

WHITE PAPER

BUDGET 2010-11



June 14, 2010

PREFACE

White Paper is a titled culled from parliamentary traditions of established democracies where the term was used for an instrument meant for explaining the government's intentions or a policy on any subject. In our context, white paper on the budget is a non technical description of the salient features of budget. It is an endeavor to give meanings and substance to the figures in the budget. It attempts to summarize and unfold the mysteries hidden under budgetary classifications and the rationale for various provisions in the budget estimates. It is hoped that the insight provided by this document will enable the reader to formulate an informed and independent opinion about the intent, expected benefits and accuracy of various projections in the budget estimates.

In this year's White Paper certain additions have also been made. There is a new chapter on the subject of topical interest – the 7th NFC Award and its comparison with the earlier award. Secondly, a chapter on the conceptual dimensions and salient features of Medium Term Budgetary Framework (MTBF) has also been included. Similarly, glossary of technical terms relating to budget has also been added to facilitate the reader to develop an understanding about different budgetary jargons.

This document is a product of collective efforts of the officers and officials of Finance Department. However, I do wish to especially acknowledge and appreciate the pain stacking efforts of Mr. Faisal Rashid, Deputy Secretary Resources who has worked tirelessly under the supervision and guidance of Mr. Farid Ahmad Tarar, Additional Secretary Budget and Mr. Naveed Alauddin, Special Secretary.

June 14, 2010

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BUDGET AT A GLANCE

(Rs. in Million)

	BE 2009-10	RE 2009-10	BE 2010-11
CURRENT BUDGET			
General Revenue Receipts	423,511.3	423,450.3	558,381.7
Revenue Expenditure	314,873.1	318,242.9	386,787.0
<i>Net Revenue Expenditure</i>	<i>288,173.1</i>	<i>303,242.9</i>	<i>365,787.0</i>
<i>Pro-poor Subsidies</i>	<i>26,700.0</i>	<i>15,000.0</i>	<i>21,000.0</i>
Net Revenue Account Deficit (-) / Surplus (+)	108,638.2	105,207.4	171,594.7
CURRENT CAPITAL BUDGET			
Current Capital Receipts	221,547.5	318,740.9	222,049.6
Current Capital Expenditure	195,571.2	303,006.5	222,378.1
Net Capital Account	25,976.3	15,734.4	(328.5)
Net Public Account	1,106.4	1,163.4	(3,040.6)
Net Deficit(-)/Surplus (+) in the Budget	135,721.0	122,105.1	168,225.6
Federal Grants	2,558.0	2,158.5	677.4
Foreign Project Assistance	10,471.0	10,471.0	12,597.0
Financing through privatization sale proceeds	--	--	12,000.0
Operational Shortfall	26,250.0	---	---
Total Resources for Development	175,000.0	134,734.6	193,500.0
Provincial ADP	172,000.0	134,734.6	182,000.0
Other Development Expenditure			
<i>Daanish School</i>	<i>3,000.0</i>	---	<i>3,000.0</i>
<i>Punjab Millennium Development Goal Program (PMDGP)</i>	---	---	<i>6,500.0</i>
<i>TEVTA / TEVTC</i>	---	---	<i>2,000.0</i>
Total Provincial Development	175,000.0	134,734.6	193,500.0
PSDP Funded Schemes	---	10,850.0	---
Total Development	175,000.0	145,584.6	193,500.0

BUDGET IN BRIEF

(Rs. in Million)

	BE 2009-10	RE 2009-10	BE 2010-11
1. REVENUE BUDGET			
General Revenue Receipts	423,511.3	423,450.3	558,381.7
Federal Divisible Pool Taxes	321,022.4	323,057.1	435,504.0
Straight Transfers	4,625.1	5,142.4	6,263.2
Federal Grants	11,122.9	8,630.4	2,840.0
Provincial Tax Revenue	49,647.2	36,841.2	91,578.6
Provincial Non Tax Revenue (<i>Including hydel electricity profit</i>)	37,093.7	49,779.1	22,195.9
Revenue Expenditure	314,873.1	318,242.9	386,787.0
General Public Services	159,774.0	170,743.5	222,145.9
Public Order & Safety Affairs	54,524.2	59,515.6	63,017.1
Economic Affairs	51,909.7	39,672.7	44,888.8
Environment Protection	45.8	43.0	47.0
Housing and Community Amenities	2,271.9	1,642.2	3,501.8
Health	21,771.8	22,253.5	21,999.6
Recreational, Culture and Religion	739.9	1,072.4	880.8
Education Affairs and Services	22,384.8	21,503.3	28,885.4
Social Protection	1,451.1	1,796.6	1,420.5
A - Net Revenue Account-Surplus(+)/ Deficit(-)	108,638.2	105,207.4	171,594.7
2. CURRENT CAPITAL BUDGET			
Current Capital Receipts	221,547.5	318,740.9	222,049.6
Account No. I	51,921.3	118,071.0	45,341.2
Recoveries of Loans and Advances	5,280.9	51,645.8	5,637.3
Debt Management	46,640.4	66,425.2	39,703.9
Account No. II	169,626.2	200,669.8	176,708.4
Recoveries of Investment-State Trading	93,474.6	82,070.9	81,586.0
Cash Credit Accommodation	76,151.6	118,598.9	95,122.4

BUDGET IN BRIEF

(Rs. in Million)

	BE 2009-10	RE 2009-10	BE 2010-11
Current Capital Expenditure	195,571.2	303,006.5	222,378.1
Account No. I	25,944.9	102,336.7	45,669.8
Debt Management - Repayment of Principal	0.4	71,356.3	0.4
Debt Management - Repayment of Principal	10,301.6	11,532.6	13,118.8
Investments	6,000.0	6,000.0	2,000.0
Loans and Advances	9,626.0	13,431.2	30,531.7
State Trading in Medical Stores	16.9	16.6	18.8
Domestic Debt Management (Account II)	169,626.2	200,669.8	176,708.4
B - Net Capital Account-Surplus(+)/ Deficit (-)	25,976.3	15,734.4	(328.5)
3. PUBLIC ACCOUNT			
Receipts	251,313.0	239,383.9	257,095.0
Disbursements	250,206.5	238,220.5	260,135.6
C - Net Public Account	1,106.5	1,163.4	(3,040.6)
Net Current Budget (A+B+C) Deficit (-)/ Surplus(+)	135,721.0	122,105.1	168,225.6

Sector-wise Development Programme 2010-11 Compared with 2009-10

(Rs. in Million)

Sr. No	Sector	Original Allocation 2009-10	Revised Allocation 2009-10	Allocation 2010-11	% Change Over 2009-10 (Rev)
A	Social Sectors	59,725	48,906	68,253	40%
1	Education	23,125	21,525	23,300	8%
	(i) School Education	13,600	13,884	14,050	1%
	(ii) Higher Education	6,125	5,769	6,350	10%
	(iii) Special Education	1,000	232	500	116%
	(iv) Literacy	800	264	800	203%
	(v) Sports	1,600	1,376	1,600	16%
2	Health	12,025	9,512	14,500	52%
3	Water Supply & Sanitation	8,500	8,341	9,500	14%
4	Social Protection	900	672	900	34%
5	Regional Planning	7,475	2,676	14,203	431%
6	Local Govt. & Community Development	7,700	6,180	5,850	-5%
B	Infrastructure Development	51,550	51,462	59,260	15%
7	Roads	27,000	30,624	32,885	7%
8	Irrigation	10,000	8,130	11,005	35%
9	Public Buildings	5,550	5,529	6,210	12%
10	Urban Development	9,000	7,179	9,160	28%
C	Production Sectors	9,150	6,721	7,000	4%
11	Agriculture	3,200	2,327	3,200	38%
12	Forestry, Wildlife & Fisheries	900	854	1,080	26%
	(i) Forestry	300	321	450	40%
	(ii) Wildlife	300	259	395	53%
	(iii) Fisheries	300	274	235	-14%
13	Food	100	66	200	203%
14	Livestock	2,000	1,213	2,000	65%
15	Industries	350	291	220	-24%
16	TEVTA	2,300	1,766	-	
17	Mines & Minerals	300	204	300	47%
D	Services Sectors	3,858	2,402	7,050	194%
18	Information Technology	1,300	219	1,960	795%
19	Commerce & Investment	200	107	140	31%
20	Labour & Human Resource Dev.	70	52	85	63%
21	Transport	125	463	1,190	157%
22	Emergency Service	2,000	1,488	2,000	34%
23	Tourism	163	73	1,675	2195%
E	Others	9,717	1,758	6,366	262%
24	Environment	500	423	335	-21%
25	Information Culture & Youth Affairs	400	239	295	23%
26	Religious Affairs & Auqaf	175	73	276	278%
27	Human Rights & Minority Affairs	200	27	215	696%
28	Access to Justice Programme	317	469	50	-89%
29	P&D	8,125	527	5,195	886%

Sr. No	Sector	Original Allocation 2009-10	Revised Allocation 2009-10	Allocation 2010-11	% Change Over 2009-10 (Rev)
30	Extra PFC Grants to District Govts. / TMAs	-	-	-	-
	Total Core Programme (A+B+C+D+E)	134,000	111,249	147,929	33%
F	Special Programmes / Packages	38,000	22,678	34,071	50%
	(i) Distt. / TMA Dev. Program	12,000	11,091	12,000	8%
	(ii) Special Infrastructure	26,000	11,587	19,121	65%
	(iii) Special Packages	-	-	1,450	-
	(iv) New Initiatives / Medical Colleges	-	-	1,500	-
	Net Development Program	172,000	133,927	182,000	36%
G	Daanish School System	3,000	-	3,000	-
H	TEVTA / TEVTC	-	-	2,000	-
I	DLIs for MDGs	-	-	6,500	-
	GRAND TOTAL (DEVELOPMENT)	175,000	133,927	193,500	44%
J	Other Development Expenditure	13,743	15,545	2,515	-84%
	(i) Population Welfare	1,629	1,529	1,865	22%
	(ii) Low Income Housing	2,500	808	650	-20%
	(iii) Loan to Autonomous Bodies (Capital Dev. Exp.)	9,614	3,887	-	-
	(iv) PSDP Funded Schemes	-	9,321	-	-
	GRAND TOTAL	188,743	149,472	196,015	31%

Chapter 1**INTRODUCTION TO THE BUDGET 2010-11**

Budget is not only an exercise of numbers. In reality, it is an expression of the political, economic and social vision of the government. In a democratic dispensation, the government in office is not only accountable to the people but also carries an additional onus of responding to the aspirations of the people. This goal can only be achieved by creating a nexus between the resource allocation and effective service delivery.

However, budget for financial year 2010-11 is being presented in the backdrop of difficult and challenging security situation; sluggish economic growth; persistent inflationary trends; ever increasing resource requirement for rehabilitation, improvement and up gradation of existing infrastructure; a substantial salary increase for public sector employees; a greater demand and emphasis on the development and implementation of social security net etc. To absorb such pressures, for a developing economy like ours, it is vitally important that besides aiming allocative efficiency in expenditures, new avenues of resource generation are also explored to ensure the socio-economic development on permanent basis.

But a combination of limited fiscal space with rising spending levels both in the current and development budget significantly reduces the government's ability and resolve to spend more on sustainable basis. Under these circumstances, prudent policy recourse in the shorter term would be the pursuit of greater fiscal consolidation through resource mobilization in conjunction with possible reduction in unnecessary expenditures.

Notwithstanding the constraints highlighted above, provincial government will ensure the realization of its development vision through substantial allocations for Annual Development Program. Similarly, the government will also remain committed not only to protect the allocations for social sectors, pro-poor initiatives and essential requirements of its law enforcing agencies but also to give a reasonable increase over the budget estimates for the financial year 2009-10. On the revenue side, Punjab Government has also embarked upon a comprehensive set of reforms aimed at improving the existing revenue collection. These reforms would inter alia include establishment of a Tax Policy Unit in Finance Department with its off shoots in Board of Revenue and Excise and Taxation Departments tasked to develop not only a tax policy framework but also to suggest administrative and procedural reforms in our tax collection regime.

1.1 OVERVIEW OF BUDGET 2010-11**1.1.1 REVENUE BUDGET**

Revenue budget includes General Revenue Receipts and Revenue Expenditures. Table 1.1 summarizes the General Revenue Receipts and Revenue Expenditures.

Budget estimates of FY 2010-11 for General Revenue Receipts have been pitched at Rs.558,381.701 million, which represent an increase of 31.8% over the budget estimates for FY 2009-10. Revenue Expenditures are estimated at Rs. 386,786.957 million, which show an increase of 22.8% over the revised revenue expenditure estimates for FY 2009-10. Major portion of net revenue account surplus will be used to finance the Annual Development Program.

Table 1.1
Summary of Revenue Budget

(Rs. in Million)

RECEIPTS & EXPENDITURES	BE 2009-10	RE 2009-10	BE 2010-11
A: General Revenue Receipts	423,511.294	423,450.275	558,381.701
Federal Divisible Pool Taxes	321,022.410	323,057.143	435,503.995
Straight Transfers	4,625.074	5,142.375	6,263.243
Federal Grants	11,122.883	8,630.419	2,840.000
Provincial Tax Revenue	49,647.187	36,841.217	91,578.582
Provincial Non Tax Revenue	37,093.740	49,779.121	22,195.881
B: Revenue / Current Expenditures	314,873.085	318,242.947	386,786.957
General Public Services	159,773.955	170,743.511	222,145.898
Public Order & Safety Affairs	54,524.169	59,515.564	63,017.082
Economic Affairs	51,909.689	39,672.688	44,888.796
Environment Protection	45.825	43.012	47.025
Housing and Community Amenities	2,271.913	1,642.212	3,501.843
Health	21,771.773	22,253.526	21,999.629
Recreational, Culture and Religion	739.947	1,072.449	880.821
Education Affairs and Services	22,384.759	21,503.341	28,885.359
Social Protection	1,451.055	1,796.644	1,420.504
Net Revenue Account – Surplus / Deficit (A-B)	108,638.209	105,207.328	171,594.744

1.1.2 CURRENT CAPITAL BUDGET

Both Current Capital Receipt and Current Capital Expenditure are included in the Budget Estimates of Current Capital Budget.

Current Capital Receipts primarily consist of budgetary support loans and recovery of outstanding loans extended by the government to its various provincial bodies, agencies etc. Current Capital Receipts also include receipts in Account No.II (Food) of the Government. These resources are realized through commodity financing extended to the Government by a commercial banking consortium for the purchase of wheat.

Current Capital Expenditure includes payments of principal portion of domestic and foreign debt incurred by the Provincial Government and equity / capital investments that the Government intends to make in various enterprises. Similarly, repayment of commercial bank loans through sale of wheat stock purchased by the Provincial Government is also included in the Capital Expenditure from Account No.II (Food). In financial year 2010-11, there would be a negative

balance though not significant in the current capital budget primarily due to greater capital expenditure owing to investments for capitalization of Pension Fund and other liabilities related to loans and advances.

Table 1.2
Current Capital Budget

(Rs. in Million)

RECEIPTS AND DISBURSEMENT	BE 2009-10	RE 2009-10	BE 2010-11
A: Current Capital Receipts	221,547.525	318,740.852	222,049.580
Account No. I	51,921.299	118,071.027	45,341.185
Recoveries of Loans and Advances	5,280.865	51,645.825	5,637.251
Debt Management	46,640.434	66,425.202	39,703.934
Account No. II	169,626.226	200,669.825	176,708.395
Recoveries of Investment-State Trading	93,474.640	82,070.908	81,585.963
Cash Credit Accommodation	76,151.586	118,598.917	95,122.432
B: Current Capital Disbursement	195,571.168	303,006.486	222,378.148
Account No. I	25,944.942	102,336.661	45,669.753
Public Debt	0.434	71,356.264	0.434
Debt Management - Repayment of Principal	10,301.630	11,532.609	13,118.776
Investments	6,000.000	6,000.000	2,000.000
Loans and Advances	9,625.985	13,431.232	30,531.739
State Trading in Medical Stores	16.893	16.556	18.804
Domestic Debt Management (Account II)	169,626.226	200,669.825	176,708.395
Net Capital Account (A-B) (Surplus/Deficit)	25,976.357	15,734.366	(328.568)

1.1.3 PUBLIC ACCOUNT OF THE PROVINCE

Revenue and expenditure transactions not forming the part of Provincial Consolidated Fund are included in the Public Account of the Province. The monies in the Public Account are in the nature of a trust. These amounts include unfunded debt (deferred liabilities), deposits, reserves and remittances.

Table 1.3 provides a summary of the Public Account of the province.

Table 1.3
Public Account

(Rs. in Million)

RECEIPTS AND DISBURSEMENTS	BE 2009-10	RE 2009-10	BE 2010-11
A: RECEIPTS	251,312.965	239,383.862	257,094.980
Assets	71.354	73.429	75.958
Deposits and Reserves	251,241.611	239,310.433	257,019.022
B: DISBURSEMENTS	250,206.531	238,220.491	260,135.599
Current Assets	85.602	85.602	85.602
Liability	250,120.929	238,134.889	260,049.997
Net Public Account (A-B)	1,106.434	1,163.371	(3,040.619)

The Public Account transactions are discussed in detail in Chapter 4.

1.1.4 FINANCING THE ANNUAL DEVELOPMENT PROGRAM

Annual Development Program is primarily financed through surpluses accruing from the revenue and capital accounts of the Provincial Government described above. Development Budget of the province has been pitched at Rs.193,500.000 million for FY 2010-11 in comparison with the Rs.175,000.000 million for FY 2009-10 depicting an increase of 10.6%.

Overall size of the ADP for FY 2010-11, budget estimates of ADP for FY 2009-10 and revised estimates for FY 2009-10 are shown separately in two tables and the sources of its financing are presented in Table 1.4 & 1.5 respectively.

Table 1.4
Size of Annual Development Program and financing sources for FY 2010-11

(Rs. in Million)

Nomenclature	BE 2010-11
Core Annual Development Program	182,000.000
Daanish School	3,000.000
Punjab Millennium Development Goal Program (PMDGP)	6,500.000
TEVTA / TEVTC	2,000.000
TOTAL ADP	193,500.000
Resources	193,500.000
Net Surplus	168,225.550
Federal Grants	677.450
Foreign Project Assistance	12,597.000
Financing through privatization sale proceeds	12,000.000

Table 1.5
Budget Estimates of ADP for FY 2009-10 & Revised Estimates 2009-10

(Rs. in Million)

Nomenclature	BE 2009-10	RE 2009-10
TOTAL ADP	175,000.000	145,584.607
Daanish School	3,000.000	---
ADP Provincial	172,000.000	134,734.607
PSDP Funded Schemes	---	10,850.000
Operational Shortfall/Surplus	26,250.000	---
Resources	148,750.000	134,734.607
Net Surplus *	135,721.000	122,105.087
Federal Grants	2,558.000	2,158.520
Foreign Project Assistance	10,471.000	10,471.000
Financing through privatization sale proceeds	---	---

* Combined surplus of Revenue, Capital and Public Accounts

Chapter 2**ESTIMATES OF RECEIPTS**

The Annual Budget Statement (ABS) includes the following receipts:

- I. General Revenue Receipts
- II. Development Revenue Receipts
- III. Current Capital Receipts
- IV. Development Capital Receipts

The definition and composition of the above receipts estimates is given below:-

2.1 GENERAL REVENUE RECEIPTS

The main elements of General Revenue Receipts are:

- I) Federal Transfers:
 - Share of Federal Divisible Pool of Taxes under the NFC Award, 2009
 - Straight Transfers on account of constitutional provisions, royalties on oil and gas
 - Federal Grants
- II) Provincial Own Revenue:
 - Provincial Tax Revenue including Provincial GST on Services collected by the Federal Board of Revenue
 - Provincial Non-Tax Revenue (As per the classification used in ABS, the Provincial Non-Tax Revenue includes Federal Grants and Straight Transfers)
 - Extraordinary Receipts

Table 2.1 shows the estimates for General Revenue Receipts for FY 2009-10 and FY 2010-11. For the purpose of clarity, Federal Grants and Straight Transfers, which are part of the provincial non-tax receipts in the Annual Budget Statement, have been shown separately to give a clear picture of the provincial non-tax revenues under control of the Provincial Government.

As depicted in Table 2.1 below, the General Revenue Receipts were estimated at Rs. 423,511.294 million for FY 2009-10. The revised estimate of these receipts is Rs.423,450.275

million, whereas the budget estimate for FY 2010-11 has been pitched at Rs.558,381.701 million. In this way, the budget estimate of General Revenue Receipt for FY 2010-11 shows an increase of almost 32% over BE 2009-10, predominantly on account of increase in federal transfers under the new revenue sharing arrangements agreed under 7th National Finance Commission (NFC) Award.

Table 2.1
General Revenue Receipts

		(Rs. in Million)		
GENERAL REVENUE RECEIPTS		BE 2009-10	RE 2009-10	BE 2010-11
a	Federal Divisible Pool Taxes¹	321,022.410	323,057.143	435,503.995
	Tax on Income	130,107.229	126,266.109	177,942.395
	Wealth Tax	--	--	--
	Land Customs	40,286.698	39,534.627	50,198.808
	Sales Tax	102,344.375	108,398.253	165,813.957
	GST (CE in Sales Tax Mode)	14,440.162	16,386.671	-
	Federal Excise	32,076.443	31,392.541	41,548.835
	Capital Value Tax	1,767.503	1,078.942	--
b	Provincial Tax Revenue	49,647.187	36,841.217	91,578.582
	Direct Taxes	17,090.000	14,070.288	17,784.347
	Indirect Taxes	28,850.557	18,837.226	69,073.792
	Indirect Taxes – Others	3,706.630	3,933.703	4,720.443
c	Total Non Tax Revenue	23,434.090	40,467.922	21,792.681
	Income from Property and Enterprise	6,295.000	15,526.133	7,267.918
	Receipts from Civil Administration and Other Functions	7,554.008	5,115.424	6,167.996
	Miscellaneous Receipts	9,585.082	19,826.365	8,356.767
d	Extraordinary Receipts	13,659.650	9,311.199	403.200
e	Straight Transfers (i+ii)	4,625.074	5,142.375	6,263.243
i	Net Proceeds on Excise Duty on Natural Gas assigned to provinces	350.840	356.477	407.387
ii	Development Surcharges and Royalties	4,274.234	4,785.898	5,855.856
	<i>Net Proceeds of Royalty on Crude Oil assigned to Provinces</i>	<i>1,429.013</i>	<i>2,315.400</i>	<i>2,792.131</i>
	<i>Net Proceeds of Royalty on Natural Gas assigned to Provinces</i>	<i>1,214.014</i>	<i>1,000.726</i>	<i>1,885.636</i>
	<i>Surcharge on Natural Gas-share of net proceeds assigned to provinces</i>	<i>1,631.207</i>	<i>1,469.772</i>	<i>1,178.089</i>
f	Federal Grants	11,122.883	8,630.419	2,840.000
	Subventions	4,658.500	4,779.471	--
	Other Grants from the Federal Govt.- Development	3,234.383	--	--
	Foreign Grants	3,120.000	3,802.339	2,730.000
	Other Grants from the Federal Govt. - Non-Dev	110.000	48.609	110.000
A	Total Federal Transfers (a+e+f)	336,770.367	336,829.937	444,607.238
B	Total Provincial Own Revenue (b+c+d)	86,740.927	86,620.338	113,774.463
C	Total Provincial Non-Tax Revenue (c+e+f)	39,182.047	54,240.716	30,895.924
	Total General Revenue Receipts (A+B)	423,511.294	423,450.275	558,381.701

¹ While estimating revenue for 2010-11 the revenue generation model developed by DFID TAMA was also considered

Figure 2.1 below shows the comparison of Budget Estimates 2009-10 & Budget Estimates 2010-11 of different components of General Revenue Receipts. It clearly shows that substantial growth is expected in Federal Divisible Pool Taxes and Provincial Tax Revenue. The reason for increase in Federal Divisible Pool share has been indicated above. The provincial taxes are expected to grow mainly due to acceptance of the right of provinces by the Federal Government to levy tax on services.

Figure 2.1
General Revenue Receipts BE 2010-11 Vs. 2009-10

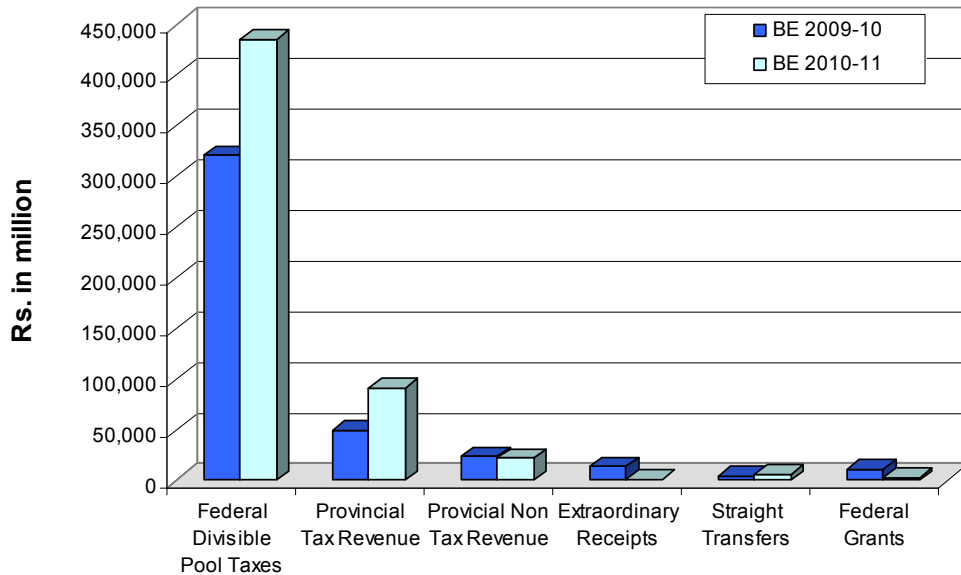
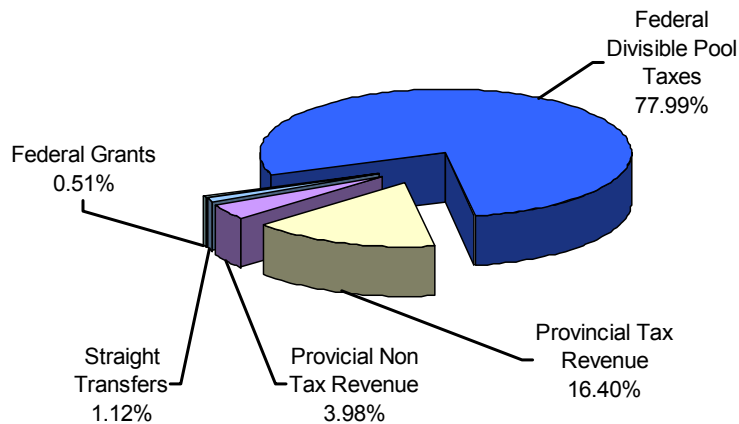


Figure 2.2 shows the share of different components of General Revenue Receipts projected for FY 2010-11.

Figure 2.2
General Revenue Receipts BE 2010-11



A detailed analysis of the major components of the General Revenue Receipts is presented below:

2.1.1 FEDERAL TRANSFERS

a) Federal Divisible Pool Taxes

The biggest source of revenue for the Provincial Government is its share from the Federal Divisible Pool of Taxes. Under the 7th National Finance Commission Award the percentage share of the provinces in the Divisible Pool increased from 48.75% (including subventions) during FY 2009-10 to 56% in the first year of NFC i.e. 2010-11. This share would increase to 57.5% in the remaining period of award. In addition, the NFC also decided to reduce collection charges from 5% of gross collection to 1%. These two factors along with normal growth in Federal Divisible Pool (due to inflation and growth in Gross Domestic Product) are mainly responsible for increase in the size of Federal Divisible Pool share to Punjab during FY 2010-11 by almost Rs.114,481.585 million compared with FY 2009-10. Accordingly, the BE 2010-11 of Federal Divisible Pool share has been estimated at Rs. 435,503.995 million

The Divisible Pool now comprises of taxes on income, wealth tax, capital value tax, taxes on sales and purchases, export duty on cotton, customs duties, GST (CE Mode) and federal excise duties excluding the excise duty on gas charged at well-head, and any other tax which may be levied by the Federal Government. With the exception of federal excise duty on gas, the taxes listed above are distributed between the provinces and the Federal Government in the ratios given below:

Table 2.2
Vertical Distribution of Resources

Financial year	Provincial share	Federal share
2010-11	56.00%	44.00%
2011-12 and onward	57.50%	42.50%

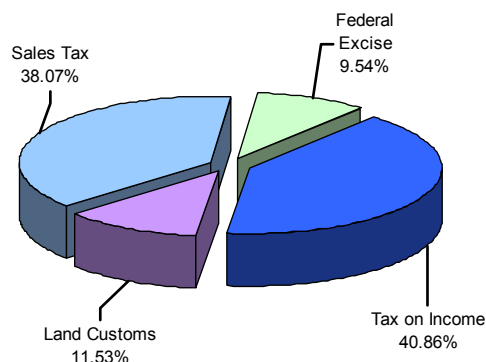
The provincial share is divided amongst the provinces in the ratio given below. This share was decided on the basis of multiple criteria including population, inverse population density, revenue and poverty. Further details regarding NFC have been provided separately in Chapter 8 of the White Paper.

Table 2.2.1
Horizontal Distribution of Resources

Punjab	Sindh	Khyber Pakhtunkhwa	Balochistan
51.74%	24.55%	14.62%	9.09%

The major increase in the Divisible Pool Taxes has come from the Income Tax and Sales Tax. These two taxes collectively contribute 79% of Punjab's share from the Federal Divisible Pool. The balance 21% is contributed by Land Customs, GST (CE in Sales Tax mode) and the Capital Value Tax. The share of the Divisible Pool Taxes for FY 2010-11 is based on the Federal Board of Revenue's target of Rs.1,667,000 million. The distribution of taxes in the Federal Divisible Pool share of Punjab is depicted in the figure 2.3 below:-

Figure 2.3
Composition of Divisible Pool Taxes BE 2010-11



b) Straight Transfers

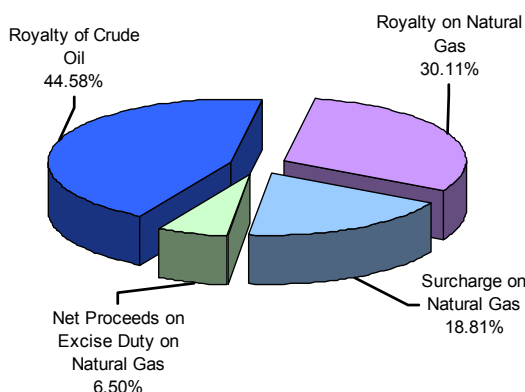
Under Article 161 of the Constitution and the NFC Award, Straight Transfers to the provinces include:

- i) The net proceeds of the Federal excise duty on natural gas
- ii) Net proceeds of royalty on crude oil and natural gas assigned to the provinces under the Constitution.

The budget estimates 2010-11 of Straight Transfers has been pitched at Rs. 6,263.243 million compared to budget estimate 2009-10 of Rs. 4,625.074 million. Straight Transfers comprise a smaller portion of the financing package to Punjab in comparison with other provinces such as Sindh & Balochistan. Therefore, Punjab puts greater premium on federal revenue collection and its own provincial revenue collection to finance provincial expenditures. It may also be mentioned that the size of Straight Transfers expected during financial year 2010-11 is higher than last year mainly due to increase in Royalty on Gas and Crude Oil.

Previously hydro-electric profits were also a part of the Straight Transfers but under the New Accounting Model (NAM), they are included in provincial non-tax revenues under the category of Income from Property and Enterprises. Similarly, Straight Transfers also have been reflected under provincial Non-Tax Revenue in the Annual Budget Statement but have been identified separately in the White Paper for the purpose of clarification. The composition of Straight Transfers is given in Figure 2.4.

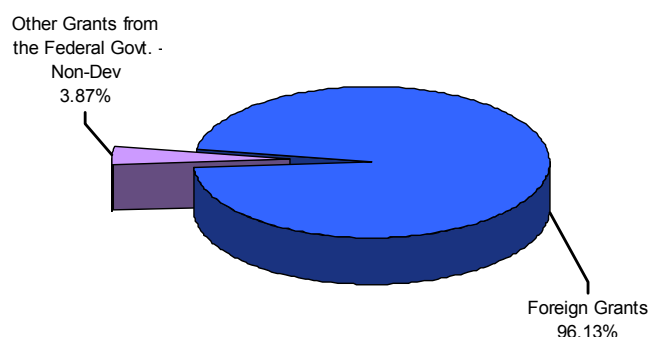
Figure 2.4
Composition of Straight Transfers BE 2010-11



c) Federal Grants

Federal Grants can be divided into development and non-development grants. The main Non-Development Grant, which is also called Subvention, will only be provided to Sindh Province under 7th NFC Award. In other words, Punjab would not receive any Subventions during FY2010-11. As a result, Non-Development Grants constitute only 3.87% of the Federal Grants as shown in Figure 2.5 below. It may also be mentioned that although the White Paper has separately discussed Federal Grants for ease of understanding, the Annual Budget Statement 2009-10 includes federal grants in provincial non-tax receipts. The Budget Estimate 2010-11 of Federal Grants is Rs. 2,840.000 million against Budget Estimate 2009-10 of Rs. 11,122.883 million. In this way the Budget Estimates for Federal Grants for financial year 2010-11 has decreased by almost 74.5% compared to Budget Estimates 2009-10 because no Subventions will be provided by the Federal Government and “Other Development Grants from Federal Government”, which are essentially financing Federal PSDP Expenditures, have been excluded from the Budget Estimates 2010-11.

Figure 2.5
Composition of Federal Grants BE 2010-11



2.1.2 PROVINCIAL OWN RECEIPTS

The Provincial Own Receipts consist of:

- a) Tax Receipts
 - I. Receipts from Direct Taxes (Agricultural Income Tax, Property Tax, Land Revenue, Professional Tax, Capital Value Tax etc.)
 - II. Receipts from Indirect Taxes (Sales Tax on Services (Provincial), Provincial Excise, Stamp Duties, Motor Vehicle Taxes, Electricity Duty etc.)
- b) Non-Tax Receipts
 - I. Income from property and enterprises
 - II. Receipts from civil administration and other functions
 - III. Miscellaneous Receipts (other receipts excluding Federal Grants and Development Surcharges and Royalties)
 - IV. Extraordinary Receipts

The estimates of Provincial Own Receipts are provided in Table 2.3 below. The table shows that during FY2009-10, the actual tax collection was 26% lower than the original budget estimates. This shortfall may be attributed in the first instance to relatively higher budget estimates in FY 2009-10. Secondly, the prevailing economic downturn in the country has also adversely affected the revenue realisation under this classification. In reality, the collection during FY2009-10 was 43% higher in comparison to the previous financial year. Both major revenue collecting departments i.e. Board of Revenue and Excise and Taxation have achieved a 20% growth in the actual collection over the last financial year. The other major reason for increase in actual collection during FY2009-10 is that Government expects to receive the proceeds of Electricity Duty from PEPCO authorities. These proceeds were adjusted during the last FY against outstanding dues of Government Department, autonomous bodies and Local Government. Unlike tax collection, the Non-Tax Receipts show 73% increase over BE2009-10, mainly due to receipt of Rs.13,000 million as arrears of Net Hydel Profit for the period 1997-98 to 2004-05 compared to the budget estimate of Rs.3,795 million.

