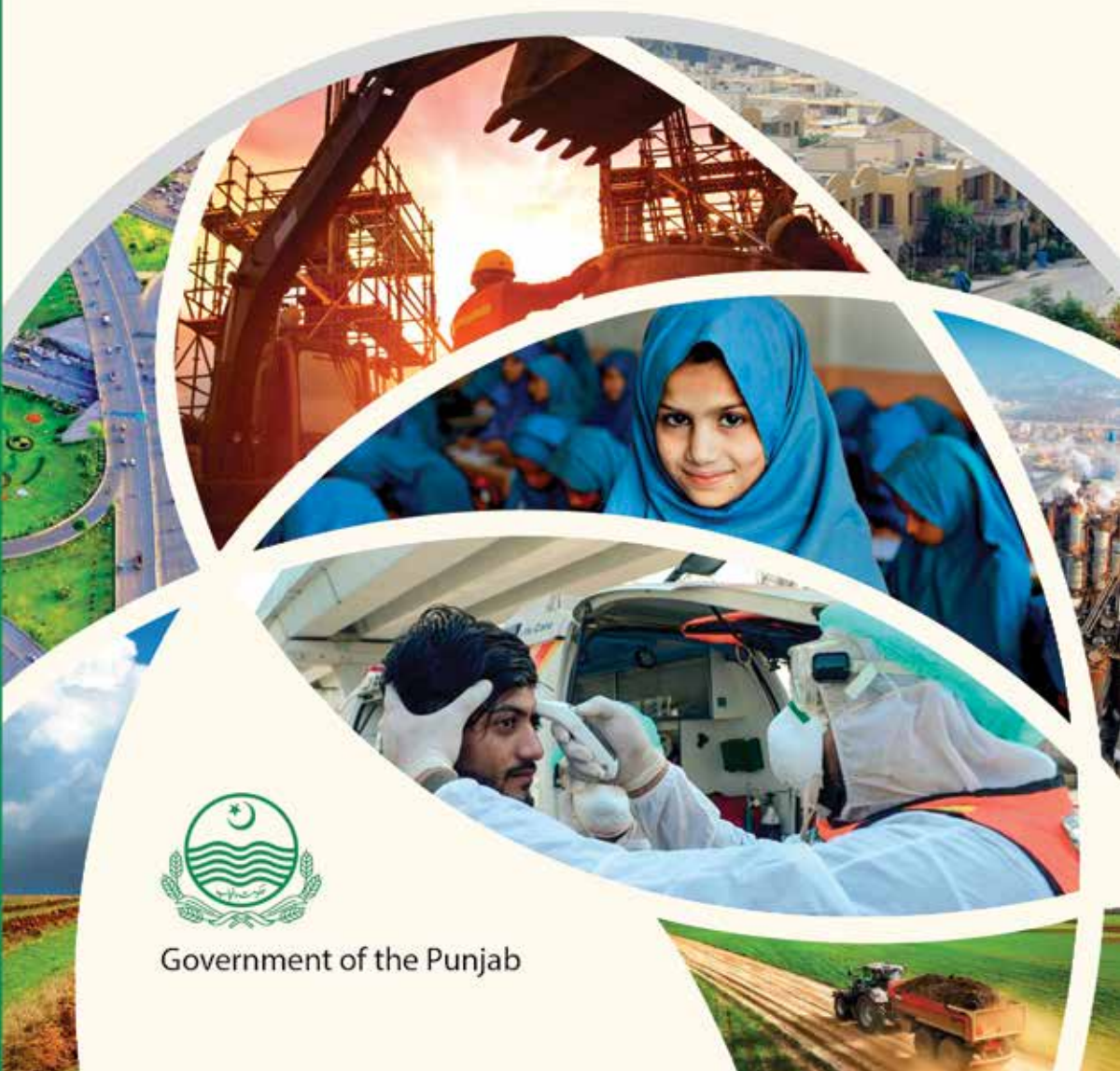


# INITIATIVES, INNOVATIONS & REFORMS



TWO YEARS' PERFORMANCE REVIEW

**FINANCE DEPARTMENT**



Government of the Punjab

## Message from the Finance Minister



The PTI government has made efficient fiscal management the key corner stone policy of its government. The great province of the Punjab is on the road to prosperity; however, the journey would entail taking bold decisions, prudent fiscal discipline and providing avenues of growth to bolster our economy. Our investments in the Human Development sectors especially health and education will help the province achieve our vision of a true welfare state.

I take pride in the fact that our two years in Government are characterized by an all-inclusive and well-rounded approach. Essentials of this approach included taking hard but necessary decisions, adopting deft fiscal policies, obviating regional imbalances to guarantee at-par development prospects for all regions, prioritizing investments in social sector, devising sustainable service delivery mechanisms, effecting timely course corrections, and identifying out-of-the-box answers to challenging questions. And Finance Department's role has been that of a lynchpin in our economic reconstruction endeavors.

The reforms process will continue and further strengthened and we shall improve public service delivery leading to a more receptive and responsive government. The contract between the state and its citizens requires us to continuously keep innovating and pass on the benefits to the people of the Punjab.

I would like to thank the Finance Department under the able stewardship of Finance Secretary, Abdullah Khan Sumbal, for its dedication and hard work in service to their province.

**Makhdum Hashim Jawan Bakht**

## Message from the Finance Secretary

Time elapses and footprints, milestones and results are left behind. To capture the quintessence of endeavours and struggles, annual chronologies are most instructive. Finance Department has published this concise compendium of the entire spectrum of efforts during the past two years. This is also in keeping with the ideal of pro-active disclosure.

Finance Department, being the key organ of the Provincial Government, has a pivotal, over-arching and a broad-based role to play with a wider policy impact. It is in this perspective that Finance Department has been instrumental not only in its own initiatives during the past two years, but the policy landscape of entire Provincial Government is dotted with numerous course-correction and policy formulation measures where Finance Department played pivotal role in nudging and steering the policy course. Some significant strategic interventions owed in a large measure to the Finance Department's input. Wheresoever the Government ventured into reform efforts, the Finance Department was in the vanguard. These earnest efforts, let it be said in all humility, were recognized as critical and even path-breaking on occasions.

We benefitted consistently from the guidance of the Prime Minister, the wisdom of the Chief Minister, the Provincial Cabinet and the Chief Secretary. I consider it a privilege to acknowledge the tremendous leadership provided by the Finance Minister, Makhdum Hashim Jawan Bakht. His acumen and sense of understanding led the Department to several successes in a difficult period. I feel honour bound to appreciate the efforts put in by the entire Finance team during these two years. I have reasons to marvel at their diligence and commitment over this period of time and cannot thank them enough. For the assiduous compilation of this Two Years' Performance Review of the Punjab Finance Department, I am in particular, grateful to the hard work of Nauman Yousuf and Rana Obaidullah Anwar. I pray that we work with greater energy and clarity of purpose in the future.

**Abdullah Khan Sumbal**



1

Systemic  
Impediments  
and Fiscal  
Challenges  
at the Onset  
of PTI's  
Government

1

Budget  
2018-19:  
Setting the  
Priorities Right  
to Ensure  
Fiscal  
Discipline

3

Budget 2019-  
20: Paradigm  
Shift to Social  
Sector and  
Regional  
Equalization

4

Budget 2020-  
21: COVID-19  
Centric  
Healthcare  
and Economic  
Recovery  
Focus



**6**

Fiscal  
Response to  
COVID-19 in  
2019-20 and  
2020-21

**7**

Major  
Initiatives by  
the Finance  
Department

**15**

Supervisory  
/ Supportive  
Role of  
Finance  
in Major  
Initiatives in  
the Province

**20**

Proactive  
Leadership  
Role of  
Finance  
Minister in Key  
Initiatives in  
Punjab



**G**overnment of Punjab is completing its two years. This document is an anthology-in-brief of the performance and achievements by the Finance Department, Government of Punjab in these two years. Despite host of fiscal challenges and systemic impediments inherited by the Government at the onset and those brought about by the COVID-19 pandemic, considerable progress has been realized. This document essentially captures the gist of Fiscal Policy measures, sectoral aspirations of the Government, reform initiatives, key interventions and course-correction/policy formulation role of the Finance Department in the effort of forging ahead purposefully towards achieving the service delivery and the Development targets set out by the Government for itself.



