GOVERNMENT OF THE PUNJAB
FINANCE DEPARTMENT

# WHITE PAPER
# BUDGET 2013-14

June 17, 2013

# PREFACE

White Paper is an explanatory guide through the maze of statistics and budgetary estimates given in the complicated budget books. It aims at elaborating government's policies and decisions that steer the budget formulation process. It enables even a casual reader to understand various projections and budget estimates.

The Executive Summary to the White Paper provides a brief overview of economic environment that propelled policy decisions that translated into budgetary targets. A chapter on Annual Development Programme presents salient features of the development interventions planned to be undertaken or continued in the next financial year. We also have, in the White Paper, a chapter on Debt and Contingent Liabilities of the Government. An important fiscal reform in 2012-13 was the creation of Punjab Revenue Authority (PRA). A separate chapter presents its broad features and achievements. A glossary of technical terms is added to facilitate the reader.

Like all budget documents, White Paper is the outcome of a team effort of the officers and officials of the Finance Department. I acknowledge and appreciate the pain stacking efforts of Mr. Furqan Ahmad, Composer, Mr. Faisal Rashid, Deputy Secretary Resources and Mr. Ahmad Raza Sarwar, Additional Secretary Budget, in preparing the White Paper.

***TARIQ BAJWA***
*FINANCE SECRETARY*
*GOVERNMENT OF THE PUNJAB*

*June 17, 2013*

# CONTENTS

# EXECUTIVE SUMMARY

The ever increasing power shortages and terrorism has been holding back growth in the last five years. During this period, the national economy grew by an average of 2.94 per cent[1] (the lowest average for five years in the history of the country). Growth in Punjab is even slower due to more power outages compared to other parts of the country. While tax to GDP ratio was already low, fiscal situation was compounded by shortfall in revenue collection by the federal government especially during financial year 2012-13 due to which Punjab Government had to face a shortfall of about Rs.82.0 billion in its share from federal divisible pool. The situation required a cautious approach towards financial management as the provincial governments are not allowed to borrow to meet their fiscal deficit. The approach helped the Government complete its priority development initiatives without landing into any financial difficulties during FY 2012-13. In fact, Punjab Government has considerably improved its financial condition in last couple of years. A healthy cash surplus at the start of the financial year eased our situation. The financial condition of the Government was such that it could pursue its development vision at full pace without compromising day to day management and service delivery.

The tax to GDP ratio in Pakistan is dismally low. The Punjab Government has embarked upon an ambitious revenue generation plan. The plan is targeted at widening the tax base, rationalization of the rates of existing taxes and improvement of tax collection systems. Conscious of increasing income disparities and poverty the government is ensuring that minimum burden of revenue effort is borne by poor and middle class.

The most important tax reform measure during the current financial year was the establishment of the Provincial Revenue Authority through the promulgation of the Punjab Sales Tax on Services Act, 2012. PRA has collected Rs.30.0 billion as sales tax on services in the first ten months of its operations and expected to reach the figure of Rs.37.0 billion by the end of the current financial year. Previously, sales tax on services was being collected by the Federal Board of Revenue on behalf of the province. Despite teething problems and jurisdictional issues with other governments PRA has grown fast. The government plans to further widen the scope of this tax by adding 16 more services in the list of services liable to sales tax.

[1] Economic Survey of Pakistan 2012-13

Another important tax reform this year is a provision in the Finance Act whereby persons declaring agriculture income in their income tax return would be required to pay Agriculture Income Tax to Punjab Government. The government recognizes that Agriculture Income Tax is demand of equity and is widely considered a must for economy. Therefore, income based taxation of Agriculture would be enforced w.e.f. next financial year.

Budget 2013-14 is reiteration of growth and development vision of a government rejuvenated by a bigger mandate. The government realizes that growth in itself may not mean prosperity for all. Accordingly, the development initiatives planned for the next financial year have a special focus on the poor segments of society to ensure inclusive development. Pro poor interventions include:

- Provision of livestock to the poor
- Subsidy on wheat
- Subsidized Bus transport system in major cities
- Daanish Schools
- Punjab Education Endowment Fund
- Low Income Housing
- Health Insurance Card in four pilot districts
- Aashiana Housing Scheme
- Subsidy on Solar Tubewells

The development program this year is Rs.290.0 billion including an Annual Development Program of Rs.240.0 billion. Development items other than ADP are estimated at Rs.50.0 billion.

The estimates of expenditure this year have been prepared with the special focus on improvement in service delivery. There has been significant increase in allocations for Education and Health. Most of the budget in the Education and Health is traditionally spent on salaries. In order to counter this trend, the government has allocated dedicated funds next year to increase non-salary expenditure in these sectors. This will ensure enhancement in actual operating expenses that are essential for service delivery.

After the 18th Amendment to the Constitution, provinces are expected to chip in the generation of energy. Government of Punjab has initiated several projects to that end. Our earlier efforts in this sector were stymied by a less than co-operative Federal Government. However, with the government of the same party at Islamabad, Government of Punjab intends to undertake multiple projects in the Energy sector and for this over Rs.20.0 billion have been allocated. Agriculture is most important economic sector of the province. Unfortunately it has suffered because of the power crises as the most of the agriculture land requires irrigation. The government has planned for provision of Solar tube wells to small farmers to ensure availability of water while relieving some burden off the power distribution system.

During FY 2013-14, the government would continue with its commitment to curtail wasteful expenditure and unnecessary burden on the taxpayer. The government plans to continue the austerity measures installed in the previous financial year with a new zeal and motivation. A Special Commission has been installed to rationalize the size of government so that additional resources can be diverted to development.

Despite severe economic crises, the province of Punjab through better administrative and fiscal management has managed to keep itself in a comfortable fiscal position. Throughout these years of crises, the government has resisted the temptation to borrow or to tax the poor. The total debt liability of the Government of Punjab is only 51% of its General Revenue Receipts while the annual debt retirement liability is around 6.5% of the provincial revenue.

Another window of opportunity is the interest of private sector in public private partnership whereby taxpayers' money can be multiplied for development and growth. Government of Punjab plans to set up an infrastructure development fund to undertake financially viable projects in the province by leveraging our equity. This would help us in jumping the development curve in the economic sector.

Budget 2013-14 is continuation of government policy of reforms both financial as well as administrative that have kept the Government of Punjab as a trail blazer in the Federation.

# BUDGET AT A GLANCE

*(Rs. in Million)*

| CLASSIFICATION | BE 2012-13 | RE 2012-13 | BE 2013-14 |
|---|---|---|---|
| General Revenue Receipts | 780,674.805 | 719,778.024 | 871,953.317 |
| Current Expenditures | 532,859.871 | 549,762.393 | 607,569.311 |
| **A - Net Revenue Account-Surplus(+)/ Deficit(-)** | **247,814.934** | **170,015.631** | **264,384.006** |
| Current Capital Receipts | 15,558.620 | 10,558.797 | 17,661.259 |
| Current Capital Expenditure | 55,039.484 | 40,190.560 | 51,745.265 |
| **B - Net Capital Account-Surplus(+)/Deficit (-)** | **(39,480.864)** | **(29,631.763)** | **(34,084.006)** |
| **C - Surplus for Development (A+B)** | **208,334.070** | **140,383.868** | **230,300.000** |
| **D - ADP Financing Items** | **41,665.930** | **26,474.509** | **59,700.000** |
| Foreign Project Assistance | 11,487.514 | 17,631.017 | 29,700.000 |
| Operational Shortfall | 30,000.000 | 8,843.492 | 30,000.000 |
| Public Account | 178.416 | -- | -- |
| **Total Resource for Development (C+D)** | **250,000.000** | **166,858.377** | **290,000.000** |

## OVERVIEW OF BUDGET 2013-14

In Financial Year 2013-14, total financial outlay of the government has been estimated at Rs.897,569.311 million. Table below summarizes the estimates of both current and development expenditure.

### CURRENT AND DEVELOPMENT EXPENDITURE

**(Rs. in million)**

| CLASSIFICATION | BE 2012-13 | RE 2012-13 | BE 2013-14 |
|---|---|---|---|
| **A. CURRENT** | **532,859.871** | **549,762.393** | **607,569.311** |
| General Public Services (including transfers to Local Governments) | 305,300.357 | 313,596.848 | 345,327.434 |
| Public Order & Safety Affairs | 81,864.264 | 84,208.161 | 93,718.858 |
| Economic Affairs | 71,684.904 | 58,420.570 | 75,652.940 |
| Environment Protection | 71.381 | 89.581 | 116.730 |
| Housing and Community Amenities | 3,296.079 | 5,603.578 | 4,002.789 |
| Health | 35,656.545 | 37,637.231 | 44,629.627 |
| Recreational, Culture and Religion | 1,478.413 | 2,297.237 | 1,334.779 |
| Education Affairs & Services | 31,307.272 | 41,150.890 | 40,596.539 |
| Social Protection | 2,200.656 | 6,758.297 | 2,189.615 |
| **B.DEVELOPMENT** | **250,000.000** | **166,858.377** | **290,000.000** |
| ADP including operational shortfall | 210,000.000 | 166,858.377 | 240,000.000 |
| Financing Items of ADP | 40,000.000 | -- | 50,000.000 |
| **TOTAL EXPENDITURE (A+B)** | **782,859.871** | **716,620.770** | **897,569.311** |

## REVENUE BUDGET

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

### GENERAL REVENUE RECEIPTS

*(Rs. in Million)*

| | BE 2012-13 | RE 2012-13 | BE 2013-14 |
|---|---|---|---|
| **General Revenue Receipts** | **780,674.805** | **719,778.024** | **871,953.317** |
| **Federal Divisible Pool Taxes** | **650,735.911** | **568,769.226** | **702,120.646** |
| **Provincial Own Receipts** | **129,938.894** | **151,008.798** | **169,832.671** |
| Tax Receipts | *95,014.294* | *90,475.493* | *126,702.799* |
| Non-Tax Receipts | *34,924.600* | *60,533.305* | *43,129.872* |

The table below summarizes the estimates of revenue / current expenditure.

### REVENUE / CURRENT EXPENDITURE

*(Rs. in Million)*

| **Current Expenditure** | **532,859.871** | **549,762.393** | **607,569.311** |
|---|---|---|---|
| General Public Services | 305,300.357 | 313,596.848 | 345,327.434 |
| Public Order & Safety Affairs | 81,864.264 | 84,208.161 | 93,718.858 |
| Economic Affairs | 71,684.904 | 58,420.570 | 75,652.940 |
| Environment Protection | 71.381 | 89.581 | 116.730 |
| Housing and Community Amenities | 3,296.079 | 5,603.578 | 4,002.789 |
| Health | 35,656.545 | 37,637.231 | 44,629.627 |
| Recreational, Culture and Religion | 1,478.413 | 2,297.237 | 1,334.779 |
| Education Affairs and Services | 31,307.272 | 41,150.890 | 40,596.539 |
| Social Protection | 2,200.656 | 6,758.297 | 2,189.615 |
| **Net Revenue Account – Surplus** | **247,814.934** | **170,015.631** | **264,384.006** |

Budget estimates of FY 2013-14 for General Revenue Receipts have been pitched at Rs. 871,953.317 million, which represents an increase of 11.7% over the budget estimates for FY2012-13. Revenue Expenditures are estimated at Rs. 607,569.311 million, which show an increase of 14% over the budget estimates for FY 2012-13. Major portion of net revenue account surplus will be used to finance the Annual Development Program for financial year 2013-14.

## CURRENT CAPITAL BUDGET

Both Current Capital Receipt and Current Capital Expenditure are included in the Budget Estimates of Current Capital Budget. Current Capital Receipts primarily consist of budgetary support loans and recovery of outstanding loans extended by the government to its various provincial bodies, agencies etc. Current Capital Receipts also include receipts in Account No.II

(Food) of the Government. These resources are realized through commodity financing receipts extended to the Government by a commercial banking consortium for purchase of wheat by Food Department.

Current Capital Expenditure includes payments of principal portion of domestic and foreign debt incurred by the Provincial Government and equity / capital investments that the Government intends to make in various enterprises. Similarly, repayment of commercial bank loans through sale of wheat stock purchased by the Provincial Government is also included in the Capital Expenditure from Account No.II (Food). In financial year 2013-14, there would be a negative balance in current capital budget due to less capital receipts.

Details of Current Capital Budget are provided below:

## CURRENT CAPITAL BUDGET

*(Rs. in Million)*

| RECEIPTS AND DISBURSEMENT | BE 2012-13 | RE 2012-13 | BE 2013-14 |
|---|---|---|---|
| **A: Current Capital Receipts** | **229,042.134** | **252,189.237** | **278,560.893** |
| **Account No. I** | **15,558.620** | **10,558.797** | **17,661.259** |
| *Recoveries of Loans and Advances* | *6,816.186* | *467.330* | *385.325* |
| *Permanent Debt* | *8,742.434* | *10,091.467* | *17,275.934* |
| **Account No. II** | **213,483.514** | **241,630.440** | **260,899.634** |
| *Recoveries of Investment-State Trading* | *107,578.000* | *132,699.286* | *140,639.125* |
| *Cash Credit Accommodation* | *105,905.514* | *108,931.154* | *120,260.509* |
| **B: Current Capital Disbursement** | **268,522.998** | **281,821.000** | **312,644.899** |
| **Account No. I** | **55,039.484** | **40,190.560** | **51,745.265** |
| *Public Debt* | *0.434* | *0.035* | *0.434* |
| *Repayment of Principal (Domestic + Foreign Debt)* | *16,564.819* | *16,738.263* | *21,457.221* |
| *Investments* | *8,500.000* | --- | *8,147.592* |
| *Loans and Advances (BOP, PPCBL, Principal repayment of Blocked Account, Loan to other financial institutions etc.)* | *29,947.396* | *23,425.455* | *22,107.443* |
| *State Trading in Medical Stores* | *26.835* | *26.807* | *32.575* |
| **Domestic Debt Management (Account II)** | **213,483.514** | **241,630.440** | **260,899.634** |
| **Net Capital Account (A-B) (Surplus/Deficit)** | **(39,480.864)** | **(29,631.763)** | **(34,084.006)** |

## 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. 290,000.000 million for FY 2013-14 in comparison with the Rs.250,000.000 million for FY 2012-13 depicting an increase of Rs.40,000.000 million. However, in comparison with the revised estimates of Rs. 166,858.377 million, there is an increase of Rs.123,141.623 million or 49.25%.

Overall size of the ADP for FY 2013-14, Budget Estimates and Revised Estimates of development program is shown below:

## DEVELOPMENT BUDGET

*(Rs. in Million)*

| Nomenclature | BE 2012-13 | RE 2012-13 | BE 2013-14 |
|---|---|---|---|
| **ADP** | **210,000.000** | **166,858.377** | **240,000.000** |
| **Other Development Expenditure** | **40,000.000** | **18,920.127** | **50,000.000** |
| *TEVTA / TEVTEC* | *1,500.000* | *1,500.000* | *1,500.000* |
| *Daanish School* | *2,000.000* | *1,750.000* | *3,000.000* |
| *Punjab Millennium Development Goals Program (PMDGP)* | *5,500.000* | *800.000* | *3,000.000* |
| *Punjab Education Endowment Fund* | *2,000.000* | *1,000.000* | *2,000.000* |
| *Punjab Education Foundation* | *6,500.000* | *6,500.000* | *7,500.000* |
| *Financing of Vertical Program* | *5,000.000* | --- | *2,000.000* |
| *PHAs* | *600.000* | --- | *1,000.000* |
| *PLDC (Aashiana Housing Scheme)* | *2,000.000* | *2.716* | *3,000.000* |
| *PLDDB* | *500.000* | *250.000* | *1,000.000* |
| *Women Development* | *500.000* | --- | *1,000.000* |
| *Sports and Youth* | *500.000* | *718.600* | *500.000* |
| *PSIC (Self Employment Scheme)* | *3,000.000* | *1,009.330* | *3,000.000* |
| *PIEDMC / FIEDMC* | *1,900.000* | *650.000* | *3,000.000* |
| *Infrastructure Development Fund* | -- | -- | *3,000.000* |
| *Innovation Development Fund* | *500.000* | -- | *500.000* |
| *Punjab Technology University* | *1,000.000* | *503.013* | *500.000* |
| *PAMCO (LMC)* | *500.000* | *354.499* | *1,000.000* |
| *Internship Program* | *1,500.000* | *1,029.376* | *1,500.000* |
| *Establishment of Model Bazars* | *500.000* | *83.367* | -- |
| *Low income housing* | *1,500.000* | *460.054* | *500.000* |
| *Population Welfare* | *3,000.000* | *2,309.172* | *2,500.000* |
| *Clean Drinking Water* | -- | -- | *5,000.000* |
| *Pilot Health Card Project in 4 Districts* | -- | -- | *4,000.000* |
| **Total Development** | **250,000.000** | **185,778.504** | **290,000.000** |

# Chapter 1

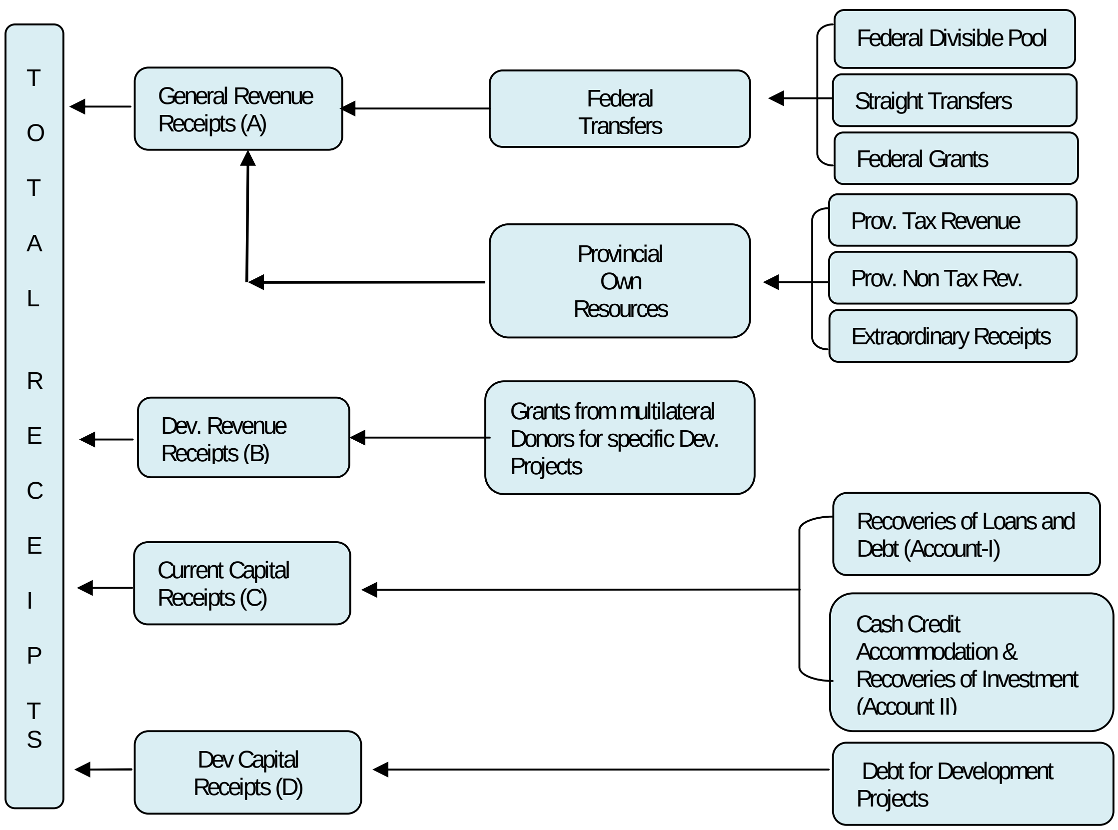
# ESTIMATES OF RECEIPTS

The scope of this Chapter is to provide the analysis of the receipt of the Government as accrued in FY 2012-13 and as pitched for FY 2013-2014.

The four components of receipts as per the Annual Budget Statement (ABS) are:

1) General Revenue Receipts
2) Development Revenue Receipts
3) Current Capital Receipts
4) Development Capital Receipts

The following flow chart provides various sub-categories of the receipts leading to the four major heads of receipts mentioned above.




In FY 2012-2013, total receipts were estimated at Rs. 1,021,204.453 million. Revised estimate of total receipts work out at Rs. 989,598.278 million. For FY 2013-14, total Receipts have been pitched at Rs. 1,180,214.210 million, thus growth of 19.3% over the Revised Estimates of FY 2012-13.

The total receipts less Food Account Receipts constitute the Provincial Consolidated Fund that has been pitched at Rs. 919,314.576 million for next FY 2013-2014 as compared to Rs. 807,720.939 million for BE 2012-2013. The increase in estimates of General Revenue Receipts for FY 2013-14 is mainly attributable to expected increase of 13.8% in the size of Provincial Consolidated Fund from FY 2012-2013.

Federal Divisible Pool share is estimated to be Rs. 702,120.646 million in 2013-14, compared to budget estimate of Rs. 650,735.911 million in FY 2012-13, depicting a growth of 7.9%. Budgetary Estimates 2013-2014 of Provincial Tax Receipts have been fixed at Rs.126,702.799 million in comparison with Revised Estimates of Rs. 90,475.493 million for FY 2012-13, showing a growth of 40.0% .

For non-tax receipts, an estimate of Rs. 43,129.872 million has been fixed for FY 2013-14 against budgetary estimates of Rs. 34,924.600 million in FY 2012-13 thus, the provincial non-tax receipt are expected to grow by 23.7%.

Table below summarises the estimates of total Provincial Receipts of the Government.

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

***(Rs. in Million)***

| RECEIPTS | BE 2012-13 | RE 2012-13 | BE 2013-14 |
|---|---|---|---|
| **General Revenue Receipt** | **780,674.805** | **719,778.024** | **871,953.317** |
| *Federal Divisible Pool* | *650,735.911* | *568,769.226* | *702,120.646* |
| *Provincial Taxes* | *95,014.294* | *90,475.493* | *126,702.799* |
| *Provincial Non-Tax* | *34,924.600* | *60,533.305* | *43,129.872* |
| **Current Capital Receipts** | **229,042.134** | **252,189.237** | **278,560.893** |
| *Recoveries of Loans and Advances* | *6,816.186* | *467.330* | *385.325* |
| *Debt Foreign* | *8,742.434* | *9,988.227* | *17,275.934* |
| *Domestic* | - | *103.240* | - |
| *State Trading - (A/c. No.II)* | *107,578.000* | *132,699.286* | *140,639.125* |
| *Cash Credit Accommodation- (A/c. No.II)* | *105,905.514* | *108,931.154* | *120,260.509* |
| **Development Capital Receipts** | **11,487.514** | **17,631.017** | **29,700.000** |
| **Total Provincial Receipts** | **1,021,204.453** | **989,598.278** | **1,180,214.210** |

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

## 1.1 General Revenue Receipts

Main heads of Receipts of General Revenue Receipts are as follows:

I) **Federal Transfers:**

- Share of Federal Divisible Pool of Taxes as per the 7th National Finance Commission (NFC) Award.

- Straight Transfers as per Article 161 of the Constitution and NFC Award with respect to royalties on Oil & Gas, and net proceeds of the Federal excise duty on natural gas
- Federal Development and Non Development Grants released to executing agencies. These are only pass through items

II) **Provincial Own Revenue:**

- Provincial Tax Revenue
- Provincial Non-Tax Receipts. For the purpose of this chapter straight transfers/federal grants, that as per the classification used in Annual Budget Statement (ABS), are usually included as part of Provincial Non Tax Receipts.
- Extraordinary Receipts

Table 1.2 below shows the details of Budget Estimates and Revised Estimates for General Revenue Receipts for FY 2012-2013 in comparison with the anticipated Budget Estimates for FY 2013-14. Federal Grants and Straight Transfers that form part of provincial non-tax receipts in the Annual Budget Statement (ABS) have been shown separately to furnish a clear picture of the provincial non-tax collection of the Province

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

*(Rs. in Million)*

| | GENERAL REVENUE RECEIPTS | BE 2012-13 | RE 2012-13 | BE 2013-14 |
|---|---|---|---|---|
| **a** | **Federal Divisible Pool Taxes** | **650,735.911** | **568,769.226** | **702,120.646** |
| | Tax on Income | 258,043.580 | 219,683.410 | 273,832.152 |
| | Land Customs | 69,542.939 | 67,705.956 | 78,436.271 |
| | Sales Tax | 290,238.987 | 248,924.067 | 303,875.819 |
| | Federal Excise | 32,233.225 | 31,921.142 | 45,528.610 |
| | Excise Duty on Natural Gas | 677.180 | 534.651 | 447.794 |
| **b** | **Provincial Tax Revenue** | **95,014.294** | **90,475.493** | **126,702.799** |
| | Board of Revenue | 30,588.603 | 31,411.645 | 37,918.950 |
| | Excise & Taxation | 18,836.122 | 17,013.895 | 20,946.905 |
| | Transport | 460.000 | 456.294 | 538.426 |
| | Finance | 40,496.470 | 37,000.000 | 62,350.000 |
| | Energy | 4,633.099 | 4,593.659 | 4,948.518 |
| **c** | **Total Non Tax Revenue (Excluding Straight Transfers and Grants)** | **26,192.508** | **33,633.815** | **28,707.386** |
| | Income from Property and Enterprise | 5,797.890 | 5,696.079 | 5,483.844 |
| | Receipts from Civil Administration and Other Functions | 6,757.831 | 7,047.202 | 7,776.705 |
| | Miscellaneous Receipts | 13,636.787 | 20,890.534 | 15,446.837 |

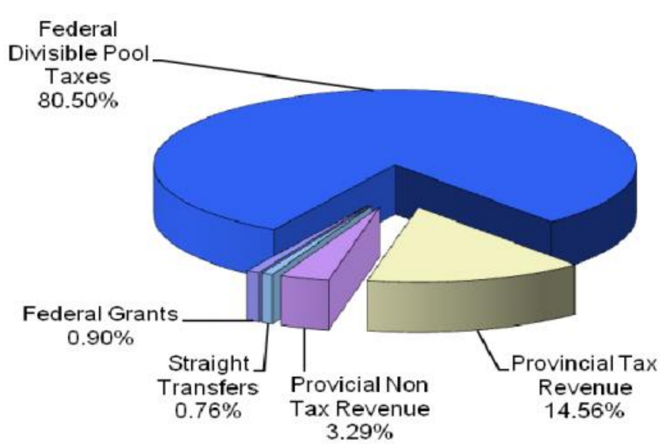
| | GENERAL REVENUE RECEIPTS | BE 2012-13 | RE 2012-13 | BE 2013-14 |
|---|---|---|---|---|
| **d** | **Straight Transfers** | **6,585.092** | **7,748.639** | **6,606.242** |
| | *Net Proceeds of Royalty on Crude Oil assigned to Provinces* | *2,949.935* | *5,083.189* | *2,830.426* |
| | *Net Proceeds of Royalty on Natural Gas assigned to Provinces* | *1,534.356* | *2,311.450* | *1,530.848* |
| | *Surcharge on Natural Gas-share of net proceeds assigned to provinces* | *2,100.801* | *354.000* | *2,244.968* |
| **e** | **Federal Grants** | **2,147.000** | **19,150.851** | **7,816.244** |
| | Development Grants from the Federal Govt. | -- | 11,251.246 | 3,231.145 |
| | Foreign Grants - Dev. Grants from Foreign Govts. | 2,147.000 | 7,835.689 | 4,585.099 |
| | Non-Dev. Grants from the Federal Govt. | -- | 63.916 | -- |
| | **Total Non Tax** | **34,924.600** | **60,533.305** | **43,129.872** |
| | **Total General Revenue Receipts (A+B)** | **780,674.805** | **719,778.024** | **871,953.317** |

As depicted in Table 1.2 above, the General Revenue Receipts were estimated at Rs.780,674.805 million, which subsequently decreased to Rs.719,778.024 million on account of 12.5% less receipts of Federal Divisible Pool Taxes from the anticipated amount of tax collection by FBR. However, for FY 2013-14, the estimates of General Revenue Receipts have been pitched at Rs. 871,953.317 million, showing an increase of 11.7% over Budgetary Estimates of these receipts in FY 2012-13. This increase is projected on the basis of FBR collection estimates of Rs.2,475 billion during FY 2013-14.

It is evident from the above table that major source of revenue for Provincial Governments is Federal Transfers. This is primarily because of the structure of fiscal federalism which allocates almost all major revenue generating taxes such as income tax, sales tax on goods, customs and excise duties to the Federation.

Figure 1.1 reflects the share of components of the General Revenue Receipts:

**Figure 1.1**
**General Revenue Receipts BE 2013-14**



Heavy dependence on Divisible Pool Transfers implies that in case of a small (say 5%) shortfall in FBR revenue collection, the provincial government has to make major adjustments in its expenditures. In this context, the following table is presented which explains the variance between Budget Estimates and actual collection of taxes by FBR during last 3 years: -

**Table 1.3**
**Shortfall in FBR Collection**

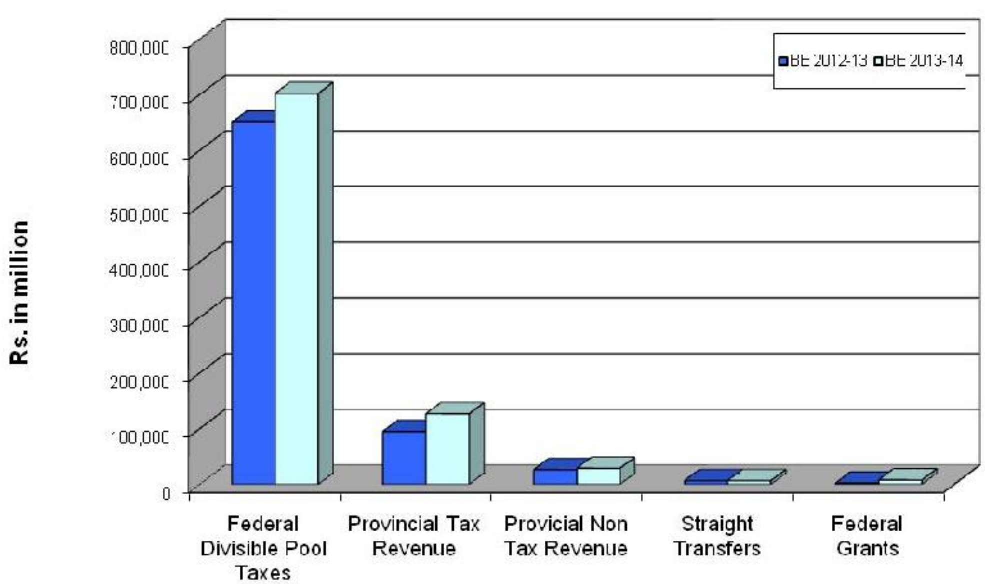
*(Rs. in Billion)*

| | 2010-2011 | 2011-2012 | 2012-2013 |
|---|---|---|---|
| Budget Estimates | 1,667 | 1,952 | 2,381 |
| Actual Collection | 1,558 | 1,883 | 2,007 |
| Shortfall | 109 | 69 | 374 |
| % shortfall | 6.5% | 3.5% | 15.7% |

The Revised Estimates for Federal Divisible Pool Taxes Share for the Province thus fell short by an amount of Rs. 82.0 billion as against the budget estimates for FY 2012-13. For FY 2013-14, FBR has pitched the Budget Estimates for tax revenue collection at Rs. 2,475 billion. The shortfall in revenue collection by FBR during FY 2012-13 was the highest percentage shortfall during the last decade. It is hoped that the federal government will be able to achieve the revenue target next year that will allow predictability in the expenditure estimates pitched by provinces.

Figure 1.2 further provides a comparison of budget estimates of different components of General Revenue Receipts for FY 2012-13 and 2013-14.

**Figure 1.2**
**General Revenue Receipts BE 2012-13 Vs. 2013-14**



A detailed analysis of the major components of General Revenue Receipts is presented below: -

### 1.1.1 Federal Transfers

#### a) Federal Divisible Pool Taxes

Under the 7th NFC Award the Divisible Pool of Taxes as collected by FBR has been laid down as under:

1. Taxes on income
2. Wealth Tax
3. CVT
4. Taxes on sales of goods & purchase of goods imported-exported, produced, manufactured and consumed.
5. Export duties on Cotton
6. Customs duties
7. Federal Excise Duties excluding the excise duty on gas charged at well head.
8. Any other tax which may be levied by the Federal Government.

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

*(Rs. in Million)*

| Particulars | BE 2012-13 | RE 2012-13 | BE 2013-14 |
|---|---|---|---|
| **I. Direct Taxes** | **932,000.00** | **779,100.00** | **975,700.00** |
| Income Tax | 914,000.00 | 761,100.00 | 948,700.00 |
| Workers Welfare Fund | 18,000.00 | 18,000.00 | 27,000.00 |
| **II. Indirect Taxes** | **1,449,000.00** | **1,227,900.00** | **1,499,300.00** |
| Customs | 247,500.00 | 241,200.00 | 279,000.00 |
| Sales Tax | 1,076,500.00 | 864,500.00 | 1,053,500.00 |
| Federal Excise | 125,000.00 | 122,200.00 | 166,800.00 |
| **Total** | **2,381,000.00** | **2,007,000.00** | **2,475,000.00** |

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

The Non Divisible components include WWF, GST on Services, Excise Duty on N/Gas, Export Development Surcharge, 1% of Income Tax on account of income tax paid out of the Federal Consolidated Fund (FCF), and 1% cost of collection.