Table 2.3
Provincial Own Receipts

<i>(Rs. in Million)</i>			
RECEIPTS	BE 2009-10	RE 2009-10	BE 2010-11
a) Tax Receipts	49,647.187	36,841.217	91,578.582
i. Direct Taxes	17,090.000	14,070.288	17,784.347
ii. Indirect Taxes	28,850.557	18,837.226	69,073.792
iii. Indirect Taxes Others	3,706.630	3,933.703	4,720.443
b) Non-Tax Receipts	23,434.090	40,467.922	21,792.681
i. Income from Property and Enterprises	6,295.000	15,526.133	7,267.918
ii. Receipts from Civil Administration and other Functions	7,554.008	5,115.424	6,167.996
iii. Miscellaneous Receipts	9,585.082	19,826.365	8,356.767
c) Extraordinary Receipts	13,659.650	9,311.199	403.200
Total Provincial Own Receipts	86,740.927	86,620.338	113,774.463

a) Tax Receipts

The estimates of provincial tax receipts are shown in Table 2.4. Some of the major reasons for the shortfall in Revised Estimates 2009-10 are as under:

- The Budget Estimate for FY 2009-10 were on the higher side;
- The tax structure is based on specific rates. There has been no increase in either the tax rate or the tax-base for the past many years. The tax-base is eroded by exemptions and preferential treatments;
- The reform of major taxes could not be implemented due to present economic conditions and rising inflation;
- The Federal Government encroached upon the provincial tax-base in the case of Capital Value Tax on immovable property as well as withholding tax on registration of motor vehicles;
- The tax administration machinery requires major overhauling and revamping;

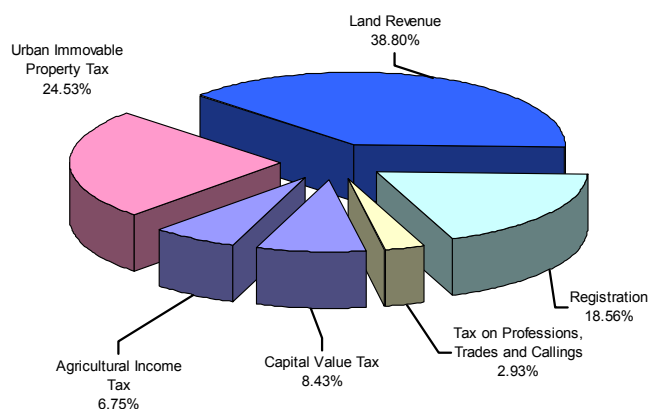
- Economic slowdown significantly affected the revenue collections under major taxes such as Receipts under Stamp Duty, Registration, Provincial Excise etc.

The Budget Estimate 2010-11 of provincial tax receipts has been pitched at Rs.91,578.582 million against the Revised Estimate 2009-10 of Rs.36,841.226 million. The phenomenal increase over the last financial year is expected due to increase in the scope of GST on Services.

Table 2.4
Provincial Tax Receipts

		<i>(Rs. in Million)</i>	
TAX RECEIPTS	BE 2009-10	RE 2009-10	BE 2010-11
Direct Taxes	17,090.000	14,070.288	17,784.347
Agricultural Income Tax	1,100.000	1,000.000	1,200.000
Urban Immovable Property Tax	6,600.000	4,135.100	4,362.120
Land Revenue	5,060.000	5,750.804	6,900.965
Registration	3,850.000	2,750.000	3,300.002
Tax on Professions, Trades and Callings	480.000	434.384	521.260
Capital Value Tax	--	--	1,500.000
Indirect Taxes	28,850.557	18,837.226	69,073.792
General Sales Tax (Provincial) (Federally Collected)	8,759.079	3,388.508	51,155.334
Opium	16.995	15.866	19.039
Receipts under Motor Vehicle Acts	7,624.133	5,906.967	6,468.359
Provincial Excise	1,450.350	1,025.239	1,230.284
Stamps	11,000.000	8,500.646	10,200.776
Other Indirect Taxes	3,706.630	3,933.703	4,720.443
Entertainment Tax	77.000	40.732	48.878
Development Cess on Hotels	356.880	231.496	277.795
Electricity Duty	2,524.750	3,300.477	3,960.572
Cotton Fee	748.000	360.998	433.198
Total Provincial Tax Revenue	49,647.187	36,841.217	91,578.582

Figure 2.6
Direct Taxes BE 2010-11



Direct Tax – Property Tax

Direct taxes are defined as taxes which target the income of a person. The common examples of direct taxes are income tax, wealth tax and agriculture income tax.

Property Tax mainly comprises Urban Immovable Property Tax (UIPT) on property units and Registration Fee collected at the time of registration of a sale deed. The UIPT is essentially a devolved tax but for administrative convenience it is being collected by the Provincial Government and passed on to the TMAs. The Provincial Government intended to implement a number of reform measures to enhance the revenue potential of the UIPT during FY 2009-10. These measures included updation of valuation tables, reduction in differential between owner occupied and rented properties, notification of new rating areas and facilitation of customers. During the financial year survey of properties had been completed and accordingly new valuation tables had been developed, reflecting market value of the properties. Similarly, it had been decided to reduce the differential between owner occupied and rented properties to reduce the incentive to misclassify properties for the sake of gratification. However, after due deliberation and keeping in view the tough economic conditions for public, the implementation of new valuation tables has been put off for the time being.

The collection of UIP Tax during FY 2009-10 has remained better in comparison to the previous financial year. During the FY 2008-09, an amount of Rs.2,704.580 million was collected whereas during FY 2009-10, Revised Estimates has been fixed to the tune of Rs.4,135.100 million which is approximately 52% higher in comparison with last financial year. This performance was achieved through recovery of arrears and improved administrative efficiency of collection.

Direct Tax – Land Revenue

Land Revenue is a broad category which includes a number of receipts related to Land Revenue functions. Mutation Fee is the major component of the Land Revenue receipts. Land Revenue is expected to contribute Rs.6,900.965 million to the provincial exchequer during FY 2010-11. The collection from Land Revenue during financial year 2009-10 has shown considerable improvement over the previous financial year and it is expected that the target for collection during financial year 2010-11 will be achieved. Computerization of land record is being carried out under the Punjab Land Record Management Information System. The Government is also considering imposition of valuation tables in rural areas. This will help control avoidance of taxation in the rural areas of province. Due to these measures the receipts in this head is expected to grow significantly.

Direct Tax – Agricultural Income Tax

Agricultural Income Tax (AIT) was originally envisaged as a tax on income from agricultural activities, but for the sake of convenience it is also being collected in the form of a land tax with a fixed levy per acre. In its present form, AIT is being levied in two modes; one is the Land Tax levied on land holdings at fixed rates per acre (separately for irrigated and non-irrigated cultivated lands); and the other, introduced in the year 2000, is on agricultural income. All income

from agriculture above Rs.80,000 per year is subject to tax. AIT is levied on land holdings of above 12½ or 25 acres, respectively for irrigated and non-irrigated cultivated land.

The target for the next financial year 2010-11 for AIT has been set at Rs.1,200.000 million. The real value of collection from Agriculture Income Tax has been declining during the last few years on account of the following factors:

- The rates of AIT have remained unchanged since 2002-2003.
- The base has remained static. In fact there has been a decline in the cultivated area liable to agriculture income tax. This has been caused due to division and sub-division of land on account of inheritance/partition of land and urbanization.

It is expected that tax revenue collections will increase in the next year due to greater involvement of district governments under the supervision of Divisional Commissioners. District-wise targets of AIT will be fixed by the Board of Revenue enabling closer monitoring of receipts by the provincial government.

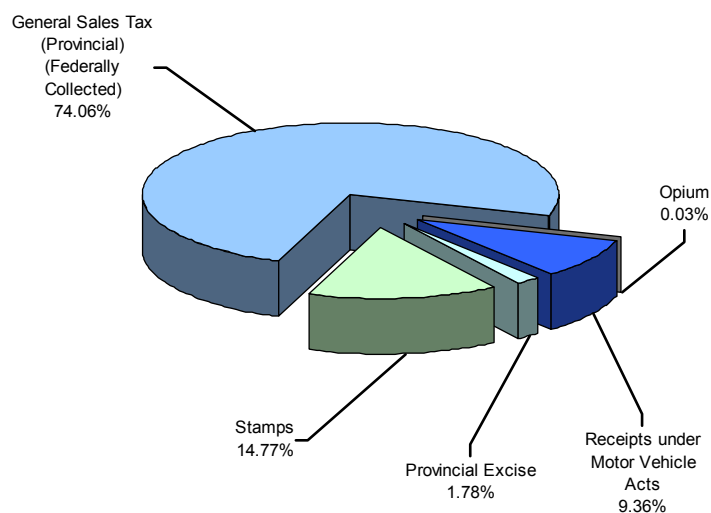
Direct Tax – Professional Tax

The B.E. 2010-11 of Professional Tax is Rs.521.260 million. Although contribution of professional tax is not huge but it is an important tax due to being a direct tax with some buoyancy. During the FY 2009-10 the collection from Professional Tax was pretty close to the Budget Estimate.

Indirect Taxes – Motor Vehicle, Stamp Duty and Provincial GST

The composition of the some of the major indirect taxes for Budget Estimates 2010-11 is given in the Figure 2.7 below:

Figure 2.7
Indirect Taxes BE 2010-11



GST on Services (Provincial), Stamp Duty, Motor Vehicle Taxes, and Electricity Duty (payable to the Provincial Government by PEPCO and other electricity suppliers in the province) are classified as Provincial Indirect Taxes. Receipts from these taxes constitute a larger proportion of total provincial tax receipts (75%). The revenue from indirect taxes is expected to increase during FY 2010-11 largely due to increased scope of GST on Services consequent to decision of the 7th NFC. Similarly, introduction of valuation tables in the rural areas is also likely to help raise government revenues.

Indirect Tax – Stamp Duty

Stamp Duty is being levied @ 2% of the value in case of transfer of immovable property. The rates of Stamp Duty were revised downwards from 4% to 2% in the year 2004-05 in a move towards encouraging greater documentation of the economy. The stamp duty base was, however, eroded by levy of Capital Value Tax by the Federal Government @ 4%. The passing of 18th Amendment to Constitution of Pakistan has specifically given the authority to provincial governments to levy Capital Value Tax in their respective jurisdiction. Therefore, during the FY 2010-11, the Government intends to levy Capital Value Tax @ 2%. It is, therefore, expected that due to reduction in the cost of transactions, the B.E 2010-11 for the Stamp Duty, which has been set at Rs.10,200.776 million, would also be achievable.

During the FY 2009-10 the collection was lower than the Budget Estimate due to a slow down in economy especially the estate sector, which has caused reduction in the number of property transactions compared to last financial year. The tendency to evade this tax due to a high cost of transaction, mainly due to levy of Capital Value Tax by the Federal Government at a rate of 4% on top of Stamp Duty and other taxes is another reason for a below par collection from Stamp Duty.

The Government is now revising valuation tables/DC tables every year to reduce the gap between the value of property assessed by the DC tables and the market value of properties. Government is also considering the introduction of valuation tables in rural areas as measures to reduce tax avoidance and evasion. Introduction of valuation tables in rural areas coupled with reduction in Capital Value Tax is expected to reduce tax evasion and avoidance and bring more revenue to the Government during FY 2010-11.

Stamp Duty on financial instruments like Debentures, TFCs, and Commercial Paper has already been reduced and the following policy actions are under active consideration:

- The categories of fixed / ad-valorem rates on various instruments to be reduced to create uniformity and simplicity in the structure of the duty;
- Fixed as well as ad-valorem rates to be reduced wherever it is likely to boost economic activity, encourage compliance (or reduce evasion) and thereby increase revenue collection;
- Subclasses of instruments to be eliminated wherever possible;

- Duty on similar instruments to be levied at the same rates;
- In case of instruments which can be executed in any province, stamp rates not to be set above rates prevalent in other provinces to avoid loss in revenue;

Indirect Tax – GST on Services

B.E. 2010-11 of GST on Services is Rs.51,155.344 million. The phenomenal increase in this tax is a result of wider scope of GST on Services as a result of recognition by the 7th NFC that tax on services is a constitutional right of the provinces. It was therefore, decided that tax on services such as Telecommunication, Banking, Insurance, Shipping Agents, Stock Brokers etc., earlier levied by Federal Government in the form of GST (CE Mode), shall be within the provincial domain. Accordingly, Federal Government will exclude these items from Table 2 of first schedule of Federal Excise Act, 2005 to allow provincial governments to levy GST on services on these items. This will result in a huge increase in proceeds of GST on services to the province as the revenue accruing from these services would be transferred directly to the Provincial Government. This decision of the NFC will result in a major transfer of revenue from Federal Government to Provincial Governments.

GST on Services was levied in the year 2000 and following services were brought in the tax network

- Advertisement on TV and Radio
- Courier services
- Custom agents
- Stevedores
- Marriage halls and lawns
- Beauty parlours, beauty clinics and slimming centres
- Laundries and dry cleaners

However, the tax on Marriage halls and lawns, beauty parlours and laundries / dry cleaners was withdrawn w.e.f. 01.07.2005. As noted above, the Government is now considering levy of GST on services on following services:-

- Telecommunication
- Banking
- Insurance
- Shipping Agents
- Stock Brokers
- Advertisements on Cable TV

Another important decision regarding taxation of services is the levy of Value Added Tax (VAT). The Federal Government is committed with the International Monetary Fund (IMF) to introduce VAT in Pakistan. The experts envision a 3% increase in tax to GDP ratio of country in a period of 5 years due to levy of VAT. The tax is also believed to be relatively efficient as it avoids cascading attributable to other forms of taxation as the VAT is levied only at different stages of production chain. The consensus on the levy of VAT is yet to be evolved as the issue was discussed at a very late stage with provincial governments and other important stakeholders. Keeping in view the pre-requisites of VAT and need to develop consensus among all stakeholders, the decision to levy VAT was deferred for a period of three months. It is, however, important to point out that the budget estimate 2010-11 of GST on Services, which has been communicated by the Federal Government, is contingent upon levy of VAT. Therefore, provincial government will be required to make necessary adjustments if VAT is not levied w.e.f. 01.10.2010.

b) Non-Tax Revenue

A significant portion of Non-tax receipts do not follow any trend and comprise various miscellaneous receipt items. Non-Tax Receipts accrue mainly on account of regulatory functions performed by the Provincial Government and rates and fees charged for the provision of certain social and economic services but as earlier explained it includes other items like Federal Grants etc. Table 2.5 summarises the Revised Estimates for FY 2009-10 and Budget Estimates for FY 2010-11. The table shows a large number of non-tax receipt items in the provincial budget but only a few are significant contributors to the total receipts. A large component of non-tax receipt collection has been classified as 'Miscellaneous' receipts under the NAM. This classification also includes extraordinary receipts which are in the nature of one-time receipts accruing mostly on account of sale of Government assets (privatization) or through liquidation of Government investments and hence are not a regular source of revenue. However, for ease of understanding the proceeds of extraordinary receipts have been shown separately from Non-Tax Receipts. Miscellaneous receipts also include receipts from economic services provided by the Provincial Government, significantly the user fee (Abiana) on irrigation water.

There is also a category of "Others" which includes unclaimed deposits, sale proceeds of stores and material, rent, receipts from royalty and minerals, collection charges of Sugar Cane Development Cess, recoveries of over payment, collection of payment for services rendered, fees, fines, forfeitures, arms licence fee, and other receipts.

Grants received from the Federal Government and Development Surcharges on Gas and Royalties on Oil and Gas are taken under non tax receipt but for the purpose of Table 2.5 they are not included in the total.

Table 2.5 shows a comparison of the Provincial Non-Tax receipts between FY 2009-10 and FY 2010-11.

Table 2.5
Provincial Non Tax Revenue
(Excluding Federal Grants and Development Surcharges and Royalties)

<i>(Rs. in Million)</i>			
NON TAX REVENUE	BE 2009-10	RE 2009-10	BE 2010-11
Income from Property and Enterprises	6,295.000	15,526.133	7,267.918
State Trading Schemes-Electricity	3,795.000	13,000.000	5,150.000
Interest on Loans to District Govts. / TMAs	279.316	314.300	310.518
Interest on Loans to Non-Financial Institutions.	2,216.046	927.498	1,178.050
Interest on Loans & Advances to Govt. Servants	0.638	0.372	0.350
Interest on Loans – Others	4.000	--	4.000
Dividends	--	--	--
Others	--	1,283.963	625.000
Civil Administration and other Functions	7,554.008	5,115.424	6,167.996
Fiscal Administration	111.000	53.725	59.099
Law and Order	3,190.966	2,606.965	2,844.530
<i>Justice</i>	288.000	266.722	292.129
<i>Police Department</i>	2,812.000	2,282.198	2,490.782
<i>Jails</i>	90.000	56.428	60.619
<i>Civil Defence</i>	0.966	1.617	1.000
Community Services	2,102.042	900.060	1,433.159
<i>Communications & Works</i>	2,018.000	832.440	1,365.684
<i>Public Health</i>	84.042	67.620	67.475
Social Services	1,800.000	1,181.227	1,481.208
<i>Education</i>	1,200.000	750.779	819.598
<i>Health</i>	600.000	430.448	661.610
Housing and Physical Planning	350.000	373.447	350.000
Miscellaneous Receipts	9,585.082	19,826.365	8,356.767
Agriculture	838.109	447.028	576.900
Fisheries	180.000	137.801	150.000
Forest & Wildlife	1,186.000	1,166.641	1,186.000
L&DD	570.000	514.551	561.490
Cooperation	8.118	6.869	6.146
Irrigation	3,200.000	2,695.902	2,965.491
Printing & Stationery	131.025	77.184	83.323
Industries	50.800	27.157	28.816
TEVTA	159.000	84.196	101.035
Mines & Minerals	1,482.100	1,394.265	1,500.000
Home	800.000	400.000	440.000
Others- Misc.	979.930	12,874.771	757.566
TOTAL NON-TAX RECEIPTS	23,434.090	40,467.922	21,792.681

Figure 2.8
Provincial Non-Tax Receipt BE 2009-10 vs. BE 2010-11

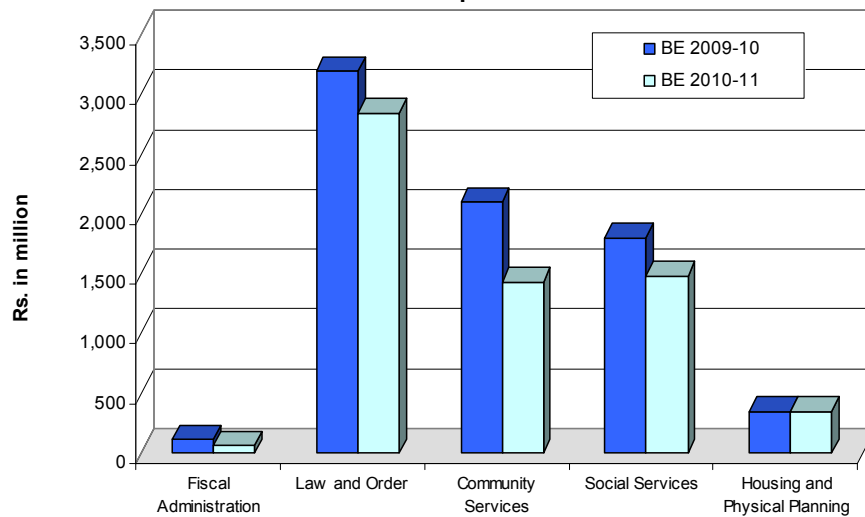
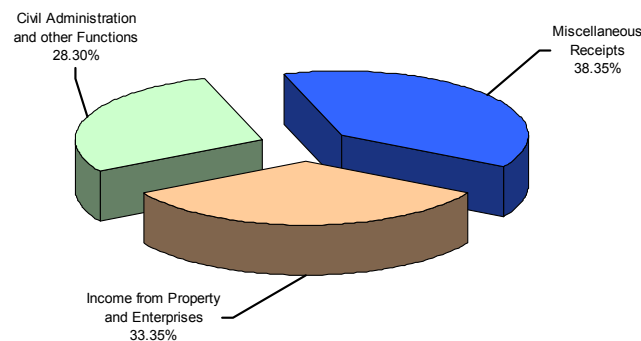


Figure 2.9
Provincial Non-Tax Receipt BE 2010-11



Non Tax Revenue – Income from Property and Enterprises

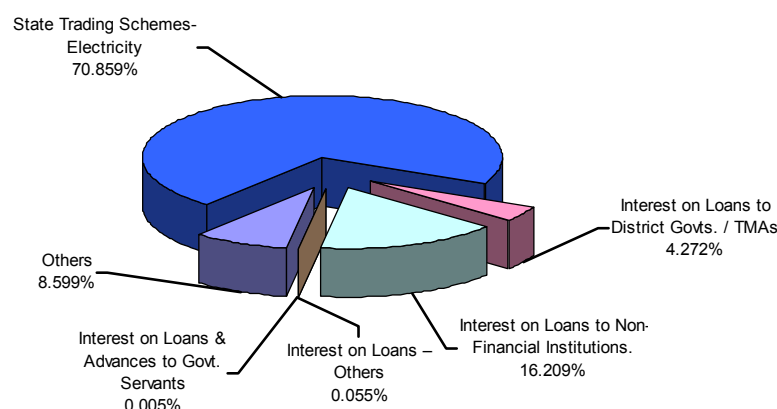
Income from property and enterprises comprises of two components. The first is income from net hydel profit whereas the other is income from interest on loans advanced to financial institutions, local governments, autonomous bodies and government servants etc.

Government was not receiving net hydel profit from the Federal Government since 1996-97 as a result of incorrect recording of minutes of a meeting of ECC. In that meeting a conditional offer made by the Chief Executive of Punjab was taken as an unconditional withdrawal of Punjab Province from net hydel profit. The conditional offer was made with a noble intent to reduce the price of electricity in the country by forgoing net hydel profit, provided other provinces followed suit. Previous governments tried to get the restoration of this right of the people of Punjab but no avail. The present government, realizing the importance of this source of revenue, took up the case with the Federal Government on the grounds that net hydel profit is a constitutional right of the province

and can not be given up by the Executive of the province. The Federal Cabinet agreed with the above mentioned view point of Punjab Government and restored the right of Punjab province to receive net hydel profit. Following this decision a committee was formulated which worked out that arrear amounting to Rs.28,501.000 million were payable to the Punjab Government. Federal Government paid an amount of Rs.13,000.000 million out of these arrears during financial year 2009-10. It was also agreed that the remaining amount would be paid in next three years @ Rs.5150.000 million per year.

Provincial Government extends loans to local governments, financial institutions and autonomous bodies under its purview for meeting their current and development expenditures. The interest from these loans is the other important part of receipts from "Income from Property and Enterprises". Interest amounting to Rs.2526.133 million was received during FY 2009-10. The estimate of receipts from interest income during FY 2010-11 is Rs.2,117.918 million.

Figure 2.10
Income from Property and Enterprises BE 2010-11



Non Tax Revenue – Civil Administration & Other Functions

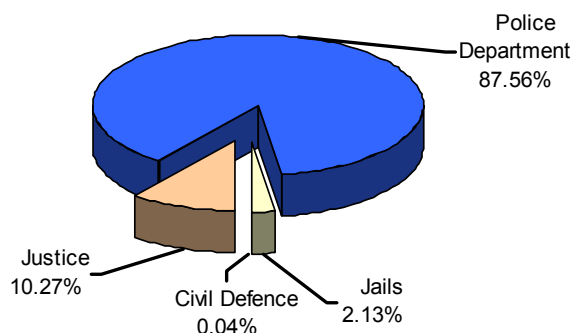
These receipts generally accrue from the regulatory and administrative functions of the Government and pension contribution on behalf of provincial civil servants working in autonomous bodies etc. Government is expected to collect Rs.6,167.996 million during FY 2010-11 from these sources of revenue. A break-up of these receipts is discussed below:

a) Law and Order

These are receipts accruing to the Provincial Government through judicial courts and policing functions. The biggest contribution comes from Police Department through traffic fines, the collection of which has gone down during FY 2009-10 due to decrease in the rate of traffic fines. The data provided by Police Department showed that the number of traffic challans was higher during first 8 months of FY 2009-10 compared to corresponding period of previous financial year but the revenue was lower due to lower rate of traffic fines, as noted above. The budget estimate 2009-10 of revenue accruing from Police Department has accordingly been rationalized to

Rs.2,490.782 million. The total Law & Order receipts are estimated at Rs.2,844.530 million in FY 2010-11.

Figure 2.11
Law and Order BE 2010-11

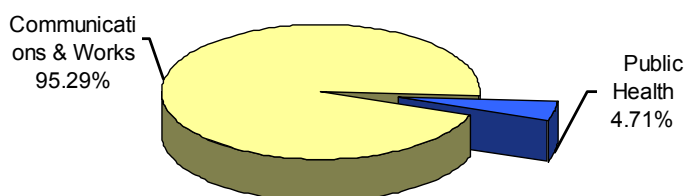


b) Community Services

The major contribution in this category comes through tolls on provincial roads and bridges and through rent of Government buildings. The revenue from Communication and Works department seems to have stagnated as there has been no increase in the toll charged on roads. Due to this revenue from tolls is losing its real value. There is a need to review the whole system to bring required increase in revenue from community services.

The receipts from community services are estimated to be Rs.1,433.159 million in FY 2010-11.

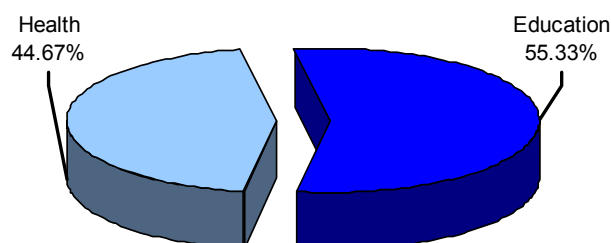
Figure 2.12
Community Services BE 2010-11



c) Social Services

These receipts consist of user fees charged on health and education services; the largest component being the education sector (55%). These receipts are largely declining as the Government is aiming to provide health and education services to the common man free of cost as in case of health or at an affordable price. Receipts under this head are estimated to be Rs.1,481.208 million.

Figure 2.13
Social Services BE 2010-11

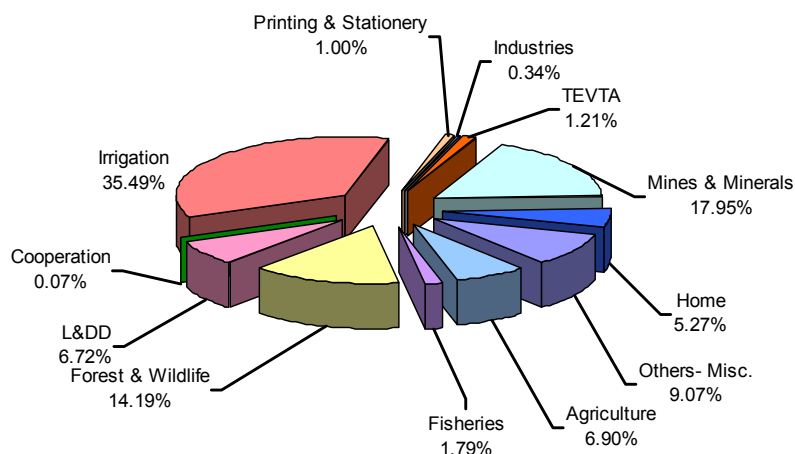


Non Tax Revenue – Miscellaneous Receipts

Miscellaneous receipts comprise 62% of the total Provincial Non-Tax Receipts. These receipts can be categorised into two sub categories: (i) Receipts accruing from Economic Functions; (ii) general category.

Under the receipts from economic functions, revenue on account of Abiana (water rate for irrigation), receipts from rental of agricultural machinery / equipment, receipts from sale of forest timber are included. In the general category, other receipts such as small fees / charges on account of regulatory functions of the Government are included. Similarly, major receipts such as those accruing from arms licence fee and royalty from mines and minerals are also included under this classification. Against the Budget Estimates 2009-10 of Rs.9,585.082 million, Revised Estimates to the tune of Rs.19,826.365 million has been fixed. Increase in Revised Estimate 2009-10 is due to inclusion of certain notional receipts such as surrenders of public account deposits from assignment accounts whereas estimate of such notional receipts are not included in the Budget Estimates 2010-11, which has been pitched at Rs. 8,356.767 million.

Figure 2.14
Miscellaneous Receipts BE 2010-11



d) Extra-Ordinary Receipts

Extraordinary receipts were previously reflected as a part of capital receipt but are now part of General Revenue Receipts. A significant portion of these receipts accrue from expected privatization / disinvestment of government owned assets, and sale of land. During the financial year

2009-10 the budgeted target of Rs.13,659.650 million whereas the Revised Estimate 2009-10 is Rs.9,311.199 million. These receipts include an amount of Rs.5,700.000 million realized from resolution of the issue of PTCL properties with the Federal Government whereas the remaining amount will be realized from the sale of redundant Government assets.

The Government has decided that privatization receipts would only be utilized for development activities in the province. Therefore, the Budget Estimate 2010-11 shown in the table above does not include proceeds from privatization of assets. This receipt would separately be used as a financing item for development programme 2010-11, the estimate of which is Rs.12,000.000 million. It is expected that Government would be able to achieve this target as it has already completed the ground work to ensure that the privatization process is carried out through a fair and transparent process. This includes development of a new law on privatization, preparation of comprehensive rules and activation of the office of Punjab Privatization Board.

2.2 DEVELOPMENT REVENUE RECEIPTS

Development Revenue Receipts are primarily grants from the Federal Government and foreign multilaterals for specific development projects. It includes a part of the foreign project assistance used to finance the ADP. These receipts constitute a small fraction of the total receipts. Budget Estimates of Development Revenue Receipts for FY 2010-11 are Rs.3,407.450 million as against Rs.5,960.859 million realized during FY 2009-10. The major grants included in the Development Revenue Receipt include DFID grants for "Punjab Education Sector Development Programme" and "Punjab Economic Opportunity Program". The details of grant funded projects are given below:

Table 2.6
Development Revenue Receipt

<i>(Rs. in Million)</i>				
Sr.#	Particulars	BE 2009-10	RE 2009-10	BE 2010-11
PROJECT GRANTS				
1.	Japanese Grant	45.000	9.000	45.000
2.	PPTA for Punjab Cities Improvement Investment Program	--	116.200	--
3.	10459-Replace of Bulk head Gates TB	--	1,945.060	--
4.	Improvement of Water Supply in Faisalabad (JICA Assisted)	1,000.000	50.000	600.000
5.	Australia-Optimizing Canal and groundwater Management to assist Water User Association in Maximizing Crop Production and Management Salinisation with Australia Assistance.	13.000	10.000	15.000
6.	DFID-National MNCH Program Punjab	1,500.000	-	--
7.	Punjab Municipal Improvement	--	28.260	17.450
TOTAL PROJECT GRANTS		2,558.000	2,158.520	677.450
PROGRAM GRANTS				
8.	DFID Grant-Punjab Education Sector Project	1,920.000	2,570.339	1,730.000
9.	Punjab Economic Opportunity Program	1,200.000	-	1,000.000
10.	USAID	-	1,232.000	-
TOTAL PROGRAM GRANTS		3,120.000	3,802.339	2,730.000
GRAND TOTAL		5,678.000	5,960.859	3,407.450

2.3 CURRENT CAPITAL RECEIPTS

Current Capital Receipts mainly accrue from new loans borrowed or raised by the Provincial Government and recoveries of loans granted to provincial establishments or their employees.

Current Capital Receipts may be credited either to the Provincial Government's Account No. I (Non Food Account) or Account No. II (Food Account), depending on the nature of the receipt. Moneys raised through loans, budgetary support programme of multilaterals, recoveries of principal amount of loans advanced by the Government to its employees and autonomous bodies are credited to Current Capital Receipts. On the other hand, receipts from sale of wheat and financing for procurement of wheat accrue to Account No. II. Current Capital Receipts figures for FY 2009-10 and FY 2010-11 are presented in Table 2.7.

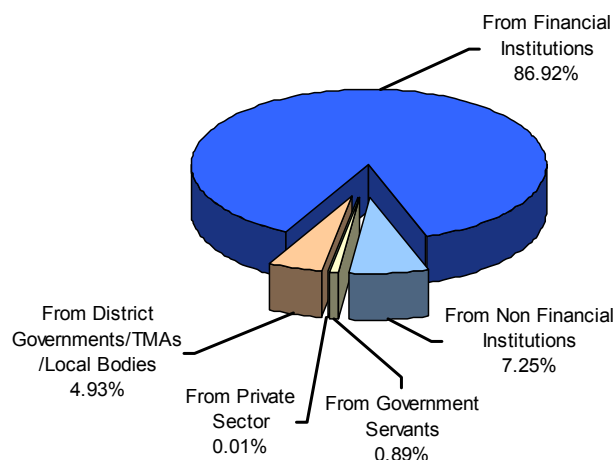
Table 2.7
Current Capital Receipts

(Rs. in Million)

RECEIPTS	BE 2009-10	RE 2009-10	BE 2010-11
a) Recoveries of Loans and Advances	5,280.865	51,645.825	5,637.251
From District Governments/TMAs/Local Bodies	73.589	217.853	278.042
From Financial Institutions	4,900.000	-	4,900.000
Loans from Financial Institutions (SBP)	-	50,900.000	-
From Non Financial Institutions	226.526	470.513	408.430
From Government Servants	80.000	56.680	50.000
From Private Sector	0.750	0.779	0.779
b) Debt	46,640.434	66,425.202	39,703.934
Permanent Debt-Domestic	0.434	0.035	0.434
From Financial Institutions	12,000.000	-	-
From PPCBL	-	2,000.000	-
Permanent Debt-Direct (Access to Justice Programme)	-	153.742	-
Floating Debt – Ways & Means Advances	-	30,000.000	-
Permanent Debt-Foreign	34,640.000	34,271.425	39,703.500
Account No. I (a) + (b)	51,921.299	118,071.027	45,341.185
Recoveries of Investment-State Trading Schemes	93,474.640	82,070.908	81,585.963
Cash Credit Accommodation	76,151.586	118,598.917	95,122.432
Account No. II	169,626.226	200,669.825	176,708.395
Total Current Capital Receipts (I & II)	221,547.525	318,740.852	222,049.580

It will be useful to provide a synopsis of the more significant items categorised under Current Capital Receipts.

