FISCAL RISKS STATEMENT
FY 2022-23

Finance Department
Government of the Punjab

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List of Acronyms & Abbreviations

MTFF	Medium-term Fiscal Framework
FBR	Federal Board of Revenue
GDP	Gross Domestic Product
FRS	Fiscal Risk Statement
PFD	Punjab Food Department
GSDP	Gross Sub-national Domestic Product
PPPs	Public Private Partnerships
PSE	Public Sector Enterprises
PSCs	Public Sector Corporations
RMU	Risk Management Unit
PSTS	Punjab Sales Tax on Services
CFU	Corporate Finance Unit
PFMU	Public Finance Management Unit
PRIDE	Punjab Resource Improvement and Digital Effectiveness Programme
SNG	Sub-national Governance Programme
PRA	Punjab Revenue Authority
ET&NC	Excise, Taxation & Narcotics Control Department
BOR	Punjab Board of Revenue

1. Introduction

Fiscal risks can be broadly defined as any potential differences between actual and expected fiscal outcomes[1]. Fiscal risks carry the potential to result in financial distress for a Government in the future. They can adversely impact the projected fiscal path and targets which, in turn, can adversely impact related macroeconomic variables such as inflation, interest rates, external account and GDP growth, along with the undesirable impact on consumer and business confidence.

Governments may not be able to completely prevent or avoid fiscal risks. However, it is in their long-term interest to manage fiscal risk exposures by adopting sustainable policies, purchasing insurance and/or hedging products, or by maintaining buffers. The Medium-Term Fiscal Framework (MTFF) is a good example of how fiscal performance can be predicted, making Governments accountable for their risk analysis as well as macroeconomic assumptions.

Punjab has developed an overarching Fiscal Risk Management Policy Framework approved by the Provincial Government in FY22. This policy framework mandates the issuance of Fiscal Risks Statement (FRS) on an annual basis. The purpose of the Statement is to identify fiscal risks relevant to Government of Punjab, assess their fiscal implications, review the policies and mechanisms already in place to deal with such risks, and explain the fiscal risk management strategy.

2. Medium Term Fiscal Forecasts

Provincial Budget is the legislative intent of the fiscal policy of the Government. Medium-term fiscal forecasts enable Government to plan their fiscal policy priorities over a medium-term horizon; hence its assumptions and forecasts are a key component of any fiscal risk management strategy.

In the Provincial budgets, the most significant number is the fiscal transfers from the Federal Divisible Pool. The Federal Divisible Pool is primarily dependent on the FBR collections, over which the Provinces exercise no control. Provincial Budget is formulated considering the target set for the FBR revenue collection. On its basis, the Province estimates its share in Federal Divisible Pool, which accounts for almost 80% of its total revenues. The underlying assumptions

[1] Public Sector Debt Statistics: Guide for Compilers and Users (IMF 2011)

for the targets of any revenue collection comprises of the 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 projections for these key macroeconomic indicators for the next three financial years:

Table 1: Medium-Term Macroeconomic Framework

Economic Indicators[2]	2021-22 (P)	2022-23	2023-24	2024-25
GDP Growth Rate	5.6%	4.0%	4.2%	4.6%
Inflation	8.9%	11.2%	10.5%	7.4%
FBR Collection (Rs. bn)	6000	6,955	8,067	9,051
GDP - Market Prices (Rs. bn)	64,315	74,601	83,739	92,727

Punjab Budget Strategy Paper 2022-23

Following the FBR tax revenue and GDP growth rate projections of the Federal Government, Punjab's economy will follow the same trajectory of slow but gradual recovery. The major issue for Provincial Government will be to manage its burgeoning current expenditure and create fiscal space to increase development spending to stimulate economic growth. The Province is aiming to gradually increase own-source tax and non-tax revenue. The following table provides a list of the projections for Provincial budget for the next three financial years:

Table 2: Medium Term Forecasts for Punjab
(Rs in billion)

	2021-22 (RE)	2022-23 (BE)	2023-24	2024-25
Federal Divisible Pool	1761.2	2020.7	2332.0	2617.0
Tax Revenue	276.7	337.0	406.4	499.1
Non-Tax Revenue	144.3	163.5	129.0	144.5
Non-Development Expenditure	1423.7	1711.9	1897.2	2117.2
Development Expenditure	647.9	685.0	755.0	879.0

The projections are based on following assumptions:

- Salary and pension growth of 7% for FY 2021-22, 2022-23 and 2023-24 (10% increase in basic salary and pension)

[2] Punjab Budget Strategy Paper 2022-2025

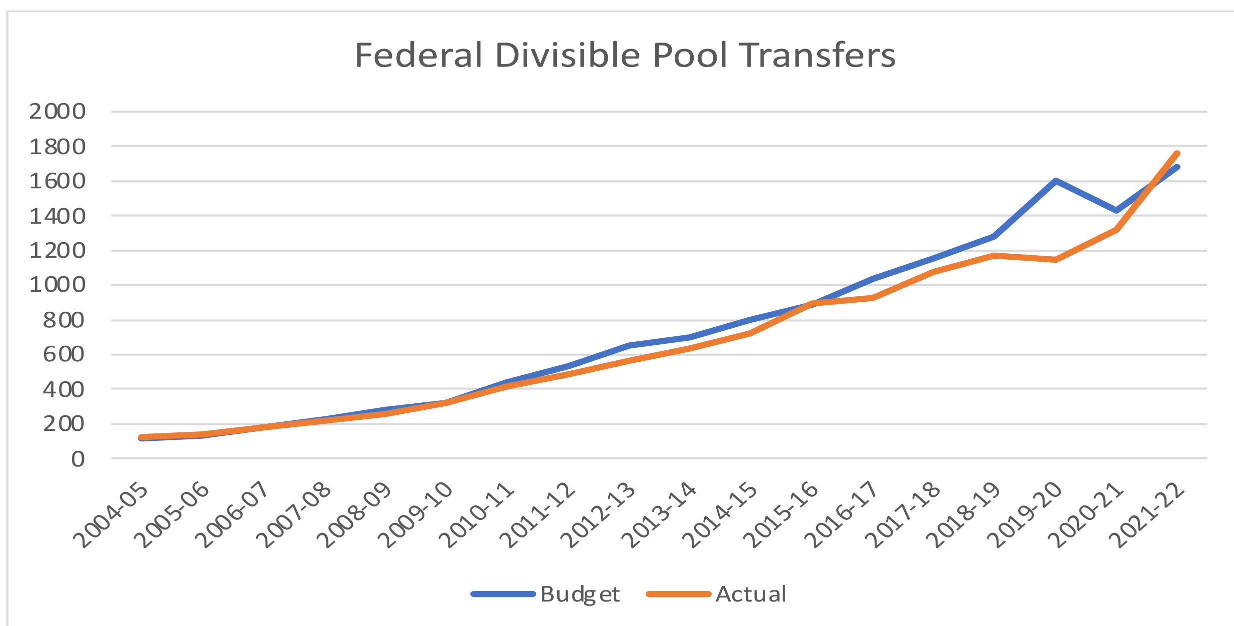
- Non-salary growth indexed to various macro variables such as crude oil price growth, exchange rate, inflation, and others
- Development expenditure – utilization performance of spending entities are based on budget strategy priorities
- Any special provisions such as subsidies and social protection measures are not included in expenditure projections

3. Key Fiscal Risks

3.1 Growth in Government Revenues at the Federal Level

Following the fiscal structure in Pakistan, the Provincial Governments still rely heavily on inter-Governmental transfers from Federal Government for revenue. In the last five years, on average, the Provincial share in Federal Revenue contributed to 81% of the total provincial revenue for Punjab, whereas around 17% was collected from own source revenue, and around 2% came from Federal Loans and Grants. Hence, even a small percentage variation between Federal Board of Revenue's budgeted estimates and actual collection leads to a major re-adjustment in Provincial Receipts. This can be a pressing concern for the Provincial Government if the gap between budget and actual collection keeps widening. However, the trend is likely to reverse in FY22 and the actual transfers are expected to surpass the budget estimate as per MTFF projections.

