



FINANCE DEPARTMENT, PUNJAB

Year-End Budget Execution Report FY 2020-21

December 2021

Executive Summary

Transparency, monitoring and flow of information are key to an orderly public financial management system. Finance Department (FD) Punjab developed its maiden mid-year budget execution report FY 2020-21 in March 2021, providing analysis of budget execution halfway through the Financial Year and taking stock of progress in realizing specific performance targets. The mid-year report was an important step towards budget transparency and also helped FD for informed decision making in cash management and release of development funds. As continued commitment to transparency, FD has now prepared a Year-End Budget Execution Report (BER) with the help of FCDO funded Sub-national Governance (SNG) Programme Punjab. A Year-End BER enables a comprehensive assessment of actual spending and revenue collection against original estimates made at the year start. The report provides an account of the government's performance in realizing its targets and helps in better planning and execution of the budget for next financial year. The Year-End report is essential for accountability, reporting on actual budget execution and illustrating the situation of government's accounts at the end of the fiscal year. It also looks at the supplementary budget and the eventual variance that impacted the estimates made during the course of a fiscal year.

The provinces have little room to question the underlying macroeconomic assumptions and targets set by the federal government, which form the basis for provincial budgets. Therefore, on the receipt side, the credibility of provincial budgets is largely a function of the correctness of underlying assumptions for revenue targets at the federal level. These estimates/assumptions include the size of the GDP, GDP growth rate, inflation, and tax-to-GDP Ratio. Owing to the construct of fiscal federalism in Pakistan, the provincial governments rely heavily on Federal Divisible Pool Transfers. Therefore, the key assumption for Punjab's Budget 2020-21 was FBR collection of Rs.4,963.0 billion. Consequently, Punjab Government's share in the Federal Divisible Pool was to be Rs. 1,433.0 billion as per the 7th National Finance Commission Award. To set the FBR target, the Federal Government assumed GDP growth of 2.1% and inflation at 6.5%, as the nominal size of GDP depends on these key variables. FBR revenue was projected to increase at a rate of 24% from last year's actual compared to the registered increase of 4.4% the previous year. However, over the course of the year, the GDP growth rate for FY 2020-21 was revised to 3.9%, surpassing the projections of the World Bank and the IMF. While GDP was expected to be Rs. 45,316 billion at the start of the year, by end of FY 2020-21 the revised GDP was Rs. 47,709 billion. Inflation was higher than expected and was revised to 8.8% while revised estimates for FBR were Rs. 4,691.0 billion.

During the CFY, the Government was able to achieve 95.7% of the General Revenue Receipts target set in the original budget. The collection for General Revenue Receipt was Rs. 1,675.0 billion against a target of Rs.1,750.0 billion for the year. This includes federal divisible pool, tax and non-tax receipts. The total receipts (Account-I) of the Government during the fiscal year were Rs.1,758.8 billion against an estimate of Rs.1,908.4 billion (92.2% of the total revenue target). This includes Capital Account - I. Punjab received an amount of Rs.1,321.17 billion from the federal divisible pool as compared to the budget estimate of Rs.1,433.0 billion. Historically, FBR collection ranges from 72% to 101% in the past five years with an average of 89% while this year's collection was 92.2% of the target. Last year, the transfers were Rs.1,185.8 billion, exhibiting an increase of 10.6% this year.

The provincial tax collection during the year was Rs.234.3 billion against the budget estimate of Rs.220.9 billion, performing better than the target for the year by collecting over 106.0% in the year against the five-year average collection of 80%. This increase was due to 15% (Rs.18.7 billion in absolute terms) higher tax collection by Punjab Revenue Authority (PRA) than the annual target. More importantly, the Government was able to achieve this without adding any major taxes and increasing the tax rates. Rather, the Provincial Government announced a tax relief package worth Rs. 56.0 billion in the wake of COVID-19. The government was able to collect Rs. 119.5 billion in provincial non-tax receipts compared to the budget estimate of Rs.96.2 billion for the year. Based on five-year average, the collection for non-tax receipts is usually 80% of the budget allocation and the government exceeded the

target by 24.3%. This was due to receipt of Rs.45.6 billion under federal grants that were not part of the budget estimate along with the unclaimed deposits of Rs.8.95 billion. The collection for current capital receipts excluding food account is Rs. 52.7 billion against a target of Rs. 70.8 billion. Food account sale proceeds are Rs. 218.8 billion against a target of Rs.331.9 billion. Development capital receipts are Rs.31.1 billion against a target of Rs.87.9 billion. There is no trend seen in the collection of capital account receipts.

During FY 2020-21, the Government was able to utilize 88.9% of its budget allocation. The Government was able to utilize an amount of Rs. 1,880.7 billion as compared to a budget estimate of Rs. 2,115.6 billion for total provincial expenditure. Historically, the five-year average shows that the government usually spends 84% of the allocated budget. The actual current expenditure has been reported as Rs.1,257.5 billion compared to a budget estimate of Rs.1,318.3 billion, showing a utilization rate of 95.4%.

Our five-year trend analysis also shows the expenditure on the current side to be around 95% of the annual target. Capital expenditure during FY 2020-21 was Rs. 296.6 billion compared to a budget estimate of Rs.460.3 billion. For development expenditure, the government has utilized Rs.326.6 billion (96.8%) compared to the budget estimate of Rs.337.0 billion. Development spending in the past five years when compared with the budget estimate has ranged from 67% to 89%. This means that the execution of the development budget was much closer to the budget estimates. However, it is important to point out that there was an upward revision in the development budget to Rs. 375.2 billion indicating a utilization rate of 86.9% when compared with the revised estimate.

The report has been developed with a view to provide a detailed understanding about the execution of the budget in FY 2020-21. It starts with an aggregate level perspective in each chapter and drills down into details in the later part. After the 'Introduction', in chapter 2 the report provides a snapshot of the macroeconomic assumptions used by the Government at the time of budget-making and whether those assumptions held true at the end of the financial year. This is followed by the analysis of receipts in chapter 3 and analysis of expenditure in chapter 4. In chapter 5, an assessment of budget management by the government has been done. The final chapter draws conclusions and learnings from the analyses in the previous chapters.

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List of Abbreviations & Acronyms

AR	Audit Reports
B.E	Budget Estimates
BN	Billion
CAGR	Compound Annual Growth Rate
CB	Citizen's Budget
CFY	Current Fiscal Year
DISCO	Distribution Company
DLI	Disbursement Linked Indicator
EB	Enacted Budget
EPB	Executive's Budget Proposal
FBR	Federal Board of Revenue
FCDO	Foreign, Commonwealth & Development Office
FDP	Federal Divisible Pool
FED	Federal Excise Duty
FY	Financial / Fiscal Year
GDP	Gross Domestic Product
GSDP	Gross Sub-national Domestic Product
GSTS	General Sales Tax on Services
HUD	Housing Urban Development
IMF	International Monetary Fund
IYR	In-Year Reports
KPK	Khyber Pakhtunkhwa
LG	Local Government

MER	Mid-Year Review
MTFF	Medium Term Fiscal Framework
NFC	National Finance Commission
Non-Dev	Non Development
OBS	Open Budget Survey
OPM	Oxford Policy Management
PBS	Pre-Budget Statement
PCF	Provincial Consolidated Fund
PFM	Public Financial Management
PHED	Public Health Engineering Department
PIFRA	Project to Improve Financial Reporting and Auditing
PRA	Punjab Revenue Authority
PSDP	Public Sector Development Program
PSTS	Punjab Sales Tax on Services
R.E	Revised Estimates
SBP	State Bank of Pakistan
SMART	Strengthening Markets for Agriculture and Rural Transformation
SNG	Sub-National Governance Programme
YER	Year-End Report

1 Introduction

Budget transparency is a fundamental precondition for accountability and public participation in governance processes. Over the years, Government of the Punjab has taken several measures to enhance budget transparency and accessibility. Some of the major efforts have been: development of mid-year budget execution report, two-year performance report, Citizen's Budget and Budget Highlights in both English and Urdu languages and debt bulletins. A Year-End budget execution report is another step to improve budget transparency and accessibility in Punjab.

According to the internationally accepted good practice criteria for public financial management, eight key budget documents should be produced at different stages in the budget process. The eight key budget documents include Pre-Budget Statement (PBS), Executive's Budget Proposal (EBP), Citizen's Budget (CB), Enacted Budget (EB), In-Year Reports (IYR), Mid-Year Review (MYR), Year-End Report (YER), and Audit Reports (AR).

Government of the Punjab produces five of the eight documents, including executive budget proposal, citizen's budget, enacted budget, audit report and the Finance Minister's budget speech that serves as a pre-budget statement. Monthly civil accounts provide the data for making the in-year reports possible and informal analysis of budget execution is undertaken; however, no formal reports were prepared or published for the general public. In 2020-21, the first mid-year report was prepared and after approval was published on FD's website for public scrutiny. This is the first time that mid-year and Year-End reports will be prepared and published in respect of any FY, making it the seventh document that FD has produced as part of budget documents for FY 2020-21. A Year-End report is essential for accountability, analysis of budget execution during the year and illustrating the government's accounts at the end of the year. It presents the government's discussion of the performance of the budget as executed relative to its original budget and any supplementary budget that may have been issued during the course of the year. It covers what was actually spent and collected compared to what was budgeted.

In FY 2020-21, Government of the Punjab enforced a tighter regime on current expenditure by following the principles of prudent spending. Development priorities and government spending for Annual Development Program, 2020-21 were guided by Punjab Growth Strategy 2023 and Punjab Spatial Strategy 2047. Priority areas were livelihood security through social protection schemes; investments to fill health infrastructure gaps, ensuring food security, education and human capital development along with support to the MSME sector. The national economy made a strong recovery in FY 2020-21 despite facing the second and third waves of COVID-19. GDP growth rate for FY 2020-21 was estimated at 3.94%, significantly higher than the original target of 2.1% and IMF's forecast of 1.5%. The economic expansion has been broad-based with all three major sectors viz, agriculture, industrial and services, contributing to the GDP

growth. Prudent economic policies have enabled strong recovery without compromising macroeconomic stability and protected the most vulnerable segments of the society while a combination of non-pharmaceutical interventions and the vaccination drive have helped Pakistan keep the health crisis of COVID-19 well under control. Timely and data-driven policies of the government have expedited economic recovery. There was a notable pickup in economic activity as restrictions eased, large-scale manufacturing gained traction, demand indicators started showing encouraging growth, and all major crops, except cotton, exceeded their respective production targets. The construction and services sector also showed buoyancy, fiscal and external sector exhibited marked improvement as primary budget and current account balances have turned into surpluses.

