FINANCE DEPARTMENT, PUNJAB

Mid Year Budget Execution Report

Financial Year 2020-21

Prepared with the assistance of PFM Team, SNG Punjab

March 25, 2021

Executive Summary

Transparency, monitoring and flow of information are key to an orderly public financial management system. FCDO funded Sub-national Governance Programme (SNG) Punjab used Open Budget Survey (OBS) methodology to determine a baseline of budget transparency in Punjab. The assessment also helped identify areas of reform/ improvement to budget transparency. Since then the Government of Punjab has undertaken several initiatives to improve budget transparency and accessibility, which include the development of PFM Reform Strategy and medium-term fiscal framework, along with the issuance of budget call circular and budget ceilings to line departments aligning with a medium-term budgetary framework. Mid Year Report 2020-21 is another step to improve budget transparency in Punjab. It will provide the citizens with details about budget execution and help in making the Government more accountable to them. Mid Year Report helps take stock of progress in realising specific performance targets. The Mid-Year review is an analysis of the budget's effects provided about halfway through the budget year and provides a comprehensive update on the implementation of the budget. Mid-Year reviews help assess what is on or off track. This allows for a decision to be made as to whether the initial strategy in the budget requires any significant adjustments. Besides, its use for budget oversight, the mid-year report can also yield useful insights which can inform the pre-budget deliberations for the following year.

The provinces have little room to question the underlying macroeconomic assumptions and targets set by the federal government, which form the basis for provincial budgets. Therefore, on the receipt side, the credibility of provincial budgets is largely a function of the correctness of underlying assumptions for revenue targets at the federal level. These assumptions include economic growth rate, inflation, and tax-to-GDP Ratio. Owing to the construct of fiscal federalism in Pakistan, the provincial governments rely heavily on Federal Divisible Pool Transfers. Therefore, the key assumption for Punjab's Budget 2020-21 was FBR collection of Rs.4,963 billion as a result of which, Punjab Government's share in the Federal Divisible Pool was to be Rs. 1,432.97 billion following the 7th National Finance Commission Award. To set the FBR target, the Federal Government assumed the GDP growth of 2.1% and inflation at 6.5%, as the nominal size of GDP depends on these key variables. FBR has been projected to grow at rate of 24% compared to the growth of 4.4% the previous year.

In the first half of the CFY, the Government was able to achieve 43.78% of the total general revenue receipts target set in the original budget. Collection for general revenue receipt till December was Rs.766.16 billion against a target of Rs.1,750.0 billion for the entire year. This includes federal divisible pool, tax and non-tax receipts. The total receipts of the Government during the first half of the fiscal year were Rs.889.46 billion against an estimate of Rs.2,240.6 billion (39.9% of the total revenue target). This includes capital I and capital II account. Punjab received an amount of Rs.601.39 billion till December from the federal divisible pool as compared to the budget estimate of Rs.1,432.97 billion, not meeting the collection that was expected. Historically, FBR collection ranges from 42% to 47% in the first half of the financial year. Last year, the transfer was Rs.630.567 billion till December, exhibiting a decrease of 4.85% this year. This was quite unusual because this year rather than receiving the arrears, an amount of Rs. 3.753 billion was deducted by the Federal Government on account of transfer beyond the prescribed share in the preceding year. Provincial tax collection during the first half was Rs.119.81 billion against the budget estimate of Rs.220.89 billion for the full year, performing better than its target for the mid-year by collecting over 54% in the half year against the average collection of 48% in the first six months. More importantly, the Government was able to achieve this without adding any major taxes and increasing the tax rate. The Provincial Government rather announced a tax relief package worth Rs. 56 billion for the CFY in the wake of COVID-19. The government was able to collect Rs.44.9 billion in provincial non-tax receipts till December compared to the budget estimate of Rs.96.2 billion for the year. On average, the collection during the first six months is usually 40% of the total amount and the government exceeded the target by 7 percentage points or 17%. Collection for current capital receipts excluding food account is Rs.7.91 billion against a budget target of Rs.111.6 billion. Food account sale proceeds (which include the sale of wheat and sugar) are Rs.112.9 billion against a target of Rs.331.9 billion. Development capital receipts are Rs.4.46 billion against a target of Rs.47.1 billion. There is no trend seen in the collection of capital account receipts. The biggest shortfall is faced in capital receipts during the mid-year due to lower sales of wheat and lower than target capital receipts from multilateral development partners.

During the first half of the FY 2020-21, the Government was able to utilize 37.4% of its budget allocation for expenditure. The Government was able to utilize an amount of Rs.791.5 billion till December compared to a budget estimate of Rs.2,115.6 billion for total provincial expenditure. On average the government usually spends 40.6% of the actual provincial expenditure till December ranging from 37% to 45%. This implies that the government is on track with an effort to keep the expenditure within the available resources, considering the possible shortfall in transfers from the federal government. Current expenditure till December was Rs.554.5 billion compared to a budget estimate of Rs.1,318.3 billion, showing under spending despite its relatively inflexible nature as historically the expenditure on the current side is around 45% of the actual spending till December. Capital expenditure during the first half of the year was Rs.138.0 billion compared to a budget estimate of Rs.460.3 billion, thereby demonstrating lower spending. While there is no trend for capital II account, current capital spending is usually 41.6% of the total amount till the midyear. For development expenditure, the government has utilised Rs.98.9 billion (29.3%) compared to budget estimate of Rs.337.0 billion. Development spending in the past five years for the same period when compared with the budget estimate have ranged from 23% to 33%, whereas when compared with the actual spending the amount utilised during the first six months ranges from 30% to 43%. This means that the development spending is on the lower end of the range. However, considering that the aforementioned range of it can go up to Rs. 330 billion only if the capital receipts are realized, the apparent decline in the receipt shows that the development capacity exists, however, the receipts are in that account, low.

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

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List of Tables & Figures

List of Acronyms & Abbreviations

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

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

1 Introduction

Budget Transparency is a fundamental precondition for accountability and public participation in governance processes. Lack of transparency and democratic control of budget processes creates opportunities for graft and corruption. The Government of Punjab has taken several measures to enhance budget transparency and accessibility. Some of the major efforts have been: development of Citizens' Budget, Year-End Report, Medium Term Fiscal Framework and Budget Strategy Paper. Mid-Year report is another step to improve budget transparency and accessibility in Punjab. Sub-National Governance Programme has used the Open Budget Survey (OBS) to conduct a baseline assessment of the transparency and accessibility of the budget of the Government of the Punjab. While OBS is used at the national level, the programme has tailored it to be used at the subnational level. This practice allows the government to identify areas of improvement and reform and concentrate efforts on filling the gaps in the second half of the fiscal year. The mid-year report is also an important tool to review the performance of reforms introduced at the beginning of a fiscal year.

According to internationally accepted good practice criteria[1] for public financial management, eight key budget documents should be produced by all countries at different stages in their budget process. The eight key budget documents include Pre-Budget Statement (PBS), Executive's Budget Proposal (EBP), Citizen's Budget (CB), Enacted Budget (EB), In-Year Reports (IYR), Mid-Year Review (MYR), Year-End Report (YER), and Audit Reports (AR).

