WHITE PAPER

Budget FY 2020-21

آگے بڑھو پنجاب

Finance Department

Government of the Punjab

Government of the Punjab
Finance Department

White Paper

Budget FY 2020-21

June 15, 2020

PREFACE

White Paper on the Budget is rooted in tradition. It is a lucid interpretation of the Annual Budget and aims to highlight, in a most readable manner, the Revenues and Expenditures of the Province. It provides a succinct commentary on the myriad Policy standpoints that the Provincial Government aims to adopt in the financial year. A focused overview of macroeconomic challenges and situation sets the context of this White Paper.

The Budget formulation for Fiscal Year 2020-21 has been impacted overwhelmingly by the Covid-19 Crisis. The Finance Department's work was already cut out for the last quarter of FY 2019-20, with major realignments and a calibrated revisionary approach. The Finance Department had to make serious judgment calls and enforce a fiscal discipline regime of the sternest order. The discerning eye had no time to even blink. This very approach was resorted to in the making of the Annual Budget 2020-21 as well. A Covid-19 centric modulation of Punjab Growth Strategy was initiated and has given purposive underpinning to both the Development and Non-Development Budgets. This approach has led to targeted allocations for addressing Health care deficit, Social Protection, Economic Regeneration and employment generation. With Federal and Provincial Revenues sliding sharply, Expenditure Management without compromising Development and improved service delivery has been the single, most important concern for the Finance Department. The atypical and calibrated rationalization of the Current Budget has, hence, thrown up an impressive ADP of the size of PKR 337 billion in a crisis-infested FY.

The Finance Team also draws comfort in introducing two unique Fiscal instruments for this Financial Year. Both, put together, have the makings of a paradigmatic shift in Budget formulation and implementation. Inclusive Budgeting was launched with modest expectations but has evidently resulted in eliciting useful opinions on budgetary priorities from the public at large. These were subjected to analytics and used for appropriation of funds. We draw a great sense of gratification from this promising beginning. The Framework for Rolling Expenditure will keep us in good stead in a crisis-stricken FY by enabling us to modulate and prioritize Non-Development Expenditure through a colour-coded, calibrated matrix over the four quarters of the FY. In addition to this, the White Paper brings to the fore the utility and evolution of institutional forums like the Standing Committee of the Cabinet on Finance and Development, and institutional interventions like the Ready Reckoner. Ready Reckoner is fast-becoming an instrument of pro-active disclosure that is generated every month.

The out-going FY has been immensely challenging for the entire Finance Department team for reasons of a deeply stressed economy and a seemingly protracted Covid-19 crisis. Budget making in such a situation is an onerous exercise in undertaking intricate balancing acts. I am honour-bond, therefore, to acknowledge the continuous and resolute hard work of the entire team working on the Budget. As for the assiduous compilation of the White Paper, I would like to acknowledge the efforts of the entire team; in particular Mujahid Sherdil (SSF-Budget & Resources), Rana Ubaid Ullah Anwar (AFS-Budget), Sarah Hayat (DS-Resource-1), Faisal Rashid (Senior Consultant), Farhan Abbas and Hammad Uddin Khan (IDAP). The first two cited here had bereavements in the family (in one case really tragic) right in the middle of the busiest period of Budget formulation. Both kept contributing in difficult days for them and were back in office in no time. The Finance Team relied heavily on the wise counsel of Makhdoom Hashim Jawan Bakht, Minister Finance, right through the effort. Gratitude is also due to the Chief Minister and the Chief Secretary for their continued guidance.

June 15, 2020

ABDULLAH KHAN SUMBAL
Finance Secretary
Government of the Punjab

> *"As countries contain the pandemic and shutdowns end, broad-based, coordinated fiscal stimulus - depending on countries' financing constraints - will become a more effective tool to foster the recovery."*
>
> *IMF Fiscal Monitor, April, 2020*