2. Macroeconomic Assumptions

In the provincial budgets, the most significant number is of fiscal transfers from the federal divisible pool. The target and the share of the FDP for the ensuing financial year are formally conveyed to the provinces and the provinces do not deviate from these figures given the fiscal structure of the federation. Ministry of Finance, Government of Pakistan estimated the collection to be Rs. 4,963.0 billion during the financial year as a result of which the province was conveyed an estimate of divisible pool transfer of Rs.1,433.0 billion as its share under the 7th NFC Award. The underlying assumptions for the targets of any revenue collection comprise GDP growth rate, inflation, increase in tax-to-GDP ratio (tax rate and broadening of base), and the impact of administrative efficiency. The following table provides a list of the assumptions for these key macroeconomic indicators for the financial year 2020-21.

	Economic Indicators	Assumptions for Budget 2020-21¹	Revised Assumptions for 2020-21²
1.	Size of GDP (market prices)	Rs. 45,316 billion	47,709 billion
2.	Inflation	6.5%	8.8%
3.	Economic Growth Rate	2.1%	3.94%
4.	FBR Tax to GDP Ratio	10.9%	9.8%
5.	FBR Revenue Target	Rs. 4,963 billion	4,691 billion

The size of Pakistan's economy during FY 2020-21 was projected at Rs. 45,316 billion with the assumption that the economy will have a growth rate of 2.1% and inflation of 6.5%. The effects of COVID-19 have carried forward for the current FY impacting government's projections. However, we have seen that the economic growth rate for FY 2020-21 was revised to 3.94% showing that the economy fared far better than what was anticipated/projected. The GDP growth is based on 2.77%, 3.57% and 4.43% growth in agriculture, industrial and services sector, respectively. Pakistan's economy is a consumption-driven economy. Better consumer confidence can influence domestic production by increasing demand for goods and services. Growth in private consumption

¹ https://www.pbs.gov.pk/sites/default/files//tables/rename-as-per-table-type/Table_4.pdf

² https://www.finance.gov.pk/budget/Budget_2021_22/8_Explanatory_Memorandum_of_Federal_Receipts_2021_22.pdf

was 17% in FY2021 as compared to 4% last year. On the other hand, growth in public consumption was 11.4%, lower than last year's figure (19.3%), mainly due to lower growth in interest payments and squeezing of unnecessary expenditures. Gross Fixed Capital Formation (GFCF) posted a growth of 13.8% in FY2021. Considering the macroeconomic indicators and fiscal adjustments during the FY, FBR revenue targets were revised to 4,691 billion.

3 Analysis of Receipts

3.1 Total Provincial Receipts

The revenues of the Provincial Government are classified into two major categories: General Revenue Receipts and Capital Receipts. General Revenue Receipts account for around 79% of Total Provincial Consolidated Fund, and the remaining 21% comes from Capital Receipts.

For FY 2020-21 we have seen that a total of Rs. 1,675.0 billion has been collected against a target of Rs.1,750.0 billion in General Revenue Receipts. The General Revenue Receipts include federal divisible pool transfers, provincial tax revenue and provincial non-tax revenue. The transfers from Federal Divisible Pool budgeted at Rs. 1,433.0 billion³ were supposed to contribute around 82% to General Revenue Receipts, and the remaining 18% was projected to be collected from provincial own source, of which around 12.6% was estimated to be collected from provincial tax revenue (~ Rs.220.9 billion) and 5.5% was estimated from provincial non-tax revenue (~ Rs. 96.2 billion). As the year end, actual FDP transfers are Rs.1,321.2 billion showing a shortfall of Rs.111.8 billion, while the provincial government exceeded the targets for own-source revenue. Tax collection stands at Rs. 234.3 billion and non-tax collection is Rs.119.5 billion. FDP variance is attributed to shortfall in income tax collection of Rs.102.6 billion. Own source collection was higher than the targets due to increase in sales tax collection (tax revenue) and pass through items (non-tax revenue).

Capital receipts include new loans raised by the Government and recoveries of loans issued by the Government. A major part of this receipt is borrowing for State Trading under Account-II (Food). This liability accrues for the procurement of wheat and is retired through the sale of wheat. The share of borrowing for provincial projects and programmes in the Provincial Consolidated Fund (PCF) is relatively smaller. While the

³Annual Budget Statement 2020-21, Finance Department, Punjab.

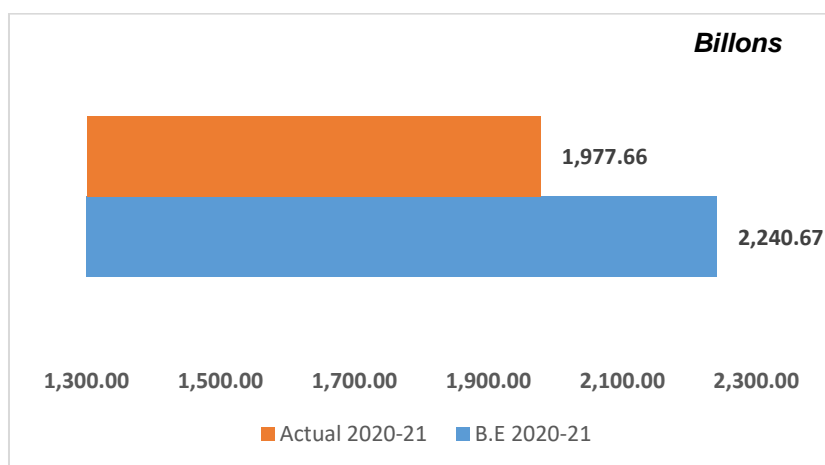
amount budgeted for capital receipts was Rs. 490.6 billion, the government received Rs. 302.7 billion⁴.

Historically, provinces have relied heavily on transfers from the federal government and Punjab is no exception. In the last five years on average, 81% of total provincial revenue of Punjab has been contributed from the provincial share in federal divisible pool, whereas around 17% has been collected from own source revenue, and around 2% is federal loans and grants.

Government of the Punjab has been making efforts to increase revenue collection from own sources. In FY 2018-19 the OSR target was set at Rs. 375.9 billion and was marginally increased by 3.3% to Rs. 388.4 billion in FY 2019-20. However, the actual collection in FY 2019-20 was only Rs. 300.4 billion due to the pandemic which caused the economic activity come to a standstill after February. It is important to understand that the target for FY 2019-20 was set before COVID and the government's agenda was focused on aggressive revenue mobilization based on the Punjab Growth Strategy. In FY 2020-21, the projections were reduced by around 18.3% in the context of COVID with the government giving a tax relief package of over Rs. 50 billion while setting the target at Rs.317.1 billion. However, the government exceeded the target by 11.6% and collected Rs. 353.8 billion. This was done without increasing the tax rates; rather the focus was on broadening of tax base. Despite COVID, the tax base widened, tax compliance increased and economic transactions enhanced.

During FY 2020-21, Punjab Government has realized 88.3% of its revenue target set in the budget. Provincial Government realized a total provincial receipt of Rs. 1977.7 billion against a budget estimate of Rs. 2,240.6 billion and revised estimate of Rs.2,299.2 billion. For General Revenue Receipts, the government collected a total of Rs. 1,675.0 billion against an estimate of Rs.1,750.04 billion realizing a collection of 95.7%. Though the government exceeded its targets set for tax and non-tax revenue collection, the reason for not meeting the targets set for GRR was due to a shortfall in federal divisible pool. Last year, the General Revenue Receipts collection was Rs.1,486.2 billion (75%) against a target of Rs.1989.2 billion.

⁴ The Accountant General, Punjab while finalizing the June Supplementary Accounts for FY 2020-21, adjusted the receipts of Rs.200.8 billion on account of Sale of Wheat, Sugar and others (Subsidy) against expenditure on procurement of Wheat and Sugar. The actual receipts (Capital Account-II), as per June Final Accounts for FY 2020-21, were shown at Rs. 419.7 billion against revised target of Rs.482 billion. Therefore, without adjustment, total capital receipts are Rs.503.5 billion against revised estimates of Rs.586.4 billion.

Figure 1 – Total Provincial Receipts**Table 3.1 - Total Provincial Receipts**

(Rs. In billion)

General Revenue Receipts						
	2020-21			2019-20		
	BE	RE	Actual	BE	RE	Actual
Federal Divisible Pool Transfers	1432.97	1,354.17	1321.17	1601.47	1127.88	1185.83
Provincial tax	220.89	228.7	234.29	294.96	191.09	196.85
Provincial non-tax	96.18	129.9	119.52	93.39	89.43	103.51
Total Receipts						
	2020-21			2019-20		
	BE	RE	Actual	BE	RE	Actual
Capital AC-I	158.72	104.36	83.83	102.5	68.87	65.15
Capital AC-II	331.87	482.02	218.85	208.25	334.55	143.22
Total Capital Account Receipts	490.59	586.38	302.68	310.75	403.41	208.37

General Revenue Receipts	1750.04	1,712.80	1674.98	1,989.82	1,408.10	1,486.19
Total Provincial Consolidated Fund	2,240.63	2,299.11	1,977.66	2,300.57	1,811.81	1,694.56

During FY 2020-21 Federal Divisible Pool transfers fell short of the target by Rs. 111.8 billion (7.8% of the FDP). However, the government exceeded the targets in provincial tax and non-tax receipts.