Figure 1: Budgeted and Actual Federal Divisible Pool Transfers over the Years

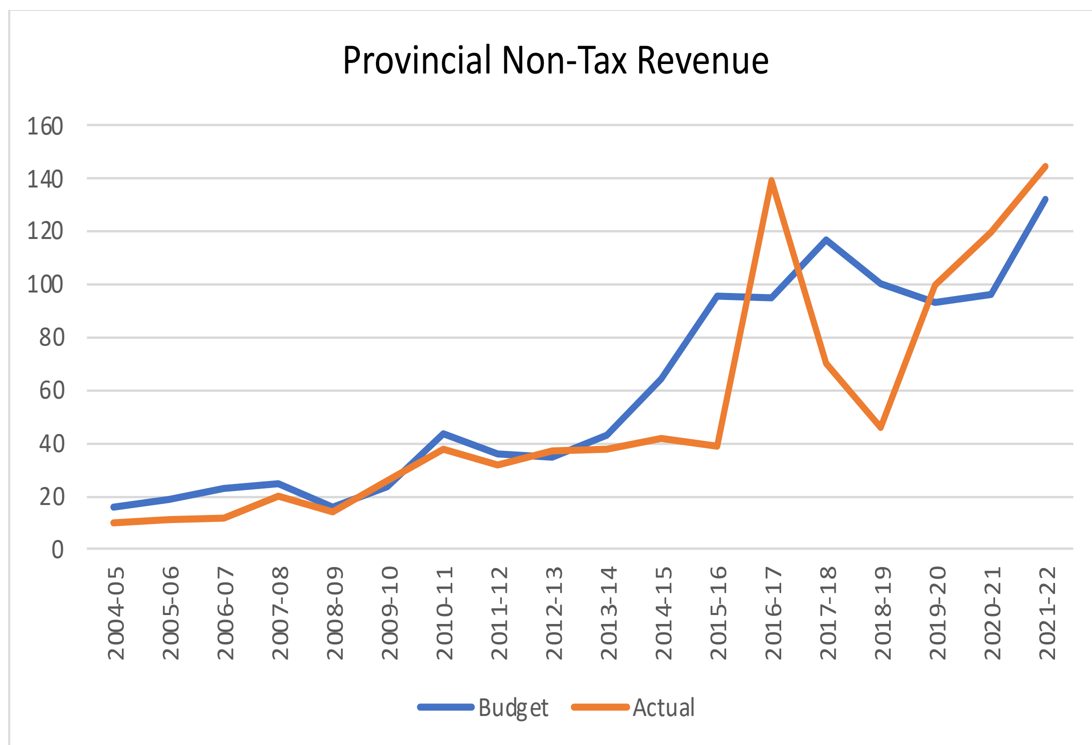


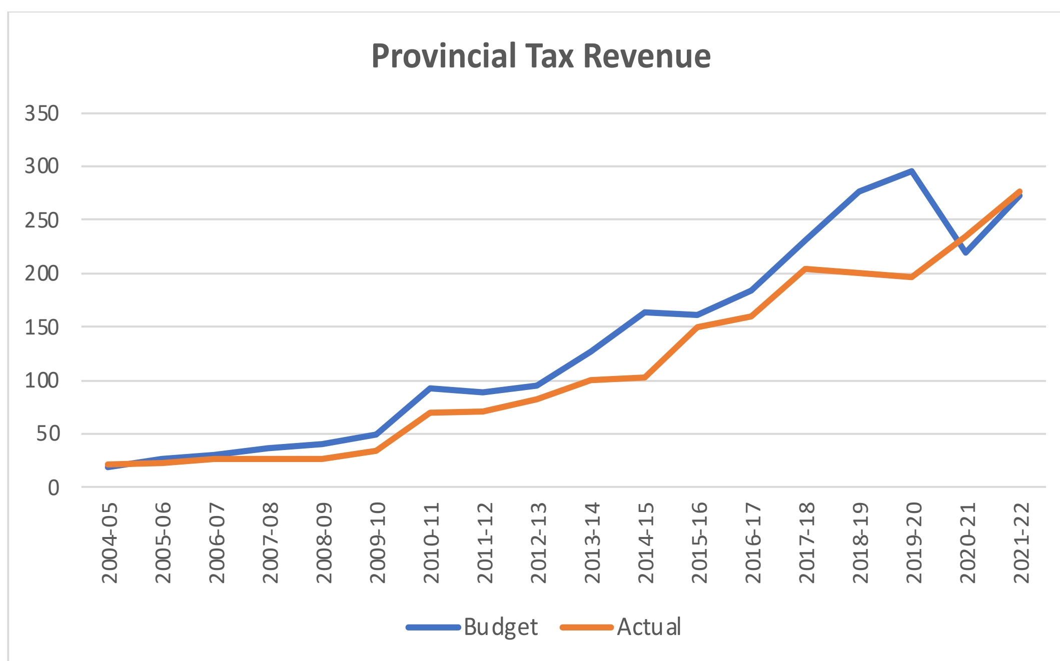
Historically, there have been considerable shortfalls in FDP transfers to the Province. Over the last five years, there was an average shortfall of PKR 174 billion in the budget and actual Federal divisible pool transfers. FY22 projections reflect an exceptionally high growth of 25% which would be remarkable, if maintained. In the last five years, the average variance between budget and actual estimates was 13%. During the previous ten years, the highest difference of Rs 453 billion (variance: 28.29%) was recorded in 2019-20, which can be partially explained by unprecedented shortfall in FBR collections due to COVID-19. Impact of such a risk can be mitigated by enhancing own source revenue collection, disaster risk financing and maintaining liquidity buffers strengthened during the times of better fiscal performance.