Figure 2.15
Current Capital Receipts BE 2009-10



a) Recoveries of Loans and Advances

In this head Rs.5,637.251 million are estimated to be received. It includes an amount of Rs.4,900.000 million which will be recovered from Bank of the Punjab on completion of the issuance of right shares consequent to a capital injection of Rs.10,000.000 million by Government of the Punjab through a loan from State Bank of Pakistan.

b) Permanent Debt - Account No. I

Direct debt and loans borrowed from or through the Federal Government comprising domestic and foreign loans comprise the permanent debt of the provincial government. Direct debt includes market loans and loans raised by floating bonds and securities. Market loans are generally long-term loans borrowed from the general public and financial institutions. Since FY 2003-04, receipts under this category have been consistently growing due to budgetary support loans from development partners like World Bank and Asian Development Bank. B.E. 2010-11 for the permanent debt-foreign has been estimated at Rs.39,703.500 million compared to Rs.34,640.000 million for B.E. 2009-10.

c) Floating Debt – Ways and Means Advances

Due to mismatch in the receipt and expenditure of the Government the Provincial Government had to rely heavily on the Ways and Means facility provided by the State Bank of Pakistan during the FY 2009-10. An amount of Rs.30,000.000 million has been shown as the average of the ways & means advance availed during the FY 2009-10. This amount was returned as soon as the receipts to the provincial government came in during the year.

Table 2.8
Details of Current Capital Receipts (Foreign Loans)

Sr. No.	Detail of Loan	(Rs. in Million)		
		B.E. 2009-10	R.E. 2009-10	B.E. 2010-11
1	Punjab Government Efficiency Improvement Program (ADB)	11,600.000	12,571.425	12,975.000
3	Punjab Education Sector Reform Program	8,640.000	9,100.000	9,428.500
4	Punjab MDG Attainment Programme (ADB)	8,800.000	12,600.000	12,975.000
5	Development Policy Loan for Large Cities.	5,600.000	-	4,325.000
	Total	34,640.000	34,271.425	39,703.500

c) Public Debt – Account No. II (Food Account)

Account No.II, like Account No.I, is also maintained with the State Bank of Pakistan. The distinction, however, is that this account is meant exclusively for transactions relating to state trading in food commodities by the Food Department. Finances for food commodity purchases are raised through what is known as 'Cash Credit Accommodation'. This is currently being carried out through a consortium of banks organised with the assistance of the Bank of Punjab. Under this arrangement wheat grain is procured directly from farmers by the Food Department, and financed by the banking consortium. Receipts from the sale of wheat are then deposited in Account No. II, from where they are utilised to retire the consortium loan. The cash credit limit for B.E. 2010-11 is Rs.95,122.432 million compared to Rs.76,151.586 million for B.E. 2009-10.

2.4 DEVELOPMENT CAPITAL RECEIPTS

Development Capital Receipts mainly comprise loans borrowed from multilateral donor agencies through the Federal Government for specific foreign-assisted development projects. Combined with the Development Revenue Receipts and surpluses from the General Revenue Account and Capital Account, Development Capital Receipts finance the Annual Development Programme of the province. The Budget Estimates 2010-11 for Development Capital Receipts is Rs.12,597.000 million compared to Budget Estimates 2009-10 of Rs.10,471.000 million.

Table 2.9
Development Capital Receipts

DEVELOPMENT CAPITAL RECEIPTS	(Rs. in Million)		
	BE 2009-10	RE 2009-10	BE 2010-11
Domestic Debt	---	---	---
Foreign Debt	10,471.000	10,471.000	1,2597.000
Total	10,471.000	10,471.000	12,597.000

The detail of different projects and financing available of each of them may kindly be seen at Table 2.10.

Table 2.10
Detail of Foreign Debt

(Rs. in Million)

Sr. No.	Particulars	Budget Estimates 2009-10	Revised Estimates 2009-10	Budget Estimates 2010-11
1	ADB-2211-Pak Rawalpindi Environmental Improvement Project	384.000	384.000	-
2	ADB-2212-Pak Rawalpindi Environmental Improvement Project	576.000	576.000	-
3	ADB-2060-Pak Southern Punjab Basic Urban Services Project.	998.000	998.000	-
4	ADB-2061-Pak Southern Punjab Basic Urban Services Project	998.000	998.000	-
5	IDA-4258-Pak Land Records Management & Information System Project.	446.000	446.000	1,750.000
6	JBIC-PK-P53 Rehabilitating Lower Chanab Canal System (Part B)	1,783.000	1,783.000	1,150.000
7	IDA-3776-Pak Enhanced HIV/AIDS Control Programme Punjab	100.000	100.000	480.000
8	ADB-2134-Pak Sustainable Livelihoods in Barani Areas Project.	400.000	400.000	1,417.000
9	IBRD-7380-Pak Punjab Municipal Services Improvement Project (Including Sustainable Development of Walled City Lahore)	1,320.000	1,320.000	1,100.000
10	ADB-1928-Pak Punjab Road Sector Development Project.	-	-	-
11	OFID-1134-Pak Establishment of Govt. Institute of Emerging Technologies, Raiwind Road, Lahore.	23.000	23.000	90.000
12	ADB-2386-Pak T.A. for Punjab Government Efficiency Program Implementation Support Project.	200.000	200.000	200.000
13	IBRD-7277-Pak Taunsa Barrage Emergency Rehabilitation & Modernization Project	45.000	45.000	-
14	ADB-2300-Pak Punjab Irrigated Agriculture Improvement Project	250.000	250.000	100.000
15	ADB-2299-Pak (PIAIP) Lower Bari Doab Canal Improvement Project	1,080.000	1,080.000	2,000.000
16	JBIC-PK-P59 Punjab Irrigation System Improvement Project	468.000	468.000	500.000
17	JICA-Rehabilitation and Modernization of Khanki Headworks/New Khanki Barrage Construction Project	1200.000	1200.000	-
18	Rehabilitation and Modernization of Jinnah Barrage (Now Renamed as Punjab Barrages Improvement Project - II)	45.000	45.000	1,000.000
19	IBRD-Rehabilitation and Modernization of Islam Headworks	45.000	45.000	-
20	ADB-2286-Pak Renewable Energy Development Sector Investment Program	90.000	90.000	1,250.000
21	ADB-2287-Pak Renewable Energy Development Sector Investment Program	20.000	20.000	60.000
22	Punjab Cities Improvement Investment Programme	-	-	800.000
23	Construction of Mehmood Booti Waste Water Treatment Plant, Lahore.	-	-	500.000
24	Retrieval of Sewerage & Drainage for Lahore City	-	-	200.000
Total Loans		10,471.000	10,471.000	12,597.000

Chapter 3**ESTIMATES OF EXPENDITURE**

Expenditures from the Provincial Consolidated Fund are classified into the following categories:

- a) **Current Expenditure**
 - I. Current Revenue Expenditure
 - II. Current Capital Expenditure
- b) **Development Expenditure**
 - I. Revenue Expenditure
 - II. Capital Expenditure

3.1 CURRENT REVENUE EXPENDITURE

Current Expenditure includes expenditures on government's regulatory functions and provision of social and economic services. A common perception exists in the public minds that the current expenditure of the government is an unproductive expenditure. Imagine school buildings without teachers, hospitals without medicines and doctors, roads in poor and shabby condition, dilapidated canal system; the list could be unending. All these activities are financed through the current budget which is erroneously called as non development budget. In fact, the current and development expenditures are complementary.

Current Revenue Expenditure is broadly incurred on the following functions:

- General Public Service
- Public Order and Safety Affairs
- Economic Affairs
- Environment Protection
- Housing and Community Amenities
- Health
- Recreational, Culture and Religion
- Education Affairs and Services
- Social Protection

Table 3.1 summarises the Budget Estimates and Revised Estimates of Current Revenue Expenditure for FY 2009-10 along with Budget Estimates for FY 2010-11.

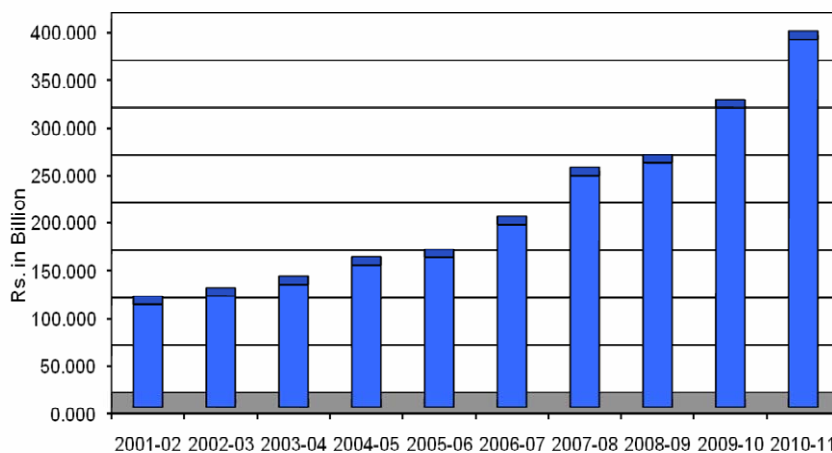
Table 3.1
Current Revenue Expenditure

CURRENT REVENUE EXPENDITURES	(Rs. in Million)		
	BE 2009-10	RE 2009-10	BE 2010-11
General Public Services (including transfers to Local Governments)	159,773.955	170,743.511	222,145.898
Public Order & Safety Affairs	54,524.169	59,515.564	63,017.082
Economic Affairs	51,909.689	39,672.688	44,888.796
Environment Protection	45.825	43.012	47.025
Housing and Community Amenities	2,271.913	1,642.212	3,501.843
Health	21,771.773	22,253.526	21,999.629
Recreational, Culture and Religion	739.947	1,072.449	880.821
Education Affairs & Services	22,384.759	21,503.341	28,885.359
Social Protection	1,451.055	1,796.644	1,420.504
Total Revenue Expenditure	314,873.085	318,242.947	386,786.957

3.1.1 Review of Trends in the Current Expenditure

Figure 3.1 depicts the growth pattern of the budgeted Current Revenue Expenditure of the Punjab Government from FY 2001-02 to FY 2010-11. The Current Revenue Expenditure for FY 2010-11 is pitched at 386,786.957 million against Rs. 314,873.085 million showing an increase of 23% over the Budget Estimates for financial year 2009-10.

Figure 3.1
Growth Trend of Current Revenue Expenditure



A substantial increase in the provisions for the current expenditure in the budget estimates for the financial year 2010-11 is primarily attributable to 50% salary increase announced in the budget for public sector employees along with increase in other emoluments. Similarly, additional allocations have also been provided to the law enforcement agencies in the wake of fragile security situation. A reasonable increase has also been adopted in the allocations of social sectors including Health and Education. Moreover, to mitigate the sufferings of the poor segments of the society, substantial allocation has also been made for pro-poor initiatives.

Due to increase announced in pension and provision of medical allowance to pensioners in the budget, expenditure on this account has registered an increase in the financial year 2010-11. To elaborate the spending on this account, details have been included in a separate chapter titled Debt and Contingent Liabilities.

In the succeeding paragraph, variance in the budgeted expenditure for financial year 2009-10 and FY 2010-11 under important sectors are explained:-

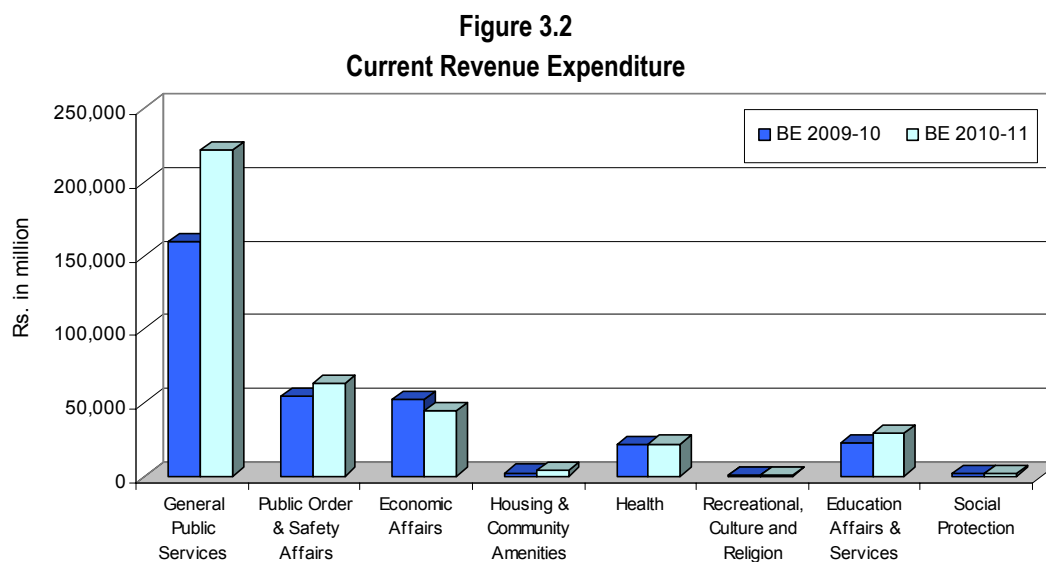
- i) An allocations of Rs. 21,000.000 million has been made for subsidies and pro-poor initiatives in financial year 2010-11 against the budget estimates of Rs. 26,700.000 million in FY 2009-10;
- ii) Transfers to Local Governments have been budgeted at Rs.151,671.730 million in FY 2010-11 against Rs.118,000.047 million in FY 2009-10. In this way, an additional sum of Rs. 33,671.683 million has been provided for Local Governments in FY 2010-11.
- iii) Allocations for the Health Sector have increased from Rs. 21,771.773 million in FY 2009-10 to Rs. 28,499.629 million in FY 2010-11 including an allocation for Rs. 6,500.000 million for Punjab Millennium Development Program which is depicted as a separate financing item in the Annual Development Program for the financial year 2010-11. As such, overall Health Sector allocations including allocations for PMDGP have been increased by 31% in comparison with allocations for FY 2009-10.
- iv) Expenditure on the Education Sector has been estimated at Rs. 28,885.359 million in FY 2010-11 against Rs. 22,384.759 million in FY 2009-10 showing an increase of Rs. 6,500.600 million which is 29% above the allocation in FY 2009-10. This allocation also includes Rs. 2,000.000 million for Punjab Education Endowment Fund.
- v) The expenditure on Pension is pitched at Rs.27,900.000 million in FY 2010-11 against a provision of Rs.19,000.000 million in FY 2009-10. This is primarily attributable to the increase announced in pension and other fringe benefits in the Federal Budget for 2009-10.
- vi) In financial year 2010-11, an allocation of Rs. 1,000.000 million has been made for Punjab Government Servant's Housing Foundation to cater for the housing needs of retiring public sector employees.

- vii) Expenditure on account of Public Order and Safety Affairs has been estimated at Rs. 63,017.082 million in FY 2010-11 against an allocation of Rs. 54,524.169 million in FY 2009-10 showing an increase of 16% in comparison with the FY 2009-10.

The poor, impoverished and marginalised segments of the society have been adversely affected by the persistent inflationary trends in the last two years. To mitigate the sufferings of the poor people of the society, adequate allocations have been made in the budget estimates for the financial year 2010-11 summarised as follows:-

- i) A provision of Rs.13,000.000 million has been made for subsidy of wheat to keep the prices of flour at an affordable rate;
- ii) Rs.7,000.000 million have been allocated for Sasti Roti Programme and essential food items in the form of Ramzan package;
- iii) An allocation of Rs.1,000.000 million has been kept for capital and operational subsidy for new buses to improve and strengthen the existing public transport system in the big cities of the province;
- iv) For better disposal of solid waste, Rs.2,000.000 million has been provided for Solid Waste Management Company.

The Figure 3.2 shows a break up of Current Revenue Expenditure budgeted for FY 2010-11:-



3.1.2 General Public Services

Expenditures on executive and legislative organs, financial and fiscal affairs are classified under this category. Further, transfers to local governments under the PFC Award, 2006, are also included in this category of expense. In the budget estimates for FY 2010-11, an allocation of Rs.152,064.988 million has been made for District Governments against an amount of Rs.119,420.388 representing an increase of 27% over the allocations in FY 2009-10.

The allocations on this account including the transfers to Local Governments are shown in Table 3.2 and 3.3 below:

Table 3.2
General Public Services

(Rs. in Million)

General Public Services	BE 2009-10	RE 2009-10	BE 2010-11
Executive & Legislative Organs, Financial & Fiscal Affairs	39,308.386	44,910.321	68,824.177
Transfers	119,420.388	124,451.480	152,064.988
General Services	1,043.338	1,379.867	1,254.880
General Public Services not elsewhere defined	1.843	1.843	1.853
Total	159,773.955	170,743.511	222,145.898

Figure 3.3
General Public Services

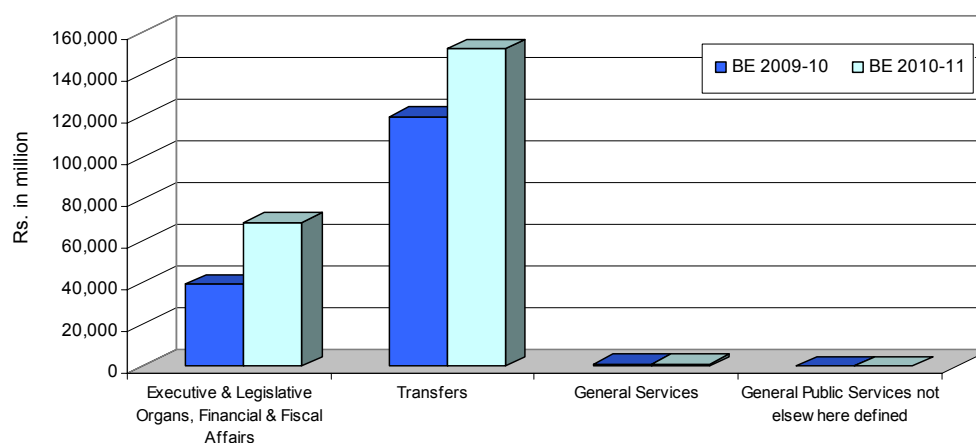


Table 3.3
Transfers to Local Governments (Current)

(Rs. in Million)

TRANSFERS (INTER-GOVERNMENTAL)	BE 2009-10	RE 2009-10	BE 2010-11
To District Government	99,431.317	104,204.933	131,653.000
To TMAs	12,600.000	11,263.580	13,800.00
To Union Administration	4,818.730	4,590.040	5,018.730
Cantonment Boards	1,150.000	1,019.295	1,200.000
Others	1,420.341	3,373.632	393.258
Total	119,420.388	124,451.480	152,064.988

3.1.3 Public Order and Safety Affairs

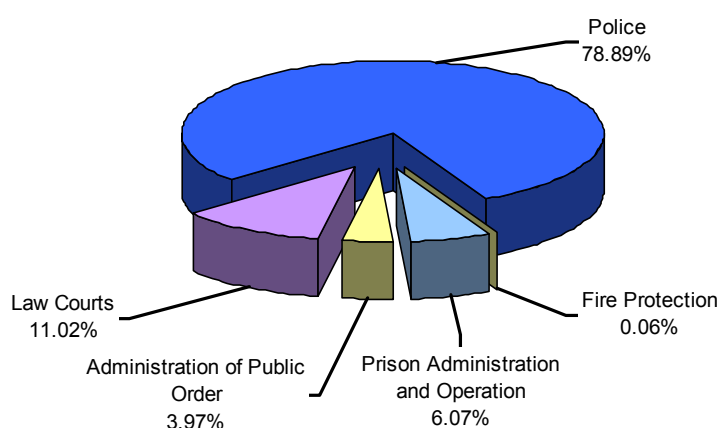
Expenditures on courts of law, police, prisons, relief and crisis management including fire protection, anticorruption establishment / economic crimes, and civil defence are included under this head. The allocation for Police has been increased from Rs. 43,600.703 million in 2009-10 to Rs. 49,714.118 million in 2010-11. In this way, an additional allocation of Rs. 6,113.415 million has been provided to Police. The allocation for Law Courts and Prisons Administration Department has also been increased by 31% and 13% respectively in comparison with the budget estimates of 2009-10. These increases depict the present government's commitment and resolve for provision of justice and better law and order situation to protect its citizens from the ongoing terrorist activities.

Table 3.4
Public Order and Safety Affairs

(Rs. in Million)

PUBLIC ORDER AND SAFETY AFFAIRS	BE 2009-10	RE 2009-10	BE 2010-11
Law Courts	5,301.970	6,159.352	6,942.245
Police	43,600.703	47,609.977	49,714.118
Fire Protection	41.558	33.117	35.458
Prison Administration and Operation	3,395.519	3,526.500	3,823.996
Administration of Public Order	2,184.419	2,186.618	2,501.265
PUBLIC ORDER AND SAFETY AFFAIRS	54,524.169	59,515.564	63,017.082

Figure 3.4
Public Order and Safety Affairs BE 2010-11



3.1.4 Economic Affairs

Expenditures on sectors / departments contributing in economic development of the province viz Agriculture, Food, Irrigation, Forestry & Fishing, Construction and Transport, Communication and Works, Mining and Manufacturing, and Industries etc. are included under this classification. Current Revenue Expenditure in these sectors also includes allocations for research, extension and field services to farmers, maintenance and repair of the irrigation network and

vocational training of the labour force. All major economic infrastructure departments and departments involved primarily in activities relating to economic affairs are included under this functional classification. Table 3.5 shows the break-up of this expenditure across major departments.

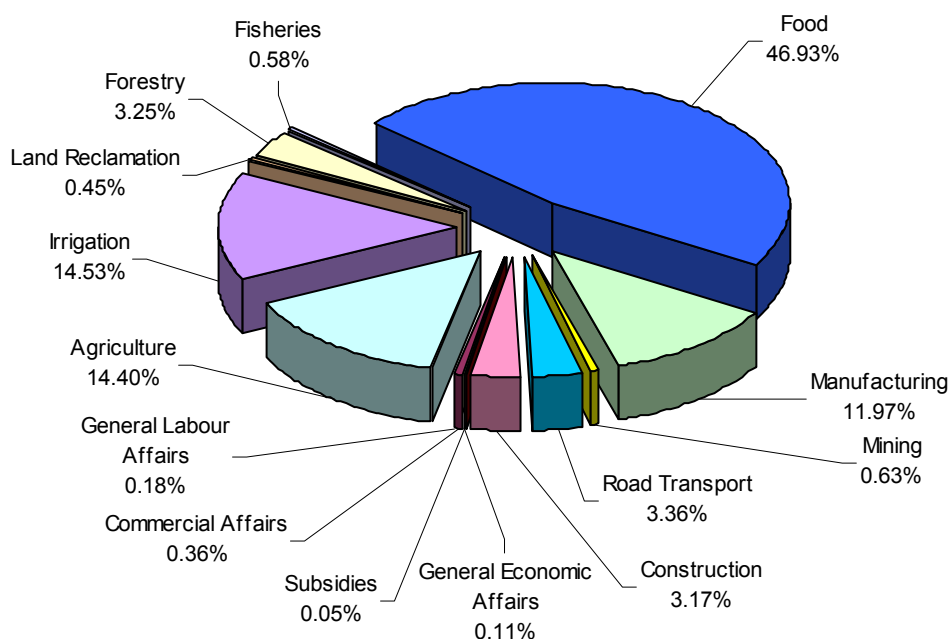
Table 3.5
Economic Affairs

(Rs. in Million)

ECONOMIC AFFAIRS	BE 2009-10	RE 2009-10	BE 2010-11
General Economic, Commercial & Labour Affairs	184.189	301.944	291.862
General Economic Affairs	47.281	48.524	49.194
Commercial Affairs	58.606	174.509	161.944
General Labour Affairs	78.302	78.911	80.724
Agriculture, Food, Irrigation, Forestry & Fishing	43,120.586	29,414.497	35,980.845
Agriculture	7,285.116	5,799.486	6,464.119
Irrigation	7,329.342	6,731.504	6,522.953
Land Reclamation	193.805	159.085	203.594
Forestry	1,313.622	1,413.286	1,460.990
Fishery	238.574	258.148	262.587
Food	26,760.127	15,052.988	21,066.602
Mining and Manufacturing	3,525.290	4,508.907	5,658.404
Manufacturing	3,270.005	4,260.618	5,374.056
Mining	255.285	248.289	284.348
Construction and Transport	5,064.105	5,432.946	2,935.074
Road Transport	2,643.606	3,071.949	1,510.397
Construction (Works)	2,420.499	2,360.997	1,424.677
Other Industries	15.519	14.394	22.611
Subsidies	15.519	14.394	22.611
Grand Total	51,909.689	39,672.688	44,888.796

The budgeted expenditure for Economic Affairs for FY 2010-11 is Rs. 44,888.796 million as against the budget estimates of Rs. 51,909.689 million for FY 2009-10. The allocations in the financial year is slightly less than financial year 2009-10 as the amount allocated for Food Support Program in FY 2009-10 was not utilized. Instead, by establishment of Sasti Roti authority and installation of mechanical Tandoors, the scope of the scheme was further extended to low income areas. In addition, deserving people were provided essential food items including sugar and Atta in the month of Ramazan under Ramazan package. In the next year, a provision of Rs. 7,000.000 million has been made for pro-poor initiatives including Sasti Roti and Ramazan package. Similarly, owing to record procurement of wheat in 2009, and to ensure the provision of flour at affordable prices, Rs. 13,000.000 million have been allocated for wheat / Atta subsidy.

Figure 3.5
Economic Affairs Expenditure, BE 2010-11



3.1.5 Housing and Community Amenities

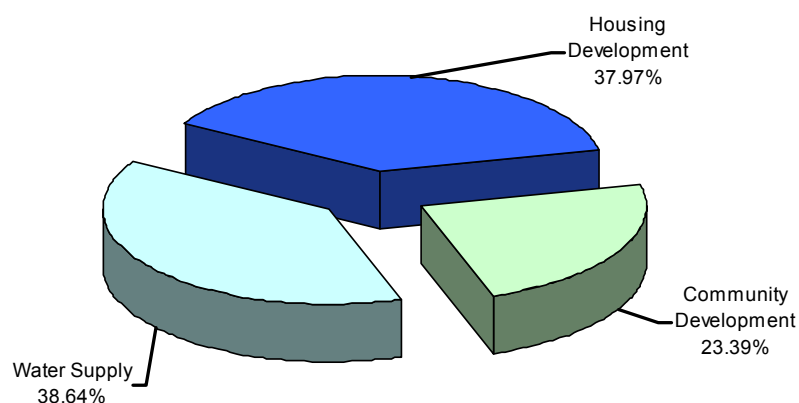
The details of expenditure on Housing and Community Amenities are provided in Table 3.6.

Table 3.6
Housing and Community Amenities

<i>(Rs. in Million)</i>			
HOUSING AND COMMUNITY AMENITIES	BE 2009-10	RE 2009-10	BE 2010-11
Housing Development	1,215.555	212.086	1,329.498
Community Development	290.158	504.991	819.100
Water Supply	766.200	925.135	1,353.245
Total	2,271.913	1,642.212	3,501.843

Housing Development, which includes low-cost housing, is the largest component of the total budgeted expenditure outlay (Figure 3.6). Allocations for Housing, Community Development and Water Supply show an increase of 54% over the budget estimates of 2009-10.

Figure 3.6
Housing and Community Amenities BE 2010-11



3.1.6 Health Services

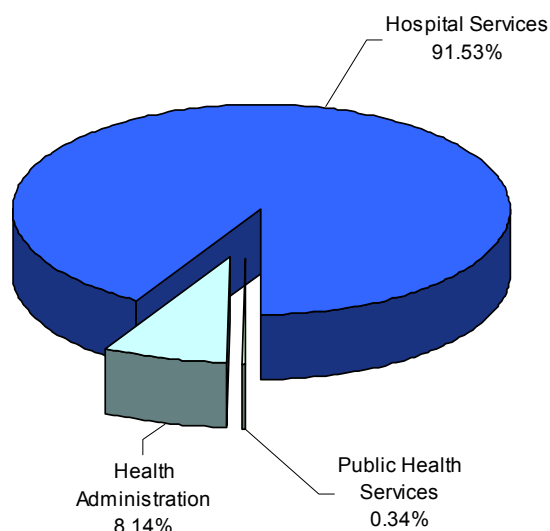
Health services include Hospital Services, Public Health Services (laboratories and health related population welfare activities), and Health Administration. The details of current expenditure on the Health sector are shown in Table 3.7. The major allocations are for Hospital Services which include current expenditures on autonomous medical institutions. The allocation for major Teaching/ Tertiary Care Hospitals has been increased to Rs. 20,135.792 million in FY 2010-11 as against Rs. 17,038.711 million in FY 2009-10. In line with the policy of the present government to provide free medicines, disposables and provision of dialysis facilities in public sector hospitals, an increase of approximately Rs. 3,000.000 million has been adopted in FY 2010-11 in comparison with budget estimates for FY 2009-10.

In addition to the allocations mentioned above, an amount of Rs. 6,500.000 million has been made available in FY 2010-11 under Punjab Millennium Development Goal Program in the development budget of financial year 2010-11 as a separate item. PMDGP is designed to address the binding constraints in the Health Sector. Government of Punjab has implemented the first phase of these reforms under sub program-I. Sub program-II will continue to support policy actions in three core policy areas namely; improving availability and quality of primary and secondary health services; better management of health service delivery and sustainable pro-poor healthcare financing.

Table 3.7
Health Services

HEALTH	(Rs. in Million)		
	BE 2009-10	RE 2009-10	BE 2010-11
Hospital Services	17,038.711	18,263.310	20,135.792
Public Health Services	70.172	71.299	74.103
Health Administration	4,662.890	3,918.917	1,789.734
Total	21,771.773	22,253.526	21,999.629

Figure 3.7
Health Services BE 2010-11



3.1.7 Recreational, Culture and Religion Services

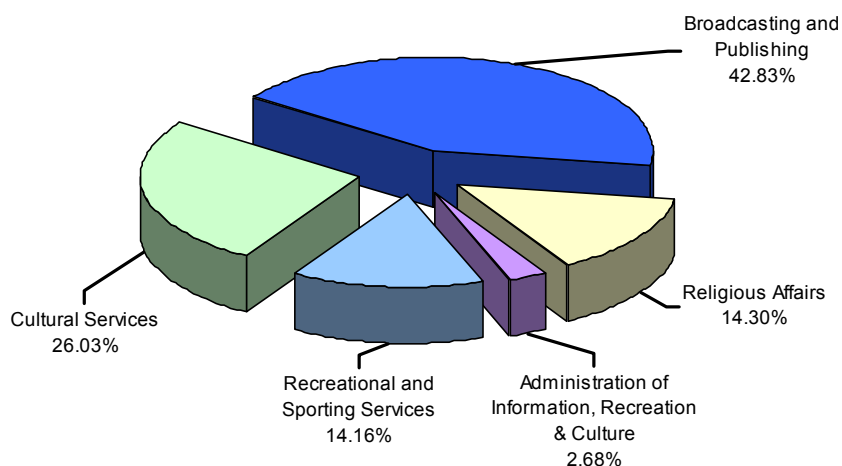
'Recreational, Culture and Religion' constitutes only 0.23% of the Current Revenue Expenditure. Table 3.8 shows the break up of different services under this functional classification and their allocations for financial year 2010-11 along with budget estimates of 2009-10 and Revised Estimates for FY 2009-10.

Table 3.8
Recreational, Culture and Religion

<i>(Rs. in Million)</i>			
RECREATIONAL, CULTURE AND RELIGION	BE 2009-10	RE 2009-10	BE 2010-11
Recreational and Sporting Services	114.723	212.584	124.724
Cultural Services	159.014	323.899	229.284
Broadcasting and Publishing	338.007	407.312	377.277
Religious Affairs	106.966	103.534	125.922
Administration of Information, Recreation & Culture	21.237	25.120	23.614
Total	739.947	1,072.449	880.821

Cultural Services, Broadcasting and publishing constitute a major expenditure under this classification. Government of Punjab being cognizant of its cultural heritage, to manage the affairs of sports and religious matters has increased the allocation of this function in comparison with budget estimates for financial year 2009-10.

Figure 3.8
Recreational, Culture and Religion BE 2010–11



3.1.8 Education Affairs and Services

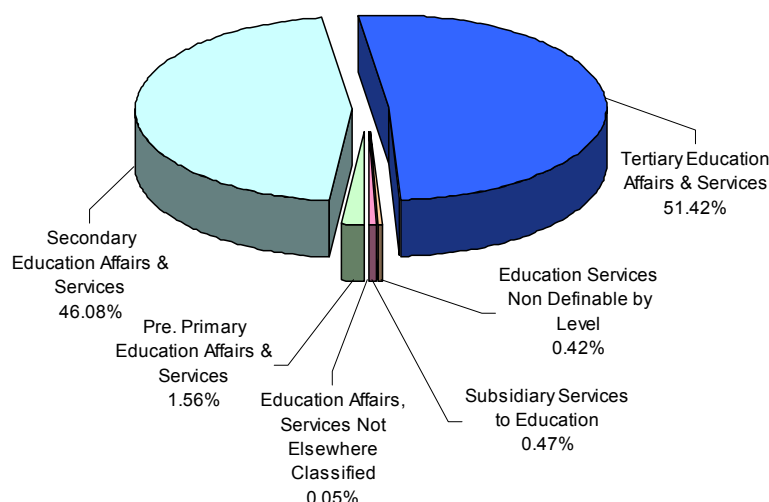
Education sector continues to be the priority sector in the overall policy framework of the government. Accordingly, against an allocation of Rs. 22,384.759 million in FY 2009-10, the estimates for FY 2010-11 are pitched at Rs. 28,885.359 million showing an increase of 29%. Initiatives in this sector inter-alia include adequate allocations for Education Endowment Fund which was created for talented deserving students and other such schemes besides investments in human resource and physical infrastructure. The allocations in the sector are tabulated below:

Table 3.9
Education Affairs and Services

(Rs. in Million)

EDUCATION AFFAIRS & SERVICES	BE 2009-10	RE 2009-10	BE 2010-11
Pre. Primary Education Affairs & Services	---	---	451.629
Secondary Education Affairs & Services	15.815	7.806	13,309.549
Tertiary Education Affairs & Services	15,332.950	14,428.622	14,853.252
Education Services Non Definable by Level	103.455	163.206	122.081
Subsidiary Services to Education	123.855	124.051	135.376
Education Affairs, Services Not Elsewhere Classified	6,808.684	6,779.656	13.472
Total	22,384.759	21,503.341	28,885.359

Figure 3.9
Education Affairs & Services BE 2010-11



3.1.9 Debt Management, Pensions, Administration of Financial and Tax Management Affairs

Budget Estimates under this functional classification for the FY 2010-11 are pitched at Rs.66,201.445 million against the provision of Rs. 36,851.906 million in FY 2009-10. In this classification, expenditures on Debt Servicing including payment of interest on Foreign and Domestic Debt, General Provident Fund and interest on blocked loan of Government of Punjab payable to State Bank of Pakistan are included. Under interest payments, an amount of Rs.21,284.980 million has been provided against the budget estimates of Rs. 13,800.000 million in FY 2009-10. Increase on this account is primarily attributable to provisioning for interest payment of blocked account referred to above. The estimates of expenditure on Pension during FY 2010-11 have been pitched at Rs.27,900.000 million compared to Rs.19,000.000 million in the last financial year, thereby, showing an increase of 47%. The higher allocation for Pension has been made on the basis of actuarial forecasts of Pension expenditures and increase in the pension and other fringe benefits including Medical Allowance announced in the Federal Budget for the year 2010-11. The itemized allocations on this account are shown in table 3.10.