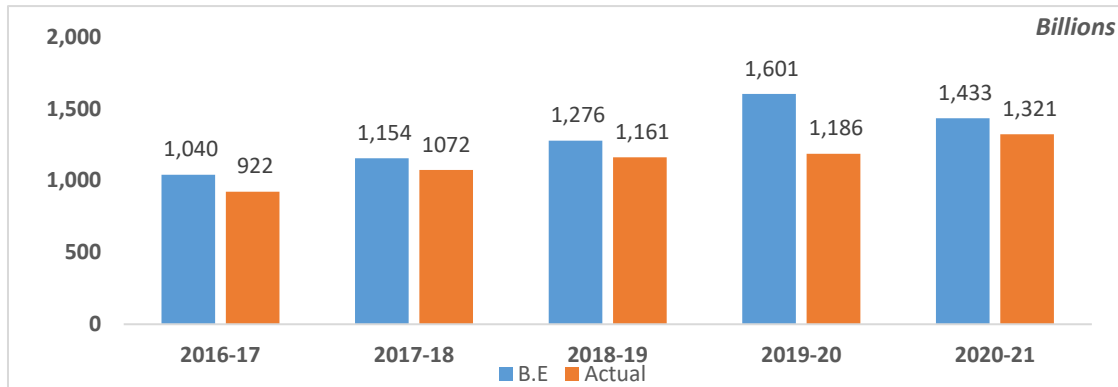
The Government received an amount of Rs.1,321.17 billion from the federal divisible pool as its share compared to the budget estimate of Rs.1,432.97 billion for the year. Table 3.1 shows a shortfall of Rs.111.83 billion for FDP. Historical data shows that approximately 89% (94% excluding 2019-20) of the FBR receipts are collected in the year when compared with the annual targets. Provincial tax collection was Rs.234.3 billion against the budget estimate of Rs.220.9 billion for the entire year. Trend analysis shows that provincial tax collection is approximately 80%. This year provincial tax collection was 6.1% higher (Rs.13.3 billion) compared to the budget estimate. In provincial non-tax revenue, the government has collected Rs.119.5 billion compared to the budget estimate of Rs.96.2 billion, showing an increase of 24.3%. Based on recent historical trend, provincial non-tax collection is approximately 124.3% of the annual targets. Capital account- I (Non-Food) receipts remained low (Rs. 83.8 billion) compared to the budget estimate (Rs. 158.7 billion).

The Current Capital Account – I (Non-Food) shows a collection of Rs.52.7 billion against a target of Rs. 70.8 billion. As part of capital receipts, the “Development Capital Receipts” collection is Rs. 31.13 billion against a target of Rs.87.9 billion.

Each item of the provincial receipts has been discussed in the following paragraphs:

3.1.1 Federal Divisible Pool

Figure 2 – Federal Divisible Pool



Federal Divisible Pool transfers are the biggest contributor to the provincial receipts. Even a small percentage shortfall in this source of income necessitates significant adjustments in the provincial budget. During FY 2020-21, the actual transfers were Rs.1,321.2 billion as compared to a target of Rs.1,433.0 billion for the entire year. The revised estimate for the financial year 2020-21 was Rs.1,354.2 billion. Last year, the FBR transfer was Rs.1,186 billion, exhibiting an increase of 12% for the CFY. The government managed to collect 92% of the budget estimate despite having an ambitious target for the year. FBR collection trends range from 71% to 105% in the past five years against budget estimates, averaging 89%. In FY 2019-20 there is a huge gap between collection and the target. However, this target was revised down at the end of the year due to COVID-19. When comparing this year’s collection with the revised estimate, there is a shortfall of Rs. 33 billion so the government was unable to achieve the targets set at the end of the year.

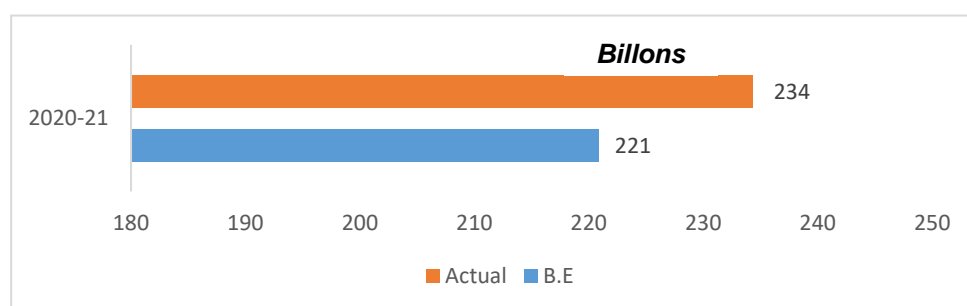
It is important to mention that the budget estimate for this year’s FBR revenue is 24% higher than the previous year’s actual collection. While nominal GDP growth accounts for ~12.7% of the FBR growth, the remaining ~11% can be attributed to the government’s policies aimed at increasing the tax revenue base coupled with administrative efficiency. Since the Divisible Pool transfers constitute a large proportion of General Revenue Receipts, even a small percentage variation between FBR’s Budgeted Estimates and Actual Collection leads to a major readjustment in Provincial receipts and expenditure.

Table 3.2 – Federal Divisible Pool

(Rs. In billion)

Federal Divisible Pool						
	2020-21			2019-20		
	BE	RE	Actual	BE	RE	Actual
Taxes on Income	587.89	513.76	485.25	598.35	467.03	456.94
Land Customs	184.04	201.53	213.21	286.45	157.01	183.29
Sales Tax	558.76	561.25	544.42	613.24	415.51	471.02
Capital Value Tax on Moveable Assets	0.89	0.15	0.19	1.14	0.70	1.24
Federal Excise	100.88	77.15	77.79	101.58	87.19	73.01
Federal Excise on Natural Gas	0.51	0.36	0.32	0.72	0.44	0.33
Federal Divisible Pool Transfers	1,432.97	1,354.17	1,321.17	1,601.47	1,127.88	1,185.83

3.1.2 Provincial tax Revenue

Figure 3 – Provincial tax Revenue

Punjab collected Rs.234.3 billion as tax receipts during the financial year 2020-21 as compared to a budget estimate of Rs.220.9 billion. In this way, Punjab's tax collection exhibited better performance, exceeding the target by Rs.13.4 billion (106.0% of the

annual target). More importantly, this performance is primarily based on improvements in collection efficiency and measures for broadening the tax base without adding any new taxes. Despite giving a tax relief package of more than Rs. 50 billion to mitigate the negative impact of the pandemic, we have still seen the government performing better by focusing its efforts on increasing tax compliance and documentation of the economy.

When compared with the revised estimate FY 2020-21, the collection is 102.4% (Rs. 5.6 billion higher than the revised estimates), an increase of 19% from the previous year. Table 3.4 provides a breakup of tax collection by departments. It shows that the growth in tax collection is primarily due to the growth in PSTS collection. This significant increase is a result of the vacation of the stay order on withholding tax for the telecom sector issued by the Supreme Court. PRA's collection includes transfers of Rs. 16.6 billion from FBR against cross adjustment of input taxes. The overall collection is very encouraging when seen in the context of sizeable tax relief provided in FY 2020-21. The government has adopted a fiscal strategy of providing maximum relief to the public of over Rs. 50 billion, which includes a reduction of rates of PSTS for nine sectors from 16% to 5% to incentivize compliance. There has been a decrease in tax collection by Energy Department. Punjab government levies excise duty on electricity consumption where DISCOs are the collecting agents. The amount collected by DISCOs is adjusted against WAPDA dues. This year the adjustment could not be carried out and therefore the amount is not reflected in the receipts. Board of Revenue's tax revenue increased against the target despite the reduction in stamp duty as part of the overall tax relief package.

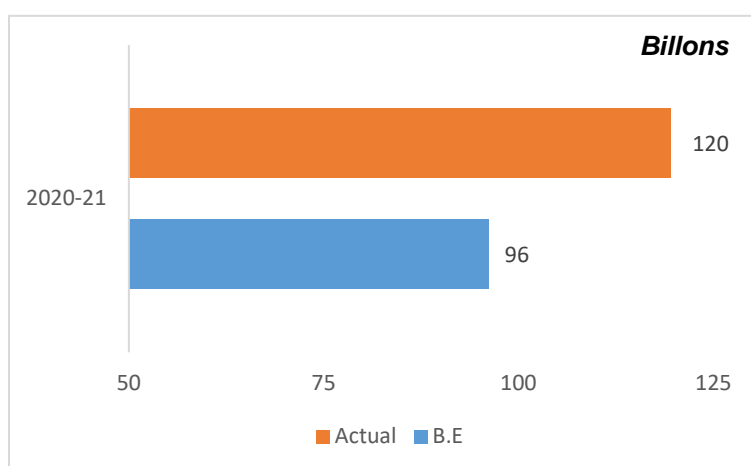
Table 3.3 – Provincial Tax Revenue

Provincial Tax Revenue							(Rs. In billion)
	2020-21			2019-20			
	BE	RE	Actual	BE	RE	Actual	
Direct Taxes	38.37	34.72	35.05	36.70	27.36	27.24	
Indirect Taxes	182.52	193.93	199.24	258.26	163.73	169.61	

Table 3.4 - Provincial Tax Revenue – Department wise collection

Provincial Tax Revenue – Department wise collection (Rs. in billion)						
	2020-21			2019-20		
	BE	RE	Actual	BE	RE	Actual
Board of Revenue	56	56.20	58.80	81.16	62.50	65.04
Excise & Taxation	32.36	30.50	30.87	39.7	23.00	22.59
Transport	0.68	0.60	0.68	0.71	0.43	0.47
Energy	6.85	0.20	0.18	6.85	0.16	0.162
PRA	125.00	141.15	143.75	166.55	105.00	108.59
Provincial Tax Revenue	220.89	228.65	234.29	294.96	191.09	196.85

3.1.3 Provincial Non-Tax Revenue

Figure 4 – Provincial Non-Tax Revenue

The Government collected Rs.119.5 billion in provincial non-tax revenue during the financial year 2020-21 against the original budget estimate of Rs.96.2 billion. Actual collection is therefore 124.3% of the budget target. In comparison, the provincial five year average for non-tax revenue collection is estimated to be 80% of the budget estimate. This shows that the government performed better showing an increase of 55

percentage points from the average collection. When comparing the collection with the budget estimate, it ranges from 41% to 146% in the past five years. Higher collection of non-tax receipts is mainly due to the receipt of federal grants and straight transfers. Last year, the government managed to collect Rs.103.5 billion against a target of Rs.93.4 billion, an increase of 16.1% this year.