The Punjab government produces five of the eight documents, including the executive budget proposal, citizen's budget, the enacted budget, the audit report and the Finance Minister's budget speech that serves as a pre-budget statement. Monthly civil accounts provide the data for making the in-year reports possible and informal analysis of budget execution is undertook; however, no formal reports were prepared or published for the general public. This is the first time that the mid-year report is being prepared, making it the sixth document that Finance Department has produced. Mid-Year report helps assess the impact of changes in the macro-economy on the budget and enables a comprehensive assessment of actual spending and revenue collection against original estimates at the midpoint of the budget year. It also helps identify the need for changes in budget allocations, including the need for supplementary budgets. It takes stock of progress in realising specific performance targets.

[1] Open budget survey guidelines on public availability of documents. International Budget Partnerhsip. . August 2016

Mid-Year Report 2020-21 is being developed by the Punjab Government with the technical assistance of FCDO funded Sub-National Governance Programme, Punjab.

2 Macroeconomic Assumptions

In the provincial budgets, the most significant number is of fiscal transfers from the federal divisible pool. The federal divisible pool is dependent on the FBR collections, over which the provinces have no control. Provinces neither have control over the target setting nor the collection. The target and the share of the FDP for the coming year are formally conveyed to the provinces and the provinces do not deviate from these figures given the fiscal structure of the federation. Budget 2020-21 was formulated in light of the target set for the FBR revenue collection. Ministry of Finance, Government of Pakistan estimated the collection to be Rs. 4,963 billion during the financial year as a result of which the province was conveyed an estimate of divisible pool transfer of Rs.1,432.97 billion as its share under NFC Award. This assumption is key as the bulk of the provincial revenue is contributed under these transfers. The underlying assumptions for the targets of any revenue collection comprise GDP growth rate, inflation, increase in tax-to-GDP ratio (tax rate and broadening of base), and the impact of administrative efficiency. The following table provides a list of the assumptions for these key macroeconomic indicators for the financial year 2020-21.

	Economic Indicators	Assumptions for Budget 2020-21[2]
1.	Size of GDP (market prices)	Rs. 45,316 billion
2.	Inflation	6.5%
3.	Economic Growth Rate	2.1%
4.	FBR Tax to GDP Ratio	10.9%
5.	FBR Revenue Target	Rs. 4,963 billion

The size of Pakistan's economy during FY 2020-21 was projected at Rs. 45,316 billion with the assumption that the economy will have a growth rate of 2.1% and inflation of 6.5%. The economy was impacted by COVID-19 in March 2020 after which a lockdown was imposed. The effects of COVID-19 have carried forward for the current FY impacting government's projections.

[2] www.na.gov.pk/uploads/1591966740_544.pdf

Currently, the government has been trying to control expenditures. The same strategy is expected to be followed during the remaining period of the CFY to achieve fiscal sustainability. While the Government of Pakistan has been able to achieve a stable exchange rate, increase its remittances improved its current account. The fiscal deficit in the first half of the financial year is Rs.1.138 trillion or 2.25% of the GDP. Compared to 2019-20, the fiscal deficit was Rs.995 billion. The future is uncertain due to the COVID situation.

In the first half of the fiscal year, the province is still recovering from the consequences of the lockdown, imposed in March 2020. The spread of Coronavirus has not only put the healthcare system under great stress but has also resulted in economic loss for the Province, like all the other Provinces. The recent Economic Vulnerability Report released by the Centre for Economic Research in Pakistan (CERP) reveals that although employment rebounded significantly between June-July 2020 and September-October 2020, the Dec 20-Jan 21 data showed that the labour market recovery had stagnated. To understand the impact on unemployment it is important to realise that Punjab’s economy comprises 62% of Services, 20% of Industry (includes mining and construction) and 18% of Agriculture. In terms of its employment structure, there are more than 37 million people employed in the Province. Approximately 16 million are in the non-Agriculture labour force and informally employed or engaged in small self-employment. It will continue to be a challenge for the government to stimulate economic recovery and also achieve its targets of revenue collection.

While Punjab’s debt levels are currently quite low when measured as a percentage of its GSDP (Gross Sub-national Domestic Product) or as a percentage of its annual revenue, the revenue receipts have been affected due to the COVID-19 pandemic. 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.

3 Analysis of Receipts

3.1 Total Provincial Receipts

The revenues of the Provincial Government are classified into two major categories: Total General Revenue Receipts and Total Capital Receipts. The General Revenue Receipts further include federal divisible pool transfers, provincial tax revenue and provincial non-tax revenue. The transfers from Federal Divisible Pool amounting to be Rs. 1,432.97 billion[3] will contribute around 82% to Total General Revenue Receipts, and the remaining 18% is projected to be collected from provincial own-source revenue, where around 12.6% will be collected from provincial tax revenue expected to be around Rs. 220.89 billion and 5.5% will be from provincial non-tax revenue estimated to be around Rs. 96.18 billion. Total General Revenue Receipts account for around 78% of Total Provincial Consolidated Fund, and the remaining 22% comes from Capital Receipts. Capital receipts include new loans raised by the Government and recoveries of loans issued by the Government. A major part of this receipt is borrowed for State Trading under Account-II i.e. borrowing for procurement of wheat. The liability is retired every year after the sale of wheat. Share of borrowing for provincial projects and programmes in Provincial Consolidated Fund (PCF) is relatively minor.

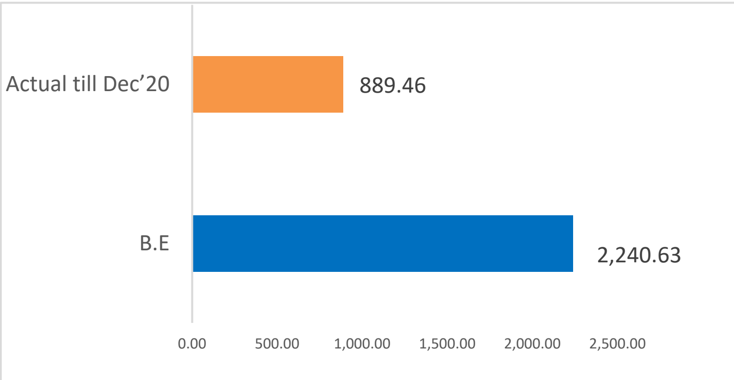
Historically, provinces have relied heavily on transfers from Federal Government and Punjab is no exception to it. In the last five years on average, 81% of Total Provincial Revenue of Punjab has been contributed from the Provincial share in Federal Revenue, whereas around 17% has been collected from own source revenue, and around 2% is Federal Loans and Grants.

Government of Punjab has been making efforts to increase revenue collection from provincial own taxation. In 2019 the target was set at Rs 376 billion and was increased by 3.2% to Rs 388 billion in 2020. In 2021 the projections were reduced by around 18.3% in the context of COVID and set at Rs.317.1 billion. Tax assignment structure in the Constitution assigns taxation of services, immovable property, motor vehicles, agriculture income and tax on professions to provincial governments in addition to some minor taxes.

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

Figure 1 - Total Provincial Receipts

During the first six months of FY 2020-21, Punjab Government has realized 39.7% of its revenue target set in the budget at the beginning of the financial year: Provincial Government realized a total provincial receipt of Rs.889.46 billion against a budget estimate of Rs.2,240.6 billion. For general revenue receipts, the government collected a total of Rs. 766.16 billion against an estimate of Rs.1,750.04 billion. This means that 43.8% of the collection has been realised till December. General revenue receipts include federal divisible pool, and Punjab's own source revenue of tax and non-tax receipts. Last year, the general revenue receipts collection was Rs.781.304 billion (52.9%) against a total collection of Rs.1,477.8 billion and a target of Rs.1989.2 billion.