Under the 7th NFC Award the vertical shares of the federation and provinces are shown in the following table:

**Table 1.5**
**Vertical Distribution of Resources**

| Provincial share | Federal share |
|---|---|
| 57.5% | 42.5% |

The provincial share i.e 57.5% is further divided amongst the provinces in the ratio given below:

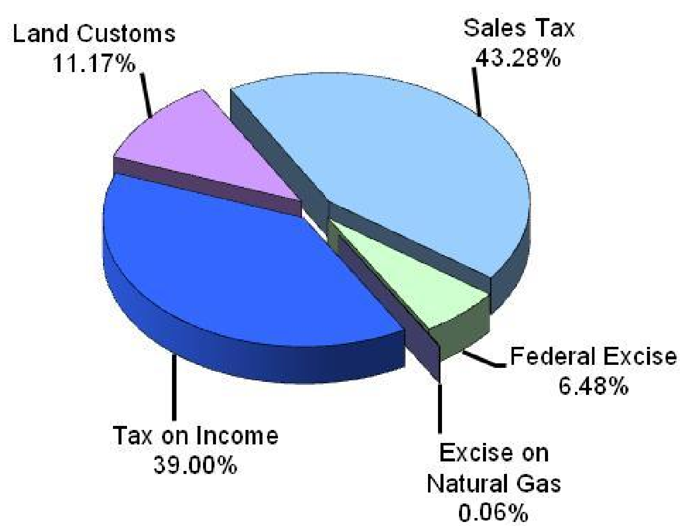
**Table 1.5.1**
**Horizontal Distribution of Resources**

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

These shares were decided on the basis of a multiple criteria based on population, inverse population density, revenue & poverty.

It is worth noting that major increase in Divisible Pool Taxes is expected from Income Tax and Sales Tax on goods. These two taxes collectively contribute around 82.3% of Punjab share from the Federal Divisible Pool. The balance 17.7% is contributed by Land customs & Federal Excise. The shares of different taxes in Federal Divisible Pool share of Punjab are depicted in the figure below: -

**Figure 1.3**
**Composition of Divisible Pool Taxes BE 2013-14**




**b) Straight Transfers**

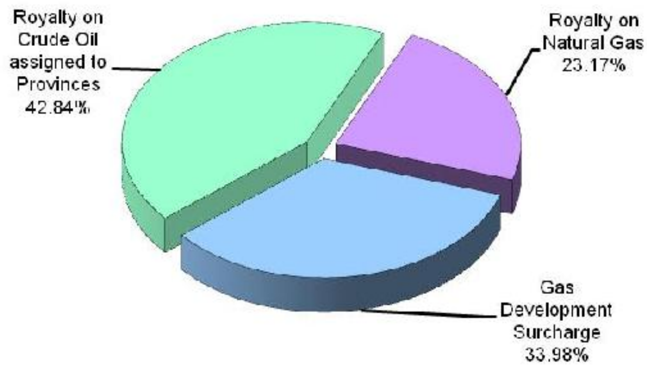
Under Article 161 of the Constitution and the NFC Award, Straight Transfers to the provinces include:

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.

Straight Transfers are reflected under the non tax provincial receipts, yet for the purpose of clarity, the same have been shown separately under the Federal Transfers in this chapter. The Budget Estimates for FY 2013-2014 have been pitched at Rs. 6,606.242 million against Rs. 6,585.092 million for BE 2012-13. Straight Transfers comprise of a small portion of the financial package to Punjab in comparison with other provinces, Punjab unlike small provinces put greater emphasis on Federal Revenue collection and its own provincial revenue collection to finance its expenditures.

**Figure 1.4**
**Composition of Straight Transfers BE 2013-14**




**c) Federal Grants**

Federal Grants, both Development and Non Development, comprise of Foreign Budgetary Support Grants, Federal Development Grants & Federal non Development Grants whereas Development Revenue Receipts comprise of grants provided by foreign agencies for specific projects. These Federal Grants are only pass through items and form part of PSDP grant/development grants from Federal Government. These grants are released to executing agencies for implementation of Federal Development Projects. Therefore, the estimates of PSDP grants are only made part of the revised estimates. The RE for FY 2012-13 for PSDP grants is Rs.11,251.246 million against. There was no provision in this head in BE 2012-13. For FY 2013-14, budget estimate of Rs.3,231.145 million is being included against the vertical projects of health sector, devolved to provincial government under the 18th amendment. It may also be pertinent to add that the federal government has committed to provide resources for these projects during the currency of the 7th NFC Award.

**Table 1.6**
**Federal Grants (Foreign Grants)**

*(Rs. in Million)*

| Sr. No. | Particulars | Budget Estimates 2012-13 | Revised Estimates 2012-13 | Budget Estimates 2013-14 |
|---|---|---|---|---|
| 1. | Federal Grants | 2,030.000 | 7,723.689 | 4,459.099 |
| 2. | Development Revenue Receipt | 117.00 | 112.000 | 126.000 |
| | **Total Grant (Program)** | **2,147.000** | **7,835.689** | **4,585.099** |

Revised Estimates for FY 2012-13 of Federal Grants are higher than the budget estimates for FY 2012-13 on account of DFID program grants for Punjab Education Sector Project-II and Punjab Health and Nutrition Program. The BE for FY 2013-14 for Development Revenue Receipt are pitched at Rs.126.000 million, as against the Budgetary Estimates for FY 2012-13 of Rs. 117.00 million.

The Table 1.6.1 provides the break-up of Federal Grants.

**Table 1.6.1**
**Federal Grants**

***(Rs. in Million)***

| Sr. No. | Particulars | Budget Estimates 2012-13 | Revised Estimates 2012-13 | Budget Estimates 2013-14 |
|---|---|---|---|---|
| 1. | DFID Grant-Punjab Education Sector Project | 930.000 | 2,080.526 | - |
| 2. | Punjab Economic Opportunities Program | 1,100.000 | 426.665 | 1,000.000 |
| 3. | DFID-Punjab Education Sector Project-II | - | 3,711.578 | 2,830.172 |
| 4. | DFID-Provincial Health and Nutrition Program. | - | 1,504.920 | 628.927 |
| | **Total Grant (Program)** | **2,030.000** | **7,723.689** | **4,459.099** |

### 1.1.2 Provincial Own Receipts

The second component that constitutes the General Revenue Receipts is Provincial Own Receipt including:

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 public owned property and enterprises

ii) Receipts from civil administration and other functions

iii) Miscellaneous Receipts (excluding Federal Grants and Development Surcharges and Royalties)

iv) Extraordinary Receipts

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

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

*(Rs. in Million)*

| RECEIPTS | BE 2012-13 | RE 2012-13 | BE 2013-14 |
|---|---|---|---|
| **a) Tax Receipts** | **95,014.294** | **90,475.493** | **126,702.799** |
| i. Direct Taxes | 25,311.940 | 24,374.783 | 31,076.815 |
| ii. Indirect Taxes | 69,702.354 | 66,100.710 | 95,625.984 |
| **b) Non-Tax Receipts** | **26,192.508** | **33,633.815** | **28,707.386** |
| i. Income from Property and Enterprises | 5,797.890 | 5,696.079 | 5,483.844 |
| ii. Receipts from Civil Administration and other Functions | 6,757.831 | 7,047.202 | 7,776.705 |
| iii. Miscellaneous Receipts | 13,636.787 | 20,890.534 | 15,446.837 |
| **Total Provincial Own Receipts** | **121,206.802** | **124,109.308** | **155,410.185** |

The above mentioned figures in the table show that during FY 2012-13, the actual collection of Provincial Own Receipts remained 2.4% higher than the budgetary target of 121,206.802 million.

### I. Tax Receipts

There are 5 departments for the collection of Provincial Tax Receipts.

1) Board of Revenue
2) Excise & Taxation
3) Finance Department/Punjab Revenue Authority
4) Energy
5) Transport

The details of taxes collected in FY 2012-13 & the BE for 2013-14 are provided below.

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

**(Rs. in Million)**

| TAX RECEIPTS | BE 2012-13 | RE 2012-13 | BE 2013-14 |
|---|---|---|---|
| **Board of Revenue** | **30,588.603** | **31,411.645** | **37,918.950** |
| Agricultural Income Tax | 720.522 | 863.506 | 2,018.938 |
| Registration | 3,854.580 | 3,966.489 | 4,680.457 |
| Land Revenue | 10,621.004 | 10,316.646 | 11,583.643 |
| Capital Value Tax | 3,224.334 | 3,809.786 | 4,938.755 |
| Stamps | 12,168.163 | 12,455.218 | 14,697.157 |
| **Excise & Taxation** | **18,836.122** | **17,013.895** | **20,946.905** |
| Urban Immovable Property Tax | 5,905.000 | 4,919.206 | 7,254.663 |
| Tax on Professions, Trades and Callings | 886.500 | 494.372 | 583.359 |
| Opium | 10.810 | 6.558 | 6.886 |
| Receipts under Motor Vehicle Acts | 8,510.767 | 9,059.422 | 10,100.117 |
| Provincial Excise | 2,058.867 | 1,510.685 | 1,782.608 |
| Farm house tax | 100.000 | 4.778 | 17.000 |
| Other Indirect Taxes | 1,364.178 | 1,018.874 | 1,202.272 |

| TAX RECEIPTS | BE 2012-13 | RE 2012-13 | BE 2013-14 |
|---|---|---|---|
| **Transport** | **460.000** | **456.294** | **538.426** |
| Motor Vehicles fitness certificate and permit fee | 460.000 | 456.294 | 538.426 |
| **Finance** | **40,496.470** | **37,000.000** | **62,350.000** |
| Sales Tax on Services | 40,496.470 | 37,000.000 | 62,350.000 |
| **Energy** | **4,633.099** | **4,593.659** | **4,948.518** |
| Electricity Duty | 4,633.099 | 4,593.659 | 4,948.518 |
| **Total Provincial Tax Revenue** | **95,014.294** | **90,475.493** | **126,702.799** |

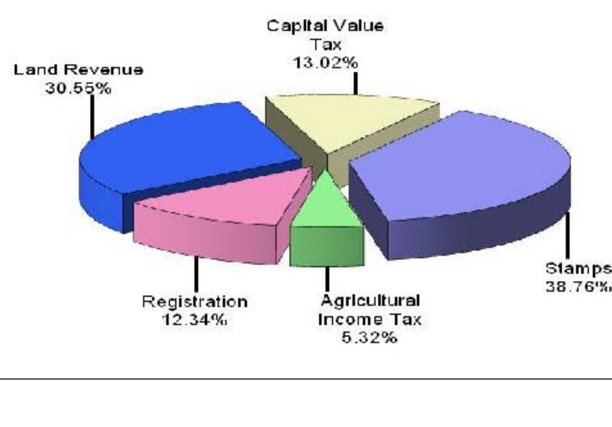
The above table shows that tax collection by the government during FY 2013-14 is pitched at Rs.126,702.799 million compared to RE 2012-13 of Rs.90,475.493 million. In this way government expects to increase its tax collection by 40% which is quite a challenging target. The government has however taken necessary steps including expansion in scope of different taxes and improving collection efficiency. Therefore, it is highly likely that the target of tax collection for next financial year is quite achievable.

The shortfall seen in the revised estimates 2012-13 as against the Budgetary Estimates for FY 2012-2013 can be attributed to shortfall in Provincial Excise and Sales Tax on Services. The target of Rs.2,058.867 million could not be achieved due to a status quo allowed by the High Court on levy of Rs. 2/- per liter on production of spirits. Rigorous efforts are being undertaken by Excise & Taxation Department to justify the levy of this excise duty before the court. Secondly, as far as collection by Finance Department is concerned it pertains to General Sales Tax on services collected by Punjab Revenue Authority (PRA). The figure with respect to PRA's GST collection is for 11 months of financial year 2012-13. Though the Govt. has made necessary legal & institutional frameworks for the collection of Sale Tax on service through PRA, there is still a lot of potential to be tapped from this tax by extending its base and increasing efficiency of collection. At present the tax is being collected from 21 different categories of services. Government intends to include a number of other services to sales tax net with effect from next financial year in a bid to realize the full potential of this tax which is easily the biggest revenue spinner for the government. The ultimate goal of the government is to collect around 1% of gross regional product from this tax in the medium term.

## A. Provincial Tax Receipts Collected By Board of Revenue

The following pie chart shows the composition of taxes collected by Board of Revenue as estimated for FY 2013-14.

**Figure 1.5**
**Board of Revenue Taxes BE 2013-14**



Board of Revenue has been assigned collection of Agriculture Income Tax, Registration Duty, Land Revenue, Capital Value Tax & Stamp Duty. Its contribution in the overall tax receipts of Province is projected to increase from Rs. 30,588.603 million for FY 2012-2013 to Rs. 37,918.950 million in FY 2013-2014. For the purpose of clarity the major tax heads under BOR's preview are elaborated upon as follows:

**a) Agricultural Income Tax**

Agricultural Income Tax (AIT) is an important direct tax available to provinces. AIT Act was promulgated in 1997. It envisaged payment of fixed amount per acre of land. Major amendments were introduced to this act in 2001 and whereby holders of 25 acre irrigated land (equivalent to 50 acre un-irrigated land) were required to submit their AIT return. The income mode of the tax was, however, not practically implemented due to capacity related issues of the collectors in the field. The collection of tax, however, continued in the fixed mode. However, due to sub-division of land over-time into smaller holdings, and exemption to owners of upto 12.5 acres, the collection from this tax has been declining in recent times. Government is fully aware of the revenue potential of AIT.

The issue has been thoroughly debated in the Government and following important decisions have been taken:

i. The income mode of tax will be enforced during next financial year;
ii. AIT Act will be amended to collect tax from those who declare agricultural income under their income tax returns to FBR.

Accordingly, the target for FY 2013-14 has been pitched at Rs.2,018.938 million compared to BE of 2012-13 set at Rs.720.522 million.

**Land Revenue**

Land Revenue is a broad category, and includes a number of receipts related to Land Revenue functions. This category of Provincial Tax Receipt has a lot of potential and it is expected to contribute Rs.11,583.643 million to the provincial exchequer for FY 2013-14. During the last few years, Government has tried to tap buoyancy of this source by introducing structural reforms which included introduction of valuation table to rural areas for the purpose of mutation. Government intends to complete the automation of land revenue record under a foreign funded project named Land Record Management Information System, at the earliest. Complete automation is likely to enhance buoyancy of this tax even further.

**b) Stamp Duty**

The Revised Estimates of Stamp Duty for FY 2012-2013 is Rs. 12,455.218 million, higher than the Budget Estimates for FY 2012-2013 that were pitched at Rs. 12,168.163 million.

The increase can be attributed to revision of valuation tables/DC tables annually to reduce the gap between the value of property assessed by the DC tables & the market value of properties.

Government is considering introduction of further reforms including introduction of e-stamping to land transactions to plug leakages in this tax and to ensure greater transparency in the process of transfer of property. Accordingly, it is expected that in next FY 2013-2014, the collection of stamp duty can be safely pitched at Rs. 14,697.157 million.

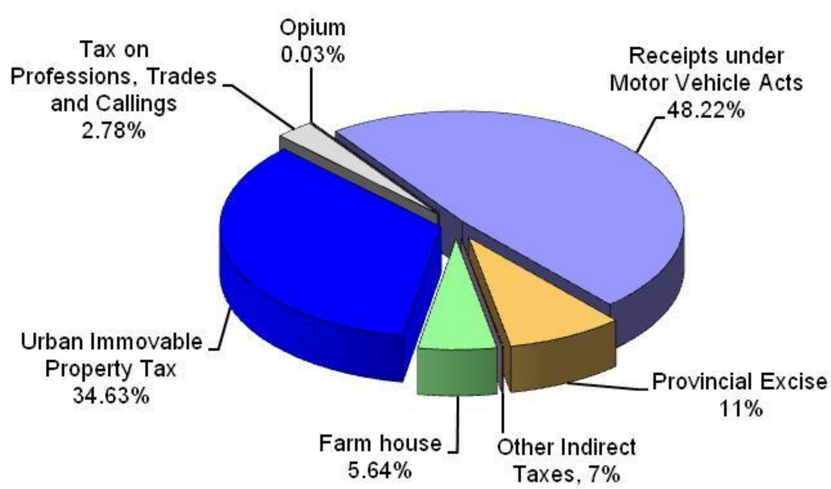
### c) Registration

Registration fee is collected at the time of registration of a sale deed of property. BE 2013-14 has been set at Rs. 4,680.457 million compared to Revised Estimates for FY 2012-13 to the tune of Rs. 3,966.489 million.

## B. Provincial Tax Receipts Collected By Excise & Taxation

The following pie chart shows the composition of taxes collected by Excise & Taxation as estimated by FY 2013-14.

**Figure 1.6**
**Excise & Taxation Taxes BE 2013-14**




### a) Urban Immoveable Property Tax (UIPT)

The UIPT is essentially a devolved tax, but for administrative convenience it is being collected by the Provincial Government and passed on to the respective TMAs as per the agreed Distribution. The revised estimate of UIPT for FY 2012-2013 stands at Rs. 4,919.206 million which is slightly lower than BE of Rs. 5,905.000 million for FY 2012-2013.

Government intends to quickly automate the base of this tax. A pilot project has already been implemented in District Sialkot for automation of property tax record through GIS mapping of properties and conducting a door-to-door survey of properties. The result of the pilot project have established that automation of tax record; survey of properties to bring missing properties into tax net; expansion of this tax to extended areas of major cities; and, automatic system of tax demand are likely to bring a sizable increase to existing revenue collection from this tax.

The Government plans to review & rationalize the umbrella exemptions granted to 5 marla houses in category 'A' (posh localities) localities and link the exemption to rental value. This would bring greater vertical and horizontal equity to the tax and allow exemption to only those owners who deserve this exemption. Further, Government intends to update valuation list after approximately 12 years.

In view of the above measures, the proceeds of this tax are likely to undergo a significant increase. Therefore, budget estimates of Rs.7,271.663 million are projected for FY 2013-14.

**b) Professional Tax**

The B.E for FY 2013-14 with respect to professional tax have been pitched at Rs. 583.359 million as against the Revised Estimates for FY 2012-2013 to the tune of Rs. 494.372 million.

The contribution of professional Tax is not huge, but being a direct tax, it has good potential in the long term. Given that the Excise & Taxation Department is ambitiously targeting to plug in gaps in professional tax law wherein large number of companies are able to legally avoid this tax. It is possible for the Government to increase its collection by widening the tax base.

## C. Provincial Tax Receipts collected by Finance Department

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

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

However, the tax on Marriage halls and lawns, beauty parlours and laundries / dry cleaners was withdrawn w.e.f. 01.07.2005. The Government levied GST on services on following additional services w.e.f. 01.07.2010 as the right of provinces to collect GST on Services was recognized by the Federal Government during deliberations on 7th NFC Award:-

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

Collection of General Sales Tax on Services in FY 2011-12 was assigned to Federal Board of Revenue in conformity with Record Note signed between Federal Government and Provincial Governments.

In FY 2012-13, however, Provincial Government collected GST through its own Revenue Authority w.e.f. 01.07.2012. The BE for FY 2012-13 were pitched at Rs. 40,496.470 million. In its first year, the Authority could only collect tax for 11 months due to inherent lag of one month in collection of sales tax on services. Accordingly, it is expected that PRA will be able to collect approximately Rs.37,000.000 million during FY 2012-13. Realizing the potential of sales tax on services as the most buoyant tax available to provincial governments, the Government decided to increase its scope. In May 2013, the scope of sales tax was harmonized with Sindh Province. At present the tax is being collected from 21 categories of services. The Government has in principle decided to extend its scope to another 16 services that are listed below:-

- Technical, Scientific and Engineering Consultants
- Other Consultants
- Tour Operators except Hajj / Umra services
- Security agency
- Manpower recruitment agency
- Mining of minerals, oil & gas
- Advertising agents
- Share transfer agents
- Business support services
- Property dealers
- Fashion designers
- Architects, town planners and interior decorations
- Rent-a-Car
- Automobile dealers
- Services provided in respect of manufacturing or processing on toll basis
- Software or IT based system development consultants

Accordingly the BE for FY 2013-14 have been set at Rs.62,350.000 million.

## II. Non-Tax Revenue

Non-Tax Receipts accrue mainly on account of regulatory functions performed by the Provincial Government and rates and fees charged for the provision of certain social and economic services and also include Federal Grants. However, for the purpose of this chapter grants received from Federal Government & multilateral partners and Development surcharges on Gas and Royalties on Oil and Gas are shown separately. Table summarises the Revised Estimates for FY 2012-13 as against the initial BE 2012-13. The BE for 2013-14 have been affixed at Rs. 43,129.872 million.

Table 1.9 shows a comparison of the Provincial Non-Tax receipts between FY 2012-13 and FY 2013-14.

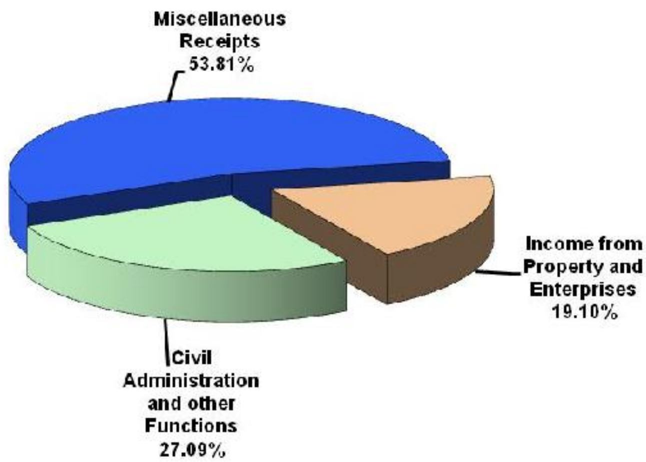
**Table 1.9**
**Provincial Non Tax Revenue**
**(excluding Federal Grants, Development Surcharges and Royalties)**

*(Rs. in Million)*

| NON TAX REVENUE | BE 2012-2013 | RE 2012-13 | BE 2013-2014 |
|---|---|---|---|
| **Income from Property and Enterprises** | **5,797.890** | **5,696.079** | **5,483.844** |
| State Trading Schemes-Electricity | 5,117.000 | 5,117.000 | 5,117.000 |
| Interest on Loans to District Govts. / TMAs | 157.120 | 157.120 | 157.120 |
| Interest on Loans to Financial Institutions. | 455.000 | 219.769 | 147.000 |
| Interest on Loans to Non-Financial Institutions. | 65.234 | 198.470 | 59.056 |
| Interest on Loans & Advances to Govt. Servants | 0.536 | 0.668 | 0.668 |
| Interest on Loans – Others | 3.000 | 3.000 | 3.000 |
| Dividends | - | 0.052 | - |
| **Civil Administration and other Functions** | **6,757.831** | **7,047.202** | **7,776.705** |
| Fiscal Administration | **72.128** | **93.529** | **102.881** |
| Law and Order | **2,928.277** | **3,018.727** | **3,458.757** |
| *Justice* | *266.912* | *256.427* | *282.069* |
| *Police Department* | *2,598.510* | *2,671.173* | *3,075.001* |
| *Jails including Civil Defence* | *62.855* | *91.127* | *101.687* |
| Community Services | **1,973.748** | **2,020.269** | **2,156.334** |
| *Communications & Works* | *1,920.815* | *1,974.244* | *2,105.706* |
| *Public Health* | *52.933* | *46.025* | *50.628* |
| Social Services | **1,361.322** | **1,430.023** | **1,525.611** |
| *Education* | *915.676* | *948.278* | *995.692* |
| *Health* | *445.646* | *481.745* | *529.919* |
| Housing and Physical Planning | **422.356** | **484.654** | **533.122** |
| **Miscellaneous Receipts** | **13,636.787** | **20,890.534** | **15,446.837** |
| Agriculture | 670.138 | 687.188 | 755.909 |
| Board of Revenue | 3,723.372 | 1,048.676 | 4,153.544 |
| Fisheries | 230.000 | 170.000 | 225.285 |
| Forest & Wildlife | 1,427.891 | 1,009.235 | 1,105.144 |
| L&DD | 719.164 | 729.771 | 802.748 |
| Cooperative | 8.677 | 6.200 | 8.225 |
| Irrigation | 2,948.739 | 2,510.502 | 2,761.552 |
| Industries | 136.153 | 95.810 | 103.122 |
| Mines & Minerals | 2,200.000 | 2,004.604 | 4,205.064 |
| Home | 832.700 | 651.064 | 716.171 |
| Misc. | 739.953 | 11,977.484 | 610.073 |
| **TOTAL NON-TAX RECEIPTS** | **26,192.508** | **33,633.815** | **28,707.386** |

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

**Figure 1.7**
**Provincial Non-Tax Receipt BE 2013-14**




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

From the table above, it is clear that this component of the non tax revenue is an important part of Non-Tax Revenue for the province.

The Income from property and enterprises comprises of two components.

- Net hydel profit
- Income from interest on loans advanced to financial institutions, local governments, autonomous bodies and government servants etc.

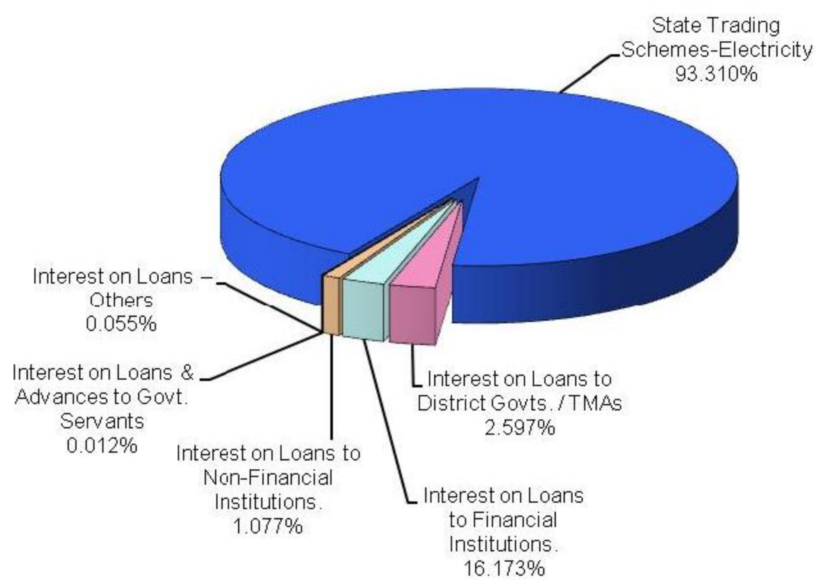
#### *a. Net Hydel Profit to Punjab Government*

Punjab had not been receiving net hydel profits from the Federal Government since 1996-97 as a result of incorrect recording of minutes of a meeting of ECC. Present government, realizing the importance of this source of revenue, took up the case with the Federal Government on the grounds that net hydel profit was a constitutional right of the province and could 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. Arrear payable with respect to Net hydel profits since 1996-97 to 2004-05 as agreed to by Federal Government were calculated to the of Rs. 28,501 million have been paid by the Federal Government. Punjab Government is now emphasizing upon the Federal Government to resolve the issue of payment of arrears of net hydel profit to Punjab since 2004-05 in addition to regular payment of net hydel profit accruing every year. In order to have a claim over Federal Government of net hydel profit an allocation of Rs.5,117 million has been made in BE 2013-14.

### *b. Interest on loans*

Punjab Government extends loans to local governments, financial institutions and autonomous bodies under its purview for meeting their current and development expenditures. The interest from these loans is another important part of receipts of "Income from Property and Enterprises". Interest amounting to Rs.579.079 million was received during FY 2012-13 and the interest income for FY 2013-14 has been pitched at Rs.366.844 million. It may be pertinent to mention here that since FY 2011-12, Government has been receiving interest from Bank of Punjab against the Advance Subscription Money of Rs.10.000 billion provided to the Bank in FY 2009-10. The right shares against the subscription money are expected to be issued in FY 2013-14. The interest income from this amount would not accrue after issuance of the right shares. Hence, the interest income during next financial year is expected to be considerably lower than FY 2012-13.

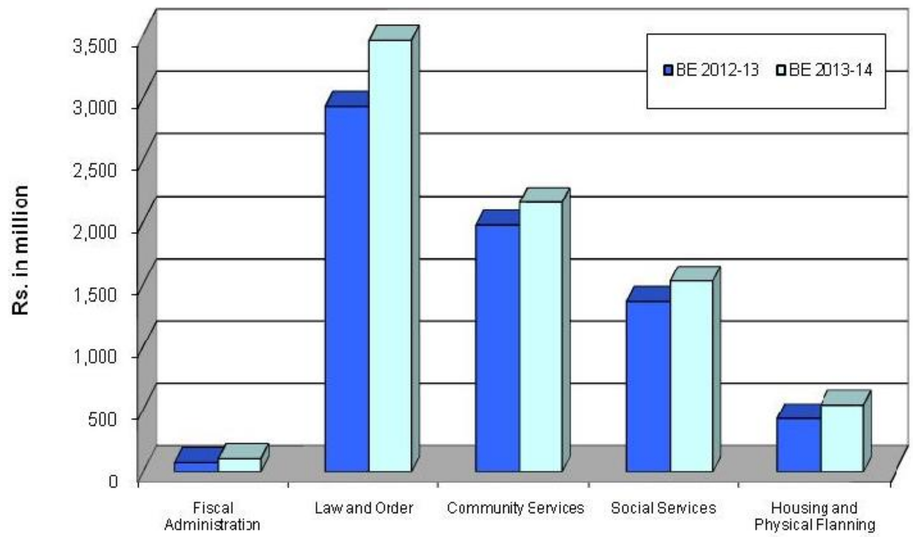
**Figure 1.8**
**Income from Property and Enterprises BE 2013-14**




### *B. 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. 7,776.705 million during FY 2013-14 from these sources of revenue. A break-up of these receipts is graphically elaborated below:

**Figure 1.9**
**Civil Administration and other Functions BE 2012-13 vs. BE 2013-14**




***a) Law and Order***

There are 3 main components of law & order receipts: -

1) Receipts: - namely Receipts collected by Law Department on sale proceeds of unclaimed and escheated property, court fees realised in cash, General fee, fines & forfeitures, receipt of official record room & recoveries of over payments etc.

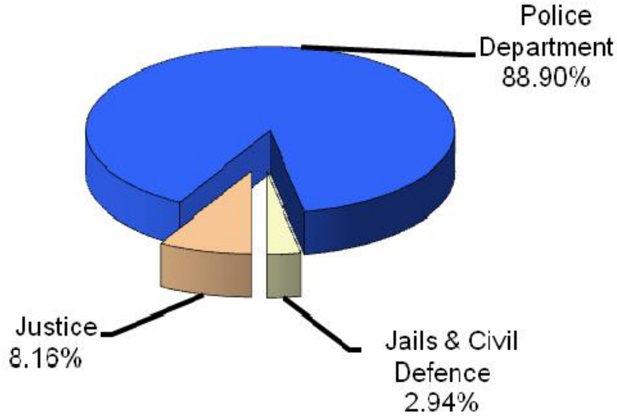
2) Receipts collected by Home Department: - include sale proceeds of articles manufactured in jail, fines, overpayments on services rendered includes supplies made by factory department to maintenance department in jail.

3) Receipts collected by Police Department on account of police personnel provided to Railway, Fed. Govt., Public departments, fees, fines, forfeiture, motor driving license fee, traffic fines, police land receipts and recoveries of overpayments.

   The collection of police department in FY 2013-14 is expected to Rs.3,075.001 million, 18.4% higher than last FY 2012-13 and thus the total law & order receipts are estimated at Rs.3,458.757 million.

The following pie chart is given below to further elaborate the contributions made by the above mentioned heads of receipts in the total Law & Order receipts status:

**Figure 1.10**
**Law and Order BE 2013-14**

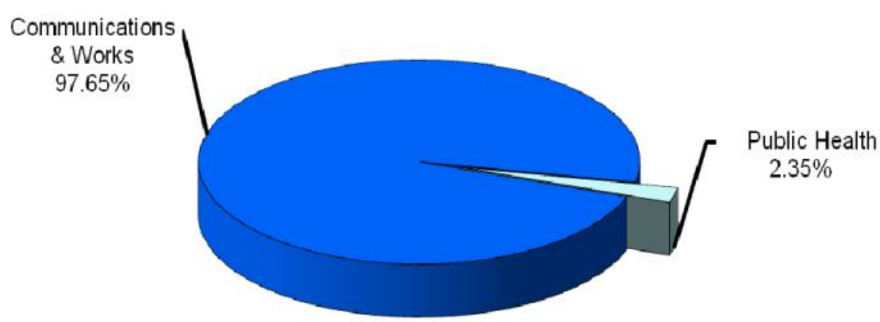



***b) Community Services***

The major source of income in this classification of receipts for civil admn. & other function is realized through tolls on provincial roads and bridges and through rent of Government buildings. The toll collection is stunted due to non-increase in the toll charged on constructed roads. However, with the inclusion of newly constructed roads, the receipts with respect to toll on Roads & Bridges has substantially increased in recent years. Resultantly, there has been a growth in the RE for FY 2012-13 in this respect and the target for FY 2013-14 with respect to Community Service Receipts has been set at Rs. 2,156.334 million which is 8.5% higher than BE for FY 2012-13 for the same.

