGs**

The following interventions are going to contribute towards this end:

- Punjab Millennium Development Goals Programme
- Safe Blood Transfusion Service Programme
- TB Control Programme
- Expanded Programme for Immunization
- Prevention & Control of Hepatitis Programme
- HIV/AIDS Control Programme
- Punjab Thalassemia Prevention Programme
- National Maternal and Newborn Child Health Programme (Federal)

##### **Focus on Rural Health Centres (RHCs) and Renewed Focus on Secondary Health Care**

- Policy is to consolidate the existing health facilities instead of creating new infrastructure. Establishment of new Basic Health Unit (BHU) will be checked. Focus would be on strengthening Primary Health Care facilities (RHCs) based on yardsticks.
- The emphasis is on upgradation of THQ & DHQ Hospitals as well as establishment of new ones.
- New DHQ Hospitals at Narowal and Bahawalpur are under construction while upgradation of 9 other DHQ Hospitals is going on.
- 11 new THQ Hospitals are under construction.

- Provision/rehabilitation of equipment in Secondary Care Hospitals.

### **Need Based & Result Oriented Allocation for Tertiary Health Care**

- Being autonomous, the Tertiary Health Care level is witnessing a great deal of dynamism and several innovations have been made which required substantial funding and support. Tertiary health care allocations remain high but they have been made more need-based and targeted.
- The high level of allocation for Tertiary health care is also because of the intended establishment of Centres of Excellence which obviously are cost-intensive.
- Schemes of all teaching hospitals involving latest diagnostic and treatment facilities are reflected in ADP 2011-12.

### **Improved Diagnostic Facilities**

The area of diagnostics needs to be strengthened to keep pace with the ever-changing demands of time and to make health and medical analyses more scientific. There are few schemes in this ADP which would help in refurbishing the diagnostic facilities and also help in ascertaining the quality and purity of food and beverage. The significant ones are given below:

- Establishment of Drug Testing Labs at Faisalabad and Rawalpindi
- Upgradation of Drug Testing Lab at Multan
- Establishment of Food Testing Labs at Rawalpindi and Faisalabad
- Establishment of PCR based Diagnostic Laboratory, Lahore

### **New Strategic Thrust**

- Mobile Health Units have been introduced to make up for the deficiencies of static coverage and effective service delivery in remote areas. A Mobile Health Unit contains collapsible & non-collapsible diagnostic and invasive & non-invasive electro-medical equipment. It also contains health education material to disseminate information strategically.
- 6 Mobile Health Units are already in operation in Muzaffargarh, Rajanpur, Mianwali, D.G. Khan, Bahawalpur and Bahawalnagar since January, 2011.
- Additional 50 Mobile Health Units (MHUs) are to be procured. 20 MHUs will be launched during 2011-12.

### **Establishment of Centres of Excellence**

Centres of Excellence augment specialized service delivery at high-end level and may become avenues of revenue generation in times to come. The approved Health Policy Framework has also recognized their significance. Establishment of these Centres is now considered appropriate and result-oriented. These Centres are enlisted as under:

- Rawalpindi Institute of Cardiology (near completion)
- Institute of Urology & Transplantation, Rawalpindi

- Institute of Organ Transplant, Lahore
- Kidney Centres at Multan and Bahawalpur
- Expansion of Multan Institute of Cardiology
- Expansion of Children Hospital, Multan (addition of 150 beds)
- Fatima Jinnah Institute of Dental Sciences, Lahore
- Burn Units at Lahore, Faisalabad, Multan & R.Y. Khan
- Construction of new 410 beds hospital at Bahawalpur

#### Enhanced Focus on Medical Education

- Inequity in Doctor to Population Ratio impedes efficient service delivery. The current Doctor-Population Ratio stands at 1:2187 instead of the WHO recommended 1:1000. With a view to rectifying this mismatch, new medical colleges are being established.
- Medical College, Gujrat is in operation since 2009.
- Establishment of four new Medical Colleges at Gujranwala, Sialkot, Sahiwal and D.G. Khan (Classes of 1st year MBBS have already commenced).
- School of Nursing at Rawalpindi is being upgraded to degree level.
- Capacity Development and Training of Nurses & Paramedics

#### Devolved Projects

- Federal Government has transferred the following ongoing projects to the Punjab:
- Construction of two Trauma Centres at Bhera Service Area, Lahore Motorway (Rs. 89.018 M).
- Women & Chest Diseases Hospital, Rawalpindi (Rs. 1,325.044 M)
- Allocation of Rs. 95 million for the above projects has been made in ADP 2011-12 for their continuation.

## 4.4 WATER SUPPLY & SANITATION

Sectoral Policy includes achievement of Millennium Development Goals (MDGs) within the stipulated period for provision of Water Supply & Sanitation facilities effectively, efficiently and on sustainable basis. In order to achieve the above targets substantial financial resources have been provided to the Sector as under: -

<i>(Rs. in millions)</i>		
2009-10 (R.E)	2010-11 (R.E)	2011-12 (B.E)
9,338	8,551	10,000

As a consequence of enhanced resource provision, the achievements of MDGs in various sub-sectors have progressed well given as under: -

**Table 4.4**  
**MTDF Targets and MDGs**

Description	Population Coverage (%)						Projected Year of Reaching MDG	MDG's Targets 2015%
	06-07	07-08	08-09	09-10	10-11	11-12		
Urban Water Supply	66.2	71.9	75.5	83	85	87	2009-10	80
Rural Water Supply	30.8	32.7	36.1	38	45	48	2020-21	65
Urban Sewerage/ Drainage	68.5	72.0	76.0	79	83	85	2010-11	82
Rural Sewerage/Drainage	41.3	43.8	48.6	50	53	56	2015-16	70

Following key strategic interventions / goals have been identified through the proposed resource provision: -

- Ensuring sustainability of the completed projects through community participation and motivation.
- Enhancing Rural Population Coverage particularly in Barani, Brackish and Contaminated Areas.
- Equitable resource distribution, main focus on the low profiled Districts.
- Maintaining balance between Northern & Southern Districts.
- Ensuring quality control by providing Water Testing Facilities and through provision of Water Filtration Plants.
- Improving sanitation and environmental sustainability.
- Capacity building of PHED.
- Attaining Millennium Development Goals (MDGs).
- Operationalization of non-functional Rural Water Supply Schemes.
- Replacement of outlived water supply pipe lines for eradication of gastroenteritis in 15 cities of Punjab.

#### Other Strategic Interventions:

Following major initiatives have also been identified in the Development Programme: -

<i>(Rs. In Millions)</i>	
Name of Project	Total Cost
Bulk Water Supply Project from River Jhelum to Murree	4,254
Sewerage Scheme for R.Y. Khan City with Treatment Plant (Revised)	2526
Kasur Environmental Improvement Project	2,273
Saf Pani Project (Provision of water filtration plants)	2,000
Urban Water Supply Scheme T.T.Singh	815
Construction of Urban Water Supply Scheme Gujrat	684
Urban Water Supply & Sewerage Scheme Pakpattan & Arifwala.	643
Urban Sewerage/Drainage Scheme Muridke	489
Comprehensive Water Supply & Sewerage Scheme Mianwali	350

#### 4.5 SOCIAL PROTECTION

The Government is committed to ensure the welfare of vulnerable groups including women headed households, destitute women, senior citizen children and less privileged people. The oppressed segments of society like needy, destitute, indigent, disabled as well as socially and economically oppressed individuals are focus of attention.

An amount of Rs. 935.0 million has been earmarked in the Development Programme 2011-12 for Social Protection Sector reflecting an increase of Rs. 535.0 million over the revised allocation of previous year. Major initiatives in this sector include:

*(Rs. in millions)*

Name of the Scheme	Provision
Establishment of Drug Rehabilitation Centre Multan.	13.645
Implementation of Gender Reform Action Plan	100.000
Establishment of 7 children Home in 5 districts of Punjab Narowal, DG.Khan, Sialkot, Sargodha & Rawalpindi	18.000
Strengthening & capacity building of existing old age homes and Establishment of 3 more homes in Punjab	12.017
Establishment of beggars home at Lahore	15.000
Construction of building of old age home at Lahore	10.000
Establishment of Hostel for working women at Sahiwal	10.000
Development of new schemes for women empowerment	285.000
Establishment of 50 new Vocational Training Institute	130.338
Block allocation for Punjab Vocational Training Council	290.000

#### 4.6 REGIONAL PLANNING

In the past, the process of development in Punjab has been somewhat skewed in its impact across the regions. Less developed regions of Punjab comprising Barani tract, sandy desert of Cholistan, Tribal areas of D.G. Khan and Rajanpur and 11 backward districts of Southern Punjab have not kept pace with the rest of the province in terms of development and economic progress. With scanty rainfall, these ecological zones face the challenges of acute shortage of water, mostly small land holdings and primitive agriculture techniques.

In the last three years, Punjab Government has accorded high priority to the removal of regional disparities in the Province. This objective is being achieved through direct investment in less developed areas to enhance rural household incomes and employment opportunities, improving infrastructure and providing financial support to enhance production and skill development of the target groups through participatory approach. In view of these factors, the sector has been provided with an allocation of Rs. 15,000.0 million during 2011-12 which is higher than the current year's allocation of Rs 14,203.0 million. This includes three major interventions of Southern Punjab Development Programme (SPDP), with an allocation of

Rs. 10,000.0 million DFID assisted Punjab Economic Opportunities Programme (PEOP), Rs. 1700.0 million and IFAD assisted Southern Punjab Poverty Alleviation Project (SPPAP), Rs. 780.0 million which are strategic in nature and pro-poor. In addition to above, an amount of Rs 1,000.0 million has been allocated for 4 less developed uncovered districts.

The specific features of Regional Planning Sector are as under:

- Removal of regional imbalances.
- Multi-sectoral integrated development programmes.
- Southern Punjab Development Programme.
- Targeted poverty alleviation schemes for less developed areas.
- DFID assisted Punjab Economic Opportunities Programme for intervention like Punjab Skill Development Fund (PSDF), Livestock & Dairy Development, and Centre for Inclusive Growth and Technical Cooperation.
- Tribal Area Development project for physical infrastructure development, Community Development and Social Infrastructure.
- IFAD assisted Southern Punjab Poverty Alleviation Project (SPPAP)
- Provision of physical and social infrastructure in Cholistan (drinking water, renewable energy and roads) under Cholistan Development Authority.
- Shaadbad Cholistan Project.
- Programme for Rehabilitation of Roads in Cholistan
- Water Resource Development (through construction of 200 Mini Dams alongwith Command Area Development) of Pothohar Region, Barani Areas of Punjab.

#### 4.7 LOCAL GOVERNMENT & COMMUNITY DEVELOPMENT

Local level development and provision of civic services in both urban and rural areas is the function of District, Tehsil and Union Governments. The provincial level development programme of LG&CD is primarily aimed at plugging the financial and physical gaps, provide province wide interventions and build the capacity of local governments to perform their assigned tasks more efficiently. An allocation of Rs.7000.0 million has been proposed for LG&CD in 2011-12 which is higher than the revised estimates of 2010-11.

The programme-wise details are as under:-

**Table 4.5**  
**Allocation for LG&CD**

Sector	Allocation 2011-12 <i>(Rs. in Million)</i>
LG&CD (Regular Programme)	1,800
Development of Katchi Abadis	1,200
Punjab Development Programme (PDP)	4,000
<b>Total</b>	<b>7,000</b>

### Key Initiatives

The development programme includes the following initiatives:

- Punjab Development Programme (PDP) will be continued with an allocation of Rs.3,000 million to finance locally identified small scale development schemes for improvement of local social infrastructure and also to generate employment for poverty reduction.
- Southern Punjab Basic Urban Services Project initiated in 6 districts of South Punjab viz. Rajanpur, D.G. Khan, Muzaffargarh, Multan, Khanewal and Bahawalpur would be completed. 123 ongoing projects in various sectors would be completed during the next financial year to ensure utilization of already made investment.
- Punjab Municipal Improvement Services Project would be continued for development of municipal infrastructure i.e. water supply, sewerage, solid waste management, drainage, street lighting, roads, parks, bus stands, bridges, fire fighting and capacity building of selected TMAs.

## **4.8 ROADS**

The vision for Punjab's road sector aims at upgrading, augmenting and maintaining a modern road network in the province under most cost-effective, optimized and quality-oriented development and management regimes. Road Sector's total outlay for the year 2011-12 is Rs. 36,650.0 million, registering an increase of over 31.71% compared to the sector's revised allocation during last year.

Roads are a predominant mode of transport in the country commuting more than 90% of the passengers and freight traffic with an average yearly growth rate of 4.5% and 10.5% respectively. To tackle the large increases in the in traffic population densities, road network in the province has expanded to over 82,000 km by the year 2009. Estimated value of road assets in the province exceeds Rs.200.0 billion. In recent years, overall demand for road transport has grown at 7 to 8 percent per year which surpasses the average GDP growth rate over the last decade. With transfer of the major part of farm-to-market / district roads network to the district governments since devolution, the provincial road sector has been focusing on consolidating and maintaining the existing inter-district roads, while catering for rehabilitation of the rural-access roads under an umbrella programme. In addition to above, the present development portfolio for the province includes major urban and inter-city road projects along with Lahore Ring Road.

### Strategic Interventions

Sectoral priorities identified for Punjab's road sector in the MTFD (2011-14) are as follows:

- Consolidating existing road assets through rehabilitation / improvement and up-gradation with an aim to minimize the huge fiscal throw-forward accumulated in the sector due to excessive demands and resulting expansion in the road network over previous years.