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LIST OF ABBREVIATIONS

ABS	Annual Budget Statement
ADB	Asian Development Bank
ADP	Annual Development Programme
AIT	Agriculture Income Tax
APDP	Automated Pension Disbursement Project
BE	Budget Estimate
BF	Benevolent Fund
BOR	Board of Revenue
CDC	Central Depository Company
CDLs	Cash Development Loans
CFU	Corporate Finance Unit
CFY	Current Financial Year
CLC	Community Learning Centres
CMSES	Chief Minister's Self Employment Scheme
CTD	Counter Terrorism Department
CVT	Capital Value Tax
C&W	Communication & Works
DFID	Department for International Development
DMU	Debt Management Unit
E&T	Excise & Taxation
FBR	Federal Board of Revenue
EPS	Estimated Provincial Surplus
FD	Finance Department
FIEDMIC	Faisalabad Industrial Estates Development & Management Company
FRE	Framework for Rolling Expenditure
FY	Financial Year
GDP	Gross Domestic Product
GDS	Gas Development Surcharge
GI	Group Insurance
GIS	Geographic Information System
GP Fund	General Provident Fund
GoPb	Government of Punjab
GPF	General Provident Fund
GRP	Gross Regional Product
GRR	General Revenue Receipt
GSDP	Gross Subnational Domestic Product
GST	General Sales Tax
HUD & PHED	Housing Urban Development & Public Health Engineering Department
IBRD	International Bank for Reconstruction and Development
IC&YA	Information Culture & Youth Affairs
IDA	International Development Agency
J&C Program	Job & Competitiveness Program
JICA	Japan International Cooperation Agency
KIBOR	Karachi Inter Bank Offered Rate
KPRRP	Khadam-e-Punjab Rural Roads Programme
L&DD	Livestock and Dairy Development
LFY	Last Financial Year
LG & CD	Local Government & Community Development
LIBOR	London Inter-Bank Offered Rate
LNFBE	Literacy & Non-Formal Basic Education Department
LRMIS	Land Record Management Information System
MDGs	Millennium Development Goals
MICS	Multiple Indicator Cluster Survey
MIS	Management Information System
MPDD	Management & Professional Development Department
MTDF	Medium Term Development Framework
MTFF	Medium Term Fiscal Framework
NFBE	Non Formal Basic Education
NFC	National Finance Commission
NFIS	National Financial Inclusion Strategy
NHP	Net Hydel Profit
NLTA	Non Lending Technical Assistance
NSS	National Savings Scheme
OSR	Own Source Revenue
PCF	Provincial Consolidated Fund
P&D	Planning & Development
PCGIP	Punjab Cities Governance Improvement Project
PEEF	Punjab Education Endowment Fund
PEF	Punjab Education Foundation
PEOP	Punjab Economy Opportunities Program
PESP	Punjab Education Sector Project
PFC	Provincial Finance Commission
PFM	Public Financial Management
PGPIF	Punjab General Provident Investment Fund
PHNP	Provincial Health & Nutrition Program
PHSRP	Punjab Health Sector Reforms Program
HRITF	Health Reforms Innovation Trust Fund
PIAIPP	Punjab Irrigated Agriculture Improvement Program Project
PIBs	Pakistan Investment Bonds
PIEDMIC	Punjab Industrial Estates Development & Management Company
PIFRA	Project to Improve Financial Reporting & Auditing
PKLI	Punjab Kidney Liver Institute
PLA	Personal Ledger Account
PPB	Punjab Privatization Board
PPF	Punjab Pension Fund
PPIC3	Punjab Police Integrated Command, Control & Communication Centre
PPMRP	Punjab Public Management Reform Program
PPP	Public Private Partnership

PRA	Punjab Revenue Authority
PRAL	Pakistan Revenue Automation (Pvt.) Limited
PSDP	Public Sector Development Programs
PSDP	Punjab Skills Development Project
PSIC	Punjab Small Industries Corporation
PSPA	Punjab Social Protection Authority
PSPC	Punjab Saaf Pani Company
RIMS	Restaurant Invoice Monitoring System
RE	Revised Estimate
RLNG	Regasified Liquefied Natural Gas
SBP	State Bank of Pakistan
SBS	Sector Budget Support
SED	School Education Department
SDG	Sustainable Development Goals
SNG	Sub-National Governance Programme
SPPAP	Southern Punjab Poverty Alleviation Project
S&GAD	Services & General Administration Department
TEVTA	Technical Education and Vocational Training Authority
TFCs	Term Finance Certificates
TMAs	Town Municipal Administrators
TRU	Tax Reform Unit
UIPT	Urban Immovable Property Tax
UNICEF	United Nations Children Fund
WDD	Women Development Department