## Systemic Impediments and Fiscal Challenges at the Onset of PTI's Government

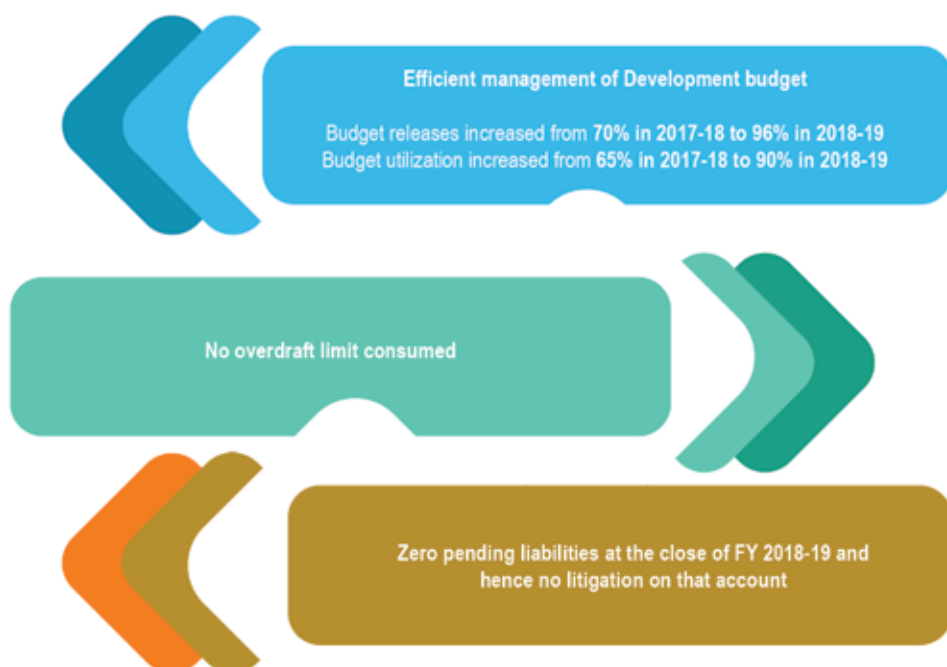
- It is a well-recognized fact that the incoming Government in 2018 inherited a struggling economy. This was amply manifested by the stark fiscal and financial predicaments in the Punjab. The Finance Department had to grapple with the following issues right at the very outset:
- Total liabilities of **Rs. 97.4 bn** had accrued for the government leading to more than 165 court cases of pending liabilities. There was a total of more than 20,000 unpaid cheques amounting to **Rs. 56.1 bn**. Government had availed an overdraft upto **Rs. 41.3 bn**.
- GP Fund of its employees was consumed by Govt. of Punjab to the tune of **Rs. 102 bn**.
- The dismal financial condition was a result of distorted budgetary allocations and skewed Government priorities.
- South Punjab was neglected and deprived of its due share of **Rs. 265 billion** over the last 07 years. Per capita expenditure for South Punjab was **Rs. 10,226/-** against that of District Lahore at **Rs. 106,961/-**.
- Mega projects such as O&M contract of Orange Line Train & financial close of RLNG Power Plants were left incomplete due to fiscal mismanagement.
- Debt stock had reached a whopping new level of **Rs. 1152 bn**, comprising **Rs. 458 bn** for Commodity Financing and the remaining Rs. 694 billion for Government borrowing (mainly foreign loans).



## Budget 2018-19: Setting the Priorities Right to Ensure Fiscal Discipline

Fiscal discipline on the Non-Development side and increasing focus on Social Sectors on the Development side were the hallmarks of Budget 2018-19;

- The Government redefined its priorities and created fiscal space. Through prudent fiscal management, an additional **Rs. 97 bn** were made available through revenue mobilization and rationalization of expenditure.
- Resource Mobilization Committee (RMC) recommended new proposals of **Rs. 16.6 bn** for enhancing provincial Own Source Revenue (OSR).
- Current expenditure was rationalized creating a fiscal space of **Rs. 80.4 bn**.
- As its top priority, Government of Punjab enhanced allocations in Social sectors (Health & Education) from **Rs. 560.9 bn** (34%) for FY 2017-18 to **Rs. 631.1 bn** (42%) for FY 2018-19.
- In support of Federal Government, Government of Punjab budgeted **Rs. 147.8 bn** as Estimated Provincial Surplus.
- Increased transparency of budget making process through improvements in budget documents (White Paper, Citizen Budget and Budget Highlights). Introduction of smart format of budget books and reduction in size and quantum of books to be printed & provision of USB sticks.
- Salient Achievements at the close of 2018/19 included, inter alia:







## Budget 2019-20: Paradigm Shift to Social Sector and Regional Equalization

Austerity and fiscal prudence on Non-Development side and major focus on Regional Equalization and Social Protection on the Development side were the hallmarks of Budget 2019-20. Ambitious targets were set rooted in the structural corrections undertaken in the previous FY.



Increased Provincial Own Source Revenue target of **Rs. 388 bn** against RE of **Rs. 269 bn** of FY 2018-19 (44.6% increase)



All-time high additional Resource Mobilization of **Rs. 24.91 bn** through innovative measures / restructuring



Austerity - Reprioritizing of expenditure: Saving of **Rs. 55 bn** by reducing Non-Salary Current Exp. by 8.6% (BE/BE) and 10.9% (BE/RE).



Mitigating the adverse impact of macroeconomic challenges on vulnerable groups through a comprehensive Social Protection Program (Ehsaas Punjab)



Increased Allocation for Social Sectors from **32% in FY 2017-18** to **41% in 2019-20**.



Increased Allocation for Health Sector from **8% in FY 2017-18** to **15% in 2019-20**.



**35% of ADP** reserved and Ring-fenced for South Punjab (zero re-appropriations out of the Development funds)



Augmented the Development portfolio by **Rs. 42 bn** by leveraging the private sector investment through Public Private Partnership (PPP)



Provision of Estimated Provincial Surplus - **Rs. 233 bn** was budgeted and committed under an MOU, in support of the Federal Government's commitments with IMF.



Supplemented the health sector funding in First Statement of Excess and Surrenders through provision of additional funds to the tune of **Rs. 18.0 bn**



Despite the sizable diversion of fiscal resources, it was made sure that important sectors were well protected in the 2nd Statement of Excess and Surrenders.



Improved budgetary documentation with higher transparency & enhanced user-friendliness of budget documents (White Paper, Citizen Budget and Budget Highlights) in English and Urdu. Wide dissemination of the documents in academia and to relevant stakeholders.





Finance Department devised a strategy to reset the priorities given the fiscal constraints arising due to COVID-19, as it was realized very early in the pandemic that a balancing act was in order. Funds available with various entities in the PIFRA System were off-lined, redistribution was effected and were made available where required emergently.

The onset of COVID-19 in latter half of 2019-20 hindered the achievement of targets set for FY 2019-20, which this Punjab Government was well on its way to accomplish. The unprecedented situation required adroit and deft financial management as the Government was forced to tread a tightrope. Finance Department adequately delivered on the promise to cope with the challenges through measures undertaken in FY2019-20 and planning for FY2020-21.