Table 3.10
Debt Management, Pensions, Administration of Financial and Tax Management Affairs

(Rs. in Million)

EXPENDITURE	BE 2009-10	RE 2009-10	BE 2010-11
Debt Management (Interest Payment)	13,800.000	20,183.828	21,284.980
<i>Domestic Debt*</i>	7,640.865	15,249.185	15,736.772
<i>Domestic Debt (General Provident Fund)</i>	3,000.003	1,775.511	2,389.076
<i>Foreign Loans</i>	3,159.132	3,159.132	3,159.132
Pensions	19,000.000	21,000.000	27,900.000
Administration of Financial Affairs	2,956.009	685.142	15,765.867
Tax Management and Other Services**	1,095.897	1,103.668	1,250.598
Total	36,851.906	42,972.638	66,201.445

* includes interest on domestic loans from federal government, market loans, floating debt, and other obligations

** includes tax management, accounting services, auditing services and others.

3.2 CURRENT CAPITAL EXPENDITURE

Current Capital Expenditure like current capital receipt figures both in the Account No. I and Account No. II of the Provincial Government maintained with the State Bank of Pakistan. The expenditures under this head in Account No. I consist of the following:

- I. Principal Repayment of Domestic, Foreign and Market Debt. It also includes repayment on account of Ways and Means Advances availed by the Government of the Punjab from the State Bank of Pakistan during the financial year.
- II. Loans and advances to corporate bodies of the Government of Punjab or associated with the Government of Punjab.

Expenditures in Account No. II are 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 trading operations of Food Department.

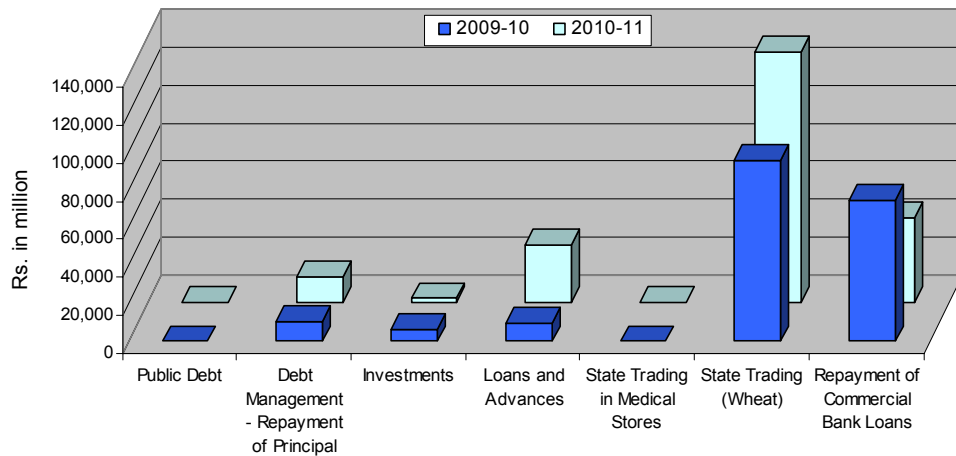
The details of the current capital expenditures are shown in Table 3.11.

Table 3.11
Current Capital Expenditure

(Rs. in Million)

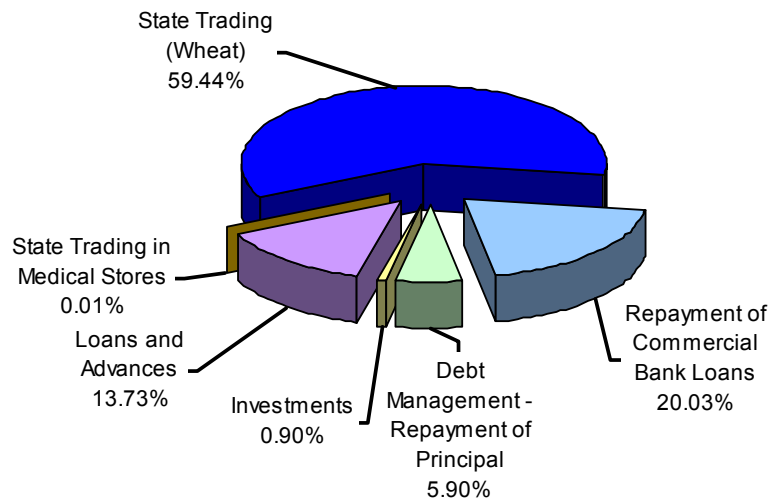
CURRENT CAPITAL EXPENDITURES	BE 2009-10	RE 2009-10	BE 2010-11
Public Debt	0.434	71,356.264	0.434
Permanent Debt (Market Loan)	0.434	0.035	0.434
Floating Debt (Ways and Means Advances)	--	30,000.000	--
Blocked Account		41,356.229	--
Debt Management - Repayment of Principal	10,301.630	11,532.609	13,118.776
Domestic Debt Federal Government (CDL)	4,493.378	4,493.378	4,506.594
Foreign Debt	5,808.252	7,039.231	8,612.182
Investments	6,000.000	6,000.000	2,000.000
Capitalization of Pension Fund	6,000.000	6,000.000	2,000.000
Loans and Advances	9,625.985	13,431.232	30,531.739
Loan to Bank of Punjab for its recapitalization	4,900.000	--	6,175.000
Transfer to Financial Institutions to retire the debt liability of PPCBL	3,000.000	2,500.000	5,000.000
Principal repayment of blocked account	--	9,543.771	12,725.000
Loans to other Non Financial Institutions	1,625.984	1,387.461	6,531.739
Government Servants	100.000	--	100.000
Loans to Cultivators	0.001	--	--
State Trading in Medical Stores	16.893	16.556	18.804
Total Account No. I	25,944.942	102,336.661	45,669.753
Public Debt Account No. II	169,626.226	200,669.825	176,708.395
State Trading (Wheat)	95,250.866	145,862.967	132,173.592
Repayment of Commercial Bank Loans	74,375.360	54,806.858	44,534.803
Total Current Capital Expenditure	195,571.168	303,006.486	222,378.148

Figure 3.10
Current Capital Expenditure FY 2010–11 vs. FY 2009–10



The Current Capital Expenditure in Account No.II increased in financial year 2009-10 on account of repayment of commercial bank loans and state trading/procurement of wheat because of higher wheat support price and greater quantity of wheat procured during the procurement season 2009-10.

Figure 3.11
Current Capital Expenditure BE 2010-11



3.2.1 Debt Stock

The total outstanding debt stock of the Punjab Government (as of July 1, 2010) would stand at Rs. 485.706 billion, which includes Rs. 94.920 billion of domestic and Rs. 390.786 billion of foreign debt. Issues related to debt liability and debt burden of the Government of Punjab are separately discussed in chapter 7 of the White Paper.

3.2.2 Loans and Advances

In the next financial year, a provision of Rs. 6,175.000 million have also been made for repayment of loan to the State Bank of Pakistan against the loan facility availed for Bank of Punjab

in financial year 2009-10. Similarly, provisioning has also been made to the tune of Rs.4,506.594 million for regular retirement of domestic debt against the budget estimates of Rs. 4,493.378 million in financial year 2009-10. Similarly, against the blocked account of Rs.41,356.229 million, an amount of Rs.9,543.771 million has been paid in financial year 2009-10. In the budget estimates of financial year 2010-11, a provision of Rs. 12,725.000 million has been made for repayment of loan against the blocked account of Government of Punjab.

In the financial year 2010-11, to discharge the pensionary liabilities of defunct Punjab Road Transport Corporation, an amount of Rs. 389.507 million would be provided. Similarly, loan facility to other non financial institutions viz FIEDMC, PAMCO, PGSHF and PPCBL, Lahore Transport Company, Solid Waste Management Company would also be extended. It is believed that through these investments in the industrial, agriculture marketing, transport, housing and solid waste management sectors, besides generation of economic and employment opportunities in these sectors, more revenues would be generated by these entities to ensure their financial viability and sustainability. Similarly, an amount of Rs. 5,000.000 million has also been kept as repayment of loan of Punjab Provincial Cooperative Bank Ltd. to State Bank of Pakistan.

3.2.9 Repayment of Loans from Commercial Banks (Account II)

Current Capital Expenditure in Account No.II comprises repayment of loan obtained from Commercial Banks (Cash Accommodation) through sale of wheat and procurement of wheat from the farmers (Straight Trading). Details have already been shown in Table 3.11.

3.3 DEVELOPMENT EXPENDITURE

As per the classification in the Annual Budget Statement, development expenditure is divided into two distinct parts:

- a) Revenue Expenditure
- b) Capital Expenditure

Development revenue expenditure is classified under grant PC22036 (036) – Development – Revenue. The expenditure under this grant pertains to most of the expenses other than the brick and mortar expense. Employees related expense, purchase of transport, machinery and equipment, operating expenses, research and development, training etc. provided under the projects during the execution of the projects are all part of the development revenue expenditures. Development capital expenditure is the capital investment under the development programs in roads, buildings, irrigation sectors etc.

In FY 2010-11, the development expenditure has been pitched at Rs. 193,500.000 million compared to Rs. 175,000.000 million in FY 2009-10, which will be financed through provincial contribution / surpluses, foreign assistance and borrowing from commercial banks. Chapter on the Annual Development Programme in the White Paper explains in a greater detail, the development priorities and various sectoral allocations under the Development Program for FY 2010-11.

Chapter 4**PUBLIC ACCOUNT TRANSACTIONS****4.1 INTRODUCTION**

Article 118 of the Constitution of the Islamic Republic of Pakistan defines Public Account as all moneys which do not form the part of the Provincial Consolidated Fund but are: (a) received by or on behalf of the Provincial Government or (b) received by or deposited with the High Court or any other Court established under the authority of the Province.

These transactions are outside the Provincial Consolidated Fund on both the receipt and expenditure side, and are categorized as:

- a) Unfunded Debt (deferred liabilities);
- b) Deposits and reserves;
- c) Remittances.

Public Account consists of those moneys for which the Provincial Government has a statutory or other such obligation to account for but these are not available for appropriation for the general operations of the Government. Public Account consists of series of accounts, each of which is separately governed under specific rules framed for the said purpose. Main elements of the Public Account in the Annual Budget Statement are summarised as follows:

- a) Assets
 - Cash and Bank Balances
 - Receivable
- b) Deposits and Reserves / Liabilities
 - Control Account
 - Trust Account-Fund
 - Trust Accounts-Others
 - Special Deposit-Investments
 - Special Deposit Fund

Table 4.1 summarises the Budget Estimates and Revised Estimates for FY 2009-10 and Budget Estimates for FY 2010-11 of the Public Account's inflows and outflows and their net effect.

Table 4.1
Public Account Transactions

(Rs. in Million)

RECEIPTS AND DISBURSEMENTS	BE 2009-10	RE 2009-10	BE 2010-11
A: RECEIPTS	251,312.965	239,383.862	257,094.980
Assets	71.354	73.429	75.958
Cash and Bank Balances	67.761	69.429	71.321
Receivable	3.593	4.000	4.637
Deposits and Reserves	251,241.611	239,310.433	257,019.022
Other Liabilities	---	4,121.000	4,239.000
Control Account	3,625.564	3,628.355	3,684.960
Trust Account Fund	12,485.407	11,998.476	13,448.595
Trust Accounts-others	152,726.213	157,128.462	159,470.069
Special Deposit - Investments	71,746.916	55,876.314	73,618.572
Special Deposit Fund	6,557.826	6,557.826	2,557.826
B: DISBURSEMENTS	250,206.531	238,220.491	260,135.599
Current Assets	85.602	85.602	85.602
Cash and Bank Balances	74.176	74.176	74.176
Receivables	11.426	11.426	11.426
Liability	250,120.929	238,134.889	260,049.997
Current / Other Liabilities *	8,309.461	3,185.624	7,622.424
Control Account	434.271	332.719	442.815
Trust Account Fund	7,930.378	6,477.682	10,550.003
Trust Account Others	159,492.101	159,843.590	157,557.204
Special Deposit - Investments	73,060.777	67,422.309	82,879.362
Special Deposit Fund	893.941	872.965	998.189
Net Public Account (A-B)	1,106.434	1,163.371	(3,040.619)

* This includes the Pension Fund liability.

4.2 RECEIPTS

4.2.1 ASSETS

Assets as Public Account receipts include cash and bank balances, investments, loans and advances, imprest monies, advances to departments and returns from investments and loans etc.

4.2.2 DEPOSITS AND RESERVES

Deposits and Reserves constitute 99.9% of receipts of the Public Account. Deposits and reserves include intergovernmental adjustments, remittances, suspense funds, special deposit fund, welfare fund, development fund, education & training fund, Income Tax deductions from salaries, Public Ledger Accounts (PLAs) and most importantly, Trust Account Fund, comprising the Provident, Benevolent and Insurance Fund receipts. Table 4.2 details the Trust Account Fund.

Table 4.2
Trust Account – Fund

(Rs. in Million)

TRUST ACCOUNT – FUND	BE 2009-10	RE 2009-10	BE 2010-11
A: Receipts	12,485.407	11,998.476	13,448.595
Provident Fund	10,036.930	9,500.000	11,000.000
Benevolent Fund	1,710.476	1,760.476	1,610.595
Insurance Fund	738.001	738.000	838.000
B: Disbursements	7,930.378	6,477.682	10,550.003
Provident Fund	5,349.318	4,700.000	8,400.000
Benevolent Fund	1,507.146	1,504.973	1,831.000
Welfare Fund	268.312	269.121	315.415
Insurance Fund	805.602	3.588	3.588
Net Trust Account Fund (A-B)	4,555.029	5,520.794	2,898.592

4.3 DISBURSEMENTS

4.3.1 CURRENT ASSETS

Outflows from Assets are included under the category of Current Assets.

4.3.2 LIABILITY

Disbursements from Deposits and Reserves are indicated as liabilities. This is a contra item to the deposits and reserves indicated on the receipt side.

In FY 2010-11, the Public Account is expected to exhibit a negative balance of Rs.3,040.619 million. The policy of using Public Account funds as financing for budgetary expenditures would be abandoned and the level of this financing will be reduced significantly.

Chapter 5**MEDIUM TERM DEVELOPMENT FRAMEWORK 2010-13
AND DEVELOPMENT PROGRAMME 2010-11**

Annual Development Programme (ADP) for the financial year 2010-11 is a reflection of the development priorities of the government. To achieve the development objectives both in short and medium terms, it lays a pronounced emphasis on greater spending in the key social sectors i.e. Education and Health and specially focuses on investments in Punjab's infrastructure to accelerate the pace of economic growth. Development Programme for the year 2010-11 has been formulated in line with the medium term development goals envisaged under Medium Term Development Framework (MTDF). The overarching policy objectives of the current year's development programme are to (i) achieve the equitable and balanced growth; (ii) extend social sector coverage; (iii) improve delivery of public services; (iv) ensure equitable investments across sectors and regions with due consideration to gender etc. In this year's program, an attempt has been made to consolidate the on-going development effort with an emphasis to complete the development projects within approved timelines without any cost over run.

Development Programme for the year 2010-11 includes number of pro-poor initiatives, skill development programs, employment generation projects, I.T. led knowledge based interventions etc. It is hoped that these investments would usher in a new era of economic growth and prosperity in the province especially in the period of prevailing economic downturn. The basic thrust of the development strategy in year 2010-11 would be to put a greater emphasis on tripartite elements of growth i.e. development of infrastructure, investments in human resource and use of advanced technology.

In addition to the sectoral and regional allocations based on the development strategy highlighted above, efficient, economic and effective use of the allocations of the program would also be ensured through a transparent and proactive mechanism of monitoring, review and third party validation of various development initiatives. Against the precise performance benchmarks and indicators, allocative efficiency and outcomes of various development programmes would be gauged to ascertain the effectiveness of the development spending.

The size of Development Programme 2010-11 is pitched at Rs.193.5 billion which is Rs.62 billion higher than last year's revised size. The Core Programme is Rs. 148 billion which is 76% of the total development outlay. Special emphasis has been laid on removal of inter-regional disparities and total allocation of Rs.52 billion has been proposed for 11 districts of Southern Punjab. Gender equity is an important pillar in our development strategy. An allocation of Rs.15 billion has been earmarked for ensuring greater share of female specific programmes and projects,

especially in social sectors. Rs.12.00 billion is being provided for District Development Programme through PFC mechanism. The development strategy in this context is that smaller projects of local significance would be funded from the District's/TMA's Budget. Larger projects would be funded from the Provincial ADP.

Punjab's long term vision aims at creating a literate, healthy and culturally rich society. The Development Programme 2010-11 is guided by this overarching vision and the development agenda articulated by the Chief Minister. The development programme for the FY 2010-11 is geared towards achieving the goals of balanced and equitable growth with particular focus on southern Punjab, backward districts like Jhang, Bhakkar, Khushab and Mianwali and the Barani areas of the Punjab. For the districts of Mianwali, Khushab, Bhakkar and Jhang, special block allocation of Rs.500 million per district has been earmarked in the current ADP. Programmes for small dams, sustainable livelihood development and construction of mini dams etc have been specifically conceived for the Potohar region.

Key features of the Development Programme are summarized as under:

- Annual Development Programme within Medium Term Framework
- Adequate funding for foreign aided and mega projects
- Regional balance in allocation with extra weight age for lesser developed districts
- Emphasis on ongoing projects and reduction of throw-forward. 2049 out of 3081 (67%) schemes will be completed in 2010-11
- Stress on undertaking projects that can be completed within one year to control throw-forward
- Reforming funds release process
- Cycling back privatization proceeds for development in districts from where privatization proceeds were generated
- Provision of one year's Schedule of New Expenditure (SNE) cost from Development Budget to ensure immediate delivery of services after completion of construction in education and health sectors
- Strategic intervention in large and intermediate cities to realize large cities potential as engines of growth and enabling medium cities to share the urbanization pressure
- Continued emphasis on rural areas (65%)
- Stress on allocation to pro-poor sectors

Table 5.1
Sector Wise Development Programme 2010-11 Compared with 2009-10

(Rs. in million)

Sr. No	Sector	Original Allocation 2009-10	Revised Allocation 2009-10	Allocation 2010-11	% Change Over 2009-10 (Rev)
A	Social Sectors	59,725	48,906	68,253	40%
1	Education	23,125	21,525	23,300	8%
	(i) School Education	13,600	13,884	14,050	1%
	(ii) Higher Education	6,125	5,769	6,350	10%
	(iii) Special Education	1,000	232	500	116%
	(iv) Literacy	800	264	800	203%
	(v) Sports	1,600	1,376	1,600	16%
2	Health	12,025	9,512	14,500	52%
3	Water Supply & Sanitation	8,500	8,341	9,500	14%
4	Social Protection	900	672	900	34%
5	Regional Planning	7,475	2,676	14,203	431%
6	Local Govt. & Community Development	7,700	6,180	5,850	-5%
B	Infrastructure Development	51,550	51,462	59,260	15%
7	Roads	27,000	30,624	32,885	7%
8	Irrigation	10,000	8,130	11,005	35%
9	Public Buildings	5,550	5,529	6,210	12%
10	Urban Development	9,000	7,179	9,160	28%
C	Production Sectors	9,150	6,721	7,000	4%
11	Agriculture	3,200	2,327	3,200	38%
12	Forestry, Wildlife & Fisheries	900	854	1,080	26%
	(i) Forestry	300	321	450	40%
	(ii) Wildlife	300	259	395	53%
	(iii) Fisheries	300	274	235	-14%
13	Food	100	66	200	203%
14	Livestock	2,000	1,213	2,000	65%
15	Industries	350	291	220	-24%
16	TEVTA	2,300	1,766	-	
17	Mines & Minerals	300	204	300	47%
D	Services Sectors	3,858	2,402	7,050	194%
18	Information Technology	1,300	219	1,960	795%
19	Commerce & Investment	200	107	140	31%
20	Labour & Human Resource Dev.	70	52	85	63%
21	Transport	125	463	1,190	157%
22	Emergency Service	2,000	1,488	2,000	34%
23	Tourism	163	73	1,675	2195%
E	Others	9,717	1,758	6,366	262%
24	Environment	500	423	335	-21%
25	Information Culture & Youth Affairs	400	239	295	23%
26	Religious Affairs & Auqaf	175	73	276	278%

Sr. No	Sector	Original Allocation 2009-10	Revised Allocation 2009-10	Allocation 2010-11	% Change Over 2009-10 (Rev)
27	Human Rights & Minority Affairs	200	27	215	696%
28	Access to Justice Programme	317	469	50	-89%
29	P&D	8,125	527	5,195	886%
30	Extra PFC Grants to District Govts. / TMAs	-	-	-	-
	Total Core Programme (A+B+C+D+E)	134,000	111,249	147,929	33%
F	Special Programmes / Packages	38,000	22,678	34,071	50%
	(i) Distt. / TMA Dev. Program	12,000	11,091	12,000	8%
	(ii) Special Infrastructure	26,000	11,587	19,121	65%
	(iii) Special Packages	-	-	1,450	-
	(iv) New Initiatives / Medical Colleges	-	-	1,500	-
	Net Development Program	172,000	133,927	182,000	36%
G	Daanish School System	3,000	-	3,000	-
H	TEVTA / TEVTC	-	-	2,000	-
I	DLIs for MDGs	-	-	6,500	-
	GRAND TOTAL (DEVELOPMENT)	175,000	133,927	193,500	44%
J	Other Development Expenditure	13,743	15,545	2,515	-84%
	(i) Population Welfare	1,629	1,529	1,865	22%
	(ii) Low Income Housing	2,500	808	650	-20%
	(iii) Loan to Autonomous Bodies (Capital Dev. Exp.)	9,614	3,887	-	-
	(iv) PSDP Funded Schemes	-	9,321	-	-
	GRAND TOTAL	188,743	149,472	196,015	31%

5.1 EDUCATION

The Government is committed to develop an enlightened and prosperous Punjab through improved governance, equitable access, quality education and ensuring achievement of education related Millennium Development Goals (MDGs) by 2015. The primary focus is on provision of quality education in the Province. The allocation for Education Sector for the financial year 2010-11 is pitched at Rs. 23,300 million which is higher than the last year's provision.

Sub-sector wise key reforms and development initiatives are:-

SCHOOL EDUCATION

❖ Provision of Science Labs in Secondary Schools

To improve existing Science Labs in Secondary Schools and to strengthen Science Practical education, about 1000 High / Higher Secondary Schools having highest enrollment will be

provided quality science equipment in the first phase. Standardized practical books will also be developed under this scheme.

❖ **Provision of Computer / I.T. Education in Elementary Schools: -**

In order to better equip the students with I.T. Education, 515 I.T. Labs are being established in Elementary Schools in F.Y. 2010-11.

❖ **Punjab Daanish School System & Centers of Excellence :-**

Daanish School and Center of Excellence Authority has been established recently in 2010. 15 Daanish Schools will be established and 72 existing schools will be converted into Centers of Excellence in Phase-I. Poorest of the poor will get education of International Standards in these institutions.

Table 5.2
Outcome based Targets

Intervention	Targets 2009-10	Achievements 2009-10	Targets		
			2010-11	2011-12	2012-13
Up-gradation of Schools (Primary to Middle and Middle to High level)	800	835	1000	1000	1000
Training of Teachers and Managers	122,087	120,000	150,000	175,000	200,000
Provision of Computer Labs in 515 Elementary Schools in Punjab	-	-	515	-	-
Provision of Missing Facilities in Schools	1500	1597	1500	1500	1500
Provision of Science Lab equipment in 1000 highly enrolled High / Higher Secondary Schools.	-	-	1000	500	500
Capacity building of School Councils	12973	8070	15204	15204	-

COLLEGE EDUCATION

An equitable and accessible education to all the citizens of the Province is the commitment of the present government. A substantial allocation of Rs. 6350 million has been made during the year 2010-11 for completion of maximum ongoing schemes and initiation of new schemes. Major initiatives are:-

❖ **Internal Merit Scholarship for Professional Students**

To recognize the brilliance of talented students, a scheme for grant of scholarship for professional students has been included in the Development Programme 2010-11.

❖ **Punjab Education Endowment Fund**

Punjab Educational Endowment Fund (PEEF) is an initiative of the Government of Punjab with the objective of providing scholarships / monetary assistance to talented and needy students for pursuing quality education with equal opportunities. To make it more efficient, transparent and autonomous in its functioning, the fund has been established under Section 42 of the Companies Ordinance, 1984.

The Endowment fund WAS established initially with seed money of Rs. 2 billion. In the FY 2009-10, Rs. 2 billion were provided for the fund. In FY 2010-11, an amount of RS.2 billion would also be added to the fund. Special treatment will be given to the students of fifteen less developed districts of the Southern Punjab. Special quotas for orphans, children of Government employees (up to BS-14), disabled, minorities and widows have also been allocated. Bright and needy students of other provinces including Azad Kashmir will also be provided opportunities for higher education through this program.

❖ **Provision of Missing Facilities in Colleges**

Punjab Government has embarked upon a comprehensive plan to enhance the quality of college education with special focus on improvement of physical infrastructure of Colleges. To complete the schemes under PESRP Phase-I, an allocation of Rs. 1132 million has been made. For the provision of missing facilities in other colleges an amount of Rs. 1337.247 million has also been allocated.

❖ **4 Years Bachelor Degree Program**

Higher Education Department has also decided to introduce 4-Years Bachelor Degree Program in the public sector colleges throughout the province. For the purpose 26 colleges have been identified so far. The scheme would be extended to all the colleges of the province in the coming years.

❖ **Provision of Post Graduate Blocks**

In order to promote Higher Education in the Province it has been decided to provide post graduate facility to all the colleges at District Headquarters, for this purpose, 24 sites have been identified where post graduate facility is not available either for male or for female population of the area.

SPECIAL EDUCATION

Government is trying to create conducive learning environment for the disabled students so as to make them useful, self supportive and self reliant members of the society and to utilize their potential and skills in various spheres of life. A block provision with an estimated cost of Rs.500 million has been made available in Development Programme 2010-11.

❖ **Pilot Scheme for Provision of Computer Labs for all Disabilities in Special Education Institutions**

The Special Education Department, on the analogy of School Education Department, intends to establish computer labs in all centers and schools for special students. Like normal students all the disabled i.e. Hearing Impaired, Visually Impaired, Physically Disabled, Slow learners and even Mentally Retarded students can benefit immensely and tremendously from I.T./ Computer Technology / Internet, etc. as assistive devices and soft wares make learning easy and even help rehabilitate special students.

In the ADP 2010-11, an amount of Rs. 100 million has been allocated for the Pilot project. After successful completion of the pilot scheme, a full fledged scheme will be launched in this regard.

❖ **Establishment of International Standard Rehabilitation Centre for Disabled**

Government of the Punjab intends to establish an International Standard Rehabilitation Centre for Disabled with approximate cost of Rs. 1000 million. In this regard a Company under Article 42 of the Companies Ordinance has been established and funds amounting to Rs. 100 million have already been transferred.

LITERACY & NON FORMAL BASIC EDUCATION

Eradication of illiteracy is critical for achievement of Millennium Development Goals. To provide yet another opportunity for out of school population to return to education, special efforts are being made. For this purpose, an allocation of Rs.800 million has been made in the development programme 2010-11. The major projects are:-

- campaign for enhancement of literacy in four districts of Punjab
- Literacy Programme (ALCs & NFBE Schools in 31 districts)
- Punjab Literacy and Livelihood Programme
- Establishment of 300 Adult Literacy Centres & 200 NFBE Schools at Brick Kiln

5.2 SPORTS

The main focus is to optimize self sustainable sports system & maximize community participation and maintain Punjab's position as the premier producer of world class champions of future in different sports. Efforts are also being made to provide equal sports opportunities to all citizens of the province to develop an optimistic, vigorous and healthy society. Punjab government has decided to complete ongoing schemes in the first phase. An allocation of Rs. 1600 million has been made to complete maximum ongoing schemes during 2010-11.

5.3 HEALTH

Punjab Government intends to provide medical facilities in the lengths and breadths of the province with a sound health care system practicing healthy life style, in partnership with private

sector including civil society, which is effective, efficient and responsive to the needs of low socio-economic groups especially women in the reproduction age. An amount of Rs.14500 million has been allocated for Health Sector in 2010-11. In addition to this, an allocation of Rs.1500 million has been kept for the establishment of three new Medical Colleges in the Province. Government's health policy is largely guided by its commitments under Millennium Development Goals (MDGs) as reflected in the following table:

Table 5.3
MDGs & MTDF Targets

Targets	2009-10	2010-11	2011-12	MDGs 2015
Performance Indicators				
Children fully immunized 12-23 months (%)	84	88	92	>90
Delivery by Trained Birth Attendants (%)	52	57	62	>90
Infant Mortality Rate per 1000 live births	73	70	67	40
Maternal Mortality Ratio per 100,000 live births	232	225	218	140

Objectives

- Measurable impact on Millennium Development Goals (MDGs) through major interventions in the health services delivery with significant reduction in incidence of diseases. Implementation of standardized service delivery package through effective implementation of Minimum Service Delivery Standards (MSDS)
- Ensuring regional equity in the developmental portfolio. Focus on Preventive Health Care through inter-sectoral coordination and regular health education/promotion
- Improved primary, secondary and tertiary health care through inclusion of need-based and result-oriented schemes
- Complement the current side pro-poor investments effectively and strategically aligned with the Health Policy Framework

Strategic Interventions

❖ Greater Focus on Preventive Health Care & Attainment of MDGs

Punjab has a unique situation of double burden of diseases. The preventable diseases still take heavy tolls and diseases which are believed to have been rolled back re-emerge. The following interventions are going to contribute towards this end:

- Punjab Millennium Development Goals Programme (PMDG)
- Safe Blood Transfusion Service Programme. HIV/AIDS Control Programme

- TB Control Programme. Expanded Programme of Immunization
- Prevention & Control of Hepatitis Programme. Punjab Thalassemia Prevention Programme
- National Maternal and New Born Child Health Programme (*Federal*)

❖ **Focus on Rural Health Centres (RHCs) and Renewed Focus on Secondary Health Care**

- Policy is to consolidate the existing health facilities instead of creating new infrastructure. No new Basic Health Unit (BHU) will be established. Focus, would be on strengthening Primary Health Care facilities (RHCs) based on certain yardsticks.
- Secondary Health Care level has re-emerged as critical arena for effective and efficient service delivery. It has the potential of meaningful pro-poor interventions. The emphasis is on upgradation of THQ & DHQ Hospitals as well as establishment of new ones. In case of THQ Hospitals, priority would be given to those THQ Hospitals which are farthest from the DHQ Hospital. As for the DHQ Hospitals, the upgradation would be prioritized on needs basis and geographical as well as equity considerations would also be kept paramount.
- New DHQ Hospitals at Narowal, M.B. Din and Multan are under construction while upgradation of 9 other DHQ Hospitals is going on. 10 new THQ Hospitals are under consideration.

❖ **Need Based & Result Oriented Allocation for Tertiary Health Care**

- Being autonomous, the tertiary health care level is witnessing a great deal of dynamism and several innovations are being taken.
- For the establishment of Centres of Excellence, adequate allocations have been made.

❖ **Improved Diagnostic Facilities**

The area of diagnostics needs to be strengthened to keep pace with the ever-changing demands of time and to make health and medical analysis more scientific. Following schemes would help in refurbishing the diagnostic facilities and also help in ascertaining the quality and purity of food and beverages.

- Establishment of Drug Testing Labs at Faisalabad and Rawalpindi
- Strengthening of Drug Testing Lab at Multan. Establishment of Food Testing Labs at Rawalpindi and Faisalabad
- Establishment of Mobile Food Testing Lab PCR Facilities at Tertiary level

❖ **New Strategic Thrust**

Delivering services in a traditional manner suffer from typical public sector inefficiencies. Thus, priorities have been re-orientated leading to a new strategic thrust which would enable to grapple with service delivery issues with a fresh approach and in a focused manner. The following initiatives are taken in this respect:

- **Mobile Health Unit system** is being introduced/piloted at Tehsil level to make up the deficiencies of static coverage. This initiative shall be piloted in 12 tehsils and then expanded in phases. The Mobile Health Unit shall comprise collapsible and non-collapsible diagnostic, invasive and non-invasive electro-medical equipment. An allocation of Rs. 614 million is being made on this count.
- **Emergency Services Block at DHQ Hospitals;** This would be pro-poor as well as a result-oriented intervention and give a real boost to service delivery. The service delivery would be expanded in a manner that people living in different districts and rural areas are provided quality health care services at the local level. For this purpose, a plan has been chalked out to undertake construction of dedicated Emergency Blocks in a phased manner which would be equipped with all necessary diagnostic and trauma facilities.

