



FINANCE DEPARTMENT, PUNJAB

Budget Execution Report

Fiscal Year 2022-23

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List of Acronyms & Abbreviations

AR	Audit Reports
BE	Budget Estimate
CAGR	Compound Annual Growth Rate
CB	Citizen's Budget
CFY	Current Fiscal Year
DLI	Disbursement Linked Indicator
1H	First Half
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
GoPb	Government of the Punjab
IMF	International Monetary Fund
IYR	In-Year Reports
KPK	Khyber Pakhtunkhwa
LFY	Last Fiscal Year
LG	Local Government

1 Foreword

The Budget Execution Report (BER) for the fiscal year 2022-23 has been prepared to comply with the provision of Section-41 of the Punjab Public Financial Management (PFM) Act`2022 which requires Finance Department (FD) to prepare a Budget Execution Report (BER) on semi-annual basis or for the full financial year comparing actual figures of revenue & expenditure with the budget and computation of variance along with explanation of underlying factors contributing to the variance.

The BER aids in assessing budgetary performance of the Government under various categories, functions, and components budgeted for the year. It also offers various takeaways which help the Finance Department to make prudent budgetary decisions in future. Furthermore, it shows the commitment of the Government of Punjab towards budget transparency & accessibility for a wider audience – both technical and non-technical.

2 Macroeconomic Assumptions

Overall economic condition of the country reflected through the GDP growth and the subsequent collection of Federal Board of Revenue (FBR) determines the allocation of resources to the provincial Government(s) as a share of Federal Divisible Pool which is the largest funding source of total receipts of the province(s) across the country.

For FY2022-23, initially, the Government of Pakistan estimated FBR collection to be Rs.7,004 billion with Punjab's FDP share of Rs.2,021 billion under NFC Award of 2010. However, this was based on the assumption that the economy will grow by 5.0% and inflation will be around 11.5%. Thus, nominal GDP will be around Rs.78.2 trillion with expected growth of 23.5%.

In comparison to what was estimated at the time of budget 2022-23, the Government realized a marginal growth of 0.29% far behind the target of 5% coupled with the ever-high inflation of 29% during the last decade as a result of 2022 heavy floods, political instability, massive Rupee depreciation, and global economic slowdown during the year. However, the Government did well on the taxation front and managed to surpass the target of revenue collection of Rs.7,004 billion by Rs.165 billion which was mainly due to measures taken to tax the real estate sector, revision of property valuation tables and the imposition of sales tax on various goods/services which were exempt previously.

The following table shows the performance of the macroeconomic conditions during FY 2022-23.

Table 2.0: Performance of Economic Indicators

	Economic Indicators	Actual Estimate FY 2021-22	Budget Estimate FY 2022-23	Actual Estimate FY 2022-23
1	Size of GDP (market prices) (Rs Billion)	63,271	78,197	79,336
2	Inflation (%)	12.2	11.5	29.2
3	Economic Growth Rate (%)	6.10	5.00	0.29
4	FBR Tax to GDP Ratio (%)	9.6	9.0	9.4%
5	FBR Revenue (Rs Billion)	6,050	7,004	7,169

Source: Ministry of Finance, Monthly Economic Update & Outlook June 2023

Currency depreciation, global price hikes, and supply side implications of high borrowing costs kept inflation high throughout the year, however, the Government fiscal consolidation efforts paid off as both primary balance and fiscal deficit as a proportion of country GDP were reduced.

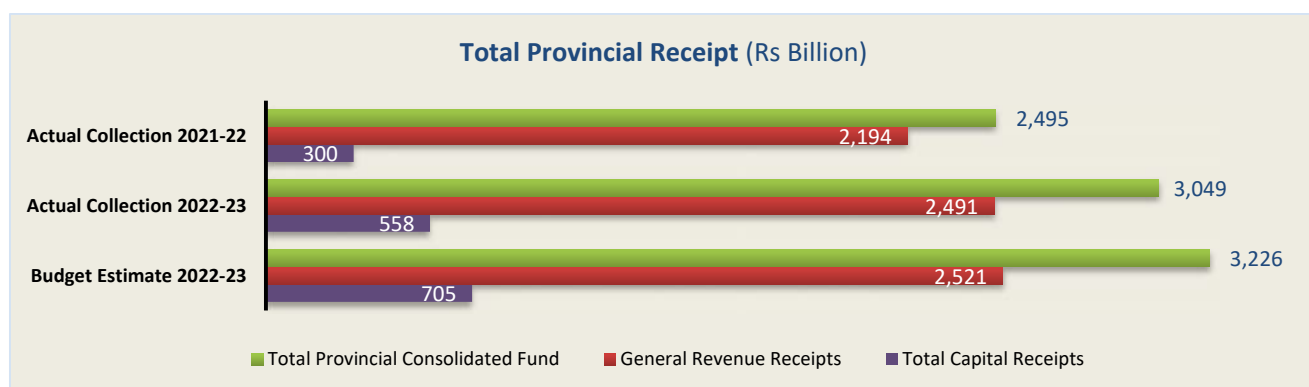
3 Analysis of Receipts

3.1 Total Provincial Receipts

All revenues received by the Provincial Government, all loans raised by that Government, and all moneys received by it in repayment of a loan, form part of a consolidated fund, known as the Provincial Consolidated Fund¹ (PCF)/ Total Provincial Receipt. The PCF can be categorized into General Revenue Receipts (GRR) and Total Capital Receipts mainly. General Revenue Receipts include federal divisible pool (FDP) transfers, provincial tax revenue and provincial non-tax revenue whereas Total Capital Receipts include loans (foreign & domestic) raised by the Government, recoveries of investments including recoveries of loans & advances issued by the Government in addition to the amount borrowed for State Trading under Account-II which mainly comprises of borrowing for procurement of wheat in Punjab.

An analysis of past trend of Total Provincial Receipts i.e. (PCF) for last five fiscal years reveals that the GRR on average accounts for 88% of the PCF while the remaining 12% is attributed to capital receipts of the Government. Lower capital receipt share in PCF can be primarily attributed to non-recurring/volatile nature of potential sources of capital receipts including funding from international development partners, recoveries of loans & advances offered by the Government and the realization of proceeds from the sale of wheat mainly.

During the fiscal year 2022-23 Punjab Government has achieved 95% of its revenue target set in the budget. In absolute terms, the Government has collected Rs.554 billion more than the collection of FY2021-22 showing a YoY growth of 22% in PCF which is higher than the PCF average growth of the last five years i.e.12%. Figure 3.1 below shows a comparison of PCF, GRR and & Total Capital Receipt budget vs. actual for FY2022-23 & FY2021-22.



¹ Article 118 of Constitution of Pakistan, 1973

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Further analysis of PCF in Table 3.1 reveals that during FY2022-23 GRR has reached close to the target growth (15%) by achieving 14% growth which is higher than the average GRR growth (i.e.12%) of last five fiscal years, comprising 82% of the total PCF. In case of Total Capital Receipt 86% growth has been realized during FY2022-23 compared to budgetary growth of 135% which accounts for 18% of the PCF during 2022-23.

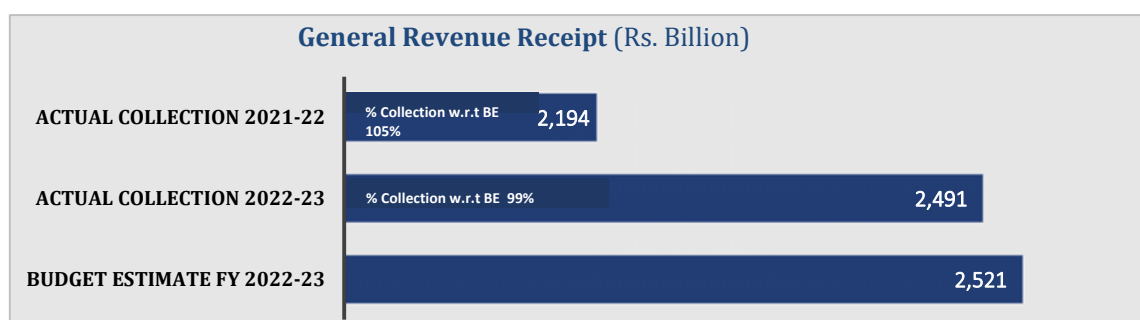
Table -3.1: Total Provincial Receipts

(Rs. in billion)

	Actual Collection 2021-22	B.E 2022-23	Budgeted Growth %	Actual Collection 2022-23	% Collection w.r.t. BE 2022-23	YoY-growth
General Revenue Receipts	2,194	2,521	15%	2,491	99%	14%
Capital Receipt Ac I	55	154	180%	122	79%	121%
Capital Receipt Ac II	245	551	125%	445	79%	78%
Total Capital Receipts	300	705	135%	558	79%	86%
Total Provincial Consolidated Fund	2,495	3,226	29%	3,049	95%	22%

3.1.1 Provincial General Revenue Receipts

The Government has collected an amount of Rs.2,491 billion in FY2022-23 as General Revenue Receipts compared to the budget estimate of Rs.2,521 billion. GRR increased by 14% (Rs. 297 billion) on YOY basis in FY2022-23 in comparison with last fiscal year as shown in Figure below:



As per historical trend Punjab remains highly dependent on transfers from Federal Divisible Pool (FDP). Based on last five years average, FDP has contributed 81% towards GRR, whereas own source tax revenue contributed 13% towards GRR followed by 6% contribution from provincial non-tax revenue including PSDP grants, Straight Transfers and Net Hydel Profit (NHP).