## Budget 2020-21: COVID-19 Centric Healthcare and Economic Recovery Focus

The Financial Year 2020-21 reflects a comprehensive strategy of the Provincial Government for controlling the impacts of Covid-19 through various financial measures. **Rs. 10 bn** have been allocated as Block Allocation for undertaking broad-based Covid-19 related initiatives, whereas, **Rs. 3 bn** as Block Allocation have been allocated separately to Specialized Healthcare & Medical Education Department.

- Finance Department has continued giving preference to Social Sector and Regional equalization. Health and Education sector have been protected and given additional budgetary support to cater to the ever-increasing challenges. Budget for Health and Education Sector forms a major chunk of the Total Budget of the Government. Funds for South Punjab have also been ring-fenced so as to prevent diversion.

	2018-19	2019-20	2020-21
<b>P&amp;SH</b>	107.8	110.5	124.4
<b>SH &amp; ME</b>	118.3	123.0	126.3
<b>SED</b>	307.5	304.5	322.5
<b>HED</b>	32.1	35.1	33.7
<b>Total</b>	565.7	573.1	606.9
<b>Total BE</b>	1264.48	1298.8	1318.3
<b>Total / Total BE</b>	44%	44%	46%

PKR Bn

- Considerable Allocation for Development Despite Constraints:** Budget Formulation for FY 2020-21 was a challenging task as the Government faced severe revenue shortfall, to the tune of **Rs. 566 bn**, due to a slowdown in economic activity. Federal Government Receipts and Own Source Revenue, both witnessed a dip, due to which the Government had a smaller resource pool for Development and Non-Development Budget. Despite the fiscal constraints, the Government of Punjab allocated **Rs. 337 bn** for Annual Development Program.

Sectors	2018-19	2019-20	2020-21
Social Sector	93.6	124.9	97.6
Infrastructure Development	66.0	87.7	77.8
Service Sector	39.3	20.6	45.4
Production Sector	19.7	34.5	17.3
Special Initiatives	10.2	65.3	47.5
Others	9.1	16.9	51.2
<b>TOTAL ADP</b>	<b>238.0</b>	<b>350.0</b>	<b>337.0</b>

PKR Bn

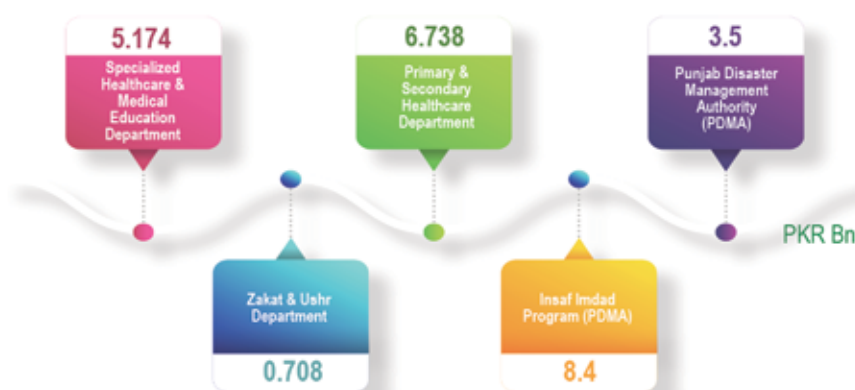
- Inclusive Budgeting:** For the first time, Finance Department reached out to the citizens for feedback with reference to Budget priorities. The response was positive and valuable feedback was received during budget formulation. More than 1000 responses and suggestions were received in this regard which have been given due consideration during actual budget formulation for FY2020-21.
- Framework of Rolling Expenditure:** Finance Department has introduced a Framework of Rolling Expenditure (FRE) for the release of Non-Development Funds during the CFY. Under FRE, the Administrative Departments have been authorized to prioritize their budgetary demands for better monitoring of cash flows, releases at the time of actual spending requirements and efficient utilization of Provincial Consolidated Fund. Summarily, it's a demand-driven expenditures modulation framework as opposed to traditional supply-driven model of quarterly releases in fixed proportions. So far, seven Departments have been allocated and released budget under this mechanism.
- Transparency and Citizens' Participation:** Wide circulation of budget-related documents and Government spending priorities through Citizens' Budget, Whitepaper and other information collateral has been ensured in the spirit of transparency and participatory Good Governance. The documentary collateral is also being published in Urdu for wider outreach.
- Institutionalization of Ready Reckoner:** Finance Department has introduced Fiscal Ready Reckoner - a concise brief that is sent to CM Office, CS Office and Administrative Secretaries on a bi-weekly basis. The purpose of this document is to increase transparency and apprise the decision makers about the financial position. It provides information on receipts from the Federal Government as Punjab's share in FDP, collection of Provincial Own Source Receipts, release and expenditure status of Non-Development & Development Funds.
- No enhancement of Salary Budget from that of Last FY was significant as well.** Salary Budget has been maintained at **Rs. 337.6 bn**. It is worth appreciating the fact that notwithstanding an increase announced by the Government in salaries of government servants, there is still an inherent increase in the salary budget due to pre-determined annual increments, new recruitments and any additional allowances. This capping was further challenged due to additional allowances announced for Healthcare Departments, Police and Judiciary and hence required dexterous fiscal management of resources.

- Government of Punjab is the only Provincial Government to have budgeted Estimated Provincial Surplus (EPS) of **Rs. 125 bn** for serving the objectives of this IMF Programme.
- **Release of 100% Budgetary Allocations:** Full allocations for ongoing ADP schemes have been released by Finance Department at the beginning of FY 2020-21 to the executing agencies to speed up the work on the Development projects throughout the Province.
- **Support to Province of Balochistan in Health Sector:** Finance Department has allocated Rs. 1.0 bn as grant-in-aid for Health sector projects to the Province of Balochistan.



## Fiscal Response to COVID-19 in 2019-20 and 2020-21

- **FY 2019-20 – A Challenging Year:** Government of the Punjab provided **Rs. 24.5 bn** to combat the pandemic of Covid-19 during the FY 2019-20. Department-wise allocation is as follows:



- **Tax Relief Package:** **Rs. 18 bn** were provided under Tax Relief Package through deferment of various Provincial taxes such as Stamp Duty, Electricity Duty and PSTs on multiple service business sectors directly affected due to COVID-19.
- **Shaheed Package and Financial Incentive:** Finance Department, despite fiscal challenges, ensured incentives to the frontline workers performing duties related to COVID-19. Shaheed package was made applicable to Health Departments and Emergency Service (Rescue 1122) for workers who lay their lives @ BS 1-16: **Rs.4.0 million** and BS-17+: **Rs. 8.0 million**. In addition, honorarium for healthcare staff per month, till active presence of COVID-19, was announced equal to one-month's running basic pay.
- **FY 2020-21 – A Promising Outlook:** Fiscal policy for FY2020-21 reflects a comprehensive strategy of the Provincial Government for controlling the impacts of Covid-19 through various fiscal measures.



- **Rs. 10 bn** have been allocated for undertaking broad-based Covid-19 related initiatives and **Rs. 3 bn** have been allocated separately to Specialized Healthcare & Medical Education Department.
- In addition, the Government of the Punjab during the CFY 2020-21 has given historic tax relief package in different sectors amounting to **Rs.56.0 bn** to spur economic growth. Highlights include:

Rate of PSTS reduced from 16% to 5% for more than 20 service sectors, 0% for Medical Consultants, Hospital Bed/Room Charges and Health Insurance. Overall, Government has given tax relief package of **Rs.10.0 bn** through PRA to the businesses to spur the economic growth.



Doubling of the rate of rebate for tax payments made before 30.09.2020. A combined relief package of **Rs. 11.0 bn** has been introduced through reduction/rebates in Excise-related taxes/fees.