❖ **Establishment of Centers of Excellence**

Centres of Excellence augment specialized service delivery at the high-end level and may become avenues of revenue generation in times to come as well. The approved Health Policy Framework has also recognized their significance. The establishment of these Centres is now believed to be appropriate and result-oriented. The Centres are enlisted as under:

- Rawalpindi Institute of Cardiology
- Institute of Urology & Transplantation at Rawalpindi
- Kidney Centres at Multan and Bahawalpur
- Children Hospital Complex, Bahawalpur
- Gynae & Obstetric Care Complex, Bahawalpur.
- Faisalabad Institute of Cardiology
- Expansion of Children Hospital, Multan (addition of 150 beds)
- Fatima Jinnah Institute of Dental Sciences, Lahore
- Burn Units in 4 Tertiary level Hospitals
- Establishment of 300 bedded Hospital at Bahawalpur

❖ Enhanced Focus on Medical Education

- The inequity in Doctor to Population Ratio has impeded efficient service delivery as well. The current Doctor-Population Ratio stands at 1:2187 instead of the WHO recommended 1:1000. With a view to rectifying this mis-match, new Medical Colleges at Gujranwala, Sialkot, Sahiwal, Multan and D.G. Khan would be established.
- New Medical College, Gujrat is in operation since 2009.
- School of Nursing at Rawalpindi is being upgraded to degree level.

5.4 WATER SUPPLY & SANITATION

Sectoral Policy includes achievements of Millennium Development Goals (MDGs) within the stipulated period for provision of Water Supply & Sanitation facilities effectively, efficiently and on sustainable basis. In order to achieve the above targets substantial financial resources have been provided to the Sector as under: -

(Rs. in million)

2008-09 (R.E)	2009-10 (R.E)	2010-11 (B.E)
8690	8971	9500

As a consequence of this enhanced resource provisions the achievements of MDGs in various sub-sectors is as under: -

Table 5.4
MTDF Targets and MDGS:

Description	Population Coverage (%)					Projected Year of Reaching MDG	MDG's Targets 2015%
	2006-07	2007-08	2008-09	2009-10	2010-11		
Urban Water Supply	66.2	71.9	75.5	83	85	2009-10	80
Rural Water Supply	30.8	32.7	36.1	38	45	2020-21	65
Urban Sewerage/ Drainage	68.5	72.0	76.0	79	83	2010-11	82
Rural Sewerage/Drainage	41.3	43.8	48.6	50	53	2015-16	70

Following key strategic interventions have been identified through the proposed resource provision: -

- Ensuring sustainability of the completed projects through public participation and motivation.

- Enhancing Rural Population Coverage particularly in Barani, Brackish and Contaminated Areas.
- Equitable resource distribution, main focus to the low profiled Districts.
- Maintaining balance between Northern & Southern Districts.
- Ensuring quality control by providing Water Testing Facilities and through provision of Water Filtration Plants.
- Improving sanitation and environmental sustainability.
- Capacity building of PHED.
- Ensuring sustainability of the completed schemes through community participation and motivation.
- Attaining Millennium Development Goals (MDGs).
- Rehabilitation of Rural Water Supply Scheme in brackish / contaminated areas.

Other strategic interventions:

Following major initiatives have also been identified in the Development Programme: -

Sr. No.	Name of Project	Total Cost
1.	Bulk Water Supply Project from River Jhelum to Murree	4254
2.	Kasur Environmental Improvement Project	2273
3.	Sewerage Scheme for R.Y. Khan City with Treatment Plant (Revised)	2009
4.	Urban Water Supply & Sewerage Scheme Pakpattan & Arifwala.	643
5.	Ext. and Improvement of Urban Sewerage Scheme D.G. Khan	604
6.	Augmentation of Water Supply Scheme Sargodha	600

5.5 SOCIAL PROTECTION

Strive to attain the ultimate objective of welfare state according to collective social and ethical aspirations of people free from exploitation, deprivation and discrimination is the vision of provincial government. An amount of Rs.900.00 million has been allocated in the development programme 2010-11 for Social Protection Sector.

Objectives

- The major objectives in the social protection sector are the creation of welfare facilities and healthy living opportunities of vulnerable groups including destitute and old age women and children.
- Gender mainstreaming in Public and Private Setup.
- Impart marketable skills for self employment.
- Eradication of drug menace and rehabilitation of drug addicts.
- Eradication of child beggary from the society.

Strategic Interventions

- Construction of Building of Shelter Homes at Okara.
- Establishment of Children Home at Faisalabad.
- Establishment of Hostel for Working Women at Sahiwal.
- Block Allocation for Punjab Vocational Training Council (PVTC).

5.6 REGIONAL PLANNING

The process of development in Punjab has been somewhat skewed in its impact across the regions. Less developed regions of Punjab comprising barani tract, sandy deserts of Cholistan, Tribal areas of D.G. Khan and Rajanpur and 11 backward districts of Southern Punjab have not kept pace with the rest of the province in terms of development and economic progress. With scanty rainfall, these ecological zones face the challenges of acute shortage of water, mostly small land holdings and primitive agriculture techniques.

Government assigns high priority to the removal of regional disparities in the Province. This objective is being achieved through direct investment in less developed areas to enhance rural household incomes and employment opportunities, improving infrastructure and providing financial support to enhance production and skill development of the target groups through participatory approach. Keeping these facts in view, the sector has been provided with an allocation of Rs.14, 203 million during 2010-11 which is 90% higher than the current year's allocation of Rs.7, 475 million. This includes two major interventions of Southern Punjab Development Programme (SPDP) and Punjab Economic Opportunities Programme (PEOP) collectively providing Rs.10,200 million for projects which are strategic in nature, having immediate impact, neglected areas within the districts, benefiting maxim area and populace, quick disbursement and pro-poor-jobs creation.

The specific features of Regional Planning Sector are as under:-

- Removal of regional imbalances.
- Multi-sectoral integrated development programmes.
- Targeted poverty alleviation schemes for less developed areas.

- DFID assisted Punjab Economic Opportunities Programme for intervention like Punjab Skill Development Fund (PSDF), Livestock & Dairy Development, and Center for Inclusive Growth and Technical Cooperation.
- Tribal Area Development project for physical Infrastructure development, Community Development and Social Infrastructure.
- Installation of 183 Turbine Tubewells for Irrigation in Rain fed Plains of D.G. Khan and Rajanpur Districts.
- Provision of physical and social infrastructure in Cholistan (drinking water, renewable energy and roads) under Cholistan Development Authority.
- Shaadbad Cholistan Project.
- Sustainable Livelihoods in Barani Areas Project (SLBAP) for poverty reduction in the rainfed areas (10 districts of Punjab) through improved livelihood opportunities and improved Governance.
- Water Resource Development (through Construction of 200 Mini Dams alongwith Command Area Development) of Pothohar Region, Barani Areas of Punjab.

5.7 LOCAL GOVERNMENT & COMMUNITY DEVELOPMENT

Local level development and provision of civic services in both urban and rural areas is the function of District, Tehsil and Union Governments. The provincial level development programme of LG&CD is primarily aimed at plugging the financial and physical gaps, provide province wide interventions and build the capacity of local governments to perform their assigned tasks more efficiently. Rs.5,850 million have been allocated for LG&CD in 2010-11 which is slightly higher than the revised estimates of 2009-10. The programme-wise details are as under:-

Table 5.5
Allocation for LG&CD

<i>(Rs. in Million)</i>	
Sector	Allocation 2010-11
LG&CD (Regular Programme)	1,850
Construction of Apartments at sites of Katchi Abadis	1,000
Punjab Development Programme (PDP)	3,000
Total	5,850

Key Initiatives

The development programme includes following initiatives:

- Punjab Development Programme (PDP) will be continued with an allocation of Rs.3,000 million to finance locally identified small scale development schemes for improvement of local social infrastructure and also generate employment for poverty reduction.

- Katchi Abadis development programme (allocation Rs.1,000 million) will be implemented with a modified approach i.e. vertical expansion of dwellings, the suitably located Katchi Abadis would be accommodated in modern flats. The land thus spared would be auctioned to generate seed capital for financing further development works.
- Punjab Municipal Improvement Services Project would be continued for development of municipal infrastructure i.e. water supply, sewerage, solid waste management, drainage, street lighting, roads, parks, bus stands, bridges, fire fighting and capacity building of selected TMAs.

5.8 ROADS

The vision for Punjab's road sector aims at upgrading, augmenting and maintaining a modern road network in the province under most cost-effective, optimized and quality-oriented development and management regimes. Road Sector's total outlay for the year 2010-11 is Rs.32,885 million, registering an increase of over 19% compared to the sector's revised allocation during last year.

Roads are predominant mode of transport in the country commuting more than 90 % of the passengers and freight traffic with an average yearly growth rate of 4.5% and 10.5% respectively. The road network in Punjab has expanded to over 82,000 km by the year 2009, expansion mainly owes to large increases in traffic population densities. Estimated value of road assets in the province exceeds Rs.200 billion. In recent years overall demand for road transport has grown at 7 to 8 percent per year which surpasses average GDP growth rate over the last decade. With transition of major part of the farm-to-market / district roads network to the district governments since devolution, the provincial road sector has been focusing to consolidate and maintain the existing inter-district roads while catering for rehabilitation of the rural-access roads under an umbrella program. In addition to above, present development portfolio for the province entails major urban and inter-city road projects including Lahore Ring Road.

Strategic Interventions

Sectoral priorities identified for Punjab's road sector in the MTDF (2010-11 to 2012-13) are as follows:-

- Consolidating existing road assets through rehabilitation / improvement and up-gradation with an aim to minimize the colossal fiscal throw-forward accumulated in the sector due to excessive demands and resulting expansion in the road network over previous years.
- Completion of on-going schemes for roads / bridges.
- Developing province-wide secondary routes (covering north-south and east-west corridors) linking national motorways / trade corridors to foster economic

opportunities via meeting, expanding domestic and international travel and trade demands.

- Improving average road densities to achieve optimal traffic density levels in consonance with increasing transportation requirements and targeted economic growth in the province
- Implementing initiatives to improve road safety and axle-load conditions to achieve substantial reduction in road accidents and avert premature road distress.
- Undertaking widening / improvement of existing roads to 20' / 24' width for roads with traffic densities exceeding 800 VPD - targeting to achieve full coverage over the medium term (up to 2018).
- Dualization of main arteries conveying 8,000 VPD by the year 2025.
- Improving geometry of existing roads and removal of black spots.
- Undertaking improvements in road design and specifications.

Table 5.6
Outcome based Targets

Description	FY 2009-10		FY 2010-11
	Targets	Achievements	Targets
Widening / Improvement of existing 10' / 12' to 20' to 24' wide road length	550 km	450 km	500 km
Rural Access Roads (Rehabilitation / Up-gradation)	200 km	150 km	200 km

5.9 IRRIGATION

Punjab's irrigation system, constituting major part of the world's largest contiguous irrigation network in the Indus basin, serves as linchpin to country's economy which is predominantly dependent on irrigated agriculture. Programs and initiatives in irrigation sector rank high in the Province's medium term development priorities and cover projects in irrigation, drainage, groundwater, flood protection, small dams development and energy sub-sectors. Long term vision for Punjab's irrigation sector is to provide adequate, equitable and reliable irrigation supplies to the cultivable lands of the province aiming at enhanced agricultural productivity with focus on broad based institutional reforms.

Sector Overview

Irrigated agriculture is the major determinant of the province's economic growth potential as it accounts for 26 percent of the GDP and caters for over 40 percent of the available work force. The colossal irrigation conveyance network in Punjab is serving 21 million acre of cultivable command area (CCA) in 24 canal commands. Systems' integrity, however, faces major sustainability challenges associating serious environmental, social and economic implications.

Deteriorated irrigation and drainage infrastructure with large O&M deficits has led to sub-optimal service delivery levels characterized by low water conveyance efficiencies and inequitable water deliveries indicating huge investment needs to address deferred rehabilitation and maintenance backlogs currently estimated as Rs. 170 billion. Development in the sector consequently needs to embed cost-effective rehabilitation and modernization of the infrastructure with holistic reforms aiming at improved management and service delivery levels.

Issues and Options

Key issues of Punjab's irrigation sector are:-

- (i) Expanding water scarcity and resulting shortages in irrigation supplies.
- (ii) Deteriorated irrigation infrastructure with massive rehabilitation and deferred maintenance backlogs.
- (iii) Huge O&M recovery gaps, inefficient operational regimes, and inadequate assets management planning.
- (iv) Inequitable water distribution and non-transparent water entitlements.
- (v) Lack of participatory approach in management of irrigation services leading to low system performance.
- (vi) Absence of regulatory framework and control for efficient utilization and management of groundwater.

Key Strategies for Irrigation Sector MTDF (2010-13)

Key strategies for sector's development plans under current MTDF are:-

- a) Addressing physical inadequacies for optimal supply, distribution and use of surface water resources through rehabilitation, remodelling and up-gradation of irrigation infrastructure.
- b) Effective utilization of investment outlays through intensive monitoring and quality control over execution regimes.
- c) Implementing knowledge-based optimization of surface and groundwater efficiencies aiming to maximize productivity of irrigated lands.
- d) Ameliorating environmental degradation and preventing over-mining of groundwater aquifer.
- e) Fostering institutional reforms to accelerate improved service delivery targets.
- f) Enhancing drainage, flood protection, hill torrent management, and small dams development.
- g) Developing renewable hydel, solar, and wind energy projects in both public and private sectors.

Salient Features of Sector's MTDF (2010-13)

Irrigation sector's total outlay for the year 2010-11 is Rs.11.005 billion which constitutes about 7.4% of the current year's core ADP plans. MTDF outlays projected for the sector over years 2011-12 and 2012-13 are Rs.11.736 billion and Rs.12.96 billion respectively. Out of the total 74 schemes included in MTDF 2010-11, 38 schemes comprising 28 on-going and 10 new schemes have been targeted for completion by allocating 93.5% of outlay to the on-going and 6.5% to new schemes. Government of the Punjab being cognizant to safety of major hydraulic structures for sustained supply of canal water to crops and mitigation of flood hazards has planned efficient remodelling of its irrigation network besides envisioning a phased rehabilitation and modernization of barrages. As first of the programmatic series, rehabilitation of Taunsa Barrage was completed in December 2009. Present ADP (i.e., 2010-11) includes rehabilitation of Jinnah Barrage and Balloki Headworks with estimated costs of Rs.12.7 billion and Rs. 2.4 billion respectively. Substantial allocations have been provided in current fiscal year to launch execution of these important projects including commencement of construction of subsidiary weir at Jinnah barrage and undertaking preparatory works at Balloki headworks. Major targets for other key initiatives in the sector are given below:-

Sectoral Initiatives	Targets (FY 2010-11)
Assured and sustainable irrigation supplies	10 million acre
Selective lining of irrigation channels	100 km
Lower Bari Doab Canal Improvement Project	(a): Balloki Headworks (b): Main canal and distribution network (Jandraka & 15-L)
Punjab Irrigated Agriculture Improvement Program (PIAP)	Feasibility studies and design of: (a) Suleimanki, Trimmu and Punjnad Barrages, and (b) Thal and Pakpattan canal commands
Rehabilitation of LCC System (Part-B)	Mian Ali, Lower Gugera, Burala and Rakh Branch canal commands
Establishing FOs in Faisalabad (LCC), Bahawalnagar (Sadiqia & Fordwah) and DG Khan (DGK) canal commands	192 No
Construction of Small Dams: <ul style="list-style-type: none"> Minwal, Dharabi, Dhok Hum, Mundi, Dhok Jhang, Uthwal in district Chakwal Shahbazpur, Taja Bara, Sadrial and Haji Shah Dams in district Attock Ugham dam in district Rawalpindi 	10,850 acre command area 9,720 acre command area 3,000 acre command area
Construction of Cherah Dam (Rawalpindi – Islamabad)	Land acquisition completed, construction of main dam to commence

ADB-assisted Renewable Energy Development Sector Investment Program (REDSIP) - Five hydel power projects (25MW combined) at Pakpattan, Okara (LBDC), Deg-outfall, Chianwali and Marala	Evaluation of bids completed. Award of LOIs to take place. Acquisition of land.
Rehabilitation & Modernization of Jinnah Barrage	i) Deployment of consultants & counterpart staff ii) Construction of coffer dam ii) Works on main and subsidiary weir to commence.
Punjab Irrigation System Improvement Project.	Lining and remodelling of distributaries and minors in Sadiqia, DG Khan and Jhang Branch canal commands
Remodelling of SMB Link Canal and Enhancing Capacity of Mailsi Syphon	Detailed designing and launching of preparatory activities
Management of Vidore Hill Torrent in DG Khan Irrigation Zone	i. Embankment construction ii. Flood dispersion and distribution structures

5.10 PUBLIC BUILDINGS

The provincial government envisions construction of a high quality infrastructure as planning, constructing and maintaining residential and office accommodation facilities in public sector under need-driven and cost-effective regimes aiming at providing conducive environment for an efficient public service system.

Public sector housing and construction projects are well recognized to generate maximum employment opportunities and contribute toward enhancing economic growth. Its multiple effects on the economy are demonstrated through the wide-ranging impacts of the construction activities in (a): generating industrial production, (b): developing small and medium enterprises, (c): creating self employment marketplace, and (d): promoting business, commerce and trade activities. Coupled with above growth triggers construction industry mobilizes utilization of indigenous natural and man-made resources and contributes significantly to foster social cohesion and environmental improvements. The Public Building (Housing & Offices) Sector caters for the residential and office accommodation requirements of nearly all administrative departments in the province, mainly the Police, Prisons, Home, Judiciary, S&GAD, BOR, C&W departments and the Punjab Legislative Assembly. An allocation of Rs.6,210 million has been made for the year 2010-11 in this Sector.

Strategic Interventions

Toward meeting the sector's objectives, the MTDF (2010-13) underscores fulfilling the sector's vision through pursuit of following strategies:-

- Adoption of standardized plans for construction of public sector residences and office building. Provision of adequate infrastructure to Judiciary, Police and Jails to improve security and delivery of justice to common people.
- Barracks type accommodation for employees of the Police and Prisons Department, Ensure provision of residential facilities for employees in lower grades.
- Master-planning for sequencing developments to cater office accommodation facilities for various government departments, introducing cost-effective, energy-efficient and functional buildings to economize expenditure in the public sector housing.
- Stock taking of existing assets and facilities for comprehensive planning of public housing in phased manner, implementing measures for quality control in construction of Public Buildings.

5.11 URBAN DEVELOPMENT

To develop modern and efficiently managed urban centers which serve as engines for economic growth for provincial economy are the main target of provincial government.

Urban Development Sector covers developmental projects sponsored by WASAs and Development Authorities of the Large Cities (Lahore, Faisalabad, Rawalpindi, Gujranwala & Multan) and district governments of the selected Intermediate Cities (having population ranging between 0.24 to 0.54 million) of Punjab. An amount of Rs.9.16 billion has been allocated to this sector during 2010-11 which is significantly higher than the revised allocation of Rs.7.5 billion for the Financial Year 2009-10.

Objectives

- Define city limits and streamline functional and operational alignments of District governments, DAs, WASAs and TEPA etc.
- Update legislation for empowered, responsive, efficient and accountable City Governments.
- Ensure the road and plinth levels as per the rules, SOPs and protocols.
- Approval of PPP/JV/BOT frameworks.
- Review and rationalize all levies, fees and rating areas.
- Incentivize greater 'own-revenue' generation by CDGs/WASAs/DAs with matching provincial grants.
- Preparation of Capital Investment and Asset Management Plans.
- Linking of new schemes to Capital Investment Plan (CIP) of the city.
- Provincial Master Planning to guide all future investments.

- STPs to be made an integral part of all future sewerage schemes.
- Mandatory submission of PC-IV / PC-V documents for all completed projects.

Strategic Interventions

❖ Supply of Potable Drinking Water and its Efficient Use

- Replacement of rusted pipes and laying of new water supply lines
- Replacement of outlived tubewells and installation of new tubewells
- Comprehensive water supply schemes
- Installation of water meters (Bulk/Domestic/Commercial)
- Water purification facilities
- Effective monitoring of sub-surface aquifer and pilot intervention for its efficient use and recharging

❖ Provision of Effective and Efficient Sewerage and Drainage System

- Rehabilitation, augmentation and laying of trunk and secondary sewerage systems as part of a comprehensive master plan
- Improvement of drainage system (remodeling and construction)
- Rehabilitation and construction of pumping stations/lift stations (machinery/equipment/generators)
- Reduction of stagnation of rainy water at sore points/ ponding areas

❖ Environment friendly Disposal of Sewage

- Construction of Waste Water Treatment Plants in Lahore (2)

❖ Safe and Efficient Roads Infrastructure

- Bypasses - Northern & Southern (Multan)
- Ring Roads (Rawalpindi and Faisalabad)
- Integrated Traffic Management System (Ferozepur Road Pilot project)
- Dual Carriageways/Roads Rehabilitation/ Improvement

❖ Master Planning/Studies/Surveys

- Strategic/Master Plan for Big Cities (Faisalabad, Rawalpindi, Multan)
- Studies for ground water resources, waste water treatment plants, sewerage and drainage systems

❖ **Harmonize Enforcement of Development Controls and Regulatory Framework**

- Review of Building Bye-laws, Rules and Regulations

❖ **Provision of Urban Infrastructure Under Urban Renewal Programme for Intermediate Cities**

- Rehabilitate / upgrade and augment the basic infrastructure of water supply, sewerage and roads network
- Up-gradation / construction of parks, slaughter houses, bus stops and bus bays etc.

5.12 AGRICULTURE

The major objectives in agriculture in the context of present day realities are meeting the challenges of food security and increasing the growth rate in agriculture for employment generation and poverty reduction in the rural areas. Production of healthy crop is considered as a first step towards getting food security. Self-reliance, food security and promotion of exportable high value crops through improved practices are the key areas for agriculture sector.

Keeping in view the overwhelming importance of this sector, an amount of Rs. 3200 million has been provided for ADP 2010-11, which is equal to the current year's allocation and 72% higher than the current year revised allocation (Rs.1, 862 million).

Objective

The following are main objectives to augment the agricultural productivity:

- Food security management in holistic manner.
- Emphasis on innovative technologies to bring vertical crop productivity.
- Increase farmers' income through increased crop productivity, better support prices, diversified agriculture practices
- Emphasis on high value agriculture i.e. fruit and vegetable production and productivity.
- Efficient water conveyance and application through improved water courses, precision land leveling and drip and sprinkler irrigation
- Focus on horticulture, wheat, rice, cotton and maize by encouraging private sector research and congenial horticulture policies.
- Explore renewable and alternate energy sources in agriculture. Revamp infrastructure and capacity building of research and extension
- Develop value chain and enforce input/output certification mechanism.

- Efficient market infrastructure to ensure optimal value addition.
- Strengthen Research – Extension- Farmer linkage

Strategic Interventions

➤ Productivity Enhancement

- Promotion of cotton in Thal through use of pressurized irrigation on 2000 acres
- Mechanized rice transplanting through service providers to achieve optimal plant population per acre
- Lease of land (12.5 acres) to agriculture graduates for establishment of model agriculture farms.
- Eradication of poverty through distribution of house-cum-garden plots on lease basis.

➤ Focused Research

- Competitive Grant System (CGS) to conduct need based high profile research through PARB (Punjab Agriculture Research Board).
- Establishment of Rice Research Station at Bahawalnagar for backstopping of newly emerging parboil rice cultivation and processing.

➤ Water Resource Management

- High Efficiency Irrigation Systems i.e. Drip and Sprinkler
- Development of command area of Greater Thal Canal

➤ Improved Service Delivery and Data base

- Establishment of Provincial Reference Fertilizer & Pesticides Testing Laboratory at Lahore to test disputed fertilizer samples and evaluate fertilizers, enzymes and growth regulators for the purpose of registration
- Digitized agriculture land profile showing soil type, water availability and quality to recommend best suited cropping pattern for a specific region.

➤ Development of Alternative/ Renewable Farm Energy Sources

- Pilot Project adaptation of Bio-Gas technology to mitigate energy crisis
- Pilot Project Testing of Solar irrigation Pumps

Table 5.7
Outcome based targets 2010-11

Activities	Targets
Improvement of watercourses (No.)	2,500
Katcha Construction of Watercourses (No.)	324
Installation of irrigation system (Acres)	15,000
Promotion of Cotton Cultivation with Drip Irrigation (Acres)	1,000
Establishment of Model Agri. Farms by Graduates	1000
Installation of Bio-gas Plants (Nos.)	500
Installation of Solar Pumps (Nos.)	9
Mechanical Rice Transplanting (Acres)	500
Analysis of Pesticide Samples (No)	6000

5.13 FORESTRY

Flora and Fauna is not only helpful in environmental up gradation but also helps in maintaining a moderate atmosphere in the region. Provincial Government, being cognizant of this fact intends to develop, maintain and maximize forest resources in a scientific, environmentally sustainable, ecologically stable and socially acceptable manner. An amount of Rs. 450 million has been provided for this sector in ADP 2010-11 which is 50% higher than the allocation of Rs. 300 million during 2009-10.

Objectives

- Development of forests through targeted investment and better forest resource management
- Poverty alleviation through community based sericulture and social forestry.
- Environmental protection and avert degradation of natural resources.
- Involvement of farmers to increase forest cover under section 38 of Forest Act. Community based management of rangelands for sustainable fodder resources.
- Encourage public-private partnership to enhance production of planting stock, strengthening of forestry research
- Resource assessment scientifically

Strategic Interventions

- Rehabilitation of irrigation system in the major forest plantations to minimize the wastage of precious water resources through seepage. Afforestation in five irrigated plantations under agro-forestry
- Planting of blank areas in Muzaffargarh and Murree.

- Strengthening of forestry research and education
- Establishment of Model Nurseries along Roadsides (Pilot Basis). Lease of land (12.5) acres to forest graduates for raising agro-forestry farms.

Table 5.8
Outcome based targets 2010-11

Activities	Targets
Rehabilitation of Distributaries (Rft)	185,000
Establishment of Agro-forestry farms by Forest graduates (No)	68
Afforestation (Acres)	8,015
Linear Plantation(Avenue Miles)	436
Soil Conservation (Acres)	3,400
Bed Nurseries (Acres)	338
Potted Plants (No.)	5,00,000

5.14 WILDLIFE

The provincial government is aiming to protect, conserve, manage and sustain diversified wildlife species and their natural habitat. An amount of Rs.395.000 million has accordingly been allocated in the Budget for the year 2010-11.

Objectives

- Protection, preservation, conservation and management of natural habitat of diversified wildlife species endowed by nature
- Promote wildlife-based tourism (Eco-tourism) through development of safaris and trophy hunting creating the best possible opportunities for sports hunting under legal cover to reduce pressure of illegal hunting.
- Search for new wildlife potential areas and their development
- Reintroduction of different indigenous wildlife species in their original habitat by increasing breeding potential at Wildlife Breeding Centres to produce wildlife surplus stock.
- Public awareness through posters, brochures, hoarding and audio-visual system.

Strategic Interventions

- Rehabilitation of Wildlife Parks for better management at:
 - Gatwala, Faisalabad
 - Bansra Gali, Murree
 - Loi Bher, Rawalpindi

- Bahawalnagar
- Vehari
- Rahim Yar Khan
- Development and improvement of Zoo at Lahore and Bahawalpur
- Institutional Capacity Building of Wildlife Department

5.15 FISHERIES

The basic thrust of development strategy in the fisheries sector is to conserve, manage and develop aquatic resources in public and private sectors to meet the protein requirements of growing population. Similarly, provision of technical and scientific support to private sector in up gradation of institutional and infra structural facilities are the main arrears area of development strategy in FY 2010-11. Keeping in view this objective, an amount of Rs. 235 million has been provided for 2010-11.

Objectives

- Increase in fish production through replenishment of fish resources in the natural water bodies.
- Boost private sector fish farming through institutional and soft credit support
- Aquaculture research and conservation programme focusing on disease control, nutrition, genetics, pollution control and protection of vulnerable species. Demonstrate and promote intensive fish and shellfish farming

Strategic Interventions

- Up gradation of hatcheries network to meet expanded development needs. Establishment of new fish hatchery/nursery at R.Y.Khan and Chashma Barrage
- Fish quality assurance and reduction of post harvest losses through provision of fish processing and cold storage facility at major fish production centres. Renovation and Improvement of existing fish nurseries and hatcheries
- Shrimp culture in saline/brackish water
- Fish quality control to enforce regulatory regime.

Table 5.9
Outcome-Based Targets

Activities	Benchmark 2009-10	Target (2011-12)
Fish Seed Production(million)	85.000	88.000
Fish Production (Ton)	85,550	87,550
Private fish farming(acres)	46,800	47.900

5.16 FOOD

Food Department is mandated to ensure not only the provision of quality flour to general public at affordable prices but also to provide fair returns to the growers through commodity purchase operations. The department fulfils this responsibility through an organized procurement system, strategically located network of permanent and transient storage and regulated supply of wheat for welfare purposes as well as for meeting the demand of the market/consumers.

During the procurement campaign of previous and current year's wheat crop, the shortage of storage capacity was badly felt and additional requirement was estimated at about 2.1 million tons. Keeping this objective in view, a block provision of Rs. 200 million has been made for 2010-11 to fund projects of construction of food storage through public private partnership.

Objectives

- Food security for the citizens of the Punjab
- Ensuring the fair return to growers of the Punjab
- Meeting the food stuff requirements of other provinces of Pakistan

Strategic Intervention

- Provision of storage capacity through public-private partnership

5.17 LIVESTOCK & DAIRY DEVELOPMENT

Livestock is a newly emerging economic sector with high potential in terms of economic returns. Farmers can earn about 30-40% of their income from livestock. Support livestock development in a policy environment that enables farmers to realize the dividends of livestock farming by smartly deploying public investments & inducing private capital & initiatives in the sector for poverty alleviation, food security & generation of exportable surpluses.

Objectives

- Food security through increased milk and meat production. Poverty alleviation by supporting livestock subsistence farmers and women (organize, empower and provide hands-on training)
- Productivity enhancement through improved genetics, balanced nutrition & improved husbandry
- Better functioning of markets and regulatory regime. Private enterprise development to optimally realize potential of livestock assets
- Applied research and technology. Provision of quality products (dairy & meat) for domestic consumer & export markets.

Strategic Interventions

❖ Production Enhancement

- Enhancement of milk and meat production. Induction of private sector in public sector funded breed improvement and extension services
- Boost feed production in private sector. Conversion of two livestock farms into productive units through public private partnership.
- Establishment of five cooperative Livestock Farms in Cholistan.

❖ Private Sector Development

- Private sector participation in government livestock farms, Semen Production Units (SPUs), feed and vaccine production units
- Outsourcing veterinary service through public-private partnership in selected areas. Favourable regulatory regime.
- Augmenting animal feed production in public and private sector.

❖ Human Resource Development

- Focus on veterinary education through establishment of Veterinary University at Bahawalpur
- Continuing education for livestock farmers and investors. Lease of land (12.5) acres to veterinary graduates for establishment of model livestock farms

❖ Breed Conservation

- Restructuring and re-organization of breeding services. Establishment of genetic semen laboratories

- Progeny testing programme through outreach programme.

❖ **Veterinary Support Services**

- Support services for livestock farmers stipulating up-gradation of Tehsil headquarters hospitals, mobile dispensaries and new veterinary dispensaries at each union council.

❖ **Disease Surveillance**

- Establishment of animal disease reporting & epidemiology system
- Prevention and control of animal disease

❖ **Institutional Support**

- Restructuring and re-organization of breeding services
- Management of slaughter houses/cattle markets. Access to affordable credit/implements.

Table 5.10
Outcome Based Targets 2010-11

Activities	Targets
Establishment of Model Livestock Farms by Graduates(No.)	900
New Civil Veterinary Dispensaries at Union Council level(No)	190
Distribution of Poultry Birds Units(No.)	5565
Distribution of Sheep/Goat(No.)	600
Feed bags for Sheep/Goat(No.)	3300
Packs of concentrates for preparation of poultry feed (No.)	17000
Import of exotic beef breed semen for insemination (doses)	140000
Calf fattening (No.)	15000

5.18 INDUSTRIES, MINES & MINERALS

5.18.1 INDUSTRIES

The provincial government is making efforts to make the industrial products internationally competitive. Industrial sector in Punjab is contributing 26% of Punjab's economy. The department aims at the growth of locally and internationally competitive industries in Punjab to achieve the following benefits in the shape of technological up-gradation, employment generation in the industrial / services / Cottage Industries, sustained growth in profits from industrial and services

sectors, sustained growth in Government revenues and export earning and sustained growth in foreign and local investment in manufacturing & service sectors in Punjab.

The provincial government has earmarked Rs.220.00 million in 2010-11 for the Industries sector.

Objectives

- To create an enabling environment for the private sector to grow and prosper
- The resulting economic activity will achieve the government's objectives of employment generation, increased income and poverty alleviation. Creating a better quality of life for the citizens of Punjab by:
- Encouraging private sector to invest in Punjab. Generating growth in the economy to create employment
- Up-grading technology to enhance profitability. Improving infrastructure necessary for economic uplift.
- Provision of one roof facility to the manufacturers under cluster development programme

Strategic Interventions

- Provision of missing facilities in Small Industrial Estate
- Lending programme for SSI Sector including small industries, cottage industries and household enterprise at competitive rates
- Development of Industrial Estates through Public Private Partnership
- Promotion of Industrial/business clusters development centres programme
- Support to entrepreneurs through SME industrial clusters
- Up-gradation of Government Printing Presses
- Dissemination of Consumer Protection Law and establishment of consumer courts including construction of courts
- Reorganization of Industries Department to align it with needs of private sector development

Table 5.11
Outcome based Targets

S#	Interventions	Targets upto 2009-10	Achievements 2009-10	Targets MTDF		
				2010-11	2011-12	2012-13
1	Publication of Books on Regional Crafts	3	3	3	3	3
2	Construction of Consumer Courts (11 Nos.)	-	-	1	5	5
3	Combined Effluent Treatment Plants (4 Nos.)	4	1	1	-	-
4	Up-gradation of the Small Industrial Estates (10 Nos.)	2	2	2	4	2
5	Provision of Sewerage System	-	-	2	1	2
6	Credit facilities - Small, Cottage, Household Enterprises and Micro Industries (7500 Nos.)	1500	1500	500	4500	1000
	-CNG Buses (166 Nos.)	166	116	-	-	
7	Cluster Development Centres	5	1	1	2	1
8	Up-gradation of Government printing Press, Lahore and Bahawalpur	-	-	1	1	-

5.18.2 MINES & MINERALS

The aim of Provincial Government is to promote and facilitate mines and minerals exploration in Punjab in order to attract foreign and local investment in this sector, thereby enhancing the contribution of mines and minerals in the Provincial GDP. The allocation of this sector is Rs. 300 million in 2010-11 which is at par with last year's allocation.

Objectives

- To expand mining sector by focusing on discovery and exploration of new mineral resources;
- To enhance public sector investment for exploration/resource mapping and development of geological-database for minerals;
- To further strengthen Government's role as a facilitator to create enabling environment for the prospective investors in mines and minerals sector;

- To encourage and support exploitation of minerals, particularly through private sector;
- To promote environment-friendly mining practices and to take measures for mitigation of environmental hazards of mining for sustainable development of mineral sector;
- To develop schemes for welfare and safety of mine workers;
- Provide internationally competitive regulatory frame work- mining concession rules and restructuring of the institutional arrangements for administration in the light of practices followed in developed countries.