During the year the government revised its budget estimates to Rs. 129.9 billion resulting in an 8.0% or Rs.10.4 billion shortfall. The shortfall was primarily related to a shortfall arising from *'Income from Property and Enterprise'*. *'Income from Property and Enterprise'* includes profits from electricity and interest on advances and loans. One major element of the target included an expected receipt of Rs.10.0 billion on account of Net Hydel Profit and arrears of Net Hydel Profit from the Federal Government. However, only Rs.3.0 billion were received resulting in a shortfall. Targets for miscellaneous receipts were exceeded due to the receipt of federal grants that were not included in the budget estimates. Miscellaneous receipts collection includes federal grants and straight transfers, which have led to an increase in 31% collection against the target. Federal grants include PSDP which is a pass-through item for provincial budget and passed on to different executing agencies for implementation of federal development projects for which development grants are received from the federal government. An amount of Rs.45.0 billion was received without any budgetary allocation. Similarly, the government received lapsed deposits of Rs.8.9 billion against a budget estimate of Rs. (Zero) 0 leading to such a high collection of non-tax receipts. These increases are also reflected in the Finance Department's figures showing high collection against the budget estimates.

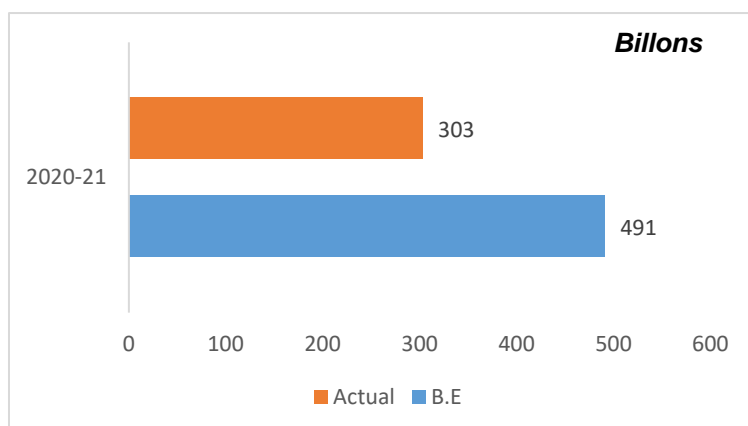
Table 3.5 – Provincial Non-Tax Revenue

Provincial Non tax Receipt			(Rs. In billion)			
	2020-21			2019-20		
	BE	RE	Actual	BE	RE	Actual
Income from Property and Enterprise	10.21	18.86	6.81	32.35	8.04	8.55
Receipts from Civil Administration and Other Functions	17.00	15.43	16.37	18.77	15.25	15.33
Miscellaneous Receipts	68.97	95.63	96.35	42.27	66.14	79.62
Provincial Non-Tax Revenue	96.18	129.91	119.52	93.39	89.43	103.51

Non Tax Receipt by Department				(Rs.In billion)		
	2020-21			2019-20		
	BE	RE	Actual	BE	RE	Actual
AGRICULTURE	1.07	1.09	1.16	1.46	0.90	0.96
BOARD OF REVENUE	20.36	10.25	1.71	4.09	0.33	0.98
COMMUNICATIONS & WORKS	3.90	3.27	3.65	5.00	3.21	3.20
COOPERATIVES	0.00	0.00	0.00	0.00	0.00	0.00
EDUCATION	1.95	1.76	2.04	1.96	1.95	2.04
FINANCE	21.34	66.44	63.15	43.31	45.61	50.38
FWF	1.24	1.29	1.41	1.20	1.22	1.15
HEALTH	2.09	1.55	1.76	3.16	1.48	1.52
HOME	1.11	1.08	1.00	1.08	0.80	0.52
HUD & PHE	0.85	0.75	0.82	0.80	0.75	0.79
INDUSTRIES	0.35	0.38	0.40	0.34	0.29	0.30
IRRIGATION	4.20	4.30	3.99	4.2	3.05	3.22
LAW AND PARLIAMENTARY AFFAIRS	0.62	0.57	0.60	0.51	0.56	0.54
LIVESTOCK AND DAIRY DEVELOPMENT	1.03	1.12	1.74	1.10	1.05	1.23
MINES AND MINERALS	11.00	10.00	10.20	12.20	9.00	8.78
POLICE	6.10	5.13	4.81	6.32	4.53	4.50
MISCELLANEOUS	18.97	20.94	21.00	6.66	14.71	23.09
Provincial Tax Revenue	96.18	129.91	119.52	93.39	89.43	103.51

3.1.4 Capital Receipts

Figure 5 – Capital Receipts



Capital receipts of the Government can be classified into two categories – ‘Current Capital Receipts’ and ‘Development Capital Receipts’. Current Capital Receipts comprise of recoveries of loans and advances by the government to its autonomous bodies and borrowing by the Government for (i) commodity operation and (ii) budget support programmes of multilateral. Current Capital Receipts are either credited to Account No. I (Non-Food Account) or Account No. II (Food Account) depending on the nature of receipt. Development Capital Receipts on the other hand comprise borrowing from multilateral donor agencies to finance specific development projects.

During the FY 2020-21, the Government had targeted to raise Rs.402.7 billion as current capital receipts while actual receipts from this source were Rs.271.6 billion⁵. Capital Account receipts (both Accounts I and II) show no trend. The Current Capital Account-I receipts show a collection of Rs.52.7 billion against a target of Rs.70.8 billion (74.3% collection) and a revised estimate of Rs.62.6 billion. While the government did overachieve the target under recoveries of the principal amount of loans advanced by the government by Rs.18.5 billion, it couldn’t raise the loans as per budget estimate. The receipts for account II are Rs.218.9 billion⁶ compared to the annual target of Rs.331.9 billion and the revised estimate of Rs.482.0 billion. Development capital receipt or foreign project assistance target has been set at Rs.87.9 billion against which the government has received an amount of Rs.31.1 billion. There is a huge shortfall (Rs. 56.8 billion) in development capital receipts arising from the difference in Lahore Orange Line Metro Train Project and project loans.

When compared with FY 2019-20, the performance is similar as the government managed to receive 67.1% of the B.E last year. The receipts under Account-I increased

⁵ Footnote no.4 may be referred for explanation.

⁶ Footnote no.4 may be referred for explanation.

compared to the previous year by 28.7%, whereas the receipts under Account II have increased by 52.8%.

Table 3.5 – Capital Receipts

Capital Receipts	(Rs. in billion)	
	2020-21	
	B.E	Actual
Current Capital Receipts	402.71	271.55
Development Capital Receipts	87.88	31.13
Capital Receipts	490.59	302.68

Table 3.6 - Capital Receipts Detailed

Capital Receipts	(Rs. in billion)	
	2020-21	
	B.E	Actual
A- Current Capital Receipts	402.71	271.55
Loans & Advances/Recoveries of Loans and Advances	1.28	18.5
Debt	69.56	34.19
Account I	70.84	52.71
Recoveries of Investment-State Trading Schemes	173.91	0
Cash Credit Accommodation	157.96	218.85
Account II	331.87	218.85
B- Development Capital Receipts	87.88	31.13

Total Capital Receipts (A+B)	490.6	302.68
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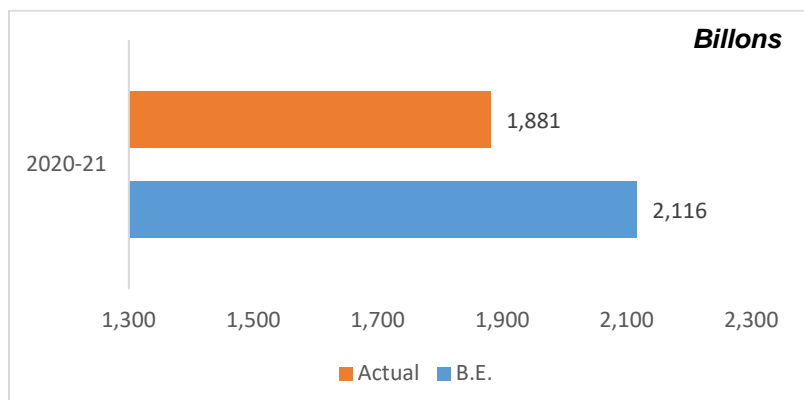
Capital Receipts (Rs. in billion)						
	2020-21			2019-20		
	B.E	R.E	Actual	BE	RE	Actual
Loans & Advances/Recoveries of Loans and Advances	1.28	18.52	18.51	1.096	2.727	2.32
Debt	157.44	85.84	65.33	101.40	66.138	62.83
Account I	158.72	104.36	83.84	102.50	68.87	65.15
Recoveries of Investment-State Trading Schemes	173.91	198.57	0	110.93	176.57	0.00
Cash Credit Accommodation	157.96	283.45	218.85	97.32	157.98	143.22
Account II	331.87	482.02	218.85	208.25	334.545	143.22
Total Capital Receipts	490.59	586.38	302.69	310.75	403.45	208.37

4 Analysis of Expenses

4.1 Total Provincial Expenditure

Expenditure is money spent by the Government on public service delivery and investments to deliver services. Provincial Government expenditure is divided into the following three broad categories:

1. Current Expenditure
2. Capital Expenditure
3. Development Expenditure

Figure 6 – Total Provincial Expenditure

Punjab Government has been able to utilize 88.9% of its budget allocation for FY 2020-21. The total provincial expenditure was estimated to be Rs.2,115.6 billion with a provincial surplus of Rs.125.0 billion. The actual expenditure for the year is Rs. 1,880.7 billion.