As per budget estimate of FY2022-23, the composition of GRR consists of 80% Federal Divisible Pool (FDP) share followed by 13.5% share of provincial tax revenue and remaining 6.5% share of provincial non-tax revenue. At the end of FY2022-23, GRR composition changed resulting an increase in share of

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FDP (83%) and decrease in shares of provincial tax revenue (12%) and provincial non-tax revenues (5%) when compared with the estimates of budget 2022-23.

Punjab's share in FDP is approximately 28.91% of net collection of FBR. FBR collected Rs 7,169 billion during the FY 2022-23. Punjab received Rs 2,065 billion on account of FDP Punjab's share including Rs.18 billion arrear of FY2021-22. Based on actual collection of the FBR during FY2022-23, the NFC (Punjab's Share) transfers should have been close to Rs 2,091 billion (including arrears of FY2021-22) whereas the actual receipt remains Rs.2,065 billion which is less than what it was supposed to be. The shortfall of Rs.26 billion is the outstanding amount expected to be received in arrears during the FY2023-24 due to short / less transfers from the Federal Government in FY2022-23.

Table -3.1.1: General Revenue Receipts

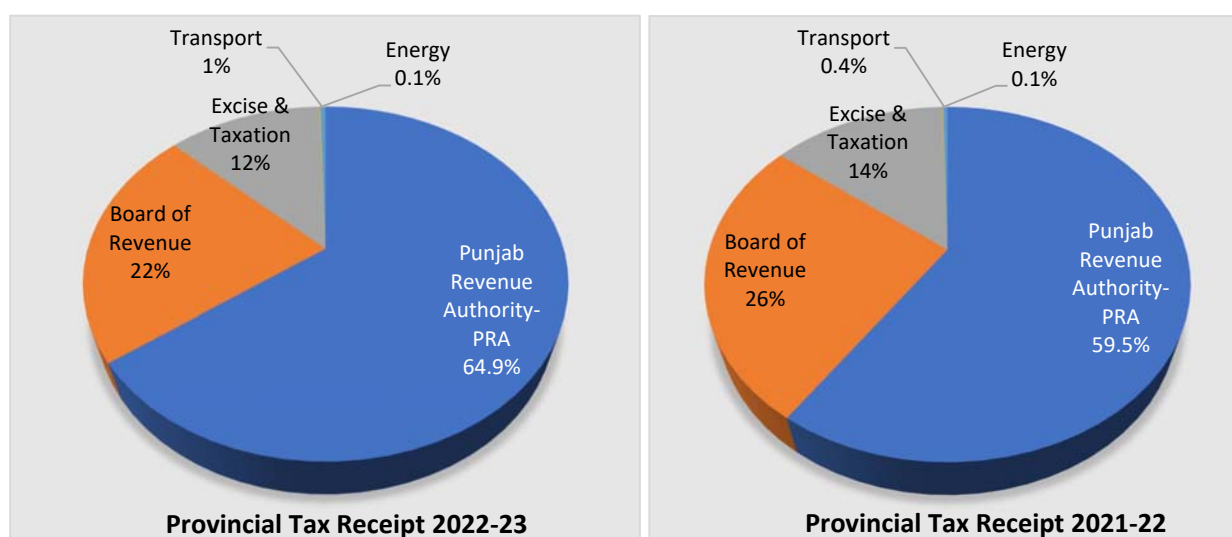
(Rs. in billion)

	Actual Collection 2021-22	B.E 2022-23	Budgeted Growth %	Actual Collection 2022-23	% Collection w.r.t. BE 2022-23	YoY-growth
Federal Divisible Pool Transfers	1,765	2,021	15%	2,065	102%	17%
Provincial tax	286	337	18%	310	92%	8%
Provincial non-tax	143	164	14%	116	71%	-19%
General Revenue Receipts	2,194	2,521	15%	2,491	99%	14%

Provincial tax collection for the entire fiscal year was Rs.310 billion against the budget estimate of Rs.337. Trend analysis of last five fiscal years shows that provincial tax collection is approximately 88% against the budgeted targets which in case of fiscal year 2022-23 remains 92% i.e. higher than the average of last five by 4%. In case of provincial non-tax revenue, the government has collected Rs.116 billion (71%) compared to the budget estimate of Rs.164 billion. A shortfall of Rs 48 billion (29%) in non-tax collection is observed during the entire fiscal year details of which are explained under Section 3.1.1.B.

3.1.1. A Provincial Tax Revenue

Provincial tax revenue accounts for 13% of the GRR collection based on historical trend of last five fiscal years. Revenues from provincial taxes are collected primarily by three out of five government agencies including Punjab Revenue Authority (PRA), Board of Revenue (BOR) & Excise Taxation & Narcotics Control Department (ET&NCD). Following figures depict a comparison of composition of provincial tax revenue with respect to the five tax agencies for FY2021-22 & FY2022-23.



In FY 2022-23, revenue share of Punjab Revenue Authority has increased by 5 percentage point (65% from 60%) in provincial tax collection as compared to the share of FY2021-22. The majority receipts of BOR are transaction based and primarily driven by the property market. The BOR taxes share was reduced to 22% from 20% in FY2021-22 mainly due to floods impact and increase in the rate of advance tax rate on sale and purchase of properties. Moreover, the BOR performance was also hit by the stamp duty transactions which were reduced by 28% in comparison with the transactions of LFY. **The Government reduced the BOR stamp duty from 2% to 1% to support the construction sector but no significant improvement in transactions of stamp duty has been witnessed. Similarly, the share of ET&NCD among provincial tax receipt has also gone down by 2% compared to fiscal year 2021-22 mainly due to decline in the motor vehicles sale by 37% (reported in a report of Pakistan Automobile Association).**

Table -3.1.1.A: Provincial Tax Revenue Department wise

(Rs. in billion)

	Actual Collection 2021-22	B.E 2022-23	Budgeted Growth %	Actual Collection 2022-23	% Collection w.r.t. BE 2022-23	YoY-growth
Board of Revenue	74.54	95.00	27%	68.34	72%	-8%
Agriculture Income Tax	2.11	2.85	35%	2.32	81%	10%
Property Tax (Transfer of Property)	0.38	0.37	-3%	0.26	70%	-32%
Land Revenue	22.00	24.06	9%	19.25	80%	-13%
CVT on Immoveable Property	0.05	-	-100%	0.05	100%	-6%
Stamp Duty	50.00	67.72	35%	46.46	69%	-7%

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Energy	0.19	7.52	3833%	0.19	3%	0%
Excise & Taxation	40.15	43.50	8%	38.78	89%	-3%
Property Tax (UIPT)	16.26	22.10	36%	17.50	79%	8%
Professional Tax	1.07	1.43	34%	1.14	79%	7%
Provincial Excise	2.34	2.25	-4%	2.62	116%	12%
Motor Vehicles	20.29	17.50	-14%	17.37	99%	-14%
Other Indirect Taxes	0.20	0.22	10%	0.15	68%	-26%
Punjab Revenue Authority- PRA	170.53	190.00	11%	201.11	106%	18%
Sales Tax on Services	165.46	184.00	11%	197.56	107%	19%
Punjab Infrastructure Dev. Cess	5.07	6.00	18%	3.55	59%	-30%
Transport	1.06	1.01	-5%	1.28	128%	21%
Provincial Tax Revenue	286	337	18%	310	92%	8%