Government should be able to meet the targets of its own tax and non-tax collection. Shortfall is expected in capital receipts, particularly Capital Account I receipts.

Table 3.1 Total Provincial Receipts

(Rs. in billion)

General Revenue Receipts	B.E 2020-21	Actual Dec'20	B.E Dec'20	Variance Amount	Variance (%)
Federal Divisible Pool Transfers	1,432.97	601.39	644.83	-43.44	-6.74%
Provincial tax	220.89	119.81	106.02	13.79	13.00%
Provincial non-tax	96.18	44.96	38.47	6.49	16.9%

Total Receipts	B.E 2020-21	Actual till Dec'20
Capital Ac I	158.724	12.379
Capital Ac II	331.869	112.862
Total Capital Account Receipts	490.593	125.241
General Revenue Receipts	1,750.04	766.16
Total Provincial Consolidated Fund	**2,240.63**	**889.46**

During the first six months of FY 2020-21 Federal Divisible Pool transfers fell short of the target by Rs.43.4 billion (assuming that forty-five percent is collected in the first half according to historical trends). However, the government exceeded the targets in provincial tax and non-tax receipts.

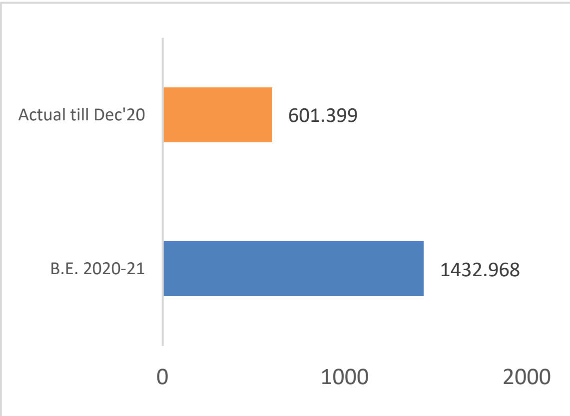
The Government received an amount of Rs.601.4 billion in the first six months from the federal divisible pool as its share compared to the budget estimate of Rs.1,432.97 billion for the year. Table 3.1 shows a shortfall of 43.4 billion for the first six months for FDP. Historical data shows that approximately 45% of the FBR receipts are collected in the first six months when compared with the actual receipts whereas 40% is collected when compared with the annual targets. Provincial tax collection till December was Rs.119.81 billion against the budget estimate of Rs.220.89 billion for the entire year. Trend analysis shows that provincial tax collection in the first six months is approximately 48%. It is important to highlight that provincial tax collection was 13% higher compared to the budget estimate for the half-year. In provincial non-tax revenue, the government has collected Rs.44.96 billion till December compared to the budget estimate of Rs.96.18

billion. On average, provincial non tax collection is 40% of the actual total collection during the first six months. In this regard, the government has collected Rs.6.49 billion more. Capital receipts have remained low compared to the budget estimate. A total of Rs.125.2 billion have been collected under the Capital Account I and II against a budget estimate of Rs.490.6 billion. The Current Capital Account I shows a collection of Rs.7.91 billion against a target of Rs.111.6 billion. Development capital receipts collection is Rs. 4.46 billion against a target of Rs.47.09 billion. Capital account II shows a collection of Rs.112.86 billion against a target of Rs.331.87 billion.

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

3.1.1 Federal Divisible Pool

Figure 2 - Federal Divisible Pool



Federal Divisible Pool transfers are the biggest contribution to the provincial receipts. Even a small percentage shortfall in this source of income necessitates significant adjustments in the provincial budget. During the first six months of FY 2020-21, the actual transfers were Rs. 601.39 billion as compared to a target of Rs.1432.9 billion for the entire year. Last year, the FBR transfer till December was Rs.630.567 billion, exhibiting a decrease of 4.6% in the first half of CFY. This was quite unusual because an amount of Rs. 3.753 billion was deducted by the Federal Government on account of transfer beyond the prescribed share in the preceding year. Given that there was no pandemic last year till December, the collection is only marginally low. FBR collection trends for the mid-year have ranged from 42% to 47% in the past five years against actual collection. When compared with the budget estimate, the collection is around 40% during the first half of the current year. While comparing the collection with the budget estimate of the first six months assuming that 45% of the FBR collection happens in the first half, there is a shortfall of Rs.43.4 billion.

It is important to mention that the budget estimate for this year's FBR is 24% higher than the previous year. While inflation and GDP growth accounts for 8.6% of the FBR growth, the remaining 15.4% is to come from the government's policies on increasing the tax revenue base and administrative measures that should increase efficiency. Since the Divisible Pool transfers constitute a large proportion of General Revenue Receipts, even a small percentage variation between Federal Board of Revenue's Budgeted Estimates and Actual Collection leads to a major readjustment in Provincial receipts and expenditure.

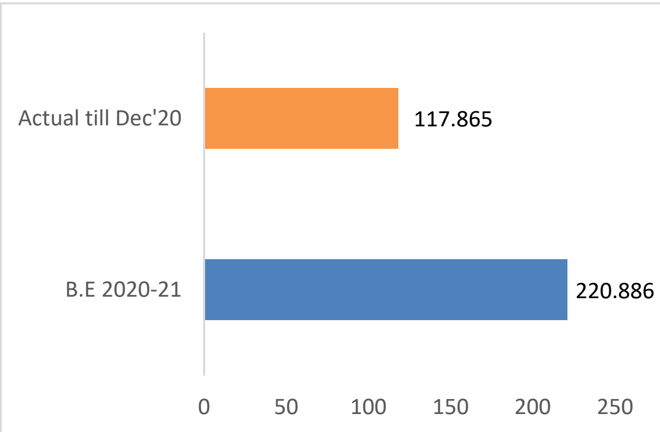
Table 3.2 - Federal Divisible Pool

(Rs. in billion)

Federal Divisible Pool				
	B.E 2020-21	Actual till Dec'20	Actual till Dec'19	%age change
Taxes on Income	587.887	236.029	241.593	-2.30%
Land Customs	184.043	90.353	97.655	-7.48%
Sales Tax	558.763	240.983	254.123	-5.17%
Capital Value Tax on Moveable Assets	0.887	0.137	0.977	-85.98%
Federal Excise	100.882	33.737	36.033	-6.37%
Federal Excise on Natural Gas	0.507	0.160	0.186	-13.98%
Federal Divisible Pool	**1,432.968**	**601.399**	**630.567**	**-4.63%**

3.1.2 Provincial tax Revenue

Figure 3 - Provincial tax Revenue



Punjab's tax collection was Rs.119.81 billion during the first six months compared to a budget allocation of Rs.220.88 billion for the year. In this way, Punjab's tax collection exhibited better performance, exceeding the target by Rs.11.83 billion, given the historical trend collection of 48% for the first six months. More importantly, this performance is primarily based on improvements to collection efficiency and measures for broadening the tax base.