Figure 1.11 elaborates the break-up percentage contribution of each component of the total community service receipts estimated for FY 2013-14.

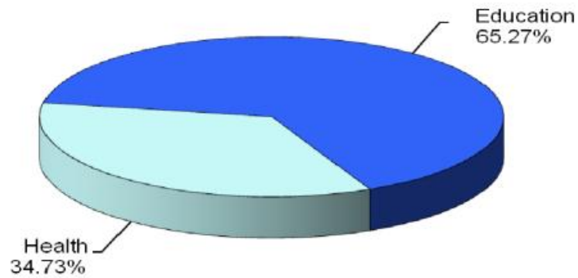
**Figure 1.11**
**Community Services BE 2013-14**




***c) Social Services***

These receipts include general administration receipts realized through different economic regulations, examination fee realized by Punjab Public Service Commission, receipts and revenues under weights & measures & trade etc. The BE for FY 2013-14 has been set at 1,525.611 million.

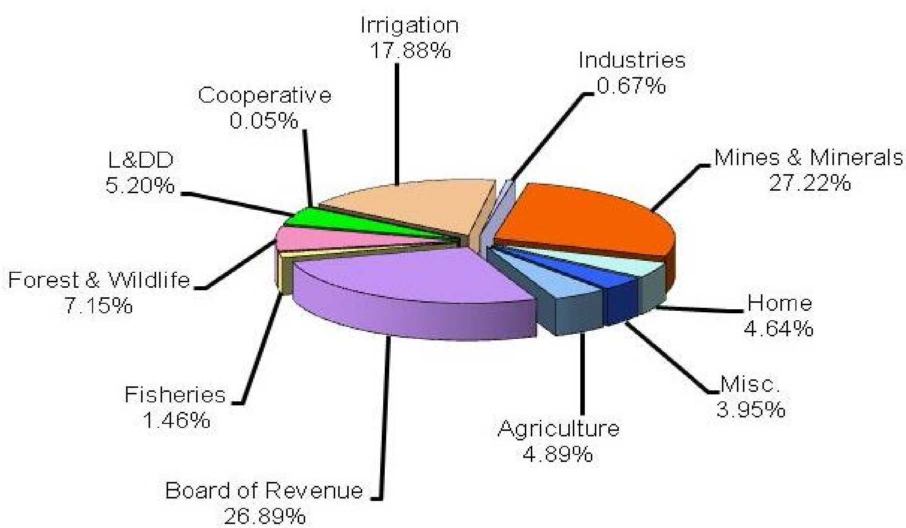
**Figure 1.12**
**Social Services BE 2013-14**




### *C. Non Tax Revenue – Miscellaneous Receipts*

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 as show in the following pie chart.

**Figure 1.13**
**Miscellaneous Receipts BE 2013-14**




Under Miscellaneous Receipts, the important constituents include receipts from Forest, Wildlife & Fisheries, Irrigation (mainly Abiana) and Mines & Minerals. The revised estimates 2012-13 of all these receipts were above the respective budget estimates. Accordingly, a reasonable growth is expected in these receipts during the FY 2013-14 also.

***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 the sale of land. During the financial year 2012-13, the budgeted target was Rs.3, 723.372 million whereas the Revised Estimate 2012-13 is only to the extent of Rs.1,048.676 million. Government intends to use privatization for generating revenue during the next financial year. Punjab Privatization Board will be fully activated for this purpose. Accordingly, BE 2013-14 of Rs. 4,153.544 million has been set which includes an estimate of Rs.3,163.233 million through sale of properties by Punjab Privatization Board.

## 1.2 Development Revenue Receipts

Development Revenue Receipts are primarily grants from foreign multilaterals for specific development projects and have already been discussed under the topic of Federal Grants, yet for the purpose of clarity, it is being separately dealt in this portion. The RE 2012-13 of Development Revenue Receipt was Rs.112.000 million compared to BE 2012-13 of Rs.117.000 million. The BE 2013-14 has been pitched at only Rs.126.000 million.

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

*(Rs. in Million)*

| Sr. No. | Particulars | BE 2012-13 | RE 2012-13 | BE 2013-14 |
|---|---|---|---|---|
| 1. | JICA-Punjab Water & Sanitation Academy, Lahore. | 10.000 | 20.000 | 25.000 |
| 2. | JICA-Retrieval of Sewerage & Drainage for Lahore City. | 48.000 | - | - |
| 3. | Australia-Optimizing Canal and groundwater Management to assist Water User Association in Maximizing Crop Production and Management Salinisation with Australia Assistance | 7.000 | 11.000 | 1.000 |
| 4. | Up-gradation of Mechanical System of WASA, Faisalabad. | 25.000 | 81.00 | 100.000 |
| 5. | Non-formal Education Promotion Project (JICA). | 27.000 | - | - |
| | **Total Grant** | **117.000** | **112.000** | **126.000** |

## 1.3 Current Capital Receipts

Current Capital Receipts mainly accrue from new loans borrowed or raised by the Provincial Government and recoveries of loans which were 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 2012-13 and FY 2013-14 are presented in Table 1.11 below.

**Table 1.11**

**Current Capital Receipts**

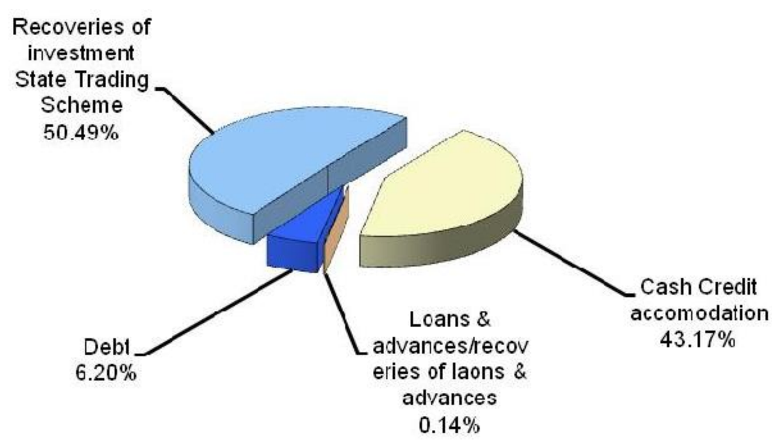
*(Rs. in Million)*

| RECEIPTS | BE 2012-13 | RE 2012-13 | BE 2013-14 |
|---|---|---|---|
| **a) Loans & Advances/Recoveries of Loans and Advances** | **6,816.186** | **467.330** | **385.325** |
| From District Governments/TMAs/Local Bodies | 123.571 | 161.965 | 105.708 |
| From Financial Institutions | 6,430.000 | - | - |
| From Non Financial Institutions | 217.349 | 260.489 | 234.741 |
| From Government Servants | 45.165 | 44.739 | 44.739 |
| From Private Sector | 0.101 | 0.137 | 0.137 |
| **b) Debt** | **8,742.434** | **10,091.467** | **17,275.934** |
| Permanent Debt-Domestic | 0.434 | 103.275 | 0.434 |
| Permanent Debt-Direct (Access to Justice Programme) | - | - | - |
| Recovery of Investment | - | - | - |
| Permanent Debt-Foreign | *8,742.000* | *9,988.192* | *17,275.500* |
| **Account No. I (a) + (b)** | **15,558.620** | **10,558.797** | **17,661.259** |
| Recoveries of Investment-State Trading Schemes | *107,578.000* | *132,699.286* | *140,639.125* |
| Cash Credit Accommodation | *105,905.514* | *108,931.154* | *120,260.509* |
| **Account No. II** | **213,483.514** | **241,630.440** | **260,899.634** |
| **Total Current Capital Receipts (I & II)** | **229,042.134** | **252,189.237** | **278,560.893** |

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 2013-14**

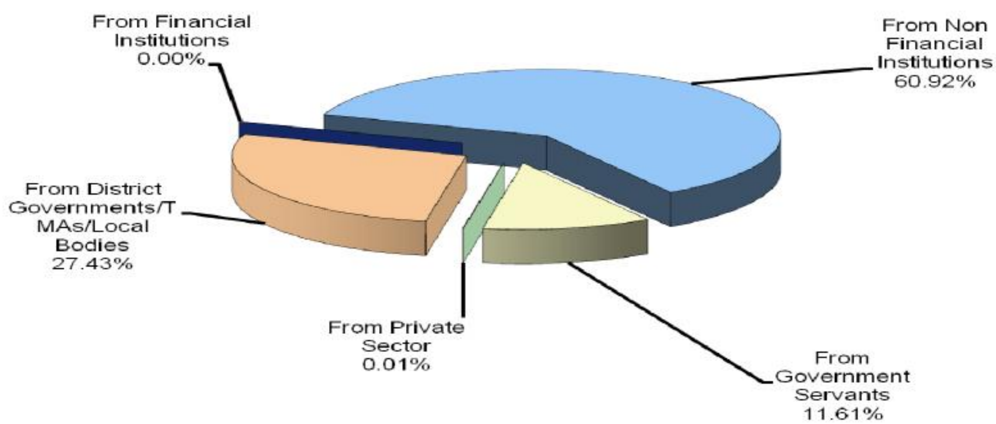



### *a) Recoveries of Loans and Advances*

In this category, Rs.385.188 million are estimated to be received during FY 2013-14. It includes an amount of Rs.105.708 million which will be recovered from District Government/TMAs and Rs.234.741 million from agencies like Punjab Small Industries Corporation and Sui Northern Gas Pipelines Limited etc.

It will be useful to provide a synopsis of the more significant items categorised under Recoveries of Loans and Advances.

**Figure 1.14 (b)**
**Recoveries of Loans and Advances BE 2013-14**




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

Direct debt and loans borrowed from or through the Federal Government i.e. domestic and foreign loans comprise the permanent debt of the provincial government. B.E. 2013-14 for the permanent debt (foreign) has been estimated at Rs.17,275.500 million. The table below clearly shows that during FY 2012-13, the Government received budgetary support loan from World Bank under Punjab Health Sector Reforms Program, Education Sector Reform Program, Large Cities Project and Governance Reforms for Service Delivery Project from the World Bank.

**Table 1.12**
**Details of Current Capital Receipts (Foreign Loans)**

*(Rs. in Million)*

| Sr. No. | Detail of Loan | B.E. 2012-13 | R.E. 2012-13 | B.E. 2013-14 |
|---|---|---|---|---|
| 1 | Punjab Education Sector Project (World Bank assisted) | - | 1,007.592 | - |
| 2 | Punjab Education Sector Project-II (World Bank) | 8,742.000 | 4,704.500 | 11,286.000 |
| 3 | Punjab Health Sector Reforms Program | - | 1,649.000 | 1,782.000 |
| 4 | Punjab Cities Governance Improvement Project | - | 2,627.100 | 2,970.000 |
| 5 | Punjab Governance Reforms for Service Delivery Program | - | - | 1,237.500 |
| | **Total** | **8,742.000** | **9,988.192** | **17,275.500** |

### *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 2012-13 of 'Recoveries of Investment-State Trading Schemes' was Rs.132,699.286 million compared to BE 2012-13 of Rs.107,578.000 million on account of higher than targeted sale of wheat during the financial year. Moreover, the recoveries from Sale of Wheat for the FY 2013-14 is estimated at Rs.140,639.125 million

## 1.4 Development Capital Receipts

Development Capital Receipts comprise loans borrowed from multilateral donor agencies through the Federal Government for specific foreign-assisted development projects. Combined with the Development Revenue Receipts and surpluses from the General Revenue Account and Capital Account, Development Capital Receipts finance the Annual Development Programme of the province. The Budget Estimates for FY 2013-14 for Development Capital Receipts are Rs.29,700.000 million compared to Budget Estimates 2012-13 of Rs.11,487.514 million and RE 2012-13 of Rs.17,631.017 million.

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

***(Rs. in Million)***

| DEVELOPMENT CAPITAL RECEIIPTS | B.E. 2012-13 | R.E. 2012-13 | B.E. 2013-14 |
|---|---|---|---|
| Domestic Debt | - | - | - |
| Foreign Debt | 11,487.514 | 17,631.017 | 29,700.000 |
| **Total** | **11,487.514** | **17,631.017** | **29,700.000** |

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

**Table 1.14**
**Detail of Foreign Aid**

*(Rs. in million)*

| Sr. No. | Particulars | Budget Estimates 2012-13 | Revised Estimates 2012-13 | Budget Estimates 2013-14 |
|---|---|---|---|---|
| 1 | IDA-4258-Pak Land Records Management Information System Project. | 912.000 | 2,294.756 | 892.846 |
| 2 | Punjab Irrigated Agriculture Improvement Program Project (PIPIPP) | 3,415.514 | 3,415.000 | 4,500.000 |
| 3 | JBIC-PK-P53 Rehabilitating Lower Chanab Canal System (Part B) | 310.000 | 1,155.000 | 900.000 |
| 4 | IBRD-7380-Pak Punjab Municipal Services Improvement Project (Including Sustainable Development of Walled City Lahore) | 957.000 | 710.000 | 41.000 |

| Sr. No. | Particulars | Budget Estimates 2012-13 | Revised Estimates 2012-13 | Budget Estimates 2013-14 |
|---|---|---|---|---|
| 5 | OFID-1134-Pak Establishment of Govt. Institute of Emerging Technologies, Raiwind Road, Lahore. | 232.000 | 165.000 | 191.000 |
| 6 | ADB-2300-Pak Punjab Irrigated Agriculture Improvement Project | 100.000 | 150.000 | 160.000 |
| 7 | ADB-2299-Pak (PIAIP) Lower Bari Doab Canal Improvement Project | 1,000.000 | 3,000.000 | 5,000.000 |
| 8 | JBIC-PK-P59 Punjab Irrigation System Improvement Project | 1000.000 | 2,840.000 | 3,000.000 |
| 9 | IBRD-7900-Punjab Barrages Improvement Phase-II Project (Jinnah Barrage) | 700.000 | 700.000 | 3,400.000 |
| 10 | ADB-2286-Pak Renewable Energy Development Sector Investment Program | 1,400.000 | 1,000.000 | 2,580.000 |
| 11 | ADB-2287-Pak Renewable Energy Development Sector Investment Program | 100.000 | - | 20.000 |
| 12 | France/VINCI-Extension of Water Resource for Faisalabad City Phase-I | 75.000 | 1,200.000 | 400.000 |
| 13 | Southern Punjab Poverty Alleviation Project | 736.000 | 496.261 | 900.000 |
| 14 | 2841-New Khanki Barrage Construction Project | 500.000 | 500.000 | 3,500.000 |
| 15 | Lahore Water Supply, Sewerage & Drainage Improvement Project | 50.000 | 5.000 | 20.000 |
| 16 | Pakpattan Canal & Sulemanki Barrages Improvement Projects (PIAIP Tranch-III) | - | - | 750.000 |
| 17 | Punjab Land Record Management Information System Project (Additional Financing) | - | - | 3,445.154 |
| | **Total Loans** | **11,487.514** | **17,631.017** | **29,700.000** |

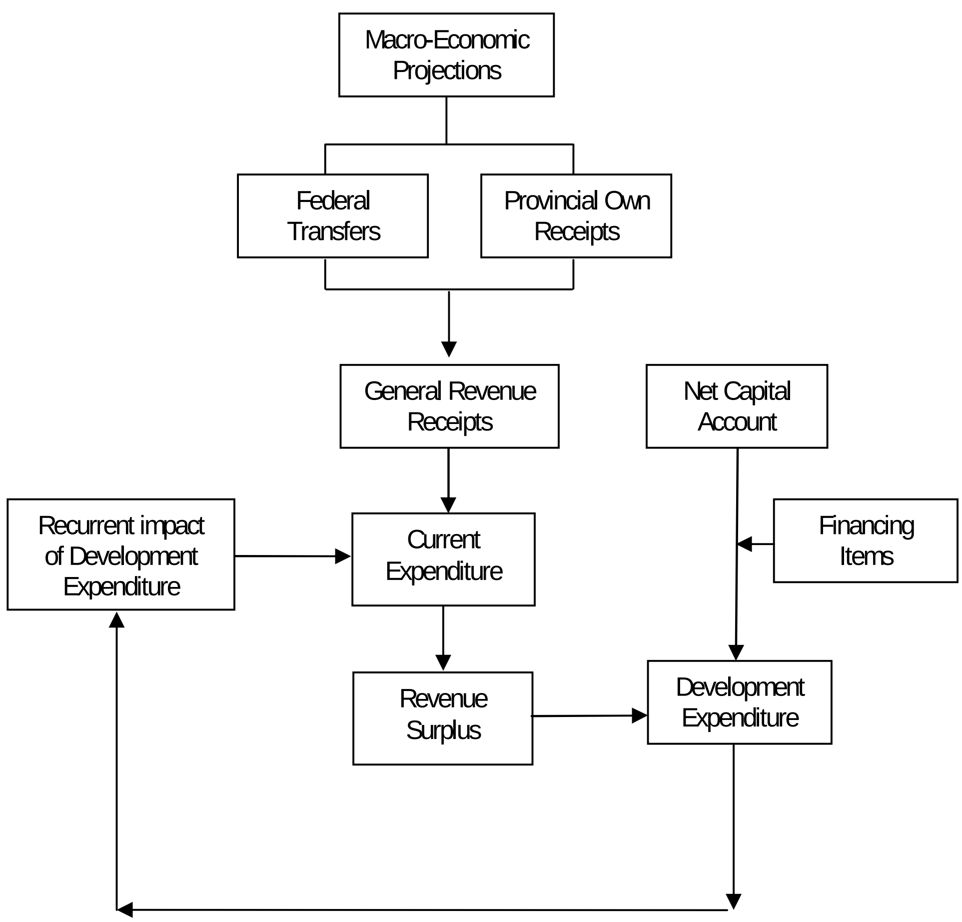
# Chapter 2

# ESTIMATES OF EXPENDITURE

## 2.0 FRAMEWORK

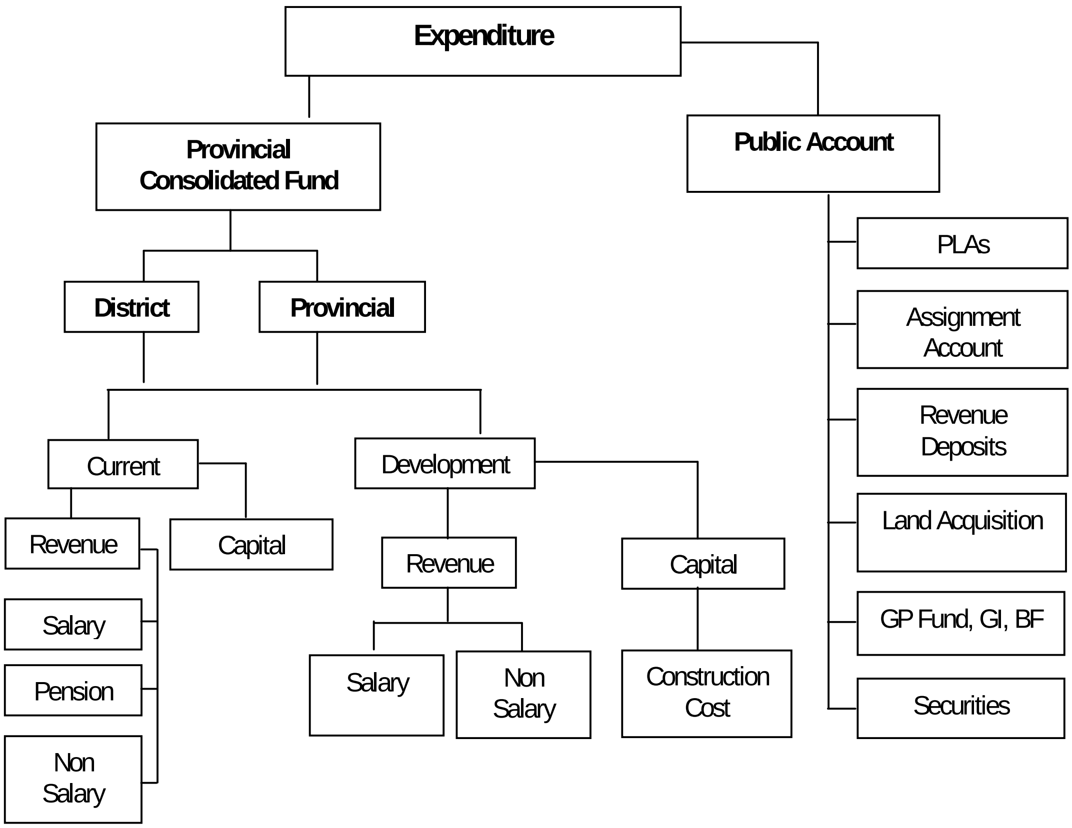
Before dilating upon the functional classification of expenditures, it is appropriate that the framework in which the budget estimates are being formulated is presented. Budgetary framework shown below reflects the components of receipts and expenditures. The provincial budgeting is primarily a balancing act of receipt and expenditure ensuring maximum surplus for development without compromising governance and service delivery.

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



Overall expenditures of the government are classified under Provincial Consolidated Fund and Public Account of the province. Components 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 that are not part of the Provincial Consolidated Fund are explained separately in the Chapter on Public Account (Chapter-3).

## 2.1 OVERVIEW OF EXPENDITURE

A total financial outlay of the government for FY 2013-14 is Rs.897,569.311 million including the development outlay of Rs.290,000.000 million. Thus, the Annual Development Programme is 32.3% of the total outlay as compared to FY 2012-13 when the development budget was 31.9% of the total outlay. Despite inflation and salary & pension increase of employees of the government, allocations of development expenditure have been raised through austerity, better financial management and administrative efficiency. The growth in Annual Development Programme is 16% over the Budget Estimates for 2012-13 whereas this growth is only 14% for current expenditure.

Table 2.1 reflects the allocations for Current Revenue Expenditure and Development Expenditure of Punjab Government for the year 2012-13 and 2013-14.

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

**(Rs. in million)**

| CLASSIFICATION | BE 2012-13 | RE 2012-13 | BE 2013-14 |
|---|---|---|---|
| **A. CURRENT** | **532,859.871** | **549,762.393** | **607,569.311** |
| General Public Services (including transfers to Local Governments) | 305,300.357 | 313,596.848 | 345,327.434 |
| Public Order & Safety Affairs | 81,864.264 | 84,208.161 | 93,718.858 |
| Economic Affairs | 71,684.904 | 58,420.570 | 75,652.940 |
| Environment Protection | 71.381 | 89.581 | 116.730 |
| Housing and Community Amenities | 3,296.079 | 5,603.578 | 4,002.789 |
| Health | 35,656.545 | 37,637.231 | 44,629.627 |
| Recreational, Culture and Religion | 1,478.413 | 2,297.237 | 1,334.779 |
| Education Affairs & Services | 31,307.272 | 41,150.890 | 40,596.539 |
| Social Protection | 2,200.656 | 6,758.297 | 2,189.615 |
| **B.DEVELOPMENT** | **250,000.000** | **166,858.377** | **290,000.000** |
| ADP including operational shortfall | 210,000.000 | 158,014.885 | 240,000.000 |
| Financing Items of ADP | 40,000.000 | 8,843.492 | 50,000.000 |
| **TOTAL EXPENDITURE (A+B)** | **782,859.871** | **716,620.770** | **897,569.311** |

Table 2.2 shows the size of annual development budget of the Government since 2008-09.

**Table 2.2**
**Development Budget**

***(Rs. in billion)***

| Year | Development | Annual Percentage Increase |
|---|---|---|
| 2008-09 | 160.000 | |
| 2009-10 | 175.000 | 9% |
| 2010-11 | 193.500 | 11% |
| 2011-12 | 220.000 | 14% |
| 2012-13 | 250.000 | 14% |
| 2013-14 | 289.500 | 16% |

The expenditures from the Provincial Consolidated Fund classified as:

a) **Current**

I. Current Revenue Expenditure

II. Current Capital Expenditure

b) **Development**

III. Revenue Expenditure

IV. Capital Expenditure

Each component of total expenditure is being elaborated below: -

## 2.2 CURRENT REVENUE EXPENDITURE

Current Revenue Expenditure includes the expenditures on the regulatory functions of the government and provision of social and economic services. 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

Table 2.3 summarises the Budget Estimates and Revised Estimates of Current Revenue Expenditure for FY 2012-13 along with Budget Estimates for FY 2013-14.

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

***(Rs. in Million)***

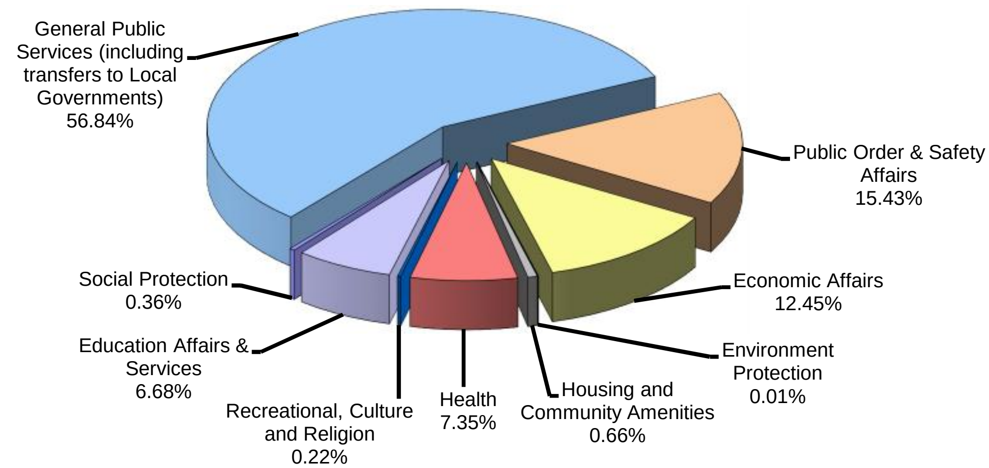
| CURRENT REVENUE EXPENDITURES | BE 2012-13 | RE 2012-13 | BE 2013-14 |
|---|---|---|---|
| General Public Services (including transfers to Local Governments) | 305,300.357 | 313,596.848 | 345,327.434 |
| Public Order & Safety Affairs | 81,864.264 | 84,208.161 | 93,718.858 |
| Economic Affairs | 71,684.904 | 58,420.570 | 75,652.940 |
| Environment Protection | 71.381 | 89.581 | 116.730 |
| Housing and Community Amenities | 3,296.079 | 5,603.578 | 4,002.789 |
| Health | 35,656.545 | 37,637.231 | 44,629.627 |
| Recreational, Culture and Religion | 1,478.413 | 2,297.237 | 1,334.779 |
| Education Affairs & Services | 31,307.272 | 41,150.890 | 40,596.539 |
| Social Protection | 2,200.656 | 6,758.297 | 2,189.615 |
| **Total Revenue Expenditure** | **532,859.871** | **549,762.393** | **607,569.311** |

The details of all major functional categories have been discussed in the following paragraphs. However, for the interest of readers, it is explained that the allocation of Rs.345,327.434 million for "General Public Services" in BE 2013-14 includes transfers to local governments and other entities amounting to Rs.244,267.098 million and an amount of

Rs.101,060.336 million for Executive and Legislative Organs, Financial and Fiscal Affairs of the government.

Share of different functions in Current Revenue Expenditure budgeted for FY 2013-14 is shown graphically in figure 2.3:-

**Figure 2.3**
**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 four years and budgetary allocations for FY 2013-14.

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

*(Rs. in Million)*

| FUNCTION | Actual 2009-10 | Actual 2010-11 | Actual 2011-12 | RE 2012-13 | BE 2013-14 |
|---|---|---|---|---|---|
| General Public Services | 181,765.200 | 209,603.600 | 261,398.911 | 313,596.848 | 345,327.434 |
| Public Order & Safety Affairs | 58,768.400 | 63,144.200 | 73,548.248 | 84,208.161 | 93,718.858 |
| Economic Affairs | 23,686.500 | 38,369.100 | 46,211.614 | 58,420.570 | 75,652.940 |
| Environment Protection | 42.000 | 72.400 | 93.372 | 89.581 | 116.730 |
| Housing and Community Amenities | 1,534.600 | 1,901.200 | 2,951.465 | 5,603.578 | 4,002.789 |
| Health | 17,945.500 | 19,709.200 | 27,142.130 | 37,637.231 | 44,629.627 |
| Recreational, Culture and Religion | 998.500 | 866.700 | 1,243.197 | 2,297.237 | 1,334.779 |
| Education Affairs & Services | 20,296.700 | 26,200.600 | 27,674.762 | 41,150.890 | 40,596.539 |
| Social Protection | 1,584.500 | 10,252.300 | 4,035.887 | 6,758.297 | 2,189.615 |
| **Total Revenue Expenditure** | **306,621.900** | **370,119.300** | **444,299.586** | **549,762.393** | **607,569.311** |

### 2.2.2 Salient Features of the Allocations for different Departments / Functions for FY 2013-14

Outlay of current expenditure for FY 2013-14 is estimated at Rs.607,569.311 million against Revised Budget Estimates of Rs. 549,762.393 million for FY 2012-13 which shows an increase of approximately 10.5%. Broadly, allocations in the current budget for FY 2013-14 have been made on the following principles / parameters:

- 10% increase in pay and pension for government employees.
- Inclusion of recurring cost of completed development programs to non development budget.
- While ascertaining the shares of Provincial Allocable and Retained, effort has been made to protect the shares of local governments under PFC Award. However, pending the announcement of new PFC owing to completion of tenure of local governments, consideration of actual fiscal needs of local governments in financial year 2013-14 have also been taken into account in determining the shares of local governments under PFC award.
- Allocation of Rs. 7,627.844 million has been made in FY 2013-14 for provision of free medicines in public sector hospitals.
- Under the Punjab Education Sector Reform Project, a provision of Rs. 10,400.000 million has been made for disbursement of provision of non-salary budgets to schools, stipend to girls, free text books and management of public sector schools through school councils. This amount also includes a block allocation of Rs.3,500.000 million as additional conditional grant for non-salary budget of schools in 9 pilot districts of Punjab. These funds will also help school administration/school management councils to provide better services to children in schools.
- An allocation of Rs. 36,000.000 million has been made for subsidies and pro-poor initiatives in financial year 2013-14 against the budget estimates of Rs. 34,000.000 million in FY 2012-13.
- Transfers to Local Governments have been budgeted at Rs.239,000.000 million in FY 2013-14 against budget estimate of Rs. 210,983.105 million in FY 2012-13. In this way, an additional sum of Rs. 28,016.895 million has been provided for Local Governments in FY 2013-14 showing an increase of 13.3% over budget estimates for FY 2012-13.
- Allocations for the Health Department have increased from Rs.35,656.545 million in FY 2012-13 to Rs.44,629.627 million in FY 2013-14 representing an increase of 25% over the budget estimates of FY 2012-13. It is estimated that during FY 2013-14, government will spend an amount of Rs.97,374.839 million on health sector including the expenditure to be incurred by District Governments. This includes the expenditure on development and current sides of the budget both at provincial and district level.
- Expenditure on the Education Sector has been estimated at Rs. 40,596.539 million in FY 2013-14 against Budget Estimates of Rs.31,307.272 million in FY 2012-13 showing increase of 30%. It may also be highlighted that during next FY 2013-14 total

expenditure on education including that of District Governments is estimated to the tune of Rs.230,891.382 million. This includes expenditure on current and development sides both at district and provincial level.

- Expenditure on Pension is pitched at Rs.74,935.253 million in FY 2013-14 against the revised estimate of Rs.64,409.390 million in FY2012-13. Increase in allocations on this account has been made in accordance with the increasing trend of pension related expenditure of the Government.
- Expenditure on account of Public Order and Safety Affairs has been estimated at Rs.93,718.858 million in FY 2013-14 against the budget estimate of Rs.81,864.264 million in FY 2012-13 showing an increase of 14.5% in comparison with the FY 2012-13. The additional allocation has been made primarily to provide for needs of Law Courts and Police.

### 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 2013-14, allocation of Rs.239,000.000 million is made for local governments against the budget estimate 2012-13 of Rs.210,983.105 million representing an increase of 13.3%.