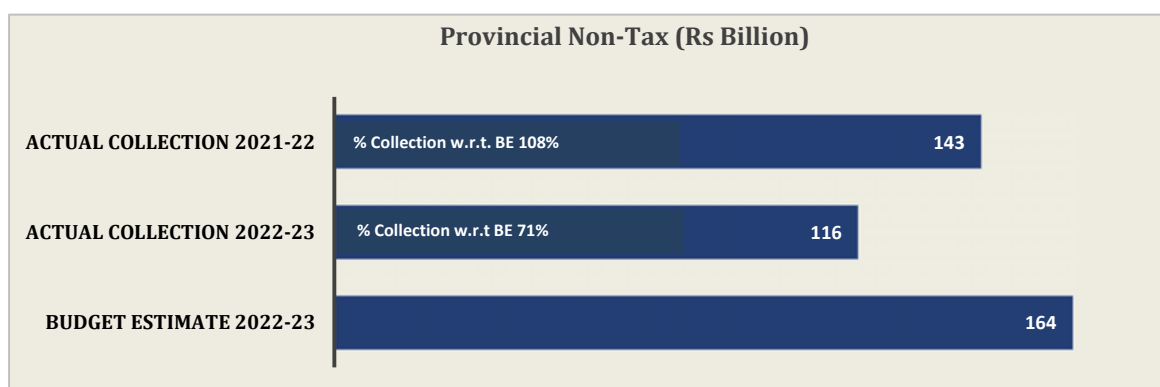
Punjab's tax collection was Rs.310 billion during the FY2022-23 compared to the budget estimate of Rs.337 billion for the entire fiscal year. Trend analysis of last five fiscal years shows that provincial tax collection is approximately 88% against the budgeted targets which in case of FY2022-23 remains 92% slightly higher than the last five year average. While reviewing performance of tax collecting agencies I has been observed that Punjab Revenue Authority (PRA) is the largest contributor by collecting 65% of the total tax collection followed by BOR and then ET&NCD having share of 22% and 13% respectively. The PRA collected Rs.11 billion above its assigned target of Rs.190 billion. The Punjab Sales Tax on Services (PSTS) surpassed its assigned target of Rs.184 billion and remained the highest performing tax with a growth of 19%. The decrease in receipts under the head PIDC was due to restrictions imposed by the Federal Government on imports of luxury items during the FY 2022-23. The PSTS contributed 63.8% in total own source tax revenue followed by Stamp Duty (15.1%), Land Revenue (6.1%) and contribution of all other taxes remained 15%. Board of Revenue (BOR) and Taxation Excise and Narcotics Control Department (ET&NCD), which was not only behind the budget targets, could not have collected the same amount of revenue as in the last fiscal year, 2021-22. Nevertheless, the performance of BOR and ET&NCD was compensated for by PRA's collection up to a certain extent.

3.1.1. B Provincial Non-Tax Revenue

Provincial non-tax revenue accounts for 6% of the General Revenue Receipt based on historical trend of last five fiscal years. Non-Tax receipts mainly includes Federal Grants, Net Hydrel Profit (NHP), sales/lease of Government owned assets, royalties from mines extraction, water rates, traffic challans and some other user fees. The Government estimated its non-tax collection at Rs.163.53 billion for FY2022-23. **The collection during the entire fiscal year was Rs.115.97 billion (71% of budget**

estimate), whereas on average the non-tax revenue collection of last five is 97% of its assigned targets.

Government of Punjab has collected Rs 115.97 billion in the fiscal year 2022-23 which is 19% lower than the Rs 143.2 billion collected during the preceding fiscal year 2021-22. Figure 3.1.1.B shows a comparison of provincial non-tax revenue during FY 2021-22 & 2022-23 wherein collection has decreased by 19% during FY 2022-23 over the same period last year.



Punjab Government's non-tax collection remained well short of the target mainly on account of lower receipt of arrears of 'Net Hydel Profit', meagre receipts under state land disposal by Board of Revenue and receipts budgeted under universal health insurance. Considerable shortfall (47%) in receipts of Irrigation can prove another factor for lower provincial non-tax revenues. **After the close of FY 2022-23, only Rs.0.6 billion receipts were realized from Federal Government against the budget estimate of Rs 35 billion (including Rs20 billion arrears of previous fiscal years) under Net Hydel Profit (NHP) and only Rs 25 billion has been realized under the PSDP and other grants from federal government in comparison with Rs 68 billion in last fiscal year.**

The budget estimate included the expected receipt of Rs.35 billion on account of Net Hydel Profit from the Federal Government. However, during FY 2022-23, only Rs.0.6 billion receipt has been realized resulting in huge shortfall. Table 3.1.1.B provides a department wise summary of Provincial Non-Tax revenue collection in comparison with the budget. Net Hydel Profit, PSDP and other grants are part of Finance Department receipts. The government managed to collect Rs.115.9 billion only during the fiscal year 2022-23 for non-tax receipts, the majority of the difference arising from Net Hydel Profit, receipts budgeted under universal health insurance and sale of land that are extraordinary receipts pertains to Board of Revenue department. Last year 2021-22, the government managed to collect Rs.143.2 billion including Rs.67.9 billion receipts under PSDP and other grants. PSDP grants are pass-through receipts and transferred to respective executing agencies for implementation of the relevant Federal Development

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Projects. Decline of Rs 42 billion under grants head in comparison with last year was beyond the control of Provincial Government. The receipt under head “Toll on Provincial Roads and Bridges” remained low due to suspension of toll collection by provincial cabinet on 11 toll plazas administered by C&W department.

At the close of FY 2022-23, total collection under provincial non-tax revenue accounted for only 71% of the budget estimate. Collection from high revenue generating departments including Finance, Health and BOR remained substantially low. Irrigation department's Abiyana receipts remained far behind the expected budgeted growth of 118% as E-Abiyana is in transition phase and the collection of Abiyana expected to improve in upcoming fiscal year. However performance of Agriculture, Home, Industries, Law & Parliamentary Affairs, Live Stock & Dairy Development and Mines and Minerals departments remained satisfactory, all these departments have surpassed their assigned targets for FY 2022-23. Industries department collected receipts of around Rs 4 billion on account of fine/penalty charged to sugar industries due to violence of quota issues.

Table -3.1.1.B: Provincial Non-Tax Revenue - Department wise

(Rs. in billion)

	Actual Collection 2021-22	B.E 2022-23	Budgeted Growth %	Actual Collection 2022-23	% Collection w.r.t. BE 2022-23	YoY-growth
Agriculture	1.70	1.25	-27%	2.57	206%	51%
Board of Revenue	4.64	25.50	450%	2.24	9%	-52%
Communication and Works	3.89	3.89	0%	3.00	77%	-23%
Cooperatives	0.002	0.005	203%	0.00	73%	100%
Education	3.69	2.16	-41%	1.94	90%	-47%
Finance	80.84	50.55	-37%	39.02	77%	-52%
Forestry, Wildlife & Fisheries	1.62	1.48	-9%	1.13	76%	-30%
Health	1.90	27.42	1343%	6.86	25%	261%
Home	0.90	1.26	40%	1.76	139%	95%
HUD & PHE	1.14	1.09	-4%	0.74	67%	-36%
Industries	0.38	0.57	52%	4.76	835%	1166%
Irrigation	3.87	8.44	118%	4.46	53%	15%
Law and Parliamentary Affairs	0.77	0.76	-2%	0.99	131%	28%
Livestock and Dairy Development	1.71	1.45	-15%	1.60	110%	-6%
Mines & Minerals	11.54	12.00	4%	14.18	118%	23%
Police	5.66	6.09	8%	5.34	88%	-6%
Transport	0.12	0.13	8%	0.12	92%	-1%
Miscellaneous	18.84	19.48	3%	25.27	130%	34%
Total	143.21	163.53	14%	115.97	71%	-19%

Table 3.1.1.B1 provides a function wise comparative analysis of actual vs budget Provincial Non-Tax Revenue collection during FY 2022-23. Net Hydel Profit is a part of the category titled ‘Income from Property and Enterprises’. Receipts budgeted under universal health insurance and sale of land (BOR) categorized as extraordinary receipts fall under Miscellaneous Receipts. Last year 2021-22, the government managed to collect Rs.143.21 billion including Rs.67.9 billion receipt under PSDP and other grants which is 19% higher than the collection during of FY 2022-23.