- Completing on-going schemes for roads / bridges.
- Developing province-wide secondary routes (covering north-south and east-west corridors) linking national motorways / trade corridors to foster economic opportunities via meeting, expanding domestic and international travel and trade demands.
- Improving average road densities to achieve optimal traffic density levels in consonance with increasing transportation requirements and targeted economic growth in the province
- Implementing initiatives to improve road safety and axle-load conditions to achieve substantial reduction in road accidents and avert premature road distress.
- Undertaking widening / improvement of existing roads to 20' / 24' width for roads with traffic densities exceeding 800 VPD - targeting to achieve full coverage over the medium term (up to 2018).
- Dualization of main arteries conveying 8,000 VPD by the year 2025.
- Improving geometry of existing roads and removal of black spots.
- Undertaking improvements in road design and specifications.

Outcome based targets have also been fixed for Financial Year 2011-12 shown below:

**Table 4.6**  
**Outcome based Targets**

Description	FY 2010-11		FY 2011-12
	Targets	Achievements	Targets
Widening / Improvement of existing 10' / 12' to 20' to 24' wide road length	500 km	350 km	400 km
Rural Access Roads (Rehabilitation / Up-gradation)	906 km	453 km	453 km

## 4.9 IRRIGATION

Punjab's irrigation system, constituting major part of the world's largest contiguous irrigation network in the Indus basin, serves as the linchpin of the provincial economy which is predominantly dependent on irrigated agriculture. Programmes and initiatives in irrigation sector rank high in the Province's medium term development priorities and cover projects in irrigation, drainage, groundwater, flood protection, small dams development and energy sub-sectors. Long term vision for Punjab's irrigation sector is to provide adequate, equitable and reliable irrigation supplies to the cultivable lands of the province aiming at enhanced agricultural productivity with focus on broad based institutional reforms.

### Sector Overview

Irrigated agriculture is the major determinant of the province's economic growth potential as it accounts for 26 percent of the GDP and caters for over 40 percent of the available work force. The colossal irrigation conveyance network in Punjab is serving 21 million acre of cultivable command area (CCA) in 24 canal commands. Systems' integrity, however, faces major sustainability challenges associating serious environmental, social and economic implications. Deteriorated irrigation and drainage infrastructure with large O&M deficits has led to sub-optimal service delivery levels characterized by low water conveyance efficiencies and

inequitable water deliveries indicating huge investment needs to address deferred rehabilitation and maintenance backlogs currently estimated at Rs. 170 billion. Development in the sector consequently needs to embed cost-effective rehabilitation and modernization of the infrastructure with holistic reforms aiming at improved management and service delivery levels.

### Issues and Options

Key issues of the Punjab's irrigation sector are:

- Expanding water scarcity and resulting shortages in irrigation supplies.
- Deteriorated irrigation infrastructure with massive rehabilitation and deferred maintenance backlogs.
- Huge O&M recovery gaps, inefficient operational regimes, and inadequate assets management planning.
- Inequitable water distribution and non-transparent water entitlements.
- Lack of participatory approach in management of irrigation services leading to low system performance.
- Absence of regulatory framework and control for efficient utilization and management of groundwater.

### Key Strategies for Irrigation Sector MTDf (2011-14)

Key strategies for sector's development plans under current MTDf are:

- Addressing physical inadequacies for optimal supply, distribution and use of surface water resources through rehabilitation, remodeling and up-gradation of irrigation infrastructure.
- Effective utilization of investment outlays through intensive monitoring and quality control over execution regimes.
- Implementing knowledge-based optimization of surface and groundwater efficiencies aiming to maximize productivity of irrigated lands.
- Ameliorating environmental degradation and preventing over-mining of groundwater aquifer.
- Fostering institutional reforms to accelerate improved service delivery targets.
- Enhancing drainage, flood protection, hill torrent management, and small dams development.
- Developing renewable hydel, solar, and wind energy projects in both public and private sectors.

### Salient Features of Sector's MTDf (2011-14)

Irrigation sector's total outlay for the year 2011-12 is planned at Rs. 11,250.0 million which is 45% higher than the last year's revised allocation. Out of the total 63 schemes included in MTDf 2011-12, 27 schemes comprising 19 on-going and 8 new schemes have been targeted for completion during 2011-12 by allocating 77% of outlay to the on-going and 23% to new schemes. Government of the Punjab being cognizant to safety of major hydraulic structures for sustained supply of canal water to crops and mitigation of flood hazards has planned efficient remodeling of its irrigation network besides envisioning a phased

rehabilitation and modernization of barrages. As a part of this plan, rehabilitation of Taunsa Barrage was completed in December 2009. Present ADP (i.e., 2011-12) includes rehabilitation of Jinnah Barrage, Khanki and Balloki Headworks with estimated costs of Rs. 12.7 billion, Rs. 23.4 billion and Rs. 2.4 billion respectively. Substantial allocations have been provided in current fiscal year to launch execution of these important projects including commencement of construction of subsidiary weir at Jinnah Barrage and undertaking preparatory works at Balloki Headworks.

Major targets for other key initiatives in the sector are given below:

Sectoral Initiatives	Targets (FY 2011-12)
Assured and sustainable irrigation supplies	10 million acre
Selective lining of irrigation channels	50 km
Lower Bari Doab Canal Improvement Project	(a): Balloki Headworks (b): Main canal and distribution network (Jandraka & 15-L)
Punjab Irrigated Agriculture Improvement Programme (PIAP)	Feasibility studies and design of: (a) Suleimanki, Trimmu and Punjnad Barrages, and (b) Thal and Pakpattan canal commands
Rehabilitation of LCC System (Part-B)	Mian Ali, Lower Gugera, Burala and Rakh Branch canal commands
Establishing FOs in Faisalabad (LCC), Bahawalnagar (Sadiqia & Fordwah) and DG Khan (DGK) canal commands	192 No
Construction of Small Dams: <ul style="list-style-type: none"> <li>• Dhok Hum, Mundi, Dhok Jhang, Uthwal in district Chakwal</li> <li>• Shahbazpur, Taja Bara, Sadrial and Haji Shah Dams in district Attock</li> </ul>	6,200 acre command area  9,720 acre command area
Construction of Cherah Dam (Rawalpindi – Islamabad)	Land acquisition completed, construction of main dam to commence
ADB-assisted Renewable Energy Development Sector Investment Programme (REDSIP) - Five hydel power projects (25MW combined) at Pakpattan, Okara (LBDC), Deg-outfall, Chianwali and Marala	Evaluation of bids completed. Award of LOIs to take place. Acquisition of land.
Rehabilitation & Modernization of Jinnah Barrage	i) Deployment of consultants & counterpart staff ii) Construction of coffer dam ii) Works on main and subsidiary weir to commence.

Sectoral Initiatives	Targets (FY 2011-12)
New Khanki Barrage Construction Project	Deployment of Consultants & counterpart staff
Punjab Irrigation System Improvement Project.	Lining and remodelling of distributaries and minors in Sadiqia, DG Khan and Jhang Branch canal commands
Remodelling of SMB Link Canal and Enhancing Capacity of Mailsi Syphon	Detailed designing and launching of preparatory activities
Management of Vidore Hill Torrent in DG Khan Irrigation Zone	i. Embankment construction ii. Flood dispersion and distribution structures

#### 4.10 PUBLIC BUILDINGS

Provincial government's vision is to construct high quality infrastructure under a need-driven and cost-effective regime through provision of efficient public services. Public sector construction projects are well recognized to generate maximum employment opportunities and contribute toward enhancing economic growth. Its multiple effects on the economy are demonstrated through the wide-ranging impact of the construction activities in (a): generating industrial production, (b): developing small and medium enterprises, (c): creating self employment marketplace, and (d): promoting business, commerce and trade activities. Coupled with above growth triggers, construction industry mobilizes utilization of indigenous natural and man-made resources and contributes significantly to foster social cohesion and environmental improvements.

The Public Building (Housing & Offices) Sector caters for the residential and office accommodation requirements of nearly all administrative departments in the province, mainly the Police, Prisons, Home, Judiciary, S&GAD Departments and the Punjab Legislative Assembly. An allocation of Rs.2600.000 million has been made for the year 2011-12 in this Sector.

##### Strategic Interventions

Toward meeting the sector's objectives, the MTFD (2011-14) underscores fulfilling the sector's vision through pursuit of the following:-

- Adoption of standardized plans for construction of public sector residences and office building. Provision of adequate infrastructure to Judiciary, Police and Jails to improve security and delivery of justice to common people.
- Barracks type accommodation for employees of the Police and Prisons Department, Ensure provision of residential facilities for employees in lower grades.
- Master-planning for sequencing provision of office accommodation facilities for various government departments, introducing cost-effective, energy-efficient and functional buildings to economize expenditure.
- Stock taking of existing assets and facilities for comprehensive planning of public housing in phased manner, implementing measures for quality control in construction of Public Buildings.

## 4.11 URBAN DEVELOPMENT

Urban Development Sector covers development projects sponsored by WASAs and Development Authorities of the Large Cities (Lahore, Faisalabad, Rawalpindi, Gujranwala & Multan) and district governments of the selected Intermediate Cities (having population ranging between 0.24 to 0.54 million) of Punjab. An amount of Rs.8500.0 million has been allocated to this sector during 2011-12 which is higher than the revised allocation of Rs.8105.0 million for the Financial Year 2010-11.

Vision of Provincial Government is to develop modern and efficiently managed urban centres which serve as engines for economic growth for provincial economy.

### Objectives

- Define city limits and streamline functional and operational alignments of District Governments, DAs, WASAs and TEPA etc.
- Update legislation for empowered, responsive, efficient and accountable City Governments.
- Ensure the road and plinth levels as per the rules, SOPs and protocols.
- Approval of PPP/JV/BOT frameworks.
- Review and rationalize all levies, fees and rating areas.
- Incentivize greater 'own-revenue' generation by CDGs/WASAs/DAs with matching provincial grants.
- Preparation of Capital Investment and Asset Management Plans.
- Linking of new schemes to Capital Investment Plan (CIP) of the city.
- Provincial Master Planning to guide all future investments.
- STPs to be made an integral part of all future sewerage schemes.
- Mandatory submission of PC-IV / PC-V documents for all completed projects.

### Strategic Interventions

#### **Supply of Potable Drinking Water and its Efficient Use**

- Replacement of rusted pipes and laying of new water supply lines
- Replacement of outlived tube wells and installation of new tube wells
- Comprehensive water supply schemes
- Installation of water meters (Bulk/Domestic/Commercial)
- Water purification facilities

#### **Provision of Effective and Efficient Sewerage and Drainage System**

- Rehabilitation, augmentation and laying of trunk and secondary sewerage systems as part of a comprehensive master plan
- Improvement of drainage system (remodeling and construction)
- Rehabilitation and construction of pumping stations/lift stations (machinery/equipment/generators)

#### **Environment friendly Disposal of Sewage**

- Construction of Waste Water Treatment Plants in Lahore (2)

### Safe and Efficient Roads Infrastructure

- Bypasses - Northern & Southern (Multan)
- Ring Roads (Rawalpindi and Faisalabad)
- Dual Carriageways/Roads Rehabilitation/ Improvement

### Provision of housing / shelter

- 3 Marla Housing Scheme for shelter less segment of the society
- Aashiana Housing Project for low income groups
- Area development scheme for low and medium income group

### Master Planning/Studies/Surveys

- Strategic/Master Plan for Big Cities (Faisalabad)
- Studies for water supply, waste water treatment plants, sewerage and drainage systems (Lahore, Faisalabad and Gujranwala)

### Harmonize Enforcement of Development Controls and Regulatory Framework

- Review of Building Bye-laws, Rules and Regulations

### Provision of Urban Infrastructure under Urban Renewal Programme for selected Large and Intermediate Cities

- Execute projects for enhancing economic potential of the cities
- Rehabilitate / upgrade and augment the basic infrastructure of water supply, sewerage and roads network
- Up-gradation / construction of parks, slaughter houses, bus stops and bus bays etc.

## 4.12 AGRICULTURE

Agriculture is the key economic sector of the provincial economy. Major focus on this sector is in the context of present day realities to meet the challenges of food security and increase the growth rate for employment generation and poverty reduction in the rural areas. Production of healthy crops is considered as a first step towards getting food security. Self-reliance, food security and promotion of exportable high value crops through improved practices are the key areas for agriculture sector.

Keeping in view the overwhelming importance of this sector, an amount of Rs.3,400.0 million has been provided for ADP 2011-12, which is 123% higher than the last year's revised allocation.

### Objective

- Food security management in holistic manner
- Emphasis on innovative technologies to bring vertical crop productivity
- Increase farmers' income through increased crop productivity, better support prices, diversified agriculture, etc

- Emphasis on high value agriculture i.e. fruit and vegetable production and productivity
- Efficient water conveyance and application through improved water courses, precision land leveling and drip and sprinkler irrigation
- Focus on horticulture, wheat rice cotton and maize by encouraging private sector research and congenial horticulture policies
- Explore renewable and alternate energy sources in agriculture
- Revamp infrastructure and capacity building of research and extension
- Develop value chain and enforce input/output certification mechanism
- Minimize reliance on oil seeds import by boosting local production
- Efficient market infrastructure to ensure optimal value addition
- Strengthen Research – Extension- Farmer linkage

### **Strategic Interventions**

#### **Productivity Enhancement**

- Promotion of cotton in Thal through pressurized irrigation
- Mechanized rice transplanting through service providers to achieve optimal plant population per acre
- Eradication of poverty through distribution of house-cum-garden plots on lease basis in southern Punjab
- Development of command area of mini dams in barani areas
- Kitchen gardening in big towns to overcome high vegetable prices
- Supply chain improvement to provide three tier support to farmers, processors and exporters to enhance export of fruit and vegetables through Global GAP/IFS compliance.