Punjab's tax collection was Rs.119.81 billion during the first six months of FY 2020-21 compared to the budget estimate of Rs.220.88 billion for the entire year. Based on trend analysis of the past five years, tax collection during the first six months of the FY is 48% of the total collection. When compared with the target, the average collection is 37.7%. This shows that the government has exceeded the target by Rs.13.79 billion till now if we assume that 48% should have been collected by the mid-year. Based on the current performance, the Government should be able to exceed the target. Table 3.3 shows the distribution of tax collection between direct & indirect taxes. The growth in tax collection is primarily due to the growth being posted by the PSTS. The collection till now has been significantly high due to a stay order issued by the Supreme Court on withholding tax for the telecom sector that has now been restored in favor of the Government. Similarly, table 3.4 provides the break-up of tax collection by departments. This becomes more encouraging when seen in the perspective of sizeable tax relief provided in FY 2020-21. Government has adopted a fiscal strategy of providing maximum relief to the public to the tune of Rs. 56 billion, which includes reduced rates on PSTS for nine sectors from 16% to 5% to incentivize compliance.

During 2019-20, the government collected Rs.104.59 billion in provincial tax revenue for the first six months, thereby showing an improvement in performance by 15% this time despite Covid-19. A significant increase has been seen in PRA as mentioned above. However, there has been a decrease in Board of Revenue collection due to reduced rate of stamp duty as part of overall tax relief package. Government is expected to meet the target for this year based on the 5-year CAGR.

Table 3.3 - Provincial Tax Revenue

(Rs. in billion)

Provincial Tax Revenue		
	B.E	Actual
	2020-21	Dec'20
Direct Taxes	38.366	19.016
Indirect Taxes	182.520	100.798
Provincial Tax Revenue	**220.886**	**119.813**

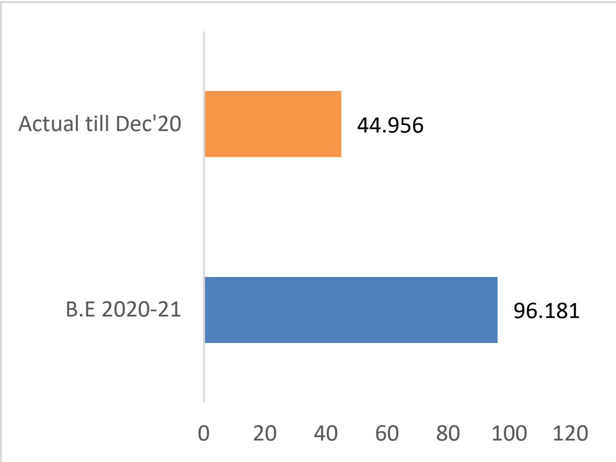
Table 3.4 Provincial Tax Revenue - Department wise collection

(Rs. in billion)

Provincial Tax Revenue - Department wise collection				
	B.E 2020-21	Actual Dec'20	Actual Dec'19	%age change
Board of Revenue	56	26.887	35.60	24.52%
Excise & Taxation	32.364	17.157	16.58	3.48%
Transport	0.675	1	0.270	270.37%
PRA	125	74.694	52.060	43.48%
Energy	6.847	0.092	0.087	5.75%
Provincial Tax Revenue	**220.886**	**119.813**	**104.597**	**14.55%**

3.1.3 Provincial Non-Tax Revenue

Figure 4 - Provincial Non-Tax Revenue



The government managed to collect Rs.44.9 billion during the first six months for provincial non-tax revenue compared to the budget estimate of Rs.96.18 billion for the entire year.

Government estimated its non-tax collection at Rs.96.18 billion for FY 2020-21. The collection during the first six months was Rs.44.9 billion, whereas on average the non-tax revenue collection for the first six months is estimated to be 40% of the total collection implying that a collection of Rs.38.47 billion was expected based on the trend analysis for the past five years. This shows that the government performed better showing an increase of 16.85%. When comparing the collection of the first six months with the budget estimate, it ranges from 24% to 50% in the past five years.

The budget estimate included the expected receipt of Rs.10 billion on account of Net Hydel Profit from the Federal Government. However, in first six months, only Rs.1.3 billion has been received resulting in huge shortfall. Table 3.5 provides a summary of Provincial Non-Tax revenue collection in comparison with the budget. Net Hydel Profit is a part of the category titled 'Income from Property and Enterprises'. The government is expected to collect Rs.75.4 billion during the year for non-tax receipts, the majority of the difference arising from net hydel profit and sale of land that are extraordinary receipts falling under Miscellaneous category (Board of Revenue department). Last year, the government managed to collect Rs.46.14 billion for the first half of the fiscal year. This shows that there has been a decrease of 2.54% in the performance of this year. This can be attributed to the prevalence of COVID-19 affecting the economy as some departments have performed better while some have shown a decrease compared to the previous year.

Table 3.5 - Provincial Non-Tax Revenue

(Rs. in billion)

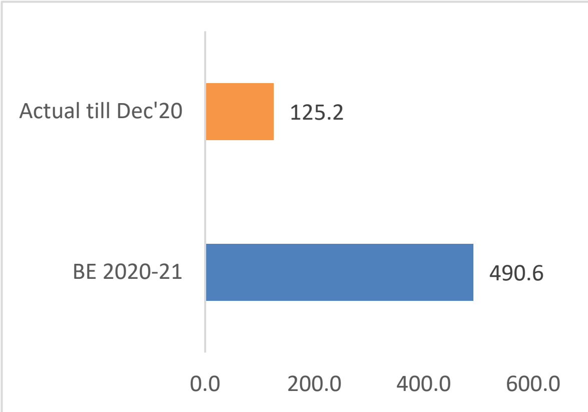
Provincial Non tax Receipt	B.E 2020-21	Actual Dec'20
Income from Property and Enterprise	10.208	1.74
Receipts from Civil Administration and Other Functions	17.000	7.837
Miscellaneous Receipts	68.973	35.379
Provincial Non-Tax	**96.181**	**44.956**

(Rs. in billion)

Non Tax Receipt by Department	B.E 2020-21	Actual Dec'20	Actual Dec'19	%age change
-				
AGRICULTURE	1.07	0.49	0.42	16.19%
BOARD OF REVENUE	20.36	0.42	0.23	79.76%
COMMUNICATIONS & WORKS	3.90	1.53	1.70	-9.84%
COOPERATIVES	0.00	0.00	0.00	184.51%
EDUCATION	1.95	0.91	1.43	-36.53%
FINANCE	21.35	20.04	19.33	3.66%
FORESTRY, WILDLIFE & FISHERIES	1.24	0.81	0.69	17.36%
HEALTH	2.09	0.78	0.76	2.78%
HOME	1.11	0.08	0.07	16.90%
HUD & PHE	0.85	0.33	0.38	-13.11%
INDUSTRIES	0.35	0.16	0.12	33.28%
IRRIGATION	4.20	1.16	0.62	88.69%
LAW & PARLIAMENTARY AFFAIRS	0.62	0.28	0.29	-3.90%
LIVESTOCK AND DAIRY DEVELOPMENT	1.03	0.41	0.41	1.06%
MINES & MINERALS	11.00	4.68	4.48	4.32%
POLICE	6.10	2.39	2.41	-0.50%
MISCELLANEOUS	18.97	10.48	12.80	-18.15%
Total	**96.18**	**44.96**	**46.14**	**-2.57%**

3.1.4 Capital Receipts

Figure 5 - Capital Receipts



Capital Receipts remained low. The government managed to collect Rs.125.24 billion in the first six months whereas the budget allocation for the year was Rs.490.6 billion. The low collection is on account of lesser sales of wheat, financing for procurement of wheat and lower than target capital receipts (borrowing) from multilateral development partners.