The budget estimate of FY 2022-23 included the expected receipt of Rs.35 billion on account of Net Hydel Profit (NHP) from the Federal Government however, during the year, only Rs.0.60 billion NHP receipt has been realized resulting in huge shortfall under the non-tax head of Income from Property & Enterprise. The short fall of Non-Tax receipts remained Rs.47.56 billion that is 29% of budget estimates of fiscal year 2022-23.

Table 3.1.1.B1: Provincial Non-Tax Revenue – Function wise

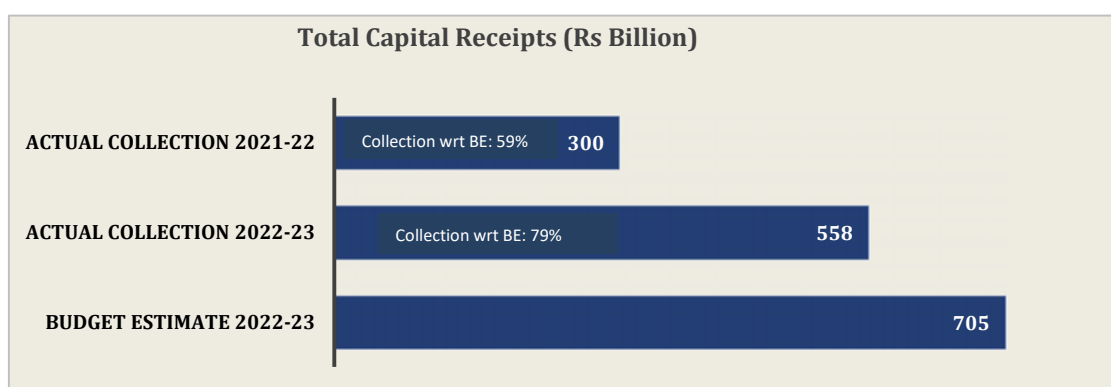
(Rs. in billion)

	Actual Collection 2021-22	B.E 2022-23	Budgeted Growth %	Actual Collection 2022-23	% Collection w.r.t. BE 2022-23	YoY-growth
Income from Property and Enterprise	3.35	37.13	1007%	2.85	8%	-15%
Receipts from Civil Administration and Other Functions	19.47	44.11	127%	22.80	52%	17%
Miscellaneous Receipts	120.39	82.29	-32%	90.32	110%	-25%
Provincial Non-Tax	143.21	163.53	14%	115.97	71%	-19%

3.1.2 Total Capital Receipts

Total Capital Receipts of the Government can be classified into two categories – ‘Current Capital Receipts’ and ‘Development Capital Receipts’. Current Capital Receipts comprise raising of domestic loans, recoveries of investments, recoveries of loans/advances granted by the government from its employees & entities (autonomous bodies, companies etc.) in addition to the borrowing by the Government for (i) commodity operations & (ii) foreign funded budgetary support programs of the Government. 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 of the Government.

During the fiscal year 2022-23, the government managed to collect 79% (Rs.558 billion) of the total budgeted capital receipt amounted to Rs.705 billion compared to capital receipts collection of Rs.300 billion during the same period last year, reflecting a YoY growth of 86% in collection. Historically, the collection of Current Capital Receipt remains higher than the collection of Development Capital Receipt every year.



Reference Table 3.1.2.A, during the FY2022-23 the actual collection from current capital receipts amounts to Rs.524 billion which is 81% of the budgetary target compared to Rs.272 billion in the corresponding period of preceding fiscal year showing a year on year (YoY) growth of 93%. The reason of significant growth is attributed to high amount realized from the sale of wheat at a high release price compared to previous years and the higher amount of borrowing required to finance the commodity operations in lieu of high purchase price of wheat compared to fiscal year 2021-22. On the other hand, development capital receipts collection amounts to Rs.34 billion which is 55% of the budgetary target and reflects a year on year (YoY) growth of 20%. The collection in development capital receipt remains below target because of non-realization of a few pipeline projects planned to disburse amounts during fiscal year 2022-23 like Punjab Arterial Roads, Greater Thal Canal, Greater Thal Canal at BRBD & Gulshan Ravi etc.

Table 3.1.2.A Total Capital Receipts

(Rs. In billion)

	Actual Collection 2021-22	B.E 2022-23	Budgeted Growth %	Actual Collection 2022-23	% Collection w.r.t. BE 2022-23	YoY-growth
Current Capital Receipts	271.82	639.30	135%	524.19	81%	93%
Development Capital Receipts	28.31	65.80	132%	34.03	55%	20%
Total Capital Receipts	300.13	705.10	135%	561.22	79%	86%

Table 3.1.2.B below shows account-wise breakup of total capital receipts. The collection results in table below shows that the loans (debt financing) under Account-I have not been realized as per the budget

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showing a deficit of 12% from what was planned in the budget estimates for FY2022-23. Similarly, development capital receipts are also behind the target for which reason have been recorded in above paragraph. The Account-II receipt dedicated for commodity financing & operations of Punjab reflects 78% YoY growth when compared with that of the period of preceding fiscal year.

Table 3.1.2.B - Total Capital Receipts Account wise

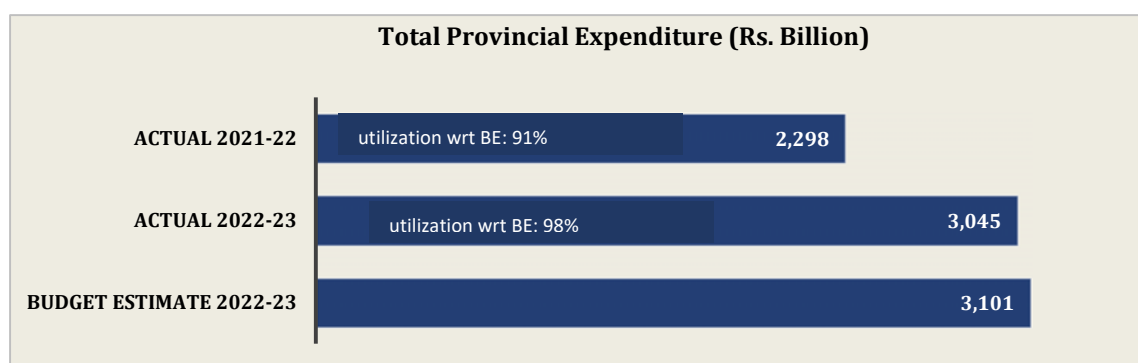
(Rs. in billion)

	Actual Collection 2021-22	B.E 2022-23	Budgeted Growth %	Actual Collection 2022-23	% Collection w.r.t. BE 2022-23	YoY-growth
Recoveries of Loans & Advances and Others	1.56	1.37	-12%	3.58	260%	130%
Debt Financing	25.15	86.95	246%	84.00	92%	234%
Development Capital Receipts	28.31	65.80	132%	34.03	55%	20%
Account I	55.02	154.12	180%	121.61	79%	121%
Commodity Financing	245.11	550.98	125%	436.61	79%	78%
Account II	245.11	550.98	125%	436.61	79%	78%
Total Capital Receipts (A+B)	300.13	705.10	135%	558.22	79%	86%

4 Analysis of Expenses

4.1 Total Provincial Expenditure

The total provincial expenditure budgeted for FY2022-23 amounts to Rs.3,101 billion showing a provincial surplus of Rs.125 billion to be realized by the year end under IMF Program. Punjab Government has been able to spend 98% of the total provincial expenditure budget (Rs. 3,045 billion) during the fiscal year 2022-23 compared to Rs.2,298 billion in the corresponding period of preceding fiscal year showing a year on year (YoY) expenditure growth of 33% compared to budgetary growth of 35%. The rate of overall budget utilization has shown an increase of 7% during fiscal year 2022-23 when compared to budget utilization (91%) of the fiscal year 2021-22.



During the fiscal year 2022-23, the budget utilization (98%) remains above the average budget utilization of last five years (84%). The major contribution towards increased spending is attributed to capital expenditure of the Government mainly to retire unsecured debt of the commodity financing scheme of the Government and the retirement of foreign loans (obtained from the international development partners like World Bank, Asian Development Bank etc.) more than budgetary estimates.

Provincial Government expenditure is divided into the following three broad categories:

- 1. Current Expenditure:** To maintain/improve the level of service delivery.
- 2. Current Capital Expenditure:** For loans made/repaid, equity investment(s) of the government and contributions made to funds for meeting long-term liabilities such as pensions etc. It is further segregated into Current Capital Expenditure A/C-I and Current Capital Expenditure A/C-II.
- 3. Development Expenditure:** For enhancing the Government's capacity to provide public services.