Sufficient relief in reduction of Stamp Duty under the Stamp Act, was given to the general public due to Corona (COVID-19) during last quarter of the financial year 2019-20. Same package has continued through reduction in rate of stamp duty from 5% to 1% in Urban Areas and to extend relief to the construction industry. By doing so, a tax relief of **Rs.35.0 bn** has been given to the public and business community as well as revival of business industry.

These measures are geared towards reviving the economy of the province through public investments in Development projects, support to the service sector and attracting private investment in housing, construction and infrastructure development being the priority sectors of the Government for economic revival.



## Major Initiatives by the Finance Department

### 1. Resource Mobilization Committee Efforts

15 Resource Mobilization Committee (RMC) meetings were held during last 2 FYs under the chairmanship of Finance Minister with cumulative proposals, worth more than **Rs. 60 bn**, through innovative measures / restructuring were identified and approved by the Provincial Cabinet.

## 2. Rationalization of Subsidies

Resource Mobilization Committee Efforts: Finance Department led the effort for Development of a framework for service sector entities such as WASAs, PHAs, WMCs and Transport Sector working towards robust business models for self-sustainability.

- A Series of meetings was held in the FD on development of Self Sustainability Plan of WASAs in which it was decided that subsidies will be eventually phased out within 2 – 3 years through various measures such as tariff rationalization.
- Development of plan for reducing dependence on subsidy in Transport Sector through increased fare and lease of advertising space etc. on Metro Buses and Stations. For the first time in over 10 years, Tariff revision with in-built yearly increments was introduced.

## 3. Ease of Doing Business

Pakistan's first ever Aggregator System ready to allow citizens was created to make online payments of 15 major Provincial receipts, amounting to **Rs. 277 bn** per annum was curated. This was successfully launched on October 4, 2019 in a widely covered event. The launch was marked by a renewed pledge to work more assiduously on EoDB and bringing non-tax revenue within the folds of the ePay System as well.

Merger/abolition of 52 heads of redundant tax and non-tax receipts for facilitation of businesses and Government Departments was also resorted to.

## 4. ePay Punjab – Platform for Electronic Payments

ePay Punjab is first ever Government Payment aggregator in Pakistan for Public to Government (P2G) & Business to Government (B2G) payments. ePay Punjab is an initiative of Finance Department, Government of the Punjab, backed by the technology of Punjab IT Board.

- Currently, Citizens can make payment through Alternate Delivery Channels (Internet Banking, Mobile Banking & ATM) of 24 banks & over the counter branches of 28 banks in Pakistan. Since its launch in October 2019, 234,225 app downloads and more than 1,183,605 transactions, financial transactions worth **Rs. 5.91 Bn** have been performed through the application.
- ePay Punjab was launched with 12 levies (Token Tax, Motor Vehicle Registration, Transfer of Motor Vehicle, Professional Tax, Cotton Fee, Property Tax, Fard Fee, Mutation Fee, eStamp Paper, Sales Tax on Services, Punjab Infrastructure Development Cess, Business Registration Fee) with Route Permit Fee, Fitness Certificate and Traffic Challans have been added subsequently (15 levies in total now). Finance Department is working on adding more levies to be integrated within this system.

Payment channels expansion is in process for facilitating taxpayers by bringing the option of tax payment via Credit and Debit Cards on the ePay Punjab portal. Currently negotiations are underway with 04 provider banks and it is anticipated that the facility will be available by September 2020. Moreover, payments through direct debit from bank account and Telecom Mobile Wallets based payments shall also be supported.

## 5.

**Support for Construction Industry and Housing Sectors**

- Rate of PSTS for Property Builders, Developers and Promoters reduced to **Rs.100 / sq. yd** and **Rs.50 / sq. ft.**
- Exemption to Property Builders, Developers and Promoters from Sales Tax on Construction Service

## 6.

**Exemption of PPP projects from PSTS**

With a view to attracting investments in the fledgling PPP regime in the province of Punjab, PPP projects have been exempted from Tax on Services for FY 2019-20. Exemption has now been extended till 30.06.2025 to PPP Projects that are operational or will become operational during FY 2020-21

## 7.

**Performance Review of Own Source Revenue**

During 2019-20, tax collection in provincial taxes was on track for more than 20% growth. And despite giving sizable tax relief owing to emergence of COVID-19, tax collection of provincial taxes in FY 2019-20 remained at the level of previous year's collection whereas non-tax revenue observed a growth of 31% despite COVID-19 challenges. Overall, Own Source Revenue collection increased by 7% in 2019-20 over 2018-19.

## 8.

**Revenue Realization Achievements**

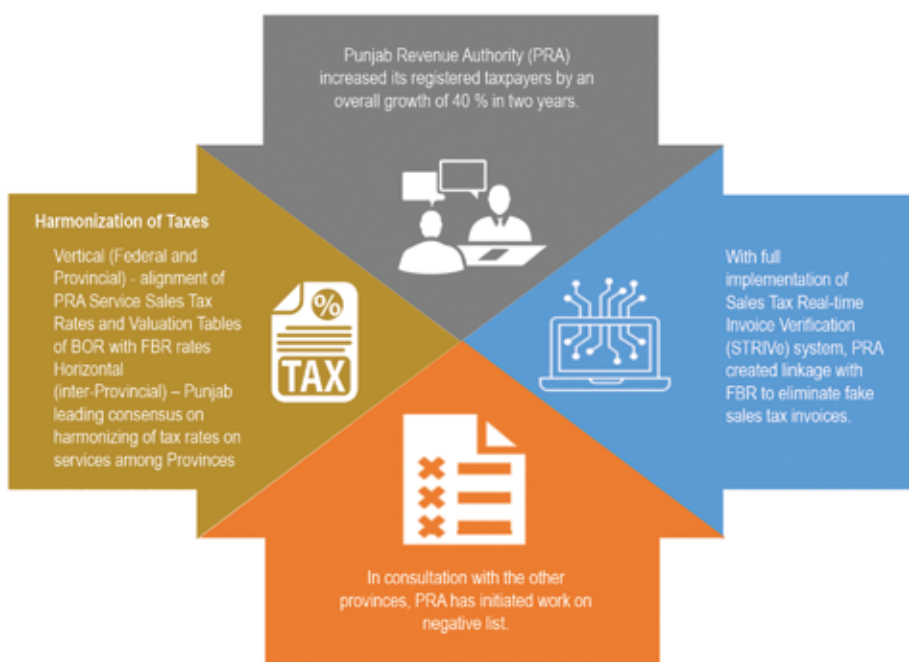
- Recovery of liabilities pending with Federal Government
  - During the FY 2019-20, through hectic efforts by the Finance Department, Ministry of Interior/CDA paid **Rs. 2.5 bn** out of cumulative outstanding liability of **Rs. 5.4 bn** as the share of subsidy of Pakistan Metro bus System to the Punjab Mass transit Authority (PMA). Through FD's efforts, Federal Government has agreed to make regular payments to Punjab in this regard. This has established the principle that the liabilities owed by Federal Government will be demanded logically, based on principled stance.
  - NBP had wrongly transferred an amount of **Rs.4.29 bn** to the accounts of Federal Board of Revenue (FBR). Through concerted efforts of the Finance Department, FBR admitted the claim of Punjab Government and transferred funds to the tune of **Rs. 4.29 bn** of provincial sales taxes collected by PRA to the Punjab Government.
- Enhancement of OD Limit: Due to massive shortfall during FY2019-20, Punjab Government took up the matter with Federal Government to enhance the overdraft limit to meet obligatory expenditure. Federal Government agreed to provide Ways & Means limit of **Rs.77.0 bn** providing necessary budgetary cushion to minimize the impact of revenue shock. The Punjab's efforts helped other provinces obtain similar facility.