#### **Focused Research**

- Research on salt affected soils and brackish water to evolve low cost technology for utilization of poor quality water for agriculture purposes in Southern Punjab.
- Establishment of Rice Research Station at Bahawalnagar for backstopping of newly emerging parboil rice cultivation and processing
- Research on biotechnology genetic sciences
- Upgradation of Rice Research Institute, Kala Shah Kaku for accelerating the evolution of new varieties.
- Establishment of Mango Research Institute, Multan

#### **Water Resource Management**

- High Efficiency Irrigation Systems i.e. Drip and Sprinkler
- Development of command area of Greater Thal Canal
- Irrigated Agriculture Productivity Enhancement

#### **Improved Service Delivery and Data base**

- Provincial Reference Fertilizer Laboratory to test disputed fertilizer samples and evaluate fertilizers, enzymes and growth regulators for the purpose of registration

- Digitized agriculture land profile showing soil type, water availability and quality best suited cropping pattern for a specific region

#### Development of Alternative/ Renewable Farm Energy Sources

- Pilot Project adaptation of Bio-Gas technology to mitigate energy crisis
- Pilot Project Testing of solar irrigation pumps
- Introduction of solar pumps at subsidized rates

#### Human Resource Development

- Revamping existing in-service training institutes at R.Y.Khan, Rawalpindi and Sargodha
- Establishment of new in-service training institute at Karor, Layyah

Table 4.7  
Outcome based targets 2011-12

Activities	Targets
Improvement of watercourses (No.)	2,000
Distribution of solar pumps	1,500
Katcha construction of watercourses (No)	275
Irrigation Schemes in Barani areas (No.)	300
Installation of higher efficiency irrigation system (Acres)	10,000
Installation of Bio-gas Plants (Nos.)	450
Training of Farmers in Fruit/Vegetable Production (No)	4,425
Establishment of Farmer Field Schools (No)	177
Training of Facilitators (No)	90
Farmer Days (No)	20
High density plantation with micro irrigation for mango and citrus (No)	48
Demonstration of canopy management for mango and citrus (No)	48
Registration of Fruit Plant Nurseries for Mango, Citrus and Peach (No)	16
Provision of walk in tunnels for FFS demonstration (No)	81
Additional enrolment of Field Assistant trainees (No)	50
Distribution of laser units (No)	250
Additional lining of watercourses (No.)	250
Development of command area of mini dams (Acres)	300
Feeding of soil data (entries)	375,000
Updating existing data for digitization (grids)	21,800
Analysis of pesticide samples (No)	6,000
Analysis of nitrate samples (No)	900
Analysis of Heavy Metals Samples (No)	1,000



### 4.13 FORESTRY

Flora and Fauna is not only helpful in environmental up gradation but also helps in maintaining a moderate atmosphere in the region. Provincial Government, being cognizant of this fact intends to develop, maintain and maximize forest resources in a scientific, environmentally sustainable, ecologically stable and socially acceptable manner. An amount of Rs.470.0 million has been provided for this sector in ADP 2011-12.

#### Objectives

- Development of forests through targeted investment and better forest resource management
- Poverty alleviation community based sericulture and social forestry
- Environmental protection and avert degradation of natural resources
- Involvement of farmers to increase forest cover under section 38 of Forest Act
- Community based management of rangelands for sustainable fodder resources through involvement of communities
- Public-private partnership to enhance production of planting stock
- Strengthening of forestry research
- Resource assessment scientifically

#### Strategic Interventions

- Planting of blank areas in Muzaffargarh and Murree
- Afforestation of Blank and Mesquite Infested Areas in Southern Zone
- Afforestation in five irrigated plantations under agro-forestry
- Strengthening of forestry research and education
- Establishment of Model Nurseries along Roadsides (Pilot Basis)
- Institutional support to forest department for better in house planning, management and monitoring capacity
- Aesthetic planting at Kasur- Ganda Singh Wala Road
- Afforestation along important Highways

**Table 4.8**  
*Out come based targets 2011-12*

Activities	Targets
Afforestation (Acres)	6,211
Linear Plantation(Avenue Miles)	1,200
Soil Conservation (Acres)	1,000
Bed Nurseries (Acres)	570
Potted Plants (million No)	33.85

#### 4.14 WILDLIFE

The provincial government is aiming to protect, conserve, manage and sustain diversified wildlife species and their natural habitat. An amount of Rs.395.0 million has accordingly been allocated in the Budget for the year 2011-12.

##### Objectives

- Protection, preservation, conservation and management of natural habitat of nature endowed diversified wildlife species
- Promote eco-tourism through establishment of safaris and introducing trophy hunting under legal cover to reduce pressure of illegal hunting.
- Search for new wildlife potential areas development
- Ecological wildlife policy
- Reintroduction of different indigenous wildlife species in their former/original range of occurrence/habitat by increasing breeding potential at Wildlife Breeding Centres
- Public awareness through posters, brochures, hoardings and audio-visual system.

##### Strategic Interventions

- Development and improvement of Zoo at Lahore, Bahawalpur and D.G.Khan
- Institutional capacity building of Wildlife Department
- Rehabilitation of Wildlife Parks for better management at:
  - Bansra Gali, Murree
  - Loi Bher Rawalpindi
  - Bahawalnagar
  - Vehari
  - Rahim Yar Khan
  - Sulemanki
  - Jhang

#### 4.15 FISHERIES

The basic thrust of development strategy in the fisheries sector is to conserve, manage and develop aquatic resources in public and private sectors to meet the protein requirements of growing population. Similarly, provision of technical and scientific support to private sector in up gradation of institutional and infra structural facilities are the main areas of development strategy in FY 2010-11. Keeping in view this objective, an amount of Rs.370 million has been provided for 2011-12.

### Objectives

- Increase in fish production through replenishment of fish resources in the natural water bodies.
- Boost private sector fish farming through institutional and soft credit support
- Aquaculture research and conservation programme focusing on disease control, nutrition, genetics, pollution control and protection of vulnerable species. Demonstrate and promote intensive fish and shellfish farming

### Strategic Interventions

- Capacity building of hatcheries network to meet expanded development needs.
- Establishment of new fish hatchery at R.Y.Khan and Chashma Barrage
- Fish quality assurance and reduction of post harvest losses through provision of fish processing and cold storage facility at major fish production centres. Renovation and improvement of existing fish nurseries and hatcheries
- Shrimp culture in saline/brackish water
- Fish quality control to enforce regulatory regime.

**Table 4.9**  
**Outcome-Based Targets**

*(Rs. in million)*

Activities	Benchmark 2010-11	Target (2011-12)
Fish Seed Production(million)	88.000	89.000
Fish Production (Ton)	83.550	85.000
Private fish farming(acres)	47.900	49.000

## 4.16 FOOD

Food Department is mandated to ensure not only the provision of quality flour to general public at affordable prices but also to provide fair returns to the growers through commodity purchase operations. The department fulfils this responsibility through an organized procurement system, strategically located network of permanent and transient storage and regulated supply of wheat for welfare purposes as well as for meeting the demand of the market/consumers.

During the procurement campaign of previous and current year's wheat crop, the shortage of storage capacity was badly felt and additional requirement was estimated at about 2.1 million tons. Keeping this objective in view, an allocation of Rs.230.0 million has been made for 2011-12.

### Objectives

- Ensuring the fair return to growers of the Punjab
- Meeting the food stuff requirements of other provinces of Pakistan

### Strategic Intervention

- Provision of state of the art concrete silos of 100,000 metric tons at D.G.Khan, Rajanpur and Lahore

## 4.17 LIVESTOCK & DAIRY DEVELOPMENT

Livestock is a newly emerging economic sector with high potential in terms of economic returns. Farmers can earn about 30-40% of their income from livestock. The Provincial Government is supporting livestock development through a policy environment that enables farmers to realize the dividends of livestock farming and also promotes public investments in the sector for poverty alleviation, food security and generation of exportable surpluses. This sector has been allocated Rs.2500.0 million in 2011-12 which is 134% higher than last year's revised allocation of Rs.1065.0 million.

### Objectives

- Food security through increased milk and meat production
- Poverty alleviation by supporting livestock subsistence farmers and women (organize, empower and provide hands-on training)
- Productivity enhancement through improved genetics, balanced nutrition & improved husbandry
- Better functioning of markets and regulatory regime
- Private enterprise development to optimally realize potential of livestock assets
- Applied research and technology
- Provision of quality products (dairy & meat) for domestic consumer & export markets

### Strategic Interventions

#### **Production Enhancement**

- Enhancement of milk and meat production.
- Induction of private sector in public sector funded breed improvement
- Conversion of a livestock farm into productive unit through public private partnership.

#### **Private Sector Development**

- Favorable regulatory regime.
- Women empowerment for livestock production in barani areas

#### **Human Resource Development**

- Establishment of University of Veterinary and Animal Sciences at Bahawalpur
- Establishment of Para-veterinary School at Layyah
- Capacity building of departmental staff for advisory service

**Breed Conservation**

- Restructuring and re-organization of breeding services
- Outreach progeny testing programme.

**Disease Surveillance**

- Establishment of animal disease reporting & epidemiology system
- Prevention and control of animal disease

**4.18 INDUSTRIES, COMMERCE & INVESTMENT****4.18.1 Industries**

Provincial government is making efforts to make industrial products internationally competitive. Industrial sector in Punjab contributes 25% of the provincial GDP. The department aims at the growth of locally and internationally competitive industries in Punjab to achieve benefits in the shape of technological up-gradation, employment generation in the industrial manufacturing, trade, services, cottage industries, sustained growth in profits from industrial and services sectors, and export earning and sustained growth in foreign and local investment in manufacturing & service sectors in Punjab. In addition, the provincial government also envisions transformation of an agri-based economy into a highly developed trade, marketing and investment sector. This in turn will boost the economy of the province and will bring prosperity in Punjab through promotion of trade and investment in the province

The provincial government has earmarked Rs 2860 million in 2011-12 for the Industries, Commerce and Investment sector.

**Objectives**

- Create an enabling environment for the private sector to grow and prosper
- The resulting economic activity will achieve the government's objectives of employment generation, increased income and poverty alleviation. Providing a better quality of life for the citizens of Punjab
- Encourage private sector to invest in Punjab and generate growth in the economy to create employment
- Up-grade technology to enhance profitability
- Improving infrastructure necessary for economic uplift
- Support provincial and federal policy formulation relating to commerce; strengthen domestic and international trade by facilitating private business
- Create an influential network of accredited resources for business community; make commerce & investment as the provincial body for a powerful and influential network of accredited resources - a network that can serve the wider business community

**Strategic Interventions**

- Provision of missing facilities in Small Industrial Estates
- Establishing of Sports Goods and Material Testing Laboratories in Sialkot

- Registration of Geographical Indications
- Conservation/documentation of heritage and development of handicrafts
- Product development and value addition of stone crafts at Taxila and rock salt products in Salt Range
- Up-gradation of Government Printing Presses
- Dissemination of Consumer Protection Laws and establishment of consumer courts including construction of courts
- Reorganization of Industries Department to align it with needs of private sector development
- Establishment of new Industrial Estate on Motorway.

**Table 4.11**  
**Outcome based Targets**

Interventions	Targets upto 2010-11	Achievements 2010-11	Targets MTDf		
			2011-12	2012-13	2013-14
Publication of Books on Regional Crafts			2	2	2
Construction of Consumer Courts (11 Nos.)	1	40%	1		
Up-gradation / provision of missing facilities to SIEs	4	4	5		
Cluster Development Centres	1	1			
Up-gradation of printing facilities at Govt. Press, Lahore and Bahawalpur	-	-	1	1	
Establishment of New Industrial city on Motorway	-	-	Land Acquisition	Provision of Facilities	Provision of Facilities

#### 4.19 MINES & MINERALS

The aim of Provincial Government is to promote and facilitate mines and minerals exploration in Punjab in order to attract foreign and local investment in this sector, thereby enhancing the contribution of mines and minerals in the Provincial GDP.

The allocation of this sector is Rs.300.0 million in 2011-12 which is at par with last year's allocation.

##### Objectives

- Expand mining sector by focusing on discovery and exploration of new mineral resources
- Enhance public sector investment for exploration/resource mapping and development of geological-database for minerals
- Strengthen Government's role as a facilitator to create enabling environment for prospective investors in mines and minerals sector

- Encourage and support exploitation of minerals, particularly through private sector
- Promote environment-friendly mining practices and to take measures for mitigation of environmental hazards of mining for sustainable development of mineral sector
- Provide internationally competitive regulatory frame work- mining concession rules and restructuring of the institutional arrangements for administration in the light of practices followed in developed countries

#### Strategic Interventions

- Implementation of National Mineral Policy – 1995
- Techno-economic feasibility study for mine development of Chiniot and DG Khan iron ore and its industrial utilization
- Exploration and evaluation of coal deposits in Salt Range
- Strengthening and up-gradation of Rescue and Safety Stations and Training Centres for mine workers
- Evaluation of Silica Sand deposits in Mianwali
- Establishment of Mining Estates in Districts DG Khan, Khushab, Chakwal and Mianwali

## 4.20 INFORMATION TECHNOLOGY

Information Technology aims at automation of public offices, connectivity and central data storage in order to help public sector managers in taking informed, calculated and prompt decisions to achieve the objective of improved public service delivery and transparency. Vision of the Government of the Punjab is to make Punjab as a hub of IT activities and to utilize IT to provide efficient public services to citizens. An amount of Rs.2,000.0 million has been earmarked for IT Sector in 2011-12 for implementation of projects sponsored by Punjab Information Technology Board and the other government departments.