FINANCIAL SNAPSHOT OF THE PROVINCE FY 2020-21

2021

01 Current Expenditure

PKR 1,318.3 bn

FY 2020-21 Estimate

1.5 %

Higher than FY 2019-20 Budget Estimates

02 COVID-19 Mitigation Expenditure

PKR 68.3 bn

FY 2020-21 Estimate

Existing Healthcare Workforce (20%)	35 bn
New Healthcare Recruitment	10 bn
COVID Block Allocation	13bn
Tax Relief	10 bn

03 Development Expenditure

PKR 337.0 bn

FY 2020-21 Estimate

9.9%

Higher than FY 2019-20 Budget Estimates

04 Public Order & Safety Affairs

PKR 172.5 bn

FY 2020-21 Estimate

05 Capital Expenditure

PKR 460.4 bn

FY 2020-21 Estimate

06 Education Affairs

PKR 71.8 bn

FY 2020-21 Estimate

07 General Public Administration

PKR 778.1 bn

FY 2020-21 Estimate

08 Health

PKR 157.0 bn

FY 2020-21 Estimate

Programs / Outputs

Receipts / Inputs

- 47.1 bn — Foreign Project Assistance
- 1,433 bn — Federal Divisible Pool
- 220.9 bn — Provincial Tax Revenue
- 96.2 bn — Non-Tax Revenue
- 133.7 bn — Total Current Capital Receipts (A/C-I)
- 25.0 bn — Innovative Financing
- 331.9 bn — Capital Receipts (A/C-II)

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110 mn Population

Urban vs. Rural Population: 64% / 36%

62% Services

18% Agriculture

20% Industry

54% Punjab's Contribution to the National Economy as at FY 2019-20

EXECUTIVE SUMMARY

Economic and Financial Management have assumed the most complex dimension of late. Among these, the most glaring, have been the issue of the Current Account Deficit which had peaked to USD 19 billion (equal to 6.1% of GDP) in FY 2017-18. The previous Government had artificially maintained an over-valued exchange rate (PKR to USD) leading to a higher volume of Imports versus Exports and thus depleting the Foreign Exchange reserves. With the national debt soaring to PKR 30.0 trillion, Fiscal Deficit at PKR 2,279 billion or 6.6% of GDP and inflation on a rising trajectory the Government had to take a number of drastic measures to set the Country on a path of prudent macroeconomic management. A major reform programme to overcome these macroeconomic imbalances was signed with the IMF in May 2019. The Exchange Rate regulation was discontinued and a market pricing regime was adopted. Taxation policy was reviewed and incentives were created to reduce Imports and to restore Trade balance. These steps helped overcome the issue of Trade Deficit through Import contraction and increase in Exports. The Government completely stopped borrowing from State Bank of Pakistan and set itself the tough tasks of increasing Tax-to-GDP ratio, cutting down wasteful and inefficient expenditures, reduction in losses of public sector enterprises, creating incentives to mobilize higher level of savings and increasing the level of private investments to boost Economic Growth.

The efforts of the new Government started to reap results towards the start of the FY 2019-20. However, these efforts of the Government for an economic turnaround received a major setback in March 2020 when the COVID-19 Pandemic reached Pakistan. The country came to a standstill both in terms of human mobility and economic activity.

Coming to the Punjab, the Province followed a trajectory similar to the National one. With various Service activities like domestic trade and transport in a state of recession due to COVID-19, a fall in private consumption expenditure and fall in the volume of exports of goods and services, it will be difficult for the economy of Punjab to face this major shock, especially with a heightened risk perception in large and small industries and commercial enterprises operating in different sectors.

COVID-19 resulted in a major adjustment in the Fiscal position of the Government of Punjab. The Government's revenue fell short of its target by PKR 635 billion compared to the Budget Estimates. This included shortfall of PKR 509 billion in Federal transfers and PKR 126 billion in Provincial Own Source Revenues. Major expenditure cuts had to be imposed on Development and non-development expenditure. The Revised Estimate for Current Expenditure of the Government was brought down from a start-of-the-year estimate of PKR 1,299 billion to PKR 1,257 billion. The Government used all available resources to protect ADP spending from falling below PKR 250.3 billion from the original estimate of PKR 350.0 billion.