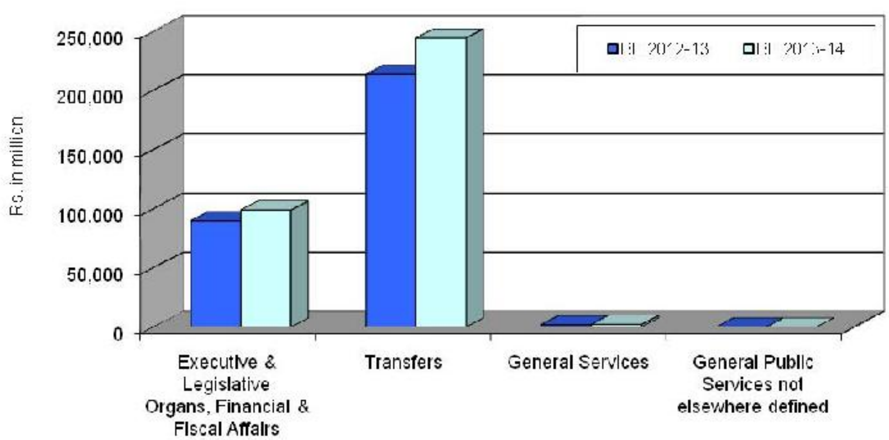
Allocations under General Public Services including the transfers to Local Governments are shown in Table 2.5 and 2.6 below.

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

*(Rs. in Million)*

| General Public Services | BE 2012-13 | RE 2012-13 | BE 2013-14 |
|---|---|---|---|
| Executive & Legislative Organs, Financial & Fiscal Affairs | 89,819.358 | 89,168.851 | 98,911.958 |
| Transfers | 213,603.039 | 222,218.626 | 244,267.098 |
| General Services | 1,876.093 | 2,207.504 | 2,146.486 |
| General Public Services not elsewhere defined | 1.867 | 1.867 | 1.892 |
| **Total** | **305,300.357** | **313,596.848** | **345,327.434** |

**Figure 2.4**
**General Public Services**



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

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

*(Rs. in Million)*

| TRANSFERS (INTER-GOVERNMENTAL) | BE 2012-13 | RE 2012-13 | BE 2013-14 |
|---|---|---|---|
| To District Government | 186,783.105 | 193,955.263 | 214,800.000 |
| To TMAs | 17,000.000 | 16,498.444 | 17,000.000 |
| To Union Administration | 6,000.000 | 5,274.890 | 6,000.000 |
| Cantonment Boards | 1,200.000 | 1,195.075 | 1,200.000 |
| **Total** | **210,983.105** | **216,923.672** | **239,000.000** |

### 2.2.4 Public Order and Safety Affairs

Expenditures on courts of law, police, prisons, relief and crisis management including fire protection, anticorruption establishment / economic crimes, and civil defence are included under this head. Allocation for Police has been increased from Rs. 62,251.774 million in 2012-13 to Rs.71,305.410 million in 2013-14. In this way, an additional allocation of Rs. 9,053.636 million has been provided to Police that represents an increase of 14.5% over Budget Estimates of FY 2012-13. Allocation for Law Courts and Prisons Administration Department in FY 2013-14 has also been increased by 11.5% and 9% respectively in comparison with the budget estimates of 2012-13. These increases depict the government's commitment to improve law & order and administration of justice. Noteworthy in this allocations is a block allocation of Rs.1,000.000 million for Law Courts to provide resources for creation of 9,500 new posts in Law Courts including 1013 posts of Civil Judges and Additional Session Judges in Punjab in accordance with the requirement of National Judicial Policy.

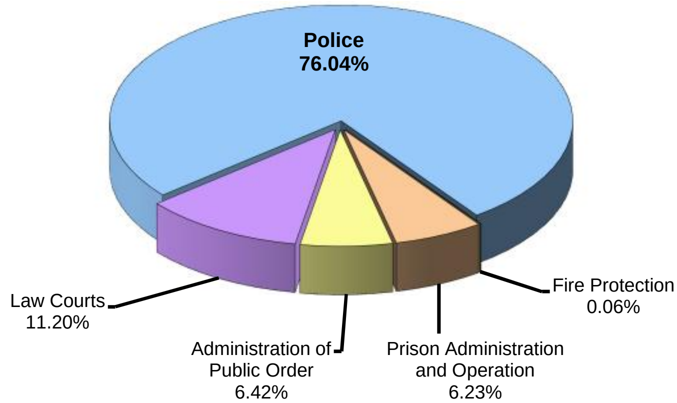
Table 2.7 below gives the breakup of these allocations for different departments classified under public order and safety affairs.

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

*(Rs. in Million)*

| PUBLIC ORDER AND SAFETY AFFAIRS | BE 2012-13 | RE 2012-13 | BE 2013-14 |
|---|---|---|---|
| Law Courts | 9,416.002 | 8,941.691 | 10,500.564 |
| Police | 62,251.774 | 65,592.065 | 71,305.410 |
| Fire Protection | 51.172 | 49.710 | 57.611 |
| Prison Administration and Operation | 5,364.201 | 5,424.799 | 5,839.796 |
| Administration of Public Order | 4,781.115 | 4,199.896 | 6,015.477 |
| **PUBLIC ORDER AND SAFETY AFFAIRS** | **81,864.264** | **84,208.161** | **93,718.858** |

**Figure 2.5**
**Public Order and Safety Affairs BE 2013–14**




### 2.2.5 Economic Affairs

Expenditures on sectors / departments contributing in economic development of the province including 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.

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

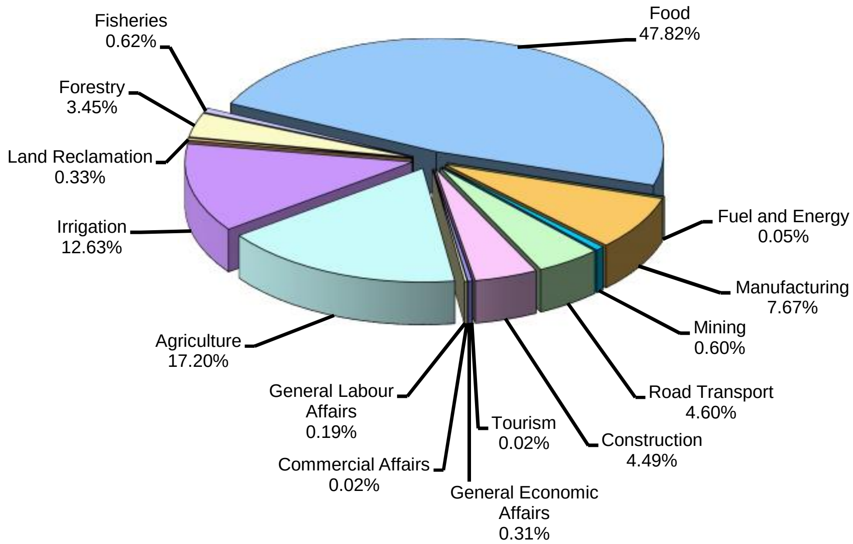
**Table 2.8**
**Economic Affairs**

*(Rs. in Million)*

| ECONOMIC AFFAIRS | BE 2012-13 | RE 2012-13 | BE 2013-14 |
|---|---|---|---|
| **General Economic, Commercial & Labour Affairs** | **471.540** | **455.034** | **399.570** |
| General Economic Affairs | 202.522 | 192.127 | 236.755 |
| Commercial Affairs | 138.491 | 133.468 | 16.017 |
| General Labour Affairs | 130.527 | 129.439 | 146.798 |
| **Agriculture, Food, Irrigation, Forestry & Fishing** | **57,223.896** | **42,114.266** | **62,070.197** |
| Agriculture | 11,508.985 | 11,028.230 | 13,009.890 |
| Irrigation | 8,718.297 | 10,114.858 | 9,552.284 |
| Land Reclamation | 217.728 | 241.949 | 252.095 |
| Forestry | 2,282.262 | 2,464.507 | 2,613.748 |
| Fishing | 396.869 | 457.196 | 468.632 |
| Food | 34,099.755 | 17,807.526 | 36,173.548 |
| **Fuel and Energy** | **33.170** | **31.794** | **34.708** |
| Administration | 33.170 | 31.794 | 34.708 |
| **Mining and Manufacturing** | **7,353.455** | **7,741.706** | **6,256.096** |
| Manufacturing | 6,935.030 | 7,345.185 | 5,805.358 |
| Mining | 418.425 | 396.521 | 450.738 |
| **Construction and Transport** | **6,591.480** | **8,065.164** | **6,878.627** |
| Road Transport | 3,358.294 | 4,851.746 | 3,480.678 |
| Construction (Works) | 3,233.186 | 3,213.418 | 3,397.949 |
| **Other Industries** | **11.363** | **12.606** | **13.742** |
| Tourism | 11.363 | 12.606 | 13.742 |
| **Grand Total** | **71,684.904** | **58,420.570** | **75,652.940** |

For Economic Affairs, an allocation of Rs.75,652.940 million has been suggested in FY 2013-14 against budget estimate of Rs.71,684.904 million in FY 2012-13.

**Figure 2.6**
**Economic Affairs Expenditure, BE 2013–14**




### 2.2.6 Housing and Community Amenities

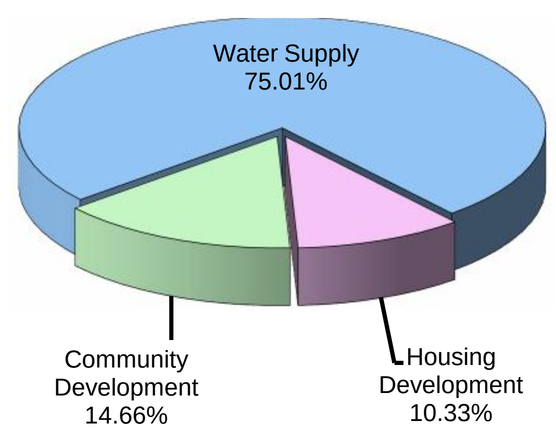
Details of expenditure on Housing and Community Amenities are provided in Table below.

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

*(Rs. in Million)*

| HOUSING AND COMMUNITY AMENITIES | BE 2012-13 | RE 2012-13 | BE 2013-14 |
|---|---|---|---|
| Housing Development | 414.627 | 352.857 | 413.646 |
| Community Development | 410.636 | 2,360.191 | 586.680 |
| Water Supply | 2,470.816 | 2,890.530 | 3,002.463 |
| **Total** | **3,296.079** | **5,603.578** | **4,002.789** |

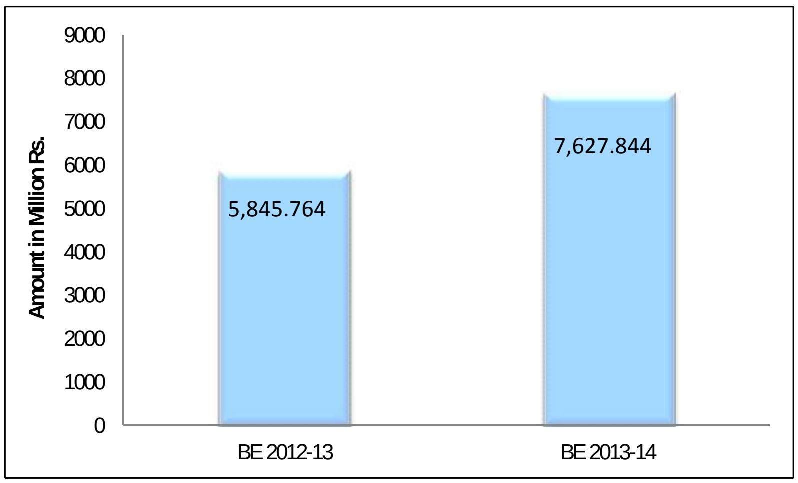
**Figure 2.7**
**Housing and Community Amenities BE 2013–14**



### 2.2.7 Health Services

Health services include Hospital Services, Public Health Services (laboratories and health related population welfare activities), and Health Administration. Details of current expenditure on the Health sector are shown in Table 2.10. Major allocations are for Hospital Services which include current expenditures on autonomous medical institutions. Allocation for hospital services has been increased to Rs. 42,902.728 million in FY 2013-14 as against Rs.32,819.201 million in FY 2012-13. This translates into an increase of Rs.10,083.527 million in provision of health services in accordance with the priority of the Government. It may please be noted that these numbers only reflect the provincial expenditure of the health sector. It is estimated that during FY 2013-14, government will spend an amount of Rs.97,374.839 million on health sector including the expenditure to be incurred by District Governments. This includes the expenditure on development and current sides of the budget both at provincial and district level.

**Figure 2.8**
**Purchase of Drugs and Medicine**




The figure 2.8 shows that an allocation of Rs.7,627.844 million has been made in BE 2013-14 for provision of Drugs and medicine compared to an allocation of Rs.5,845.764 million in FY 2012-13. The increase has been proposed with a view to ensure continues provision of drugs and medicine in public hospitals.

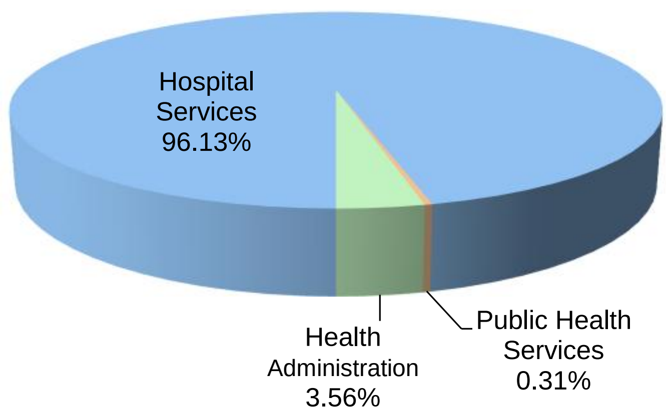
To improve its outcome on different indicators of Millennium Development Goals, sufficient allocations have been made in the budget estimates for FY 2013-14. Accordingly, in addition to the allocations mentioned above, an amount of Rs.3,000.000 million has been made available in FY 2013-14 under Punjab Millennium Development Goals Program in the development budget of financial year 2013-14 as a separate financing item. Further, the Government, through a phased program, has embarked upon a target to ensure that all district governments spend at least 30% of their health sector budget for non-salary purposes i.e. provision of medicines, purchase of necessary equipment etc. Government will provide additional conditional grant of Rs.500.000 million during FY 2013-14 to district governments for this purpose. It is expected that through this program, 30% non-salary share in health spending of district government would be ensured in next 4-5 years which will go a long way towards provision of better health services in the province.

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

*(Rs. in Million)*

| HEALTH | BE 2012-13 | RE 2012-13 | BE 2013-14 |
|---|---|---|---|
| Hospital Services | 32,819.201 | 34,481.003 | 42,902.728 |
| Public Health Services | 121.646 | 120.931 | 138.726 |
| Health Administration | 2,715.698 | 3,035.297 | 1,588.173 |
| **Total** | **35,656.545** | **37,637.231** | **44,629.627** |

**Figure 2.9**
**Health Services BE 2013–14**




### 2.2.8 Recreational, Culture and Religion Services

Table 2.11 shows the break up of different services under this functional classification and their allocations for financial year 2013-14 along with budget estimates of 2012-13 and Revised Estimates for FY 2012-13.

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

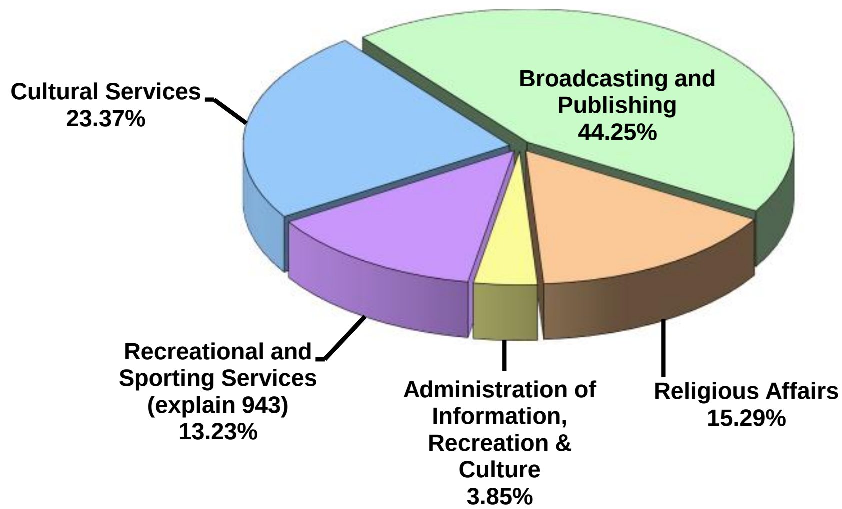
*(Rs. in Million)*

| RECREATIONAL, CULTURE AND RELIGION | BE 2012-13 | RE 2012-13 | BE 2013-14 |
|---|---|---|---|
| Recreational and Sporting Services (explain 943) | 180.197 | 943.590 | 176.655 |
| Cultural Services | 360.573 | 474.752 | 311.987 |
| Broadcasting and Publishing | 718.270 | 654.866 | 590.645 |
| Religious Affairs | 168.102 | 172.322 | 204.085 |
| Administration of Information, Recreation & Culture | 51.271 | 51.707 | 51.407 |
| **Total** | **1,478.413** | **2,297.237** | **1,334.779** |

Cultural Services, Broadcasting and publishing constitute a major expenditure under this classification.

To provide healthy environment to the youth of the province and to promote sports activities in the province, an allocation of Rs.500.000 million has also been made for Sports and Youth in the development budget for FY 2013-14. It is hoped that in the current environment of social and economic distress, participation in youth festivals and sports activities will provide avenues of recreation to the youth of Punjab province.

**Figure 2.10**
**Recreational, Culture and Religion BE 2013–14**




### 2.2.9 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.31,307.272 million in FY 2012-13, the estimates for FY 2013-14 are pitched at Rs.40,596.539 million representing an increase of 30%. Moreover, in line with Chief Ministers Education Sector Road Map, substantial resource allocation has also been made in the development budget for FY 2013-14 as below the line items of ADP for following initiatives in the sector.

- Daanish School Rs. 3,000.000 million
- Punjab Education Foundation Rs. 7,500.000 million
- Punjab Education Endowment Fund Rs. 2,000.000 million
- Punjab Technology University Rs. 500.000 million
- Internship Program Rs. 1,500.000 million

Allocations under various sub sectors of Education are tabulated below.

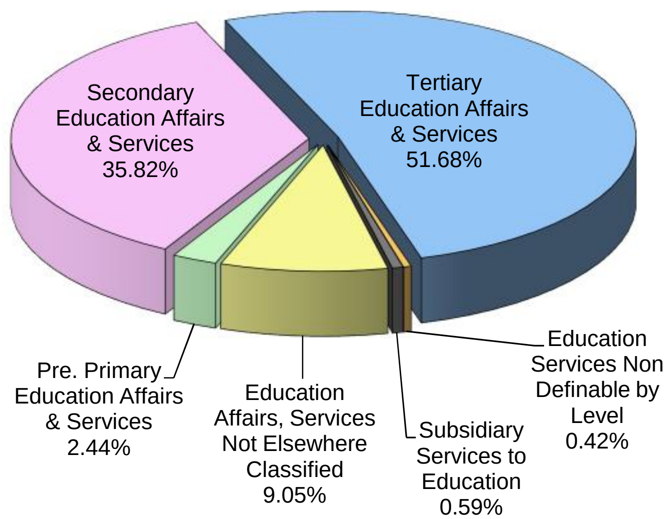
**Table 2.12**
**Education Affairs and Services**

*(Rs. in Million)*

| EDUCATION AFFAIRS & SERVICES | BE 2012-13 | RE 2012-13 | BE 2013-14 |
|---|---|---|---|
| Pre. Primary Education Affairs & Services | 904.286 | 986.791 | 991.916 |
| Secondary Education Affairs & Services | 10,899.934 | 18,191.231 | 14,542.079 |
| Tertiary Education Affairs & Services | 15,904.214 | 17,904.075 | 20,980.764 |
| Education Services Non Definable by Level | 160.966 | 180.161 | 170.413 |
| Subsidiary Services to Education | 239.435 | 328.373 | 238.100 |
| Education Affairs, Services Not Elsewhere Classified | 3,198.437 | 3,560.259 | 3,673.267 |
| **Total** | **31,307.272** | **41,150.890** | **40,596.539** |

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

**Figure 2.11**
**Education Affairs & Services BE 2013–14**




Here, it may be worth mentioning that education (like health) is a devolved subject and bulk of the expenditure on education (including expenditure on primary education) is made through transfers to district governments. It may also be highlighted that during next FY 2013-14 total expenditure on education including that of District Governments is estimated to the tune of Rs.230,891.382 million. This includes expenditure on current and development sides both at district and provincial level.

In addition to regular transfers, Government would provide additional funds amounting to Rs.3,500.000 million to schools in 9 pilot districts for their non-salary expenditure needs. By provision of these additional resources, government intends to ensure that the schools spend at least 20% of their budget for non-salary purposes i.e. provision of furniture, cleanliness, utilities and maintenance & repair etc. A system has been devised with the assistance of education experts to ensure that provision of these additional resources is also linked to performance targets including enrolment and retention of students.

## 2.3 DEBT MANAGEMENT AND ALLOCATIONS FOR PENSIONS

Budget Estimates under this functional classification for the FY 2013-14 are pitched at Rs.89,979.055 million against the provision of Rs.71,920.081 million in FY 2012-13. Expenditures on Debt Servicing include 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. For Interest payments, an amount of Rs. 15,043.802 million has been provided in budget estimates 2013-14 against the budget estimates of Rs. 16,183.881 million in FY2012-13. Decrease on this account is due to reduction in interest liability pertaining to blocked account (medium term loan from State Bank of Pakistan). Expenditure on Pension is pitched at Rs. 74,935.253 million in FY2013-14 against the revised estimate of Rs. 64,409.390 million under grant PC21028-Pension in FY2012-13.

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

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

***(Rs. in Million)***

| EXPENDITURE | BE 2012-13 | RE 2012-13 | BE 2013-14 |
|---|---|---|---|
| Debt Management (Interest Payment) | 16,183.881 | 15,839.944 | 15,043.802 |
| *Domestic Debt ** | *7,154.339* | *6,684.684* | *5,014.249* |
| *Domestic Debt (General Provident Fund)* | *4,702.835* | *5,126.745* | *5,273.635* |
| *Foreign Loans* | *4,326.707* | *4,028.515* | *4,755.918* |
| Pensions | 55,736.200 | 64,409.390 | 74,935.253 |
| **Total** | **71,920.081** | **80,249.334** | **89,979.055** |

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

## 2.4 CURRENT CAPITAL EXPENDITURE

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

(i) Principal Repayment of Domestic, Foreign and Market Debt.

(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.

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

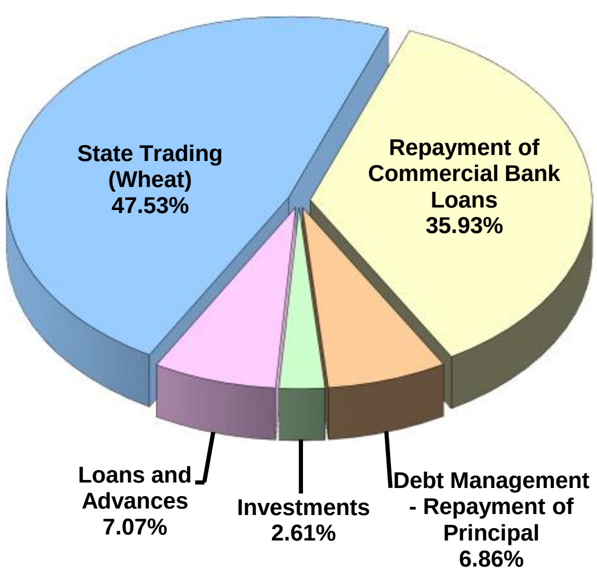
**Table 2.14**
**Current Capital Expenditure**

*(Rs. in Million)*

| CURRENT CAPITAL EXPENDITURES | BE 2012-13 | RE 2012-13 | BE 2013-14 |
|---|---|---|---|
| **Public Debt** | **0.434** | **0.035** | **0.434** |
| Permanent Debt (Market Loan) | 0.434 | 0.035 | 0.434 |
| **Debt Management - Repayment of Principal** | **16,564.819** | **16,738.263** | **21,457.221** |
| Domestic Debt Federal Government (CDL) | 4,091.483 | 4,091.483 | 4,160.381 |
| Foreign Debt | 12,373.336 | 12,600.419 | 17,196.840 |
| Blocked Allocation for Exchange Risk Cover | 100.000 | 46.361 | 100.000 |
| **Investments** | **8,500.000** | **-** | **8,147.592** |
| Capitalization of Pension Fund | 8,500.000 | - | 8,147.592 |
| **Loans and Advances** | **29,947.396** | **23,425.455** | **22,107.443** |
| Loan to Bank of Punjab for its recapitalization | 6,175.000 | 1,275.000 | 6,175.000 |
| Principal repayment of blocked account | 12,725.028 | 12,725.027 | 5,302.095 |
| Loans to other Non Financial Institutions | 10,947.368 | 9,425.428 | 10,530.348 |
| Government Servants | 100.000 | - | 100.000 |
| **State Trading in Medical Stores** | **26.835** | **26.807** | **32.575** |
| **Total Account No. I** | **55,039.484** | **40,190.560** | **51,745.265** |
| **Public Debt Account No. II** | **213,483.514** | **241,630.440** | **260,899.634** |
| State Trading (Wheat) | 146,374.794 | 136,521.720 | 148,581.069 |
| Repayment of Commercial Bank Loans | 67,108.720 | 105,108.720 | 112,318.565 |
| **Total Current Capital Expenditure** | **268,522.998** | **281,821.000** | **312,644.899** |

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

**Figure 2.12**
**Current Capital Expenditure BE 2013-14**



## 2.5 DEVELOPMENT REVENUE EXPENDITURE

Development Revenue Expenditure is part of the development budget classified under grant PC22036 (036) – Development– Revenue. The expenditure under this grant pertains to expenses other than the brick and mortar expense and includes 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. Development Expenditure on Revenue account refers to expenditure on proposed, and ongoing projects/schemes which are being financed from normal government operations and financial budgetary support through foreign multilateral grants.

## 2.6 DEVELOPMENT CAPITAL EXPENDITURE

Development capital expenditure is the capital investment under the development programs for roads, buildings, irrigation sectors etc that is financed through loans and borrowings multilateral donor agencies through Federal Government for specific foreign assisted development projects.

# Chapter 3

# PUBLIC ACCOUNT

## 3.1 INTRODUCTION

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

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

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

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

a) Assets

- Cash and Bank Balances
- Receivable

b) Deposits and Reserves / Liabilities

- Control Account
- Trust Account-Fund
- Trust Accounts-Others
- Special Deposit-Investments
- Special Deposit Fund

Table 3.1 summarises the Budget Estimates, Revised Estimates for FY 2012-13 and Budget Estimates for FY 2013-14 of the Public Account's inflows and outflows and their net effect.

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

*(Rs. in Million)*

| RECEIPTS AND DISBURSEMENTS | BE 2012-13 | RE 2012-13 | BE 2013-14 |
|---|---|---|---|
| **A: RECEIPTS** | **(88,241.633)** | **(388,365.769)** | **(318,854.299)** |
| **Assets** | **(49.834)** | **(561.930)** | **(561.930)** |
| Cash and Bank Balances | - | - | - |
| Receivable | (49.834) | (561.930) | (561.930) |
| Other Assets | - | - | - |
| **Deposits and Reserves** | **(88,191.799)** | **(387,803.839)** | **(318,292.369)** |
| Other Liabilities | (5,691.306) | (249,425.000) | (255,425.000) |
| Control Account | - | - | - |
| Trust Account Fund | (4,400.000) | (9,257.324) | (9,894.500) |
| Trust Accounts-others | (10,180.643) | (55,423.225) | (18,195.474) |
| Special Deposit - Investments | (67,840.722) | (72,325.141) | (33,318.346) |
| Special Deposit Fund | (79.128) | (1,373.149) | (1,459.049) |
| **B: DISBURSEMENTS** | **88,420.049** | **388,365.769** | **318,854.299** |
| **Current Assets** | **0.000** | **0.000** | **0.000** |
| Cash and Bank Balances | - | - | - |
| Receivables | - | - | - |
| **Liability** | **88,420.049** | **388,365.769** | **318,854.299** |
| Current / Other Liabilities * | 65,778.619 | 239,113.505 | 239,868.200 |
| Control Account | - | - | - |
| Trust Account Fund | 4,400.000 | 11,688.517 | 11,921.025 |
| Trust Account Others | 16,867.543 | 53,166.531 | 53,166.530 |
| Special Deposit - Investments | 1,373.887 | 84,397.216 | 9,098.544 |
| Special Deposit Fund | - | - | 4,800.000 |
| **Net Public Account (A-B)** | **178.416** | **0.000** | **0.000** |

* This includes the Pension Fund liability.

## 3.2 RECEIPTS

### 3.2.1 ASSETS

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

### 3.2.2 DEPOSITS AND RESERVES

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

## 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 2013-14, the Public Account is showing a nil balance. The practice of using Public Account funds as financing for budgetary expenditures has been abandoned since 2008-09.

# Chapter 4

## REVIEW OF DEVELOPMENT PROGRAMME 2012-13

## &

## ANNUAL DEVELOPMENT PROGRAMME 2013-14

Annual Development Programme (ADP) is the sum of public investments made in different development 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.

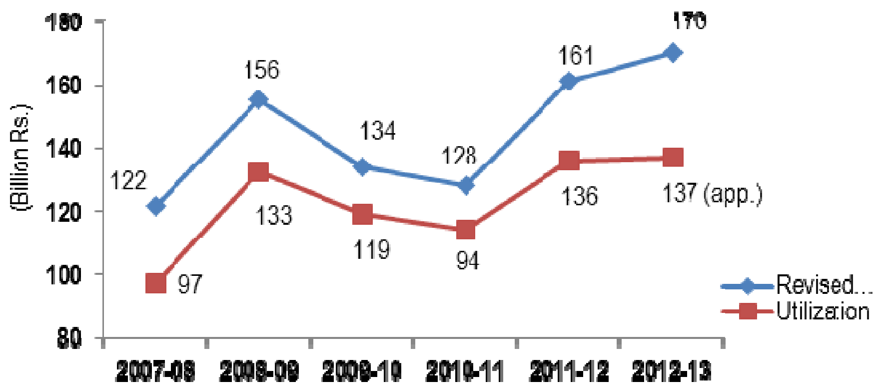
Before outlining the contours of ADP 2013-14, it will be appropriate to take stock of ADP performance during the fiscal year ending 30th June, 2013.

The size of the provincial ADP was originally fixed at Rs.210.0 billion at the beginning of the year. Although resource availability for funding the development budget improved during 2012-13, however, it still fell short of projections for Divisible Pool receipts to Punjab under NFC award at the time of formulation of budget estimates for FY 2012-13, leading to revision in the size of Development Program to the extent of Rs.170 billion.

For fast execution of development schemes, development funds are released in four quarterly instalments by P&D department during FY. This has not only contributed to timely execution of the schemes but would also ensure optimum utilization of development funds by the close of financial year 2012-13. As per utilization status of development program during 11 months of FY 2012-13, an expenditure of Rs.121.2 billion has been reported. Based on this utilization trend, it is expected that by the end of 2012-13, utilization will be approximately Rs.137.0 billion, indicating a significant improvement in the overall development expenditure.

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

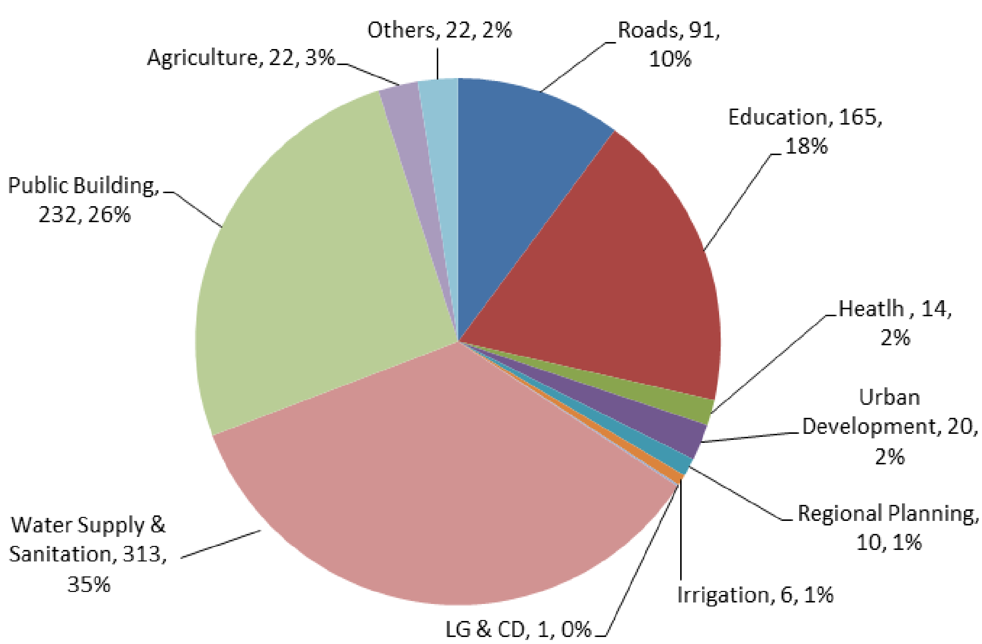
Figure 4.1
Trend of ADP Allocation (Revised) and Utilization
2007-08 to 2012-13




During the year 2012-13, a total of 2980 schemes were implemented that included ongoing and new schemes during the year. Out of 2980 schemes, 1730 schemes were completed during the year that represent almost 58% completion rate. Amongst the completed schemes, 681 were ongoing schemes from the previous years (throw forward).