Based on the trend for the last five years, the government spends 83.31% on average of the allocated budget. This year the government has performed better than the average and utilized 88.9% of the allocation. When we exclude food account from the total expenditure the utilisation rate is 93.6%. However, the revised estimate for total expenditure was Rs.2,259.3 billion showing utilization of 83.2%. Against the revised estimate, budget execution performance for FY2020-21 was in line with performance against the revised estimates for the past three years, of 83.6%. When compared with the revised estimates the performance is better. The current expenditure is Rs1,257.04 billion against an allocation of Rs. 1,318.3 billion. Similarly, capital expenditure during the year is Rs.296.6 billion against a target of Rs.460.3 billion⁷. The Capital Account-I expenditure is Rs.86.0 billion and expenditure for capital account II is Rs.210.7 billion. Development expenditure spending shows that Rs.326.2 billion have been utilized against an annual target of Rs.337.0 billion and a revised estimate of Rs.375.2 billion.

As per the budget estimate 2020-21, 62.3% of total allocation was meant for current expenditure (Rs. 1,318.3 billion), 21.7% for capital expenditure (Rs. 460.3 billion) & 15.9% for development expenditure (Rs. 337.0 billion). As the year unfolded the shares of current, capital and development expenditures were 66.9%, 15.8% and 17.3% respectively in the total actual expenditure of the Government.

⁷ Without the adjustment by the Accountant General, Punjab highlighted previously, the actual expenditure (Capital Account-II), as per June Final Accounts for FY 2020-21, is Rs.411.5 billion against revised target of Rs.482 billion. Therefore, without adjustment, total capital expenditure is Rs.497.5 billion against revised estimates of Rs.569.2 billion.

Expenditure by Components: Table 4.1 divides the total expenditure of the Government into four major categories i.e. salary, non-salary, pensions and transfers. A total of Rs.325.6 billion have been spent on salary, Rs.235.6 billion on pension, Rs.408.5 billion on transfer to local governments and Rs.910.94 billion on non-salary expenditure. The utilization rates for salary and pension are 95% whereas utilization rates for local government transfers and non salary spending are 91% and 85% of the budget allocation respectively. Table 4.2 shows the variance of budget and revised estimates with actuals by components. The largest variance is seen in transfers to local governments (Rs.30.3 billion) and non-salary (Rs.251.9 billion) components.

Expenditure by Functions: Table 4.1 also shows deviations in expenditure from the budget estimates by function classification used under New Accounting Model. The table shows that the utilization rate for Housing and Community Amenities exceeded the allocation significantly. Other sectors that exceeded the allocation were Recreational and Cultural Affairs, Public Order and Safety and Health. These are important given the pandemic affected poverty and health. However, the government did not fully utilize its budget for Education, Environment Protection, Social Protection and General Public Service. Table 4.2 shows the variance of budget and revised estimates with actuals by functions. The largest variance between budget estimate and actuals is seen in General Public Services (Rs.115.3 billion) and Economic Affairs (Rs.156.2 billion).

Table 4.1 - Total Provincial Expenditure

Total Provincial Expenditure						
	BE 2020-21	RE 2020-21	Actual 2020-21	BE 2019-20	RE 2019-20	Actual 2019-20
Current Expenditure	1,318.34	1,314.91	1,257.46	1,298.77	1,257.93	1,200.01
Capital I Expenditure	128.42	87.17	85.97	210.62	82.57	79.64
Capital II Expenditure	331.87	482.02	210.65	208.25	334.55	161.35
Development Expenditure	337.00	375.22	326.58	350.00	255.03	233.54
Total	2,115.63	2,259.32	1,880.66	2,067.65	1,930.08	1,674.56

Major Components						
Salary	342.61	338.53	325.63	343.13	328.89	314.42
Pension	250.71	240.06	235.61	244.90	237.19	228.81
Transfers to LGs	448.50	428.94	408.47	437.10	427.22	413.43
Non salary	1,073.80	1,251.79	910.94	1,042.52	936.78	717.90
Total	2,115.63	2,259.32	1,880.66	2,067.65	1,930.08	1,674.56
	BE	RE	Actual	BE	RE	Actual 2019-20
	2020-21	2020-21	2020-21	2019-20	2019-20	
General Public Service	1103.03	1031.90	987.75	1095.96	977.26	938.80
Public Order and Safety Affairs	173.63	192.66	188.02	181.56	180.98	175.90
Economic Affairs	477.35	623.9	321.20	421.82	441.16	253.89
Environment Protection	6.39	5.55	5.47	1.5	0.50	0.406
Housing and Community Amenities	49.18	77.14	71.60	56.01	37.18	35.00
Health	187.36	211.77	196.72	182.43	181.54	165.02
Recreational, Culture and Religion	6.22	7.30	7.04	8.33	5.64	5.50
Education Affairs and Services	103.35	100.46	94.95	108.98	89.59	84.09
Social Protection	9.11	8.61	7.92	11.06	16.15	15.94

Total	2,115.63	2,259.32	1,880.66	2,067.65	1,930.08	1,674.56
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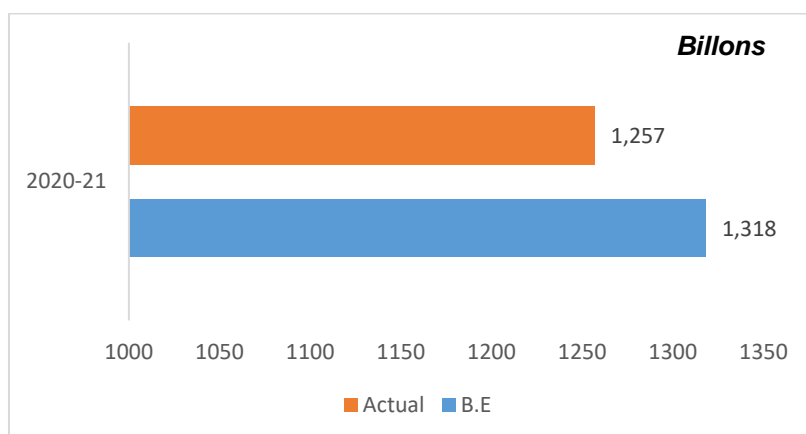
Table 4.2 - Total Provincial Expenditure (Variance)

	BE	RE	Actual	Variance	Variance	Average
	2020-21	2020-21	2020-21	BE and Actual	RE and Actual	variance
General Public Service	1103.03	1031.9	987.75	-115.28	-44.15	-79.72
Public Order and Safety Affairs	173.63	192.66	188.02	14.39	-4.64	4.88
Economic Affairs	477.35	623.9	321.20	-156.15	-302.70	-229.43
Environment Protection	6.39	5.55	5.47	-0.92	-0.08	-0.50
Housing and Community Amenities	49.18	77.14	71.60	22.42	-5.54	8.44
Health	187.36	211.77	196.72	9.36	-15.05	-2.85
Recreational, Culture and Religion	6.22	7.3	7.04	0.82	-0.26	0.28
Education Affairs and Services	103.35	100.46	94.95	-8.40	-5.51	-6.95
Social Protection	9.11	8.61	7.92	-1.19	-0.69	-0.94
Total	2,115.63	2,259.32	1,880.66	-234.97	-378.66	-306.82
Major Components						
Salary	342.61	338.53	325.63	-16.98	-12.90	-14.94
Pension	250.71	240.06	235.61	-15.10	-4.45	-9.78

Transfers to LGs	448.50	428.94	408.47	-40.03	-20.47	-30.25
Non salary	1,073.80	1,251.79	910.94	-162.86	-340.85	-251.86
Total	2,115.63	2,259.32	1,880.66	-234.97	-378.66	-306.82

4.1.1 Current Expenditure

Figure 7 - Current Expenditure



The allocation for current expenditure for FY 2020-21 was Rs. 1,318.34 billion whereas the spending is Rs. 1,257.46 billion showing a 95.38% utilization rate. Current expenditure enables the government to meet the requirements of service delivery.

The revised estimate for current expenditure was Rs.1,314.9 billion. Based on the past five years' data the government spends ~95% of the budget estimate. For FY 2020-21, the government's revised estimates are Rs.1,314.9 billion and the utilizing at 95.6% of the revised estimates. Last year the spending was Rs.1,200.0 billion (92% of the target) so spending has increased by 3%.

Expenditure by Components: *The government has performed better in terms of its budget execution when compared with FY 2019-20 except in transfers to local governments.* Otherwise, the utilization rates have improved for salary, pensions, and service delivery expenditure. While the actual expenditure for salary and pension were close to the estimates, the service delivery expenditure was expected to be higher at the end of the year as can be seen in the revised estimates. Local government transfers

were also revised down at the end of the year and the actual expenditure was lower by 4.8% when compared with the R.E. **Expenditure by Functions:** Table 4.3 also provides the Function classification of the expenditure to identify the 'purpose' of an allocation or expenditure. The table provides the break-up of current expenditure by functions. It shows that the expenditure on function 'Housing and Community Amenities' surpassed the B.E for the year (the utilization rate was 178.3% of the allocation); and functions 'Public Order & Safety Affairs' and 'Economic Affairs' also exceeded the annual target. Functions such as 'Health', 'Education', and 'Environment' have spent close to the budget allocations whereas spending under 'Social protection' was less than the budget allocation. When compared with last year there has been a decrease in spending in Social Protection. However, there have been increases in Education (25.2%), Economic Affairs (21.3%) and Environment (15%).

Expenditure by Department: Details of expenditure by 'Departments' are also available in the annex. This shows that the utilisation rates vary significantly across departments. Departments such as Police, Communications and Works, Home, Housing and Urban Development have utilisation rates over 100% whereas departments such as Women Development, Relief, Local government, and Labour have low utilisation rates.