Current expenditure has the highest share (55%) of the budgeted expenditure for FY2022-23 followed by development expenditure (22%) and current capital expenditure (5% for current capital expenditure A/C-I & 18% for current capital expenditure A/C-II). Accordingly, the share of utilization for each category is summarized below:

Category	% Share of Budget	% Utilization share
Current Expenditure	55%	54%
Current Capital Expenditure A/C-I	5%	11%
Current Capital Expenditure A/C-II	18%	14%
Development Expenditure	22%	19%
Total Provincial Expenditure	100%	98%

More detailed analysis of category-wise expenditure reveal that YOY change has been highest in case of current expenditure in absolute terms as it increased by Rs.287 billion realizing a YoY growth of 21% followed by an increase of Rs.267 billion in current capital expenditure A/C-I with a growth rate of 331%. The expenditure in Current Capital A/C-II category has also realized an increase of Rs.192 billion in comparison of last fiscal year 2021-22. All these three categories contributed a YoY growth of 33% in overall spending whereas no significant change has been seen in the spending of development expenditure during FY2022-23 compared to spending of FY2021-22 (Rs. 584 billion). Table 4.1 below shows a detailed comparison of category wise expenditure in terms of budgeted growth and the growth realized in actual compared to spending of previous fiscal year i.e. FY2021-22.

Table 4.1 Total Provincial Expenditure by Category

(Rs. in Billion)

	Actual Expenditure 2021-22	B.E 2022-23	Budgeted Growth %	Actual Expenditure 2022-23	% Utilization w.r.t. BE 2022-23	YoY-growth
Current Expenditure	1,379.96	1,711.93	24%	1,667.17	97%	21%
Current Capital Expenditure A/C-I	80.48	153.48	91%	347.20	226%	331%
Current Capital Expenditure A/C-II	253.53	550.98	117%	445.33	81%	76%
Development Expenditure	583.69	685.00	17%	585.76	86%	0%
Total Provincial Expenditure	2,297.66	3,101.39	35%	3,045.46	98%	33%

Figure 4.1 Total Provincial Expenditure

(Rs. in Billion)

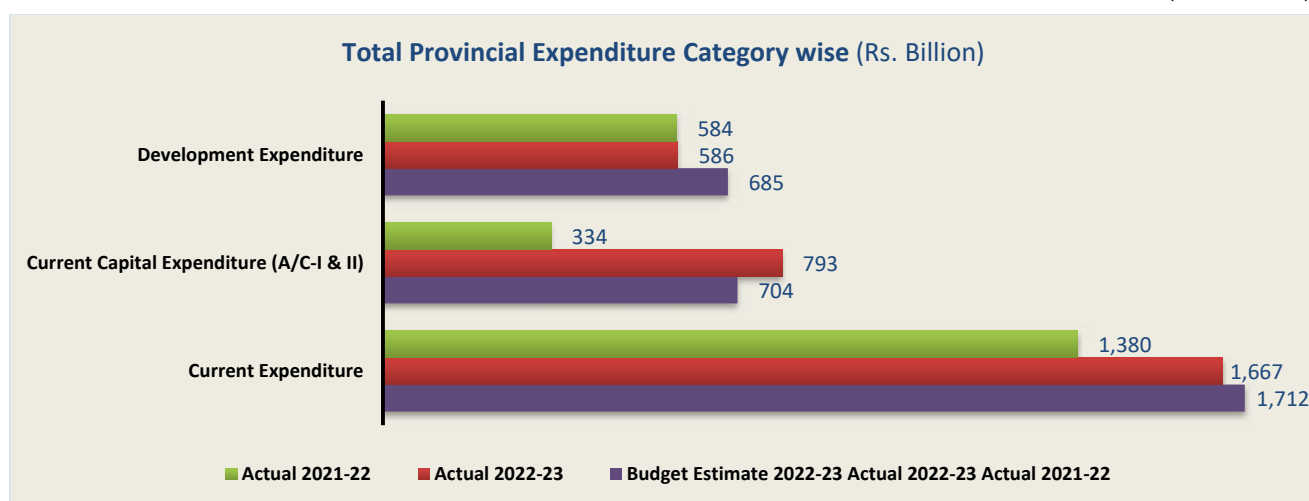


Table 4.1.A divides the total expenditure of the Government into four major components i.e. salary, pensions, transfers to Local Government & Others and non-salary (service delivery) expenditure. A total of Rs.418 billion has been spent on salary, Rs.324 billion on pensions, Rs.531 billion on transfer to local governments and Rs.1,773 billion on service delivery expenditure including development spending during FY2022-23. The rate of utilization of each component remains close to the budget estimate except the component of salary and service delivery expenditure where utilization remain 94% and 97% respectively against the budgeted amount of FY2022-23. The rate of YoY growth in overall expenditure has been 33% which is reasonably higher than the YoY expenditure growth of 22% during FY2021-22.

Table 4.1.A Total Provincial Expenditure Component wise

(Rs. In Billion)

	Actual Expenditure 2021-22	B.E 2022-23	Budgeted Growth %	Actual Expenditure 2022-23	% Utilization w.r.t. BE 2022-23	YoY-growth
Salary	355.42	442.34	24%	417.81	94%	18%
Pension	255.30	312.00	22%	324.47	104%	27%
Transfers (to LGs and others)	461.48	528.04	14%	530.52	100%	15%
Non-Salary (Service Delivery Expenditure)	1,225.46	1,819.02	48%	1,772.66	97%	45%
Total Provincial Expenditure	2,297.66	3,101.39	35%	3,045.46	98%	33%

Table 4.1.B shows an analysis of provincial expenditure in terms of functional spending compared to its budget and with that of the spending during last fiscal year i.e., FY2021-22. The function of General Public Service shows highest utilization (57% of the overall function wise spending and 124% of the function budget amount) followed by Economic Affairs function i.e.,18% of the overall function wise spending and 60% of the function budget amount). The spending on Health and Public Order & Safety function remains in the same range having utilized 8-9% of the overall functional spending and 76-108% of the function budget respectively.

In comparison with actual expenditures of FY2021-22 function wise, there has been a significant increase in actual expenditure on General Public Service (58%), Environment Protection (17%), Education Affairs (14%), Public Order and Safety Affairs (12%) and the Social Protection (289%). However, a decline in the spending of Recreation, Culture, and Religion has been seen witnessed (-22%) as compared to actuals spending of FY2021-22.

Table 4.1.B Total Provincial Expenditure by Function

(Rs. In Billion)

	Actual Expenditure 2021-22	B.E 2022-23	Budgeted Growth %	Actual Expenditure 2022-23	% Utilization w.r.t. BE 2022-23	YoY-growth
01 - General Public Service	1,092.58	1,400.22	28%	1,730.27	124%	58%
03 - Public Order and Safety Affairs	208.19	214.34	3%	232.24	108%	12%
04 - Economic Affairs	494.89	895.00	81%	533.10	60%	8%
05 - Environment Protection	2.52	5.33	111%	2.95	55%	17%
06 - Housing and Community Amenities	120.84	61.77	-49%	117.09	190%	-3%
07 – Health	254.61	352.37	38%	268.21	76%	5%
08 - Recreational, Culture and Religion	11.86	14.11	19%	9.23	65%	-22%
09 - Education Affairs and Services	103.42	137.39	33%	118.34	86%	14%
10 - Social Protection	8.74	20.86	139%	34.03	163%	289%
Total Provincial Expenditure	2,298	3,101	35%	3,045	98%	33%

4.1.1 Current Expenditure

Current expenditure consists of four major categories i.e., salary, non-salary, pensions, and transfers to Local Government(s). Pie Charts given below show a comparison of composition of actual current expenditure of FY2022-23 & FY2021-22 which is almost identical.