Sector-wise breakup of 2980 completed schemes is depicted in the following pie-chart:

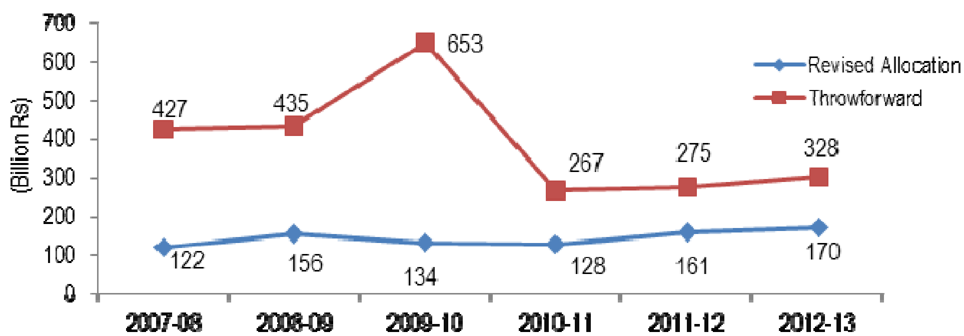
Figure 4.2
Schemes Completed during 2012-13



Like the previous year, a concrete effort was again made to minimize the throw forward of ongoing ADP Schemes by weeding out unfeasible and slow moving schemes. Full funds were provided to the schemes with the completion target during FY 2012-13, particularly in the last quarter. Provision of token allocation for new schemes has been discouraged. These interventions have helped in cleaning up current ADP portfolio and curtailing the throw forward. However, due to initiation of Mega Projects and funding of new schemes through supplementary grants throw forward is expected to increase from Rs.275.0 billion in 2012-13 to Rs.328.0 billion in 2013-14.

The historical trend of revised allocation and throw forward during the last 6 years is given in the following graph:

Figure 4.3
Trend of ADP Allocation (Revised) and Throw forward
2007-08 to 2012-13




During the year, a special effort has been made to remove the regional disparities by providing equal opportunities of growth to poor and less developed areas of Punjab including Southern Punjab, Cholistan and the Barani Tract. This includes enhanced flow of development resources and sustainability of development momentum in the less privileged areas of growth, creation of job opportunities and mitigation of poverty of low income groups. The two pronged strategy includes increasing the overall development allocation of 11 Districts of Southern Punjab from Rs.25.7 billion in 2008-09 to Rs.80.0 billion in 2012-13 and secondly, launching of new south focused special development programs. During the last five years, the allocation for regional planning initiatives has accordingly been increased from Rs. 2.4 billion in 2008-09 to Rs.15.5 billion in 2012-13 which shows 6.5 times increase in resources in past five years, ear-marked for the Southern Punjab.

Southern Punjab Development Programme launched in 2009 continued to be implemented in 2012-13. Under the programme, 1230 schemes pertaining to roads, health, water supply and sanitation, education, technical education and irrigation sectors have been implemented during 2012-13 with an outlay of Rs.5.4 billion. During FY 2012-13, 92% physical progress has been made on these schemes. Another programme “Punjab Economic Opportunities Programme (PEOP)” funded by United Kingdom’s Department for International Development

(DFID) was initiated in the districts of Bahawalnagar, Bahawalpur, Lodhran and Muzaffargarh during 2010-11. Under this programme, 26,104 youth including 11,267 female trainees have been provided training in various skills. This training has been provided by engaging private/public training providers including technical training institutions and NGOs through a transparent process. This initiative has been instrumental in creating employment opportunities for poorest segments of the project area and developing the capacity and interest of private sector training providers in Southern Punjab in particular and rest of the province in general. In addition, focus of skill development strategy on funding of trainees marks a departure from the traditional approach of investing in brick and mortar adopted by the public sector in the past. The project has a target of training 135,000 youth which will be met by 2015-16. This pioneering model/initiative is being up-scaled in other districts of Punjab with the support of international development partners.

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

## Social Sectors

Issues of social sectors have been effectively addressed in 2012-13 through a comprehensive approach including sustained financial allocations, institutional strengthening and policy measures.

### Health

Health Sector development programme has been focused on improvement and upgradation of primary, secondary and tertiary health care and expansion of medical education in the public sector. Efforts have been made for optimal utilization of the existing health facilities by providing essential missing facilities.

During 2012-13, total development outlay for Health Sector was Rs.16.5 billion. Four new medical colleges at Gujranwala, Sialkot, Sahiwal and D.G. Khan established in 2011-12 have been operationalized in 2012-13. Funds amounting to Rs.2.89 billion were provided in ADP 2012-13 for developing infrastructure and labs in accordance with standard of PMDC. Mega projects like Rawalpindi Institute of Cardiology (costing Rs.2.6 billion) and 410-Bedded Civil Hospital, Bahawalpur (costing Rs.1.48 billion) have been completed. Furthermore additional facilities have been provided in eight existing hospitals besides establishment of two new THQ Hospitals and two new RHCs. One BHU was upgraded to RHC level during the year.

Under Chief Minister's Health Initiative for attainment of MDGs efforts were made for provision of 24/7 Emergency Obstetrics & New born Care (EmONC) services at selected RHCs of flood affected areas in Bhakkar, Mianwali, R.Y. Khan, Layyah, D.G. Khan, Muzaffargarh and Rajanpur. Government of the Punjab has decided to replicate the model throughout the province in a phased manner starting from 2013-14. For 2013-14, 16 districts having poor health indicator have been selected for implementation of EmONC services which will be extended in remaining districts of the province during 2014-16.

Government of the Punjab has made great efforts to reduce the prevalence of malnutrition among children, pregnant and lactating women. The preventive nutrition interventions are being proposed in 2013-14 for all 36 districts. The problem of acute malnutrition is being addressed by providing iron-folic acid tablets, zinc sulphate supplements, fortification of salt iodization, distribution of Multi micro-nutrient powder sachet and vitamin supplements for 12 priority districts and urban peripheries of 9 large districts of Punjab during 2013-14. Subsequently, phased extension is being proposed in the remaining districts of the province.

In order to ensure quality of health care delivery in public and private sector, Punjab Health Care Commission has been established. Detailed technical spadework has been completed with technical assistance from DFID. Minimum service delivery standards for Tertiary Care Hospitals, licensing protocols and governance mechanism have been developed. Health Care Commission has hired its management team for starting the actual work of licensing and regulating public and private health facilities in the province. Health sector strategy developed through a consultative process has been approved by the Chief Minister. The strategy addresses all major issues in health sector and suggests solutions. Reorientation of primary health care will be focused under this strategy. World Bank and DFID have expressed interest to provide support in implementation of strategy through Punjab Health Sector Reform Programme. An agreement has been signed by Government of the Punjab with DFID whereby DFID has agreed to provide a grant of £90.000 million for improving health and nutrition facilities. Negotiations have also been concluded with World Bank for a soft loan of $100 million for the implementation of the Health Sector Reforms Programme.

## Education

Priorities of education sector include 100% enrolments and retention at elementary education level, gender parity, child friendly environment coupled with provision of quality education. In School Education Sector, following achievements were made during 2012-13:

- Computers were provided in 4,286 High/Higher Secondary Schools
- 74 Girls Middle Schools were upgraded to High Level in 28 Districts

- 931 High/Higher Secondary Schools were converted into Model Schools having enrolment above 1000 from Class VI to Class X
- Furniture was provided in 931 existing high schools
- Facilities lacking in schools such as toilets, boundary walls, additional class rooms etc. were provided in 2,000 Primary Schools in Punjab
- 100 dangerous school buildings in 20 Districts were reconstructed
- Merit scholarships amounting to Rs. 99.900 million were provided to the talented students
- Merit based recruitment of 50,000 Science &Maths Teachers
- Rationalization of posts of teachers on need basis
- Capacity building of school councils completed in all Elementary & Primary Schools

Punjab Education Foundation has also achieved some milestones given as under:

- 150,000 vouchers have been provided through Education Voucher Scheme (EVS) to households in the urban slums for the children in the age cohorts of 4-17 years
- Under New School Program (NSP), 455 schools are running in 36 districts of Punjab with an enrolment of 60,000
- 2,200 Foundation Assisted Schools are running in 36 districts of Punjab and 11 lac students are getting free education

In Higher Education Sector, following major achievements in FY 2012-13 were made.

- 20 new Colleges have been established and five colleges upgraded from Intermediate to Degree level.
- Missing facilities to 21 colleges were provided
- Completion of 11 schemes for supporting different public sector universities of the Punjab. Besides sub-campus of Punjab University was constructed in Jhelum.
- 100,000 Laptops were provided to students free of cost purely on merit with a view to complement Government policy of digitalization and to bring parity in terms of possession of IT equipment between students belonging to different segments of life.
- Rs.750 million was provided in the form of 9952 scholarships to the students of Secondary, Intermediate, Graduation & Master level belonging to government institutions.

Focus of Literacy Department is eradication of illiteracy through non-formal means in adults and children of most vulnerable and neglected groups of society, providing them with another chance to benefit from educational learning and knowledge dissemination and play their role in socio-economic development of the Country.

During 2012-13, a project titled "Community Learning Centers in Sahiwal Division" was successfully completed. This project imparted basic literacy and functional skills to 14,400 adult illiterates through 60 Community Learning Centres in the target Districts of Sahiwal, Okara & Pakpattan.

## Water Supply & Sanitation

During the year 2012-13, an effort has been made to ensure provision of safe drinking water and improved sanitation facilities for the population of the province to improve the quality of life of general public, especially the underprivileged and under-served.

There has also been focus on provision of Water Supply & Sanitation facilities effectively, efficiently and on sustainable basis. In order to achieve the targets substantial financial resources were provided to the Sector. The sectoral allocation for 2012-13 was Rs.9886.00 million as compared to the revised allocation of 2011-12 amounting to Rs.9730.00 million.

In financial year 2012-13 a total No. of 438 schemes, other than the schemes being directly implemented by the districts, were implemented which include ongoing schemes reflected in ADP 2012-13 and new schemes initiated during the year. Out of these 438 schemes 313 were completed which represent almost 71% completion rate. Amongst the completed schemes 273 were ongoing from the previous years.

In Water Supply & Sanitation Sector following achievements were also made:

- "Water Quality Monitoring Laboratories" at district levels have been established to facilitate the general public for conducting physical, chemical and bacteriological tests for drinking water in –addition to regular water quality monitoring by the HUD&PHED.
- "Municipal Drinking Water Act" is being drafted
- "Punjab Drinking Water Strategy" is under preparation
- "Punjab Sanitation Policy" is being worked out
- "Punjab Sanitation Strategy" is also under active consideration.

## Urban Development

In addition to development of traditional sectors, the Government of Punjab undertook the initiatives to develop the cities as engine of economic growth. This is immensely important as more than 40% of the Punjab's population now resides in urban areas. Under the Development Programme 2012-13, Urban Development sector was allocated Rs.5360 million for implementation of 52 schemes of development authorities and WASAs.

A number of major projects in large cities have been completed in a record time such as Metro Bus Service in Lahore, Underpass at Kalma Chowk Lahore, Flyover at 6th road and

Peshawar Road near Pirwadhai Rawalpindi, Underpass at Abdullah pur Faisalabad and Chor Chowk Rawalpindi. Besides, various projects pertaining to improvement of urban water supply & sanitation were completed in large and medium cities of the province.

## Roads

Road sector's total outlay for the year 2012-13 is Rs.33,045 million registering an increase of about 10% 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.

The provincial road sector has been focusing on consolidating and maintaining the existing inter-district roads. In addition to above, the present development portfolio for the province includes major urban and inter-city projects along with Lahore Ring Road.

During FY 2012-13 Road Sector has completed 93 Schemes, out of which some major schemes are as follows:

- Pindi Bhattian - Chiniot - Kamalpur Road with a cost of Rs.2623.762 Million.
- P-2, Jhang Shorkot-Kabirwal Mahni Sial Road with a cost of Rs.2396.282 Million.
- Construction of Flyover from BBH to 5th road Covering Junction of Rawal road and Chandani Chowk Muree Road Rawalpindi with a cost of Rs.1304.406 Million.
- W/ I of Sargodha Salam Interchange via Bhalwal Ajnala i/c Bhalwal bypass road Length 50.16 kms District Sargodha with a cost of Rs.537.124 Million.
- Construction of over Head Bridge Sui-e-Asal level crossing in Raiwind with a cost of Rs.506.485 Million.
- Improvement of Kohala Bridle road Length = 25 Km with a cost of Rs.487.321 Million.
- Construction of Kallar Syedian Bye Pass Length = 4.54 Km costing Rs. 472.688 Million.
- W/I of Chour Chowk G.T Road Rawalpindi with a cost of Rs. 431.220 Million.
- Construction of Lahore Ring Road Northern Loop.
- Construction of Fly over on G. T Road in Gujranwala with a cost of Rs.3920.782 million.
- Rehabilitation of Gujranwala-Hafizabad Road with a cost of Rs.1939.634 million.
- Construction of Flyover at Peshwar Road near Pirwadai, Rawalpindi with a cost of Rs.1447.357 million.
- Construction of underpass at Abdullahpur, Faisalabad with an amount of Rs.1155.280 million.

- Construction of Flyover at 6th Road Junction along Murree road Rawalpindi with a cost of Rs.1041.770 million.
- Dualization of Alipur Muzaffargarh Road (Section Ali Pur - Shehr Sultan), Length 21.00 Kms with a cost of Rs.940.238 million.

## Irrigation

Irrigated agriculture is one of the main stakes of economic growth in the province. Rehabilitation, remodelling and modernization of province's irrigation network including barrages, canals and secondary irrigation channels continues to be one of the imperatives of policy goals of ADP 2012-13. Irrigation sector accordingly ranks high among investment priorities of the provincial government not only to address issue of water scarcity but also to mitigate potential threat to structural stability and operational integrity of the century old water conveyance network. This is a serious concern that has become more pronounced due to frequent incidence of super floods coupled with inter-seasonal fluctuations of surface flows, the scenario is becoming even more challenging due to climate change effects. A total of 60 schemes, 47 ongoing and 13 new, included in the irrigation sector during 2012-13 covered wide-ranging water resources development, conservation, drainage and flood management interventions along with programs envisaging rehabilitation and modernization of irrigation systems as well as institutional reforms. Overall funding allocation in ADP 2012-13 for the targeted coverage in irrigation sector was Rs.12.990 billion.

Some of the significant development milestones in the irrigation sector during FY 2012-13 are highlighted in the following:

- Extending phased implementation of program on rehabilitation & modernization of barrages to Jinnah Barrage over river Indus at a cost of Rs.12.7 billion, Khanki Barrage over river Chenab at a cost of Rs.23.4 billion, and Balloki Head works over river Ravi at a cost of Rs.2.4 billion.

- 90% completion of remodelling of Lower Chenab Canal (Part – B) feeding vast canal command area of 1.67 million acre;

- Accelerated implementation of the Lower Bari Doab Canal Improvement Project (LBDCIP) and Punjab Irrigation System Improvement (PISIP) projects entailing extensive irrigation canals and secondary channels remodelling projects to address irrigation water demands in 25% of province's overall irrigated command area.

- Province-wide selective lining of distributaries and minors in number of canal commands in saline ground water and high seepage zones.

- Development of seven (7) small dams serving for irrigation supplies to over 25,400 acre of rain-fed (barani) farmlands in Pothohar;

- 60% completion of flood dispersion and management structures to harness and channelize hill torrents in D.G. Khan and Rajanpur districts to avert flood devastation over a vast areas in southern Punjab.

## Energy

With a share of 68% in country-wide power consumption and more than 50% of population, the province of Punjab is in urgent need to address energy shortfalls. Cognizant of the mounting crisis, the province is undertaking concerted efforts both for intensified development of indigenous natural and renewable resources and acceleration of the on-going projects.

During previous annual development program i.e., ADP 2012-13, implementation of the ADB-assisted low-head hydel power projects under province's REDSIP i.e., Renewable Energy Development Sector Investment Program entailing construction of five (5) hydropower projects at Marala (Sialkot), Chianwali (Gujranwala), Deg Outfall (Sheikhupura), Pakpattan and Okara over various canal sites with cumulative installed potential of 25 MW and annual generation of 140 GWh have made a significant headway. Execution contracts have been awarded under ICB mode for Marala (7.64 MW) and Pakpattan (2.82 MW) and reputed joint-ventures have been engaged for detailed designing and implementation of turnkey projects on Deg Outfall (4.04 MW), Chianwali (5.38 MW) and Okara (4.16 MW). Further, appraisals are in progress for development of five (5) additional hydropower sites at suitable locations within province's irrigation network including barrages and canals with total installed capacity of 55 MW and annual energy generation potential of 206 GWh. Government of Punjab during ADP 2012-13 successfully introduced an adaptive solar based solution known as 'Solar Home Solution (SHS)' under Chief Minister's Ujala Programme. The SHS program provides a dedicated window to cover needs of over 200,000 students (and per se their families) under a merit- based identification of its clientele in the province. ADP 2013-14 additionally includes installation of 2.5 MW solar-photovoltaic power plant at Islamia University, Bahawalpur. Feasibility studies envisaging installation of coal-fired power generation units at the Lahore and Faisalabad commenced under ADP 2012-13. Next year's ADP aims at physical execution of these projects. Government's commitment to promote indigenous efforts for renewable energy development in the province are particularly highlighted through its ADP 2013-14 initiative envisaging creation of an 'Energy Development Fund' to cater for sustainable development in various energy sub-sectors including hydel, solar, biogas, biomass, and wind etc.

## Public Building

Punjab's Medium Term Development Framework (MTDF) envisions the sector's role as planning the provision of adequate residential and official accommodation facilities in the public sector to render functionally adequate services in most cost-effective manner. As such, the sector' outlay in ADP caters to ensure conducive physical environment for efficient public service delivery.

The Public Building (Housing & Offices) Sector caters for the residential and office accommodation requirements of nearly all administrative departments, mainly, Police, Prisons, Home, Judiciary, S&GAD, Provincial Assembly, S&GAD, Board of Revenue, Communication & Works etc.

During the financial year 2012-13, an amount of Rs.3245 million was provided for this sector which was later revised to Rs.5071 million. The Public Buildings sector was assigned low priority during previous years, however on the directions of Honourable Lahore High Court Lahore, additional funds of Rs.2082 million were provided during the year for completion of jails buildings throughout the province.

## Production Sectors

Along with a strong irrigation network, Agriculture and Livestock sectors have a paramount role in ensuring food security for the large population of the province. In ADP 2012-13, the major focus of strategy in this sector has been on meeting the challenges of food security, productivity enhancement, developing direct linkages of agriculture and livestock farmers with the markets and quality improvements through accreditation and certification.

Agriculture and livestock have immense economic potential as these provide food and fiber besides a being major source of foreign exchange and more than 45% of population is directly or indirectly dependent on it. Livestock is a newly emerging economic sector with high potential in terms of economic returns. Farmers earn about 30-40% of their income from livestock and it is source of livelihood especially for landless and marginalized farmers. In the context of global food crisis of 2008, major focus in Agriculture & Livestock is on meeting the challenges of food security and increase the growth rate for employment generation and poverty reduction in the rural areas. Hence, self-reliance, food security and promotion of exportable high value crops, milk and meat productivity enhancement accompanied with improvement marketing are the key areas of emphasis. A brief account of development activities during 2012-13 is as under:

a) 1468 plots were distributed on lease basis to poorest of the poor in southern Punjab.

b) Provincial Reference Fertilizer Testing Laboratory established

c) In-service Agricultural Training Institute at Karor, District Layyah established.

d) Mega Project “Punjab Irrigated Agriculture Productivity Improvement Project” started. During first year 700 Laser Units distributed, 7000 units of HEIS installed, 1200 watercourses constructed 500 scheme of irrigation in non-canal command area completed.

e) Supply chain improvement project to provide three tier supports to farmers, processors and exporters to enhance export of fruit and vegetables Global GAP/IFC compliances parameters launched.

f) Bio-Gas technology has been introduced through installation of 1500 family units and 50 units for tubewell

g) Rice Research Station at Bahawalnagar and Mango Research Institute, Multan completed.

h) Work started for Muhammad Nawaz Sharif University of Agriculture, Multan Phase-I & Sub-Campus of University of Agriculture Faisalabad at Burewala

i) Five Shad bad Cooperative Livestock Farms in Cholistan have been completed and companies for their operation and maintenance registered.

j) Under the project “Enhancing Beef Production” 10000 doses of exotic semen imported and fattening of 7,500 calves completed.

k) Preliminaries for enhancement of sheep/goat production in D.G Khan and Rajan pur completed.

l) Para-veterinary School at Layyah established.

m) 75% construction of female hostels at Ravi Campus, University of Veterinary and Animal Sciences (UVAS) Pattoki accomplished.

New initiatives for 2013-14 include: Cotton Fiber Quality Lab, Genetic Engineering up scaling, Olive and grapes propagation through micro-propagation techniques, Sheep and Goat research, Hostel for UVAS, Diagnostic lab. At Chiniot and Augmenting Rural Poultry

## Transport

One of the landmark achievements in the transport sector in 2012-13 was successful completion and launching of Metro Bus Service (MBS) in Lahore which aimed at addressing the transport problems of urban residents and reduce traffic congestion. Metro Bus has provided efficient, affordable and comfortable Public Transport system to the commuters. It is serving around 150,000 commuters per day and providing a respectable mode of travel to commuters belonging to low income segments of society.

With a view to encourage private investment in public transport system in urban centers of the Province, an allocation of Rs.1,000 million was provided for subsidy for induction of diesel/CNG buses in the Urban Transport System. The subsidy has been introduced to motivate investment in the sector which is least attractive for private sector investment. This scheme will continue in FY 2013-14 with an allocation of Rs.500 million.

## Youth Affairs

Youth internship programme was launched in FY 2012-13 with an allocation of Rs.1,500 million to equip the unemployed educated youth with productive skills. The programme has helped in providing an opportunity to educated and unemployed youth to get exposure to work environment and explore employment opportunities in line with their qualification and aptitude so that they obtain basic training to enhance their skills, which will help in securing livelihood in future. More than 50,000 fresh graduates have benefitted from this programme.

## Archaeology

With a view to ensure conservation / restoration of historical monuments, the devolved schemes related to protection and conservation of Katas Raj Temples at Kallar Kahar, Rohtas fort Jhelum, Taxila excavations and Jehangir Tomb Lahore were initiated. The work on restoration / conservation which was halted after devolution was restarted at full swing. These monuments shall be conserved as historical assets for the future generations.

## Mines & Minerals

Efforts were made to restructure the working of Mines & Minerals sector and reorganize the same on modern lines. Accordingly scheme for capacity building of Mines and Mineral Department was approved at a cost of Rs.59.800 million which shall help in bringing the working of the Department at par with requisite standards in the mining sector. Furthermore, PC-II for exploration, assessment and study of Iron Ore in Chiniot & Rajoa was approved. The study shall facilitate exploration activities for iron ore and help in meeting the iron ore requirements of the industrial sector.

## Information & Culture

With a view to promote & facilitate cultural activities across the province, buildings of arts councils are being constructed in urban centres of the province. The building of D.G.Khan Arts council was completed during the FY 2012-13 at a cost of Rs.84.898 million which will facilitate cultural activities in Southern Punjab. In addition, the scheme for Construction of Information & Cultural Centre Rawalpindi shall be completed during FY 2013-14.

## Labour & Human Resources

Protection of worker's rights is one of the priorities of the Government of the Punjab. With a view to ensure capacity building of the Department a scheme for provision of additional facilities at Centre for Improvement of Working Conditions & Environment / Industrial Relations Institute was completed. This will help the Department in preparing schemes for worker's welfare in a more professional manner. In addition, the on-going schemes for elimination of bonded labor and Child Labour will be implemented. Furthermore, the system of weights and measurements shall be strengthened through schemes prepared in this regard.

## Industries, Commerce & Investment

In order to strengthen the regulatory activities in the Industrial sector and inspection regime, the schemes for up-gradation of boilers inspection wing was completed during the Year. Further the premises of consumer courts are being constructed. Development of small Industrial estates is being managed by PSIC. Office building for consumer court Gujranwala will be completed during FY 2012-13.

## Information Technology

The Government of Punjab has initiated a number of initiatives to give a direction to IT applications and development in the Province. During F.Y. 2012-13, an amount of Rs.2400 million was allocated for Information Technology sector. "Punjab E-Gateway Project" has been completed under which a secure and state of the art Data Centre has been established which allows integration of various databases and shares resources among departments. Websites of different government departments have been developed and maintained by Punjab Information Technology Board (PITB). Virtual Private Networks of various departments have also been developed. Moreover, latest IT equipment has been introduced and pirated software have been replaced with licensed softwares.

Implementation of Lands Record Management Information Systems is under process which aims at computerization of Lands Records to provide security of title to the landowners in the province. Till now, Data Entry of seven Districts has been fully completed and work for remaining districts is in full swing. Service delivery is also currently being made available at 37 tehsils of Punjab.

Police Reforms in 100 Model Police Stations of Punjab through Information Technology were initiated out of which 94 Police Stations have become fully operational. Similarly, centralization of driving license Management Information System application has been made which will enable all districts to issue computerized driving licenses and ensure effective policing through reliable and valid statistics. Similarly, computerization of transport department (TDAS) in Lahore has been implemented & operations of District Regional Transport System (DRTS) have been started in five districts of Punjab.

Government's commitment to promote IT culture in the province is particularly highlighted through initiatives taken in ADP 2013-14. During the year 2013-14, an allocation of Rs.5167million has been provided. Major thrust of the investment in the public sector would be on Development of Management Information System for the improvement of administrative & financial systems leading to improved service delivery. Capacity Building of development projects for Human Resources will also be implemented to attract direct foreign &local investments to create Job opportunities and help foreign exchange earnings through establishment of software houses and call centers in the Information Technology Parks.

To accomplish its vision of making Punjab the hub of Information Technology, the Punjab Government will be focusing on following initiatives during F.Y. 2013-14.

- IT based solution for improvement of various business processes in key departments including Police, Health, Transport and Public Prosecution Departments etc. as well as Lahore High Court.
- Police Reforms in 100 Model Police Stations of Punjab through Information Technology
- Implementation of "Lands Record Management Information Systems in all Districts and Tehsil of Punjab". The project is part of broader vision of Government of the Punjab to provide better quality services to citizens through the use of Information and Communication Technologies (ICTs) in order to provide security of title to the landowners in the province.
- Incubation Centers for IT startup firms to provide IT Training, manpower development for latest tools and technologies and IT awareness
- Introduction of Citizen E- Services aiming at automation of service delivery component of government.

## District Development Programme

During the current year, district development programme with an outlay of Rs.12.7 billion was launched in different districts. With this allocation, a total number of 4,500 schemes of local level development for provision of civic services in road, education, health, water & sanitation sectors etc. both in urban and rural areas were executed. To facilitate quick implementation of these schemes within the current year, total ear-marked funds were released to the executing agencies at the district level. It is expected that almost 95% of these schemes will be completed by June 30, 2013 which will create a visible impact and improvement in the development of local infrastructure of the recipient districts and creation of job opportunities.

## Public Private Partnership

Efficient use of scarce public resources is a challenging task for the governments. It becomes more demanding for developing and under developed countries to efficiently and effectively utilize their available resources so that they don't fall far short to achieve their economic, social and political goals.

Public Private Partnership allows efficient private sector operators to participate in the economic growth agenda and helps the public sector to achieve development goals while retaining focus on core public sector responsibilities, such as regulation and supervision.

In line with "Policy for Public-Private Partnerships in Infrastructure, 2009" and to attract/promote private investment for public sector development, Public-Private Partnership Cell has been established and housed in Planning & Development Department. In order to provide legal framework, "Punjab Public Private Partnership for Infrastructure Act, 2010" has been approved by the Provincial Assembly and promulgated.

PPP Cell is working as lynch-pin in PPP framework which includes statutory/regulatory bodies (PPP Steering Committee, PPP Cell and RMU) to promote and regulate public-private partnerships in the province.

Following major milestones have been achieved:

- Operational guidelines have been developed for the hand holding of private investors and public entities:
    i. Project Inception Guidelines,
    ii. Project Preparation Guidelines,
    iii. Transaction Execution Guidelines,
    iv. Risk Management Manual,
    v. Environmental Risk Assessment Guidelines,
    vi. Project Development Facility (PDF) Guidelines,
    vii. Social Impact Assessment Guidelines.
- PPP feasibilities in transport and energy sector have been sponsored through Project Development Facility (PDF).
- Major projects in key economic sectors i.e. (Road, Transport, Health, and Food) worth approx. Rs.80 billion are at different stages. Current status of the main projects is given below:
    - The Punjab Grain Storage Project (Food Department): To overcome the inadequate wheat storage capacity, Punjab Food Department has prepared a Project Proposal with the help of International Finance Corporation (Transaction Advisor). The project has been approved by the Public-Private Partnership Steering Committee. Now the Transaction Advisor (IFC) is working on the restructuring of the project and it will be floated in the investor's market very soon.
    - The Lahore Ring Road (Southern Loop): The project is aimed at providing a high capacity and efficient road facility to cater for inter-suburban travel demand and city by-passable traffic. The project is going to be re-submitted in PPP steering committee to review its decision regarding taking up the project with public funding and to explore new PPP options.

  - Establishment of 3 Multi-Modal Bus Terminals in Lahore: Government of Punjab intends to establish most modern Bus Terminals in the City which could cater for the current needs of Intercity travelling as well as having ample capacity for future growth. Feasibility study as developed by Transaction Advisor has been reviewed and commented by PPP-Cell and Risk Management Unit (RMU). Transport Department is working to address the observations made by PPP-Cell & RMU.
  - Establishment of Vehicle Inspection Certification System (VICS) in Punjab: To improve road safety through proper inspection of public vehicles, Transport Department has developed a project for vehicle inspection and certification in collaboration with a private investor. Transport Department is working on the concession agreement of the un-solicited proposal, after which Request for Proposal (RFP) will be floated among short-listed parties.
  - Patients Facilitation Centre in Mayo Hospital, Lahore: For the comfort of patients and their attendants in Mayo Hospital Lahore set up of a Patients Facilitation Centre through private investment has been proposed. Health Department has hired a consultant (Transaction Advisor) to develop the feasibility/business case of project. This project will provide neat and clean environment to around 20,000 attendants and patients daily visiting the Hospital.
  - Conversion of conventional lights into LEDs in Lahore: The City District Government, Lahore has planned to replace the existing streetlights with energy efficient LED lights in Lahore city as a pilot project. The process of hiring the Transaction Advisor is under way.

- The line departments were facilitated in developing new PPP proposals in Water, Health, Live-stock and Urban Development.

- MoU has been signed with IFC for availing consultancy (Transaction Advisory Services) for Public-Private Partnerships.

- Enabling environment for Public Private Partnerships has been improved in the province in collaboration with national / international bodies:
  - MoU has been signed with ADB (Asian Development Bank) to study the sector and recommend bankable Public Private Partnership Projects in the Energy Sector.
  - A capacity building program for PPP Cell has been agreed with World Bank / PPIAF.
  - ToRs for need assessment of PPP Framework in Punjab are being finalized with Asian Development Bank.
  - In collaboration with LUMS, a program for training of PPP Nodes (PPP project development cells in government agencies), PPP Cell and concerned officers of P&DD is being finalized.

# ADP 2013-14

Annual Development Programme 2013-14 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 2013-14 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 2013-14 is pitched at Rs. 290 billion which isRs.100 billion higher than last year's revised size of Development Programme 2012-13. The Core Programme is of Rs. 200 billion which is 69% of the total proposed development outlay.

The important features and new initiatives included in ADP 2013-14 are:

- Annual Development Programme within the Medium Term Framework
- Adequate funding for foreign aided and mega projects
- Regional balance in allocation of resources with extra weight for less developed districts
- Continued focus on undertaking projects that can be completed within one / two years to control throw forward
- Allocation of Rs. 91 billion for social sectors investments with major focus on education (Rs. 26.89 billion) and health (Rs.17 billion)
- Allocation of Rs. 20.43 billion for investment in the energy sector to overcome power shortages in the Province
- Allocation of Rs. 31 billion for Women Empowerment initiatives
- Allocation of Rs. 13.95 billion for District Development Programme
- Allocation of Rs. 12 billion for Southern Punjab Development Programme (SPDP)
- Continued strategic interventions in large cities to realize their potential as engines of growth and enabling medium cities to share the urbanization pressure. A package of Rs.10 billion for large cities
- Allocation of Rs. 7.5 billion for subsidy to farmers on Solar Tube wells
- Allocation of Rs. 4 billion for Farm to Market Road

- Allocation of Rs. 4.4 billion for Water Supply & Sanitation schemes in Urban & Rural areas
- Allocation of Rs. 3 billion for Establishment of New Industrial City Economic Zone
- Allocation of Rs.2 billion for Improvement of Condition of Public Graveyards in Punjab
- Allocation of Rs. 2 billion for Establishment of Citizens Facilitation and Service Centres
- Allocation of Rs.1 billion for Housing Sector schemes in Large Cities

The Development Programme 2013-14 is guided by the Chief Minister and his cabinet's over-arching vision to create and nurture a literate, healthy and culturally vibrant society in the Punjab driven by private and public initiatives in the economy.