#### Objectives

- To provide a reliable, scalable IT infrastructure for the Government of Punjab, including a centralized secure, reliable, scalable data centre, district-level connectivity and license-compliant software.
- Human Resource Development by providing training to incubators, IT training, Global IT Certification, Open Source Training and Training to Government Employees for enhancing E-readiness
- Formulation of Provincial ICT Policy and Action Plan for short, medium and long term
- Enhancing foreign and domestic investment in the IT sector through collaboration with renowned IT firms like Microsoft, Oracle, IBM, Intel etc
- Making and implementing policies for improved efficiency through automation of business processes and Business Process Re-Engineering (BPR)

### Strategic Interventions

- Completion of state-of-the-art 17 storey Lahore Technology Park. Development of IT Infrastructure and Data Centre to connect Government Departments and Districts for E-Governance with each other through common gateway
- Incubator Centres for IT startup firms to provide IT Training, manpower development for latest tools and technologies and IT awareness
- Completion of replication of "Motor Transport Management Information System" and "Motor Vehicle Registration System" in all districts of Punjab
- Citizen Services and automation of internal processes in Health, Education, Agriculture, Livestock and Home Departments. Implementation of Citizen Feedback System. License Compliant and Open Source Software
- Integration of projects with centralized data centre
- Computerization of Counter Terrorism Department (CTD)
- Implementation of Land Record Management Information System

## **4.21 LABOUR & HUMAN RESOURCE DEVELOPMENT**

Labour Department is mandated to ensure social justice at the workplace through industrial peace; promote healthy labour-management relations for greater socio-economic progress; facilitate implementation of Occupational Safety and Health of labour; and undertake other welfare measures for workers' families including healthcare, education and housing etc. Similarly, it is the function of human resource development to harness the existing potential of available human resource through training and development. An amount of Rs. 100.0 million has been allocated for this sector in 2011-12.

### Strategic Interventions

- Provision of additional facilities and human resources at Centre for Improvement of Working Conditions & Environment (CIWC&E) / Industrial Relations Institute (IRI).
- Elimination of bonded labour in brick kilns in Punjab in general with major focus on Kasur & Lahore.
- Awareness of workers and employers of their rights and obligations under the Labour laws and establishment of information system of factories and computerization of data.
- Combating Worst Forms of Child Labour in 4 district of Punjab i.e Attock, Jhang, Muzafargarh and Pakpattan.
- Up-gradation of gadgets used for the measurement of CNG Dispensers.
- Provision of checking kit of Weights & Measures and allied training facilities for the inspecting staff.



## 4.22 EMERGENCY SERVICE

The Provincial Government aims at providing quality rescue and emergency services to its citizen within the minimum possible time. Development of safer communities is being ensured through an effective system for management and prevention of emergencies. Emergency Service (Rescue-1122) has been extended to all cities of district headquarters. Now, it is being extended to tehsil level in phases. The Emergency Service Sector has been allocated Rs. 2,100.0 million in 2011-12.

### Strategic Interventions

- The Government of Punjab instead of making haphazard interventions has established modern pre-hospital emergency management infrastructure in all districts except Chiniot to be completed in 2011-12.
- As a result of the establishment of Punjab Emergency Service in all districts, a comprehensive Emergency Management & Disaster Response infrastructure has been established with trained emergency medical, rescue & fire services along with Disaster Emergency Response Teams for the first time in Punjab.
- The sustainability of the Emergency Services Reforms has been ensured through the enactment of Punjab Emergency Service Act, 2006 unanimously passed by the Punjab Assembly which clearly defined the role, functions and responsibilities of the Rescue 1122 Service, thus establishing an effective system for emergency preparedness, response and prevention in Punjab.
- The sustainable Human Resource Development has been ensured through the establishment of Emergency Services Academy of international standards.
- Rescue Service in all tehsils is being introduced in phases. ADP 2011-12 reflects Phase-I covering 12 tehsils namely Liaquatpur, Ahmedpur East, Jaranwala, Sadiqabad, Kharian, Chichawatni, Pattoki, Kabirwala, Mian Chanu, Gujjar Khan, Muridke & Khanpur.

## 4.23 TOURISM

The provincial government is making concerted efforts for preservation, development and beautification of existing and potential tourist locations to attract tourists from within as well as outside the province / country. Devolution of tourism as a consequence of 18<sup>th</sup> amendment has necessitated more efforts at provincial level. Hence, this sector has been allocated Rs.250.0 million in 2011-12 which is higher than last year's revised allocation of Rs.218.0 million.

### Objectives

- Provision of infrastructure for the promotion of tourism in the province;
- Preservation and development of existing and potential tourist resorts;
- Co-ordination with other departments / agencies like Forest and Wildlife for the promotion of this sector particularly eco-tourism and
- Create awareness among masses to promote domestic tourism.

### Strategic Interventions

- Creation of tourist facilities at the potential sites of Nankana; Derawar Fort Cholistan
- Renovation / Up-gradation of Lal Sohanra Resort, Bahawalpur;
- Multifarious interventions for improvement of tourist facilities in Murree;
- Master Plan to develop Murree as a pollution free tourist town.
- Completion of Bus Terminal at Nankana devolved to the Punjab province.

### Devolved Project

- Federal Government has transferred the Bus Terminal at Nankana Sahib ongoing project to the Punjab.

## 4.24 TRANSPORT

Provision of efficient, economical, comfortable, safe and green transport facility to the public is the aim of the Provincial Government. An amount of Rs.7,300.0 million has been allocated for transport purposes in the Budget 2011-12.

### **Achievements during 2010-11**

A full fledged transport planning unit has been established with Japanese assistance which will serve as a technical arm of the department for carrying out transport planning on modern lines and will bring the working of the department at par with international standards. A scheme for capacity building of the Transport Department has been completed which has helped in re-organizing the department on modern lines. Congenial working environment and latest equipment has been provided to the department for increasing efficiency.

### Strategic Interventions

- Encourage private investment in the urban transport sector in Public Private Partnership mode.
- Provision of subsidy to the Urban transporters to facilitate induction of new buses in the Urban Transport System as a pro-poor initiative.
- Introduction of Yellow Cab.
- Setting up of multi modal intercity terminals to alleviate traffic congestion in Lahore and to provide latest facilities to the commuters at the bus terminals.
- Capacity building of the department through Transport planning unit

## 4.25 ENVIRONMENT

Healthy and human friendly environment is a basic human need. Therefore, it is imperative that the environmental conditions are improved not only to decrease the environmental and other forms of pollution but also to create a healthy environment. The provincial government aims at promotion and attainment of sustainable development in the province through integration of economic and environmental considerations.

An amount of Rs.350.0 million has been allocated in 2011-12 for environment sector.

### Objectives

- Implement Pakistan Environmental Protection Act (PEPA 1997). Promote environmental awareness among the masses
- Implement National Environmental Quality Standards (NEQS)
- Promote R&D in pollution prevention and environmental improvement
- Monitoring the quality of industrial effluents and municipal wastes
- Encourage sustainable development
- Provide information on environment friendly technologies and conduct campaigns against smoky and noisy vehicles
- Review IEE/ EIA and issue environmental approvals. Collaborate with NGOs/ CBOs for undertaking environment related projects
- Coordinate with Federal Government and other Provinces on environmental issues / policies / laws

### Strategic Interventions

- Regulatory control on environmental pollution through capacity building of EPA Punjab
- Promote environmental sustainability through capacity building of provincial departments in environmental management by training in various areas of environmental management including environmental impact assessment and life cycle assessment etc.
- Grass root Initiatives through community based environmental improvement programme
- Propagation of environmental monitoring and surveillance programme to identify and quantify the state of air pollution
- Motivation of research and educational institutions for development of indigenous pollution control technologies

## 4.26 INFORMATION, CULTURE AND YOUTH AFFAIRS

The need of hour is to make necessary arrangements for the uplift of youth in the fields of education, culture, science and technology in order to create conducive environment for the promotion of language, art & culture and to provide adequate institutional framework for national solidarity. This sector also carries forward 07 devolved projects transferred from the Federal Government under the 18th Amendment.

An amount of Rs.170.0 million has been allocated for Information, Culture and Youth Affairs for 2011-12.

### Objectives

- Project and promote policies and priorities of the Government of the Punjab. Protect and conserve the cultural heritage of Punjab
- Promote language, art and culture of the Punjab

- Document and survey the archaeological and cultural heritage of Punjab
- Preservation, conservation and restoration of historical / heritage buildings and monuments
- Expansion of existing network of Arts Councils and museums in Punjab

#### Strategic Interventions

- Five years programme for preservation and restoration of Shalimar Garden, Lahore
- Five years programme for preservation and restoration of Lahore Fort
- Development of archaeological and cultural heritage of Punjab
- Establishment of Chakwal Museum at Kallar Kahar
- Establishment of museum and art gallery at Gujrat
- Establishment of museum at Multan
- Re-construction of Murree Arts Council
- Construction of auditorium in arts councils at Sargodha, DG Khan, Gujranwala
- Preservation / restoration of fort wall of Shujabad
- Construction of Information & Culture Complex at Rawalpindi
- Conservation and development of Katas Raj Complex
- Construction of Conversation Laboratory in Bahawalpur Museum
- Archaeological survey and documentation of forts and important monuments of Cholistan (PC-II)
- Development of Parking and Public Utility Area at Shalimar Garden, Lahore
- Preservation and Restoration of Shrine of Bibi Jiwindi Tomb Complex, Hazrat Uch Sharif
- Master Plan for Preservation and Restoration of Shahdara Complex of Monuments (Jahangir's Tomb, Lahore) and Rohtas Fort

#### **4.27 AUQAF & RELIGIOUS AFFAIRS**

The major parameter of the policy is to provide improved standards of religious services and facilities at mosques, shrines and peaceful environment for devotees. Religious harmony and promotion of unity amongst various sects of Islam has specially been focused. Standardized publication of the Holy Quran will be emphasized. Historic documents will be preserved and shrines in the neglected and far off areas will be restored. The allocations for Auqaf & Religious Affairs sectors for the year 2011-12 are Rs.150.0 million.

#### Strategic Interventions

- Construction of Quran Complex and Seerat Academy at Upper Mall (Shrine Hazrat Mian Meer) Lahore.
- Re-flooring of courtyard of Badshahi Mosque. Addition / improvement of wash rooms / kitchens with eating rooms / dispensaries at shrines according to customized modular design.
- Restoration of shrines at Uch Sharif.
- Rehabilitation / up-gradation of public facilities for visitors/zaireen at Mosque Hazrat Madhoo Lal Hussain.

- Development scheme/upgradation of public facilities for visitor/zaireen at Shrine Hazrat Makhdoom Rasheed, Multan.
- Restoration / conservation at Mosque Wazir Khan, Lahore and construction of Mosque at shrine Hazrat Miran Hussain Zanjani.
- Construction works at Mosque attached shrine Pir Mohammad Shah Hammbu Anna, Chinniot and construction works at Mosque Eid Gah Block No.11, Khanewal.
- A block allocation of Rs.33.000 million has been provided for the development schemes for the un-funded / un-approved projects.

#### 4.28 HUMAN RIGHTS & MINORITY AFFAIRS

The provincial government's vision is to foster equality, unity, peace and harmony amongst all the religious communities and ensure protection of rights of oppressed social groups and individuals. The allocation for Human Rights & Minority Affairs sector for the year 2011-12 is Rs. 220.0 million.

##### Strategic Interventions

- Provision of facilities for better community living to the minorities through Minority Development Funds (MDF).
- Provision of free education to minority students through educational scholarships.
- Raising awareness of Human Rights through academia and media.

#### 4.29 SPECIAL INFRASTRUCTURE

##### Lahore Ring Road (LRR) Project

Commenced after detailed designing of the northern loop in 2005, the Lahore Ring Road Project is being implemented in two phases consisting of northern and southern loops of the circumferential road. The LRR is designed as a three-lane dual carriageway with outer and inner shoulders including interchanges at major road crossings on various locations. First phase of the LRR Project extends over 43 km road and comprises 17 construction packages (*including 9 interchanges*). The second phase of the project shall consist of southern arc of Lahore Ring Road traversing a new corridor (about 49 km) linking Ferozpur Road Interchange to Shahpur Interchange and finally connecting to the northern arc via Saggian Interchange for completing the peripheral loop.

**Table 4.12**  
**LRR Project Targets for the Year 2011-12**

Completion of LRR (North)	100% completed during financial year 2011-12
Detailed Engineering Design for LRR (South)	100% completed during financial year 2011-12

### 4.30 POWER SECTOR

Accelerated development of energy resources ranks high in priorities of the Punjab Government as the ever-mounting electricity shortages are a major bottleneck impeding growth of the provincial economy. For the last several years, energy sector in the country is facing the crises of rising prices, sub-optimal performance, and slow expansion resulting in widened supply and demand gaps. With stagnated development of large scale hydel power projects since 1980's, the once benign hydel / thermal power generation ratio of 67:33 has been reversed to the economically unaffordable ratio of 35:65. Nationwide power demand is outstripping supply and there is an imperative need to focus on efforts to increase the share of hydropower and alternate renewable energy in the overall energy mix in order to balance the unabated adverse impacts of expanding energy shortages. To minimize capacity shortfalls, the 2002 Power Generation Policy of the Government of Pakistan allows provinces of Pakistan and AJK to develop power generation projects up to 50 MW.