Budget 2020-21 is, thus, being presented in the backdrop of tough economic conditions. The Estimates have been framed under the Macroeconomic assumptions that the real GDP growth will be 2.1%, inflation at 6.5% and FBR revenue at PKR 4,962 billion during next Financial Year. The total Receipts of the Government have been pitched at PKR 2,240.6 billion. This includes General Revenue Receipts of PKR 1,750 billion; including Federal Divisible Pool transfers of PKR 1,433 billion and Provincial Revenues of PKR 317.0 billion. The Current Expenditure of the Government has been pitched at PKR 1,318.0 billion which is only 1.4% higher than the BE for 2019-20. Due to the tight fiscal situation, the Government has almost kept the major expenditure heads like Salary, Pension, Non-salary etc. frozen at the level of the allocation during 2019-20. The size of Development Expenditure is estimated to be PKR 337 billion as against PKR 350.0 billion in 2019-20. The Budget also stipulates an EPS of PKR 125.0 billion which, of course, is conditional to achievement of revenue targets by the FBR.

The Government has formulated Punjab's Post COVID-19 Public Investment Strategy titled "Responsive Investment for Social Protection and Economic Stimulus (RISE)". The Strategy presents targeted interventions and policy responses to contain the COVID-19 crisis. It also includes ADP prioritization framework which has not only set the direction for ADP 2020-21, but has also supported in developing the Mid-term Development Framework of Punjab.

ADP 2020-21 includes China Pakistan Economic Corridor as one of the important priority areas. The two major ongoing projects being implemented by Government of the Punjab are Orange Line Metro Train Project and Allama Iqbal Industrial City, Faisalabad. For FY 2020-21 adequate resources have been prioritized for the timely completion of both the projects. Government also intends to use PPP financing to enlarge its portfolio of Development interventions. In this regard effort has been made to create an enabling environment for PPP projects. The ADP will continue to pursue Sustainable Development Goals agenda. While putting massive pressure on the Healthcare systems, the Covid-19 has pushed a large portion of the population into extreme poverty and hunger in the largest Province of Pakistan, which requires a strong sustainable recovery approach. Government of the Punjab believes that the response to the Pandemic cannot be de-linked from actions on

the SDGs. Rather, it seeks to continue working on accelerating Sustainable Development Goals as a tool to 'recover better' and build a healthier and a safer Punjab.

The Government of Punjab had also adopted a proactive approach to mitigate the negative impact on livelihoods by announcing a Tax Relief Package worth more than PKR18 billion in the last quarter of FY2019-20 along with increased Expenditure on Healthcare facilities, preventive and curative measures and Social Protection Package to offset the unemployment effect. Chief Minister's Insaf Imdad Programme 2020 for targeted monetary relief to the unemployed population segments, was launched with a total outlay of PKR 10.0 billion, PKR 1.0 billion was earmarked for disaster relief response and PKR 2.6 billion was transferred directly to the lowest District tier for relief measures.

Furthermore, since it has been estimated that the negative impact of COVID-19 will continue till at least the first half of FY2020-21, the Government has adopted a multi-pronged Fiscal Strategy with a focus on striking a balance between i) Revenue generation through economic growth and broadening of the tax base rather than increasing taxes ii) Relief/economic stimulus for businesses especially the Construction Sector iii) Social Protection by providing relief to the COVID-19 affected sectors of the economy

COVID-19 and its economic and social fallout overshadowed the contemporaneously lurking locust infestation peril that directly threatens Food Security. Pakistan, being a predominantly Agricultural economy, stands to be massively hit by the menace. As an emergency response measure, Government of Punjab acted swiftly and allocated PKR 500.0 million for locust control, in addition to the budget for disaster relief measures.

The pragmatic and economically sound Provincial Financial Management owes in a large measure to the forum of Standing Committee for Cabinet on Finance and Development (SCCFD). Its mandate has already witnessed an evolution of sorts. The White Paper encapsulates some salient decisions of the SCCFD which enabled major course corrections, occasionally with Policy implications.

The initiatives of Inclusive Budgeting and Framework for Rolling Expenditure (FRE) constitute paradigmatic shifts and are expected to take Financial Management a few notches higher in calibre and standard. Inclusive Budgeting is already off to a very promising start and FRE shall be employed rigorously for modulating Expenditure management adroitly.