## 9. National Finance Commission

Finance Department is the custodian of Fiscal Federalism imperatives. Extensive work was done on the task assigned to Punjab (Sub Group-1) for devising a Macroeconomic Framework, which was presented by the Finance Minister in the 5th meeting of 9th NFC hosted by Finance Department Punjab on 29th March 2019 in Lahore. 10th NFC has been constituted on 21st July, 2020 and Punjab will play its proactive and supportive role where required, for achieving consensus on resource distribution arrangement.

## 10. Reforms in Provincial Taxation Regime



## 11. Fiscal Empowerment of LGs through Provincial Finance Commission

FD has managed the fiscal empowerment of the Local Governments despite fiscal constraints:

- Interim PFC Committee was constituted and work is going on formulation of the PFC Award for new Local Government system in the Province.
- After approval of Provincial Cabinet, Punjab Local Government Finance Commission (PLGFC) has been constituted for devising mechanism and formula for distribution of funds among Local Governments.

- Technical Committee of the Interim Committee has convened 5 meetings. Guiding principles of fiscal needs, equalization payments and fiscal capacity have been decided as the determinants of Interim Award under PLGA 2019.
- **Rs. 435 bn** and **Rs. 448 bn** have been allocated for FY2019-20 and FY2020-21, respectively, for Local Governments despite revenue shortfalls.
- **Rs. 4.4 Bn** have been provided to LGs under PMSP for improvement of basic infrastructure

## 12. PEFA Assessment and PFM Reforms Strategy

In collaboration with World Bank and DFID, FD has undertaken and given full support for an extensive cross-departmental PEFA Assessment. (Last PEFA Assessments were done in 2007 and 2012). PEFA Assessment Report is widely used as a basis for structural reforms in the PFM systems in developing countries. Based on the findings of PEFA Assessment, PFM Reforms Strategy for the province has been devised and launched.

## 13. Punjab Resource Improvement and Digital Effectiveness Program (PRIDE)

PRIDE is being structured with the help of World Bank for implementation of PFM Reforms, enhanced revenue generation and digital governance. Program has a financial outlay of **USD 304 Mn** and implementation period of 5 years. FD has been mandated with achievement of **5 out of 7 DLIs**. Establishment of PMF Unit has been planned through an elaborate framework. It is expected to become a vehicle for purposeful reform, systemic improvements and significant Business Process Reengineering.

## 14. Performance of Standing Committee of Cabinet on Finance and Development

42 meetings of Standing Committee of Cabinet on Finance & Development (SCCFD) have been held and 1010 Agenda Items have been disposed of during FY2018-19 and FY2019-20. Considering Federal imperatives and the consequential need for generating a sizable fiscal surplus, the SCCFD scrutinized minutely and decided on the demands for additional funds through Supplementary Grant by the Administrative Departments during FY2018-19 and FY2019-20. The SCCFD also worked concertedly on strategic issues, Policy realignment,

## 15. Imposition of Hard Budget Constraint

Finance Department, at its own level, is also playing a proactive role in efficient utilization of funds by the Line Departments. Through imposition of Hard Budget Constraint during FYs 2018-19 and 2019-20, additional demands of funds through Supplementary Grants have been discouraged and regretted at the level of SCCFD and Finance Department resulting in savings to the tune of **Rs. 90.0 bn**.

## 16. Establishment of Fiscal Monitoring Committee

Fiscal Monitoring Committee (FMC) has been constituted for effective monitoring of released and utilized budgets on development, non-development and current side, reconciliation of receipts and expenditures, review of additional expenditure requirements of the Administrative Departments and examination of budget-execution reports for directing any course correction.

17.

**Austerity Measures**

To ensure public resources are used effectively and economically, the Provincial Government formulated and circulated the Austerity Measures for the FY 2018-19 and FY2019-20. To observe utmost austerity in use of public money, Austerity Committee scrutinized the requirements on the austerity criteria, rationalized and recommended cases accordingly and saved funds to the tune of more than **Rs. 1.8 bn** in two fiscal years in its 14 meetings.

18.

**Establishment of Chief Minister's COVID-19 Relief Fund**

Right at the onset of COVID-19 outbreak, Punjab Government was swift to respond and to channelize the donations/funds being received, Finance Department, on the directions of the Provincial Government, established Chief Minister's COVID-19 relief fund in the Bank of Punjab. Voluntary contributions from the salaries of government employees were immediately deposited in the fund. At present, fund has contributions of more than **Rs. 1.0 bn**.

19.

**Police Package**

Despite austere expenditure regime and fiscal constrictions owing to the advent of COVID-19, Finance Department ensured provision of additional funding for essential requirements of Police Department. Other than routine budgetary allocations, FD supported Police in material and human resource related expenditures. **Rs. 2.4 bn** were provided for meeting the requirement of 566 operational vehicles in its entirety in 2019-20. Police Administration Allowance with an annual impact of Rs.800 Mn and upward revision of Fixed Daily Allowance at the level of 2013 basic pay scales having an additional financial outlay of **Rs. 15 bn** have been introduced.

20.

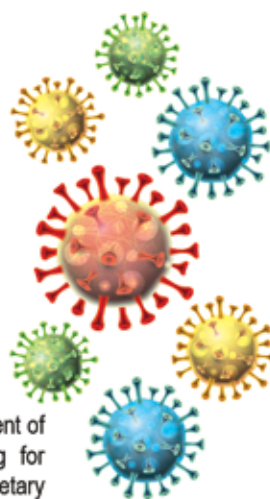
**Groundbreaking Pension Reforms**

Committee, under the Chairmanship of the Finance Minister and assisted by Finance Department, after meticulous deliberations, recommended to the Cabinet, the ground-breaking reform, to increase early retirement age by amending the eligibility clause to **'25 years of service or 55 years of age, whichever is later'**. This intervention has been approved and is pending legislation. This reform has the potential to go a long way in freeing up resources for Development of social sector by deferring annual commutation and pension expense and bringing in fiscal space to the tune of **Rs. 59.05 bn**.

21.

**Reigning-in Mounting Pension Challenges**

In order to understand the true picture and the Pension, the Government of Punjab engaged the services of qualified actuary, to conduct actuarial evaluation of pension liabilities of the Government of the Punjab. Actuarial Report of Pension Liabilities as of 30.6.2019, has been completed which has brought various reforms and funding options to the fore which are in active consideration. Government has also enlisted the situation in its entirety.





support of The World Bank in its pensions reforms endeavors. Despite severe fiscal challenges and cash flow constraints, Government has kept its commitment of funding the Pension Fund. During the last two years, the Government of Punjab capitalized the Pension Fund with **Rs.10.333 bn.**

## 22. Efforts Related to Provincial Debt Management

Punjab's Fiscal Responsibility and Debt Management Act has been drafted which entails key covenants for prudent Fiscal and Debt Management. The draft Act has been finalized after consulting with the Federal Government and with extensive technical & legal support from the World Bank. It lays down the framework for raising financing / issuance of guarantees and compliance with Medium-Term Fiscal Framework and Medium-Term Debt Management Strategy of the Government.

To bolster fiscal resilience and to support the development of efficient local capital markets, FD developed a framework to promote the issuance of provincial debt securities similar to the Federal Government Bonds and T-Bills. Governing rules for provincial debt securities have been drafted and subsequently endorsed by State Bank of Pakistan. Subject to Finance Division's approval, GoP's is ready to issue Pakistan's first provincial public bond or sukuk.

In the spirit of transparency and open governance, Debt Bulletin for the GoP's is being issued bi-annually carrying statistical analysis of debt-related developments of the Province for the preceding six months period.