Punjab promulgated its Power Generation Policy in 2006 (revised 2009) with focus on enhancing power generation capacity at the least cost, ensuring sustainable indigenized use of fuel (oil/gas/coal/biomass) and development of hydel, solar and wind energy resources. Previous studies have identified over 300 sites on canal falls and barrages in Punjab having potential of power development of about 600 MW. Out of these 48 preferred sites with generation potential exceeding 2 MW at each site possess an overall power producing capacity of about 350 MW. Government of Punjab lately reactivated and strengthened Punjab Power Development Board (PPDB) initially set-up by Government of Punjab in 1995. The Major MTDf (2011-2014) initiatives for energy security under the provincial power sector are as follows:

- ADB-assisted Renewable Energy Development Sector Investment Programme, REDSIP (Punjab) envisaging Rs. 11.9 billion investment on (a): construction of five (5) hydro-power projects at Marla (Sialkot), Chianwali (Gujranwala), Deg outfall (Sheikhupura), Pakpattan and Okara with an overall capacity of 25 MW generating 160 GWh per annum; (b): feasibility studies for prospective development of additional five hydro-power projects in Punjab, and (c): capacity development of energy / power sector in the province.
- Against 48 hydel sites announced by PPDB, response was received for 10 sites. LOIs to the successful sponsors were issued in 2007 and 9 feasibility studies completed in 2009. Upon determination of a viable tariff and its approval by NEPRA, Letter of Support (LOS) has been issued by PPDB for two small-scale hydro-power projects over raw sites whereas feasibility study for two solicited sites is under revision. Additionally, proposals are in various stages of appraisal, EOIs and evaluation for coal-based, solar-thermal, solar (PV) and waste-to-energy projects.

Keeping in view the importance of this sector, an allocation of Rs.9,000.0 million has been made in the ADP 2011-12 to make investments in power sector projects for generation of electricity during the current year.

## CHAPTER 5

### MEDIUM TERM BUDGETARY FRAMEWORK (MTBF) AND FISCAL REFORMS

Annual budget making being incremental in nature suffers from inherent weaknesses which limit its usefulness in spending resources to their optimal use. Failure to link policy, planning and budgeting is the single most important cause for poor budgetary outcomes especially in developing countries. Recognizing the limitations of this approach, Punjab Government continues to make progress in implementing multi year planning and budgeting framework in the province. After successful implementation of Medium Term Budgetary Framework (MTBF) in Health, Irrigation and Power, Livestock & Dairy Development, Higher Education and Excise & Taxation Departments, MTBF has been rolled out to other key infrastructure departments i.e., Public Health Engineering Department and Communication and Works Department from FY 2011-12. This year concerted efforts would also be made to further deepen and strengthen the MTBF reform process both at the level of Finance and Line Departments.

Implementation of Medium Term Budgetary Framework (MTBF) is at the heart of public financial management reform initiatives in Punjab. 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.

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.

## 5.1 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 MTBF IN LINE DEPARTMENTS

Budget preparation exercise for Financial Year 2011-12 in MTBF Departments began with the issuance of MTBF Budget Call Circular and Guidelines in December 2010. 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 explain the fiscal constraints and to indicate a probable resource envelope in case of each department. This was deemed necessary to promote a culture of prioritization and allocative efficiency in the departments rather than need being the sole criteria for formulation of budget estimates for the ensuing year.

To develop a complete understanding and insight of the conceptual dimensions of the MTBF, and to inculcate a complete sense of ownership, an introductory session on MTBF was held on 4<sup>th</sup> January 2011 in the Finance Department where the Administrative Secretaries of MTBF Departments were invited. Objective of this session was not only to explain the benefits of introducing this new form of budgeting but also to encourage the departments to use this budgetary approach as a strategic tool for implementing policy decisions. In this regard, it would be pertinent to mention that success of MTBF not only requires an active participation of the people involved in the budget making process but the availability of trained human resource is also equally important. To achieve this end, objectively designed training programs were delivered to train the participants in defining and prioritizing activities to be performed by these Departments. Extensive capacity building of Budget and Accounts Officers / Drawing and Disbursing Officers was carried out as part of MTBF implementation program. A series of workshops under auspices of Punjab Government Efficiency Improvement Program were conducted for all spending units of MTBF Departments at various locations of the Province. These training programs inter alia focused on conceptual dimensions of MTBF, its costing techniques and use of IT tools in budget making process. Consequently, an improvement in the quality of budget estimates was witnessed in addition to a greater degree of ownership and commitment of the Departments towards budget making process.

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



put in place and institutional arrangement 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 responsible manner.

Using indicative budget ceilings following budget estimates were developed by the Departments:

**Table 5.1**  
**Summary of Budget Estimates of MTBF Departments for the FY 2010-11**  
*(Rs. in Millions)*

No.	Department	Indicative Ceiling 2011-12		Budgetary Allocations for FY 2011-12	
		Current	Development	Current	Development
1	Health	28,614.357	19,987.118	25,484.686	23,300.000
2	Irrigation & Power	10,801.013	10,406.151	9,636.980	11,250.000
3	Livestock and Dairy Development	2,374.008	1,676.588	2,354.152	2,500.000
4	Higher Education	17,574.116	6,200.000	14,856.162	6,500.000
5	Excise & Taxation	108.128	--	312.005	--
6	Housing, Urban Development and Public Health Engineering	3,723.099	10,148.777	2,639.981	10,000.000
7	Communication and Works	5,864.297	39,525.510	5,011.694	40,390.386

In order to further embed and institutionalize MTBF, a Cell in the Finance Department has been created which will be operationized by the end of fiscal year 2010-11.

### 5.3 MTBF AND FISCAL REFORMS IN FINANCE DEPARTMENT

Starting point for budget preparation exercise is clear definition of fiscal targets and a strategic framework which consists of comprehensive set of objectives and priorities. Accordingly, it was felt necessary in the Finance Department to up-date the macro-economic framework for Punjab to cater for the impact of certain exogenous factors like new NFC Award (2010), massive floods in 2010, 18<sup>th</sup> Constitutional Amendment, Standby Agreement of the Federal Government with IMF and 50% increase in salary by the Federal Government which was also adopted in the province. Based on revised macro-economic framework, Medium Term Fiscal Framework (2010-13) was developed. Detail deliberations were held in Finance and P&D Department to articulate the expenditure priorities over the medium term with in the given resource framework. MTFF was presented to Cabinet and approved on 26<sup>th</sup> March, 2011.

It is generally agreed that core functions of the key departments like Finance cannot be performed without the development of adequate macro-fiscal capacity. This not only allows the department to develop accurate macroeconomic projections and macro-fiscal forecasting of revenues and expenditures but also helps in minimizing the variance between the budgeted and actual figures. Given the size of sub-national Government of the Punjab province, this is considered even more imperative especially in the aftermath of the 18<sup>th</sup> Constitutional Amendment whereby more functions have been devolved to the provinces. Realizing this need, a study was also commissioned to develop this core capacity which would assist FD in making informed fiscal policy decisions.

Based on approved MTF, a Budget Strategy Paper for FY 2011-12 was also developed duly approved by the Provincial Cabinet on 26<sup>th</sup> March, 2011. Objectives of formulation of Budget Strategy Paper interalia included:

- Develop broad fiscal parameters for FY 2011-12;
- Formulate policy framework of the Government including key strategies for management and reform of overall revenue and expenditure regime;
- Set out broad principles which will serve as a guideline for budget preparation for FY 2011-12;
- Propose budget allocations amongst sectors, functions, services, departments, etc. consistent with the fiscal situation; and
- Provide a framework for the preparation of departmental ceilings for budget estimates in conformity with the laid down policy and parameters of the Government in a particular sector / department.

Budget Strategy paper not only provides a comprehensive framework for implementing the Government's reform agenda in the ensuing year but is also a manifestation of present government's resolve and commitment for bringing transparency, predictability and accountability in decision making of the Government.

#### **5.4 MOVING FORWARD**

To take the reform process forward, Punjab Government will remain committed for promotion and sustenance of public financial management reforms under MTBF initiative and to further capitalize on the progress made so far. From FY 2012-13, MTBF will be rolled out to Home and Local Government & Community Development Departments.

In parallel, number of other critical complementary reform initiatives are also being actively pursued which among others include the following:

- Development and implementation of a comprehensive budgeting monitoring framework which would assist in assessing the progress against the outputs thereby improving the quality of budget execution;

- Synchronizing MTBF reforms with Result Based Management Framework aimed at maximizing output and gauging performance against pre-identified performance benchmarks / standards;
- Upgrading and improving existing rules and regulations relating to financial management, accounting, budgeting etc. (Budget Manual, Punjab Financial Rules) to make them consistent with the best practices in public finance;
- Bringing improvement in the quality of budgetary documents to make them more informative, comprehensive and user friendly which would eventually generate an objective debate on budgetary allocations;
- Strengthening budget preparation at line departments by implementing Financial Management Application (FMA); and
- Improving cash planning, fiscal forecasting and cash management function.

## 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 fiscal space, which can then be utilized for investments in social, economic and industrial sectors of the economy.

It may, however, be added that review of overall fiscal position of the province would remain incomplete if the 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 financial guarantees extended 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.

Departing from this past practice, White Paper for the FY 2010-11 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 2011-12. The 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 benefit from 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, 2011) would stand at Rs.492.322 billion, which includes a domestic loan of Rs. 76.257 billion and foreign debt to the tune of Rs.416.065 billion (Table 6.1). In percentage terms, the domestic debt constitutes 15.5% while foreign debt accounts for 84.5% of the total debt liability.

**Table 6.1**  
**Debt Stock of the Provincial Government as of 30.06.2011**

	<i>(Rs. in Billion)</i>	
	Principal	Percentage
Total Domestic Debt	76.257	15.5%
Total Foreign Debt	416.065	84.5%
<b>Total Debt</b>	<b>492.322</b>	<b>100.0%</b>

The proportion of foreign loans in the total debt stock is quite high. 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. Moreover, the foreign exchange risk is picked up by the Provincial Government in most of the cases. The outstanding foreign debt of the Government as of 30<sup>th</sup> June, 2010 was Rs.390.786 billion. Depreciation of Pak Rupee contributed an amount of Rs.21.179 billion to the increase in the size of foreign debt stock, whereas, the Government received new foreign loans equivalent to Rs.12.600 billion during FY 2010-11. The Government also retired an amount of Rs.8.500 billion during this financial year. In this way the total foreign debt stock of the Government as of June 30<sup>th</sup>, 2011 works out to Rs.416.065 billion.

Outstanding domestic debt stock of the Government of the Punjab as of June 30<sup>th</sup>, 2010 was Rs.94.920 billion. An amount of Rs.18.663 billion was repaid by the Government. In this way the total liability of the Government on account of domestic loan liability stands at Rs. 76.257 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	27.839
CDL SCARP	11.018
<b>Total CDL</b>	<b>38.857</b>
Blocked Account	28.631
Loan from SBP for Capitalization of BOP	8.769
<b>TOTAL</b>	<b>76.257</b>

The 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 2011-12**

*(Rs. in Billion)*

	Principal	Interest	Total Debt Servicing
Domestic Debt	23.390	14.982	38.372
Foreign Debt	9.056	3.885	12.941
<b>Total Debt</b>	<b>32.446</b>	<b>18.867</b>	<b>51.313</b>

## 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 a pay-as-you-go basis i.e. pension payment during a year was made out of that year's revenues regardless of when the liability had accrued. 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.

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

- The 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 FY 2011-12, Punjab Government intends to provide an amount of Rs.7.000 billion for capitalization of the GP Fund and Rs.4.000 billion for Pension Fund.

### 6.2.1 Pension Liability

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

**Table 6.4**

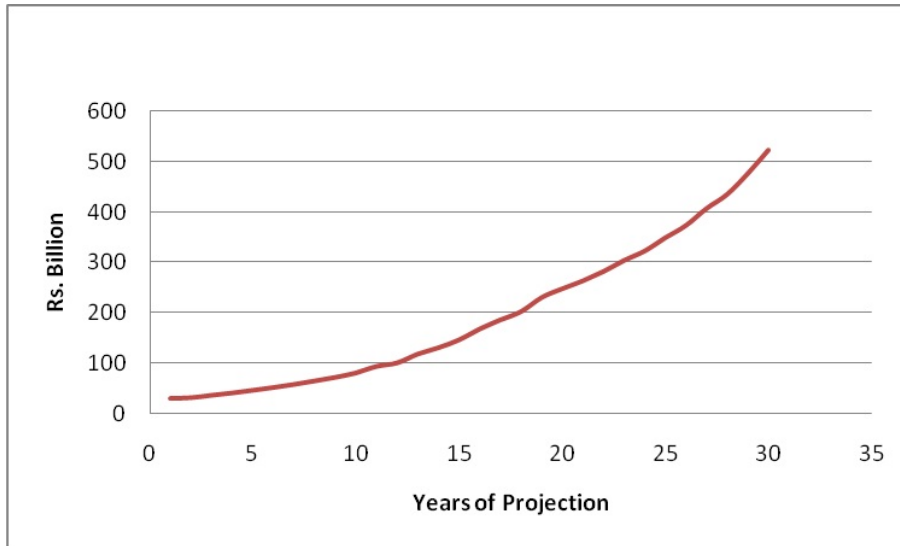
*(Rs. in billion)*

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

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

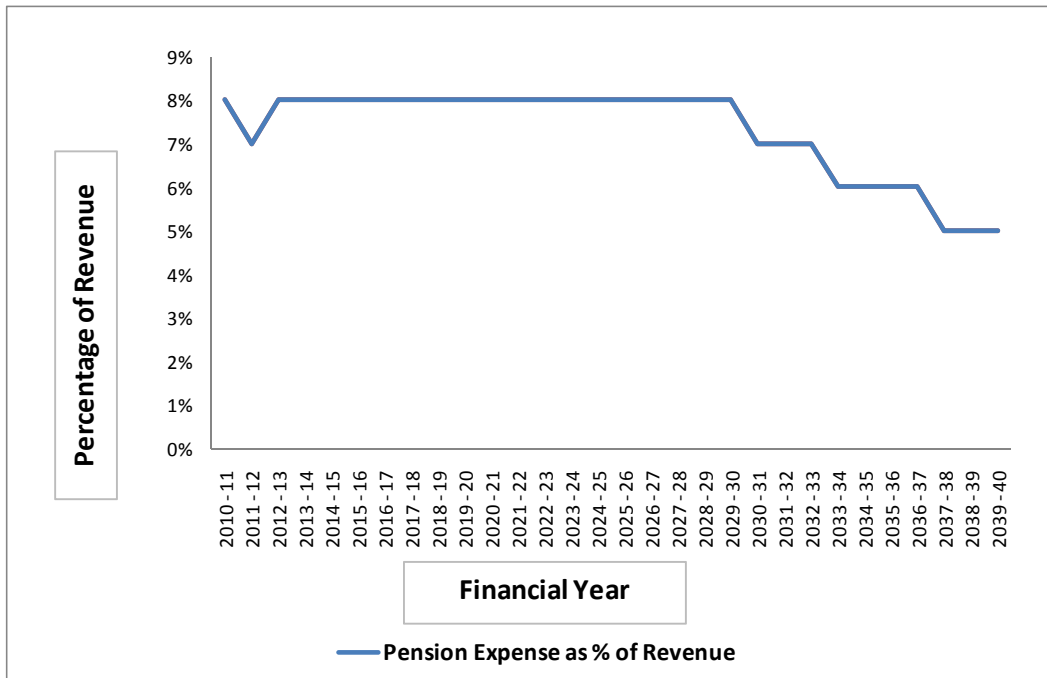
Graphical representation of expected pension payments over the next 30 years is as under:

**Figure 6.1**  
**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**



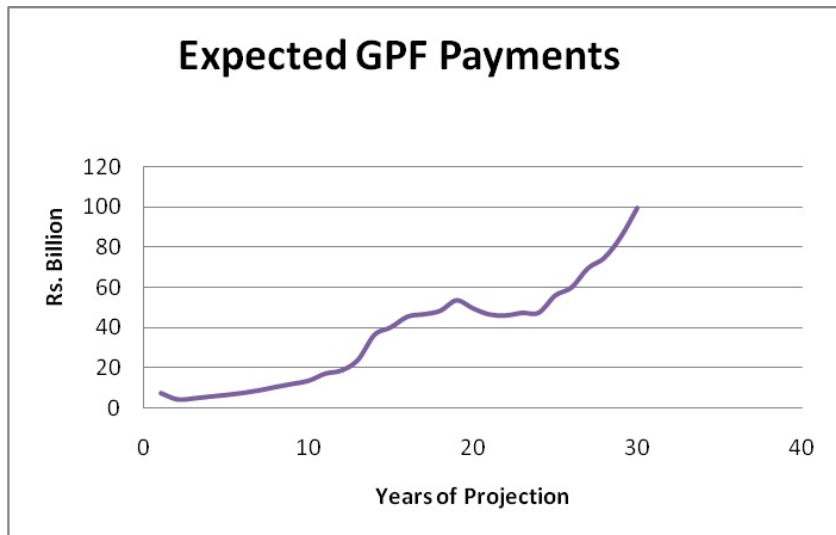
### 6.2.2 General Provident Fund Liability

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 30<sup>th</sup> June, 2010 is Rs.86.9 billion.

Increase in GP Fund payments over 30 years time scale is illustrated in Annex-II:

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 a rate of 12% per annum, for the next 30 years, is illustrated in Annex-III.

### 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 2010-39 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 2010-15**

*(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
2010-11	5.4	2.0	2.0	9.4
2011-12	6.0	2.0	2.0	10.0
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

From 2015-16, in case of pensions, the funded amount will be a percentage of the estimated basic salary, which is the basis of determining, pension payments. Each year from 2015-16, 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 2010-May 2011
Beginning fund size	12,097
Add: contribution during the period	-
Less: transfer to Reserve Pension Fund	-
Add: gain/(loss) during the period	1,486
Less: expenses during the period	(16)
<b>Ending fund size</b>	<b>13,567</b>

The numbers exclude unrealized capital gains/losses

### FUND'S PORTFOLIO

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

*(Amounts: Rs. in millions)*

	30 Jun 2010		31 Dec 2010		31 May 2011	
	Amount	%	Amount	%	Amount	%
Pakistan Investment Bonds (PIBs)	5,737	47.4	5,789	45.0	7,094	52.3
Treasury Bills (T-Bills)	3,145	26.0	595	4.7	3,557	26.2
Short term bank deposits	3,015	24.9	6,000	46.6	2,560	18.9
Corporate bonds/Term Finance Certificates (TFCs)	176	1.5	349	2.7	349	2.6
Cash at bank	21	0.2	130	1.0	3	0.0
Other assets*	3	0.0	1	0.0	4	0.0
<b>Total Fund Size</b>	<b>12,097</b>	<b>100.0</b>	<b>12,864</b>	<b>100.0</b>	<b>13,567</b>	<b>100.0</b>

\*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%
Jul 2010-May 2011	13.46%	13.31%		

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

- Inflation rates over the last 2-3 years have been much higher than the long-term inflation expectations of 9%-10% p.a.
- Current interest rates are also higher than the long-term expectations.
- This is an opportunity for the Fund to invest in long-term fixed rate instruments. As inflation and interest rates decline and revert to their long-term averages, the strategy to invest at fixed rates will pay off and the Fund will be able to earn an attractive real rate of return in accordance with its long-term objective.

### GROWTH IN ASSETS vs. LIABILITIES AND FUNDING RATIO

- A liability index has been constructed on the basis of next 30-year pension-related cash outflows as projected by the Actuary of the Fund. The index captures the growth in market value of the liabilities i.e. the present value of next 30-year liabilities computed at market rates of interest.
- The following table summarizes the amount & growth of Fund's assets vis-à-vis the amount & growth in 30-year Pension liabilities of the Government:

Period	During the period		End of period		
	Growth		Market Value (Rs. billions)		Funding Ratio
	Fund's Assets	Liability Index	Fund's Assets (a)	30-yr Pension Liabilities (b)	(a)/(b)
FY 2008-09	15.00%	28.01%	3.5	575.9	0.60%
FY 2009-10	13.21%	9.41%	12.1	621.7	1.94%
Jul 2010 - May 2011	9.72%	-3.59%	13.2	599.4	2.21%
Jul 2008 – May 2011 (CAGR)*	13.00%	10.84%			

\*CAGR means Compound Annualized Growth Rate

- Since the pension liabilities have very long maturities, their present value is highly sensitive to changes in interest rates.

- The present value of liabilities has a negative correlation with interest rates i.e. it increases sharply when interest rates decrease and vice versa.
- During FY 2008-09, interest rates for all maturities declined. Liability index grew by 28% during that period. The present value of liabilities increased sharply as the future liabilities were discounted at a lower rate.
- During FY 2009-10, interest rates increased for most maturities but declined for very long maturities. Liability index grew by a modest 9.41% during that period.
- During Jul–May FY 2010-11, interest rates for all maturities have increased. Liability index declined by -3.59% during this period. The present value of liabilities declined sharply as future liabilities were discounted at a higher rate.
- The above analysis highlights that the biggest risk exposure of the pension liabilities is a decline in interest rates. It can sharply increase the requirement of funds to meet the same liabilities and thus lower the Funding Ratio of the pension plan.
- The focus of the investment strategy of the Fund should therefore be on managing the interest rate risk.

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

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

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## CHAPTER 7

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# 18<sup>TH</sup> CONSTITUTIONAL AMENDMENT – IMPLICATION AND CHALLENGES

People of Pakistan have struggled relentlessly for democracy and for attaining the ideals of Islamic, democratic, parliamentary and modern progressive welfare state wherein the rights of the citizens are secured and provinces have an equitable share in the federation. As a significant step towards attaining these goals, two most important developments i.e. announcement of 7<sup>th</sup> National Finance Commission Award and unanimous ratification of 18<sup>th</sup> Constitutional Amendment to the Constitution of Pakistan have taken place following the transition to democracy. Passage of 18<sup>th</sup> Amendment Constitutional Act is a reflection of broad political consensus in the country as to how Pakistan can evolve into a true federal state as opposed to the symbolic federalism of the past where provincial autonomy had become a residue of the central patronage. Through the passage of this historic bill, many infringements in the constitution of Pakistan inserted by its military rulers over several decades have been reversed. Through the promulgation of 18<sup>th</sup> Amendment, we have moved from a centralized federation to a participative one. By unanimous approval of this amendment, Pakistan's Parliament has stamped a new political consensus on the legal and political framework of the country.

18<sup>th</sup> Amendment has brought a fundamental change in the structure of the constitution whereby the Concurrent List has now been abolished. By virtue of this amendment, 47 subjects of the Concurrent List have been abolished. However, the Federal Legislative List has increased from 67 to 77 subjects and Part-II of the Federal Legislative List has increased from 8 to 18 including the subject of electricity. 18<sup>th</sup> Amendment also calls for a strengthened Council of Common Interests with a permanent secretariat and a mandatory meeting of the council once in a quarter.

As a result of 18<sup>th</sup> Amendment, fifteen ministries/eighteen divisions stand devolved to the provinces. In addition to the ministries earmarked for complete devolution, some subjects of ministries which continue to function at the federal level have also been selected for devolution. Overall, following the 18<sup>th</sup> Amendment, there is undoubtedly a more rational and balanced distribution of functions between the federal and provincial governments, leading thereby to greater empowerment of the provinces.

## 7.1 DEVOLUTION PROCESS

To oversee the process of devolution of functions and Ministries to the provinces, Federal Government has established an Implementation Commission (IC) which comprises eight members drawn from different political parties. The IC will function till June 30, 2011. It has been envisaged that the devolution process under the 18<sup>th</sup> Amendment would be implemented in three phases involving the devolution of eighteen Ministries. During the first two phases of devolution starting in December 2010, ten out of the forty eight Ministries / Divisions at the Federal level have been devolved. Phase-III is currently underway and it is expected that the process will be completed by the end of June 2011. In the first and second phase, five Ministries/Divisions each were devolved, while the remaining eight Divisions with the exception of statistical Division are likely to be devolved in the third phase as indicated below:

Phase I	Phase II	Phase III
• Ministry of Special Initiatives	• Education	• Food and Agriculture
• Zakat and Ushr	• Social Welfare and Special Welfare	• Health
• Youth Affairs	• Livestock and Dairy Development	• Labour and Manpower
• Population Welfare	• Culture	• Woman Development
• Local Government and Rural Development	• Tourism	• Sports
		• Statistics Division
		• Environment
		• Minorities Affairs
		• Statistical

Once the process is completed, the size of the Federal Secretariat will be reduced by 15 Ministries/18 Federal Divisions, thus reducing the number of Federal Divisions from 50 to 32.

## 7.2 PROGRESS MADE BY PUNJAB GOVERNMENT

Punjab Government is spear heading the transformation process of devolution under the 18<sup>th</sup> Constitutional Amendment vis-à-vis other provinces. Since the start of devolution under the amendment, effort has been made to ensure this transition in a seamless manner. In this regard, a high level committee comprising political leadership and official representatives was constituted to supervise the whole process. To begin with, mapping of functions devolved to provincial governments and their allocation to different Provincial Government Departments was completed as provided in the Table 8.1. The table shows that 47 devolved subjects have been distributed amongst 21 provincial departments.

**Table 7.1**  
**Subjects transferred to different departments in Punjab following the 18<sup>th</sup> Constitution Amendment**

Sr. #	Name of the Department	Subjects transferred
1	Population Welfare	Population Planning
2	Information, Culture & Youth Affairs	I. Newspapers, books and printing presses II. Ancient and historical monuments, archaeological sites and remains.
3	Labour & Human Resources	I. Welfare of labour; condition of labour, provident fund, employer's liability and workmen compensation, health insurance including invalidity pensions, old age pensions. II. Trade Union, industrial and labour disputes III. Setting up and carrying on of labour exchanges, employment information bureaus and training establishments IV. Regulation of labour and safety in mines, factories and oil fields
4	Literacy & Non- Formal Basic Education	Curriculum, syllabus, planning, policy, centers of excellence and standards of education except standards in institutions for higher education and research, scientific and technical institutions
5	Tourism	Tourism
6	Board of Revenue	I. Bankruptcy and insolvency II. Trusts and trustees III. Transfer of property IV. Evacuee property V. Duties in respect of succession to property VI. Estate duty in respect of property VII. Capital gains on immovable property
7	Auqaf	I. Islamic education II. Auqaf
8	Excise & Taxation	I. Opium, so far as regards cultivation and manufacture II. Poisons and dangerous drugs
9	Zakat & Ushr	Zakat
10	Transport	I. Shipping and navigation on inland waterways as regards mechanically propelled vessels, and the rule of the road on such waterways; carriage of passengers and goods on inland waterways; and II. Mechanically propelled vehicles
11	Social Welfare & Women Dev.	I. Social Welfare II. Infants and minors adoption III. Unemployment insurance
12.	Livestock & Dairy Dev.	Prevention of the extension from one province to another of infectious or contagious diseases or pests affecting animals
13.	Agriculture	Prevention of the extension from one province to another of infectious or contagious diseases or pest affecting plants
14.	Higher Education	Curriculum, syllabus, planning, policy, centers of excellence and standards of education except standards in institutions for higher education and research, scientific and technical institutions.
15.	School Education	Curriculum, syllabus, planning, policy, centers of excellence and standards of education except standards in institutions for higher education and research, scientific and technical institutions.
16.	Special Education	Curriculum, syllabus, planning, policy, centers of excellence and

Sr. #	Name of the Department	Subjects transferred
		standards of education except standards in institutions for higher education and research, scientific and technical institutions.
17.	Environment	Environmental pollution and ecology
18.	Health	I. Drugs and medicines II. Prevention of the extension from one province to another of infectious or contagious diseases or pests affecting men III. Mental illness and mental retardation, including places for the reception or treatment of the mentally ill and mentally retarded
19.	Home	I. Arms, firearms and ammunition II. Explosives III. Removal of prisoners and accused persons from one province to another province IV. Preventive detention V. Measures to combat certain offences committed in connection with matters concerning the federal & provincial governments and the establishment of a police force for that purpose. VI. Production, censorship and exhibition of cinematograph films
20.	Law & PA	I. Civil procedure I. Law of Limitation III. Arbitration; IV. Actionable Wrongs (torts) V. Administrator-general VI. Official trustee VII. Contracts
21.	LG&CD	Marriage and divorce

This exercise was followed by identification of different Federal laws which either required amendments or enactments of new laws at the provincial level to create the necessary statutory framework for discharging the newly devolved functions at the provincial level. As a result, a total of 72 such legislations were identified. Out of these 72 laws, 42 have already been changed / updated and 27 laws have been approved by the Cabinet. Moreover, Rules of Business of Punjab Government have also been revised in the light of 18<sup>th</sup> Amendment to ensure that all departments are aware of their roles and responsibilities in the post 18<sup>th</sup> Amendment scenario.