Following tables provide the key fiscal numbers for Budget 2020-21:

Budget at a Glance

(PKR Billion)

CLASSIFICATION	BE 2019-20	RE 2019-20	BE 2020-21
A - CURRENT BUDGET			
General Revenue Receipts	1,989.8	1,408.4	1,750.0
Current Revenue Expenditure	1,298.8	1,257.9	1,318.3
A- Net Revenue Account – Surplus (+) / Deficit (-)	**691.1**	**150.5**	**431.7**
B- CURRENT CAPITAL BUDGET			
Current Capital Receipts (A/C-I)	84.3	55.4	111.6
Current Capital Expenditure (A/C-I)	210.6	82.6	128.4
B- Net Capital Account - Surplus (+) / Deficit (-)	**(126.3)**	**(27.2)**	**(16.8)**
C- Surplus for Development (A+B)	564.8	123.3	414.9
D - ADP Resources			
Foreign Assistance for Projects	18.2	13.4	47.1
E- TOTAL RESOURCES (C+D)	**583.0**	**136.7**	**462.0**
F - Annual Development Program	350.0	136.7*	337.0
Estimated Provincial Surplus /Deficit (E-F)	**233.0**	**-**	**125.0**

Opening balance of PKR 42 billion and partial use of Ways & Means facility put the R.E for ADP at **PKR 255.03 Billion.*

(PKR Billion)

DESCRIPTION	BE 2020-21	DESCRIPTION	BE 2020-21
A - GENERAL REVENUE RECEIPTS		**A - CURRENT REVENUE EXPENDITURE**	
General Revenue Receipts	**1,750.0**	**General Revenue Expenditure**	**1,318.3**
Divisible Pool Transfers	1,433.0	01 - General Public Service	778.1
Provincial Tax Revenue	220.9	02 - Public Order and Safety Affairs	172.5
Provincial Non-Tax Revenue	96.2	03 - Economic Affairs	118.1
Straight Transfers (Excl. excise duty on NG)	*6.1*	04 - Environment Protection	0.5
Net Hydel Profit	*5.0*	05 - Housing and Community Amenities	7.8
Net Hydel Profit Arrears	*5.0*	06 - Health	157.1
Federal Grants	*4.2*	07 - Recreational, Culture and Religion	3.8
Provincial Own Non-Tax Revenue	*75.9*	08 - Education Affairs and Services	71.8
		09 - Social Protection	8.6
B - CURRENT CAPITAL RECEIPTS		**B - CURRENT CAPITAL EXPENDITURE**	
CAPITAL RECEIPTS	**443.5**	**CAPITAL EXPENDITURE**	**460.3**
Recoveries of Loans and Advances (A/C-I)	1.3	Public Debt	-
Debt (A/C-I)	85.4	Repayment of Principal	55.1
Innovative Financing including PPP mode	25.0	Investments	43.8
Recoveries of Investment-State Trading (A/C-II)	173.9	Loans and Advances (Principal)	29.3
Cash Credit Accommodation (A/C-II)	157.9	State Trading in Medical Stores	0.1
		State Trading (Wheat) (A/C -II)	217.2
		Repayment of Commercial Bank Loans (A/C - II)	114.7
C- DEVELOPMENT RECEIPTS		**C- DEVELOPMENT EXPENDITURE**	
Foreign Project Assistance	**47.1**	**Annual Development Program**	**337.0**
		Core ADP	337.0
		Other Development Initiatives	-
Total Receipts A/C-I	**1,908.8**	**Total Expenditure A/C-I**	**1,783.7**
Total Receipts A/C-II	**331.8**	**Total Expenditure A/C-II**	**331.9**
		Provincial Surplus	**125.0**
Total Provincial Consolidated Fund	**2,240.6**	**Total Provincial Consolidated Fund**	**2,240.6**