Strategic Interventions

- Implementation of National Mineral Policy – 1995
- Techno-economic feasibility study for mine development of Chiniot iron ore and its industrial utilization
- Exploration and evaluation of coal deposits in Central Salt Range
- Assessment and Rehabilitation of areas affected due to salt mining in Salt Range; Jhelum and Khushab District
- Strengthening and up-gradation of Rescue and Safety Stations and Training Centers for mine workers
- Mine workers welfare schemes, provision of medical care facilities

5.19 INFORMATION TECHNOLOGY

Information Technology aims at providing better opportunities towards state of the art official governance, transparency for implementation in rules and regulations and best official practices in the public sectors. To develop Punjab as a hub of IT activity and to utilize IT in order to improve delivery of public services to citizens is the mission of Information technology. An amount of Rs.1960 million has been earmarked for I.T in 2010-11 for implementation of projects sponsored by ITD, PITB and the other government departments.

Objectives

- To provide a reliable, scalable IT infrastructure for the Government of Punjab, including a centralized secure, reliable, scalable data centre, district-level connectivity and license-compliant software.
- Human Resource Development by providing training through Boot Camps and Remedial Programs, IT Teachers training, Global IT Certification, Open Source Training and Training to Government Employees for enhancing E-readiness
- Provision of Software Technology Parks & Incubator Centres.
- Formulation of Provincial ICT Policy and Action Plan for short, medium and long term

- Enhancing foreign and domestic investment in the IT sector.
- Making and implementing policies for improved efficiency through automation of business processes and Business Process Re-Engineering (BPR).

Strategic Interventions

- Construction of state-of-the-art 17 storey Software Technology Park. Development of IT Infrastructure and Data Center to connect Government Departments and Districts for E-Governance with each other through common gateway
- Incubator Centers for IT startup firms. IT Training, manpower development and IT awareness. IT-enabled Arms License Issuance Management System
- Improvement of communication through networking of Highway Patrolling Posts. Replication of “Motor Transport Management Information System” and “Motor Vehicle Registration System” in the remaining districts of Punjab
- Citizen Services and automation of internal processes in Health, Education, Agriculture, Livestock and Home Departments. Citizen Feedback System. License Compliant Software and Open Source Software

5.20 COMMERCE & INVESTMENT

The provincial government envisions transformation of an Agri-based economy into a highly developed trade, marketing and investment sector. This in turn will boost the economy of the province and will bring prosperity in Punjab through promotion of trade and investment in the province.

Objectives

- Supporting provincial and federal policy formulation relating to commerce; strengthening domestic and international trade by facilitating private business;
- Creating an influential network of accredited resources for business community; make Commerce & Investment Department as the provincial body for a powerful and influential network of accredited resources - a network that can serve the wider business community;
- Facilitating business and industry through development of industrial parks, Special Economic Zones, Export-processing Zones, enterprises and business registration; establishment of training facilities, laboratories including quality assurance, material testing facilities etc. to facilitate private sector in meeting internationally acceptable standards for saving cost and time.

Strategic Interventions

- Setting up of testing laboratories for sports goods and material testing in Sialkot; registration of geographical indications (GI); capacity building of Commerce & Investment Department;
- Establishment of Translation Cell For Commercial Documents; Capacity Building of Punjab Chambers of Commerce & Industry in Punjab; Study on Barriers to Branding;
- Establishment of Technical Assistance for Building Brands; Feasibility Study on Establishing Business Facilitation and Incubation Complex; Establishment of Paddy / Wheat Storage Facility

5.21 LABOUR & HUMAN RESOURCE DEVELOPMENT

Labour Department is mandated to ensure social justice at the workplace through industrial peace; promote healthy labour-management relations for greater socio-economic progress; facilitate implementation of Occupational Safety and Health of labour; and undertake other welfare measures for workers' families including healthcare, education and housing etc. Similarly, it is the function of the human resource development to harness the existing potential of available human resource through training and development. An amount of Rs. 85 million has been allocated for this sector in 2010-11.

Strategic Interventions

- Provision of additional facilities and human resources at Centre for Improvement of Working Conditions & Environment (CIWC&E) / Industrial Relations Institute (IRI); Elimination of bonded labour in brick kilns in Punjab in general with major focus on Kasur & Lahore;
- Introduction of ergonomic looms for carpet weaving families; awareness of workers and employers of their rights and obligations under the Labour laws; and establishment of information system of factories and computerization of data.

5.22 EMERGENCY SERVICE

One of the primary duties of the provincial government is to provide quality rescue and emergency services to its citizens within the minimum possible time. In line with this policy objective, sufficient funds are being provided for upgradation and extension of Emergency Services in the province. The service has now been extended to all the districts of Punjab with 11 cities already having full fledged service arrangements. Emergency service in 24 remaining districts are at final stage, however, test run service has commenced in these districts. The Emergency Service Sector has been allocated Rs.2,000 million in 2010-11.

Strategic Interventions

- The Government of Punjab instead of making haphazard interventions has established modern pre-hospital emergency management infrastructure in 35 districts of Punjab (except newly created district Chiniot) including Murree city. Prior to the expansion of Rescue 1122 project, the results of third party evaluation reveal this project to be exemplary in terms of training, quality care, response and professionalism.
- As a result of the establishment of Punjab Emergency Service (Rescue 1122) in all districts of Punjab, a comprehensive Emergency Management and Disaster Response infrastructure has been established with trained Emergency Medical, Rescue & Fire Services along with Community & Disaster Emergency Response Teams for the first time in Punjab.
- The sustainability of the Emergency Services Reforms has been ensured through the enactment of Punjab Emergency Service Act, 2006 unanimously passed by the Punjab Assembly which clearly defined the role, functions and responsibilities of the Rescue 1122 Service. The Punjab Emergency Council and District Emergency Boards have also been established by the Government for monitoring the management of emergencies, improving coordination amongst concerned departments and recommending appropriate measures for the prevention of emergencies.
- The sustainable Human Resource Development has been ensured through establishment of the Emergency Services Academy of international standards for continuous human resource development.
- The Rescue 1122 Service shall be established in the newly created District Chiniot to maintain uniformity in the expansion of the Service at district level. Expansion of Rescue 1122 model in all tehsils has been approved under the project (Phase-I), 12 tehsils are to be taken up during 2010-11.

5.23 TOURISM

The provincial government is making concerted efforts for preservation, development and beautification of existing and potential tourist locations to attract tourists from within as well as outside the province / country. This Sector has been allocated Rs.1,675 million in 2010-11 which is substantially higher than last year's allocation of Rs.163 million.

Objectives

- Provision of infrastructure for the promotion of tourism in the province;
- Preservation and development of existing and potential tourist resorts in the province like Fort Munro, Khewra and Nankana Sahib;

- Co-ordination with other departments / agencies like Forest and Wildlife for the promotion of tourism i.e. wildlife based tourism (eco-tourism); and
- Create awareness among masses to promote domestic tourism.

Strategic Interventions

- Creation of tourist facilities at the potential sites of Khewra and Nankana;
- Construction of Tourism Complex at Trade Centre, MA Johar Town Lahore;
- Rehabilitation and conservation of Bibi Jiwandi Tomb Complex, Uch Sharif;
- Installation of Rope Way System with supporting facility from Jhika Gali to Murree;
- Development of Tourist Village near Derawar Fort Cholistan, District Bahawalpur;
- Renovation / Up-gradation of Lal Sohanra Resort, Bahawalpur;
- Improvement of tourist facilities in Murree;
- Establishment of a tourist resort at Khabeki Lake District Khushab;
- Establishment of a tourist resort at Uchalli Lake District Khushab; and
- Surveys and Studies to prepare Master Plan to Develop Murree as a pollution free Tourist Town.

5.24 TRANSPORT

The provincial government aims to provide efficient, economical, comfortable, safe and green transport facility to the public in Punjab. An amount of Rs.1,190.000 million has been allocated for transport purposes in the Budget 2010-11.

Objectives

- To provide accessible and time saving traveling
- To develop environment friendly traffic system
- To develop Rapid Mass Transit and integrated traffic management system
- To control vehicle emission
- To generate employment opportunities

Strategic Interventions

- To encourage and facilitate private sector investment in urban transport system
- Introduction of environment friendly transport (CNG Buses)
- Preparation of Transport Master Plan for Lahore with the assistance of JICA

- Preparation of Transport Master Plans for all major cities of Punjab in coming years with in-house expertise of Transport Department developed by JICA.
- Capacity building of the department through Transport planning unit

5.25 ENVIRONMENT

Healthy and human friendly environment is a basic need of every person on the earth. Therefore, it is imperative that the environmental conditions are improved not only to decrease the environmental and other forms of pollution in the society but also to create a healthy environment. The provincial government aims at promotion and attainment of sustainable development in the province through integration of economic and environmental considerations.

An amount of Rs. 335 million has been allocated in 2010-11 for environment sector.

Objectives

- Implement Pakistan Environmental Protection Act (PEPA 1997). Promote environmental awareness among the masses.
- Implement National Environmental Quality Standards (NEQS). Promote R&D in pollution prevention and environmental improvement.
- Monitoring of the quality of industrial effluents and municipal wastes.
- Encourage sustainable development.
- Provide information on environment friendly technologies. Conducting campaigns against smoky and noisy vehicles.
- Review of IEE/ EIA and issue environmental approvals. Collaborate with NGOs/ CBOs for undertaking environment related projects.
- Coordinate with Federal Government and other Provinces on environmental issues / policies / laws.

Strategic Interventions

- Regulatory control on environmental pollution through capacity building of EPA Punjab.
- Imparting environmental sustainability through capacity building of provincial departments in environmental management by training in various areas of environmental management including environmental impact assessment and life cycle Assessment etc.
- Grass root Initiatives through community based environmental improvement programme. Introduction of environment friendly indigenous technologies for various small and medium enterprises in Punjab.

- Motivation of research and educational institutions for development of indigenous pollution control technologies.
- Monitoring and characterization of surface water bodies in Punjab. Promotion and propagation of various sources of alternative energies suitable to geological and climatic conditions of Punjab particularly solar energy system.
- Propagation of environmental monitoring and surveillance program to identify and quantify the state of pollution.

5.26 INFORMATION, CULTURE AND YOUTH AFFAIRS

The need of hour is to make necessary arrangements for the uplift of youth in the fields of education, culture, science and technology in order to create conducive environment for the promotion of language, art & culture and to provide adequate institutional framework for national solidarity. The amount of Rs. 295 million has been allocated for Information, Culture and Youth Affairs for 2010-11.

Objectives

- Project and promote policies and priorities of the Government of the Punjab. Protect and conserve the cultural heritage of Punjab
- Promote language, art and culture of the Punjab. Document and survey the archaeological and cultural heritage of Punjab
- Preservation and restoration of historical / heritage buildings and monuments. Expansion of existing network of Arts Councils and museums in Punjab. Conservation and up-gradation of crafts

Strategic Interventions

- Preservation and restoration of Shalamar Garden, Lahore (Five Year Programme)
- Preservation and restoration of Lahore Fort (Five Year Programme). Archaeological / cultural heritage in the Punjab
- Establishment of Chakwal Museum at Kallar Kahar
- Establishment of museum and art gallery at Gujrat
- Establishment of museum at Multan
- Re-construction of Murree Arts Council
- Construction of auditorium in arts councils at Sargodha, Bahawalpur, D.G. Khan, Gujranwala, Multan and Okara.
- Preservation / restoration of fort wall of Shujabad, Pattan Minara.
- Construction of Information & Cultural Complex at Rawalpindi.
- Conservation and development of Katas Raj Complex.

5.27 AUQAF, RELIGIOUS & MINORITY AFFAIRS

Pakistan is an Islamic country and it is the primary duty of all the provinces to provide best possible facilities to the people to offer their religious activities. The major parameter of the policy is to provide improved standards of religious services and facilities at mosques, shrines and peaceful environment for devotees. Religious harmony and promotion of unity amongst various sects of Islam has specially been focused. Standardized publication of the Holy Quran will be emphasized. Historic documents will be preserved and shrines in the neglected and far off areas will be restored. The allocations for Auqaf, Religious and Human Rights & Minority Affairs sectors for the year 2010-11 are Rs. 276 million and Rs.215 million respectively.

Strategic Interventions

- Construction of Quran Complex and Seerat Academy at Upper Mall (Shrine Hazrat Mian Meer) Lahore;
- Re-Flooring of courtyard of Badshahi Mosque. Addition / improvement of wash rooms / kitchens with eating rooms / dispensaries at shrines according to customized modular design;
- Restoration of shrines at Uch Sharif. Rehabilitation/ up-gradation of public facilities for visitors / zaireen at Shrine Hazrat Nausha Pak, Ranmal Sharif.
- Rehabilitation / up-gradation of public facilities for visitors/zaireen at Mosque Hazrat Madhoo Lal Hussain.
- Rehabilitation / up-gradation of public facilities for visitors at Badshahi Mosque. Restoration works at Shrine Hazrat Mian Mir.
- Development scheme/upgradation of public facilities for visitor/zaireen at Shrine Hazrat Makhdoom Rasheed, Multan and development scheme at Darbar Hazrat Baba Bulley Shah, Kasur.
- A block allocation of Rs.200 million has been provided for the development schemes for the Minorities.

5.28 ACCESS TO JUSTICE PROGRAMME

An affordable, speedy and equitable judicial system is considered as back bone of society. Therefore, the province of Punjab is making great efforts to achieve its policy objectives in this domain. The Government is strongly committed to the rule of law in the province and recognizes that it is not possible to achieve that objective without a fair and efficient justice system. It also realizes that the present condition of the justice system is due to poor infrastructure facilities, inadequate wages, poor human resource capacities and archaic systems and processes. Accordingly the Government intends to continue making serious and long term interventions in these areas. The program views the justice system as a whole where improvement will not occur

unless each component of the program improves. An amount of Rs.50 million has been allocated in ADP 2010-11 for AJP.

Objectives

- Improve the efficiency, timeliness and effectiveness in judicial services. Bringing greater quality in accessibility in justice services for the vulnerable poor.
- To secure and sustain entitlements and thereby reduce vulnerability of the poor.
- To strengthen the legitimacy of state institutions.
- To create conditions conducive to pro-poor growth especially by fostering investor's confidence.
- Comprehensive reforms in justice sectors especially focusing i) Judicial reforms (Including administrative justice institutions) ii) Police reforms iii) Prosecution reforms iv) Legal education reforms.

The detail of reform initiatives under each of the above areas is as under:

❖ POLICE

- Ensuring an independent, accountable, transparent and professional police service free from political interference.
- Fostering better police –citizen relations. Modernizing police investigation techniques and processes.
- Ensuring compliance with human rights

❖ PROSECUTION

- Ensuring an independent, accountable, transparent and professional prosecution service.
- Developing processes to ensure that only cases fit for trial are submitted to and remain in the court process.
- Ensuring integrity systems. Establishment of a professional and competent inspectorate of the prosecution service for monitoring and evaluation of prosecutorial services.

❖ JUDICIARY

- Capacity building of judicial officers.
- Introducing modern and professional court management techniques. Improving judicial governance.

- Reform of civil and criminal process to ensure justice in an efficient manner. Creating a mechanism for enforcement of regulatory laws.

❖ **CORRECTIONAL SERVICES**

- Improving standards in jail to ensure healthy and hygienic living.
- Increasing transparency in jail administration procedures.
- Ensuring quick and secure transport of prisoners.
- Introducing statutory sentencing guidelines providing for non-custodial sentences in minor offences.
- Strengthening institutions dealing with non-custodial sentences.

❖ **LEGAL EDUCATION**

- Working towards improvement of publicly owned legal education institutions.
- Formulating and enforcing parameters for quality legal education.
- Promoting legal research and academic scholarship.

❖ **STRATEGIC INTERVENTIONS**

- Construction of District Jail Okara (Residential Portion & Non-Residential Portion).
- Construction of non-residential portion of District Jail Pakpattan and District Jail Layyah
- Construction of District Jail Bhakkar.
- Construction of Residences for Judicial Officers in Judicial Complex at Jhelum.
- Construction of Judicial Offices, Record Block, Lahore High Court, Lahore.
- Construction of Judicial Complex at Rawalpindi.
- Construction of Judicial Complex at Jhelum.
- Establishment of Forensic Science Agency.

5.29 SPECIAL INFRASTRUCTURE

Lahore Ring Road (LRR) Project

Commenced after detailed designing of the northern loop in 2005, the Lahore Ring Road Project is being implemented in two phases consisting of northern and southern loops of the circumferential road. The LRR is designed as a three-lane dual carriageway with outer and inner shoulders including interchanges at major road crossings on various locations. First phase of the LRR Project extends over 43 km road and comprises 17 construction packages (*including 9 interchanges*). The second phase of the project shall consist of southern arc of Lahore Ring Road traversing a new corridor (about 49 km) linking Ferozepur Road Interchange to Shahpur Interchange and finally connecting to the northern arc via Saggian Interchange for completing the peripheral loop.

LRR Targets for the Year 2010-11

Completion of LRR (North)	=	100 % completion during FY 2010-11.
Detailed Engineering Design for LRR (South)	=	Detailed Feasibility & Engineering Design for the Southern Loop of LRR project

*Chapter 6***MEDIUM TERM BUDGETARY FRAMEWORK (MTBF)****6.1 What is MTBF?**

Medium Term Budgetary Framework (MTBF) is a multi year approach to budgeting which links the spending plans of the government to its policy objectives in medium term (usually three years).

In a nutshell, MTBF emphasizes:-

- Systematic use of rolling multi year perspective to formulate the annual budget;
- Distinction between on-going and new expenditure initiatives / policies;
- Linking the availability of the likely resources with Medium Term Fiscal Framework and fiscal / policy indicators.

The multi year horizon provides the line departments the requisite space and flexibility to formulate, plan and implement the policies which primarily focus on outputs or service delivery.

6.2 Why MTBF?

Annual budget making being incremental in nature suffers from inherent weaknesses which limit its usefulness in spending resources to their optimal use. Failure to link policy, planning and budgeting is the single most important cause for poor budgetary outcomes especially in developing countries. In response, a number of countries including Pakistan has introduced a medium term perspective to the budget making i.e. MTBF. In many respects, MTBF is now considered as a panacea for improving the public sector financial management system. It is generally agreed that introduction of MTBF is not only imperative to remove the existing inadequacies of planning and budgeting systems but is also vital for improving the overall performance related problems of the government.

Some of the weaknesses of the traditional annual budget making are summarized as follows:

6.2.1. Structural Rigidities

In an input based budgetary approach, increase in the resource allocation for the next financial year is normally adopted on incremental basis leaving a little room for the departments to reprioritize their functions. Resultantly, the departments keep on performing such functions and activities that are no more required or these don't fit in the strategic priorities of the department. Similarly, the analysis of the budgetary expenditures under the Schedule of Authorized Expenditures and SNEs (Schedule of New Expenditures) have also become a mechanical exercise

due to lack of objective analysis of these spending and non availability of analytical tools to ascertain the under or over allocation in a particular department or a spending unit. In these circumstances, where the permanent budget forms a greater part of the total current budget of a particular department, it is very hard for the department itself and even for the Finance Department to identify redundancies and overlaps within the sector or departmental functions and to allocate such resources to the areas where they are actually needed.

6.2.2 Outdated Yardsticks

Yardsticks particularly for O&M allocations in most of the cases are out dated. Resultantly, the allocations based on these parameters are inconsistent with the actual requirements for maintenance of infrastructure of the government. Consequently, neither the resource need for O&M expenditures are identified through a scientific and statistical analysis nor the allocations are expended in an efficient manner to maintain the existing and new infrastructure on sustainable basis.

7.2.3 Weaknesses in Preparation and Budgeting of the Development Programme

Annual Development Program as a whole does not essentially reflect the development vision of the government. Developmental allocations are normally skewed towards a particular sector or an area. Resultantly, imbalances in sectoral and regional allocations are observed in the Annual Development Program. As a consequence, a number of development projects in the ADP don't follow a consistent pattern of prioritization and funding. Further, the existing weaknesses in our planning paradigm coupled with lack of capacity and understanding at the departmental level results in formulation of such development schemes which are not in consonance with the overall strategic prioritise of the government and envisaged interventions in a particular sector. As a result, in every year, large number of development projects don't get an adequate allocation which ultimately affects their timely execution in addition to the cost overruns.

6.3 Salient Features of MTBF

Medium Term Budgetary Framework focuses on realistic projections covering both the development and recurrent expenditures. However, the success of this endeavour is primarily dependant upon defining sectoral policies and priorities which are clear, concise, affordable and consistent.

Broadly, MTBF is expected to bring improvements in budget making process and outcomes through:-

- Clarity of policy objectives;
- Predictability in budget allocations;
- Comprehensiveness of coverage;
- Transparency in use of resources.

More specifically, the ultimate objective of MTBF is to give some degree of predictability to spending agencies while ensuring the overall financial discipline. Successful implementation of

Medium Term Budgetary Framework demands that the projections and resource allocation is diagnostic rather than formulaic. In other words, improving budget outcomes requires a focus on where the real problem lies. Similarly, trying to achieve transparency in the allocation of resources to specific activities would be an exercise in futility if the overall sectoral policies are unclear, inconsistent or unrealistic.

6.4 MTBF in Line Departments

Government of Punjab initiated the budgetary reforms under MTBF framework in financial year 2008-09. These reforms were piloted in the department of Health and Irrigation & Power. These two departments prepared a more prioritised and output focused budget estimates for three years i.e. 2009-10, 2010-11 and 2011-12 within the multi year resource ceilings indicated by the Finance Department. From fiscal year 2009-10, these reforms were rolled out to three more departments i.e. Higher Education, Livestock & Dairy Development and Excise & Taxation. To take the reform process forward and sustain it at the existing level, technical assistance is being provided by Punjab Resource Management Program with ownership, intense engagement and co-sponsorship by Finance Department.

Implementation of MTBF in financial year 2009-10 began with issuance of an appropriately designed Budget Call Circular (BCC) to MTBF Departments in November 2009. MTBF-BCC provided the line departments with indicative budgetary ceilings both for current and development budget for next three years along with broad parameters for developing multi year budget estimates. Budget Estimates for FY 2010-11 of MTBF Departments both for the current and development budget along with indicative ceilings for FY 2010-11 are given in the Table 6.1 below.

Table 6.1
Summary of Budget Estimates of MTBF Departments for the FY 2010-11
(Rs. in Millions)

No.	Department	Indicative Ceiling 2010-11		Proposed Budgetary Allocations for FY 2010-11	
		Current	Development	Current	Development
1	Health	26,153.396	15,000.000	28,499.629	14,500.000
2	Irrigation & Power	9,378.982	12,500.000	6,522.953	11,005.000
3	Livestock and Dairy Development	1,948.648	2,500.000	1,945.976	2,000.000
4	Higher Education	10,500.000	6,125.000	13,483.254	6,350.000
5	Excise & Taxation	182.640	0.000	147.304	0.000

Specially designed budget forms were provided to these departments to facilitate the spending units and the departments to prepare their budget estimates on a multi year format. Using these BCCs, a detailed exercise was carried out by each of the MTBF Departments for determining output indicators, identifying activity levels to achieve these indicators and costing of the same in a medium term perspective. Most of the departments were able to formulate their budget estimates on MTBF format within the indicative ceilings. However, based on discussions

with the stakeholders and subsequent meetings at departmental level, Finance Department and steering committee, additional allocations were made in conformity with the demands.

6.5 Capacity Building for MTBF

Success of the MTBF budgetary framework not only required an active participation of a wider number of people in the budget making process but also the availability of trained human resource associated with the budget making process. This objective was achieved through a purposefully designed training program which trained the participants in defining and prioritizing the activities to be performed by these departments. Consequently, an improvement in the quality of budget estimates was witnessed in addition to a greater degree of ownership and commitment of the departments towards the budget making process.

Extensive capacity building of Budget and Account Officers / Drawing and Disbursing Officers was carried out as a part of MTBF implementation program. A series of workshops under the auspices of PRMP were conducted for all spending units of the MTBF Departments at various locations of the province (Multan, Bahawalpur, Rawalpindi, Faisalabad, Lahore, D.G. Khan, Sahiwal, Sargodha etc.). These training programs inter alia focused on conceptual dimensions of MTBF, its costing techniques and parameters and use of IT tools in budgeting making process.

6.6 Way Forward

Realizing the importance of better planning and budgeting and advantage of using MTBF in the overall context of fiscal discipline, Government of Punjab is committed to extend the MTBF reforms to all departments. It is expected that most of the provincial government departments will be brought under MTBF within the next three to four years.

Chapter 7

DEBT AND CONTINGENT LIABILITIES

To implement the ambitious socioeconomic program of the Government of Punjab envisaged in the budget for financial year 2010-11, it is absolutely imperative that outstanding debt and contingent liabilities are also managed in a prudent manner. Effective management of debt and contingent liabilities will in turn provide the requisite fiscal space, which can then be utilized for investments in social, economic and industrial sectors.

It may however, be added that review of overall fiscal position of the province would remain incomplete if the future financial obligations of the government are not taken into account. Conventional fiscal management in the past focused only on the explicit liability of the government without taking into consideration the growth in unfunded and deferred obligatory payments like Pension and General Provident Fund. Further, payments accruing due to financial guarantees extended by Government of Punjab to bail out certain financial institutions including banks working under the provincial ambit were not properly documented while ascertaining the debt liability for a particular financial year.

Departing from this past practice, White Paper for this financial year attempts to summarise and report both the explicit and implicit liabilities whether payable directly by the Government of Punjab or any obligation arising as a consequence of various guarantees or events. It is hoped that reporting of such liabilities in a transparent, comprehensive and a predictable manner shall continue in the succeeding years. The importance of such disclosures is also significant in the circumstances where provincial government is intending to forge an equitable and transparent partnership with private sector for important infrastructure undertakings. Investment partners from the private sector or lenders would definitely benefit from these statistics before making any investing or lending decision.

7.1 Debt Outstanding

The total outstanding debt stock of the Punjab Government (as of July 1, 2010) would stand at Rs. 485.706 billion, which includes Rs. 94.920 billion of domestic and Rs. 390.786 billion of foreign debt (Table 7.1). In percentage terms, the domestic debt constitutes 19.5% while foreign debt accounts for 80.5% of the total debt liability.

Table 7.1
Debt Stock of the Provincial Government as of 30.06.2010

	<i>(Rs. in Billion)</i>	
	Principal	Percentage
Total Domestic Debt	94.920	19.5%
Total Foreign Debt	390.786	80.5%
Total Debt	485.706	100%

The proportion of foreign loans in the total debt stock is quite high. In case of foreign loans, the foreign currency in which the loan is negotiated is retained by the Federal Government to meet its foreign exchange needs and the share of the province is transferred in equivalent Pak Rupees but the foreign exchange risk is picked up by the Provincial Government in most of the cases. The outstanding foreign debt has gone up to Rs. 390.786 billion on account of new foreign loans and depreciation in the value of the Pak rupee against major foreign currencies as against total debt of Rs.339.600 billion in financial year 2009-10.

7.2 Profile of Debt Servicing Liability for both Foreign and Domestic Loans

Total debt profile including both Domestic and Foreign debt as on 30.06.2010 is appended as Annex-I of the White Paper. This profile is based on the assumption that no new loan will be taken in future and the exchange rate will remain constant. However, the forecast cannot be considered as dynamic as the requirement of additional domestic and foreign loans are still to be incorporated in a Medium Term Fiscal Framework. Nevertheless, even the existing projections show a rising debt liability of Government of Punjab in absolute terms in the ensuing years.

Table 7.2
Budgeted Estimates for Debt Servicing both Domestic and Foreign Debt for the FY 2010-11

	<i>(Rs. in Billion)</i>		
	Principal	Interest	Total Debt Servicing
Domestic Debt	23.407	17.462	40.869
Foreign Debt	8.612	3.822	12.434
Total Debt	32.019	21.284	53.303

7.3 Domestic Debt

Outstanding domestic debt stock of the Government of the Punjab as of July 1, 2010 is Rs. 94.920 billion as tabulated below:

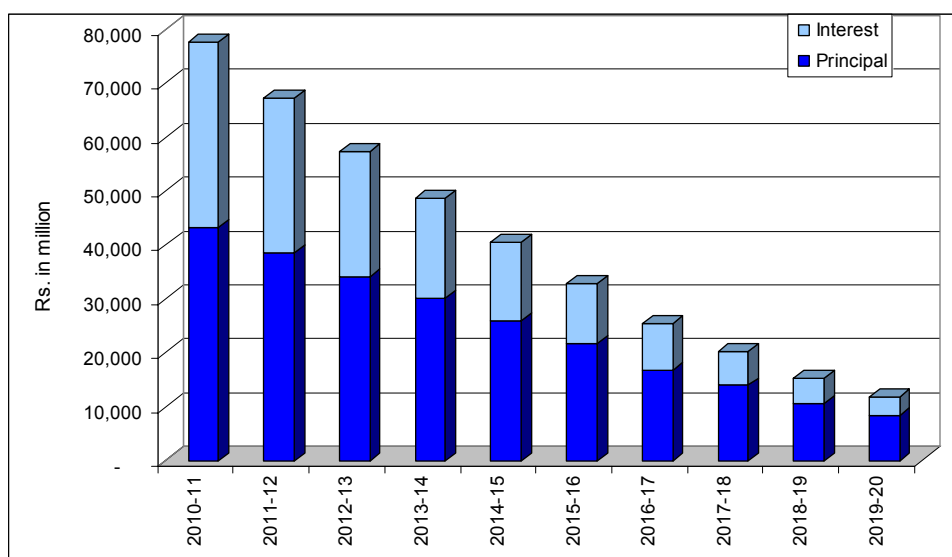
Table 7.3
Domestic Debt

	<i>(Rs. in Billion)</i>
Type of Loan	Principal
CDL Normal	31.869
CDL SCARP	11.695
Total CDL	43.564
Blocked Account	41.356
Loan from BOP	10.000
TOTAL	94.920

7.3.1 Debt Servicing Profile of Domestic Debt

Debt servicing profile of CDLs between 2009-10 and 2019-20 is presented in Figure 7.1. The profile indicates that the province is making significant interest payments on account of retirement of expensive CDLs.

Figure 7.1
Cumulative CDL Servicing (Principal + Interest)
2010-11 to 2019-20



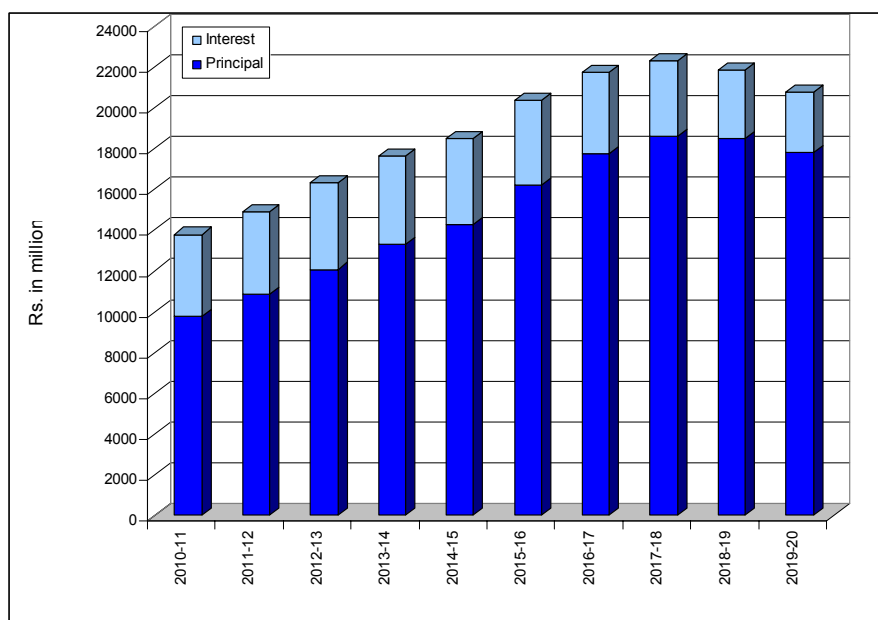
7.4 Foreign Debt

The outstanding foreign debt stock as of July 1, 2010 is Rs. 390.786 billion. Most of the foreign loans have fixed interest rates. Therefore, the only risk to which the Government is exposed is the exchange rate of Rupee vis-a-vis currencies in which the loans are denominated (US\$ and Japanese ¥). Of late, Provincial Government has however negotiated foreign loans with interest rates linked to LIBOR (London Inter Bank Offer Rate). As LIBOR varies on daily basis, it may add an additional risk of interest rate volatility to the debt servicing.

7.4.1 Foreign Debt Servicing

Cumulative foreign debt servicing of the Punjab Government for the period 2009-10 – 2019-20 is given in Figure 7.2. Debt servicing of foreign loans will be highest during the years 2015-16 to 2018-19. This is the period when repayment of the principal amounts of program loans starts.

Figure 7.2
Cumulative Foreign Debt Servicing (Principal + Interest)
2010-11 to 2019-20



This increase has come about due to addition of new loans and expiry of the grace period of earlier loans taken by the Provincial Government. The increasing foreign debt burden of the Provincial Government is a cause of concern. However, our development commitments in the social and economic sectors would require further foreign borrowing at least in the medium term and it is likely that the debt stock on this count would rise further.

7.5 Pension and General Provident Fund Liabilities

Pension and General Provident (GP) Fund liabilities of provincial government employees are explicit because the government is legally mandated to discharge these liabilities. However, owing to their unfunded nature and long term perspective under a pay-as-you-go, pension schemes are viewed as implicit liability.

General Provident Fund contributions are deducted from salaries of provincial government employees and form part of the Public Account. The government has a fiduciary responsibility for these contributions. However, to avert the possibility of using the Public Account balances as a borrowing window for other government expenditures, there is a need to separately finance the GP Fund and replenish the amounts utilized against GP Fund balances. In the financial year 2010-11, Punjab Government will commit Rs. 7,000 billion for capitalization of the GP Fund and Rs.2,000 billion for Pension Fund.