3.2 Own Source Revenue

Government of Punjab has been making consistent efforts to increase revenue collection from provincial taxation. In last five years, the own source revenue contributed to around 17% of the total provincial revenue. Since 2004-05, there has been a 16% growth in this source, which reduced to 12% over the preceding six years.

Figure 2: Budget and Actual Own Source Revenue Collection





The gap between budgeted and actual collections of own source revenue had been widening in until recently. In last five years, the actual collection were, on average, PKR 48 billion less than the budget estimates though this collection has surpassed budget estimates in the last two years due to better performance of provincial tax collecting agencies. This can cause two problems of fiscal management: firstly, lower collection from own source revenue increases reliance on Federal Divisible Pool transfers, which are estimated without input of Provinces and have been transferred less than the budget estimates in previous years, with FY22 being an exception and secondly, Own Source Revenue is a considerable portion of total revenues and a shortfall in the collection can have a significant impact on provincial budget execution.

With a view to maintain the growth momentum and bring efficiency in the own-source revenue collection, Finance Department has developed a Revenue Mobilization Strategy and Plan, focusing on Punjab's tax and non-tax revenue growth.

3.3 Financing of Commodity Operations

Annual wheat procurement and storage by the Provincial Government carries huge costs for the Provincial exchequer. The direct costs include buying, storing, releasing wheat as well as the interest payments, both on current borrowing and accumulated debt. The Punjab Government meets this cost through commercial borrowing from the banks every year to purchase wheat from

the farmers. Borrowing on account of commodity financing is not included in the domestic debt of Government of Punjab because such borrowing is secured by underlying wheat stocks as well as the Guarantee of Federal Government.

In December 2021, Punjab Food Department expressed its intent to raise Rs. 475 billion[3] from financial institutions under Cash Credit Financing for Commodity Operation of wheat for the quarter Jan-Mar 2022, compared to Rs. 420 billion for the same period the previous year. This is mainly on account of the increased wheat support price for FY22.

It is worth noting that the cost of wheat operations subsidy is a function of the gap between the support price and release price, in addition to ancillary costs, determined by the Provincial Government. The cumulative financial loss (subsidy) in Punjab from 2000-2001 to 2020-21 amounts to Rs. 368 billion, growing at a compound annual growth rate (CAGR) of 24% since FY10. As an example, from 2018-19, the support price has seen a 19% average growth whereas the release price has witnessed a growth rate of 15%.

Financial year	2018-19	2019-20	2020-21	2021-22	Avg. Growth from FY 2018
Support Price/40 Kg	1300	1400	1800	2200	19%
YoY Growth	0%	8%	29%	22%	
Avg. Release Price / 40 Kg	1295	1375	1472	1950	15%
YoY Growth	37%	6%	7%	33%	

Table 3: Commodity Operations Trend

The resulting subsidy accumulation over the years is in Figure 3 below:

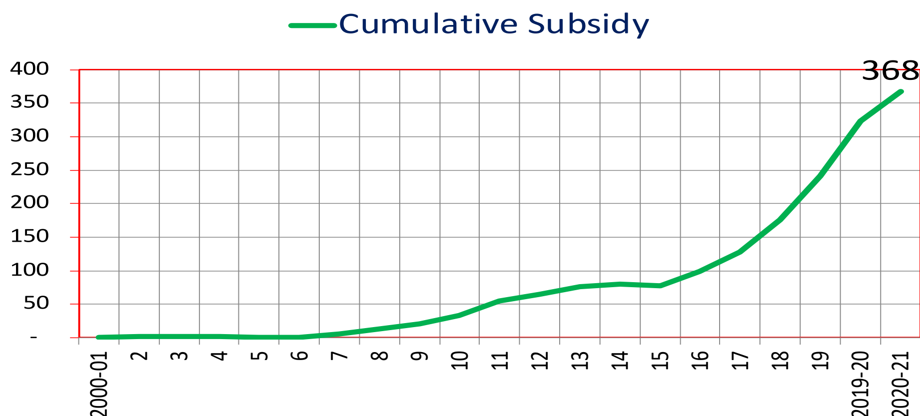


Figure 3: Punjab Cumulative Subsidy on Wheat (Source: Food Department, Punjab)