During the FY 2020-21, the Government has targeted to collect Rs.490.6 billion as capital receipts. The actual collection from this source was only Rs.125.2 billion till December, which is 25.5% of the B.E compared to 29% in the corresponding period of preceding year. Capital Account receipts (both Account I and II) show no particular trend. The Current Capital Account I receipts show a collection of Rs.7.91 billion against a target of Rs.111.6 billion (7.1% collection) whereas the receipts for account II are Rs.112.86 billion (33.9%) for the first half compared to the annual target of Rs.331.87 billion. Development Capital receipt target has been set at Rs.47.09 billion against which the government has received an amount of Rs.4.46 billion till December. Capital receipts of the Government can be classified into two categories – 'Current Capital Receipts' and 'Development Capital Receipts'. Current Capital Receipts comprise recoveries of loans and advances by the government to its autonomous bodies and borrowing by the Government for (i) commodity operation and (ii) budget support programmes of multilateral. Current Capital Receipts are either credited to Account No. I (Non-Food Account) or Account No. II (Food Account) depending on nature of receipt. Development Capital Receipts on the other hand comprise borrowing from multilateral donor agencies to finance specific development projects. As shown in Table 3.6, the budget estimate of 'Current Capital Receipts' was Rs.443.49 billion whereas the collection under this category was Rs.120.78 billion during the first half of the financial year. The Government was supposed to receive budgetary support loans from World Bank under Punjab Education Sector Reform Program, Punjab Skills Development Project, Punjab Jobs & Competitiveness Project, Strengthening Markets for Agriculture and Rural Transformation (SMART), Punjab Green Development Program and Punjab Cities Program and disbursements of these new programs were to be received from World

Bank accordingly. This implies that the DLIs set against loans have not been met by the government as yet. The foreign project assistance till December is Rs.15.858 billion[5], whereas the budget estimate for the year is Rs.87.9 billion, therefore only 17.9% of the total amount allocated has been received till December. The loans under the Account I have decreased compared to the previous year by 40.6%, whereas the loans incurred under Account II have increased by 57.6%. For Capital Account I the government needs to ensure that the DLIs are met for the loans. The MTFF forecasts suggest that the government will meet the target for Capital Account II but face a significant shortfall in the Capital Account I.

Table 3.6 - Capital Receipts

(Rs. in billion)

Capital Receipts		
	B.E 2020-21	Actual Dec'20
Current Capital Receipts	443.498	120.78
Development Capital Receipts	47.093	4.46
Capital Receipts	**490.594**	**125.24**

Table 3.7 - Capital Receipts - Detailed

(Rs. in billion)

Capital Receipts		
	B.E	Actual
	2020-21	Dec'20
A- Current Capital Receipts	443.498	120.78
Loans & Advances/Recoveries of Loans and Advances	1.28	0.528
Debt	110.35	7.389
Account I	111.63	7.91
Recoveries of Investment-State Trading Schemes	173.913	112.86
Cash Credit Accommodation	157.956	0
Account II	331.868	112.86
B- Development Capital Receipts	47.093	4.46
Total Capital Receipts (A+B)	490.594	**125.24**

[5] This number is Rs. 12.378 billion in the civil account as given in Table 3.7, whereas this number was also confirmed with Finance Department.

Capital Receipts				
	B.E 2020-21	Actual Dec'20	Actual Dec'19	%age change
Loans & Advances/Recoveries of Loans and Advances	1.28	0.528	0.068	676.4%
Debt	157.444	11.851	20.783	-42.9%
Account I	**158.724**	**12.379**	**20.851**	**-40.6%**
Recoveries of Investment-State Trading Schemes	173.913	112.863	71.573	57.6%
Cash Credit Accommodation	157.957	0	0	0%
Account II	**331.869**	**112.863**	**71.573**	**57.6%**
Total Capital Receipts	**490.594**	**125.241**	**92.424**	**35.5%**

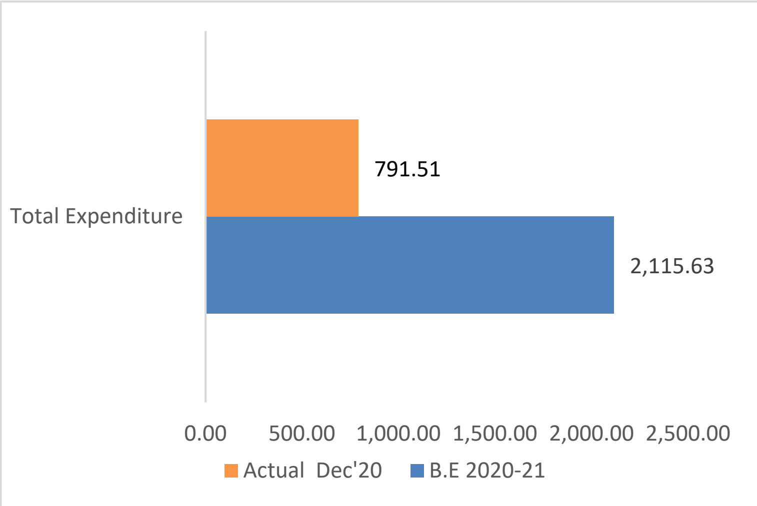
4 Analysis of Expenses

4.1 Total Provincial Expenditure

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

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

Figure 6 - Total Provincial Expenditure



Punjab Government has been able to utilize 37.4% of its budget allocation during the first six months of FY 2020-21. The total provincial expenditure is estimated to be Rs.2,115.6 billion showing a provincial surplus of Rs.125.0 billion.

On the expenditure side, the budget estimate 2020-21 is Rs.2,115.6 billion. The Government was able to utilize an amount of Rs.791.5 billion during the first half of the financial year. In this way, the Government was able to utilize 37.4% of the budget allocated till now. Based on the trend for the last five years, the government spends 40.6% on average of the actual provincial expenditure till December, with the utilisation ranging from 37% to 45% of the actual expenditure. When compared with the budget estimate, the utilisation ranges from 34% to 37% (an average of 35.5%). The current expenditure till now is Rs.554.5 billion. Similarly, capital expenditure during the first six months is Rs.138.0 billion against a target of Rs.460.3 billion. The capital account I expenditure is Rs.34.68 billion till December and spending under capital account II is Rs.103.34 billion. Development expenditure spending shows that Rs.98.9 billion have been utilised against the available resources for development funds of Rs.187.68 billion for the first six months and an annual target of Rs.337.0 billion.

As per the budget estimate 2020-21, 62.3% of total allocation was meant for current expenditure (Rs. 1,318.3 billion), 21.7% for capital expenditure (Rs. 460.3 billion) & 15.9% for development expenditure (Rs. 337 billion). Till the first half of the financial year, the shares of current, capital and development expenditures were 26.2%, 6.5% and 4.6% respectively in the actual expenditure of the Government.

Expenditure by Components: Table 4.1 divides the total expenditure of the Government into four major categories i.e. salary, non-salary, pensions and transfers. A total of Rs.158.5 billion have been spent on salary, Rs.118.3 billion have been spent on pension, Rs.197.5 billion have been spent on transfer to local governments and Rs.317.2 billion have been spent on service delivery expenditure. While salary,pension and local government transfers are on track, service delivery expenditure is low.

Expenditure by Functions: Table 4.1 also shows deviations in expenditure from the budget estimates by function classification used under New Accounting Model. The table shows that when compared with FY 2019-20 there has been a significant increase in Housing and Community Amenities expenditure. Similarly, there has been an increase in social protection by 10%. This is important given the pandemic affected poverty and unemployment. However, there has been a decrease in Education and Health spending particularly on the development side.