7.5.1 Pension Liability

The estimated accrued pension liability of active employees and pensioners (combined) as of 30 June 2009 is Rs. 597.6 billion as detailed below:

Table 7.4

(Rs. in billion)

	Accrued Liability
Active Employees	391.6
Pensioners	206.0
Total	597.6

This is an implicit pension liability on account of pension commitments of the Government of Punjab for future pension payments and is similar to any other obligation of the provincial government. On a 30 year time scale, Government of Punjab's pension payments are expected to rise from the current Rs. 21.2 billion to Rs. 532.7 billion by the year 2040 on nominal basis as illustrated in the following table:

Table 7.5

Pension Payments (5 year intervals)

(Rs. in billion)

Year	Expected Pension	Expected Commutation	Total Expense	
			Nominal Basis	Real Basis
2009-10	16.4	4.8	21.2	20.0
2014-15	28.7	9.9	38.6	25.0
2019-20	54.4	23.1	77.5	34.6
2024-25	106.2	48.1	154.3	47.3
2029-30	196.8	67.1	263.9	55.2
2034-35	307.3	59.0	366.3	52.0
2039-40	450.5	82.2	532.7	51.8

* Inflation rate is assumed at 8%

Approximate cash flows on account of pension payments are expected to increase at a rate of 13.5% annually for the next 20 years. On a real basis, pension outflows are expected to increase at a rate of 5.3% annually for the next 20 years. Greater details of expected outflows on account of pension payments on annual basis can be seen in the Annex-II of the White Paper.

Following graphical representation shows a pattern of cash flow projections over the next 30 years.

Figure 7.3
Expected Pension Benefit Payments on Nominal Basis

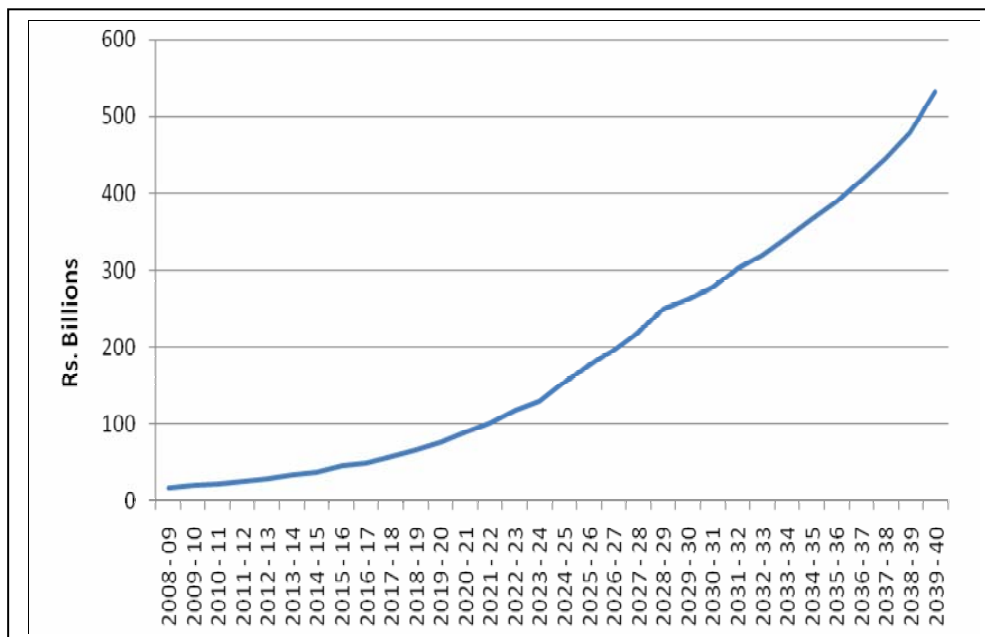
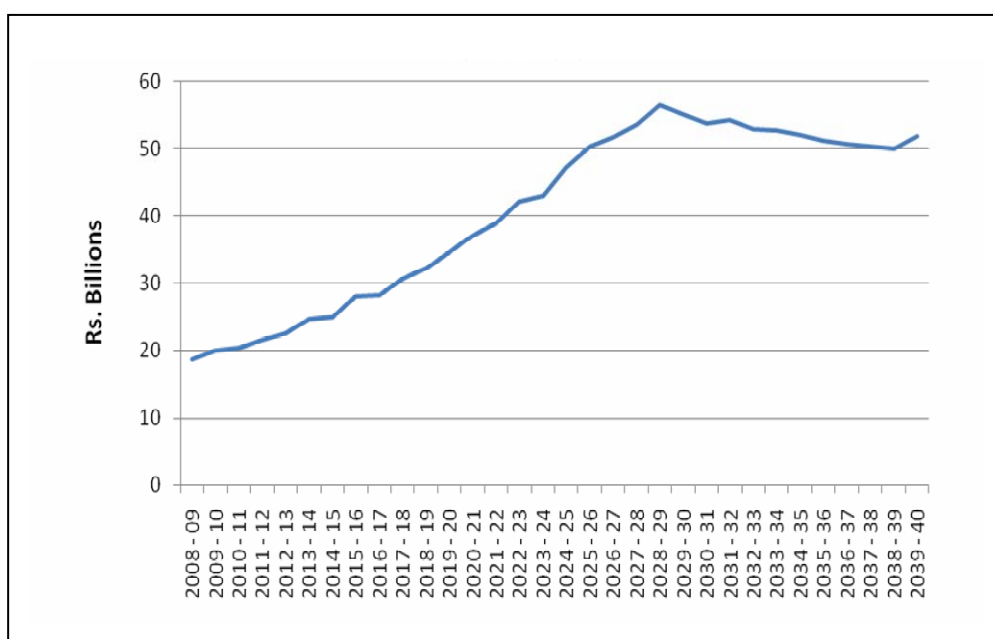


Figure 7.4
Expected Pension Benefit Payments on Real Basis



7.5.2 General Provident Fund Liability

The amount of GP Fund payment of a provincial government employee is the accumulated contribution deducted from his salary during his service plus interest announced by the Government of Punjab on such contributions on annual basis. The accrued GP Fund liability of

in service employees as of 30th June 2009 is Rs. 79.185 billion. This estimate is based on an actuarial study conducted by the Government of Punjab on a sample of provincial government employees. GP Fund contributions are not only a hard liability but due to the complex and intricate process of accumulating GP Fund credits and poor record keeping, GP Fund balances in government accounts are likely to be under reported because of missing credits. Expected cash flows related to GP Fund over the next 30 years are given below:

Table 7.6
GP Fund Payments (5 year intervals)

(Rs. in billion)

Year	Total Expense	
	Nominal Basis	Real Basis
2009-10	4.2	3.9
2014-15	7.4	4.9
2019-20	17.5	7.7
2024-25	38.7	11.6
2029-30	56.1	11.6
2034-35	62.0	8.9
2039-40	87.9	9.7

Inflation is assumed at 8%

The size of the future liability on account of GP Fund and expected cash flows for the GP Fund can be seen in the Annex-III & IV to the White Paper. Following graphical representations depict the cash flow projections of GP Fund payments over the next 30 years:

Figure 7.5
Expected GP Fund Payments on Nominal Basis

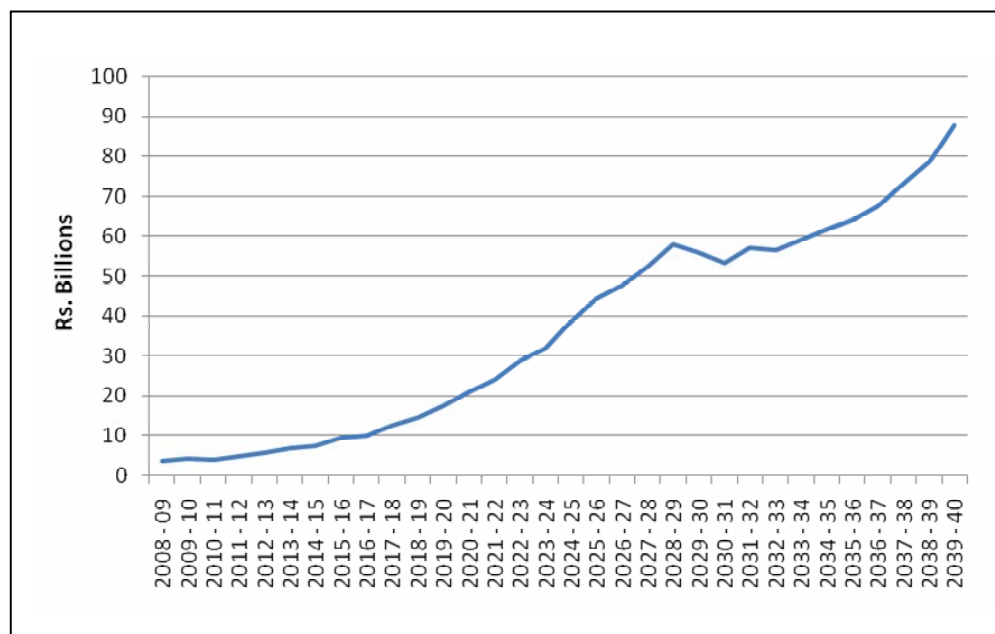
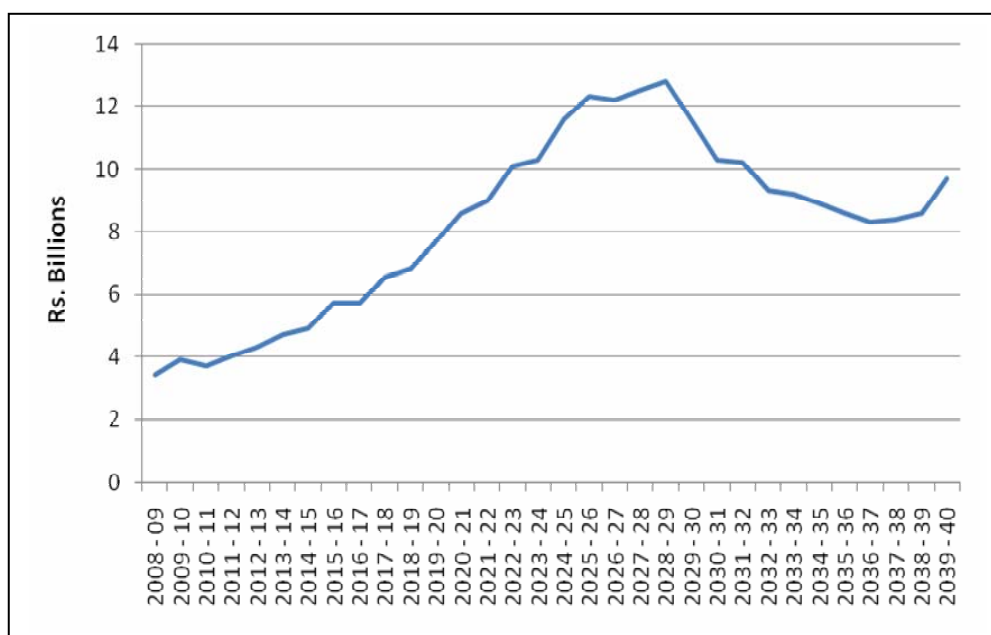


Figure 7.6
Expected GP Fund Payments on Real Basis



7.5.3 Assumptions underlying actuarial assessment of contingent liability

For the purpose of actuarial valuation of Punjab Government pension and GP Fund schemes, the following assumptions have been used:

- Rate of inflation 8% p.a.
- Rate of return of fund 12% p.a. (Real return 4% p.a.)
- Total salary growth 11% p.a. (Real growth 3% p.a.)
- Pension growth rate 8% p.a. (Real growth nil)
- GP Fund growth rate 8% p.a. (Real growth nil)
- Govt. Revenue growth rate 10% p.a. (Real growth 2% p.a.)
- No. of new entrants 1% of total active employees at beginning of the year

7.6 Funding Strategy

In Medium Term Fiscal Framework 2009-12, Government of Punjab has outlined its Funding Strategy 2010-39. The main objective of the funding strategy is to ensure that the explicit pension and GP Fund liabilities are paid without seriously compromising other expenditures in the future. In this respect, priority would be given to the relatively harder liability of the GP Fund which can easily be fully funded in a number of years and taken off the budget. The funding will be ensured on a regular, annual basis to instil discipline in addressing the growing costs and accrued liabilities.

Funding strategy 2010-39 aims at:

- (i) Building up reasonable pension assets during the next 5-10 years with a view not only to discharge a major portion of pension expense as an off-budget item but also to cater for any expected or unexpected spikes in pension expenditures through the earnings of the Punjab Pension Fund. This in turn will create a fiscal space to meet partial pension outgo, if needed. The funding would be made available from provincially generated resources.
- (ii) The government would transfer equivalent amount from the Provincial Consolidated Fund to the annual employees GP Fund contributions every year and in addition would amortize past arrears of GP Fund annually from the Provincial Consolidated Fund for the next 30 years.

During the initial 5 years, contributions will be relatively limited, owing to the continuing economic downturn which has a direct correlation with the tax collection effort. Thereafter, it is expected that greater resources would be spared for funding the Pension and GP Fund liabilities once the economic situation stabilises. The table below illustrates the funding strategy for the next five 5 years:

Table 7.7
Funding Strategy 2010-15

(Rs. in billion)

Financial Year	Annual Regular Contribution deducted from Salaries	Past GP Fund Liability Amortization Instalment	Total Amount of Pension Fund Contribution	Total Contribution
2010-11	5.0	2.0	2.0	9.0
2011-12	5.0	2.0	2.0	9.0
2012-13	6.8	3.0	3.0	12.8
2013-14	7.5	3.0	3.0	13.5
2014-15	8.3	4.0	4.0	16.3

From 2015-16, in case of pensions, the funded amount will be a percentage of the estimated basic salary, which is the basis of determining pension payments. Each year from 2015-16, 5% of the basic pay budgeted for the provincial employees will be contributed to the Punjab Pension Fund.

7.8 Punjab Pension Fund's Investments and its Fair Value

Funds contributed by the Government of Punjab have been placed in Term Deposit Receipts with a commercial bank at competitive rates. Once Trust Deed is finalized, investments will be made in accordance with the Investment Policy approved by the Management Committee of the Fund. Net Fund Value of the Fund would stand at approximately Rs. 13.800 billion at the end of the current financial year i.e. 30th June 2010.

7.9 Other Contingent Liabilities of the Government of Punjab

Presently there are two major liabilities which the Government of Punjab intends to discharge in future years on account of its corporate entities.

- (i) Repayment of Rs. 10,000 million loans to the State Bank of Pakistan provided for the Bank of Punjab. The Government of Punjab expects to pay out Rs. 6,175.000 million in the next financial year.
- (ii) Repayment of Rs. 8,000.000 million to the State Bank of Pakistan in its capacity as guarantor of the SBP credit line to the Punjab Provincial Cooperative Bank. In financial year 2009-10, an amount of Rs. 2,500.000 million has been paid. In the budget estimates of FY 2010-11, a provision of Rs. 5,000.000 million has been made.

Chapter 8**7th NATIONAL FINANCE COMMISSION AWARD 2009****8.1 INTRODUCTION**

Fiscal management system in our country revolves around the concept of fiscal federalism. Most of the revenues are collected by the Federal Government and are redistributed vertically between the federal and provincial governments and horizontally amongst the provinces under an institutional arrangement of NFC Award.

8.2 NATIONAL FINANCE COMMISSION AWARDS – HISTORICAL PERSPECTIVE**8.2.1 Pre-independence Revenue Sharing (Niemeyer Award)**

Prior to independence, Niemeyer Award (under the 1935 Act) was followed to distribute the resources between federal and provincial governments of the British India. Under this award sales tax was a provincial subject while income tax collections were redistributed as 50 percent of the total collection. Even after the creation of Pakistan, till March 1952, same award was followed with some adjustments in railway budget and sharing of income and sales tax.

8.2.2 Post-independence Revenue Sharing Arrangements

After independence in December 1947, Sir Jeremy Raisman was assigned to formulate a feasible revenue sharing formula between federation and federating units of the country. After extensive consultations, Raisman Award was finally announced in 1952. As per the announced arrangements under Raisman Award, out of 50 percent proceeds of income tax, East Pakistan government was entitled to 45 percent of the federal divisible pool whereas West Pakistan got the remaining share. This share was distributed as 27, 12, 8, 4, 0.6, 0.6, and 2.8 percent amongst provinces of Punjab, Sindh, NWFP and Bhawalpur, Khairpur, Balochistan states union and residuals, respectively.

8.2.3 Revenue Sharing under One Unit

Four provinces NWFP, Sindh, Punjab, and Balochistan of West Pakistan were declared as one unit during 1955. Earlier, these provinces were considered having a separate identity similar to East Pakistan. After these arrangements, two separate units namely East and West Pakistan existed. Two awards for year 1961 and 1964 were announced during that period.

- **1961 Award**

Under this award, out of the divisible pool (70% of sales tax plus other taxes), East Pakistan and West Pakistan got 54% and 46% share, respectively. 30% of sales tax was assigned to the provinces on the basis of collection in their respective areas. While the remaining duties on

agricultural land and capital value tax on immovable property were given to the units as per their collection.

- **1964 Award**

National Finance Commission 1964 was constituted under Article 144 of 1962 Constitution. The divisible pool consisted of collection from income tax, sales tax, excise duty and export duty. However 30% of sales tax was distributed in accordance with its collection in each province. The respective share out of divisible pool between centre and provinces were 35:65 percent. The share of East Pakistan and West Pakistan remained unchanged at 54% and 46%. However, on 1st July 1970 the West Pakistan was divided into Punjab, Sindh, NWFP and Balochistan. In pursuance of this arrangement, its share of 46% was distributed as 56.5, 23.5, 15.5 and 4.5% respectively among the new provinces.

- **National Finance Committee 1970**

A committee was set up to recommend the inter-governmental resource sharing under the Federal Finance Minister on April 1970. The divisible pool remained unchanged. However, the share of the federal and provincial governments in the divisible pool was considered to be 20:80 percent respectively. Out of the provincial share 54 percent was given to East Pakistan, while the remaining 46 percent was distributed among the rest of the provinces as is given in Table 8.1.

Table 8.1
Provincial Share in the 1970 Award

Punjab	Sindh	NWFP	Balochistan
56.50%	23.50%	15.50%	4.50%

However after the separation of East Pakistan the provinces that constituted West Pakistan continued to receive their respective shares in the same proportion as stated above where as the size of revenue pie changed.

8.2.4. Financial Arrangements under 1973 Constitution

Constitution of 1973 clearly spelled out the composition, parameters and processes for establishment of National Finance Commission and the timelines specified therein. Similarly, basic framework for allocation of fiscal powers and distribution of revenues between the federation and the provinces was also provided in the Constitution of Islamic Republic of Pakistan through an arrangement of National Finance Commission Award.

Article 160 of the Constitution envisages the establishment of National Finance Commission as follows:

- (1) Within six months of the commencing day and thereafter at intervals not exceeding five years, the President shall constitute a 'National Finance Commission' consisting of the Minister of Finance of the Federal Government,

the Ministers of Finance of the Provincial Governments, and such other persons as may be appointed by the President after consultation with the Governors of the Provinces.

- (2) It shall be the duty of the National Finance Commission to make recommendations to the President as to-
 - (a) the distribution between the Federation and the Provinces of the net proceeds of the taxes mentioned in clause (3);
 - (b) the making of grants-in-aid by the Federal Government to the Provincial Governments;
 - (c) the exercise by the Federal Government and the Provincial Governments of the borrowing powers conferred by the Constitution; and
 - (d) any other matter relating to finance referred to the Commission by the President.
- (3) The taxes referred to in paragraph (a) of clause (2) are the following taxes raised under the authority of [Majlis-e-Shoora (Parliament)], namely: -
 - (i) taxes on income, including corporation tax, but not including taxes on income consisting of remuneration paid out of the Federal Consolidated Fund;
 - (ii) taxes on the sales and purchases of goods imported, exported, produced, manufactured or consumed;
 - (iii) export duties on cotton, and such other export duties as may be specified by the President;
 - (iii) export duties on cotton, and such other export duties as may be specified by the President;
 - (iv) such duties of exercise as may be specified by the President; and
 - (v) such other taxes as may be specified by the President.
- (4) As soon as may be after receiving the recommendation, of the National Finance Commission, the President shall, by Order, specify, in accordance with the recommendations of the Commission under paragraph (a) of clause (2), the share of the net proceeds of the taxes mentioned in clause (3) which is to be allocated to each Province, and that share shall be paid to the Government of the Province concerned, and, notwithstanding the provision of Article 78 shall not form part of the Federal Consolidated Fund.
- (5) The recommendations of the National Finance Commission, together with an explanatory memorandum as to the action taken thereon, shall be laid before both Houses and the Provincial Assemblies.

- (6) At any time before an Order under clause (4) is made, the President may, by Order, make such amendments or modifications in the law relating to the distribution of revenues between the Federal Government and the Provincial Governments as he may deem necessary or expedient.
- (7) The President may, by Order, make grants-in-aid of the revenues of the Provinces in need of assistance and such grants shall be charged upon the Federal Consolidated Fund.

In pursuance of the above referred powers, President of Pakistan reconstituted the 7th National Finance Commission on July 24, 2009. After due deliberations and extensive consultations amongst stakeholders, recommendations of the 7th NFC Award were finally announced in December 2009. Before the announcement of 7th NFC Award, under the arrangements envisaged in 1973 Constitution, four regular, two interim awards and in 2006, a Presidential Order for distribution of revenue were announced for the resource distribution among the federation and different federating units.

The inter provincial distribution under various NFC Awards is shown in the table 8.2.

Table 8.2
Inter Provincial Distribution under various NFC Awards

NFC Award	Year	Vertical distribution Fed/Prov	Horizontal distribution amongst provinces				Total
			Punjab	Sindh	NWFP	Balochistan	
1 ST	1974	20:80	60.25	22.50	13.39	3.86	100
2 ND	1979	20:80	57.97	23.34	13.39	5.30	100
3 RD	1985	Interim Award	Interim Award	Interim Award	Interim Award	Interim Award	Interim Award
4 TH	1990	20:80	57.87	23.29	13.54	5.30	100
5 TH	1996	62.5:37.5	57.88	23.28	13.54	5.30	100
6 TH	2000 (not awarded)	Interim Award	Interim Award	Interim Award	Interim Award	Interim Award	Interim Award
Presidential Order for distribution of Revenues	2006	45:55	56.07	25.67	13.14	5.13	100

8.3 7th NFC AWARD 2009

Historically, fiscal federalism has remained a rough road to ride in Pakistan which would be substantiated by the fact that the issue of NFC Award was lingering on for the last fourteen years after the announcement of 5th Award in 1996. Out of the total seven commissions constituted after 1973, only four came up with additional parameters to distribute the resources amongst the Provinces. 7th NFC was reconstituted in 2009 and after initial discussions it was evident that a great degree of understanding, maturity, statesmanship, spirit of reconciliation and accommodation would be required to arrive at an acceptable resource sharing formula between the Federal Government

and its federating units. However, the political leadership of different parties and the technocrats involved in the deliberations of the NFC showed the necessary flexibility and understanding to resolve the outstanding issues between the Federal and Provincial Governments. Resultantly, an unprecedented consensus was evolved in the shape of announcement of 7th NFC Award. The award is a historic step forward in rewriting the equation between the federation and the provinces and to amicably address the issue of trust deficit between the provinces.

The award carries forward the process of national reconciliation which would ultimately lead to the resolution of all outstanding issues in a spirit of trust and mutual accommodation. Through 7th NFC Award, long outstanding issues like adoption of multiple criteria for distribution of resources, payment of net hydel profit to NWFP and Punjab, issue of distribution of Gas Development Surcharge and imposition of GST on Services were amicably resolved. Out of the Federal Divisible Pool, overall share of the provinces have been enhanced to 56% to 57.5% which has given the provinces a greater fiscal space for their economic development. It is hoped that implementation of the NFC Award with effect from 01.07.2010 would usher in a new era of economic development and prosperity in the provinces.

8.3.1 Salient Features of 7th NFC

1. The Divisible Pool taxes will consist of the following taxes:
 - (i) Taxes on income, including corporation tax, but not including taxes on income consisting of remuneration paid out of the Federal Consolidated Fund;
 - (ii) Taxes on the sales and purchases of goods imported, exported, produced, manufactured or consumed;
 - (iii) Export duties on cotton, and such other export duties as may be specified by the President;
 - (iv) Wealth Tax;
 - (v) Capital Value Tax;
 - (vi) Customs duties;
 - (vii) Federal excise duties, excluding excise duty on gas charged at well-head; and
 - (viii) Any other tax which may be levied by the Federal Government.
2. The net proceeds of the Divisible Pool taxes shall be derived after deducting 1% as collection charges.
3. The Federal Government and all the four provinces recognized the role of NWFP as a frontline province against War on Terror. As a gesture of support by the Federal Government and all the provinces, 1% of the net proceeds of divisible pool will be earmarked for NWFP as an additional resource for War on Terror during the Award period.

4. After deducting the amounts as prescribed in paras 2&3, of the balance amount of the proceeds of divisible pool taxes, 56% shall be assigned to provinces during the financial year 2010-11 and 57.5% from the financial year 2011-12 onwards. The share of the Federal Government in the net divisible pool shall be 44% during the financial year 2010-11 and 42.5% from the financial year 2011-12 onwards.
5. It was agreed with consensus, for the first time, to include multiple indicators in the criterion for horizontal distribution amongst the provinces. The multiple indicators and their respective weights as agreed upon are:

i. Population	82.0%
ii. Poverty / backwardness	10.3%
iii. Revenue collection / generation	5.0%
iv. Inverse population density	2.7%
6. After giving effect to the special needs of Balochistan and application of the aforesaid multiple indicators, the final percentage share of the provinces for distribution of provincial share in the Divisible Pool taxes will be as under:-

Punjab	51.74%
Sindh	24.55%
NWFP ¹	14.62%
Balochistan	9.09%
7. The Federation and the provinces of Punjab, Sindh and NWFP have accepted the special needs of Balochistan and have agreed to provide Balochistan Rs. 83 billion (9.09% of the provincial share in the divisible pool) in the first year of the Award. Any shortfall in this amount shall be made up by the Federal Government from its own resources. This arrangement for Balochistan would also remain protected throughout the remaining four years of the Award based on annual budgetary projections.
8. The province of Sindh would receive an additional transfer of an amount equivalent to 0.66% of the provincial pool from the Federal Government.
9. The net proceeds of Development Surcharge on Natural Gas shall be distributed amongst the provinces. For the purpose of distribution of development surcharge on Natural Gas, the royalty on Natural Gas and development surcharge would be notionally clubbed into one and the average rate per MMBTU would be worked out. Thereafter, Royalty on Natural Gas would be distributed in accordance with Article 161(1) of the Constitution whereas the development surcharge on Natural Gas would be distributed by making adjustments based on this average rate. The

¹ NWFP where used may be read as Khyber Pakhtunkhwa

rate of excise duty on natural gas will be raised to Rs. 10.0 per MMBTU in order to give effect to this formula.

10. The development surcharge on natural gas for Balochistan with effect from 01.07.2002 would be worked out and this amount, subject to maximum of Rs.10.0 billion, would be paid by the Federal Government in five years in five equal installments.
11. The net amount of royalty on Crude Oil shall be paid to the provinces according to production in each province as per current practice.
12. NFC recognizes that sales tax on services is a provincial subject under the Constitution of Pakistan, and may be collected by respective provinces, if they so desire.
13. The Federal and Provincial Governments should streamline their tax collection systems to reduce leakages and increase their revenues through efforts to improve taxation in order to achieve a 15% tax to GDP ratio by the terminal year i.e. 2014-15. Provinces would initiate steps to effectively tax the agriculture and real estate sectors.
14. Federal and provincial government would develop and enforce mechanism for maintaining fiscal discipline at the federal and provincial levels.
15. The Federal Government may assist the provinces through specific grants in terms of unforeseen calamities.
16. The meetings of the NFC would be convened regularly on a quarterly basis to monitor implementation of the award in letter and spirit.

8.3.1.1 Gains by Provinces from 7th NFC Award

- Collection charges decreased from 5.2% to 1% - size of Divisible Pool enhanced
- Provincial share increased from 48.75% to 56% in the first year
- Provincial share will be increased to 57.5% after the first year

8.3.1.2 Horizontal Distribution

It was agreed for the first time to include multiple indicators in criterion for horizontal distribution amongst the provinces. The multiple indicators and their respective weightage as agreed under the 7th NFC is already shown at para 5 of 8.3.1 above.

8.3.1.3 Provinces Wise Shares

After giving effect to the special needs of Balochistan and application of aforementioned multiple indicators, final percentage share of provinces for distribution of

provincial share in the Divisible Pool Taxes has been given at para 6 under 8.3.1 above. A comparison of the new share of provinces in the Federal Divisible Pool and share before NFC Award is given in the table below:-

Table 8.3

	Punjab	Sindh	NWFP	Balochistan
Old Share	53.01%	24.94%	14.88%	7.17%
New Share	51.74%	24.55%	14.62%	9.09%
Difference	-1.27%	-0.39%	-0.26%	1.92%

8.3.1.5 Biggest Gain of 7th NFC

In monetary terms, the province would get an additionality of Rs. 47 billion due to increase in vertical share and reduction in collection charges thereby enlarging the overall size of Federal Divisible Pool. Similarly, a gain of approximately Rs. 46 billion would also be realized after the transfer of GST on Services to the provinces. However, the real accomplishment of 7th NFC is the rekindling of the spirit of national solidarity, cohesion and unity. NFC agreement has shown the capacity of the provinces to resolve complex, intricate, long outstanding and critical issues through accommodation and democratic dispensation. More importantly, Punjab has won the accolades of smaller provinces for its accommodating stance towards other provinces.

Chapter 9

LOCAL GOVERNMENT FINANCE

Local Governments in its present form were established in 2001 under the Punjab Local Government Ordinance 2001. Initially, Punjab Government provided resources to local governments comprising District Governments (DGs), Tehsil / Town Municipal Administrations (TMAs), and Union Administrations (UAs) under the interim PFC Award 2002-03. The interim PFC Award was a stop-gap arrangement until the announcement of a more comprehensive award to ensure structured, transparent, and equitable mechanism for resource allocation to the local governments.

The first comprehensive Provincial Finance Commission (PFC) Award was decreed in July, 2006 as the *Punjab Specification and Distribution of Provincial Resources Order, 2006*. The term of the PFC Award 2006 expired on June 30, 2009. However, due to non constitution of new PFC, the same was extended to financial year 2009-10 in terms of Section 120(F2) of the Punjab Local Government Ordinance 2001(PLGO 2001). The new PFC could not be constituted due to expected changes in the Local Governance Framework, which is currently under review. Section 120 (F5) of PLGO 2001 however, allows the order in force to continue to serve as the determinant of the Provincial Allocable Amount and the shares of the local governments, as the case may be, till such time that a new Order is made. Accordingly, the PFC Award 2006-09 stands continued for the Financial Year 2010-11 under section quoted above.

Pattern of resource distribution to local governments since 2006 onwards and budget estimates for financial year 2010-11 are summarized in the Table 9.1.

Table 9.1
Budget Allocation to Local Governments under the PFC Award 2006

(Rs. in Million)

Year	District Governments	Tehsil Municipal Administrations	Union Administrations	Total
2006-07	106,189.631	7,381.457	4,008.780	117,579.868
2007-08	106,321.834	18,531.551	4,630.732	129,484.117
2008-09	109,129.910	18,780.695	4,807.658	132,718.263
2009-10	107,351.472	* 15,208.800	4,818.730	127,379.002
2010-11	131,653.000	13,800.000	5,018.730	150,471.730

* Allocations for Tehsil Municipal Administrations have decreased slightly from financial year 2009-10 onwards due to separate resource transfers to Cantonment Boards in the province which were earlier included in the TMAs.

Note: Total resource transfer to local governments includes the amounts allocated / transferred under current, development, grant-in-aid and other miscellaneous grants envisaged under PFC.

Analysis of the figures tabulated above reveals that there is an incremental increase in the PFC Share of Local Governments from 2006-07 to 2008-09 except in FY 2009-10 where there are less allocations than financial year 2008-09. The decrease of the resource transfer to local governments in financial year 2009-10 is primarily attributable to overall shortfall in the revenue receipts in FY 2009-10 both from the Federal Divisible Pool and under Provincial Own Receipts. In addition, in FY 2009-10, WAPDA / PEPCO made certain deductions against outstanding electricity bills of various district governments. While making transfers to the local governments in financial year 2009-10, at-source adjustments were made and the net resource transfer to local governments represents the amount after these deductions. Budget estimates for FY 2010-11, however, represent an increase of 18% over the allocation in FY 2009-10. This increase is a result of enlargement of the size of Federal Divisible Pool taxes and better revenue projections under provincial own receipts after the announcement of 7th NFC Award 2009. As a result of this arrangement, local governments will be provided more resources in FY 2010-11 to absorb the impact of increase in salary and other emoluments announced in the budget for 2010-11.

9.1 PROJECTED ESTIMATES OF RESOURCE DISTRIBUTION TO LGs UNDER PFC 2006:

Table 9.2 shows the horizontal distribution of resource between different tiers of local governments for FY 2009-10 and FY 2010-11 under the PFC Award, 2006.

Table 9.2
Total Resource Transfer to Local Governments

(Rs. in Million)

Local Governments	PFC Transfers 2009-10 (Excluding Tied Grants)	PFC Transfers 2010-11 (Excluding Tied Grants)	Percentage change
District Governments	107,351.472	131,653.000	22.6%
Tehsil Municipal Administrations	15,208.800	13,800.000	(9.3)%
Union Administrations	4,818.730	5,018.730	4.2%
Cantonment Boards	1,150.000	1,200.300	4.4%
Property Tax to TMAs on collection basis	2750.000	3,522.412	28.1%
Total	132,750.047	155,194.442	16.9%

Total resource provision (excluding tied grants) to City Districts / District Governments during FY 2010-11 shows an increase of 22.64%, while that of the TMAs shows a decrease of 9.26% over FY 2009-10 mainly due to the reason that earlier the allocation for TMAs also included

the share of Cantonment Boards. The resource provision to Union Administrations has increased by 4.15% over the previous financial year. The overall resource provision to local governments in FY 2010-11 shows an increase of 16.9% over FY 2009-10. Statement showing the cash / resource transfers to district governments during FY 2009-10 is appended as Annex-V to the White Paper. Similarly, tentative district wise distribution of resources envisaged under the budget estimates for FY 2010-11 is at Annex-VI to the White Paper.

It is generally agreed that the PFC Award offers a fair and equitable distribution of available resources between provincial and local governments while ensuring adherence to provincial priorities and autonomy of local governments. The term of the PFC Award 2006 expired on June, 2009. A new PFC Award was required to be announced six months before the expiry of the current PFC Award. The new PFC could not be constituted due to expected changes in the Local Governance Framework, which is under review. However, Section 120 (F5) of PLGO 2001 allows the order in force to continue to serve as the determinant of the Provincial Allocable Amount and the shares of the local governments, as the case may be, till such time that a new order is made. After the expiry of the term of local governments, functional distribution between the provincial and district governments and enabling legal framework for local government system is currently under review. Once a policy decision is made about the future role and functions to be assigned to the local governments, the resource distribution formula between the provincial and district governments shall be deliberated with active involvement of the key stakeholders through constitution of new PFC. Till such time, allocations to the local governments in FY 2010-11 will continue to be governed under the current PFC Award as an interim arrangement.