[3] https://eproc.punjab.gov.pk/Tenders/50485049/4950/02122021043409835756401664 31.pdf

In Punjab, cumulative outstanding debt for commodity operation as of June 30, 2021, was Rs. 548 billion which is forecasted at PKR 640 billion on June 30th, 2022. Mark-up payable on the outstanding debt is more than Rs. 40 billion[4]. Commodity debt is gradually increasing which shall be unsustainable at higher levels. The risk arising due to commodity debt is further exacerbated by sizable subsidies given by the Government on wheat flour.

Although the Federal Government's sovereign guarantee is backing the commodity operations, it is acknowledged that it is essentially a legal liability for the Punjab. The justifiably intensifying debate over the subject demands a responsible and consistent policy on commodity operations: continuity of purchase or phasing out of it, co-financing by the Federal Government and federating units, reduction of the margin of subsidy built into the wheat release price and consistency of release and purchase prices across Pakistan. The looming risk of withdrawal of Federal guarantee, persistent demand of Federal Government for a comprehensive debt retirement plan, absence of any strategy to tackle this increasing debt, and the possibility of at-source deductions from the NFC shares, non-participation of federating units in the commodity operations of Punjab and increased cost of borrowing given the ongoing macroeconomic situation exposes the Provincial Government to a considerably high risk in medium to long term.

The Finance Department has been endeavoring to formulate a mitigation strategy to address the risks. At the minimum, the Finance Department is planning to provide financing support to wheat operations through the provincial budget. In addition, Food and Finance Departments need to come up with a comprehensive Commodity Debt Management Plan to continue the operations in a sustainable manner.

Food Department, overseeing the commodity operations, also needs to be mindful of the fact that international wheat prices have increased significantly, owing to the various economic and geopolitical factors. This poses potential of pilferage and illegal movement of wheat. Such an eventuality, if unchecked, has a high risk of impacting financial requirements of commodity operations emanating due to early and additional releases and / or any import requirements later in the year. Consequently, the commodity operations in their current form carry a medium-to-high risk tag which needs to be mitigated on a priority basis.

[4] DMU, Punjab Finance Department

3.4 Pension Expenditure

The existing defined benefit pension scheme is rapidly becoming an unaffordable financial obligation for the Government. The burgeoning annual expenditure on pensions has squeezed the fiscal space available for public investments and service delivery to citizens. The pension liability (present value of future pension payments) in Punjab has increased to PKR 6,598 billion as per the actuarial evaluation of 2019.. The annual expenditure on account of pension has grown to approximately PKR 260.0 billion in FY 2021-22 and has been growing at an annual compound growth rate of 21% since FY11. Current Revenue Expenditure and General Revenue Receipts have grown by 13.52% and 12.26% respectively in the same period.

Pension costs have been rapidly growing from 6.7% of revenues in 2012 to about 14.9% in 2021, and are further expected to rise to 17.7% of revenues by 2030 and 21.4% of revenues by 2040 at the current pace and policy regime. Similarly, as proportion of current expenditure, pension liabilities have increased from 9.8% in 2010-11 to 19% in 2021-22. The cause of increasing pension liability can be traced to the excessively generous features of the Governments' pension policy.

Unmitigated pension liabilities pose a significant risk to the provincial finances. Considering these possible risks, the Finance Department has carried out extensive analyses over the years, through its partners, of this mounting challenge and several studies have been undertaken to identify pension reform options. Various reform options have now been crystallized and await approval of the Cabinet.