Sector wise comparison of the allocations of development programme in FY 2012-13 and FY 2013-14 is presented below:

Table 4.1
Sector Wise Comparison of Development Programme 2012-13 and 2013-14

*(Rs. in million)*

| Sr. No. | Sector | Budget Estimates 2012-13 | Budget Estimates 2013-14 |
|---|---|---|---|
| 1 | 2 | 3 | 4 |
| A | Social Sectors | 86,461 | 90,795 |
| 1 | Education | 25,065 | 26,890 |
| | (i) School Education | 15,000 | 15,500 |
| | (ii) Higher Education | 6,650 | 6,670 |
| | (iii) Special Education | 700 | 1,140 |
| | (iv) Literacy | 915 | 1,605 |
| | (v) Sports | 1,800 | 1,975 |
| 2 | Health& Family Planning | 16,500 | 17,000 |
| 4 | Water Supply & Sanitation | 9,886 | 10,868 |
| 5 | Social Protection | 1,200 | 2,092 |
| | (i) Social Welfare & Bait-ul-Mal | 287 | 391 |
| | (ii) Women Development | 363 | 661 |
| | (iii) PVTC | 550 | 1,040 |
| 6 | Regional Planning & SPDP | 15,500 | 16,080 |
| 7 | LG&CD | 910 | 3,915 |
| 8 | District Development Programme | 17,400 | 13,950 |

| Sr. No. | Sector | Budget Estimates 2012-13 | Budget Estimates 2013-14 |
|---|---|---|---|
| B | Infrastructure Development | 62,900 | 90,714 |
| 9 | Roads | 33,045 | 29,221 |
| 10 | Irrigation | 11,250 | 22,401 |
| 11 | Energy | 10,000 | 20,431 |
| 12 | Public Buildings | 3,245 | 4,839 |
| 13 | Urban Development | 5,360 | 13,822 |
| C | Production Sectors | 8,615 | 11,091 |
| 14 | Agriculture | 5,040 | 5,230 |
| 15 | Forestry, Wildlife & Fisheries | 1,075 | 684 |
| | (i) Forestry | 475 | 390 |
| | (ii) Wildlife | 350 | 136 |
| | (iii) Fisheries | 250 | 158 |
| 16 | Food | 200 | 110 |
| 17 | Livestock | 1,650 | 1,444 |
| 18 | Industries, C&I | 350 | 3,202 |
| 19 | Mines & Minerals | 300 | 421 |
| D | Services Sectors | 11,100 | 13,555 |
| 20 | Information Technology | 2,400 | 5,167 |
| 21 | Labour& Human Resource Development. | 100 | 42 |
| 22 | Transport | 6,200 | 6,360 |
| 23 | Emergency Service | 2,100 | 1,652 |
| 24 | Tourism | 300 | 334 |
| E | Others | 5,424 | 9,005 |
| 25 | Environment | 350 | 164 |
| 26 | Information, Culture | 200 | 106 |
| 27 | Archaeology | 350 | 294 |
| 28 | Auqaf & Religious Affairs | 185 | 36 |
| 29 | Human Rights & Minority Affairs | 220 | 215 |
| 30 | Planning & Development | 4,119 | 8,190 |
| F | Special Programme / Package | 35,500 | 24,840 |
| | (i) District / TMA Development Programme | 16,000 | 14,000 |
| | (ii) Special Programme/ initiatives | 19,500 | 10,840 |
| | Net Total Development: | 210,000 | 240,000 |
| | Other Development Expenditures: | 40,000 | 50,000 |
| | Grand Total: | 250,000 | 290,000 |

In terms of budget estimates of development budget for FY 2012-13, it would be pertinent to add that an allocation for other development expenditure / financing items of ADP to the tune of Rs.40.0 billion was made as per details shown in the Table 4.1 above. In essence, owing to developmental nature of these activities, these are classified as financing items of development program as shown in the budget estimates of development program for FY 2012-13.

# Chapter 5

# PENSION REFORMS

## 5.1 Pension Scheme – An Overview

In terms of both population and quantum of government employees, Punjab is the biggest province of the country having more than 1.1 million government employees. In addition, there are approximately 436,995 pensioners and their number is growing exponentially each year. As per actuarial assessment undertaken in 2010, total pension liability estimated on June 30, 2010 was of Rs. 687.0 billion. Amount of pension paid annually to the pensioners is around Rs.66.0 billion.

Government has an elaborate and well defined pension benefit scheme based on the last pay drawn at the time of retirement. The scheme entitles the pension to those employees who have either reached the age of superannuation or have retired after serving for 25 years. Rule 4.6(ii)(b) of the Pension Rules also prescribes ten years as a minimum qualifying service eligibility to avail pensionery benefits. Gross Pension is determined on the basis of last drawn pay multiplied with the number of years of service and factor 7/300. However, a pensioner has the option of commuting upto 35% of his gross pension at the time of retirement. Net pension is paid for the entire life of the employee. After his death, his wife and minors are entitled to a family pension. The Government also increases pension periodically to mitigate the effects of inflation.

## 5.2 Need for Pension Reforms

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

While far reaching reforms were introduced not only to ascertain the pension liabilities but to formulate medium and long term funding / investment strategy of the Fund, it was also felt that there is a need to reform and improve the existing pension disbursement system focusing on facilitating the existing and future pensioners. Accordingly, efforts have been made to develop and implement a reformed pension disbursement system through the use of Information Communication Technology (ICT) based applications. It is hoped that in addition to the ease of doing business, reformed pension disbursement system will allow the pensioners to have access to more convenient modes of receipt of pension. The system is being initially piloted in Lahore District which has the maximum number of existing pensioners. After the successful implementation of the pilot, the same will be up-scaled and rolled out to other districts of Punjab Province.

### 5.3 Processing of Pension Cases – Current Dispensation

Pension papers with the formal sanction of Pension Sanctioning Authority are submitted to District Accounts Officer (DAO) / Accountant General's Office (AG) for issuance of Pension Payment Order (PPO). DAO / AG's Office issues PPO after due verification of pension papers. Pension is disbursed manually either by Treasury Officer or by National Bank of Pakistan (NBP). Under the old pension dispensation regime, after issuance of the PPO there is a disconnect between Accounting Office and Disbursing Authority. Pensioner or his representative would have to visits NBP / Treasury Office for receipt of monthly pension. Appearance of the pensioner twice a year in the NBP / Treasury Office is mandatory as a proof of his / her being alive. Any change in pension on account of annual revision is posted manually by NBP/ Treasury Office. The current system for pension disbursement is cumbersome and lacks transparency.

### 5.4 Reformed Pension Disbursement System – Direct Credit into Bank Account

An important part of the pension reform system is the option given to the pensioners to receive, monthly pension through direct crediting of the same to one's bank account in any scheduled commercial banks; in addition to existing mechanism of pension disbursement through National Bank / Treasury. Under this system, pension would be credited directly into pensioners' bank accounts that may be withdrawn through cheque, ATM/Debit Card, branchless banking network of schedule banks or bank-led model of mobile companies. Biometric enrolment, verification and authentication of biometric veracity of pensioners shall be undertaken by NADRA. Revision in pensionary emoluments announced by the Government from time to time shall be made by respective Accounting Offices. For effective functioning of this system, technological integration of various offices/ entities involved in pension disbursement i.e. office of Accountant General / DAOs, PIFRA, NADRA and banks have also been envisaged. Moreover, establishment of a facilitation centre for pension has also been agreed with the Accountant General Punjab. This centre would cater for submission and tracking of pensionery documents through one window operation as well as for recording and addressing the complaints relating to pension.

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

The automated pension disbursement has the potential to be an important milestone in the financial inclusion program being jointly pursued by the State Bank of Pakistan and the Government of Punjab. By accessing modern banking services through this program, pensioners will find accessing of pension much easier than to the manual, cumbersome and non-transparent system. As the number of pensioners availing the new system of disbursement would increase, over a period of time, it would encourage banks to offer better services.

## 5.6 Uniqueness and impact of Innovation

Cash withdrawal by pensioners' through branchless banking outlets and bank-led model of mobile companies is a new concept which would obviate unnecessary and undue visits to the bank. The innovation will be of great convenience to pensioners'. Further, biometric verification of pensioners' including proof of their being alive through NADRA will allow pensioners to get these particulars recorded without having to wait in the long queue in the NBP/Treasury Offices. The pensioners will also be encouraged to save as withdrawal of money will take place only when it is actually needed by the pensioner. A host of banking disbursement modes e.g. Cheque, Debit Card, ATMs, branchless banking outlets like UBL Omni and bank-led model of mobile companies will facilitate pensioners as they can withdraw anytime and from anywhere in Pakistan. The automated pension disbursement will bring greater transparency and accuracy into the whole system. It will also help in reducing leakages in the system.

## 5.7 Smooth transition of a serving government employee to the status of a pensioner

Reformed pension processing and disbursement system besides offering many options of withdrawal of pension would also focus on 'seamless transition' of a civil servant to pensioner. In collaboration with AG/DAOs and Administrative Departments that data of retiring civil servants for years 2012 and 2013 has been retrieved from PIFRA system relating to Lahore district. Data cleansing exercise aimed at verification of particulars of serving civil servants recorded in the automated data on payroll has been undertaken. It is expected that once this data is fully cleansed, shifting/transition of pensioners would be possible in a smooth manner.

## 5.8 New Simplified Procedure of Processing and Disbursement of Pension through Pension Roll

A major reform was introduced during the year in the form of "New Simplified Procedure of Processing and Disbursement of Pension through Pension Roll". Under this simplified procedure notified on December 18, 2012 a pensioner has to give a one page descriptive roll of his/her family members alongwith an undertaking giving an option regarding the percentage of pension that he wants to avail for commutation. The Department/Pension Sanctioning Authority (PSA) in return issues a one page notification of his/her retirement which is submitted to the AG Office/District

Account Officer along with a copy of his/her last Pay Slip, a copy of CNIC and original Service Book. In case of a gazetted civil servant, a service profile is also submitted by the pensioner. The AG Office/District Account Officer prepares Pension Payment Order (PPO). All other responsibilities devolve upon the Pension Sanctioning Authority. These reforms have been piloted in Lahore district. Pensioners retiring in January 2013 were requested to submit their pension papers under new procedure. On directives of the Government, the "New Simplified Procedure of Processing and Disbursement of Pension through Pension Roll" was extended to districts of Chakwal, Rahim Yar Khan and Multan.

Another major reform titled "Disbursement of Commutation and Monthly Pension through Pension-Roll" was notified by the Government on January 9, 2013. Irrespective of the manner in which a pension case is processed i.e. through the old or through new simplified procedures, it has been directed that all new pensioners will henceforth be disbursed their commutation and monthly pension through pension-roll only by direct credit into their bank account. As a consequence of this initiative by the Government the process of enrolment of pensioners to avail direct credit of pension into bank account has picked up considerably in all districts of Punjab. A report generated from PIFRA system shows an enrolment of 16,054 pensioners in pension roll as of May 31, 2013 compared to 8,279 pensioners enrolled in pension roll as of December 31, 2012.

### 5.9 Institutional arrangements for Reformed / Automated Pension Disbursement System

For verification of particulars of pensioners, NADRA and Project for Improvement of Financial Reporting and Auditing (PIFRA) will chalk out an arrangement of technological integration of a set of data being maintained by NADRA and accounting offices in automated SAP R/3 PIFRA system. This technological integration will be of great importance as its success will open new avenues for disbursement of other welfare payments through the use of IT based tools to be employed under this system.

Commercial banks, office of the Accountant General Punjab and District Account Offices are the key partners in reformed pension disbursement system. SAP R/3 system with its expected updated and improved version shall serve as backbone of automated pension disbursement system. Commercial banks will be critical partners in this initiative as the Government intends to broaden the scope of admissible pensionery benefits through commercial banks.

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

(i) Establishment of a Facilitation Center at AG, Punjab similar to one already functional with the Project to Improve Financial Reporting & Auditing (PIFRA)/AGPR, Islamabad.

(ii) Establishment of a dedicated project office of pension disbursement system in the Finance Department if warranted.

(iii) Arrangements with NADRA for biometric identification and verification of pensioners at the time of opening of bank account and subsequent continuation of proof of being alive; and, establishment of network of kiosks at banks and AG Office / DAOs.

(iv) Capacity building of DAO's / Treasury Officers / AGs Office.

(v) Retrieving of manual records of existing pensioners from NBP/Treasury Office and putting them into SAP R/3 system after cleansing.

(vi) Creating awareness of the new scheme through publicity of the scheme.

(vii) Establishing reliable network connectivity and end-user computing stations at DAOs/Treasury offices/AG office.

(viii) Setting-up a proper mechanism of data collection, retrieval and update.

## 5.10 Planned Project Implementation and Up-scaling

Automated pension disbursement system is being piloted in Lahore district. Once all the project parameters are in place and transition from manual to automated pension disbursement is successfully achieved, the project will be up-scaled in other districts of the Province. Successful implementation of automated pension disbursement system will encourage the Government to implement automated disbursements in other departments. It is expected that transition from manual to automated pension disbursement will be accomplished to a considerable extent in Lahore district by the end of FY 2013-14.

# CHAPTER 6

# DEBT AND CONTINGENT LIABILITIES

## 6.1 DEBT STOCK

Punjab Government has a small debt liability compared to size of the gross regional product of the province. At end-June 2013, the province's total debt was Rs.445.1 billion, or 3.9 percent of GSDP.[1] This ratio appears even smaller relative to national GDP, i.e., 2.0 percent.[2] Of Punjab's total debt, 9.4 percent or Rs.41.8 billion (Annex-I) is domestic while 90.6 percent or Rs.403.3 billion (Annex-II) is foreign (Table 6.1). Asian Development Bank (ADB) with 48 percent holding is the principal creditor of Punjab foreign debt. This is followed by the World Bank and Government of Japan with 45 percent and 6 percent foreign debt holding respectivley (Table 6.2).

**Table 6.1**
**Punjab Total Debt Stock as on June 30, 2013**

| | **Stock** (Rs. in Billion) | **In Percent of Total** |
|---|---|---|
| Foreign Debt | 403.3 | 90.6% |
| Domestic Debt | 41.8 | 9.4% |
| **TOTAL** | **445.1** | **100.0%** |

Note: Rs/US$ EoP Exchange rate of 99 is used to estimate rupee value of foreign debt stock as of end June, 2013.

Punjab's foreign debt portfolio is highly concessionary and of long term maturity. In 2012-13, average explicit interest rate on foreign debt stood at only 1.49 percent with average maturity of 15 years (Table 6.2). Most of the loans have embedded fixed interest rates; only 16 loans are on LIBOR[3] terms (variable interest rate). Foreign debt, in terms of currency composition, is heavily denominated in US dollars which accounts for almost two-thirds of foreign debt stock. During 2012-13, foreign debt stock increased by Rs.48.6 billion. In fact almost half of the increase in nominal value of the foreign debt stock of Punjab government during 2012-13 was due to transational losses[4] or, in other words, exchange rate movements. This impact would had been significantly

---

1 There are no official provincial GDP estimates in Pakistan. Nominal gross provincial value added (GSDP) used for Punjab is Rs.11,508 billion based on Punjab MTFF estimates.

2 This ratio is calculated using the nominal GDP of Pakistan in 2012-13 at factor cost that approximates to Rs. 21,616.04 billion.

3 London Interbank Offered Rate.

4 In Pakistan, external loans are contracted in various currencies but disbursements are effectively converted into Pak Rupee. As Pak Rupee is not an internationally traded currency, other currencies are bought and sold via selling and buying of USD. Hence, the currency exposure of foreign debt originates from two sources: USD/other foreign currencies and PKR/USD. This two pronged exchange rate risk is called translational gain/loss. Rs/US$ end of period weighted average exchange rate during this period (point to point) depreciated by almost 10 percent, causing debt stock to increase by almost Rs 26 billion.

larger had it not been due to appreciation of Pak Rupee against Japanese Yen which more than halved the depreciation impact of Pak Rupee against US dollar during this period on foreign debt stock of Punjab.

**Table 6.2**
**Punjab Outstanding Debt Portfolio as of June 30, 2013**

| | **Stock** *Rs. Billion* | **Avg. Interest Rate** | **Avg. Maturity** *No. of Yrs* | **In percent of Total** |
|---|---|---|---|---|
| | | **Foreign Debt** | | |
| **ADB** | 193.7 | 1.00% | 13 | 48% |
| **IDA*** | 136.5 | 0.82% | 21 | 34% |
| **IBRD*** | 44.2 | 0.94% | 13 | 11% |
| **JAPAN** | 25.2 | 1.73% | 17 | 6% |
| **IFAD** | 1.9 | 0.83% | 20 | 0% |
| **FRANCE** | 1.3 | 1.60% | 17 | 0% |
| **IDB** | 0.3 | 2.50% | 9 | 0% |
| **OPEC Fund** | 0.2 | 2.50% | 12 | 0% |
| **TOTAL** | *403.3* | *1.49%* | *15* | *100%* |
| | | **Domestic Debt** | | |
| **CDL Normal** | 20.8 | 13.50% | 25 | 49% |
| **CDL Scarp** | 9.5 | 12.82% | 25 | 23% |
| **Blocked Account** | 5.3 | 9.33% | 5 | 13% |
| **Loan from SBP for Capitalization of BoP** | 6.2 | 9.76% | 5 | 15% |
| **TOTAL** | ***41.8*** | ***12.22%*** | **19** | ***100%*** |

** IDA & IBRD are World Bank lending arms*
*** Punjab's Permanent Debt appearing in Finance Accounts*

In 2012-13, program loans/non-project aid constituted almost 51 percent of Punjab's foreign debt portfolio (or Rs. 204 billion), the remaining 49 percent, or Rs.199.3 billion, came in the form of project aid. The latter category appears to be focused on Irrigation (20 percent), roads infrasturcture and agriculture (6 percent each), housing and water supply (5 percent), and education, training and social welfare (3 percent each) (Figure 6.1). Program (non-project) aid, on the other hand, wasprimarily devoted to three sectors: education, governance, and poverty reduction.

In 2012-13, Punjab's domestic debt accounts for 9.4 percent of total debt or Rs.41.8 billion. The domestic debt portfolio of the province is composed mainly of cash development loans (CDLs) with long-term maturities, lent by the federal government. These loans are now being repaid for past several years, thus, stock of domestic debt is declining. Domestic debt also contains debt from State Bank of Pakistan[5][6] (SBP).

[5] In order to facilitate short-term liquidity management, provinces have been provided recourse to financing from the State Bank of Pakistan equivalent to six weeks of the wage and salary bill of the province.

[6] In 2009/10 an overdraft facility with the State Bank of Pakistan (SBP) for the previous year remained outstanding. Consequently, the outstanding amount was converted to a medium-term loan (2009/10 - 2013/14) of Rs 50.9 billion, with the mark-up linked to the six-month Treasury bill rate.

Punjab's total debt service in 2012-13 stood at Rs.46.6 billion (6.5 percent of total provincial revenues). Almost 65 percent of the servicing was on account of domestic debt, even though it constitutes only 9.4 percent of the total provincial debt (Figure 6.2). This is not surprising given domestic debt has been contracted on expensive terms. Interest payments on total debt which peaked at Rs.20.1 billion in 2009-10 have now come down to Rs.15.8 billion in 2012-13 (second consecutive year of decline in interest payments). Similarly, interest payments relative to debt have been declining.

**Figure 6.1**
**Sectoral Share in Outstanding Punjab Foreign Debt, June 30, 2013**

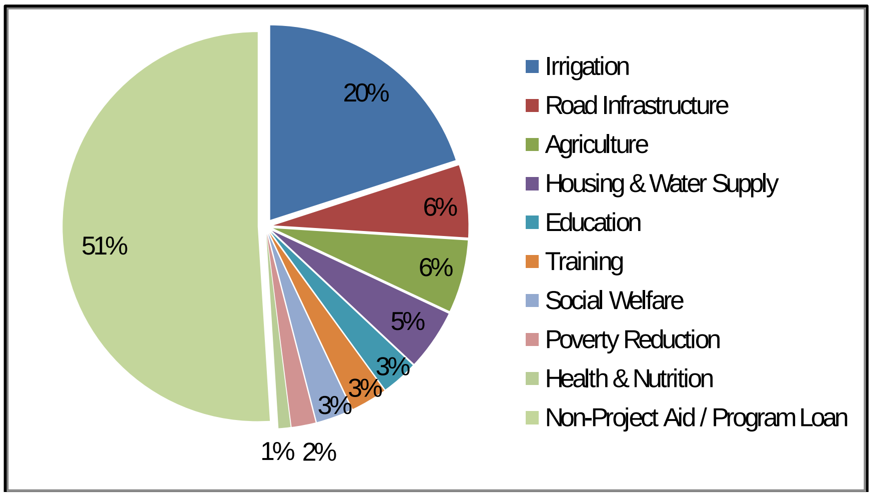
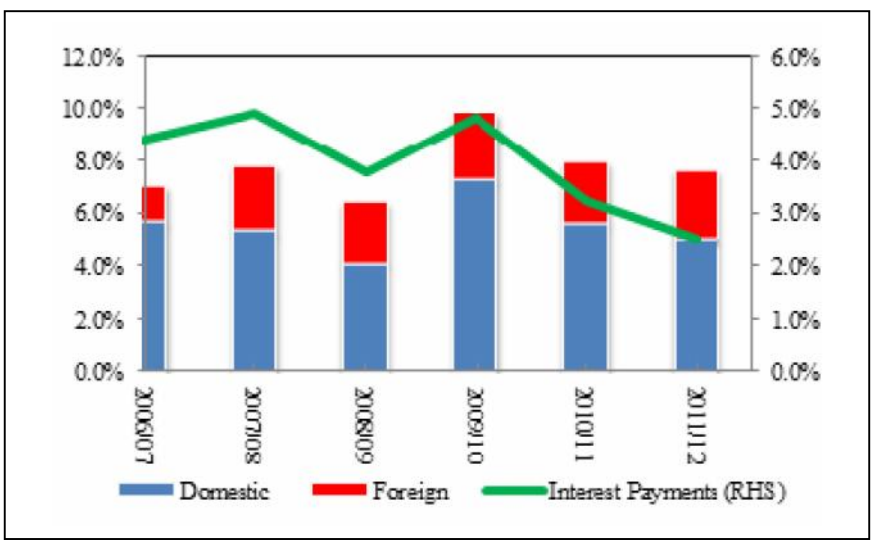



**Figure 6.2**
**Punjab Debt Service (in % of total Revenues), 2006/07 - 2011/12**



Even though Punjab's debt is small, key question remains whether this debt is sustainable or not. In 2011-12, a comprehensive Debt Sustainablity Analysis (DSA) with a ten year horizon[7] was undertaken with the assistance of World Bank. It concluded that the debt outlook of Punjab province is sustainable through 2020-21: the debt-to-GSDP ratio gradually declines over the next 10 years, to 1.2 percent, from 4.0 percent; the interest payments-to-revenues ratio decreases to 0.9 percent, from 3.0 percent; while the debt service-to-revenues ratio rises by a modest 0.3 percent to 3.3 percent. The DSA further explored potential vulnerability to economic and fiscal shocks and concluded that Punjab debt sustainability is fairly robust to most shocks, except when the individual shocks are combined. However, the probability of combined shocks remains very low.

### 6.1.1 Punjab Debt Sustainability Analysis[8]

As there is no threshold defined for sub-national debt levels, this debt sustainability analysis (DSA) defines unsustainable fiscal policies and borrowing strategy as those that lead to an explosive accumulation of debt that would jeopardize the normal provision of services by the province. The analysis projects the debt outlook through the fiscal years 2012-2021, using the government of Punjab's Medium-Term Fiscal Framework (MTFF) as baseline. The analysis concludes that the debt outlook of Punjab is sustainable through fiscal 2021: its debt-to-GSDP ratio gradually declines over the next 10 years, to 1.2 percent, from 4.0 percent; the interest payments-to-revenues ratio decreases to 0.9 percent, from 3.0 percent; while the debt service-to-revenues ratio rises by a modest 0.3 percent to 3.3 percent (**Figure** 6.3a).

**Figure 6.3a**
**Baseline; Debt and Debt Service Indicators**

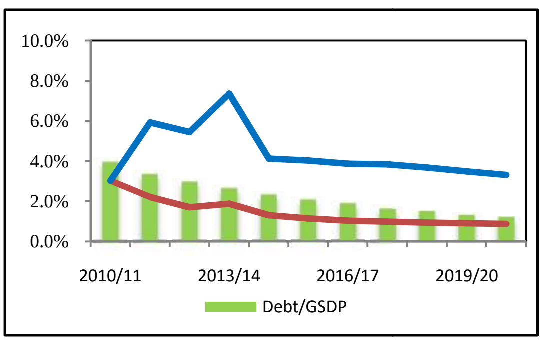
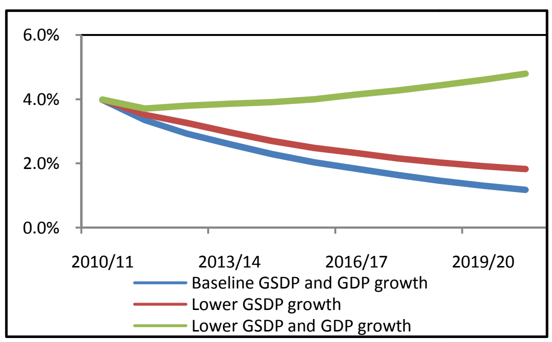



**Figure 6.3b**
**Impact of Growth Shocks on Debt-to-GSDP**




The analysis then explores some potential vulnerability to economic and fiscal shocks: (i)impact of [9] lower provincial and national GDP growth; (ii)A temporary[10] or permanent[11] increase

[7] Debt sustainability analysis was based on three-years rolling estimates of Punjab MTFF 2011/12. Forecasts were extended to further six years based on in-depth discussions with Finance Department during Punjab DSA mission (March 20 – April 5, 2012) in Lahore.

[8] Excerpt from Punjab DSA 2011/12 (World Bank, 2012).

[9] This shock is approximately equivalent to one standard deviation from the baseline in years 2011/12 and 2012/13.

[10] Punjab's development expenditures increase by Rs. 100 billion per annum in real terms during 2012/13 – 2014/15.

[11] Development expenditures (Rs. 100 billion in real terms) are increased every year starting from 2012/13.

in development expenditures through new borrowing; and (iii) a combined shock.[12] Under the growth shock for both provincial and national GDP (such as the 2010/11 floods) provincial debt dynamics reverse their downward trajectory (Figure6.3b). One possibility is that Punjab could increase its development expenditure to potentially close its infrastructure gap[13]and raise its growth rate, but only if this increase is temporary (Figure6.3c). In any case, Punjab's debt remains sustainable in all scenarios, except for a combined shock (Figure6.3d), but the probability of such a scenario occurring is very low.

**Figure 6.3c**
**Impact of Alternative Development Expenditure Scenarios on Debt-to-GSDP Ratio**

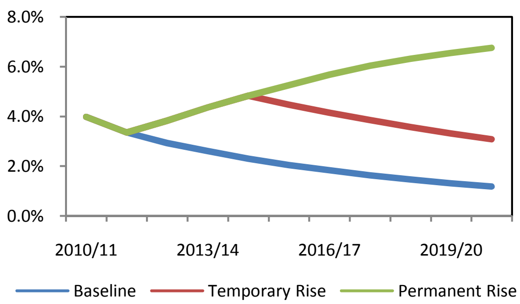
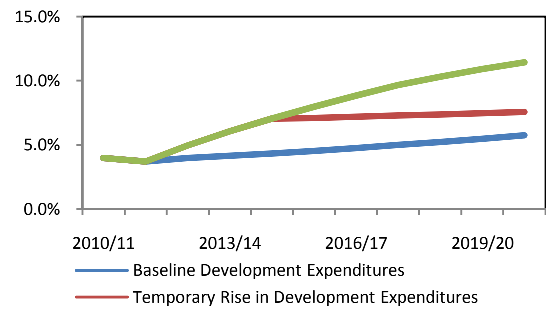



**Figure 6.3d**
**Impact of a Combined Shock on Debt-to-GSDP**




## 6.2 PENSION AND GENERAL PROVIDENT FUND LIABILITIES

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

In addition to the Pension Scheme, Government requires itspermanent 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 part of the Public Account of the Province. Government has a fiduciary responsibility for these contributions. However, to avert the possibility of using Public Account balances as a borrowing window for Government expenditures,there was a need to create a separate GP Fund. Further, there was also a need to replenish the amounts earlier utilized from GP Fund Account due to the fact that the Government maintained a common cash balance for both Provincial Consolidated Fund and Public Account.

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

[12] A combined shock includes all of the above shock plus a 2 percent real annual depreciation in the domestic currency exchange rate and a 30 percent nominal increase in wages in 2012/13.
[13] See Government of Punjab, Medium-Term Fiscal Framework 2011/12.

- 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; 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 Funds.

During last three financial years, Punjab Government could not provide amounts budgeted for capitalization of the GP Fund and Pension Fund. However during FY 2013-14, Punjab Governmentintends to provide an amount of Rs.3.3billion for capitalization of the GP Fund and Rs.4.8 billion for Pension Fund which partially covers past arrears.

### 6.2.1 Pension Liability

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

**Table6.3**
**Pension Liability**

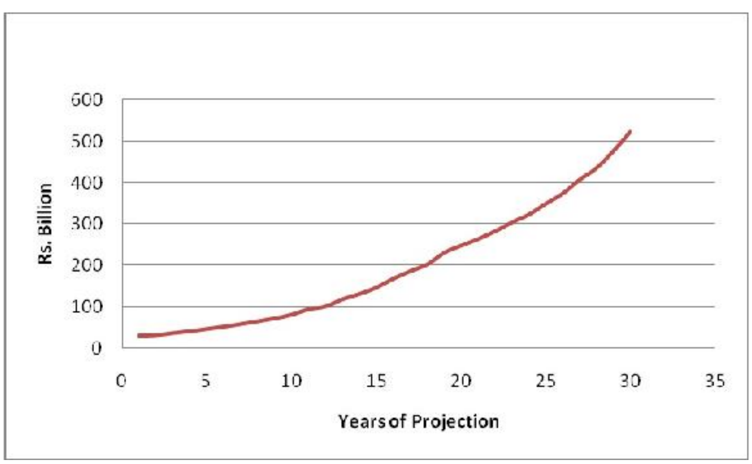
*(Rs. in billion)*

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

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

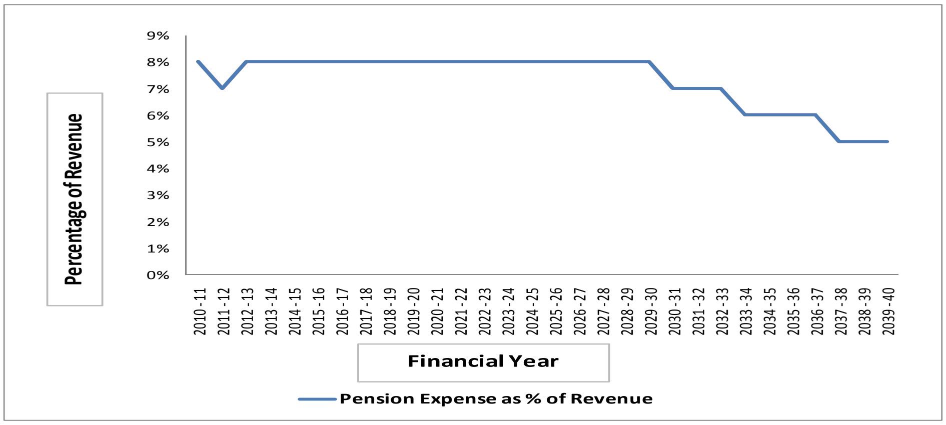
Graphical representation of expected pension payments over the next 30 years is as under:

**Figure6.4**
**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 6.5**
**Pension Expense as Percentage of Revenue**



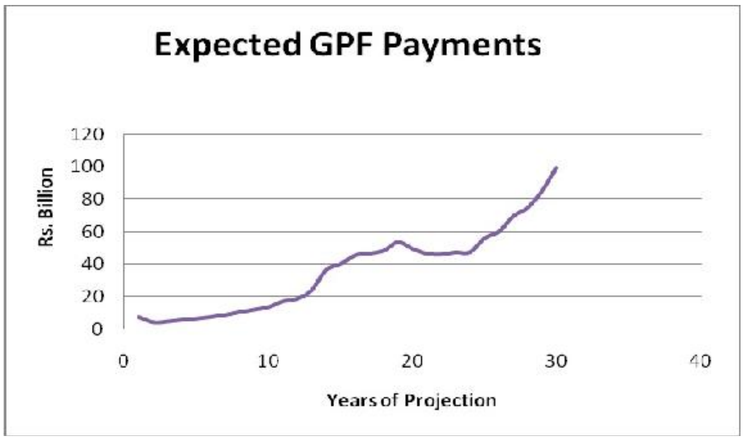

### 6.2.2 General Provident Fund Liability

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 ofJune 30,2010 isRs.86.9 billion.