GLOSSARY

A

Ad Valorem Taxes: Taxes levied as a percentage of the price of a good or service.

B

Bridge Financing: It is a method of financing used to maintain liquidity while waiting for an anticipated inflow of cash.

Budget: A financial statement of government's estimated revenues and expenditures for the fiscal year.

Budget Outlay: Total estimate of receipts and expenditures from the sources and for the purposes indicated in the budget.

Budget Deficit: Excess of government expenditures over revenues raised by taxes, fees and charges levied by governmental authorities.

C

Cash Development Loans: The CDLs were raised by the Federal Government to cover its foreign currency deficits on very high mark up rates in most of the cases and transferred to provincial governments from time to time.

Capital Gains: Increases in the value of assets over a given accounting period.

Current Capital Expenditure: Current Capital Expenditure like current capital receipt figures both in the Account No.I and Account No. II of the Provincial Government maintained with the State Bank of Pakistan. The expenditures under this head in Account No.I consist of the following:

- I. Principal Repayment of Domestic, Foreign and Market Debt. It also includes repayment on account of Ways and Means Advances availed by the Government of the Punjab from the State Bank of Pakistan during the financial year.
- II. Loans and advances to corporate bodies of the Government of Punjab or associated with the Government of Punjab.

Expenditures in Account No. II are 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 trading operations of Food Department.

Current Revenue Expenditure: Current Revenue Expenditure includes expenditures on government's regulatory, administrative and other such functions including provision of social and economic services.

D

Debt Finance: Use of borrowed funds to finance government expenditures.

Development Expenditure: As per the classification in the Annual Budget Statement, development expenditure is divided into two distinct parts:

- a) Revenue Expenditure
- b) Capital Expenditure

Development revenue expenditure is classified under grant PC22036 (036) – Development – Revenue. The expenditure under this grant pertains to most of the expenses other than the brick and mortar expense. Employees related expense, purchase of transport, machinery and equipment, operating expenses, research and development, training etc. provided under the projects during the execution of the projects are all part of the development revenue expenditures. Development capital expenditure is the capital investment under the development programs in roads, buildings, irrigation sectors etc.

Direct Tax: Direct tax is a tax the burden of which is born entirely by the individual or the entity that pays it and it can not be passed elsewhere; for example corporate tax, income tax etc.

Dividends: Direct payments by a corporation to its share holders.

Domestic Debt: Debt owed to the creditors residing in the same country as the debtor.

E

External Debt: Portion of a government's debt owed to the foreigners / external governments and institutions

Extraordinary Receipts: Extraordinary receipts were previously reflected as a part of capital receipt but now are classified as General Revenue Receipts. A significant portion of these receipts accrue from privatization / disinvestment of government owned assets, and sale of land etc.

F

Federal Divisible Pool: The biggest source of revenue for the Provincial Government is its share from the Federal Divisible Pool of Taxes. The Divisible Pool comprises of taxes on income, wealth tax, capital value tax, taxes on sales and purchases, export duty on cotton, customs duties, GST (CE Mode) and federal excise duties excluding the excise duty on gas charged at well-head, and any other tax which may be levied by the Federal Government. With the exception of federal excise duty on gas, the taxes mentioned above are distributed between the Provinces and the Federal Government.

Federal Transfers: A payment made by the Federal Government to the province either out of the Federal Divisible Pool or for other social benefit programs.

Fiscal Capacity: Fiscal capacity is a measure of the ability of a jurisdiction / government to finance government services.

Fiscal Equalisation: Use of grants to adjust for differences in the capacity to finance basic government services amongst states / governments.

Fiscal Federalism: Division of taxing and expenditure functions amongst different levels of government.

Foreign Debt: The money one country owes to another country as a result of loan and / or a negative balance of trade.

G

General Revenue Receipt: General Revenue Receipts include the following:

- I) Federal Transfers:
 - Share of Federal Divisible Pool of Taxes under the NFC Award, 2009
 - Straight Transfers on account of constitutional provisions, royalties on oil and gas
 - Federal Grants
- II) Provincial Own Revenue:
 - Provincial Tax Revenue including Provincial GST on Services collected by the Federal Board of Revenue
 - Provincial Non-Tax Revenue (As per the classification used in ABS, the Provincial Non-Tax Revenue includes Federal Grants and Straight Transfers)
 - Extraordinary Receipts

H

Historical Cost: Acquisition price of the asset.

I

Indirect Tax: A charge levied by the state on consumption, expenditure, privilege or right but not on income or property. Custom duties levied on imports, excise duties on production, sales tax or value added tax at some stage in production – distribution process are few examples of Indirect Tax.

Incremental Budgeting: Budgetary approach that uses the previous period's budget or actual performance as a base with incremental amounts added for the new period.

Inflation: In economic terms, inflation is a general increase in prices and fall in the purchasing value of money.

L

Land Revenue: Land Revenue means all sums and payments in money received or legally claimable by or on behalf of the Government from any person on account of any form of land.

M

Matching Grants: Grants containing the requirement that the recipient government / jurisdiction will match the money through its own revenues.

MBTU: MBTU stands for one million BTUs which can also be expressed as one decatherm (10 therms). MBTU is occasionally used as a standard unit of measurement of natural gas and provides a convenient basis for comparing the energy content of various grades of natural gas and other fuels. MBTU is occasionally expressed as MMBTU, which is intended to represent a thousand, thousand BTUs.

MTBF: Medium Term Budgetary Framework (MTBF) is a multi year approach to budgeting which links the spending plans of the government to its policy objectives in medium term (usually three years).

N

Nominal Value: Nominal value refers to a value expressed in money of the day (year etc.) as opposed to real value which adjusts for the effect of inflation on the nominal value.

O

Overdraft: An overdraft is a state where the withdrawals exceed the available balance.

P

Property Tax: A government levy based on the market value as assessed by assessing agency or based on certain formulas / parameters. It is a capital tax on property calculated on the estimated value of the property.

Provincial Consolidated Fund: The Fund which comprises all revenues received and all loans raised by the provincial government and all monies received by it in repayment of any loan.

Public Account: Public Account consists of those moneys for which the Provincial Government has a statutory or other such obligation to account for but these are not available for appropriation for the general operations of the Government

Public Debt: Public Debt is the total liability arising from the borrowings of the government including both domestic loans and foreign (or external) loans.

Public Finance: Field of economics that studies government activities, alternative means of financing government expenditures and their effects upon the economies in general.

S

State Trading: State Trading operations of the provincial government relate to procurement and sale of food grains especially wheat. Transactions pertaining to state trading are kept separately and their receipts and expenditures are credited and debited to the provincial government's food account i.e. Account No.II with the State Bank of Pakistan. It is carried out with the borrowing from commercial banks as per cash credit facility extended by these banks.

Straight Transfers: The expression Straight Transfers used in the White Paper means the transfers on account of royalties on oil and gas made by the Federal Government in pursuance of the relevant constitutional provisions.

T

Tax Revenue: It is a compulsory financial contribution imposed by the Government to raise revenue. It is levied on a specified rate on income or property, prices of goods and services etc.

Transfer Payments: Government expenditures that redistribute purchasing power amongst citizens.

U

Unconditional Grants: Sharing revenues among governments with no string attached to the use of funds.

Annex-I

LOANS OUTSTANDING ON 30.06.2010

(Rs. in Million)

Sr. No.	Loan No. & Name	Rate of Interest	Total Amount of Loan	Amount Paid	Balance outstanding
A. CASH DEVELOPMENT LOANS					
1	1983-84	15.00%	3,432.065	3,432.065	0.000
2	1984-85	15.00%	3,668.860	3,668.860	0.000
3	1985-86	15.00%	4,217.732	3,631.633	586.099
4	1986-87	14.66%	5,847.753	4,350.984	1,496.769
5	1987-88	15.28%	2,881.961	1,837.727	1,044.234
6	1988-89	14.84%	2,610.940	1,426.708	1,184.232
7	1990-91	15.93%	7,472.036	2,837.033	4,635.003
8	1991-92	14.51%	7,331.700	2,961.102	4,370.598
9	1993-94 (NORMAL)	15.94%	4,640.959	1,045.143	3,595.816
10	1993-94 (SAP TIED)	15.94%	3,437.940	922.362	2,515.578
11	1994-95 (NORMAL)	15.59%	2,036.459	466.188	1,570.271
12	1994-95 (SAP TIED)	15.59%	1,215.433	278.274	937.159
13	1995-96 (SAP TIED)	15.94%	994.659	184.561	810.098
14	1996-97 (NORMAL)	16.31%	457.427	67.827	389.600
15	1997-98 (NORMAL)	8.50%	6,000.000	1,343.281	4,656.719
16	1998-99 (NORMAL)	17.71%	1,659.696	0.000	0.000
17	1998-99 (SAP TIED)	17.71%	4,167.200	0.000	0.000
18	1999-2000 (NORMAL)	11.21%	470.246	56.877	413.369
19	1999-2000 (SAP TIED)	11.21%	4,167.200	504.015	3,663.185
Total Cash Development Loans (A)			66,710.266	29,014.640	31,868.730
B. CASH DEVELOPMENT LOANS FOR SCARP TUBEWELLS PROJECTS					
1	1984-85	15.00%	235.956	235.956	0.000
2	1985-86	15.00%	318.871	318.871	0.000
3	1986-87	14.66%	345.486	234.557	110.929
4	1987-88	15.28%	454.830	306.942	147.888
5	1988-89	14.84%	320.125	180.642	139.483
6	1989-90	15.93%	461.174	217.084	244.09
7	1990-91	15.93%	554.411	218.806	335.605
8	1991-92	14.51%	518.700	164.433	354.267
9	1992-93	15.24%	708.055	237.539	470.516
10	1993-94	15.94%	709.082	173.178	535.904
11	1994-95	15.59%	1,034.210	211.126	823.084
12	1995-96	15.94%	1,362.837	232.620	1,130.217
13	1996-97	16.31%	791.617	124.665	666.952
14	1997-98	8.50%	707.146	143.528	563.618
15	1998-99	17.71%	1,049.209	89.707	959.502
16	1999-2000	11.21%	968.059	117.091	850.968
17	2000-01	11.70%	922.910	83.752	839.158
18	2001-02	10.72%	887.491	66.950	820.541
19	2002-03	7.42%	387.173	29.117	358.056
20	2003-04	7.20%	320.000	15.824	304.176
21	2005-06	9.79%	964.051	0.000	964.051
22	2007-08	10.65%	1,075.980	0.000	1,075.980
Total Loans for Scarp Tubewells (B)			15,097.373	3,402.388	11,694.985
Total Loans (A+B)			81,807.639	32,417.028	43,563.715

LOANS OUTSTANDING ON 30.06.2010

(Rs. in Million)

Sr. No.	Loan Number	Rate of Interest %	Total Loan Amount	Amount Paid	Balance on 30.06.2010	Pak. Rs.
1.	391-G-147-US Aid Currency Loan	3.00	Rs. 3.111	3.111	-	-
2.	IFAD-18-PA (SF)	1.00	\$ 1.667	0.882	0.785	66.333
3.	IFAD-48-PA (SF)	1.00	\$ 6.555	3.198	3.357	283.667
4.	IFAD-83-PA (SF)	1.00	\$ 6.346	2.923	3.423	289.269
5.	IFAD-492-PAK(SF)	0.75	\$ 15.073	0.768	14.305	1,208.773
6.	IBRD-3327-PAK (SF)	0.75	\$ 11.160	2.520	8.640	730.080
7.	IBRD-7277-PAK (SF)	1.58	¥ 12,107.500	0.000	12,107.500	11,153.429
8.	IBRD-7379-Pak	0.75	¥ 11,780.000	0.000	11,780.000	10,851.736
9.	IBRD-7380-Pak	5.90	\$ 50.000	0.000	50.000	4,225.000
10.	IBRD-7454-Pak	5.65	\$ 100.000	0.000	100.000	8,450.000
11.	PK-P-37	2.60	¥ 5,016.600	0.000	5,016.600	4,621.292
12.	PK-P-50 (SF)	2.30	¥ 5,788.761	988.323	4,800.438	4,422.163
13.	JBIC-PK-P-53	1.30	¥ 12,523.000	0.000	12,523.000	11,536.188
14.	IDA-30-PAK	0.75	\$ 7.759	7.080	0.679	57.376
15.	IDA-50-PAK (SF)	0.75	\$ 8.587	7.697	0.890	75.205
16.	IDA-54-PAK (SF)	0.75	\$ 4.622	4.050	0.572	48.334
17.	IDA-106-PAK	0.75	\$ 1.750	1.382	0.368	31.096
18.	IDA-466-PAK (SF)	0.75	\$ 9.786	5.684	4.102	346.619
19.	IDA-620-PAK(SF)	0.75	\$ 12.586	6.740	5.846	493.987
20.	IDA-630-PAK(SF)	0.75	\$ 26.600	13.832	12.768	1,078.896
21.	IDA-678-PAK	0.75	\$ 2.745	1.387	1.358	114.751
22.	IDA-683-PAK (SF)	0.75	\$ 16.366	8.255	8.111	685.380
23.	IDA-813-PAK (SF)	0.75	\$ 12.500	5.772	6.728	568.516
24.	IDA-892-PAK (SF)	0.75	\$ 2.514	1.096	1.418	119.821
25.	IDA-1109-PAK (SF)	0.75	\$ 10.794	3.996	6.798	574.431
26.	IDA-1113-PAK (SF)	0.75	\$ 1.230	0.444	0.786	66.417
27.	IDA-1163-PAK (SF)	0.75	\$ 21.758	8.048	13.710	1,158.495
28.	IDA-1239-PAK (SF)	0.75	\$ 20.181	6.868	13.313	1,124.949
29.	IDA-1348-PAK (SF)	0.75	\$ 4.077	1.254	2.823	238.544
30.	IDA-1375-PAK (SF)	0.75	\$ 5.810	1.798	4.012	339.014
31.	IDA-1487-PAK (SF)	0.75	\$ 27.310	8.070	19.240	1,625.780
32.	IDA-1603-PAK (SF)	0.75	\$ 19.390	4.850	14.540	1,228.630
33.	IDA-1670-PAK(SF)	0.75	\$ 13.809	3.036	10.773	910.319
34.	IDA-1693-PAK (SF)	0.75	\$ 2.989	0.660	2.329	196.801

Sr. No.	Loan Number	Rate of Interest %	Total Loan Amount	Amount Paid	Balance on 30.06.2010	Pak. Rs.
35.	IDA-1762-PAK (SF)	0.75	\$ 20.941	4.298	16.643	1,406.334
36.	IDA-1888-PAK (SF)	0.75	\$ 32.521	11.392	21.129	1,785.401
37.	IDA-1895-PAK (SF)	0.75	\$ 83.834	28.296	55.538	4,692.961
38.	IDA-2003-PAK (SF)	0.75	\$ 18.596	5.570	13.026	1,100.697
39.	IDA-2004-PAK (SF)	0.75	\$ 3.836	1.104	2.732	230.854
40.	IDA-2154-PAK (SF)	0.75	\$ 7.624	1.920	5.704	481.988
41.	IDA-2245-PAK	0.75	\$ 22.248	5.004	17.244	1,457.118
42.	IDA-2257-PAK (SF)	0.75	\$ 5.825	1.314	4.511	381.180
43.	IDA-2354-PAK (SF)	0.75	\$ 65.693	13.136	52.557	4,441.067
44.	IDA-2383-PAK (SF)	0.75	\$ 4.028	0.800	3.228	272.766
45.	IDA-2464-PAK (SF)	0.75	\$ 11.262	1.988	9.274	783.653
46.	IDA-2468-PAK (SF)	0.75	\$ 31.150	5.835	25.315	2,139.118
47.	IDA-2593-PAK(SF)	0.75	\$ 23.820	3.576	20.244	1,710.618
48.	IDA-2999-PAK (SF)	0.75	\$ 16.849	1.266	15.583	1,316.764
49.	IDA-3050-PAK (SF)	0.75	\$ 20.190	1.008	19.182	1,620.879
50.	IDA-3776-PAK (SF)	0.75	\$ 10.533	0.000	10.533	890.039
51.	IDA-3855-Pak	0.75	\$ 100.644	0.000	100.644	8,504.418
52.	IDA-3904-Pak	0.75	\$ 1.551	0.000	1.551	131.060
53.	IDA-4046	0.75	\$ 96.469	0.000	96.469	8,151.631
54.	IDA-4176	0.75	\$ 102.573	0.000	102.573	8,667.419
55.	IDA-4258-Pak	0.75	\$ 46.000	0.000	46.000	3,887.000
56.	IDA-4317-Pak	0.75	\$ 99.426	0.000	99.426	8,401.497
57.	IDA-4586-Pak-PESRP	1.50	\$ 231.500	0.000	231.500	19,561.750
58.	IDB-0079-Pak	2.50	ID 3.777	1.222	2.555	339.408
59.	ADB-331-PAK (SF)	1.00	\$ 39.500	27.650	11.850	1,001.325
60.	ADB-433-PAK (SF)	1.00	\$ 2.850	1.777	1.073	90.669
61.	ADB-495-PAK (SF)	1.00	\$ 13.118	7.598	5.520	466.440
62.	ADB-734-PAK	1.00	\$ 19.456	8.179	11.277	952.907
63.	ADB-750-PAK (SF)	1.00	\$ 40.425	15.352	25.073	2,118.669
64.	ADB-758-PAK	1.00	\$ 15.026	5.709	9.317	787.287
65.	ADB-759-PAK (SF)	1.00	\$ 5.985	2.280	3.705	313.073
66.	ADB-851-PAK (SF)	1.00	\$ 5.670	2.130	3.540	299.130
67.	ADB-871-PAK (SF)	1.00	\$ 25.633	9.605	16.028	1,354.366
68.	ADB-901-PAK (SF)	1.00	\$ 44.536	15.592	28.944	2,445.768
69.	ADB-916-PAK (SF)	1.00	\$ 6.018	1.976	4.042	341.549
70.	ADB-917-PAK (SF)	1.00	\$ 40.641	13.208	27.433	2,318.089
71.	ADB-973-PAK (SF)	1.00	\$ 10.738	2.948	7.790	658.255

Sr. No.	Loan Number	Rate of Interest %	Total Loan Amount	Amount Paid	Balance on 30.06.2010	Pak. Rs.
72.	ADB-977-PAK (SF)	1.00	\$ 17.805	4.905	12.900	1,090.050
73.	ADB-1012-PAK	1.00	\$ 24.117	6.623	17.494	1,478.243
74.	ADB-1146-Pak	1.00	\$ 111.888	0.000	111.888	9,454.536
75.	ADB-1185-PAK (SF)	1.00	\$ 79.163	14.850	64.313	5,434.449
76.	ADB-1200-PAK	1.00	\$ 13.147	2.460	10.687	903.052
77.	ADB-1209-PAK	1.00	\$ 39.206	7.350	31.856	2,691.832
78.	ADB-1210-PAK (SF)	1.00	\$ 17.454	3.270	14.184	1,198.548
79.	ADB-1260-PAK	1.00	\$ 48.134	7.826	40.308	3,406.026
80.	ADB-1297-PAK(SF)	1.00	\$ 46.351	7.527	38.824	3,280.628
81.	ADB-1301-PAK	1.00	\$ 56.670	8.496	48.174	4,070.703
82.	ADB-1350-PAK	1.00	\$ 2.803	0.385	2.418	204.321
83.	ADB-1373-PAK	1.00	\$ 15.946	1.990	13.956	1,179.282
84.	ADB-1401-PAK	1.00	\$ 50.662	5.697	44.965	3,799.543
85.	ADB-1454-Pak(SF)	1.00	\$ 29.947	2.618	27.329	2,309.301
86.	ADB-1467-PAK	1.00	\$ 30.655	2.681	27.974	2,363.803
87.	ADB-1493-PAK	1.00	\$ 64.479	5.642	58.837	4,971.727
88.	ADB-1531-PAK	1.00	\$ 30.842	1.930	28.912	2,443.064
89.	ADB-1534-Pak	1.00	\$ 14.671	0.920	13.751	1,161.960
90.	ADB-1578-PAK	1.00	\$ 14.909	0.930	13.979	1,181.226
91.	ADB-1671-PAK (SF)	1.50	\$ 15.800	0.000	15.800	1,335.100
92.	ADB-1679-PAK	1.00	\$ 7.968	0.300	7.668	647.946
93.	ADB-1877-PAK (Special Operations)	1.50	\$ 63.493	0.878	62.615	5,290.968
94.	ADB-1878-PAK (Ordinary Operations)	0.78	¥ 14,176.659	1,110.896	13,065.763	12,036.181
95.	ADB-1879-PAK	1.50	\$ 1.032	0.000	1.032	87.238
96.	ADB-1900-PAK	1.50	\$ 4.189	0.000	4.189	353.971
97.	ADB-1928-PAK	0.75	¥ 18,396.800	0.000	18,396.800	16,947.132
98.	ADB-1950-PAK (SF)	1.50	\$ 50.000	0.000	50.000	4,225.000
99.	ADB-2030-Pak	2.20	Rs. 11,690.455	3,409.714	8,280.741	8,280.741
100.	ADB-2031-Pak	1.50	Rs. 232.000	0.000	232.000	232.000
101.	ADB-2060-Pak (SF)	1.50	\$ 45.000	0.000	45.000	3,802.500
102.	ADB-2061-Pak (Ordinary Operations)	2.20	¥ 4,896.225	0.000	4,896.225	4,510.402
103.	ADB-2134-Pak	1.50	\$ 41.000	0.000	41.000	3,464.500
104.	ADB-2144-Pak (Ordinary Operations)	1.38	¥ 7,995.750	0.000	7,995.750	7,365.685

Sr. No.	Loan Number	Rate of Interest %	Total Loan Amount	Amount Paid	Balance on 30.06.2010	Pak. Rs.
105.	ADB-2145-Pak (Special Operations)	1.50	\$ 75.000	0.000	75.000	6,337.500
106.	ADB-2211 (Ordinary Operations)	5.90	\$ 20.000	0.000	20.000	1,690.000
107.	ADB-2212 (Special Operations)	1.50	\$ 40.000	0.000	40.000	3,380.000
108.	ADB-2216-Pak (Ordinary Operations)	5.90	Rs. 12,047.360	854.159	11,193.201	11,193.201
109.	ADB-2286-Pak (Ordinary Operations)	1.58	¥ 5,599.000	0.000	5,599.000	5,157.799
110.	ADB-2287-Pak (Special Operations)	1.50	\$ 5.000	0.000	5.000	422.500
111.	ADB-2299-Pak (Ordinary Operations)	1.58	¥ 25,637.827	0.000	25,637.827	23,617.566
112.	ADB-2300-Pak (Special Operations)	1.50	\$ 10.000	0.000	10.000	845.000
113.	ADB-2385-Pak (Ordinary Operations)	3.18	\$ 250.000	0.000	250.000	21,125.000
114.	ADB-2386-Pak (Special Operations)	1.50	\$ 8.800	0.000	8.800	743.600
115.	ADB-2485-PMDGP		\$ 205.974	0.000	205.974	17,404.803
116.	ADB-2547-2548-Pak PGEIP		\$ 151.466	0.000	151.466	12,798.877
117.	OFID-1134-P (OPEC Funds for International Development)	2.50	\$ 5.250	0.000	5.250	443.625
Total						390,785.550
Total \$				\$	3,059.416	258,520.627
Total ¥				¥	121,818.903	112,219.573
Total Rs.				Rs.	19,705.942	19,705.942
Total Islamic Dinar				ID	2.555	339.408
Grand Total (in Rs.)						390,785.550

Exchange Rates: US \$ 1 = 84.50, ¥ = 0.9212 & ID = 132.8408

Annex-II

CASH FLOW PROJECTIONS OF PENSION SCHEME

The following table shows the cash-flow projections of pension on a real and nominal basis assuming NIL early retirements:

Year	Expected Pension	Expected Commutation	Total Expense			
			on Nominal Basis		on Real Basis	
			Expense	Y to Y % Increase	Expense	Y to Y % Increase
2009 - 10	16.4	4.8	21.2	13%	20.0	7%
2010 - 11	18.2	5.2	23.4	10%	20.4	2%
2011 - 12	20.3	6.3	26.6	14%	21.6	6%
2012 - 13	22.7	7.4	30	13%	22.6	5%
2013 - 14	25.7	9.6	35.3	18%	24.7	9%
2014 - 15	28.7	9.9	38.5	9%	25.0	1%
2015 - 16	32.9	13.6	46.6	21%	28.1	12%
2016 - 17	36.9	13.9	50.8	9%	28.3	1%
2017 - 18	42.1	17.3	59.4	17%	30.8	9%
2018 - 19	47.7	19.5	67.2	13%	32.3	5%
2019 - 20	54.4	23.1	77.5	15%	34.6	7%
2020 - 21	62.2	27.2	89.4	15%	37.0	7%
2021 - 22	70.9	30.6	101.5	14%	39.0	5%
2022 - 23	81.5	37.2	118.7	17%	42.3	8%
2023 - 24	92.2	38.6	130.8	10%	43.1	2%
2024 - 25	106.2	48.1	154.3	18%	47.3	10%
2025 - 26	121.8	55.4	177.2	15%	50.4	7%
2026 - 27	137.9	58.1	196.1	11%	51.7	3%
2027 - 28	156.2	63.4	219.5	12%	53.6	4%
2028 - 29	177.4	72.2	249.5	14%	56.5	5%
2029 - 30	196.8	67.1	263.8	6%	55.2	-2%
2030 - 31	216.3	61.6	277.9	5%	53.7	-3%
2031 - 32	238.6	64.5	303	9%	54.3	1%
2032 - 33	259.9	59.4	319.3	5%	52.9	-3%
2033 - 34	283.3	60.3	343.6	8%	52.7	0%
2034 - 35	307.3	59	366.3	7%	52	-1%
2035 - 36	331.9	57.3	389.3	6%	51.1	-2%
2036 - 37	358	57.9	415.9	7%	50.6	-1%
2037 - 38	385.6	60.2	445.8	7%	50.3	-1%
2038 - 39	415	63.7	478.7	7%	50	0%
2039 - 40	450.5	82.2	532.7	11%	51.8	3%

Annex-III

GROWTH IN GP FUND LIABILITY

The growth in GP Fund balances on both nominal and real basis is as follows:

Year	Total Annual Contribution	Total Interest Income	Estimated GPF Liability at year End
2008 - 09			79.2
2009 - 10	5.0	9.8	89.8
2010 - 11	5.6	11.1	102.4
2012 - 13	6.8	14.3	131.8
2013 - 14	7.5	16.1	148.6
2014 - 15	8.3	18.1	167.6
2015 - 16	9.2	20.4	187.7
2016 - 17	10.1	22.8	210.4
2017 - 18	11.1	25.5	234.3
2018 - 19	12.3	28.3	260.3
2019 - 20	13.5	31.4	287.7
2020 - 21	14.8	34.7	316.0
2021 - 22	16.2	38.0	346.0
2022 - 23	17.7	41.5	376.2
2023 - 24	19.3	45.1	408.6
2024 - 25	20.9	48.8	439.6
2025 - 26	22.8	52.5	470.3
2026 - 27	24.7	56.0	503.3
2027 - 28	26.7	59.9	537.3
2028 - 29	28.8	63.8	571.8
2029 - 30	31.2	67.8	614.7
2030 - 31	33.6	72.9	667.6
2031 - 32	36.5	79.1	725.9
2032 - 33	39.7	86.0	795.0
2033 - 34	43.2	94.2	873.1
2034 - 35	47.1	103.5	961.7
2035 - 36	51.5	114.0	1062.9
2036 - 37	56.3	126.0	1177.6
2037 - 38	61.7	139.6	1305.8
2038 - 39	67.8	154.8	1448.4
2039 - 40	74.6	171.7	1597.5

Annex-IV

CASH FLOW PROJECTIONS OF GP FUND

The following table shows the cash flow projections of the GP Fund over the next 30 years on a nominal and real basis:

	Total Expense			
	on Nominal Basis		on Real Basis	
Year	Expense	Y to Y % Increase	Expense	Y to Y % Increase
2009 - 10	4.2	14%	3.9	15%
2010 - 11	4.1	-2%	3.7	-5%
2011 - 12	4.9	20%	4.0	8%
2012 - 13	5.6	14%	4.3	8%
2013 - 14	6.8	21%	4.7	9%
2014 - 15	7.4	9%	4.9	4%
2015 - 16	9.5	28%	5.7	16%
2016 - 17	10.2	7%	5.7	0%
2017 - 18	12.7	25%	6.5	14%
2018 - 19	14.6	15%	6.8	5%
2019 - 20	17.5	20%	7.7	13%
2020 - 21	21.2	21%	8.6	12%
2021 - 22	24.2	14%	9.0	5%
2022 - 23	29.0	20%	10.1	12%
2023 - 24	32.0	10%	10.3	2%
2024 - 25	38.7	21%	11.6	13%
2025 - 26	44.6	15%	12.3	6%
2026 - 27	47.7	7%	12.2	-1%
2027 - 28	52.6	10%	12.5	2%
2028 - 29	58.1	10%	12.8	2%
2029 - 30	56.1	-3%	11.6	-9%
2030 - 31	53.6	-4%	10.3	-11%
2031 - 32	57.3	7%	10.2	-1%
2032 - 33	56.6	-1%	9.3	-9%
2033 - 34	59.3	5%	9.2	-1%
2034 - 35	62.0	5%	8.9	-3%
2035 - 36	64.3	4%	8.6	-3%
2036 - 37	67.6	5%	8.3	-3%
2037 - 38	73.1	8%	8.4	1%
2038 - 39	78.7	8%	8.6	2%
2039 - 40	87.9	12%	9.7	13%

Annex-V

SUMMARY OF CASH / RESOURCE TRANSFER TO THE DISTRICT GOVERNMENTS IN FY 2009-10

(Rs. in Million)

Name of District	Total Budgeted	Adjustment / Deduction	Total Budgeted after adjustment / deduction
Rawalpindi	4,831.948	(304.819)	4,527.129
Attock	1,882.321	(107.817)	1,774.504
Jhelum	1,374.202	(52.029)	1,322.173
Chakwal	1,608.798	(62.057)	1,546.741
Sargodha	3,886.552	(163.995)	3,722.557
Mianwali	1,564.424	(127.866)	1,436.558
Bhakkar	1,560.547	(72.057)	1,488.490
Khushab	1,343.538	(83.569)	1,259.969
Gujranwala	4,889.689	(185.381)	4,704.308
Hafizabad	1,210.342	(123.343)	1,086.999
Gujrat	2,947.018	(120.900)	2,826.118
Sialkot	3,913.863	(158.282)	3,755.581
Narowal	1,860.670	(72.129)	1,788.541
M.B. Din	1,677.754	(44.875)	1,632.879
Lahore	9,077.451	(1,136.762)	7,940.689
Sheikhupura	2,966.900	(215.869)	2,751.031
Kasur	3,431.827	(203.192)	3,228.635
Okara	3,224.949	(117.979)	3,106.970
Multan	4,493.517	(156.207)	4,337.310
Lodhran	1,704.883	(104.258)	1,600.625
Vehari	3,020.554	(85.989)	2,934.565
Sahiwal	2,673.009	(92.591)	2,580.418
Pakpattan	1,868.537	(67.809)	1,800.728
Khanewal	2,996.118	(108.069)	2,888.049
Faisalabad	7,806.660	(297.130)	7,509.530
T.T. Singh	2,358.560	(84.037)	2,274.523
Jhang	2,808.511	(433.594)	2,374.917
D.G. Khan	2,410.653	(284.522)	2,126.131
Rajanpur	1,609.021	(125.939)	1,483.082
Muzaffargarh	3,808.345	(139.841)	3,668.504
Layyah	1,658.253	(94.597)	1,563.656
Bahawalpur	3,515.469	(121.610)	3,393.859
Bahawalnagar	3,023.213	(112.230)	2,910.983
R.Y. Khan	4,529.738	(264.517)	4,265.221
Nankana Sahib	1,860.593	(59.211)	1,801.382
Chiniot	1,289.850	297.156	1,587.006
TOTAL	106,688.277	(5,687.916)	101,000.361

Annex-VI

BUDGET ESTIMATES OF RESOURCES DISTRIBUTION TO LOCAL GOVERNMENTS IN FY 2010-11 (In Millions)

Name of District	Share of 2009-10	Share for 2010-11	Increase
Attock	2,148.242	2,741.216	592.974
Bahawalnagar	3,214.789	4,102.159	887.370
Bahawalpur	3,100.434	3,956.239	855.805
Bhakkar	1,887.063	2,407.944	520.881
Chakwal	1,929.245	2,461.770	532.525
D G Khan	2,569.896	3,279.258	709.362
Faisalabad	6,435.202	8,211.495	1,776.293
Gujranwala	4,020.480	5,130.243	1,109.763
Gujrat	2,451.468	3,128.141	676.673
Hafizabad	1,153.514	1,471.916	318.402
Jhang	2,406.176	3,070.347	664.171
Jhelum	1,461.478	1,864.886	403.408
Kasur	3,013.340	3,845.105	831.765
Khanewal	2,742.330	3,499.288	756.958
Khushab	1,605.904	2,049.178	443.274
Lahore	7,373.376	9,408.630	2,035.254
Layyah	1,928.579	2,460.920	532.341
Lodhran	1,642.652	2,096.069	453.417
Mandi Bahauddin	1,485.501	1,895.540	410.039
Mianwali	1,832.464	2,338.274	505.810
Multan	3,841.002	4,901.224	1,060.222
Muzaffargarh	3,358.327	4,285.318	926.991
Nankana Sahib	1,902.532	2,427.683	525.151
Narowal	2,037.854	2,600.358	562.504
Okara	2,832.433	3,614.262	781.829
Pakpattan	1,752.106	2,235.735	483.629
Rahimyar Khan	3,897.067	4,972.765	1,075.698
Rajanpur	1,588.090	2,026.446	438.356
Rawalpindi	3,917.989	4,999.462	1,081.473
Sahiwal	2,478.571	3,162.725	684.154
Sargodha	3,851.897	4,915.126	1,063.229
Sheikhupura	2,716.591	3,466.445	749.854
Sialkot	3,206.190	4,091.187	884.997
Toba Tek Singh	2,260.456	2,884.404	623.948
Vehari	2,676.765	3,415.626	738.861
Chiniot	1,240.269	1,582.617	342.348
TOTAL	97,960.272	125,000.000	27,039.728