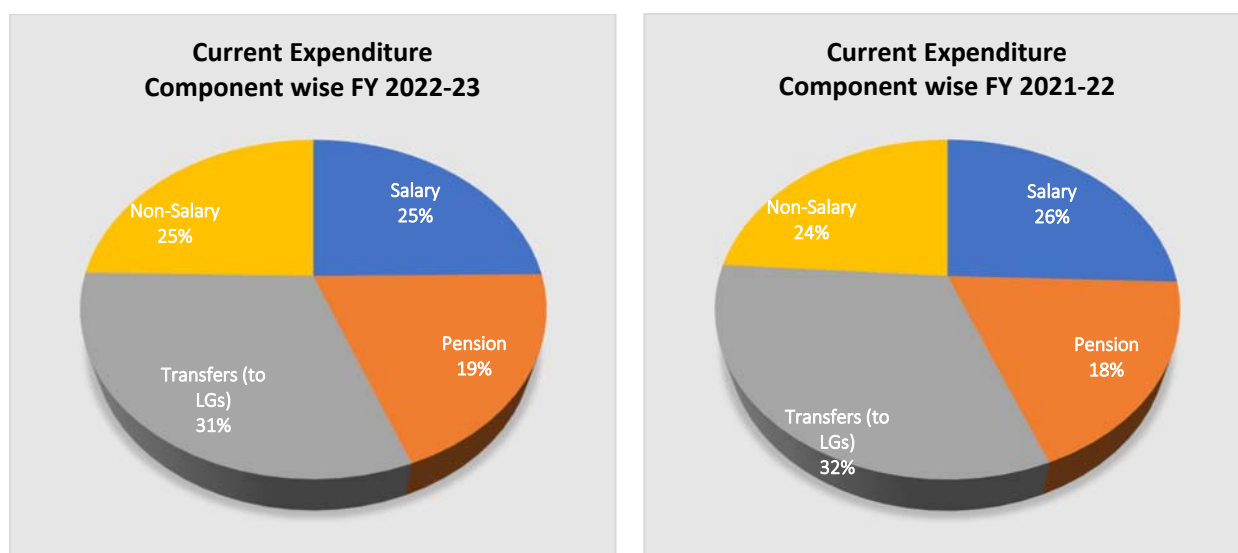


Table 4.1.1.A provides further details of category-wise total current expenditure. It also shows that the overall budget utilization during FY2022-23 has been 97% while realizing a YoY growth of 21%. Moreover, the utilization rate for categories of salary, non-salary, and transfers (to LGs) remains in line where utilization stands in the range of 94-98% of the budget. However, pension expenditure crossed the allocated budget by Rs.12.5 billion mainly on account of increase in pensions to offset the inflation impact.

Table 4.1.1.A Total Provincial Current Expenditure Category wise

(Rs. in Billion)

	Actual Expenditure 2021-22	B.E 2022-23	Budgeted Growth %	Actual Expenditure 2022-23	% Utilization w.r.t. BE 2022-23	YoY-growth
Salary	352.79	435.87	24%	413.97	95%	17%
Pension	255.30	312.00	22%	324.47	104%	27%
Transfers (to LGs and others)	441.98	528.04	19.5%	517.37	98%	17%
Non-Salary (Service Delivery Expenditure)	329.89	436.02	32%	411.35	94%	25%
Total Current Expenditure	1,379.96	1,711.93	24%	1,667.17	97%	21%

Table 4.1.1.B provides an object-wise break-up of current expenditure wherein the objects of “Employee Retirement Benefits” and “Grants Subsidies & Write-off of Loans/Advances” lead in terms of absolute growth in the range of Rs.70-76 billion (which combine account for almost 58% of the actual total current

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expenditure during FY2022-23). However, growth in these two objects records 27% & 14% respectively when compared with the last year's actual. In case of "Employee Related Expenses" a growth of 17% has been realized which accounts for 25% of the actual total current expenditure of 2022-23. There are objects like Interest Payment, Acquisition of Physical Assets, and Repair & Maintenance where utilization has exceeded the budget allocation which is mainly due to depreciation of Rupee against foreign currency and the overall inflation in the prices of goods and services in the country.

Table 4.1.1.B Total Current Expenditure by Object

(Rs. in Billion)

	Actual Expenditure 2021-22	B.E 2022-23	Budgeted Growth %	Actual Expenditure 2022-23	% Utilization w.r.t. BE 2022-23	YoY-growth
A01-Employee Related Expenses	353.04	436.15	24%	414.26	95%	17%
A02-Project Pre-investment Analysis	0.01	0.02	120%	0.02	71%	56%
A03-Operating Expenses	132.71	134.82	2%	162.33	120%	22%
A04-Employees Retirement Benefits	262.79	319.28	21%	332.80	104%	27%
A05-Grants, Subsidies and Write-offs of Loans/Advance	559.72	743.05	33%	636.00	86%	14%
A06-Transfers	13.92	16.37	18%	16.03	98%	15%
A07-Interest Payment	15.86	32.13	103%	43.15	134%	172%
A09-Expenditure on Acquiring of Physical Assets	10.16	6.11	-40%	16.68	273%	64%
A12-Civil Works	0.19	0.22	17%	0.21	95%	11%
A13-Repairs and Maintenance	31.53	23.48	-26%	45.52	194%	44%
A14-Suspense and Clearing	0.02	0.30	1307%	0.18	60%	738%
Total Current Expenditure	1,379.96	1,711.3	24%	1,667.17	97%	21%

Based on function wise utilization of current expenditure during the fiscal year 2022-23, only "Housing and Community Amenities" function shows negative growth of 26% while all others fall in the positive territory by realizing a YoY growth in the range of 03% to 29%, except "Social Protection" which has not only exceeded the budget allocation by 63% but has also recorded a growth of 341% compared to spending during same period of the preceding fiscal year.

Table 4.1.1.C Total Current Expenditure by Function

(Rs. in Billion)

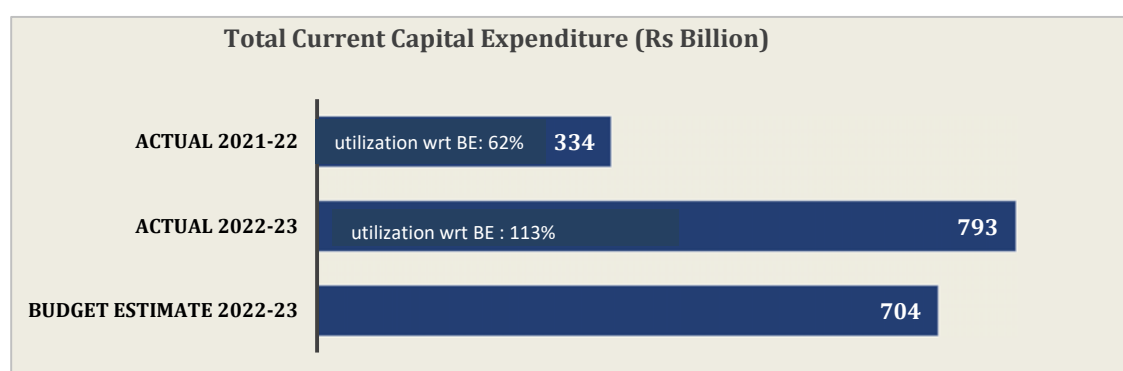
	Actual Expenditure 2021-22	B.E 2022-23	Budgeted Growth %	Actual Expenditure 2022-23	% Utilization w.r.t. BE 2022-23	YoY-growth
01 - General Public Service	757.03	1,039.05	37%	951.05	92%	26%
03 - Public Order and Safety Affairs	206.29	208.68	1%	230.38	110%	12%
04 - Economic Affairs	151.79	151.36	0%	156.02	103%	3%
05 - Environment Protection	0.51	0.63	24%	0.63	99%	23%
06 - Housing and Community Amenities	25.30	9.45	-63%	21.28	225%	-16%
07 - Health	155.39	188.91	22%	184.66	98%	19%

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08 - Recreational, Culture and Religion	3.98	5.34	34%	5.13	96%	29%
09 - Education Affairs and Services	72.28	88.57	23%	85.45	96%	18%
10 - Social Protection	7.39	19.94	170%	32.57	163%	341%
Total Current Expenditure	1,379.96	1,711.93	24%	1,667.17	97%	21%

4.1.2 Total Current Capital Expenditure

Total current capital expenditure includes two main categories. Current Capital Expenditure (A/C-I) & Current Capital Expenditure (A/C-II). Current Capital Expenditure A/C- I relates to expenditure for investment/financing related affairs of the Government whereas Current Capital Expenditure A/C-II is reserved for transactions relating to commodity operations of the GoPb. Major transactions of A/C-I include (i) principal repayment of domestic & foreign debt (ii) loans and advances to public sector entities of the Government and Employees and (iii) investments in favor of Punjab pension fund and benevolent fund mainly. The expenditure in A/C-II (Food Account) 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. Budget vs. actual status of estimates for FY2022-23 is given below:



Reference Table 4.1.2.A, total current capital expenditure spending has been highest for the FY2022-23 compared to any fiscal year in the last decade reflecting a YoY growth of 137% compared to spending of FY2021-22. In absolute terms YoY spending growth amounts to PKR459 billion during FY2022-23. Total current capital expenditure has also surpassed the budgetary allocation of FY2022-23 by consuming Rs.85 billion (13%) more than the budget estimate.