Table 4.1 - Total Provincial Expenditure

(Rs. In Billion)

Total Provincial Expenditure					
	B.E 2020-21	Actual Dec'20	B.E Dec'20	Variance Amount	Variance %
Current Expenditure	1,318.34	554.509	593.25	-38.744	-6.53%
Capital I Expenditure	128.42	34.682	52.652	-17.972	-34.13%
Capital II Expenditure	331.86	103.342	NA	NA	NA
Development Expenditure	337	98.978	117.95	-18.953	-16.07%
Total Expenditure	**2,115.63**	791.511	-	-	-
Major Components					
Salary	342.72	158.45	164.50	-6.05-	-3.67-%
Pension	257.12	118.31	123.42	-5.11	-4.14%
Transfers (to LGs and others)	448.51	197.53	201.82	-4.79	-2.38%
Non-Salary	1067.29	317.22	480.27	-162.5	-33.85%-
Total Expenditure	**2,115.63**	**791.51**	952.02	-160.52	-16.86%

Total Expenditure by Function					
	B.E 2020-21	Actual Dec'20	B.E 2019-20	Actual Dec'19	%age change
01 - General Public Service	1,103.03	474.88	1,095.96	441.6	7.54%
03 - Public Order and Safety Affairs	173.63	83.54	181.56	79.32	5.32%
04 - Economic Affairs	477.35	109.21	421.82	113.66	-3.92%
05 - Environment Protection	6.39	0.20	1.50	0.20	1.28%
06 - Housing and Community Amenities	49.18	32.39	56.01	16.09	101.29%
07 – Health	187.36	54.97	182.43	59.17	-7.10%
08 - Recreational, Culture and Religion	6.22	2.56	8.33	1.79	43.17%
09 - Education Affairs and Services	103.35	31.64	108.98	41.59	-23.92%
10 - Social Protection	9.11	2.11	11.06	1.92	10.15%

Total Expenditure	**2,115.63**	**791.51**	**2,067.65**	**755.33**	**4.79%**

4.1.1 Current Expenditure

Figure 7 - Current Expenditure

The allocation for current expenditure for FY 2020-21 was Rs.1,318.3 billion whereas the spending till December is Rs.554.5 billion showing underspending. Current expenditure enables government to meet the requirements of service delivery.

The budget estimate of current expenditures for FY 2020-21 is Rs.1318.3 billion whereas actual expenditure till December is Rs.554.5 billion. Historically, during the first six months, the government usually spends 45% of the actual current expenditure and 41% of the budget estimate. In this year the government has utilised 42.1% of the budget estimate. Last year the spending was Rs.535.24 billion (41% of the target) till December so spending has increased by 3.59%.

Expenditure by Components: Table 4.2 provides the break-up of the current expenditure into four major categories i.e., salary, non-salary, pensions, and transfers. This table shows that the expenditure on salary, transfers, non-salary and pensions are on track given the previous years' trends. Till December, 46.4% and 46.0% of the salary and pension budget have been spent, respectively. 42.8% have been spent from the local government transfers by the end of the first half. While only 31.7% of the non-salary budget has been spent by end of December, last year's utilisation was 29.2% of the actual expenditure for service delivery expenditure. Trends for the past three years have shown that service delivery expenditure is approximately 29.5% of the actual during the first six months. Under forecasts for the current year, the government has estimated an expenditure of Rs.322.5 billion for salary, Rs.240.0 for pension, Rs.420 billion under local government transfers and non-salary for Rs.289.3 billion bringing the total current expenditure to Rs.1300.8 billion.

Expenditure by Functions: Table 4.2 also provides the Function classification of the expenditure to identify the 'purpose' of an allocation or expenditure. The table provides the break-up of current expenditure by functions. It shows that the expenditure on function 'Housing and Community Amenities' surpassed the B.E for the year; and function 'Public Order & Safety Affairs' was somewhat close to target as compared to other functions. Most of the functions such as 'Health', 'Education', 'Social Protection' and 'Economic Affairs' have spent significantly less than the budget allocations. However, when compared with last year, there has been an increase in spending in all functions e.g. Health, Social Protection and Education have increased by 3.2%, 3.7% and 8.5%, respectively. Similarly, spending under Economic Affairs and Public Order and Safety Affairs has increased as well by 7.3% and 5.8%.

The revised estimate for this year's current expenditure based on a 5-year trend analysis comprising of average annual growth rate and CAGR is Rs.1,300.8 billion, showing a variance of only -1.3% compared to the budget estimate.

Table 4.2 - Current Expenditure

(Rs. In Billion)

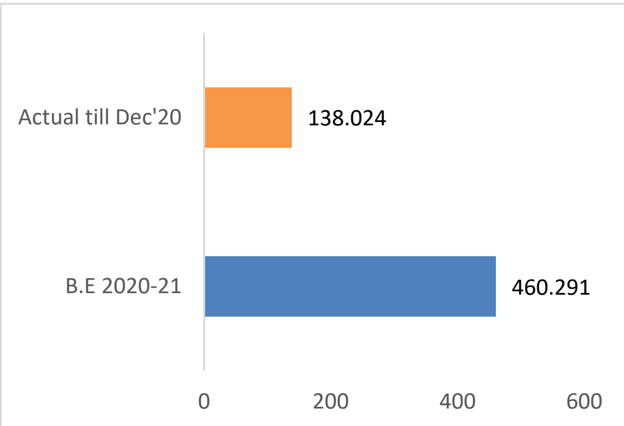
Current Expenditure		
	B.E 2020-21	**Actual Dec'20**
Salary	337.66	156.73
Pension	257.11	118.31
Transfers (to LGs and others)	448.51	192.19
Non-Salary	275.06	87.28
Total Current Expenditure	**1318.34**	**554.51**
Current Expenditure by Object		
A01-Employee Related Expenses	337.66	156.73
A02-Project Pre-investment Analysis	0.02	0.00
A03-Operating Expenses	103.61	28.47
A04-Employees Retirement Benefits	257.11	118.31
A05-Grants, Subsidies and Write-offs of Loans/Advances/Others	533.24	229.31
A06-Transfers	15.88	6.13
A07-Interest Payment	41.83	8.01
A09-Expenditure on Acquiring of Physical Assets	4.35	0.64
A10-Principal Repayments of Loans	0.00	0.00
A12-Civil Works	0.24	0.03
A13-Repairs and Maintenance	24.24	6.88
A14-Suspence and Clearing	0.16	0.00

Total Current Expenditure	1318.34	554.51

Current Expenditure by Function	B.E 2020-21	Actual Dec'20	Actual Dec'19	%age change
01 - General Public Service	778.13	334.14	332.87	0.4%
03 - Public Order and Safety Affairs	172.53	83.43	78.85	5.8%
04 - Economic Affairs	118.11	44.44	41.42	7.3%
05 - Environment Protection	0.49	0.20	0.20	1.5%
06 - Housing and Community Amenities	7.85	12.80	6.12	109.1%
07 – Health	157.07	49.30	47.79	3.2%
08 - Recreational, Culture and Religion	3.78	1.27	1.25	1.9%
09 - Education Affairs and Services	71.80	26.95	24.84	8.5%
10 - Social Protection	8.58	1.97	1.90	3.7%
Total Current Expenditure	**1318.34**	**554.51**	**535.243**	**3.6%**

4.1.2 Capital Expenditure

Figure 8 - Capital Expenditure



Government's capital expenditure spending has been low for the first half of the fiscal year, following the same trend as capital receipts. While the budget estimate for the year is Rs.460.3billion, the actual spending till December is Rs.138 billion.