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

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

**Figure 6.6**




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

### 6.2.3 Assumptions underlying actuarial assessment of contingent liability

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

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

### 6.2.4 Funding Strategy

Funding strategy 2010-40aims at:

(i) Building up reasonable pension assets during the next 5-10 years with a view not only to discharge a major part 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 payout, 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 5 years:

**Table 6.4**
**Funding Strategy 2013-18**

*(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 |
|---|---|---|---|---|
| 2013-14 | 7.4 | 3.0 | 3.0 | 13.4 |
| 2014-15 | 8.1 | 4.0 | 4.0 | 16.1 |
| 2015-16 | 8.9 | 5.1 | **6.0 | 20.0 |
| 2016-17 | 9.8 | 6.2 | **6.6 | 22.6 |
| 2017-18 | 10.9 | 7.4 | **7.2 | 25.5 |

** 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.

Punjab Pension Fund is planning to carry out actuarial valuation of Pension and GP Fund liabilities at June 30, 2013. Funding strategy may have to be reviewed as a result of new estimates of contingent liabilities.

### 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 2012-May 2013 |
|---|---|
| Beginning fund size | 15,605 |
| Add: contribution during the period | - |
| Add: gain during the period | 1,841 |
| Less: expenses during the period | (22) |
| **Ending fund size** | **17,424** |

The numbers exclude unrealized capital gains/losses

**FUND'S PORTFOLIO**

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

*(Amounts in millions)*

| | June 30, 2011 | | Jun 30, 2012 | | May 31, 2013 | |
|---|---|---|---|---|---|---|
| | Amount | % | Amount | % | Amount | % |
| PIBs | 8,942 | 65.2 | 9,480 | 60.7 | 9,460 | 54.3 |
| T-Bills | 1,254 | 9.1 | 139 | 1.0 | 441 | 2.5 |
| Short term bank deposits | 3,002 | 21.9 | 5,349 | 34.3 | 5,882 | 33.7 |
| National Saving Schemes | - | - | - | - | 1,320 | 7.6 |
| Corporate bonds/TFCs | 501 | 3.7 | 501 | 3.2 | 244 | 1.4 |
| Cash at bank | 8 | 0.1 | 130 | 0.8 | 67 | 0.4 |
| Other assets* | 1 | 0.0 | 6 | 0.0 | 10 | 0.1 |
| **Total Fund Size** | **13,708** | **100.0** | **15,605** | **100.0** | **17,424** | **100.0** |

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

- Long-term investments consist of PIBs and TFCs whereas short-term investments consist of T-bills, short term bank deposits and National Saving Schemes.
- The Fund has been switching exposure between T-bills, short-term bank deposits and National Saving Schemes 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 | | Year End Discount Rate | CPI Inflation | Long-term Benchmark |
|---|---|---|---|---|---|
| | Gross Return | Net Return* | | | CPI Inflation + 3% |
| FY 2008-09 | 15.21% | 15.00% | 14.00% | 13.14% | 16.14% |
| FY 2009-10 | 13.79% | 13.61% | 12.50% | 12.69% | 15.69% |
| FY 2010-11 | 13.48% | 13.32% | 14.00% | 13.13% | 16.13% |
| FY 2011-12 | 13.96% | 13.79% | 12.00% | 11.26% | 14.26% |
| Jul 2008-Jun 2012 (CAGR) ** | 14.10% | 13.92% | 13.09% | 12.54% | 15.54% |
| Jul 2012 – May 13 | 12.92% | 12.76% | | | |

*Net Return means the return after deducting expenses incurred on management of PPF
** CAGR means Compound Annualized Growth Rate

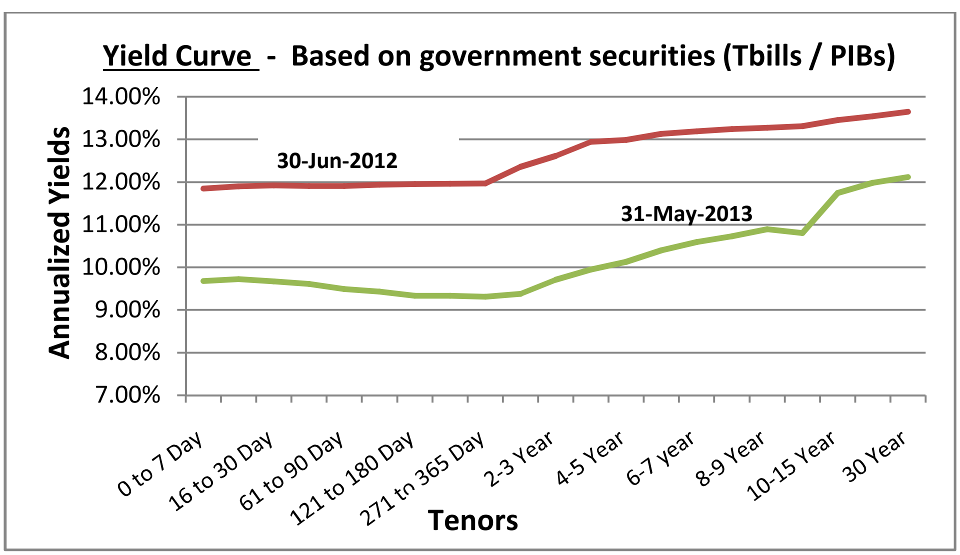
- Inflation rates over the last few years (FY 09 to FY 12) have been much higher than our long-term inflation expectations of 9%-10% p.a. Interest rates have also been higher than our long-term expectations.

- In order to lock-in high yields for a long period of time, the Fund invested a large proportion of its assets in long-term fixed-rate instruments consisting mainly of PIBs.

- In FY 13, CPI Inflation rate has declined sharply and SBP has reduced the policy rate by 2.5% cumulatively (from 12% to 9.5%) so far.

- The investment strategy followed over the past few years i.e. investment in long-term fixed-rate instruments at attractive yields, is now paying off. Despite lower interest rates, PPF continues to earn an attractive rate of return because of its high yielding portfolio of PIBs.

**Figure 6.7**



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

- As per the last Actuarial Assessment Report, the present value of pension liabilities of the Government of the Punjab stood at Rs. 687.7 billion as on June 30, 2010.
- Market value of Fund's asset at May 31, 2013 stood at Rs. 18.601 billion.
- If PPF were envisaged as a fully funded pension plan, the value of its assets would match the value of the total pension liability of the Government of the Punjab, and the funding ratio (the ratio of its assets to its liabilities) would equal one (or 100%). This would mean that for the accrued pension liabilities, the Government of the Punjab would not have to earmark any budgetary resources because these would be met by PPF from the return on its assets.
- Currently the Government of the Punjab does not have an explicit target for the Funding Ratio. The desired Funding Ratio can be inferred from the projected injections of funds in PPF by the government as stated in the Medium Term Budgetary Framework 2009-12 announced by Government of the Punjab. If the injections of funds were to stay on course and there were no withdrawals then at the current average rate of return on PPF funds, the projected funding ratio in the foreseeable future is expected to stay in the range of 1.75%-2.25%.
- When interest rates go down the rate of return on assets also go down and the pension plan needs a larger amount of assets to pay the pension liabilities promised to the employees. Thus a decline in interest rates can lower the Funding Ratio of a pension plan further.
- In order to properly manage a pension plan, two things are important.
  - Firstly, the Funding Ratio of the pension plan should be high so that sufficient assets vis-à-vis the liabilities are available. A Funding Ratio of 100% is ideal.
    - Currently, the Funding Ratio of the pension plan is less than 2% which means that the current level of assets is sufficient to meet less than 2% of accrued pension liabilities of the Government of the Punjab. This Funding Ratio is clearly quite low and the government may consider increasing this ratio which would require a long-term and sustainable plan of gradual injection of funds into the pension plan.
  - Secondly, the Fund should preferably make long-term fixed-rate investments whose maturity is as close as possible to the maturity of pension liabilities. With fixed-rate investments the rate of return on the assets of the Fund will be less vulnerable to the fluctuations in the market rate of interest.
    - Considering the importance of long-term fixed-rate investments, PPF has invested 54.3% of its assets in long-term fixed-rate bonds at May 31, 2013and remains ready to invest further as opportunities to invest long-term at attractive fixed rates arise.

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

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

# Chapter 7

# PUNJAB REVENUE AUTHORITY

Historically, the Federal government has been levying and collecting Federal excise duties on services. However, under the Constitution of 1973, the Federal government cannot levy sales tax on services as it is a provincial subject. In 2000, the international development partners including IMF and World Bank advised Pakistan to replace Federal Excise Duty with Sales Tax on Services. Accordingly, the provinces levied sales tax on services and authorized the Federal Government (Federal Board of Revenue) to collect and administer provincial Sales Tax on Services. However, in case of services falling in the sectors exclusively covered under Federal legislative list such as communication, banks, insurance, aviation and railways etc., Federal excise duties were continued to be levied and collected by the Federal Government. Their mode of collection was based upon VAT mechanism meaning thereby both Federal excise duties and provincial sales tax on services was operated as an integrated and unified system of VAT-type sales tax. Moreover, the sales tax of both commodity and service sector was also integrated as a unified system with mutual input tax adjustment or credit mechanism. In fact tax-cascading was curtailed.

Subsequently, under the 18th Constitutional Amendment, an express exclusion was made to bar the Federal Government from levying Sales Tax on Services. Under the 7th NFC Award, the right of provinces to collect Sales Tax on Services was categorically accepted and the provinces were given freedom of choice to either collect sales tax on services at their own level or entrust its collection to the Federal Government.

Initially, the Federal Government tried to convince the provinces to legislate the imposition of Sales Tax on Services and assign its collection to the Federal Board of Revenue. The Sindh Government, however, decided to collect Sales Tax on Services at its own level. It established Sindh Revenue Board (SRB) and enacted the Sindh Sales Tax on Services Act, 2011. In order to safeguard its legitimate revenue interests, the Punjab Government followed the suit.

The Punjab Government established Punjab Revenue Authority (PRA) under the Punjab Revenue Authority Act, 2012. PRA is a body corporate and is operating under an overall administrative supervision of the Finance Department.

As per plan prepared by the Punjab Government, PRA has started collecting sales tax on services; and, will eventually start collection of other taxes after completion of institutional reforms and re-engineering of their work processes. With the expansion of sales tax, some insignificant provincial levies will hopefully disappear.

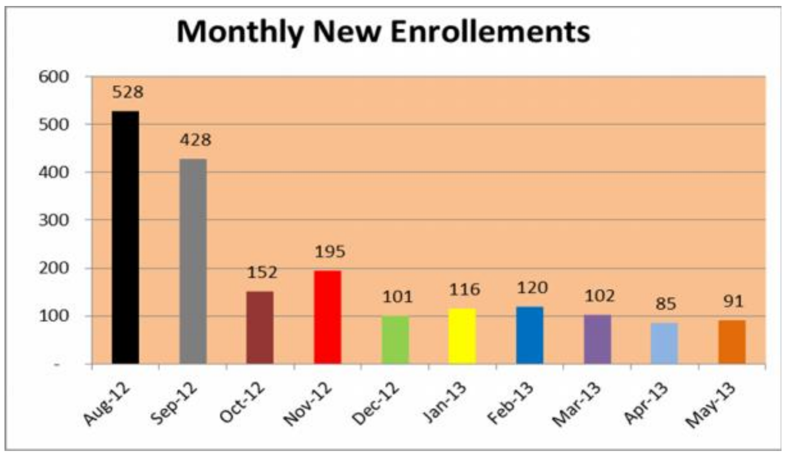
PRA has issued twelve sets of rules covering domains like definitions, registration/de-registration, filing of returns, input tax adjustment, special provisions, computerized system, authorized representation, audit, adjudication and appeals, alternative dispute resolution, tax recovery and withholding tax. The whole system of Punjab Sales Tax on Services is operating on the principles of self-assessment, self-payment, self-declaration, self-documentation and self-compliance. PRA is maintaining its own website/e-portal (http://pra.punjab.gov.pk.) and taxpayers are interacting with PRA only through electronic means. There is no concept of billing or manual assessment in the sales tax regime. PRA has contractually engaged the FBR-owned IT firm Pakistan Revenue Automation Limited (PRAL) for the development, maintenance and operation of its computerized system.

Initially, PRA started collection of sales tax only on such fourteen services as were covered under the Punjab Sales Tax Ordinance, 2000. These included hotels, clubs, caterers, advertisements on T.V & Radio (including Cable TV), customs agents, ship chandlers, stevedores, telecommunication, insurance and re-insurance, banking companies, non-banking financial institutions, stock brokers, shipping agents and courier services. In October, 2012, three more services were brought under Punjab sales tax net. These were franchise services, restaurant services, advertisements on hoarding boards, pole signs and sign boards. In May, 2013, the Punjab sales tax coverage was compared with the Sindh sales tax regime and fourteen more services were added to Punjab sales tax. These included motels, guest houses, marriage halls and lawns, security alarm systems, international incoming calls, construction services, property development and promotion, contractual execution of work or furnishing of supplies, foreign exchange dealers including exchange companies and money changers, beauty/slimming parlors/clinics, management consultancy (including fund and asset management, port services, terminal operators including public bonded warehouses and international freight forwarders).

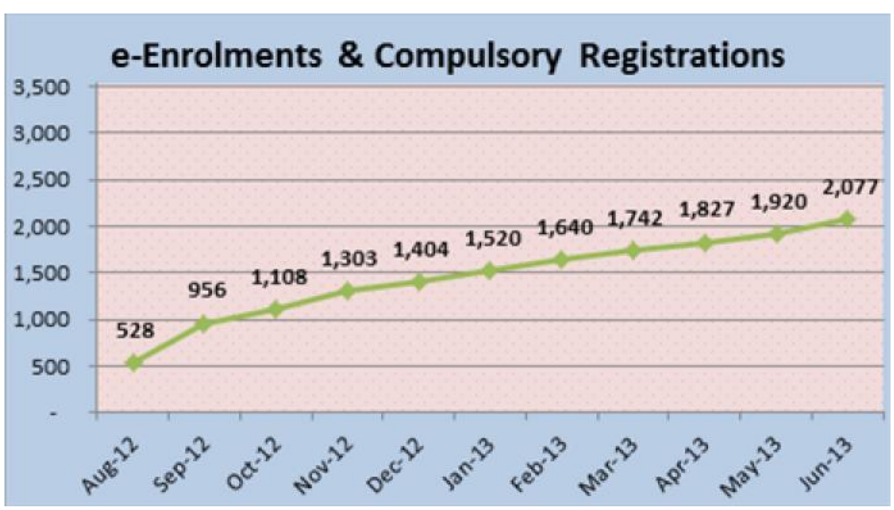
The levy of Sales Tax on Services by provinces is still a new concept in the federation facing expected teething problems with respect to clarity of jurisdiction, mode of collection and incidence of tax. The provinces and the Federal Government are in constant negotiations. Hopefully, a win-win would emerge soon which would bring transparency, equity and effectiveness to the sales tax on service.

When the probable provincialization of service sales tax collection was being discussed during the debate on 7th NFC Award, it was agreed that both the Federal government and the provinces would endeavor to achieve maximum integration between the sales taxation on goods and on services so that with the facility of mutual tax credit system, the doubling or multiplication of tax incidence could be avoided to the maximum extent. Punjab has designed its input tax adjustment system in such a way that Punjab sales tax (output tax) accepts the adjustment of Federal sales tax and Sindh sales tax to the extent to which these two categories of sales tax are involved in the inputs used exclusively for the rendition of services taxable in Punjab. However, the goods including construction materials which become permanent asset of the business and are as such not used in the event of rendering of taxable services are not entitled to input tax credit under the Punjab sales tax system.

Under the scheme prescribed in Punjab Sales Tax on Services Law, the persons engaged in providing taxable services are required to obtain registration. However, the persons who were/are already registered with FBR are required to obtain only e-enrollment. PRA initially started its registration work on the basis of data obtained from the FBR. So far 1930 persons have been registered/e-enrolled. Besides 147 persons have been compulsorily registered raising the total registered population to 2077. PRA has also obtained and is still gathering business data from other sources such as web-search about organized businesses, surveys through district administration, bed tax data of Punjab Excise & Taxation Department, food businesses data from Punjab Food Authority, lists available with different trade and professional associations, business advertisements in print and electronic media and physical survey of different posh commercial localities in the mega cities of Punjab especially Lahore, Sialkot, Gujranwala, Faisalabad, Multan and Rawalpindi.




From all these diverse sources, PRA has evolved its registry of 3533 businesses while 2077 businesses have already been registered/e-enrolled. The principal benefit of maintaining a comprehensive registry is that when on receipt of letters/notices from PRA, the concerned businesses apply for registration/e-enrollment, no verification is warranted because the details of the businesses are already available in the registry. The graphic picture of registration coverage is given below:

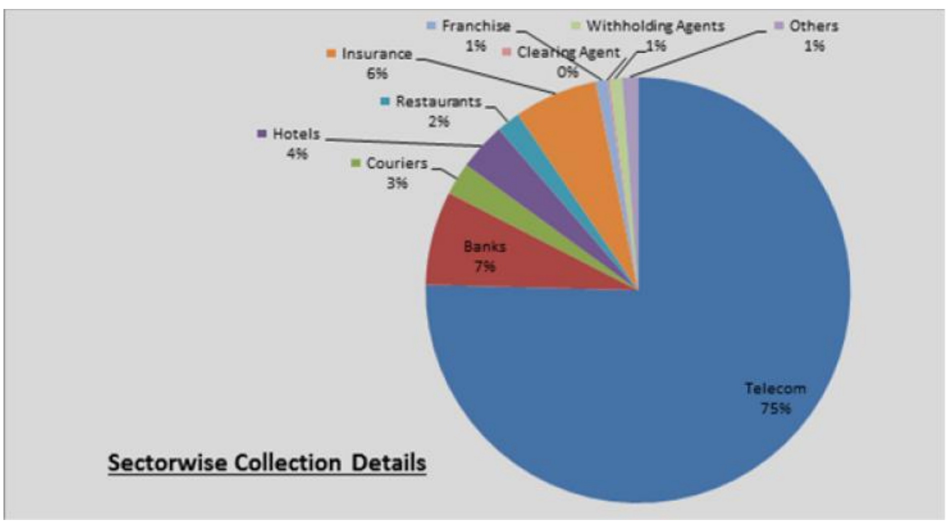


PRA has so for collected Rs.30.22 billion during the first ten months of the financial year 2012-13. Besides, the Punjab government has received Rs.1.5 billion from the Federal government on account of its GST share on services for the month of June, 2012. It is estimated that PRA would be able to collect Rs.37.0 billion by the end of FY 2012-13.

Telecommunication sector is the major contributor towards Punjab sales tax. The contribution of courier services, banks and insurance is also significant. The service wise collection during FY 2012-13 upto the month of April is as under:

**Sectorwise Collection Details**

| Sr.No | Sector | July | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Telecom | 2,147,965,486 | 2,375,067,381 | 2,047,807,889 | 2,401,191,268 | 2,212,034,787 | 2,121,888,355 | 2,196,592,275 | 2,200,657,197 | 2,501,896,638 | 2,585,387,938 | **22,790,489,214** |
| 2 | Banks | 187,761,147 | 183,212,143 | 189,411,793 | 213,805,196 | 210,846,440 | 259,254,516 | 241,353,725 | 223,061,607 | 206,624,665 | 239,905,657 | **2,155,236,889** |
| 3 | Couriers | 51,174,832 | 71,335,379 | 70,876,258 | 81,127,889 | 73,879,921 | 75,711,089 | 77,400,451 | 68,125,673 | 86,273,039 | 90,670,838 | **746,575,369** |
| 4 | Hotels | 90,728,350 | 79,474,418 | 99,084,482 | 101,648,617 | 107,924,998 | 127,534,137 | 117,318,247 | 114,884,218 | 132,395,145 | 120,510,069 | **1,091,502,681** |
| 5 | Restaurants | | | | 78,140,324 | 64,403,540 | 89,183,675 | 70,567,748 | 76,431,307 | 84,791,675 | 77,435,303 | **540,953,572** |
| 6 | Insurance | 391,877,923 | 135,310,172 | 127,217,948 | 139,337,072 | 134,155,695 | 304,310,175 | 240,151,950 | 153,618,749 | 126,136,213 | 169,482,243 | **1,921,598,140** |
| 7 | Franchise | - | - | - | 28,711,586 | 33,634,348 | 47,065,975 | 28,032,325 | 52,637,687 | 37,148,212 | 45,118,002 | **272,348,135** |
| 8 | Clearing Agent | 2,866,548 | 3,477,400 | 3,723,479 | 4,943,895 | 5,010,317 | 5,518,666 | 5,529,595 | 5,524,418 | 5,563,665 | 7,506,734 | **49,664,717** |
| 9 | Withholding Agents | 2,747,175 | 27,090,267 | 16,007,260 | 23,874,385 | 50,232,484 | 20,983,105 | 21,242,693 | 24,117,053 | 64,658,279 | 38,244,586 | **289,197,287** |
| 10 | Others | 7,775,690 | 16,041,864 | 22,873,827 | 33,303,160 | 50,898,348 | 36,733,016 | 48,404,366 | 55,254,257 | 58,962,084 | 33,524,029 | **363,770,641** |
| 11 | Grand Total | **2,882,897,151** | **2,891,009,024** | **2,577,002,936** | **3,106,083,392** | **2,943,020,878** | **3,088,182,709** | **3,046,593,375** | **2,974,312,166** | **3,304,449,615** | **3,407,785,399** | **30,221,336,645** |




PRA has completed the first phase of its tax awareness campaign different tools were adopted to create an increased public awareness about the establishment of PRA and Punjab sales tax on services system. First of all PRAL's staff posted to PRA's headquarters was educated in Punjab Sales Tax on Services Law and procedure. Every officer/official posted to PRA is imparted with on-job training enhancing his understanding of Punjab sales tax on services regime. With the help of private sector tax consultants and PRAL, PRA has conducted about 23 workshops and seminars in different cities including Karachi, Multan, Faisalabad, Lahore, Gujranwala, Sialkot, Gujrat, Rawalpindi, Murree, Dera Ghazi Khan, Bahawalpur, Sahiwal and Sargodha. Detailed meetings were held with different trade bodies and business organizations with a view to persuade them to motivate their members for early registration and compliance to the Punjab Sales Tax Law. Three days training course was conducted for the District Coordination Officers of Punjab so that they could more meaningfully assist PRA in the implementation of Punjab Sales Tax on Services Law in their respective districts.

PRA is maintaining close liaison with the DCOs throughout the province for the purpose of identification of new businesses, service of notices, persuasion to businesses for early compliance, recovery of unpaid tax amounts and organized taxpayers facilitation. With the cooperation of DCOs and PRAL, PRA has established taxpayers facilitation centers (TFCs) in different district headquarters including Multan, Sahiwal, Sargodha, Gujranwala, Rawalpindi, (including Murree) and Sialkot. These centers are jointly run by the dedicated officials from DCOs' office and PRAL. PRA has also got published several print media advertisements and its officers have participated in different electronic media interviews/debates/discussions explaining the contours of Punjab sales tax on services system. Currently, PRA is designing a media policy. It is expected that PRA will be in a better position to follow a more well-defined media campaign in future.

PRA is still to start regular enforcement and audit operations because extension of registration coverage has remained the main priority throughout the financial year 2012-13. However, exception management is being regularly done through system-based identification of none/short payments. Filing of returns and realization of small amounts of non-payments or short payments are being ensured through electronic and telephonic contacts. Since the overall conduct of PRA is of business-facilitative nature, it has been experienced that the taxpayers do respond positively towards telephonic motivation for payment of short-deposited tax amounts. PRA has meanwhile identified several cases where taxpayers have either inadvertently or otherwise paid the amounts of Punjab sales tax either to FBR or to SRB. PRAL has been requested to identify all such cases so that PRA may file claims with the relevant tax authorities.

The future strategy of PRA primarily consists of two components, i.e. immediate measures and long term measures. Establishment of appellate tribunal, increase in technical manpower, acquisition of physical resources including logistics, commencement of practical enforcement and development and implementation of effective audit system, creation of PRA (enforcement) police force and establishment of a dedicated training academy along with raising of an efficient R&D wing are the areas where PRA intends to materialize its ambitions in the shortest possible time. For longer terms, establishment of Punjab Revenue Service, re-engineering of processes of other taxes as may be assigned by the government for collection by PRA, establishment of Commissioners in divisions, establishment of PRA mess and construction of office building for PRA headquarters (including training academy) are the measures which PRA intends to take in the long run. PRA will always try to bridge the gaps of policy and practice and ensure that compliance reaches its possible optimum level. Scope of taxable services will surely continue to expand in future.

Reform of the tax system designed by PRA is a continuous process. Since tax policy and tax compliance processes proceed in line with the changes in the dynamics and mechanics of the market forces, PRA will always continue its reform-oriented research work in future. In this regard, PRA is already trying to enlist technical assistance from the international development partners with the hope that its dream to became a model sub-national tax organization.

# Chapter 8

# LOCAL GOVERNMENT FINANCE

The most significant change accompanying devolution of power under Local Government Ordinance, 2001 (PLGO 2001)was the establishment of a formula based fiscal transfer system from the Provincialto the Local Governmentsenvisaged in the Provincial Finance Commission as per Section 120-A of the Punjab Local Government Ordinance, 2001. Until 2006-07, annual interim Provincial Finance Commission award was decreed which only permitted incremental increase on the basis of historical baselines of expenditure of the respective local governments. It was in the year 2006-07 that the Punjab Specification and Distribution of Provincial Resources Order, 2006 was promulgated. Provincial Finance Commission Award of 2006-07 was a major breakthrough from the earlier interim arrangementsas it provided for:-

(i) Transfer of Urban Immovable Property Tax proceeds to TMAs.
(ii) Provision of funds to Union Administrationson population / delimitation basis.
(iii) Formula based distribution of development grants 50% on the basis of population and 50% on the basis of development index.
(iv) Additional resource to the city district governments to perform municipal functions.

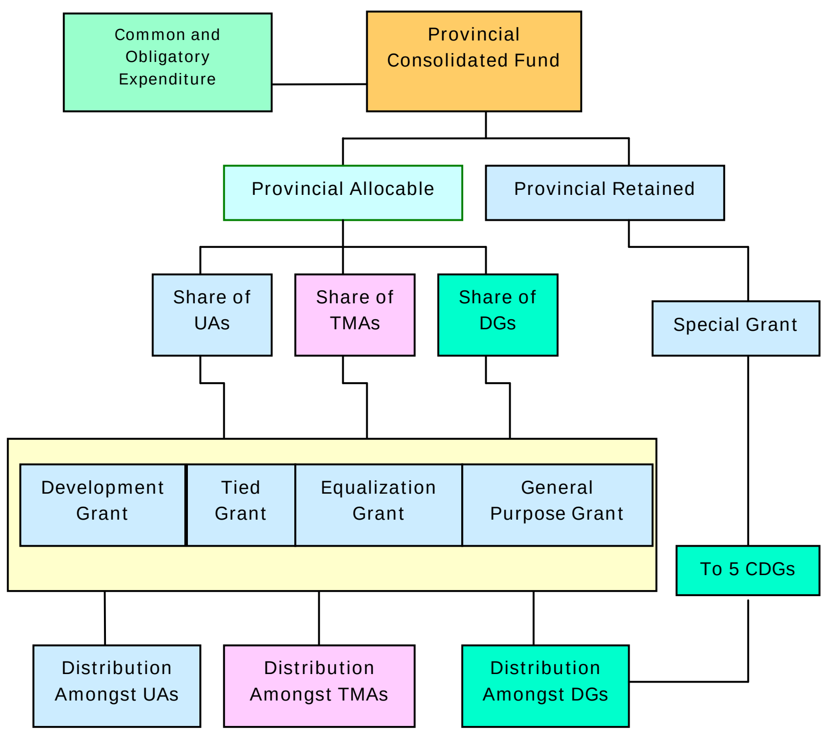
However, after the expiry of term of Provincial Finance Commission Award on June 30, 2009, new PFC could not be constituted as tenure of local governments had expired while a blue print for the new Local Government System was being developed. Once the legal framework for the new system is promulgated by the newly elected legislature, financial arrangements for local governments would be revised accordingly.

At present resource distribution to the local governments is being made on interim basis under the enabling provision of Section 120(F)(5) of Punjab Local Government Ordinance, 2001 on the same principles as what provided under the Specification and Distribution of Provincial Resource Order, 2006.

Despite concerted efforts for fiscal decentralization by the Provincial Government, most of the District Governments continue torely heavilyon Provincial Government due to restricted own-source revenue collection, and ever-increasing current expenditure. Nonetheless, provincial Governments remains fully committed to the idea of empowering and strengthening local government system to ensure participatoryand need based development throughout the province.Identification of development priorities and execution of development initiatives by local governments with community involvement and participation remainsthe preferred option to foster economic development and growth throughout the province.

Funds to the local governments are being allocated for financial year 2013-14 in line with theprinciples envisaged under the Provincial Finance Commission, 2006. The Figure below reflects the resource transferred from the Provincial Consolidated Fund to the local governments under the PFC Award.

**Figure 8.1**




The trend of resource allocation to local governments during last six years is shown 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 |
|---|---|---|---|---|
| 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** |

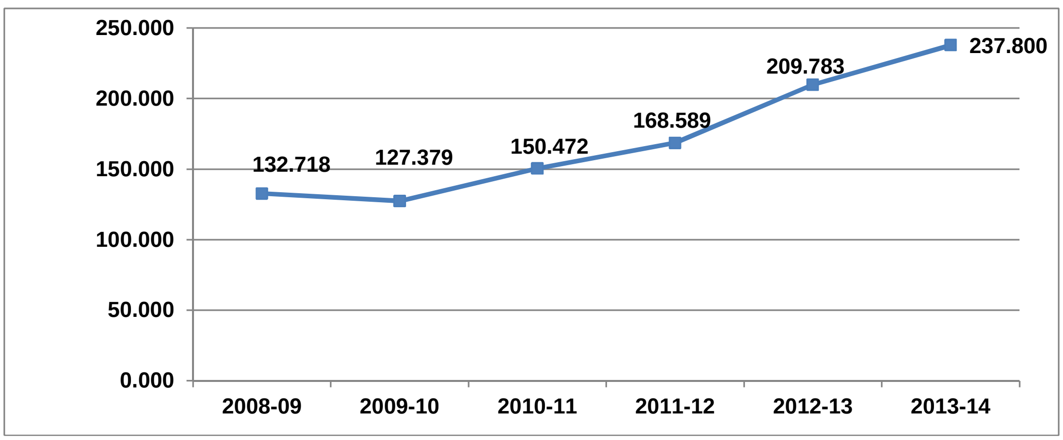
| Year | District Governments | Tehsil Municipal Administrations | Union Administrations | Total |
|---|---|---|---|---|
| 2011-12 | 148,000.000 | 15,570.000 | 5,018.730 | **168,588.730** |
| 2012-13 | 186,783.105 | 17,000.000 | 6,000.000 | **209,783.105** |
| 2013-14 | 214,800.000 | 17,000.000 | 6,000.000 | **237,800.000** |

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 2012-13 and FY 2013-14 are appended as Annex-VII of the White Paper.

**Figure 8.2**

**Allocation to Local Governments under the PFC Award 2006**




Analysis of the figures tabulated above show that there has been a regular increase in the PFC share of local governmentswith the exception of FY 2009-10 when due to shortfall in revenue realization both under Federal Transfers and Provincial Receipts compelled less resource allocation to local governments. From 2010-11 onwards, resource transfers to local governments has been increasing as a consequence of higher provincial receipts. In FY 2012-13,revised estimates of transfers to district governmenthad to berevised upwards by an amount of Rs.6,608.683 million to enable them to absorb the impact of increases in salary and allowances, greater recurring expenditure needs as a result of more development spending; and, to cater for increasing cost of acquisition of goods and services.

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

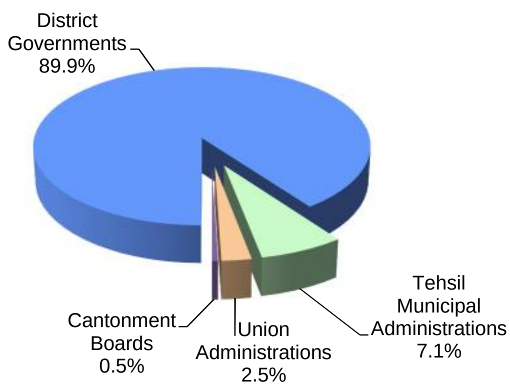
Table 8.2 shows the horizontal distribution of resource between different tiers of local governments for FY 2012-13 and FY 2013-14 under the PFC Award, 2006.