## 23. Re-invigoration of the Selection Board and Incentive Allowance

Lack of eagerness among the Punjab Government Officers/ Officials in joining the Projects, Programs or other such entities, after discontinuation of the project allowance, had adversely affected the pace of many Government initiatives including foreign funded Projects, projects and programs etc. Uniform application of Incentive Allowance is an effort of the Finance Department to address this challenge. Award of Incentive Allowance is conditioned with the approval of Selection Board headed by the Chief Secretary. Selection Board after proper evaluation and assessment of qualification/ suitability recommends Incentive Allowance on a case to case basis which has made this process more transparent and competitive. In the previous two years, **318 cases** have been considered in the Selection Board, **239 approved** and **79 are in process.**

## 24. Introduction of Executive Allowance

Executive Allowance @ 1.5 % of monthly basic pay has been granted to all Officers posted by S&GAD against its duly notified cadre strength to attract the best human resource. This incentive is commensurate with the governance and service delivery challenges and recognizes the wide array of responsibilities entrusted to the civil officers.

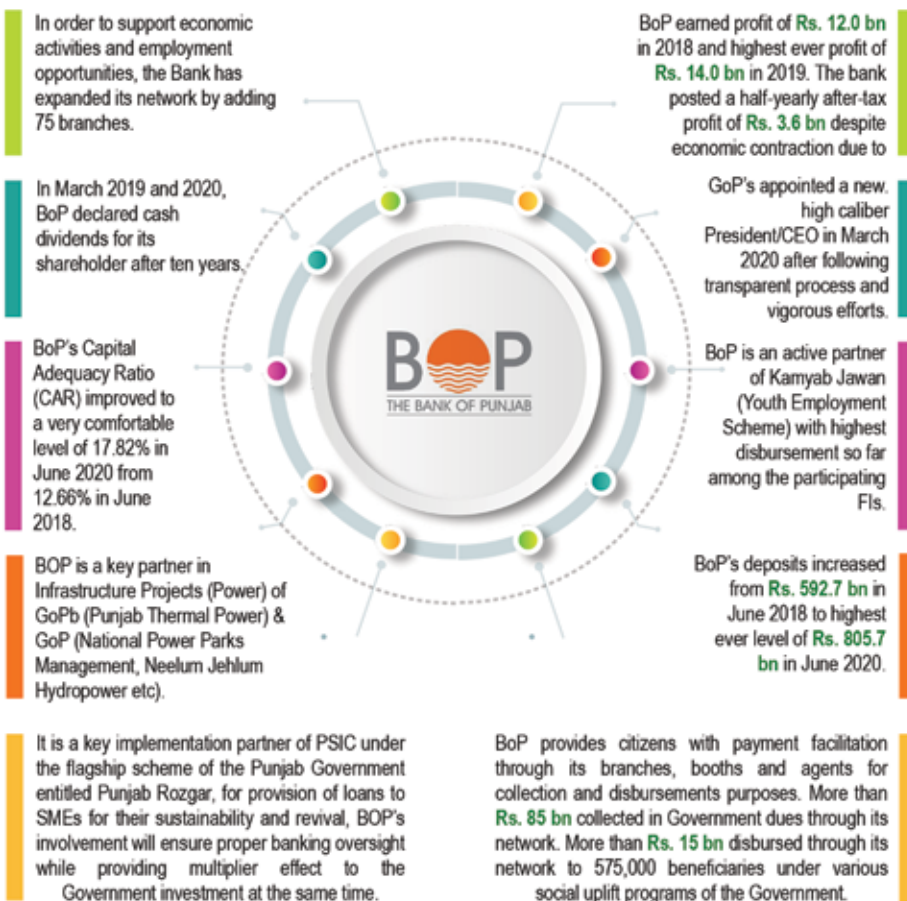
## 25. Service Structure of Various Positions

During the last two years, Finance Department has introduced a uniform policy regarding re-structuring / up-gradation of different posts including Accounts Related Posts, Audit Related Posts, Computer Personnel and Store-Keeping Related Posts etc. and similarly placed posts on the recommendations of the Committee under the chairpersonship of Additional Chief Secretary. Approximately, 1291 posts have been up-graded under this policy.

26.

## Key Achievements of The Bank of Punjab

The Bank of Punjab, with a long-term entity rating of "AA", has had an exceptional role in supporting Government's efforts in economic development.



BoP is an active partner of *Kamyab Jawan* (Youth Employment Scheme) with highest disbursement so far among the participating FIs.

27.

**Establishment of Inspectorates of Treasuries & Accounts at Divisional Level**

District Accounts Offices / Treasury Offices are the field formations of Finance Department. Inspectorates of Treasuries & Accounts have been created at Divisional Level to improve surveillance of District Accounts Offices. Inspectors of Treasuries & Accounts shall ensure eradication of corruption and that public money is disbursed in accordance with rules & regulations framed by Government. This measure has substantial strategic potential.



## **Supervisory / Supportive Role of Finance in Major Initiatives in the Province**

### ● **Establishment of South Punjab Secretariat:**

Finance Department has taken the lead in effecting the longstanding demand of the people of South Punjab and vision of the Government for a separate Secretariat for South Punjab. Background preparation for its establishment commenced in 2019-20 and in July 2020, the Secretariat of South Punjab has been made functional with ninety six (96) posts of S&GA Department at a total cost of **Rs. 599.998 Mn** and 52 posts of Police Department at total cost of 119 M including One Additional Chief Secretary and One Additional IG Police. However, keeping in view the constraints created by COVID-19 Pandemic, only those posts have been created which were essentially required at the beginning. An amount of **Rs. 1500.00 Mn** has been allocated for Establishment of Secretariat in South Punjab. Provision of additional financing is also being worked out for giving impetus to this new creation. Other SNEs have also been approved in no time.

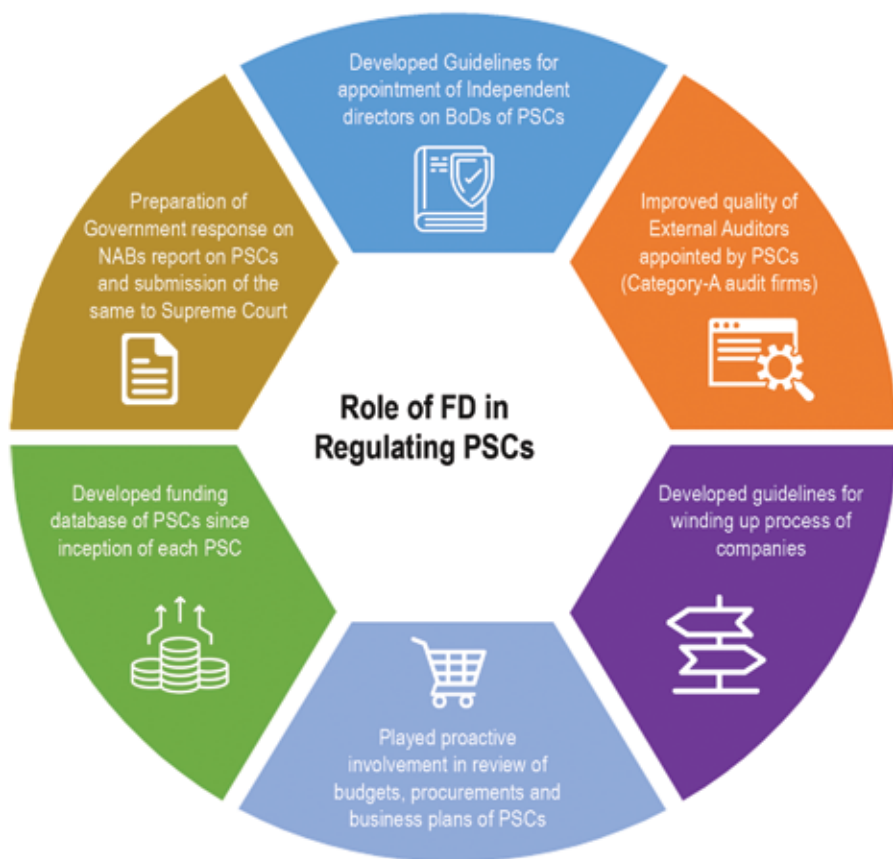
### ● **Transition from PLGA 2013 to PLGA 2019:**

Punjab Local Government Act, 2019 (PLGA, 2019) was enforced on 4th May, 2020. All Local Governments (LGs) constituted under PLGA, 2013 were dissolved. Finance Department ensured that the transition was smooth to new Local Government setup and required fiscal support has been made available in this regard consistently.