The capital expenditures during the midterm for the year 2020-2021 was Rs.138.0 billion against the budget estimate of Rs.460.3 billion. Capital expenditure consists of loans made, loans repaid, and contributions made to separate funds for meeting long-term liabilities such as pensions. The capital expenditure can be divided into two main categories. Capital Expenditure (Account No. I) & Capital Expenditure (Account No. II).

Account No. I relate to expenditure by the Government for the provision of services to citizens whereas Account No. II is reserved for transactions relating to commodity operations. Major transactions of Account No. I (Non-Food) include (i) Principal Repayment of Domestic, Foreign and Market Debt & (ii) Loans and advances to corporate bodies of the Government. Expenditures in Account No. II (Food) is mainly incurred on state trading operations of the Government in food grains, especially procurement of wheat and repayment of loans taken from the commercial banks for the trading operations to ensure food security in the country.

In capital account I, the budget estimate for the year was Rs.128.4 billion whereas the actual expenditure till December was Rs.34.68 billion, showing a 27% utilisation. There has been a marginal decrease (1.7%) when compared with midyear spending under the Capital Account I of FY 2019-20. Historical trends of capital account I expenditure have shown that the government spends approximately 41.3% of the total spending. The difference arose mainly due to investment, as the government has not spent any money allocated for investment as well as loans to non-financial institutions. The government has been able to repay the principal from foreign debt. Similarly, for Capital Account II, the actual expenditure for the mid-year was Rs.103.34 billion against a budget allocation of Rs. 331.87 billion. Capital expenditure under account II has increased by 26.5% when compared with the midyear spending of FY 2019-20. The government's repayment of domestic debt is on track as can be seen in the table below under floating debt but state commodity trading for procurement of wheat is extremely low compared to the budget estimate. The decrease in capital expenditure of Account II is mainly due to state trading. Details of capital expenditure under Account No. I and II can be seen in Table 4.3.

Table 4.3 - Capital Expenditure

(Rs. In Billion)

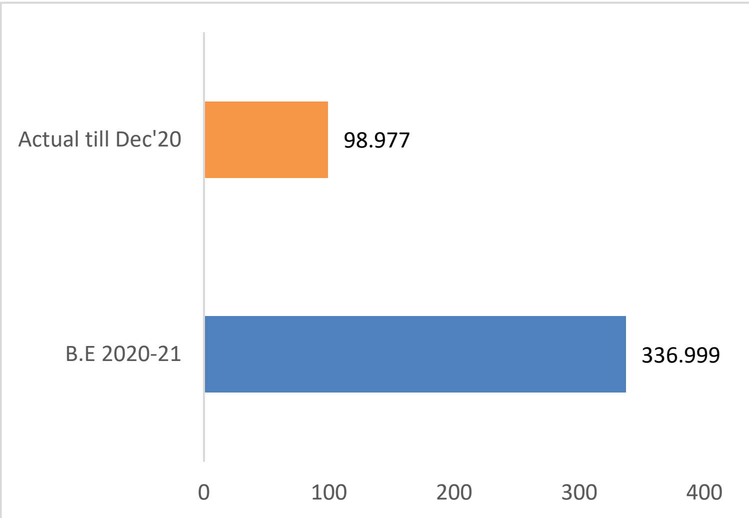
Capital Expenditure	B.E 2020-21	Actual Dec'20	Actual Dec'19	%age change
Loan and Advances	29.41	9.66	13.22	-26.92%
014202 - Trasfer To Non-financial institutions	29.41	9.66	13.22	-26.92%
014203 - Transfer to Government Servants	0.00	-	0.0	0.0
PC13034-STATE TRADING IN MEDICAL STORES AND COAL	0.13	0.03	0.017	76.47%
041403 - Medical Stores	0.13	0.03	0.017	76.47%
PC13050-INVESTMENT	43.80	-	0.0	0
014302 - Non-Financial Institutions	43.80	-	0.0	0
PC16046-Public DEBT (DISCHARGED)	0.00	-	0.0	0
011503 - Domestic Debt Management	0.00	-	0.0	0
PC16048-REPAYMENT OF LOANS FROM THE FEDERAL	55.08	24.99	22.047	13.34%
011404 - Repayment of principal foreign debt payment	48.58	24.24	21.136	14.68%

011505 - Repayment of principal domestic debt payment	6.51	0.75	0.911	-17.67%
Total Account No. I	**128.42**	**34.68**	**35.28**	**-1.7%**
STATE TRADING IN FOODGRAINS AND SUGAR	217.210	23.79	30.287	-21.45%
PC16033 – State Trading	47.054	21.260	27.25	-21.98%
PC13033 - State Trading	170.156	2.53	3.037	-16.69%
PC16047-FLOATING DEBT (DISCHARGED)	114.66	79.55	51.348	54.92%
011504 - Repayment of principal domestic debt-flo	114.66	79.55	51.348	54.92%
Total Account No. II	**331.87**	**103.34**	**81.635**	**26.58%**
Total Current Capital Expenditure	**460.29**	**138.02**	**116.89**	**18.07%**

4.1.3 Development Expenditure

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

Figure 9 - Development Expenditure



Development expenditure of the Government during the first half of FY 2020-21 was Rs.98.9 billion against a budget estimate of Rs.337.0 billion, which is 29.3% of the budget.

The budget estimate of development expenditure in FY 2020-21 was Rs.337.0 billion, whereas actual expenditure till December is Rs. 98.9 billion. The government has released a total Rs.173.02 billion (51% of the total target). During the first half of the financial year, the resource available to Government for development were Rs.187.68 billion netting off Capital Account I. The departments have only been able to utilize 29.3% of the development funds. Last year, the government had spent Rs.103.16 billion and released Rs.190.9 billion during the first six months. Development spending in the past five years for the same period when compared with the budget estimate have ranged from 23% to 33%, whereas when compared with the actual spending the amount utilised in the first six months ranges from 30% to 43%.

Expenditure by Functions: Details of expenditure by 'Functions' are also available in Table 4.5. It shows that 'Economic Affairs' have the largest share (41.4%) in the development spending, followed by function 'General Public Service' & 'Housing & Community Amenities' which have 26.8% and 19.8% shares, respectively. The lowest spending compared to the budget estimate for the first half of the year is in function 'Public Order and Safety Affairs', 'Education Affairs and Services' and 'Health', all priority areas for the government. When compared with FY 2019-20, development spending in Health and Education has decreased whereas for functions such as Social Protection and General Public Service has increased.