### 7.3 FINANCIAL IMPLICATION OF DEVOLUTION

Analysis of financial implications for the Punjab Province in different categories of expenditure as a consequence of devolution of functions under the 18<sup>th</sup> Amendment is presented as follows:

#### 7.3.1 Current Expenditure

Total financial implication of all three phases on the basis of the allocations of these departments appearing in the budget estimates of the Federal Government for the financial year 2010-11 would be to the tune of Rs. 1,427.10 million less Higher Education Commission.



Finance Implication of three phases of devolution in respect of different Ministries is tabulated below:

**Table 7.2**  
**Summary Statement indicating financial implication under Current Budget per year of 18**  
**Ministries devolved as a consequence of 18<sup>th</sup> Amendment**

Ministry		Punjab
(Rs. in million)		
<b>1<sup>ST</sup> PHASE</b>		
1	Local Government and Rural Development	-
2	Population Welfare	15.9
3	Special Initiatives	-
4	Youth Affairs	800.0
5	Zakat and Ushr	-
<b>Sub Total</b>		<b>815.9</b>
<b>2<sup>ND</sup> PHASE</b>		
6	Culture	68.7
7	Education	6435.9
	(HEC)	6395.1
8	Livestock and Dairy Development	9.1
9	Social Welfare & Special Education	124.1
10	Tourism	8.2
<b>Sub Total</b>		<b>6,646.0</b>
<b>3<sup>RD</sup> PHASE</b>		
11	Environment	-
12	Food and Agriculture	42.0
13	Health	62.3
14	Labour and Manpower	33.3
15	Minorities Affairs	1.3
16	Statistics Division	222.4
17	Sports	-
18	Women Development	-
<b>Sub Total</b>		<b>360.3</b>
<b>Grand Total</b>		<b>7,822.2</b>

If the allocations for the statistical division to the tune of Rs. 222.4 million are excluded, the total impact would be approximately Rs. 1,204.70 million. Detail of the organizations / offices relating to the devolved Ministries and their corresponding provincial government department is appended as Annex-V. To ensure the continuity and sustenance of the organizations devolved under 18<sup>th</sup> Amendment and to avoid any disruption in the service delivery, Rs. 384.0 million has been sanctioned for the 46 offices devolved in the first and second phases through SNE in FY 2010-11 as depicted in the table below:

**Table 7.3**  
**Schedule of New Expenditure for Devolved Subjects**

(Rs. in million)

	<b>2011-12</b>
<b>Higher Education Department</b>	<b>37.47</b>
National Education Equipment Center, Lahore	19.56
National Museum of Science and Technology, Lahore	17.91
<b>Special Education Department</b>	<b>220.76</b>
<b>Social Welfare and Women Development</b>	<b>6.12</b>
<b>Information Culture Center and Youth Affairs</b>	<b>106.02</b>
<b>Population Welfare</b>	<b>14.10</b>
<b>Total</b>	<b>384.47</b>

### 7.3.2 Development Expenditure

On the development side, currently there are 114 projects which are being implemented at the federal level by the devolved Ministries in Punjab. Out of these, 52 projects are classified as location projects whereas 62 vertical projects are also under implementation. Financial Implication of these projects are reflected as under:

(Rs. in millions)

Category of Project	Number	Cost	Expenditure	Throw Forward Beyond June 2011
Transferred to Province (location basis)	52	33,500.092	11,062.670	19,222.624
Vertical Projects / Programs	62	256,904.392	45,992.307	112,083.548
<b>Total</b>	<b>114</b>	<b>290,404.484</b>	<b>57,054.977</b>	<b>131,306.172</b>

The projects listed above were discussed in Planning Division. Punjab Government was represented by Planning & Development Department and representatives of concerned Administrative Departments. Based on this discussion, revised list of projects and their financial implication is as follows:

(Rs. in millions)

Category of Project	Number	Cost	Expenditure	Throw Forward Beyond June 2011
Transferred to Province (location basis)	47	34,990.948	13,455.468	19,992.200
Vertical Projects / Programs (Punjab's Share)	30	63,482.068	31,269.495	30,075.846
<b>Total</b>	<b>77</b>	<b>98,473.016</b>	<b>44,724.963</b>	<b>50,068.046</b>

Out of the total number of 47 projects transferred to Punjab (on location basis), 32 projects with a throw forward of Rs.13,946.274 million are under consideration for adoption by Punjab Government which is contingent upon the clearance / approval by Provincial Development Working Party (PDWP). However, this list also includes 2 projects i.e. Population Welfare Program Punjab and Capacity Building of Teachers Training Institutions and Training of Elementary School Teachers in Punjab which would be shifted to the portfolio of Vertical Projects to be financed by the Federal Government. After deducting the financial implication of these 02 projects, the throw forward of the remaining 30 projects works out to Rs.3,016.800 million; whereas the throw forward of 32 vertical projects increases to Rs. 41,005.318 million. As per the decision of Council of Common Interests held on 28.04.2011, Federal Government will provide funding for vertical programs in Health.

#### 7.4 WAY FORWARD

Punjab is fully committed to the smooth implementation of the 18<sup>th</sup> Amendment, which has empowered the provinces besides strengthening the federation. To cope with the implications and challenges of 18<sup>th</sup> Amendment, following broad parameters / guiding principles would be adopted to ensure the implementation of this process in an efficient and cost effective manner:-

- More cost effective approach has been adopted to absorb the additional functions in already existing departments of the provincial government. Setting up of new departments has been avoided to economize the operations of new organizations / entities devolved to the provinces. The current expenditures of the devolved institutions/ organizations/ departments shall be borne by the Provincial Governments beyond 30<sup>th</sup> June, 2011
- For location specific projects/ programs, the choice to continue implementation of on-going projects shall be with the provincial government. This will provide an opportunity for the much needed rationalization of the throw forward liabilities.
- Holistic review of various development projects/ programs would be conducted on an on-going basis to evaluate their need, usefulness and impact on the service delivery for the people of the province.
- Financing by the Federal Government of Population Welfare Program beyond June, 2011 would continue.
- The Council of Common Interests approved that financing for current expenditure of Universities hitherto would be picked up by the Federal Government till the period of the current NFC Award. Federal Government during this period will also pick up the development expenditure of the Universities depending upon the resources available with the Federal Government.

## CHAPTER 8

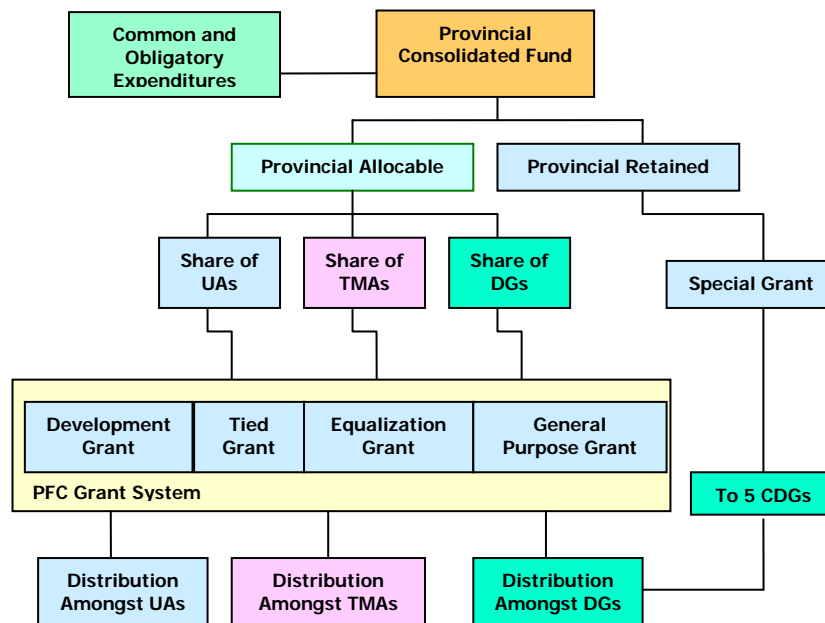
### LOCAL GOVERNMENT FINANCE

Provincial Finance Commission (PFC) Award was decreed in July 2006 as the Punjab Specification and Distribution of Provincial Resources Order 2006. After the expiry of the term of PFC Award on June 30, 2009, currently 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. As the system of local governments is in flux, new PFC has not been constituted yet. Once the functional distribution between the provincial and local governments is finalized, constitution of new PFC award 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.

The principles laid down under PFC Award 2006, ensure an equitable, structured and transparent resource allocation to the local governments. The shares of local governments under the Award are determined after a detailed analysis of the all baseline expenditures which provides an objective framework for determining the shares of local governments.

The Figure below reflects the components of resource transfer from the Provincial Consolidated Fund to the local governments under the PFC Award.

Figure 8.1



The pattern of resource distribution to the local governments since 2006 onwards and the budget estimates of 2011-12 are summarized in the Table 8.1:-

**Table 8.1**  
**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	148,000.000	15,570.000	5,018.730	168,518.730

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 2010-11 and FY 2011-12 are appended as Annex-VI of the White Paper.

Analysis of the figure tabulated above shows that there is an incremental increase in the PFC share of local 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 transfer to local governments has increased as a consequence of greater share in Federal Divisible Pool Taxes of the provinces due to announcement of 7<sup>th</sup> NFC Award.

## 8.1 ESTIMATES OF RESOURCE DISTRIBUTION TO LOCAL GOVERNMENTS UNDER PFC 2006

Table 8.2 shows the horizontal distribution of resource between different tiers of local governments for FY 2010-11 and FY 2011-12 under the PFC Award, 2006.

**Table 8.2**  
**Total Resource Transfer to Local Governments**

(Rs. in Million)

Local Governments	PFC Transfers 2010-11 (Excluding Tied Grants)	PFC Transfers 2011-12 (Excluding Tied Grants)	Percentage change
District Governments	131,653.000	148,000.000	12.42%
Tehsil Municipal Administrations	13,800.000	15,570.000	12.83%
Union Administrations	5,018.730	5,018.730	0.00%
Cantonment Boards	1,200.000	1,200.000	0.00%
<b>Total</b>	<b>151,671.730</b>	<b>169,788.730</b>	<b>11.94%</b>

Total resource provision (excluding tied grants) to City Districts / District Governments during FY 2011-12 shows an overall increase of 12.42% whereas the allocations of TMAs in FY 2011-12 would increase by 12.83% against the allocation in FY 2010-11.

Despite the increase in the resource base of district governments, it has been witnessed that most of the local governments are in a state of fiscal distress. Amongst the different contributory factors, increase in employees related expense in FY 2010-11 @50% has also been instrumental in putting an additional burden on the finances of these local governments. Consequently, the current expenditure of the local governments over the years has increased manifold thereby squeezing the space for development expenditures by these governments. To ease the fiscal distress of these governments and to optimize the service delivery at local level by these governments, an objective analysis was undertaken in FY 2010-11 by Finance Department wherein the details of actual expenditure of these governments was obtained to ascertain the inevitable resource need of local governments in Punjab. In this exercise, the baseline expenditures of these governments were reviewed and on the basis of determination of the genuine needs of local governments, approximately Rs. 5.0 billion were provided in FY 2010-11 as supplementary grant to bail out the fiscally distressed local governments in the province.

While determining the expenditure needs of these 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 especially in last few years. As a result, in comparison to the increase in expenditures of these governments, the revenue generation has either remained stagnated or it 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.

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## 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.