Table 4.3 - Current Expenditure

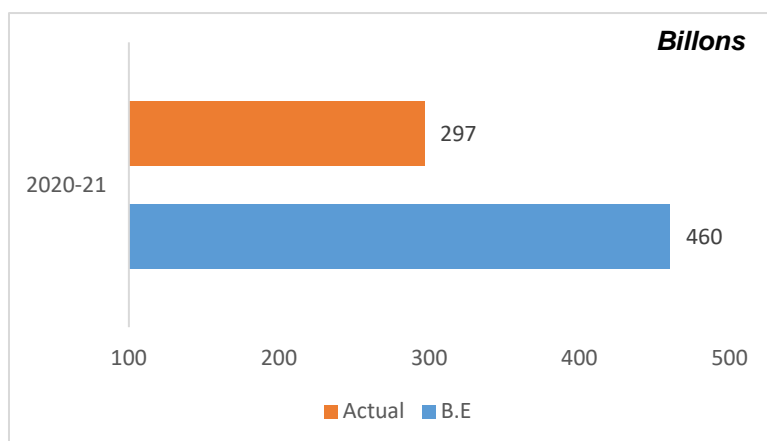
Current Expenditure						
	B.E 2020-21	R.E 2020-21	Actual 2020-21	BE 2019-20	RE 2019-20	Actual 2019-20
Pension	250.71	240.06	235.61	244.90	237.19	228.81
Transfers (to LGs and others)	448.50	420.05	399.58	437.10	418.76	404.96
Salary	337.55	334.96	322.15	337.55	323.67	309.50
Non salary	281.58	319.84	300.12	279.22	278.32	256.73
Total	1,318.34	1,314.91	1,257.46	1,298.77	1,257.93	1,200.01
Major Object wise Expenditure						
A01-Employee Related Expenses	337.66	335.07	322.26	337.63	323.76	309.59

A02-Project Pre-investment Analysis	0.02	0.01	0.01	0.02	0.01	0.01
A03-Operating Expenses	103.61	125.76	118.45	93.31	95.51	92.00
A04-Employees Retirement Benefits	257.11	249.26	244.30	250.54	241.81	233.13
A05-Grants, Subsidies and Write off of Loans / Advances	533.24	525.69	497.46	545.45	527.22	498.15
A06-Transfers	15.88	14.67	13.16	11.67	13.31	12.60
A07-Interest Payment	41.83	27.22	27.22	31.11	28.78	28.68
A08-Loans and Advances	0.00	0.00	0.00	0.00	0.00	0
A09-Expenditure on Acquiring of Physical Assets	4.35	7.23	5.52	4.32	8.11	7.54
A10-Principal Repayments of Loans	0.00	0.00	0.00	0.00	0.00	0.00
A11-Investments	0.00	0.00	0.00	0.02	0.00	0.00
A12-Civil Works	0.24	0.26	0.23	0.23	0.15	0.14
A13-Repairs and Maintenance	24.24	29.57	28.79	24.30	19.03	18.00
A14-Suspence and Clearing	0.16	0.16	0.05	0.16	0.26	0.18
Total	1,318.34	1,314.91	1,257.46	1,298.77	1,257.93	1,200.01

Current Expenditure by Function						
	BE 2020-21	RE 2020-21	Actual 2020-21	BE 2019-20	RE 2019-20	Actual 2019-20
General Public Service	778.13	736.04	706.38	754.68	726.51	699.48
Public Order and Safety Affairs	172.53	190.44	185.92	178.38	179.76	174.69
Economic Affairs	118.11	126.19	120.25	121.31	103.41	98.78
Environment Protection	0.49	0.54	0.46	0.50	0.50	0.40
Housing and Community Amenities	7.85	23.17	21.85	13.81	13.36	12.37
Health	157.07	153.46	142.36	145.15	153.98	139.18
Recreational, Culture and Religion	3.78	3.62	3.52	3.84	3.78	3.67
Education Affairs and Services	71.80	74.34	70.22	71.31	61.11	56.07
Social Protection	8.58	7.12	6.50	9.77	15.53	15.36
Total Current Expenditure	1,318.34	1,314.91	1,257.46	1,298.77	1,257.93	1,200.01

4.1.2 Capital Expenditure

Figure 8 - Capital Expenditure



While the budget estimate for the year is Rs.460.3 billion, the actual expenditure is Rs.296.6 billion.

Capital expenditure consists of loans made, loans repaid, and contributions made to separate funds for meeting long-term liabilities such as pensions. The capital expenditure can be divided into two main categories: Capital Expenditure (Account No. I) & Capital Expenditure (Account No. II). Account No. I relate to expenditure by the Government for the provision of services to citizens whereas Account No. II is reserved for transactions relating to commodity operations. Major transactions of Account No. I (Non-Food) include (i) Principal Repayment of Domestic, Foreign and Market Debt & (ii) Loans and advances to corporate bodies of the Government. Expenditure in Account No. II (Food) is 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 the trading operations to ensure food security in the country.

In capital account-I, the budget estimate for the year was Rs.128.4 billion whereas the actual expenditure incurred was Rs.86.0 billion, showing a 66.9% utilization. The revised estimate for capital account-I expenditure was Rs. 87.2 billion, close to the actual expenditure (98.6% utilization). When compared with FY 2019-20 the actual spending under capital account-I has increased by 7.9%. Though capital account-I shows no trend, data of past 5 years show the capital account I expenditure ranges from 38% to 114% of the budget allocation. This year the difference arose mainly due to investment and repayment of loans domestically as the government has only spent 25.8% of the money allocated for investment and 23.1% of the amount allocated for domestic debt management. The government has been able to repay the principal amount of foreign debt.

Similarly, for capital account-II, the actual expenditure recorded in June Supplementary account for the year (after adjustment) was Rs.210.7 billion⁸ against a budget allocation of Rs. 331.9 billion. Details of capital expenditure under Account-I and II can be seen in Table 4.4.

Table 4.4 - Capital Expenditure

Capital Expenditure						
	BE 2020-21	RE 2020-21	Actual 2020- 21	BE 2019-20	RE 2019- 20	Actual 2019-20
Capital-A/c-I	128.42	87.17	85.97	210.62	82.57	79.66
PC12043-LOANS TO MUNICIPALITIES/ ABS ETC.	29.41	27.46	26.32	76.98	28.42	25.64
014202 - Transfer To Non-financial institutions	29.41	27.46	26.32	76.98	28.42	25.64
PC13034-STATE TRADING IN MEDICAL STORES AND COAL	0.13	0.12	0.06	0.09	0.26	0.12
041403 - Medical Stores	0.13	0.12	0.06	0.09	0.26	0.12
PC13035-LOANS TO GOVERNMENT SERVANTS	0.00	0.00	0.00	0.00	0.00	0.00
014203 - Transfer to Government Servants	0.00	0.00	0.00	0.00	0.00	0.00
PC13050-INVESTMENT	43.80	11.29	11.29	84.40	6.72	6.72

⁸ Footnote no.7 may be referred for explanation.

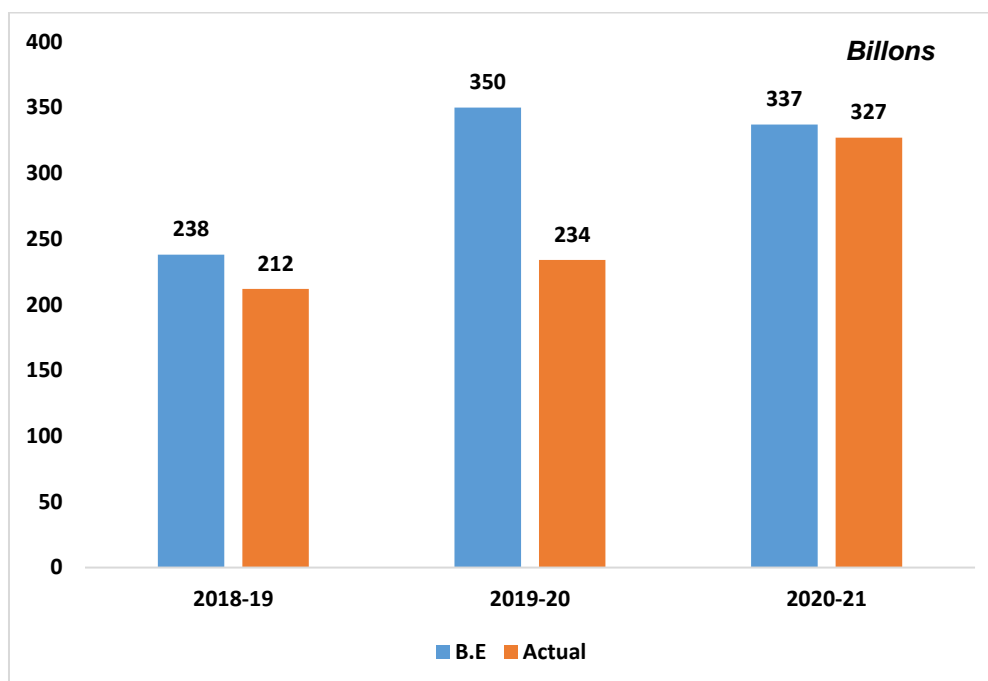
	BE 2020-21	RE 2020-21	Actual 2020- 21	BE 2019-20	RE 2019- 20	Actual 2019-20
014302 - Non-Financial Institutions	43.80	11.29	11.29	84.40	6.72	6.72
PC16046-PERMANENT DEBT (DISCHARGED)	0.00	0.00	0.00	0.00	0.00	0.00
011503 - Domestic Debt Management	0.00	0.00	0.00	0.00	0.00	0.00
PC16048-REPAYMENT OF LOANS FROM THE FEDERAL	55.08	48.30	48.30	49.15	47.18	47.18
011404 - Repayment of principal foreign debt paya	48.58	46.79	46.79	42.33	45.36	45.36
011505 - Repayment of principal domestic debt pay	6.51	1.51	1.51	6.82	1.82	1.82
Capital-A/c-II	331.87	482.02	210.65	208.25	334.55	161.35
PC13033-STATE TRADING IN FOODGRAINS AND SUGAR (VOTED)	170.16	312.96	41.64	105.05	170.36	-2.83
041401 - Food (Wheat)	170.16	312.96	41.64	105.05	170.36	-2.83
PC16033-STATE TRADING IN FOODGRAINS AND SUGAR (CHARGED)	47.05	36.30	36.25	51.86	55.20	55.20
041401 - Food (Wheat)	47.05	36.30	36.25	51.86	55.20	55.20

	BE 2020-21	RE 2020-21	Actual 2020- 21	BE 2019-20	RE 2019- 20	Actual 2019-20
PC16047-FLOATING DEBT (DISCHARGED)	114.66	132.76	132.76	51.35	108.98	108.98
011504 - Repayment of principal domestic debt-flo	114.66	132.76	132.76	51.35	108.98	108.98
Grand Total	460.29	569.19	296.62	418.88	417.12	241.02

4.1.3 Development Expenditure

Expenditure by the Government that enhances its capability of service delivery to citizens is classified as development expenditure. Every year an Annual Development Programme is approved by the legislature. The development expenditure is categorized into development revenue expenditure and development capital expenditure.