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

*(Rs. in Million)*

| Local Governments | PFC Transfers 2012-13(Excluding Tied Grants) | PFC Transfers 2013-14 (Excluding Tied Grants) | Percentage change |
|---|---|---|---|
| District Governments | 186,783.105 | 214,800.000 | 15.0% |
| Tehsil Municipal Administrations | 17,000.000 | 17,000.000 | --- |
| Union Administrations | 6,000.000 | 6,000.000 | --- |
| Cantonment Boards | 1,200.000 | 1,200.000 | --- |
| **Total** | **210,983.105** | **239,000.000** | **13.3%** |

**Figure 8.3**
**Total Resource Transfer to Local Governments**




In terms of overall resources to be made available to local governments in FY 2013-14, an increase of13.3% is being proposed in the budget estimates for FY 2013-14 against the budget estimate of FY 2012-13. Projected resource allocation to district governments in FY 2013-14shows an increase of 15.0% to District Governments against budget estimate of FY 2012-13.

It would also be pertinent to mention that in last few years, substantial investments have been made in development of public infrastructure related to Health, Education and Water and Sanitation. As a consequence, there has been an increase in recurrent expenditure of local governments. To cater for essential needs of District Governments, an analysis of revenue and expenditure trends of these governments was undertaken in FY2012-13. On the basis of this analysis, additional funds amounting to Rs.7,172.158 million were provided to District Governments in severe financial distress. Similarly, allocations to District Governments have been increased to Rs.214,800.000 million in budget estimates for FY 2013-14 compared to Rs.186,783.105 million budgeted for FY 2012-13. The increase will create additional fiscal space for District Governments to improve service delivery.

Most of the local governments have failed to tap the potential avenues of revenue mobilization.Resultantly, in comparison to increase in current / recurring expenditure of these governments, the revenue realization has either remained stagnant or hasactually gone down. As a way towards strengthening the local government system for being the basic instrument of development through community participation at the grass-root level, prudent financial management including realization of full own source revenue potential is imperative.

# 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 mangers would be responsible for the expenditure incurred.

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

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

# F

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

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

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

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

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

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

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

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

# G

**General Revenue Receipt:** General Revenue Receipts include the following:

I) Federal Transfers:
- Share of Federal Divisible Pool of Taxes under the NFC Award, 2009
- Straight Transfers on account of constitutional provisions, royalties on oil and gas
- Federal Grants

II) Provincial Own Revenue:
- Provincial Tax Revenue including Provincial GST on Services collected by the Federal Board of Revenue
- Provincial Non-Tax Revenue (As per the classification used in ABS, the Provincial Non-Tax Revenue includes Federal Grants and Straight Transfers)
- Extraordinary Receipts

# H

**Historical Cost:** Acquisition price of the asset.

# I

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

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

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

# L

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

# M

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

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

# N

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

# O

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

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

# P

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

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

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

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

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

# S

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

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

# T

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

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

# U

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

**Annex-I**

# DEBT STOCK OF PUNJAB GOVERNMENT AS ON 30.06.2013

## (A) DOMESTIC DEBT:

*(Rs. in million)*

| Sr. No. | Loan No.& Name | Rate of Interest | Total Amount of Loan | Amount Repaid | Balance outstanding |
|---|---|---|---|---|---|
| **(i)** | **CASH DEVELOPMENT LOANS** | | | | |
| 1 | 1987-88 | 15.28% | 2,881.961 | 2,881.961 | --- |
| 2 | 1988-89 | 14.84% | 2,610.940 | 2,250.856 | 360.084 |
| 3 | 1990-91 | 15.93% | 7,472.036 | 4,649.088 | 2,822.948 |
| 4 | 1991-92 | 14.51% | 7,331.700 | 4,708.283 | 2,623.417 |
| 5 | 1993-94 (NORMAL) | 15.94% | 4,640.959 | 2,082.459 | 2,558.500 |
| 6 | 1993-94 (SAP TIED) | 15.94% | 3,437.940 | 1,542.619 | 1,895.321 |
| 7 | 1994-95 (NORMAL) | 15.59% | 2,036.459 | 784.697 | 1,251.762 |
| 8 | 1994-95 (SAP TIED) | 15.59% | 1,215.433 | 468.396 | 747.037 |
| 9 | 1995-96 (SAP TIED) | 15.94% | 994.659 | 318.050 | 676.609 |
| 10 | 1996-97 (NORMAL) | 16.31% | 457.427 | 120.155 | 337.272 |
| 11 | 1997-98 (NORMAL) | 8.50% | 6,000.000 | 2,120.359 | 3,879.641 |
| 12 | 1999-2000 (NORMAL) | 11.21% | 470.246 | 102.176 | 368.070 |
| 13 | 1999-2000 (SAP TIED) | 11.21% | 4,167.200 | 905.407 | 3,261.793 |
| | **Total Cash Development Loans** | | **43,716.960** | **22,934.506** | **20,782.454** |
| **(ii)** | **CASH DEVELOPMENT LOANS FOR SCARP TUBEWELLS PROJECTS** | | | | |
| 1 | 1988-89 | 14.84% | 320.125 | 320.125 | --- |
| 2 | 1989-90 | 15.93% | 461.174 | 387.460 | 73.714 |
| 3 | 1990-91 | 15.93% | 554.411 | 390.355 | 164.056 |
| 4 | 1991-92 | 14.51% | 518.700 | 286.259 | 232.441 |
| 5 | 1992-93 | 15.24% | 708.055 | 422.862 | 285.193 |
| 6 | 1993-94 | 15.94% | 709.082 | 312.597 | 396.485 |
| 7 | 1994-95 | 15.59% | 1,034.210 | 378.341 | 655.869 |
| 8 | 1995-96 | 15.94% | 1,362.837 | 419.682 | 943.155 |
| 9 | 1996-97 | 16.31% | 791.617 | 232.948 | 558.669 |
| 10 | 1997-98 | 8.50% | 707.146 | 231.012 | 476.134 |
| 11 | 1998-99 | 17.71% | 1,049.209 | 172.355 | 876.854 |
| 12 | 1999-2000 | 11.21% | 968.059 | 210.341 | 757.718 |
| 13 | 2000-01 | 11.70% | 922.910 | 161.348 | 761.562 |
| 14 | 2001-02 | 10.72% | 887.491 | 138.449 | 749.042 |
| 15 | 2002-03 | 7.42% | 387.173 | 65.208 | 321.965 |
| 16 | 2003-04 | 7.20% | 320.000 | 44.094 | 275.906 |
| 17 | 2005-06 | 9.79% | 964.051 | 56.943 | 907.108 |
| 18 | 2007-08 | 10.14% | 1,075.980 | 18.490 | 1,057.490 |
| | **Total Loans for Scarp Tubewells** | | **13,742.230** | **4,248.869** | **9,493.361** |
| **(iii)** | **Loans from State Bank of Pakistan** | | **60,900.106** | **49,423.013** | **11,477.093** |
| | **TOTAL DOMESTIC DEBT (A)** | | **118,359.296** | **76,606.388** | **41,752.908** |

**Annex-II**

# DEBT STOCK OF PUNJAB GOVERNMENT AS ON 30.06.2013

## (B) FOREIGN DEBT

*(Figures in million)*

| | | | | | UP TO 30.06.2013 | | | |
|---|---|---|---|---|---|---|---|---|
| Sr. No. | Loan Number | Rate of Interest % | Contracted Amount of Loan *(Foreign Currency)* | | Actual Disbursement *(Foreign Currency)* | Amount Repaid *(Foreign Currency)* | Outstanding Balance *(Foreign Currency)* | Outstanding Balance *(Pak. Rs.)* |
| 1. | IFAD-18-PA (SF) | 1.00 | $ | 1.667 | 1.667 | 1.008 | 0.659 | 65.277 |
| 2. | IFAD-48-PA (SF) | 1.00 | $ | 6.555 | 6.555 | 3.690 | 2.865 | 283.651 |
| 3. | IFAD-83-PA (SF) | 1.00 | $ | 6.346 | 6.346 | 3.397 | 2.949 | 291.990 |
| 4. | IFAD-492-PAK(SF) | 0.75 | $ | 15.073 | 15.073 | 2.304 | 12.769 | 1,264.131 |
| 5. | IBRD-3327-PAK (SF) | 0.75 | $ | 11.160 | 11.160 | 3.916 | 7.244 | 717.156 |
| 6. | IBRD-7277-PAK (SF) | LIBOR | ¥ | 12,107.500 | 11,924.279 | 1,794.017 | 10,130.263 | 10,977.153 |
| 7. | IBRD-7379-Pak | LIBOR | ¥ | 11,780.000 | 11,780.000 | - | 11,780.000 | 12,764.808 |
| 8. | IBRD-7380-Pak | LIBOR | $ | 50.000 | 48.140 | - | 48.140 | 4,765.860 |
| 9. | IBRD-7454-Pak | LIBOR | $ | 100.000 | 100.000 | - | 100.000 | 9,900.000 |
| 10. | IBRD-7900-Pak | LIBOR | $ | 145.600 | 50.944 | - | 50.944 | 5,043.456 |
| 11. | PK-P37 | 2.60 | ¥ | 5,016.600 | 5,016.600 | - | 5,016.600 | 5,435.988 |
| 12. | PK-P50 (SF) | 2.30 | ¥ | 5,788.761 | 5,788.761 | 1,835.457 | 3,953.304 | 4,283.801 |
| 13. | JBIC-PK-P53 | 1.30 | ¥ | 12,523.000 | 9,124.484 | - | 9,124.484 | 9,887.291 |
| 14. | JBIC-PK-P59 | 1.30 | ¥ | 11,382.000 | 5,201.331 | - | 5,201.331 | 5,636.162 |
| 15. | IDA-30-PAK | 0.75 | $ | 7.759 | 7.759 | 7.759 | 0.000 | 0.000 |
| 16. | IDA-50-PAK (SF) | 0.75 | $ | 8.587 | 8.587 | 8.471 | 0.116 | 11.484 |
| 17. | IDA-54-PAK (SF) | 0.75 | $ | 4.622 | 4.622 | 4.536 | 0.086 | 8.514 |
| 18. | IDA-106-PAK | 0.75 | $ | 1.750 | 1.750 | 1.550 | 0.200 | 19.800 |
| 19. | IDA-466-PAK (SF) | 0.75 | $ | 9.786 | 9.786 | 6.566 | 3.220 | 318.780 |
| 20. | IDA-620-PAK(SF) | 0.75 | $ | 12.586 | 12.586 | 7.874 | 4.712 | 466.528 |
| 21. | IDA-630-PAK(SF) | 0.75 | $ | 26.600 | 26.600 | 16.226 | 10.374 | 1,027.026 |
| 22. | IDA-678-PAK | 0.75 | $ | 2.745 | 2.745 | 1.633 | 1.112 | 110.088 |
| 23. | IDA-683-PAK (SF) | 0.75 | $ | 16.366 | 16.366 | 9.725 | 6.641 | 657.459 |
| 24. | IDA-813-PAK (SF) | 0.75 | $ | 12.500 | 12.500 | 6.900 | 5.600 | 554.400 |
| 25. | IDA-892-PAK (SF) | 0.75 | $ | 2.514 | 2.514 | 1.324 | 1.190 | 117.810 |
| 26. | IDA-1109-PAK (SF) | 0.75 | $ | 10.794 | 10.794 | 4.968 | 5.826 | 576.737 |
| 27. | IDA-1113-PAK (SF) | 0.75 | $ | 1.230 | 1.230 | 0.552 | 0.678 | 67.122 |
| 28. | IDA-1163-PAK (SF) | 0.75 | $ | 21.758 | 21.758 | 10.004 | 11.754 | 1,163.646 |
| 29. | IDA-1239-PAK (SF) | 0.75 | $ | 20.181 | 20.181 | 8.686 | 11.495 | 1,137.989 |
| 30. | IDA-1348-PAK (SF) | 0.75 | $ | 4.077 | 4.077 | 1.620 | 2.457 | 243.235 |
| 31. | IDA-1375-PAK (SF) | 0.75 | $ | 5.810 | 5.810 | 2.320 | 3.490 | 345.510 |
| 32. | IDA-1487-PAK (SF) | 0.75 | $ | 27.310 | 27.310 | 10.530 | 16.780 | 1,661.259 |
| 33. | IDA-1603-PAK (SF) | 0.75 | $ | 19.390 | 19.390 | 6.596 | 12.794 | 1,266.606 |

| Sr. No. | Loan Number | Rate of Interest % | Contracted Amount of Loan *(Foreign Currency)* | | UP TO 30.06.2013 Actual Disbursement *(Foreign Currency)* | Amount Repaid *(Foreign Currency)* | Outstanding Balance *(Foreign Currency)* | Outstanding Balance *(Pak. Rs.)* |
|---|---|---|---|---|---|---|---|---|
| 34. | IDA-1670-PAK(SF) | 0.75 | $ | 13.809 | 13.809 | 4.278 | 9.531 | 943.571 |
| 35. | IDA-1693-PAK (SF) | 0.75 | $ | 2.989 | 2.989 | 0.930 | 2.059 | 203.792 |
| 36. | IDA-1762-PAK (SF) | 0.75 | $ | 20.941 | 20.941 | 6.182 | 14.759 | 1,461.126 |
| 37. | IDA-1888-PAK (SF) | 0.75 | $ | 32.521 | 32.521 | 16.270 | 16.251 | 1,608.883 |
| 38. | IDA-1895-PAK (SF) | 0.75 | $ | 83.834 | 83.834 | 40.872 | 42.962 | 4,253.270 |
| 39. | IDA-2003-PAK (SF) | 0.75 | $ | 18.596 | 18.596 | 8.360 | 10.236 | 1,013.323 |
| 40. | IDA-2004-PAK (SF) | 0.75 | $ | 3.836 | 3.836 | 1.680 | 2.156 | 213.437 |
| 41. | IDA-2154-PAK (SF) | 0.75 | $ | 7.624 | 7.624 | 3.072 | 4.552 | 450.638 |
| 42. | IDA-2245-PAK | 0.75 | $ | 22.248 | 22.248 | 7.784 | 14.464 | 1,431.936 |
| 43. | IDA-2257-PAK (SF) | 0.75 | $ | 5.825 | 5.825 | 2.044 | 3.781 | 374.288 |
| 44. | IDA-2354-PAK (SF) | 0.75 | $ | 65.693 | 65.693 | 19.704 | 45.989 | 4,552.927 |
| 45. | IDA-2383-PAK (SF) | 0.75 | $ | 4.028 | 4.028 | 1.202 | 2.826 | 279.743 |
| 46. | IDA-2464-PAK (SF) | 0.75 | $ | 11.262 | 11.262 | 2.840 | 8.422 | 833.743 |
| 47. | IDA-2468-PAK (SF) | 0.75 | $ | 31.150 | 31.150 | 8.559 | 22.591 | 2,236.509 |
| 48. | IDA-2593-PAK(SF) | 0.75 | $ | 23.820 | 23.820 | 5.364 | 18.456 | 1,827.132 |
| 49. | IDA-2999-PAK (SF) | 0.75 | $ | 16.849 | 16.849 | 2.532 | 14.317 | 1,417.383 |
| 50. | IDA-3050-PAK (SF) | 0.75 | $ | 20.190 | 20.190 | 2.520 | 17.670 | 1,749.301 |
| 51. | IDA-3776-PAK (SF) | 0.75 | $ | 7.892 | 7.559 | 0.189 | 7.370 | 729.598 |
| 52. | IDA-3855-Pak | 0.75 | $ | 100.644 | 100.644 | - | 100.644 | 9,963.721 |
| 53. | IDA-3904-Pak | 0.75 | $ | 3.000 | 2.565 | - | 2.565 | 253.935 |
| 54. | IDA-4046 | 0.75 | $ | 96.469 | 96.469 | - | 96.469 | 9,550.403 |
| 55. | IDA-4176 | 0.75 | $ | 102.573 | 102.573 | - | 102.573 | 10,154.727 |
| 56. | IDA-4258-Pak | 0.75 | $ | 46.000 | 37.166 | - | 37.166 | 3,679.434 |
| 57. | IDA-4317-Pak | 0.75 | $ | 99.426 | 99.426 | - | 99.426 | 9,843.204 |
| 58. | IDA-4586-Pak-PESRP | 1.50 | $ | 350.000 | 353.340 | - | 353.340 | 34,980.660 |
| 59. | IDA-4890-Pak-PESRP | 1.50 | $ | 50.000 | 48.479 | - | 48.479 | 4,799.440 |
| 60. | IDA-5081-Pak (PIPIP) | 1.25 | $ | 250.000 | 45.720 | - | 45.720 | 4,526.280 |
| 61. | IDA-5106-Pak (PESP-II) | 1.25 | $ | 350.000 | 94.000 | - | 94.000 | 9,306.000 |
| 62. | IDA-5153-Pak (PCGIP) | 1.25 | $ | 145.000 | 26.720 | - | 26.720 | 2,645.280 |
| 63. | IDA-5258-PHSRP | 1.25 | $ | 100.000 | 15.000 | - | 15.000 | 1,485.000 |
| 64. | IDB-0079-Pak | 2.50 | ID | 3.777 | 3.777 | 1.786 | 1.991 | 296.725 |
| 65. | ADB-331-PAK (SF) | 1.00 | $ | 39.500 | 39.500 | 32.390 | 7.110 | 703.890 |
| 66. | ADB-433-PAK (SF) | 1.00 | $ | 2.850 | 2.850 | 2.119 | 0.731 | 72.369 |
| 67. | ADB-495-PAK (SF) | 1.00 | $ | 13.118 | 13.118 | 9.170 | 3.948 | 390.828 |
| 68. | ADB-734-PAK | 1.00 | $ | 19.456 | 19.456 | 10.513 | 8.943 | 885.355 |
| 69. | ADB-750-PAK (SF) | 1.00 | $ | 40.425 | 40.425 | 20.200 | 20.225 | 2,002.259 |
| 70. | ADB-758-PAK | 1.00 | $ | 15.026 | 15.026 | 7.515 | 7.511 | 743.599 |
| 71. | ADB-759-PAK (SF) | 1.00 | $ | 5.985 | 5.985 | 3.000 | 2.985 | 295.489 |
| 72. | ADB-851-PAK (SF) | 1.00 | $ | 5.670 | 5.670 | 2.982 | 2.688 | 266.080 |

| | | | | | UP TO 30.06.2013 | | | |
|---|---|---|---|---|---|---|---|---|
| Sr. No. | Loan Number | Rate of Interest % | Contracted Amount of Loan *(Foreign Currency)* | | Actual Disbursement *(Foreign Currency)* | Amount Repaid *(Foreign Currency)* | Outstanding Balance *(Foreign Currency)* | Outstanding Balance *(Pak. Rs.)* |
| 73. | ADB-871-PAK (SF) | 1.00 | $ | 25.633 | 25.633 | 13.451 | 12.182 | 1,205.976 |
| 74. | ADB-901-PAK (SF) | 1.00 | $ | 44.536 | 44.536 | 22.270 | 22.266 | 2,204.315 |
| 75. | ADB-916-PAK (SF) | 1.00 | $ | 6.018 | 6.018 | 2.888 | 3.130 | 309.822 |
| 76. | ADB-917-PAK (SF) | 1.00 | $ | 45.061 | 44.171 | 20.981 | 23.190 | 2,295.779 |
| 77. | ADB-973-PAK (SF) | 1.00 | $ | 10.738 | 10.738 | 4.556 | 6.182 | 612.018 |
| 78. | ADB-977-PAK (SF) | 1.00 | $ | 17.805 | 17.805 | 7.575 | 10.230 | 1,012.741 |
| 79. | ADB-1012-PAK | 1.00 | $ | 24.117 | 24.117 | 10.241 | 13.876 | 1,373.702 |
| 80. | ADB-1146-Pak | 1.00 | $ | 111.888 | 111.888 | - | 111.888 | 11,076.905 |
| 81. | ADB-1185-PAK (SF) | 1.00 | $ | 79.163 | 79.163 | 21.779 | 57.384 | 5,680.971 |
| 82. | ADB-1200-PAK | 1.00 | $ | 13.147 | 13.147 | 3.609 | 9.538 | 944.239 |
| 83. | ADB-1209-PAK | 1.00 | $ | 39.206 | 39.206 | 10.780 | 28.426 | 2,814.172 |
| 84. | ADB-1210-PAK (SF) | 1.00 | $ | 17.454 | 17.454 | 4.796 | 12.658 | 1,253.101 |
| 85. | ADB-1260-PAK | 1.00 | $ | 48.134 | 48.134 | 11.438 | 36.696 | 3,632.898 |
| 86. | ADB-1297-PAK(SF) | 1.00 | $ | 46.351 | 46.351 | 11.001 | 35.350 | 3,499.603 |
| 87. | ADB-1301-PAK | 1.00 | $ | 56.670 | 56.670 | 12.744 | 43.926 | 4,348.696 |
| 88. | ADB-1350-PAK | 1.00 | $ | 2.803 | 2.803 | 0.595 | 2.208 | 218.596 |
| 89. | ADB-1373-PAK | 1.00 | $ | 15.946 | 11.717 | 2.343 | 9.374 | 927.991 |
| 90. | ADB-1401-PAK | 1.00 | $ | 50.662 | 50.662 | 9.495 | 41.167 | 4,075.538 |
| 91. | ADB-1454-Pak(SF) | 1.00 | $ | 29.947 | 29.947 | 4.862 | 25.085 | 2,483.447 |
| 92. | ADB-1467-PAK | 1.00 | $ | 30.655 | 30.655 | 4.979 | 25.676 | 2,541.942 |
| 93. | ADB-1493-PAK | 1.00 | $ | 64.479 | 64.479 | 10.478 | 54.001 | 5,346.074 |
| 94. | ADB-1531-PAK | 1.00 | $ | 30.842 | 30.842 | 4.246 | 26.596 | 2,633.004 |
| 95. | ADB-1534-Pak | 1.00 | $ | 14.671 | 14.671 | 2.024 | 12.647 | 1,252.053 |
| 96. | ADB-1578-PAK | 1.00 | $ | 14.909 | 14.909 | 2.046 | 12.863 | 1,273.431 |
| 97. | ADB-1671-PAK (SF) | 1.50 | $ | 15.800 | 13.207 | 3.577 | 9.630 | 953.369 |
| 98. | ADB-1679-PAK | 1.00 | $ | 7.968 | 7.968 | 0.900 | 7.068 | 699.726 |
| 99. | ADB-1877-PAK | 1.50 | $ | 28.068 | 28.068 | 6.140 | 21.928 | 2,170.873 |
| 100. | ADB-1878-PAK | LIBOR | ¥ | 14,176.659 | $ 46.179 | 26.821 | 19.358 | 1,916.484 |
| 101. | ADB-1879-PAK | 1.50 | $ | 1.032 | - | - | - | - |
| 102. | ADB-1900-PAK | 1.50 | $ | 4.967 | 0.667 | 0.097 | 0.570 | 56.439 |
| 103. | ADB-1928-PAK | 0.75 | ¥ | 18,396.800 | 8,762.487 | 3,639.054 | 5,123.434 | 5,551.753 |
| 104. | ADB-1950-PAK (SF) | 1.50 | $ | 50.000 | 53.694 | 5.595 | 48.099 | 4,761.762 |
| 105. | ADB-2060-Pak (SF) | 1.50 | $ | 45.000 | 24.535 | 1.533 | 23.002 | 2,277.217 |
| 106. | ADB-2061-Pak | LIBOR | ¥ | 4,896.225 | 2,743.518 | 250.484 | 2,493.034 | 2,701.452 |
| 107. | ADB-2134-Pak | 1.50 | $ | 41.000 | 28.785 | 0.600 | 28.185 | 2,790.346 |
| 108. | ADB-2144-Pak | LIBOR | ¥ | 7,995.750 | 7,995.750 | 2,469.976 | 5,525.774 | 5,987.729 |
| 109. | ADB-2145-Pak | 1.50 | $ | 75.000 | 75.594 | 2.362 | 73.232 | 7,249.984 |
| 110. | ADB-2211 | LIBOR | $ | 20.000 | 11.473 | 0.525 | 10.948 | 1,083.889 |
| 111. | ADB-2212 | 1.50 | $ | 40.000 | 2.228 | - | 2.228 | 220.572 |

| Sr. No. | Loan Number | Rate of Interest % | Contracted Amount of Loan *(Foreign Currency)* | | UP TO 30.06.2013 Actual Disbursement *(Foreign Currency)* | Amount Repaid *(Foreign Currency)* | Outstanding Balance *(Foreign Currency)* | Outstanding Balance *(Pak. Rs.)* |
|---|---|---|---|---|---|---|---|---|
| 112. | ADB-2286-Pak | LIBOR | ¥ | 5,599.000 | 1,041.111 | - | 1,041.111 | 1,128.148 |
| 113. | ADB-2287-Pak | 1.50 | $ | 5.000 | - | - | - | 0.000 |
| 114. | ADB-2299-Pak | LIBOR | ¥ | 25,637.827 | 7,090.142 | - | 7,090.142 | 7,682.878 |
| 115. | ADB-2300-Pak | 1.50 | $ | 10.000 | 5.526 | - | 5.526 | 547.074 |
| 116. | ADB-2385-Pak | LIBOR | $ | 250.000 | 250.000 | 31.050 | 218.950 | 21,676.050 |
| 117. | ADB-2386-Pak | 1.50 | $ | 8.800 | 6.923 | - | 6.923 | 685.377 |
| 118. | ADB-2485-Pak | 1.50 | $ | 100.000 | 95.974 | - | 95.974 | 9,501.426 |
| 119. | ADB-2547-Pak PGEIP | LIBOR | $ | 75.000 | 75.000 | 3.455 | 71.545 | 7,082.965 |
| 120. | ADB-2548-Pak PGEIP | 1.50 | $ | 75.000 | 76.466 | - | 76.466 | 7,570.122 |
| 121. | ADB-2644-Pak | 1.50 | $ | 150.000 | 150.969 | - | 150.969 | 14,945.949 |
| 122. | ADB-2841-Pak | 1.50 | $ | 270.000 | 15.262 | | 15.262 | 1,511 |
| 123. | OFID-1134-P | 2.50 | $ | 5.250 | 1.938 | - | 1.938 | 191.862 |
| 124. | French Loan-Extension of Water Resources for Faisalabad City Phase-I | **1.60** | **€** | **33.440** | **10.000** | **-** | **10.000** | **1,291.409** |
| | **Total** | | | | | | | **388,748.804** |

***Foreign loans to be repaid in Pak Rupees*** *(Rs. in million)*

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 125. | ADB-2030-Pak | LIBOR | ¥ | 21,652.195 | 11,690.455 | 6,332.326 | 5,358.129 | 5,358.129 |
| 126. | ADB-2031-PAK (SF) | 1.50 | $ | 4.000 | 121.204 | - | 121.204 | 121.204 |
| 127. | ADB-2216-Pak | LIBOR | $ | 200.000 | 12,047.360 | 2,985.337 | 9,062.023 | 9,062.023 |
| | **Total** | | | | | | | **14,541.356** |
| | | | | | | | **GRAND TOTAL (IN PKR)** | **403,290.161** |
| **Total $** | | | | | | **$** | **3,183.066** | **315,123.508** |
| **Total ¥** | | | | | | **¥** | **66,479.477** | **72,037.162** |
| **Total Rs.** | | | | | | **Rs.** | **14,541.356** | **14,541.356** |
| **Total Islamic Dinar** | | | | | | **ID** | **1.991** | **296.725** |
| **Total Euro** | | | | | | **€** | **10.000** | **1,291.409** |
| **Grand Total (in Rs.)** | | | | | | | | **403,290.161** |

**Exchange Rates : US $ 1 = 99.00, ¥ = 1.0836, ID = 149.0434 & € 1 = 129.1409**

**Annex-III**

# PENSION PAYMENTS (WITH 5 YEAR INTERVALS)

*(Rs. in billion)*

| Year | Expected Pension | Expected Commutation | Expense |
|---|---|---|---|
| 2013- 14 | 32.4 | 8.2 | **40.6** |
| 2018 - 19 | 56.2 | 15.5 | **71.7** |
| 2023 - 24 | 99.4 | 31.2 | **130.6** |
| 2028 - 29 | 174.8 | 55.5 | **230.3** |
| 2033 - 34 | 273.6 | 49.3 | **322.9** |
| 2038 - 39 | 407.7 | 69.3 | **477.0** |
| 2039 - 40 | 442.8 | 80.9 | **523.7** |

* Inflation is assumed at 10%

**Annex-IV**

# GP FUND PAYMENTS (WITH 5 YEAR INTERVALS)

*(Rs. inbillion)*

| Year | Total Expense |
|---|---|
| 2013 - 14 | 5.6 |
| 2018 - 19 | 11.9 |
| 2023 - 24 | 36.3 |
| 2028 - 29 | 53.4 |
| 2033 - 34 | 47.3 |
| 2038 - 39 | 85.0 |
| 2039 - 40 | 99.3 |

*Inflation is assumed at 10%

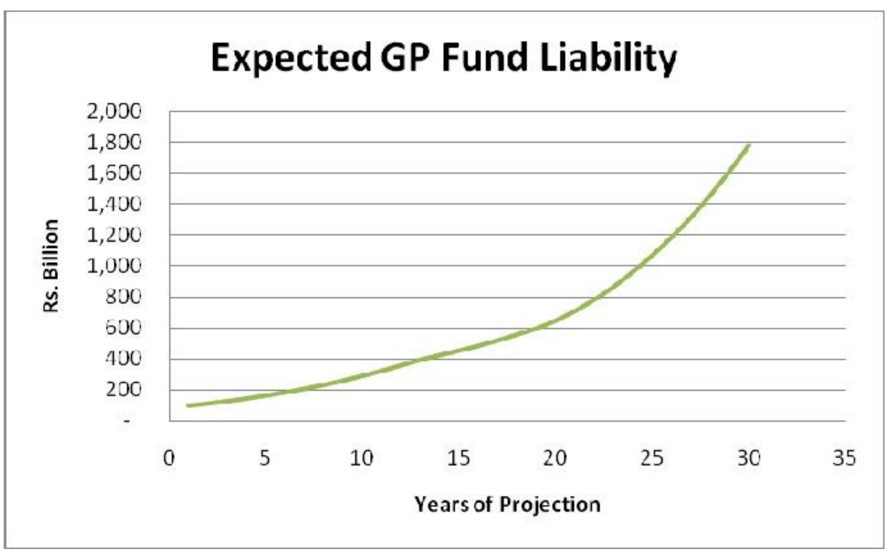
**Annex-V**

# EXPECTED GP FUND LIABILITY (WITH 5 YEAR INTERVAL)

*(Rs. in billion)*

| Year | Expected GP FundLiability |
|---|---|
| 2013 – 14 | 141.5 |
| 2018 – 19 | 257.7 |
| 2023 – 24 | 421.8 |
| 2028 – 29 | 595.6 |
| 2033 – 34 | 964.9 |
| 2038 – 39 | 1,617.7 |
| 2039 – 40 | 1,784.9 |

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



**Annex-VI**

## PENSION & GP FUND LIABILITY DISCLOSURES UNDER IPSAS 25

### PENSION FUND

**Statement of Financial Position**
**(under Paragragh 65. of IPSAS 25)**

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

**Expense Recognized in the Statement of Financial Performance**
**(under Paragraph 74. of IPSAS 25)**

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

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

- Increase in interest cost on Benefit Obligations
- Increase in Benefit Obligations due to changes in Pension benefits with effect from 0.07.2010
- Increase in Pension amountsthrough 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 | 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 1st 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)]**

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

**Corroboration of Results**

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

**GENERAL PROVIDENT FUND**

The Punjab Government is not a contributor to General Provident Fund. Employee is the sole contributor to this benefit. The contributions are deducted by the Government from employees' salaries using subscription rates depending on the pay scales of employees. The GP Fund notional accounts thus created are credited with interest income based on interested rates announced by the Government on an annual basis. The account balances are paid to employees at the time of cessation of their service.

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 (under Paragraph 65. of IPSAS 25)**

| | June 30, 2010<br>Rupees in '000 | June 30, 2009<br>Rupees in '000 |
|---|---|---|
| Present Value of Defined Benefit Obligation | 83,772,168 | 79,185,192 |
| **Plus** Estimated outstanding GP Fund payments during the year | 3,109,253 | Nil |
| **Plus** Actuarial Gains/**Less** Actuarial Losses not yet recognised | Nil | Nil |
| **Minus** Past Service Cost not yet recognised | Nil | Nil |
| **Minus** fair value of Plan Assets | Nil | Nil |
| **Statement of Financial Position** | **86,881,421** | **79,185,192** |

**Expense Recognized in the Statement of Financial Performance (under Paragraph 74. of IPSAS 25)**

| | 2009-10 Rupees in '000 | 2008-09 Rupees in '000 |
|---|---|---|
| Current Service Cost | Nil | Nil |
| Interest Cost | 9,586,223 | 8,615,641 |
| Miscellaneous Adjustment in Liability | (6,399,247) | Nil |
| Expected Return on Plan Assets | Nil | Nil |
| **Total Expense Recognized in the Statement of Financial Performance** | **3,186,976** | **8,615,641** |

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

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

**Corroboration of Results**

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