### 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-II

## 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

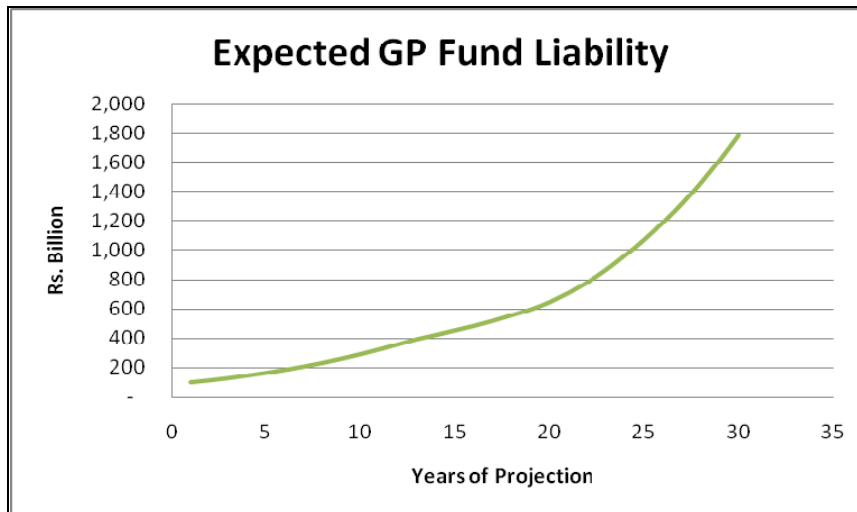
\* Inflation is assumed at 10%

### 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-IV

**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
<b>Plus</b> Actuarial Gains/Less Actuarial Losses not yet recognised	(2,336,136)	(14,208,481)
<b>Minus</b> Past Service Cost not yet recognised	(137,230,205)	(147,032,363)
<b>Minus</b> Past Service Cost not yet recognised on account of benefit changes as at 30.06.2010	(5,570,800)	Nil
<b>Minus</b> fair value of Plan Assets	(12,050,495)	(3,486,611)
<b>Statement of Financial Position</b>	<b>530,537,605</b>	<b>432,894,920</b>

**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
<b>Total Expense Recognized in the Statement of Financial Performance</b>	<b>129,468,605</b>	<b>96,464,331</b>

**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 <sup>st</sup> 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)
<b>Fair value of plan assets as at 30th June</b>	<b>12,050,495</b>	<b>3,486,611</b>

**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)
<b>Statement of Financial Position as at 30th June 2010</b>	<b>530,537,605</b>

**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
<b>Plus</b> Estimated outstanding GP Fund payments during the year	3,109,253	Nil
<b>Plus</b> Actuarial Gains/Less Actuarial Losses not yet recognised	Nil	Nil
<b>Minus</b> Past Service Cost not yet recognised	Nil	Nil
<b>Minus</b> unrecognised Transitional Liability to be recognised in later periods	Nil	Nil
<b>Minus</b> fair value of Plan Assets	Nil	Nil
<b>Statement of Financial Position as at 30th June</b>	<b>86,881,421</b>	<b>79,185,192</b>

##### 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
<b>Total Expense Recognized in the Statement of Financial Performance</b>	<b>3,186,976</b>	<b>8,615,641</b>

- 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
<b>Present Value of Defined Benefit Obligation as at 30th June 2009 (GP Fund Loan Balance on GOPB as at 30.06.2009)</b>	<b>79,185,192</b>

**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 <sup>st</sup> 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
<b>Present Value of Defined Benefit Obligation as at 30th June 2010 (GP Fund Loan Balance on GOPB as at 30.06.2010)</b>	<b>86,881,421</b>	<b>79,185,192</b>

**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
<b>Statement of Financial Position as at 30th June 2010</b>	<b>86,881,421</b>

## Annex-V

### DETAILS OF MINISTRIES AND INSTITUTIONS DEVOLVED IN FIRST AND SECOND PHASE TO PROVINCIAL DEPARTMENTS

sr. #	Ministry Devolved	Institutions Devolved	Concerned Provincial Deptt.
<b>1<sup>st</sup> Phase</b>			
1.	Population Welfare	<ol style="list-style-type: none"> <li>1. Regional Training Institute, Civic Centre, Garden Town, Lahore.</li> <li>2. Population Welfare Training Institute, Lahore.</li> <li>3. Production and Printing Unit, Lahore.</li> <li>4. Regional Training Institute, Faisalabad.</li> <li>5. Regional Training Institute, Multan.</li> <li>6. Regional Training Institute, Sahiwal.</li> <li>7. Regional Training Institute, Sialkot.</li> </ol>	Population Welfare
<b>2<sup>nd</sup> Phase</b>			
1.	Education	<p><b>Centers Of Excellence, Area Study Centers, Pakistan Study Centers, Sheikh Zayed Islamic Centre</b></p> <ol style="list-style-type: none"> <li>1. Centre of Excellence for Molecular Biology, University of the Punjab.</li> <li>2. Centre of Excellence for Solid State Physics, University of the Punjab</li> <li>3. Centre for South Asian Studies, University of the Punjab.</li> <li>4. Pakistan Study Centre, University of the Punjab.</li> <li>5. Sheikh Zayed Islamic Centre, University of the Punjab.</li> <li>6. Centre for Water Resource, UET, Lahore.</li> </ol>	Higher Education (Respective Universities)
		<ol style="list-style-type: none"> <li>1. National Education Equipment Centre.</li> <li>2. National Museum of Science &amp; Technology.</li> <li>3. National Education Foundation</li> <li>4. National Commission for Human Development.</li> </ol>	School Education
2.	Social Welfare and Special Education	<p><b>Offices, Centers And Institutes</b></p> <ol style="list-style-type: none"> <li>1. Social Services, Medical Centre, TB Centre, Rawalpindi.</li> <li>2. Social Services &amp; Medical Centre, Sheikh Zayed Hospital, Lahore.</li> <li>3. Integrated Social Development Centre, Lahore.</li> </ol> <p><b>Projects</b></p> <ol style="list-style-type: none"> <li>1. People Rural Health Ambulance Service Project, Lahore.</li> </ol>	Social Welfare, Women Development and Bait-ul-Maal
		<ol style="list-style-type: none"> <li>1. Special Education Centre for Mentally Retarded Children, Gujranwala</li> <li>2. Special Education Centre for Mentally Retarded Children, Multan.</li> <li>3. Special Education Centre for Mentally Retarded Children, Bahawalpur.</li> <li>4. Special Education Centre for Mentally Retarded Children, Gujranwala</li> <li>5. Special Education Centre for Mentally Retarded Children, Multan.</li> </ol>	Special Education

sr. #	Ministry Devolved	Institutions Devolved	Concerned Provincial Deptts
		<ol style="list-style-type: none"> <li>6. Special Education Centre for Mentally Retarded Children, Bahawalpur.</li> <li>7. Special Education Centre for Mentally Retarded Children, Gujranwala</li> <li>8. Special Education Centre for Mentally Retarded Children, Multan.</li> <li>9. Special Education Centre for Mentally Retarded Children, Bahawalpur.</li> <li>10. Special Education Centre for Mentally Retarded Children, Sahiwal.</li> <li>11. Special Education Centre for Visually Handicapped Children, Gujrat.</li> <li>12. Special Education Centre for Visually Handicapped Children, Jhelum.</li> <li>13. Special Education Centre for Visually Handicapped Children, Sialkot.</li> <li>14. Special Education Centre for Visually Handicapped Children, Okara.</li> <li>15. Special Education Centre for Physically Handicapped Children, Rawalpindi.</li> <li>16. Special Education Centre for Physically Handicapped Children, D. G. Khan.</li> <li>17. Special Education Centre for Hearing Impaired Children, Jhang.</li> <li>18. Special Education Centre for Hearing Impaired Children, Sheikhpura.</li> <li>19. Special Education Centre for Hearing Impaired Children, Rahimyar Khan.</li> <li>20. Special Education Centre for Hearing Impaired Children, Sargodha.</li> <li>21. Vocational Training Centre for Disabled Persons, Lahore.</li> <li>22. Vocational Training Centre for Disabled Persons, Faisalabad.</li> <li>23. National Special Education Complex (MRC, VHC, PHC &amp; HIC) Lahore.</li> <li>24. National Special Education Complex (PHC, MRC, HIC, &amp; VHC) Faisalabad.</li> <li>25. Vocational Rehabilitation &amp; Employment of Disabled Person Centre (Service Centre-III), Gujrat.</li> </ol>	Special Education
		<p><b>Projects</b></p> <ol style="list-style-type: none"> <li>1. Construction of Special Education Center, Jhang.</li> <li>2. Up-gradation of Special Education Centre for Physically Handicapped Children, Faisalabad and Provision of Hostel Facilities of Special Education Complex for Persons with Disabilities, Faisalabad.</li> <li>3. Establishment of Special Education Center for Mentally Retarded Children and PHC at Primary Level, Okara.</li> <li>4. Vocational Training Centre for Disabled Persons, Okara</li> </ol>	

sr. #	Ministry Devolved	Institutions Devolved	Concerned Provincial Deptts
3.	Livestock and Dairy Development	1. Animal Quarantine Department/Stations/Facilities	L&DD IPC Division's Letter No. F.3(26)/2010-IC/I dated 31.03.2011
4.	Culture	<ol style="list-style-type: none"> <li>1. Central Board of Film Censors, Lahore.</li> <li>2. Northern Circle of Archaeology (Punjab Territory).</li> <li>3. Sub Regional Offices, .Multan.</li> <li>4. Sub Regional Offices, Taxila.</li> <li>5. National Heritage Fund</li> <li>6. Pakistan Institute of Archeological Training &amp; Research, Lahore.</li> <li>7. Allama Iqbal Museum, Lahore.</li> <li>8. Archeological Museum, Harappa.</li> <li>9. Central Archeological Laboratory, Lahore.</li> <li>10. Rohtas Fort, Jhelum.</li> <li>11. Shalamar Garden, Lahore.</li> <li>12. Outbuddin Aibak Tomb, Lahore.</li> <li>13. Allama Iqbal Birth Place &amp; Library, Sialkot.</li> <li>14. Shahdara Complex, Lahore</li> <li>15. Hiran Minar and Tank, Sheikhpura.</li> <li>16. Hazuri Bagh,. Lahore.</li> </ol> <p><b>Projects</b></p> <ol style="list-style-type: none"> <li>1. Preservation and Restoration of Monuments of Jandiala Sher Khan, Sheikhpura.</li> <li>2. Renovation and Rehabilitation of Iqbal Manzil, Sialkot.</li> <li>3. Master Plan for Preservation and Restoration of Rohtas Fort, Jhelum.</li> <li>4. Development and Restoration of Archeological Sites from Taxila to Swat (Taxila Section).</li> <li>5. Preservation and Restoration of Hiran Minar Tank, Sheikhpura.</li> <li>6. Master Plan for Preservation and Restoration of Shahdara Complex of Monuments (Jehangir's Tomb), Lahore.</li> <li>7. Archeological Excavation of Tibba Sungawala, T.T. Singh.</li> </ol>	IC & YA
5.	Tourism	<ol style="list-style-type: none"> <li>1. Department at Tourist Services except to the extent of Federal Area</li> <li>2. Tourist Information Centers located in Punjab: <ol style="list-style-type: none"> <li>i. Tourist Information Centre, Flashman's Hotel, Rawalpindi. Tourist Information Centre, PTDC Motel, Taxila.</li> <li>ii. Tourist Information Centre, PTDC Motel, Bahawalpur Tourist Information Centre, 66-D/I, Gulberg-III, Lahore.</li> <li>iii. Tourist Information Centre, International Arrival Lounge, Lahore Airport</li> <li>iv. Tourist Information Centre, .Fiesta Inn, Multan.</li> </ol> </li> </ol>	FWF & Tourism

## Annex-VI

**BUDGET ESTIMATES OF RESOURCES DISTRIBUTION TO LOCAL GOVERNMENTS IN FY 2011-12 (In Millions)**

Name of District	Share of 2010-11	Share for 2011-12	Increase
Attock	2,741.216	3,406.988	665.772
Bahawalnagar	4,102.159	4,696.668	594.509
Bahawalpur	3,956.239	5,393.436	1,437.197
Bhakkar	2,407.944	2,665.451	257.507
Chakwal	2,461.770	3,153.436	691.666
Chiniot	1,582.617	1,631.349	48.732
D G Khan	3,279.258	3,770.311	491.053
Faisalabad	8,211.495	9,443.267	1,231.772
Gujranwala	5,130.243	6,134.214	1,003.971
Gujrat	3,128.141	4,078.775	950.634
Hafizabad	1,471.916	1,777.571	305.655
Jhang	3,070.347	4,066.503	996.156
Jhelum	1,864.886	2,383.394	518.508
Kasur	3,845.105	4,010.400	165.295
Khanewal	3,499.288	4,363.375	864.087
Khushab	2,049.178	2,328.260	279.082
Lahore	9,408.630	11,408.730	2,000.100
Layyah	2,460.920	2,983.702	522.782
Lodhran	2,096.068	2,128.727	32.659
Mandi Bahauddin	1,895.540	2,352.389	456.849
Mianwali	2,338.274	2,837.951	499.677
Multan	4,901.224	5,401.509	500.285
Muzaffargarh	4,285.318	4,403.585	118.267
Nankana Sahib	2,427.683	2,672.364	244.681
Narowal	2,600.358	3,080.536	480.178
Okara	3,614.262	3,908.475	294.213
Pakpattan	2,235.735	2,293.191	57.456
Rahimyar Khan	4,972.765	5,569.514	596.749
Rajanpur	2,026.446	2,247.207	220.761
Rawalpindi	4,999.462	6,385.467	1,386.005
Sahiwal	3,162.725	4,026.644	863.919
Sargodha	4,915.126	6,108.477	1,193.351
Sheikhupura	3,466.445	3,663.827	197.382
Sialkot	4,091.187	5,426.000	1,334.813
Toba Tek Singh	2,884.404	3,674.077	789.673
Vehari	3,415.626	4,124.230	708.604
<b>TOTAL</b>	<b>125,000.000</b>	<b>148,000.000</b>	<b>23,000.000</b>