Figure 9 - Development Expenditure



Development expenditure of the Government during the FY 2020-21 was Rs.326.6 billion against a budget estimate of Rs.337.0 billion, which is 96.9% of the budget allocation.

The revised expenditure for the year was Rs. 375.2 billion showing a utilization rate of 86.9%. During the financial year, the resources available to Government for development were Rs.415.8 billion netting off Capital Account I. Last year, the government had spent Rs.233.5 billion against a budget estimate of Rs. 350.0 billion showing a 66.7% utilization rate. Development spending in the past five years when compared with the budget estimate have ranged from 67% to 89% hence the government has really improved its execution in development spending.

Expenditure by Functions: Details of expenditure by 'Functions' are also available in Table 4.5. It's important to note that the utilization for 'Social Protection' sector is Rs. 1.42 billion compared to a budget allocation of Rs. 0.53 billion (268% utilization rate). Development spending under 'Health' is Rs. 53.5 billion against a budget allocation of Rs. 30.3 billion (176.6% utilization) and a revised estimate of Rs. 58.3 billion. Similarly, spending under Public Order and Safety Affairs, and Housing and Community Amenities has exceeded the budget allocation whereas there is lower spending in certain functions such as Education, Environment and Economic Affairs. 'Education' is Rs. 24.7 billion against the annual target of Rs. 31.6 billion (78.2% utilization) and a revised estimate of Rs. 26.1 billion. When compared with FY 2019-20, the actual spending has increased for all functions except 'Education'. There have been significant increases in 'Environment', 'Social Protection', and 'Health'.

Expenditure by Department: Details of expenditure by 'Departments' are also available in the **annex**. This shows that the utilisation rates vary significantly across departments. Departments such as Health, School Education, Forestry, and Agriculture have utilisation rates over 100% whereas departments such as Human Rights, Food, and Transport have low utilisation rates.

Table 4.5 - Development Expenditure

Development Expenditure						
	B.E 2020- 21	RE 2020-21	Actual 2020-21	BE 2019-20	RE 2019-20	Actual 2019-20
A01-Employee Related Expenses	4.99	3.51	3.46	4.06	4.11	3.91
A02-Project Pre Investment Analysis	0.05	0.03	0.02	0.23	0.00	0.00

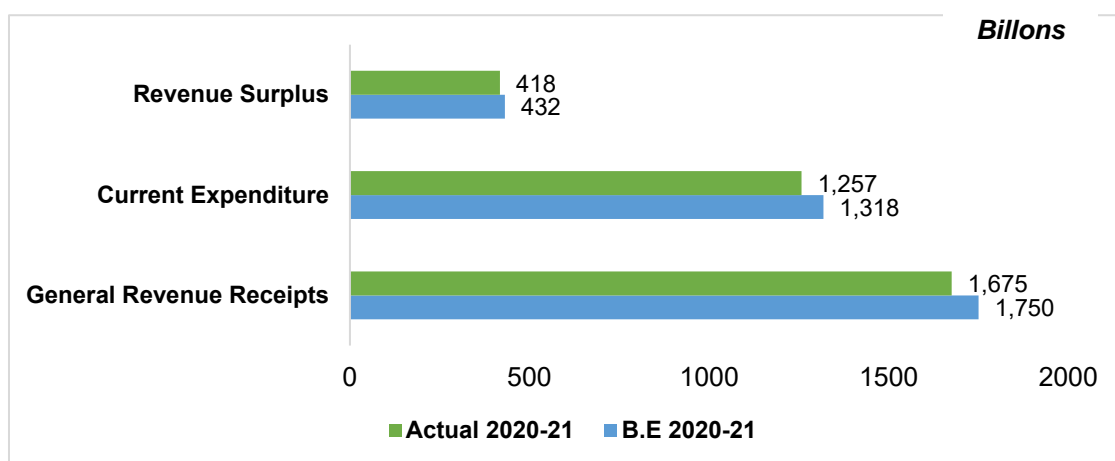
A03-Operating Expenses	8.49	9.83	8.63	13.14	12.46	12.00
A04-Employees Retirement Benefits	0.00	0.01	0.01	0.00	0.00	0.00
A05-Grants, Subsidies and Write off of Loans / Advances	195.56	192.65	168.33	173.26	121.99	103.85
A06-Transfers	42.33	38.23	33.98	44.41	35.27	33.26
A07-Interest Payment	0.00	0.00	0.00	0.00	0.00	0.00
A08-Loans and Advances	0.00	0.00	0.00	0.00	0.00	0.00
A09-Expenditure on Acquiring of Physical Assets	10.47	15.21	14.34	17.24	6.27	6.20
A10-Principal Repayments of Loans	0.00	0.00	0.00	0.00	0.00	0.00
A11-Investments	0.00	0.00	0.00	0.00	0.00	0.00
A12-Civil Works	74.6	115.27	97.37	96.66	74.26	73.66
A13-Repairs and Maintenance	0.5	0.49	0.45	0.99	0.67	0.65
A14-Suspence and Clearing	0.00	0.00	0.00	0.00	0.00	0.00

Development Expenditure by Function						
	BE 2020-21	RE 2020-21	Actual 2020-21	BE 2019-20	RE 2019-20	Actual 2019-20
General Public Service	81.94	76.04	62.71	79.40	59.45	50.79
Public Order and Safety Affairs	1.11	2.22	2.10	3.17	1.22	1.21
Economic Affairs	141.90	148.35	122.99	143.51	111.93	102.62
Environment Protection	5.90	5.01	5.01	1.00	0.00	0.00
Housing and Community Amenities	41.33	53.98	49.75	42.20	23.82	22.64
Health	30.29	58.32	54.35	37.28	27.56	25.84
Recreational, Culture and Religion	2.44	3.68	3.52	4.48	1.86	1.83
Education Affairs and Services	31.55	26.12	24.72	37.67	28.57	28.02
Social Protection	0.53	1.49	1.42	1.29	0.61	0.58
Total	337.00	375.22	326.58	350.00	255.02	233.54

5. Budget Management

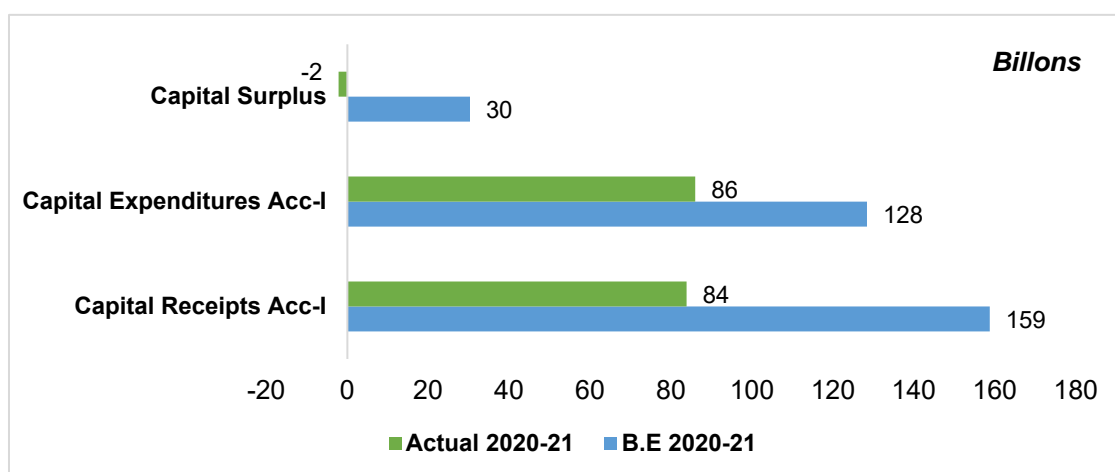
Total provincial receipts were estimated at Rs. 2,240.6 billion whereas the total expenditure was estimated at Rs. 2115.6 billion. The actual receipts were Rs.1977.7 billion (88.3% of the allocation) whereas the actual expenditure was Rs.1,880.7 billion (88.9% of total allocation).

Figure 10 - Revenue Surplus



The actual Revenue Surplus (i.e., General Revenue Receipts) was Rs. 418.0 billion for the year compared to a budget estimate of Rs.431.7 billion.

Figure 11 - Capital Surplus/(Deficit)



There is a capital deficit of Rs. 2.1 billion against a budget estimate capital surplus of Rs.29.9 billion. This only includes capital account-I receipt and expenditure. The capital account-I receipt is Rs.83.8 billion whereas the expenditure is Rs.85.9 billion.

After meeting current and capital expenditures, the available resources for development expenditure were Rs.415.8 billion for the year against an estimate of Rs.337.0 billion in the budget.

The government also sanctioned a total of Rs. 248.0 billion under supplementary grants. This includes both development and non-development funds.

6. Conclusion

Budget 2020-21 was presented in the backdrop of tough economic conditions with COVID resulting in a major adjustment in the fiscal position of the government. Due to the tight fiscal condition the government has been trying to control the expenditures to achieve fiscal sustainability.

On the receipt side, FBR transfers fell short of the estimate by Rs.111.8 billion. The government exceeded its targets for own-source revenue by Rs.36.8 billion. Tax collection was Rs.234.3 billion against a target of Rs.220.9 billion whereas non-tax receipts were Rs.119.5 billion against an estimate of Rs.96.2 billion. Capital receipts fell short of the estimate by Rs. 187.9 billion with variance arising from both capital account I and II receipts. Overall the aggregate revenue collection is 88.3% of the budget estimate.