Table 4.1.2.A – Total Current Capital Expenditure Account wise

(Rs. In Billion)

	Actual Expenditure 2021-22	B.E 2022-23	Budgeted Growth %	Actual Expenditure 2022-23	% Utilization w.r.t. BE 2022-23	YoY-growth
Current Capital Expenditure A/C-I	80.48	153.48	91%	347.20	226%	331%
Current Capital Expenditure A/C-II	253.53	550.98	117%	445.33	81%	76%
Total Current Capital Expenditure	334.01	704.46	111%	792.53	113%	137%

In Current Capital Expenditure A/C-I (reference Table 4.1.2.B below), the budget estimate for FY2022-23 amounts to Rs.153.48 billion against which an amount of Rs. Rs.347.20 billion has been spent during the entire year (i.e. 226% of the budget). In comparison of the last fiscal year expenditure, there has been an increase of 331% mainly due to repayment of loans obtained from the Federal and the grant of loans to municipalities/autonomous bodies/companies higher than the budget estimates, however, spending in the head of investment remains low (i.e. only 19% of budgeted amount but again higher than the last year spending). Another major reason of excess expenditure is the retirement of unsecured debt of commodity operations of Punjab which has evolved as a circular debt burdening charging of billions of Rupees on the Government exchequer annually in the form of interest payments. The volume of payment against wheat circular debt amounts to Rs.225 billion which was not budgeted. The payment of circular debt is made as per Cabinet decision and also a debt retirement plan has been finalized and shared with the Federal Government to retire the circular debt completely by the end of next fiscal year i.e. 2023-24.

Table 4.1.2.B – Current Capital Expenditure A/C-I

(Rs. in Billion)

	Actual Expenditure 2021-22	B.E 2022-23	Budgeted Growth %	Actual Expenditure 2022-23	% Utilization w.r.t. BE 2022-23	YoY-growth
PC12043-LOANS TO MUNICIPALITIES/ ABS ETC.	22.18	25.85	17%	27.14	105%	22%
PC13034-STATE TRADING IN MEDICAL STORES AND COAL	-	-		-		
PC13035-LOANS TO GOVERNMENT SERVANTS	-	0.00		-	0%	
PC13050-INVESTMENT	5.00	55.56	1011%	10.50	19%	110%
PC13052-REPAYMENT OF LOANS TO OTHER ENTITIES	-	-		225.00		100%
PC16046-PERMANENT DEBT (DISCHARGED)	-	0.00	100%	-	0%	
PC16048-REPAYMENT OF LOANS FROM THE FEDERAL	52.64	71.58	36%	84.56	118%	61%
PC16051-LOANS TO HIGH COURT JUDGES	0.66	0.50	-24%	-	0%	-100%
Total Current Capital Expenditure A/C-I	80.48	153.48	91%	347.20	226%	331%

For Current Capital Expenditure A/C-II (reference Table 4.1.2.C below), the actual expenditure for fiscal year 2022-23 amounts to Rs.445.33 billion against the budget estimate of Rs.550.98 billion (showing 81% utilization of budget). Current Capital Expenditure A/C-II of FY2022-23 has increased by 76% when compared with same period of last fiscal year 2021-22. The analysis of table figures reveals that the

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Government retired commodity debt of A/C-II more than the budget estimates mainly from the proceeds of wheat sale during the year by selling wheat at a price higher than the price of previous years.

The Government has made a big move in the right direction with reference to commodity operations of Punjab by ensuring complete retirement of unsecured commodity debt by the end of FY2023-24 and setting future price of wheat release in a way having minimal or no financial implication for the Government by selling wheat at a price which costs to the Government. The implementation of said plan is in progress which will save billions of rupees spend on interest cost of historical debt accumulated over years due to non-payment of accrued subsidy amount.

Table 4.1.2.C – Current Capital Expenditure A/C-II

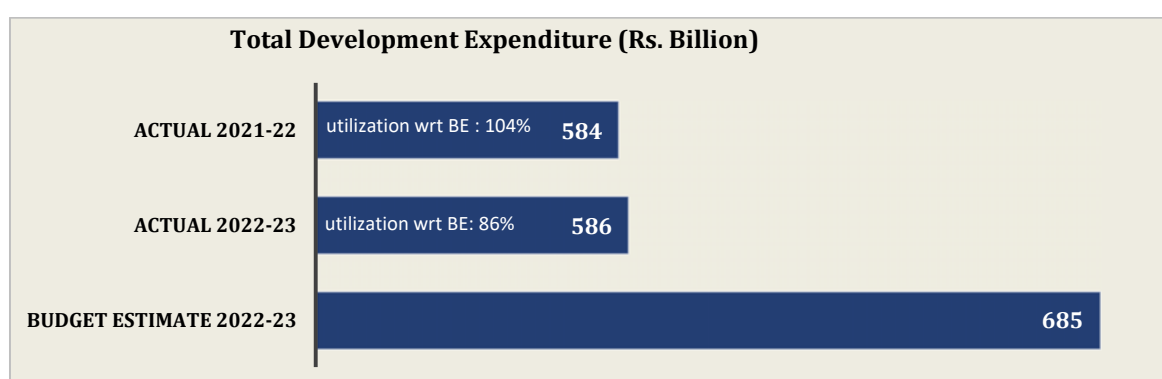
(Rs. in Billion)

	Actual Expenditure 2021-22	B.E 2022-23	Budget ed Growth %	Actual Expenditure 2022-23	% Utilization w.r.t. BE 2022-23	YoY-growth
PC13033-STATE TRADING IN FOODGRAINS AND SUGAR (VOTED)	49.42	298.08	503%	-27.46	-9%	-156%
PC16033-STATE TRADING IN FOODGRAINS AND SUGAR (CHARGED)	40.59	80.78	99%	86.74	107%	114%
PC16047-FLOATING DEBT (DISCHARGED)	163.52	172.13	5%	386.05	224%	136%
Total Current Capital Expenditure A/C-II	253.53	550.98	117%	445.33	81%	76%

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 Program (ADP) is approved by the Provincial Assembly.

Development expenditure of the Government during FY2022-23 amounted to Rs.586 billion (i.e. 86% of the ADP budget) compared to actual spending of Rs.584 billion during same period of the preceding fiscal year showing a year on year (YoY) growth of less than one percent i.e. 0.4%.



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The development expenditure is categorized into development revenue and development capital expenditure mainly. Development Capital Expenditure is defined as expenditure on creating new physical assets for the Government such as roads, bridges, buildings, etc. Other related expenditures required for completion of a project such as employee related expense, purchase of transport, machinery, equipment, expenditure on research and development, etc. are categorized as Development Revenue Expenditure. During FY2022-23, the allocation of funds to development capital expenditure increased by 53% in comparison with the actuals of last fiscal year whereas the allocation to development revenue expenditure decreased by 3% though the pace of spending in both expenditure heads is identical (development revenue expenditure 83% & development capital expenditure 88%). Development capital expenditure has shown a YoY growth of 35% whereas development revenue expenditure decreased by 19% YoY basis. Decrease in development revenue expenditure shows that more spending has been made on schemes/projects being executed by the Government agencies and especially on ongoing projects which have passed the stage of feasibility/readiness to which most of the development revenue expenditure relate.

Table 4.1.3.A – Total Development Expenditure by Component

(Rs. in Billion)

	Actual Expenditure 2021-22	B.E 2022-23	Budgeted Growth %	Actual Expenditure 2022-23	% Utilization w.r.t. BE 2022-23	YoY-growth
Development Revenue Expenditure	375.87	366.43	-3%	304.29	83%	-19%
Development Capital Expenditure	207.82	318.57	53%	281.47	88%	35%
Total Development Expenditure	583.69	685.00	17%	585.76	86%	0.4%

Table 4.1.3.B shows function-wise breakup of development expenditure. The development expenditure budget for FY2022-23 was increased by 17% over the last year's actual development expenditure having growth in all functions except the function of General Public Service, Housing & Community Amenities and the function of Social Protection. Overall utilization rate of development expenditure has been 86% of the budget for FY2022-23 realizing no growth on YoY basis. The top three functions with highest allocation of funds for FY2022-23 include Economic Affairs (53%), Health (24%), Housing & Community Amenities (8%) and Education Affairs (7%). The top four functions with respect to fund utilization rate for FY2022-23 comprise of Economic Affairs (54%), Housing & Community Amenities (16%), Health (14%) and Education Affairs (6%). In terms of total development expenditure, the spending volume is identical during FY2021-22 & FY2022-23. The reason for the no growth in the development spending during FY2022-23 includes political instability and heavy floods aftermath mainly leading to impact the continuity of development programs/projects (ongoing & new both). The development numbers could have been much better if the political situation remains consistent which goes volatile especially in the 2nd half of the FY2022-23.