### ● **Supportive Role of FD in Regulating PSCs:**

CM constituted a Steering Committee to review and look into the issues of performance / viability and future of PSCs. Corporate Finance Unit (CFU), Finance Department provided complete and mainstay assistance to the Steering Committee which reviewed and assessed current operations and management of PSCs including service delivery mechanism and related cost, market share, nature of business, status of corporate governance monitoring and compliance, in the light of already defined objectives. Committee identified apparent operational and governance shortcomings and has directed the respective PSCs to prepare comprehensive business plans aligned with their stated objectives while focusing on self-sustainability by exploring revenue generation options. Committee held more than 50 meetings and approved closure of 28 non-operational / non-performing PSCs. CM Punjab has assigned Finance Department the task of development of Oversight Mechanism for PSCs which is in process. CFU has been instrumental in guiding the corporate governance regime in the Province and has played a sterling role in efforts in this regard generally too.





#### ◆ **Improved Corporate Governance in Public Sector Companies:**

Finance Department led the way in ensuring across the board applicability of Public Sector Companies (Corporate Governance) Rules, 2013. FD ensured applicability of the said rules in all the PSCs.

#### ◆ **Support to the Provincial Departments in Financial and Business Planning:**

FD led the way in consolidation of eight Cattle Market Companies into one for an effective business model for Cattle Markets in Punjab.

Key supportive role in addressing the financial issues of Government of Punjab's two largest power projects (PTPL & QATPL)

### ● **Efficient Commodity Financing – Support to Food Department:**

An ambitious attempt is afoot to reduce the debt burden by limiting the Government's footprint in commodity financing (wheat operations) and pushing for phased withdrawal from the market as well as shifting the operational expenditure of Food Directorate to Account-I. FD has played a vital role in supporting the Government's initiative for food security – as a member of the wheat commodity financing committee, FD advised the Food Department to partially settle the balances of banks by way of structuring the RFP and negotiations with banks. Resultantly, Food Department was able to achieve lower spreads of 110bps in the Apr-Jun'20 quarter from 200bps in Oct-Dec'19 quarter.

### ● **Establishment of PPP Regime in the Province:**

Support of Finance Department has been instrumental in establishment of PPP Authority and in streamlining PPP projects pipeline in taking them towards maturity. FD has a key role in risk management aspect of PPPs and is proactively being played on ongoing basis. FD contributed in reforming the PPP regime in Punjab by aligning the new PPP Act, 2019 with the Punjab Growth Strategy 2018-23 and to create enabling environment for private investors in public sector. VGF Guidelines have also been revised in accordance with the financial framework of the Province which will help in developing the confidence of private sector to invest in public sector. RMU has actively participated in the finalization of PPP Project Proposals with the objective of minimizing the Risks and rationalizing the GoPb financial commitments. RMU advised on 06 projects valued at of total worth **Rs. 89.74 bn** in FY2018-19 and 08 projects worth **Rs. 86.14 bn** in the year 2019-20.

### ● **Structuring of Punjab Rozgar :**

Finance Department was mandated with structuring this flagship initiative with all the clarity it deserved. Economic stimulus scheme proposed by PSIC lacked financial oversight mechanism with very limited socio-economic impact. FD worked out a new design of the scheme that ensures robust and effective financial oversight mechanism, multiplier effect (**9.5 bn** government investment and loan disbursement of **20 bn+**) through involvement of Bank of Punjab as banking partner and loans for the public at considerable large scale.

### ● **Financial Close of QATPL and PTPL:**

FD has been leading the efforts for Financial Base of critical Energy sector projects, in addition to ensuring timely equity injection. GoPb has provided equity of **Rs. 39 bn** so far to PTPL. In addition to financial investment, after a herculean effort, Finance Department successfully negotiated with commercial banks and a consortium of NBP, BOP and HBL has agreed to fund the financial close of PTPL. Another great effort has been made at the Federal level with SNGPL in reducing requirements for Gas SBLC. FD has taken up the issue of waiver of Per Party Limit with State Bank of Pakistan to enable Bank of Punjab fund the Gas SBLC. It is expected that financial close for PTPL will be successfully achieved by 2nd quarter of FY2020-21.

### ● **Framework for Supporting Public Sector Universities:**

Finance Department being a member of all the executive bodies of Public Sector Universities acts as financial manager for corrective measures of financial disciplines. Finance Department has played major role in advising the Universities regarding rules / regulations and policies of the Higher Education Department and HEC. Furthermore, in the wake of fiscal constraints, Finance Department is helping the Public Sector Universities in rationalizing their budget during their approval stages. Funding gaps are also being bridged in this FY due to shortfall in funding from HEC.

### ◆ Support to QATPL in Tariff True-Up:

Finance Department supported in resolution of QATPL Tariff True-Up issue with NEPRA. QATPL had filed Tariff True-Up on June 10, 2020 followed by interim relief petition on June 24, 2020. With intervention of FD, NEPRA allowed interim relief in capacity payments on August 7, 2020. This has constituted capacity invoices of around **Rs. 14 bn**, which will enable QATPL in fulfilling its Debt Repayment of **Rs. 7 bn** in September 2020 as well as other cash obligations.

### ◆ Establishment of Environment Endowment Fund (EEF):

A key deliverable under the World Bank assisted, Punjab Green Development Program (PGDP), is the Environment Endowment fund. FD is helping Environment Protection Department in its structuring and establishment. **Rs. 5.0 bn** have been allocated in budget FY 2020-21 to capitalize the fund.

### ◆ Salient Mid-Course and Policy Corrections Interventions:

1.

Naya Pakistan Housing Project (NPHP), the flagship project, was planned to be implemented in Non-Development mode under PHATA. Finance Department pointed out that the project is a fit case to be executed in Development mode with proper PC-1s. Finance Department's consistent stance on developing a robust Business Model, as the alternative for undertaking the initiative in the Non-Development mode, was eventually accepted. Housing Department is currently in the process of devising a future course of action.

2.

Finance Department worked out and supported the Local Government and Community Development Department's framework of Final Schedule of Establishment of Staff in the new Local Governments established under PLGA, 2019 with a financial outlay of **Rs. 5.13 bn**.

3.

Finance Department has fully supported various initiatives in Agriculture Sector. Despite serious resource constraints, subsidy operations on Agricultural Inputs were timely and efficiently supported through provision of adequate funds. During FYs 2018-19 and 2019-20, amounts of **Rs.2.600 bn** and **Rs.2.500 bn** respectively were released as subsidies on Agricultural inputs.

4.

On the pervasive issue of regularization of Work Charge Employees, hired in public works Departments such as C&W, HUD&PHE, Finance Department developed a case for taking a holistic policy approach to address this issue. In view of the same, Regulation Wing, S&GAD has been tasked to devise and present a policy for treatment of this sensitive issue in a strategic manner.

5.

Finance Department developed a foolproof yet swift, robust, **fintech-based** and human contact-less model for disbursement of payout to the economically affected due to COVID-19 on the directions of SCCFD. Extensive consultations with banks, telecom companies and concerning government agencies such as PDMA, PSPA, PSIC and Zakat & Usher and Labour & Human Resource Departments were carried out and model devised for secure and efficient disbursement of the government payout. SCCFD approved the model. This will have stability in the future too.