The government improved its budget execution on expenditure side with a utilization rate of 88.9%. Historically, the five-year average shows that the government usually spends 84% of the allocated budget. For capital expenditure, the variance was primarily due to missing the target for the payments in state commodity operations in food grains especially procurement of wheat. It is pertinent to mention that the utilization rate for current expenditure was 95.4% whereby Rs.1,257.5 billion were utilized against an allocation of Rs.1,318.3 billion.

The government delivered on its development budget allocation as the utilization rate is 96.9%. The government spent Rs. 326.6 billion against an estimate of Rs.337.0 billion.

Whilst government tried to improve budget credibility in FY2020-21, the variance between budget and actuals for expenditure and revenue is 11.1% and 11.7%, respectively. This shows progress when benchmarked against an average variance of 16.3% for expenditures and 15.9% over the previous 3 years.

Finance Department made efforts to improve predictability through cash flow forecasting and cash balance management. The department released funds as per the funds release policy it developed and notified while replacing the old practice of releasing arbitrary amounts on an ad hoc basis. Government also developed a cash plan and fund release policy for FY 2020-21 to improve cash management, already leading to some improvements.

Based on recommendations of MYR FY 2020-21, the government made additional funds available for development expenditure. Although utilization of released amounts shows improvement, the supplementary grants and variances seen in the allocations and execution for the FY 2020-21 have highlighted the following:

- i. **The federal government set the target of FBR collection at Rs 4.9 trillion for the financial year which it missed by Rs. 218 billion though it did exceed the revised estimate by Rs. 54 billion**, at a time when businesses were still recovering from major losses due to the lockdown in the year of 2020-21. Any shortfall at the federal level will increase the variance between the budgetary estimates and the actual receipts for both the federal and provincial governments hence it is important to forecast the FBR receipts accurately.
- ii. **The Punjab government has exceeded its targets for provincial own-source revenue in both tax and non-tax receipts.** This indicates that the efforts of the Government of Punjab to raise own source revenue have been successful during the FY 2020-21. In this regard, reforms were undertaken to increase tax base by improving tax compliance and documentation of the economy. This played a major part in increasing overall Tax and Non-Tax receipts of the Province.
- iii. **The execution for current expenditures met the past five-year average, and the growth in the revenues outstripped the growth in the current expenditure, which is a positive sign.** However, it is important to further reduce variance between the targets and utilization within departments and functions.
- iv. **Utilization of the released development funds has improved significantly since the last five financial years.** It is prudent to release funds as per a defined policy rather than on a discretionary basis. For the fiscal year 2021-22 the government has already released development funds for ongoing/approved schemes at the start of the financial year.

Annex

Current expenditure by department (2020-21)	B.E.	R.E.	Actual Expenditure	% Act Vs BE
C65 - Police Department	119.18	132.97	130.26	109.30%
C67 - Industries, Commerce & Investment Department	10.31	11.12	9.69	93.97%
H57 - Higher Education	33.69	34.00	31.47	93.42%
M72 - Human Rights & Minorities Affairs	0.38	0.21	0.15	39.00%
P01 - Youth Affairs and Sports	0.88	0.95	0.91	103.99%
P02 - Tourism & Archeology	0.71	0.51	0.50	70.41%
P50 – Agriculture	23.98	28.40	26.74	111.49%
P51 - C.M. Secretariat	0.59	0.80	0.79	134.93%
P52 - Chief Ministers Inspection Team	0.11	0.13	0.13	113.49%
P54 - Communication and Works	22.08	26.37	25.41	115.07%
P56 – Cooperatives	1.46	1.45	1.38	94.46%
P58 - Environment Protection	0.56	0.62	0.54	96.21%
P59 - Excise and Taxation	1.53	3.01	2.36	154.41%
P60 – Finance	299.91	283.86	277.38	92.49%
P61 – Food	7.73	3.69	3.36	43.43%
P62 - Forestry Wildlife & Fisheries	5.98	6.12	6.02	100.58%
P63 - Governor's Secretariat	0.49	0.43	0.42	86.67%
P64 - Health	0.00	0.03	0.00	0.00%
P65 – Home	21.85	23.92	23.06	105.52%
P66 - Housing Urban Development Public Health Engineering	6.85	11.75	11.18	163.30%
P68 - Information Technology	0.00	0.00	0.00	0.00%
P69 - Information and Culture Department	2.24	2.19	2.16	96.67%
P70 - Irrigation	19.91	21.48	20.22	101.56%
P71 - Labour and Human Resource	1.11	0.73	0.71	64.27%
P72 - Law and Parliamentary Affairs	1.91	2.27	2.17	113.66%
P73 - Literacy and Non-formal Basic Education	0.51	0.43	0.41	81.73%
P74 - Livestock and Dairy Development	11.63	13.07	12.92	111.09%
P75 - Local Government and Rural Development	65.09	60.37	48.00	73.75%
P76 - Management and Professional Development	0.20	0.20	0.19	96.87%
P77 - Mines and Minerals	0.84	0.90	0.88	104.73%
P78 - Planning and Development	4.81	5.01	4.72	98.09%
P79 - Population Welfare	5.12	5.31	5.01	97.83%
P80 - Provincial Assembly	2.64	2.31	2.15	81.55%
P81 - Relief	1.48	0.39	0.36	24.49%
P82 - Religious Affairs and Auqaf Dept	0.10	0.08	0.08	78.11%
P83 - Board of Revenue	14.11	14.13	12.92	91.59%

Current expenditure by department (2020-21)	B.E.	R.E.	Actual Expenditure	% Act Vs BE
P84 - Services and General Administration	35.44	37.89	36.69	103.53%
P85 - Social Welfare & Bait ul Mal	2.61	2.64	2.34	89.63%
P86 - Special Education	0.27	0.33	0.30	110.56%
P88 - Transport	13.36	12.61	12.57	94.09%
P89 - Zakat and Ushr	0.32	0.31	0.29	90.94%
P92 - Prosecution Department	2.33	2.37	2.31	99.04%
P93 - Energy Department	0.43	0.46	0.41	97.34%
P95 - Women Development Department	0.29	0.24	0.22	75.12%
R64 - Primary & Secondary Healthcare	123.00	124.36	118.98	96.72%
S57 - School Education	322.58	315.01	308.24	95.55%
S64 - Specialized Healthcare & Medical Education	127.76	119.49	110.46	86.46%
Grand Total	1,318.34	1,314.91	1,257.46	95.38%

Development expenditure by department (2020-21)	B.E.	R.E.	Actual Expenditure	% Act Vs BE
C65 - Police Department	1.71	2.74	0.17	9.92%
C67 - Industries, Commerce & Investment Department	3.00	1.20	1.15	38.40%
H57 - Higher Education	3.90	4.66	1.44	36.82%
M72 - Human Rights & Minorities Affairs	0.50	0.08	0.05	10.00%
P01 - Youth Affairs and Sports	1.93	3.30	3.04	157.13%
P02 - Tourism & Archaeology	0.53	0.75	0.48	91.55%
P50 - Agriculture	7.75	18.48	13.90	179.30%
P54 - Communication and Works	33.42	68.90	73.45	219.79%
P56 - Cooperatives	0.00	0.01	0.00	0.00%
P58 - Environment Protection	5.92	5.01	5.01	84.62%
P59 - Excise and Taxation	0.01	0.02	0.00	0.00%
P61 - Food	0.20	0.20	0.04	22.47%
P62 - Forestry Wildlife & Fisheries	2.75	3.48	2.87	104.18%
P64 - Health	0.00	0.00	0.00	0.00%
P65 - Home	1.42	2.17	1.91	134.46%
P66 - Housing Urban Development Public Health Engineering	28.20	39.41	39.10	138.67%
P69 - Information and Culture Department	0.20	0.18	0.14	70.38%
P70 - Irrigation	17.47	17.98	15.04	86.08%
P71 - Labour and Human Resource	0.15	0.12	0.06	41.70%
P72 - Law and Parliamentary Affairs	0.30	0.53	0.00	0.00%

Development expenditure by department (2020-21)	B.E.	R.E.	Actual Expenditure	% Act Vs BE
P73 - Literacy and Non-formal Basic Education	2.50	0.23	0.20	7.99%
P74 - Livestock and Dairy Development	1.70	1.40	0.96	56.52%
P75 - Local Government and Rural Development	13.20	15.59	11.15	84.47%
P76 - Management and Professional Development	0.08	0.11	0.00	0.00%
P77 - Mines and Minerals	1.55	0.71	0.66	42.37%
P78 - Planning and Development	93.09	41.78	28.84	30.98%
P79 - Population Welfare	1.32	1.41	1.36	102.79%
P80 - Provincial Assembly	1.00	2.70	0.03	2.65%
P82 - Religious Affairs and Auqaf Dept	0.17	1.02	0.09	52.04%
P83 - Board of Revenue	2.49	1.51	0.88	35.33%
P84 - Services and General Administration	0.44	26.20	23.97	5455.92%
P85 - Social Welfare & Bait ul Mal	0.63	0.53	0.17	26.95%
P86 - Special Education	0.56	0.48	0.03	4.85%
P88 - Transport	42.33	11.24	10.82	25.56%
P89 - Zakat and Ushr	0.00	0.00	0.78	0.00%
P92 - Prosecution Department	0.15	0.09	0.00	0.00%
P93 - Energy Department	4.50	4.23	4.13	91.67%
P94 - Youth Affairs, Sports, Archeology & Tourism	0.33	0.00	0.00	0.00%
P95 - Women Development Department	0.40	0.33	0.22	56.23%
R64 - Primary & Secondary Healthcare	11.46	21.07	22.63	197.40%
S57 - School Education	27.60	31.31	30.26	109.65%
S64 - Specialized Healthcare & Medical Education	22.15	44.04	31.56	142.49%
Grand Total	337.00	375.22	326.58	96.91%