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However, in individual functions, nominal growth has been realized in 'Economic Affairs', 'Environment Protection' and 'Education Affairs & Services' whereas the function of 'General Public Service', 'Public Order and Safety', 'Health' and 'Recreational depicted, Culture, and Religion' is visible when compared with the spending of fiscal year 2021-22.

Table 4.1.3.B – Total Development Expenditure by Function

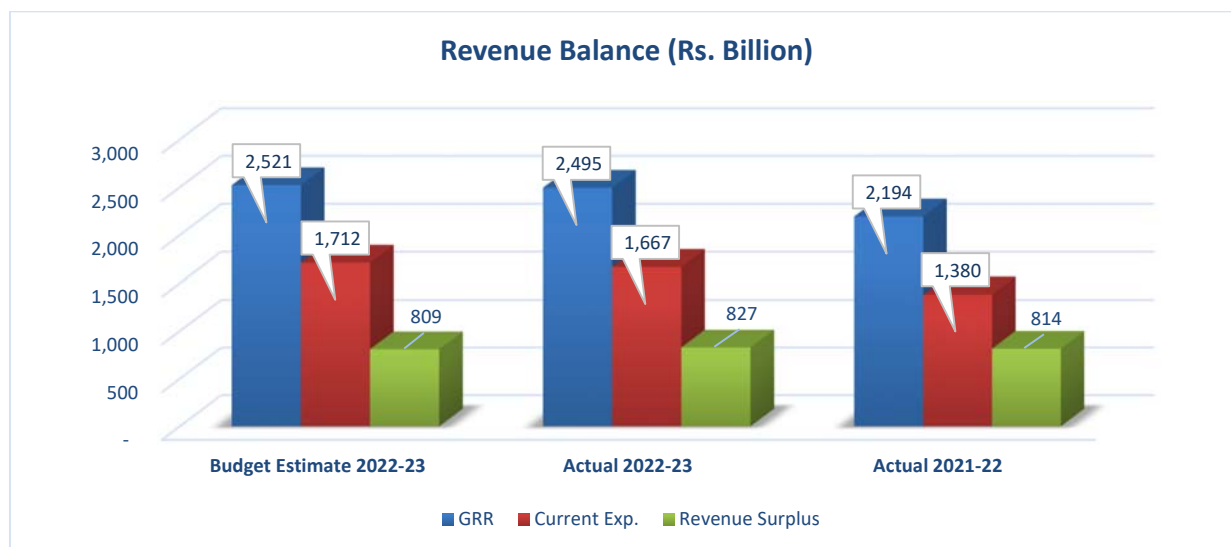
(Rs. in Billion)

Development Expenditure by Function	Actual Expenditure 2021-22	B.E 2022-23	Budgeted Growth %	Actual Expenditure 2022-23	% Utilization w.r.t. BE 2022-23	YoY-growth
01 - General Public Service	91.56	35.56	-61%	45.97	129%	-50%
03 - Public Order and Safety Affairs	1.91	5.67	197%	1.86	33%	-2%
04 - Economic Affairs	253.09	364.79	44%	317.80	87%	26%
05 - Environment Protection	2.01	4.70	133%	2.32	49%	15%
06 - Housing and Community Amenities	95.54	52.32	-45%	95.81	183%	0%
07 – Health	99.22	163.46	65%	83.54	51%	-16%
08 - Recreational, Culture and Religion	7.88	8.77	11%	4.09	47%	-48%
09 - Education Affairs and Services	31.14	48.82	57%	32.89	67%	6%
10 - Social Protection	1.35	0.92	-32%	1.46	159%	9%
Total	583.69	685.00	17%	585.76	86%	0%

5 Budget Management

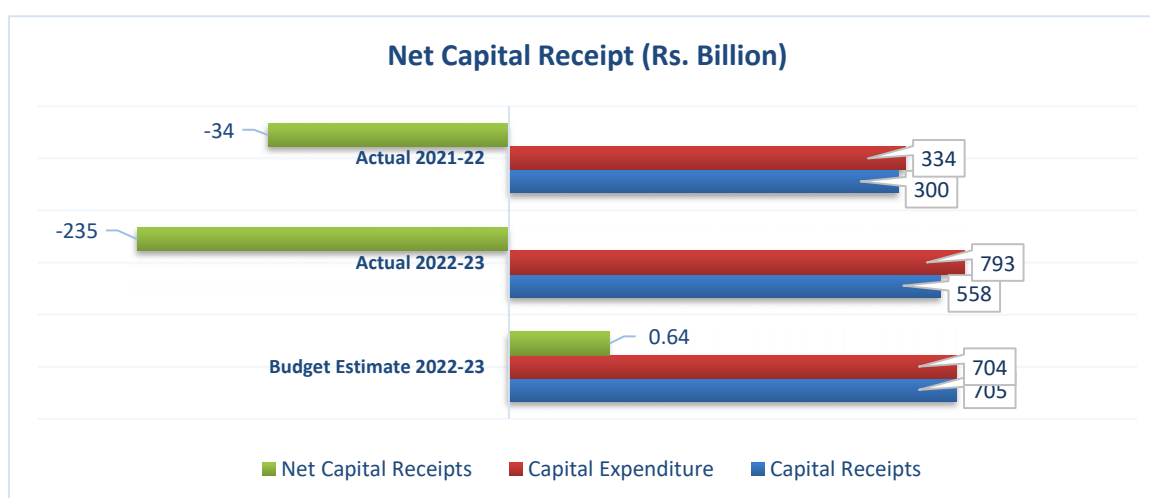
In Budget FY2022-23, total provincial receipts i.e. PCF was estimated at Rs.3,226 billion whereas the total provincial expenditure was estimated at Rs. 3,101 billion. The actual position reveals that the total receipts collected during FY2022-23 amounted to Rs.3,052 billion (95% of the budgeted target) and the actual expenditure amounted to Rs.3,045 billion (98.2% of the budgeted spending).

Based on full year performance, the Government has realized revenue balance of Rs.827 billion compared to budgeted revenue balance target of Rs.809 billion i.e. close to the revenue balance of FY2021-22 amounting to Rs.814 billion.



Revenue balance is added to the Net Capital Receipts (A/C-I & A/C-II) of the Government (i.e. Capital Receipt less Capital Expenditure of the Government) to reach the amount of resources available for development during the year.

For FY2022-23, the capital account shows a deficit of Rs. 234 billion compared to capital surplus of 0.64 billion estimated at the time of budget preparation. This includes Capital Account A/C-I & A/C-II both of the Government. The actual collection of capital receipts remains Rs.147 billion less than the budgetary target of Rs.705 billion whereas the actual capital spending remains 88 billion higher than the budgetary capital expenditures for Capital Account I & II (A/C-I & A/C-II) leading to trigger the negative net capital receipt of Rs.235 billion for the FY2022-23.



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After meeting actual current and capital expenditures, the available resource for development remains Rs.589 billion against an estimate of Rs.810 billion budgeted for FY2022-23. The Government spent Rs.586 billion on the development expenditure against the available cushion of Rs.589 billion realized after meeting actual current & capital expenditures of the Government. A snapshot of Government fiscal operation for the FY2022-23 is produced below:

Ref. No	Fiscal Statement	BE 2022-23	Actual 2022-23
A	General Revenue Receipts	2,521.29	2,490.82
B	Total Current Expenditure	1,711.93	1,667.17
C	Revenue Balance (A-B)	809.36	823.65
D	Net Capital Receipts (E-F)	0.64	-234.31
E	Capital Receipt (A/C-I & A/C-II)	705.10	558.22
F	Capital Exp. (A/C-I & A/C-II)	704.46	792.53
G	Net Resources for Development (C+D)	810.00	589.35
H	Development Exp.	685.00	585.76
I	Fiscal Balance (G-H)	125.00	3.59