6.

FD played a pivotal role in securing interest of GoP's to the extent possible in of Water Usage Agreement in case of IPP-based Azad Pattan Hydropower Project.



7.

Finance Department, in the light of Corporate Governance framework laid out under the Companies Act and Corporate Governance Rules, guided LG&CD Department in the process of constitution of Board of Directors of Lahore Waste Management Company (LWMC).

8.

Finance Department has always emphasized the prudent utilization and course correction viz funds re-allocation wherever required to the Administrative Departments. A case in point is the request of Police Department for Supplementary Grant to the tune of **Rs. 1.7 bn** for police stations. It was advised that funds may be diverted from slow to fast moving schemes, instead of further burdening the exchequer.

9.

On Wheat Procurement Policy. Finance Department has consistently advised that there is a need to take a holistic view of the procurement regime under the commodity operations considering the ever-widening gap between hypothecated wheat stock and debt stock resulting into outstanding subsidy. FD has emphasized upon Food Department to prepare a Debt Retirement Plan to surmount the circular-debt like situation in this regard and helping Food Department achieve the objectives set out under World Bank's SMART program.

10.

On Energy Department's proposal for establishment of Punjab's Transmission and Despatch Company, Finance Department carried out a threadbare examination of the matter and advised that a comprehensive pre-feasibility analysis, business modelling and comparative perspective is in order first, before this undertaking could be initiated.

11.

Considering the national significance and requirement of thermal scanners due to outbreak of COVID-19 pandemic and other equipment donated/imported proposed by Pakistan Red Crescent Society and others. Finance Department moved for the waiver of Infrastructure Development Cess on their import which was considered and approved by the Cabinet.

12.

With a view to promoting Arts and Culture in the Province, Punjab Revenue Authority (PRA) proposed exemption of Infrastructure Development Cess for temporary imports of Arts and Culture related material being brought in the Province for exhibition purposes. FD supported the proposal and was accorded approval of SCCFD.

13.

Finance Department assisted in shifting of EPI Budget from Development to Non-Development side on the directions of ECNEC at a total cost of **Rs. 6.389 Bn** with **Rs. 5.7 Bn** reserved for purchase of Drugs and Medicines.

14.

FD has worked out, with all stakeholders, a comprehensive policy for exploiting the true potential of coal deposits in the province with protection of natural ecology and minimum effects on the environment

15.

FD has worked out financial solutions for projects of the Punjab Mineral Company that were halted due to financial constraints and a business plan for marketing of iron ore with revenue generation estimates of **Rs. 4.0 bn**.

16. FD provided strategic input on financial and risk related aspects to the Transport Department in fare planning of Orange Line Metro Train and on RFPs for Metro buses. In order to extract maximum value for money, Finance Department provided its input on the draft RFPs documents for Procurement, Operation and Maintenance and Tender Document for Operations of Lahore Metro Bus Service (LMBS). Input of FD was based on thorough studies of international transport models to ensure maximum savings, risks coverage and reduction of burden on public exchequer.
17. FD, on proposal of Excise and Taxation Department on a Summary for CM for establishing Provincial Narcotics Control Force, raised fundamental observations and helped structure the Provincial Narcotics Control Force. In the light of observations of F.D, the Department revised its original proposals.
18. Finance Department devised a financial mechanism and recommended Revolving Fund Account, operating in Public Account, for ET&NC Department in order to facilitate procurement of Registration Cards / Books, Number Plates, Home Delivery of Registration Cards and Number Plates to TCS and ancillary matters.
19. Finance Department assisted WASAs (Lahore, Faisalabad, Multan, Gujranwala and Rawalpindi) and PHAs (Lahore, Faisalabad, Gujranwala, Rawalpindi, Sargodha, Sialkot, Sahiwal, Multan, Bahawalpur and DG Khan) to prepare business plans to become self-sustainable without depending on Government for provision of funds / subsidy. Subsequently, these Autonomous Bodies prepared the Business Plans for attaining self-sustainability in three years. WASAs' business plans were discussed in Resource Mobilization Committee (RMC) meetings and were granted principle endorsement prior to consideration of their respective Governing Bodies / Competent Forums and the Provincial Cabinet.
20. Finance Department supported financial course correction in the Punjab Sports Board (PSB) towards placement of Development funds. On FD's intervention, funds parked in its commercial accounts were reversed and the PSB was supported through equivalent Supplementary Grants.



## Proactive Leadership Role of Finance Minister in Key Initiatives in Punjab

Finance Minister played a pivotal role in the following initiatives of Government of Punjab:

Provided leadership in devising and monitoring the fiscal policies of the province of Punjab.

Leading the process for financial close of critical Energy sector projects, mainly PTPL's 1263 MW RLNG-based Power Plant. Matter taken up at the Federal level and SBP to address the hurdles in the way of financial close of this significant project of Government of Punjab.

Spearheaded the formulation of Punjab Growth Strategy 2019-23

Supervised and monitored Donor Funded Projects in P&D Board for removal of bottlenecks

Championed the Regional Equalization Strategy for addressing the massive regional inequalities in Punjab with special focus on South Punjab, by ring-fencing the developmental allocations to prevent diversion of funds to other areas.

Has held several Quarterly Performance Reviews (QPRs) of all Line Departments in collaboration with SMU, CMO. These Reviews have been made result oriented upon analysis and the consequent rolling out of corrective actions.

Galvanized the successful implementation of PPP regime, as Chairman of the PPP Steering Committee. FD contributed in reforming the PPP regime in Punjab by aligning the new PPP Ordinance 2019 with the Punjab Growth Strategy 2018-23 and to create enabling environment for private investors in public sector. VGF Guidelines have also been revised in accordance with the financial framework of the Province which will help in developing the confidence of private sector to invest in public sector.

Spearheaded the pensions reforms effort being head of the Committee constituted by CM for pensions reforms and introduced the groundbreaking reforms .

As Chairman of the Steering Committee of the Agriculture e-Credit Scheme, made fundamental improvements in structure and scale of the scheme, thus providing strong impetus to financial inclusion in Agriculture sector in the province.

Nominated as Convener / Co-convener of 26 different Committees including Cabinet and high-powered Steering Committees by the CM. Played an active role in SCCFD on matters involving financial decisions and economic policy of the Government. Led the revenue-mobilization efforts of Resource Mobilization Committee (RMC) of the Province and provided policy direction to entities such as WASAs (Lahore, Faisalabad, Multan, Gujranwala and Rawalpindi) and PHAs (Lahore, Faisalabad, Gujranwala, Rawalpindi, Sargodha, Sialkot, Sahiwal, Multan, Bahawalpur and DG Khan) to achieve self-sustainability.

To conclude, the work of Finance Department at the beginning of the two year's period was cut out due to surmounting fiscal challenges. It became even more onerous in circumstances characterized by efforts by the Government to correct structural imbalances in the economy and ensuing slow down and plummeting revenues. Tiding over a host of serious problems needed prudence, clarity and purposefulness. Finance Team of the Government of Punjab, under the guidance of the Prime Minister, Chief Minister, the Provincial Cabinet and leadership of the Finance Minister, Government of Punjab, put its best foot forward which has resulted in considerable headway towards realizing the Government aspirations on both Development and service delivery sides. Efforts of Finance Department in this two years' period are characterized by strategic shift of spending priorities, fiscal discipline in budget execution, support and protection of important sectors, fiscal reforms, own source revenue generation, support and handholding of the Provincial Government Departments in policy/course corrections and being responsive to the emergent needs. Performance on the same has been captured in this document.







Finance  
Department

GOVERNMENT OF THE PUNJAB



99211082, 99212223



[www.finance.punjab.gov.pk](http://www.finance.punjab.gov.pk)