One of the innovative recommendations is to move to a Defined Contribution (DC) Scheme for prospective hiring in the public sector. This would bring in a major regime change in how the public pensions are being managed. Moreover, several reform options have been identified in the existing Defined Benefits (DB) scheme. One such key reform has already been enforced through change in the voluntary age of retirement to 55 years of age or 25 years of service, whichever is later. This change is expected to save PKR 59 billion over the next three years. Owing to agitation by Government officials on employee benefits, judgements by the courts on reform initiatives and lack of support across party lines, the Provincial Governments do not feel encouraged to introduce pension reforms. Finance Department has been taking this case up with the Federal Government to take the lead and set the stage for pension reforms across the country. The Pay and Pension Commission is yet to furnish its recommendations to the Federal Government after concluding its deliberations.

3.5 Public Debt and Financing of Fiscal Deficit

Punjab's debt levels are currently quite low when measured as a percentage of its GSDP (Gross Sub-national Domestic Product) or its annual revenue. The outstanding debt as percentage of National GDP is 1.8% and viz Punjab's GSDP, it is 5.0% and the interest payment was only 0.1% as percentage of Punjab's GSDP. Punjab's debt stock as of June 30th, 2021 was PKR 955 billion and for FY22, it is expected to be PKR 1128 billion reflecting an increase of 18%. It is worth noting that 99.7% of Punjab's debt is external in the form of concessional loans from multilateral development partners. Punjab`s External Debt is denominated mainly in US Dollar (72%) followed by Special Drawing Rights (18%) and Japanese Yen (6%).

The increase in debt stock is mainly attributable to Pak Rupee depreciation against foreign currencies, amounting to Rs.158 billion i.e. 91% of the total increase in debt stock and the remaining Rs.16 billion is the amount of new loans (net of repayments) added in debt stock during this financial year, against new as well as already contracted loans of Government of the Punjab. The debt stock is based on actual loan receipts till March 2022 and estimated disbursements for the last quarter of FY2022.

This exposes Punjab's debt to a significant exchange rate risk which has contributed significantly to debt growth. Currently, the debt servicing to revenue ratio stands at 4.7%. However, considering the exchange rate depreciation, it has increased to 5% in FY22, and may increase to 5.5% if the depreciation growth rate remains at 5% for the next 3 years. This is subject to a lack of fresh loans added in the medium-term. Considering the loan pipeline, however, the ratio may rise to over 6% with the exchange rate shock. As a risk mitigation strategy, Punjab must consider diversifying the basket of currencies to hedge against significant depreciation shock vis-à-vis US Dollars.

Principal repayment projections have remained relatively smooth till FY 2023; however, a sudden spike in repayment occurs from FY24 onwards, mainly due to the start of repayment of Orange Line Loan which will last till FY36. PKR 25.0 billion is the estimated amount of average yearly loan repayment of Orange Line Metro Train (OLMT) Loan.

The major challenge for the Province is to manage its debt operations to finance its large and growing development needs without impairing its capacity to repay the debt. Punjab's debt

consists mainly of long-term foreign loans obtained on concessional terms from international institutions by the Federal Government and on-lent to Government of the Punjab. Government of the Punjab obtained multilateral loans from international financial institutions and a few bilateral loans to support the development needs of the Province. The following table provides a summary of the Principal repayment forecasts:

Table 4: Principal Repayment Forecasts *(PKR billion)*

Repayment of Principal Amount[5]	2022-23	2023-24	2024-25
External Loans Repayment	64	73	71
Domestic Loans Repayment	1.1	1.0	0.4
Total	**65.1**	**74.0**	**71.4**

The significant increase in debt service payments, particularly owing to Exchange Rate risk, within a few years requires an even higher focus on increasing the Own Source Revenue of the Province to fund the growing development needs.

3.6 Provincial Guarantees

The Government issues guarantees mainly to Public Corporations and Public Private Partnerships (PPPs) as Government support to enhance bankability of projects undertaken by these entities. Currently, outstanding guarantees pertain mainly to Public Corporations operating in the energy sector and PPP projects in the roads & transportation sector. The size of guarantees issued by Punjab Government is currently quite low i.e. 2.35% of Provincial Revenues and 2.35% of Provincial GDP. As of 30.06.2022, the total amount of outstanding guarantees is estimated at PKR 49 billion out of which PKR 4.7 billion is attributable to Public Private Partnerships (PPP) while the remaining guarantees worth PKR 44 billion are issued to power projects of Punjab. Energy projects have been a success story in Punjab and these guarantees are categorized as extremely low risk. The draft Punjab Public Financial Management Act, which has been finalized by the Finance Department and is pending legislation, would further bring issuance of Guarantees on the Provincial Consolidated Fund within a mandated policy framework.