Table 4.4 - Development Expenditure

(Rs. In Billion)

Development Expenditure		
	B.E 2020-21	Actual Dec'20
Development Revenue Expenditure	256.801	67.522
Development Capital Expenditure	80.198	31.455
Total Development Expenditure	**336.999**	**98.977**
Development Expenditure by Object		
A01-Employee Related Expenses	4.99	1.70
A02-Project Pre-investment Analysis	0.05	0.02
A03-Operating Expenses	8.49	3.79
A04-Employees Retirement Benefits	0.00	0.00
A05-Grants, Subisidies and Writeoffs of Loans/Advances/Others	195.56	49.96
A06-Transfers	42.33	8.28
A08-Loans and Advances	0.00	-
A09-Expenditure on Acquiring of Physical Assets	10.47	2.77
A11-Investments	0.00	-
A12-Civil Works	74.60	32.22
A13-Repairs and Maintenance	0.50	0.23
Total Development Expenditure	**337.00**	**98.98**

Development Expenditure by Function				
	B.E 2020-21	Actual Dec'20	Actual Dec'19	%age change
01 - General Public Service	81.94	26.54	22.10	20%
03 - Public Order and Safety Affairs	1.11	0.11	0.48	-76%
04 - Economic Affairs	141.90	40.96	41.93	-2%
05 - Environment Protection	5.90	0.00	0.00	-
06 - Housing and Community Amenities	41.33	19.59	9.97	96%
07 – Health	30.29	5.66	11.38	-50%
08 - Recreational, Culture and Religion	2.44	1.29	0.54	139%
09 - Education Affairs and Services	31.55	4.69	16.75	-72%
10 - Social Protection	0.53	0.14	0.02	764%
Total Development Expenditure	**337.00**	**98.98**	**103.16**	**-4%**

Key Achievements of Annual Development Programme 2020-21

During the first half of FY 2020-21 important investments were made in health, education and skills development. Following is the list of major development projects in the first half of FY 2020-21 for which funds have been released:

I. The health sector includes:
   a. Health insurance programme, Punjab. To date, Rs.9 billion have been released against an allocation of Rs. 12 billion.
   b. Establishment of Dera Ghazi Khan Institute of Technology. Rs.1 billion have been released against an allocation of Rs.1 billion.
   c. Establishment of tertiary Care Hospital, Multan. Rs.1 billion have been released against an allocation of Rs.1 billion.
   d. Prime Minister Health Initiative. Rs.1 billion have been released against an allocation of Rs.1 billion.

   e. Prevention and control of Hepatitis. Rs. 0.934 billion have been released against an allocation of Rs.0.934 billion.
   f. Infection control programme. Rs. 0.943 billion have been released against an allocation of Rs.0.943 billion.
   g. Upgradation of DHQ to Teaching Hospital, DG Khan

II. The education sector includes:

a. New initiatives of School Education department for imparting education through outsourcing of public schools through private participation. To date, Rs. 1.75 billion have been released against an allocation of Rs.4 billion for the outsourcing of public schools and Rs.10 billion have been released against an allocation of Rs.18 billion for private schools.

III. Skills development programme funded by FCDO. Rs.1.5 billion have been released out of Rs.2.5 billion.

IV. Punjab Social Protection Authority. Rs.1.2 billion have been released against an allocation of Rs.2.3 billion.

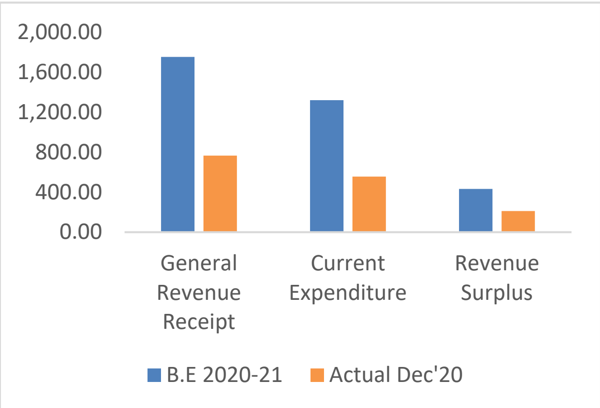
V. Other projects include:

a. Ten Billion Tree Programme. Rs.1.505 billion have been released against the allocation for the same amount.
b. Construction of Daadhocha dam. Rs.0.925 billion have been released against an allocation of Rs.0.925 billion.
c. National programme for improvement of water. Rs.1.5 billion have been released against an allocation of Rs.1.5 billion.
d. Family welfare centers for family planning
e. Dualisation of Mianwali Road Infrastructure sector.

5. Budget Management

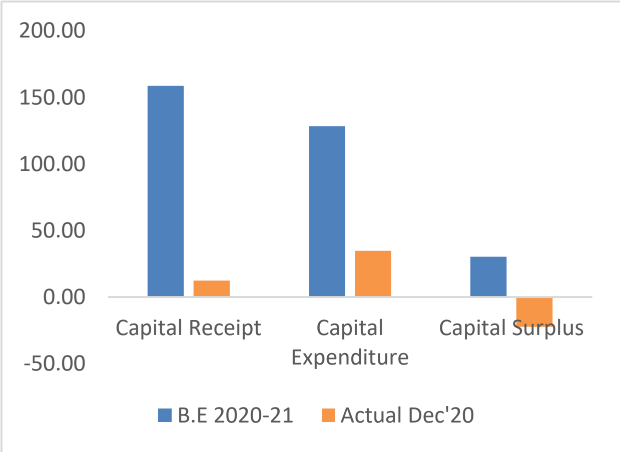
Total provincial receipts were estimated at Rs. 2,240.6 billion whereas the total expenditure was estimated at Rs.2,115.6 billion. The actual receipt collection till December 2020 was Rs.889.5 billion (39.7% collection of the allocation) whereas the actual expenditure was Rs.791.5 billion (37% spending of total allocation).

Figure 10 - Revenue Surplus



Actual Revenue surplus (i.e. General Revenue Receipts) was Rs.209.7 billion for the first months compared to a budget estimate of Rs.431.6 billion.

Figure 11 - Capital Surplus/(Deficit)



There is a capital deficit till now of Rs.22.03 billion. **This only includes Capital Account I receipt and expenditure. Capital account I receipt is 12.38 billion whereas the expenditure is 34.68 bilion resulting in deficit of 22.3 billion.**

After meeting current and capital expenditures, the available resources for development expenditure is Rs.187.68 billion for the first six months against an estimate of Rs.337.0 billion in the budget for the full year.

The government has also sanctioned a total of Rs.31.8 billion under supplementary grants. This includes both development and non-development funds. Compared to the previous year, Rs.168.67 billion were sanctioned for supplementary grants for the entire year.

Currently, the government has been trying to control the expenditure. The same strategy is expected to be followed during the remaining period of the CFY to achieve fiscal sustainability. While the Government of Pakistan has been able to achieve a stable exchange rate, increase its remittances and improve its current account, the fiscal deficit in the first half of the fiscal year is Rs.1.138 trillion or 2.25% of the GDP. Compared to 2019-20, the fiscal deficit was Rs.995 billion.

It is important to learn lessons from the planning & execution during the mid-year for future learning and improvements:

i. The federal government set the target of FBR collection at Rs 2.21trillion for the first half of the financial year which it missed by Rs. 6 billion, at a time when businesses were still recovering from major losses caused by lockdown in the last half of 2020. Government of the Punjab has correctly forecasted its tax revenue which has remained on track this far to achieve the annual target. Further shortfall at Federal level will increase the variance between the budgetary estimates and the actual receipts for both the federal and provincial governments.

ii. While meeting the target for Account II capital receipts is beyond the Finance Department's control, it is important for the government to meet the disbursement linked indicators and pre conditionalities set for the loans under the Capital I Account. The Government needs to improve coordination with development partners to improve the reliability of estimates of capital receipts.

iii. The allocations for current expenditures, despite being inflexible, have not been utilised by the departments. The government intends to release more current expenditure funds in the second half of the fiscal year, considering the availability of fiscal space, particularly for functions that have stronger link with the service delivery.

iv. Utilization of the released development funds has been slightly better than the same period in last financial year.

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