[5] Debt Bulletin, Finance Department, Punjab

3.7 General Provident Fund Liabilities

The Government requires its permanent employees to subscribe to the General Provident (GP) Fund, which is a Defined Contribution Scheme. General Provident Fund contributions are deducted from salaries of Government employees and are credited to the GP Fund Account, which is a part of the Public Account of the Province. Government has fiduciary responsibility for these contributions. Based on the actuarial valuation, accrued GP Fund liability is estimated at Rs 314.082 billion on June 30, 2022 which will increase to Rs 1,715 billion by FY40. Government maintains a common cash balance for both Provincial Consolidated Fund and Public Account which carries a risk of utilization of cash balance of Public Account for various provincial expenditures on development or service delivery. Government of Punjab passed the Punjab General Provident Investment Fund Act, 2009 to establish an investment fund for the management of GP Fund liabilities of the Government to ensure its fiduciary responsibilities. The legislation has proved effective in management of this significant Government's liability towards its human resource.

3.8 Other Contingent Liabilities

Explicit and implicit contingent liabilities pertaining to Public Corporations are a major source of fiscal risk. In the past, the Government had to bail out two Public Financial Corporations (Bank of Punjab and Punjab Cooperative Bank) through a combination of loans, equity investments and guarantees. In addition, there is a significant amount of loans made by the Government to several Public Non-Financial Corporations (mainly the Waste Management Companies) whose recovery seems unlikely.

In FY10, Government set up a Risk Management Unit (RMU) in Finance Department to analyze and manage the fiscal risks pertaining to Public Private Partnership projects. Over the years, the Unit has provided valuable advice regarding such projects. Recently, Finance Department has established a Public Financial Management Unit (PFMU) to further strengthen the risk functions.

In FY19, Government set up a Corporate Finance Unit in Finance Department for effective oversight of Public Sector Companies, improving their governance, risk management and compliance practices. The Unit has made considerable progress in establishing a consolidated database of the accounting and financial information pertaining to the Public Sector Companies and to identify major challenges faced by these companies.

The Government is also considering formulating a policy regarding financial support to Public Sector Corporations. This policy shall identify the types of financial support that can be provided to these companies and the conditions to be met by such companies to be eligible for support.

3.9 Adequate Buffers for Liquidity Management

Liquidity buffers refer to banks' stock of liquid assets, such as central bank reserves or high-quality Government debt that can be easily used to repay obligations as they fall due. They are available to meet unexpected changes in cash flows. Currently the Government of Punjab does not follow a practice of maintaining buffers for liquidity management but it would now be prudent to maintain a cash buffer to meet unexpected liquidity requirements on account of macroeconomic shocks, cashflow mismatches and/or other contingencies.

To mitigate this risk, Finance Department has finalized the draft Punjab Public Financial Management Act, which is pending legislation. This contains provision on cash management to effectively anticipate cash needs of Government. Establishment of a dedicated cash management and policy to maintain a certain amount of cash balance on average to meet unexpected cash needs is under consideration as mandated under the same Act. This is particularly important considering the need for mitigation of unforeseen disasters such as onset of COVID-19 and climate related risks.

3.10 Disasters and Climate Risks

Disasters and climate related threats for Punjab can be categorized as high risk. Punjab has witnessed high-impact natural disasters in recent years which have had significant economic impacts. Floods have remained a frequent phenomenon in the province. In addition, Punjab is particularly affected by pollution, notably because of increasing pollutant emissions from industries, vehicles, power generation, open trash and crop burning. This has resulted in increasingly severe smog episodes in the fall months every year extending throughout Punjab, resulting in both direct and indirect costs.

Keeping the experience of COVID-19 in perspective, there can be significant health and economic shocks to the fiscal position of the Province. The Finance Department, under the Punjab Resource Improvement and Digital Effectiveness (PRIDE) Programme, commissioned a comprehensive analysis on the impact of COVID-19 on provincial tax revenues across four major taxes – Stamp

Duty, Urban Immovable Property Tax, Motor Vehicle Tax and Sales Tax on Services – which together account for nearly 90% of Punjab's Own-Source Tax Revenue (OSTR). The findings of the assessment reveal an estimated revenue loss of PKR 103 billion (27% of estimated OSTR) during the 15-month period from April 2020 to June 2021. The findings have fed into the tax proposals for FY2022-23 and has also provided the basis for devising the Revenue Mobilization Strategy for the Punjab. Furthermore, the economic downturn due to COVID-19 resulted in unemployment in Punjab by 5-8 million[6].

To compensate for the economic slowdown, Government of Punjab continued the Tax Relief Package initially introduced in FY20, in FY22 worth over PKR 50 billion. Tax expenditures are special tax provisions in the tax law that are exceptions to the normal structure of the tax system. They represent revenue that the Government forgoes through exemptions and reduced rates, to achieve various social and economic objectives by favoring a particular industry, activity, or class of persons. Key features of tax expenditure have been:

- PSTS on Health Insurance and Services provided by doctors and hospitals at 0%
- PSTS reduced to 5% for 32 sectors
- Adoption of new Valuation Table for (Urban Immovable Property Tax) UIPT postponed
- Reduction of Stamp Duty from 5% to 1% in urban areas

In addition to health scares like COVID-19, Punjab is no stranger to natural disasters. Pakistan potentially faces major climate change challenges, many of which are increasing in severity and frequency on account of climate change. On Yale's Global Environmental Performance Index (EPI) 2020, Pakistan stands at 142 out of a total of 180 countries in environmental health and eco-system vitality. Besides the human losses due to climate induced disasters, climate change is taking its toll on the country's economy. As per a recent study by IMF[7], climate change will weigh on inclusive growth, per capita incomes, macroeconomic stability, socioeconomic stability, and equality. Pakistan is in high exposure and vulnerability group of countries in the region. Climate adaptation is an urgent priority for Pakistan and recognized by the National Climate Change Policy. Adaptation needs full embedding in medium-term inclusive growth agendas and mainstreaming into all existing policy frameworks. Punjab contributes roughly 54% to the National

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[6] World Bank www.documents1.worldbank.org/curated/en/822851601408278557/pdf/Final-Technical-Assessment-Punjab-Resource-Improvement-and-Digital-Effectiveness-P171417.pdf

[7] IMF Departmental Paper – March 2022 Feeling the Heat: Adapting to Climate Change in the Middle East and Central Asia

GDP and is the industrial and agricultural base of the economy. Hence, the impact of climate induced disasters is magnified and felt throughout the country.

Punjab was expected to establish Provincial Disaster Management Funds (PDMFs) under Punjab Disaster Management Authority and allocate PKR 8 billion for this purpose, with a plan to contribute an additional PKR 1.5 billion annually. The aim to establish these funds was to manage disaster risk financing and support climate risk adaptation and mitigation measures. However, the Province continues to relies on grants from National Disaster & Risk Management Fund for projects of disaster management and rehabilitation. Experiences from Punjab indicate that compensation after a disaster can be 14 to 15 times more than the cost of ex-ante approaches to disaster risk financing. Through well-considered disaster risk financing instruments, disaster burden on Government can be significantly reduced. In the ongoing PRIDE programme, the World Bank is going to provide support to the Finance Department for establishment of a disaster mitigation fund and support towards disaster risk financing.

Three important initiatives have so far been undertaken in Punjab for providing impetus to manage disaster and climate related risks:

- Establishment of Environment Endowment Fund – Capitalized with funds of more than PKR 6.5 billion
- Development of Green Financing Strategy of Punjab to channelize public and private capital to strengthen environmental governance of the Government and promote green investments in Punjab
- Climate Budget Tagging to support decision support in provincial climate change framework

However, with limited fiscal space available to dedicate sizable resources to risk mitigation, adaptation and disaster management efforts, Punjab needs to access instruments such as debt for nature swaps and enhance access to international climate finance such as Green Climate Fund, Global Environment Fund, and bilateral climate funds.

4. Conclusion

Assessment of potential fiscal risks can provide valuable insights for Government to plan and execute appropriate risk management strategies. Key fiscal risk exposures of the Government include potential shortfalls in revenues, steep rise in pension expense in the wake of an unfunded Defined Benefit Pension scheme, rising debt burden pertaining for commodity operations, sudden increase in expenses due to natural disasters or pandemics, and implicit contingent liabilities in the form of bailouts for loss-making public corporations. The Government is mindful of these risks and is weighing various policy options and administrative measures and strategies to cope with them. The Government is committed to achieving high growth in own-source revenues, introducing meaningful pension reforms, formulating a plan to gradually repay the debt related to commodity operations, improving disaster risk management framework and enhancing oversight of Public Sector Companies and Public Private Partnership projects.