اختصاریہ

موجودہ دور میں معاشی و مالیاتی تنظیم نے ایک انتہائی پیچیدہ جہت اختیار کر لی ہے۔ موجودہ حکومت کو 2018 میں حکومت سنبھالتے ہی بڑی معاشی مشکلات ورثے میں ملیں۔ دیگر مشکلات کے مابین ایک نمایاں مسئلہ تجارتی خسارے کا معاملہ تھا جو مالی سال 18-2017 میں 19 ارب ڈالر (جی ڈی پی کا 6.1 فیصد) کی حد کو چھو رہا تھا۔ سابقہ حکومت نے روپے اور ڈالر کی شرح تبادلہ کو مصنوعی طور پر برقرار رکھا ہوا تھا جس کے سبب برآمدات کے مقابلے میں درآمدات کا مسلسل بڑھتا ہوا حجم زرمبادلہ کے ذخائر میں کمی کا موجب بن رہا تھا۔ قومی سطح پر قرضے 30 کھرب روپے کی خطرناک حد تک بڑھ چکے تھے جو مالیاتی ذمہ داری اور قرضوں کو محدود کرنے کے قانون کی کھلی خلاف ورزی تھی۔ جس نے وطنِ عزیز کو غیر ملکی قرضوں کی ادائیگیوں (Foreign Debt Payments) کے ضمن میں دیوالیہ پن کی طرف دھکیل دیا تھا۔ 2.3 ارب یا جی ڈی پی کے 6.6 فیصد مالیاتی خسارے اور مہنگائی میں ہوش رُبا اضافے کے پیش نظر حکومت کو مشکل اقدامات اٹھانے پڑے تاکہ ملک کو دانشمندانہ معاشی تنظیم کے راستے پر ڈالا جا سکے۔ اس سلسلے میں مالیاتی عدم توازن کو کم کرنے کی خاطر، مئی 2019 میں آئی ایم ایف کے ساتھ اصلاحاتی پروگرام کا آغاز ایک اہم اقدام تھا۔ شرح تبادلہ میں مصنوعی کمی بیشی کی پالیسی کو ختم کر کے بازاری قیمت کے مطابق لایا گیا۔ محصولات کی پالیسی پر نظرثانی کی گئی اور درآمدات میں کمی کرنے کی خاطر ضروری مراعات دی گئیں تاکہ تجارتی توازن کو قائم رکھا جا سکے۔ ان اقدامات کے باعث درآمدات میں کمی اور برآمدات میں اضافے کے ذریعے تجارتی خسارے پر قابو پانے میں خاطر خواہ مدد ملی۔ حکومت نے اسٹیٹ بنک آف پاکستان سے قرض لینا ترک کر دیا اور اپنی توجہ محصولات بمقابلہ جی ڈی پی کی شرح کو بڑھانے کی طرف مائل کر لی، غیر ضروری اخراجات کو کم کیا گیا، سرکاری اداروں (Public Sector Enterprises) کے نقصانات میں کمی کی گئی، بچت میں اضافے اور نجی شعبے کی شمولیت کے لئے مراعات دی گئیں تاکہ معاشی ترقی میں اضافہ کیا جا سکے۔

موجودہ حکومت کی ان کاوشوں کے طفیل مالی سال 20-2019 کے آغاز میں بہتر نتائج سامنے آنا شروع ہو گئے۔ بدقسمتی سے مارچ 2020 میں Covid-19 وبا کی پاکستان آمد کی وجہ سے معاشی بہتری کے لئے کی جانے والی ان کاوشوں کو شدید دھچکا لگا۔ ملک میں معاشی سرگرمیاں اور لوگوں کی سماجی زندگی معطل ہو کر رہ گئی۔

جہاں تک پنجاب کا تعلق ہے، یہ صوبہ بھی قومی سطح پر اپنائی گئی حکمتِ عملی پر عمل پیرا ہوا ہے۔ Covid-19 کی وجہ سے صوبائی تجارت اور نقل وحمل میں بحران، انفرادی سطح پر اخراجات میں کمی، تجارتی اشیاء و خدمات کی برآمدات کے حجم میں تخفیف کے باعث صوبائی معیشت کو اِن بڑے دھچکوں کا سامنا کرنے میں کافی دقت ہو گی خصوصاً چھوٹی بڑی صنعتوں اور بڑے پیمانے کے کاروباروں کو نقصان پہنچنے کا اندیشہ ہے۔

Covid-19 کے تناظر میں حکومت پنجاب کی مالیاتی تنظیم میں کئی تبدیلیاں رُونما ہوئی ہیں۔ صوبائی حکومت کے

محصولات میں اپنے سالانہ ہدف کے مقابلے میں 635 ارب روپے کی کمی واقع ہوئی ہے جس میں وفاقی وصولیوں کی ترسیل میں 509 ارب روپے اورصوبائی محصولات کی مد میں 126 ارب روپے کا نقصان شامل ہے۔حکومت کو ترقیاتی اور غیر ترقیاتی اخراجات میں نمایاں کمی کرنا پڑی ہے۔ جاری اخراجات کی مد میں 1299 ارب روپے کے سالانہ تخمینے کو کم کر کے 1257 ارب روپے کیا گیا ہے۔حکومت نے بھرپور کوشش کی ہے کہ سالانہ ترقیاتی پروگرام کے اخراجات میں کمی اپنے ابتدائی ہدف یعنی 350 ارب روپے کے مقابلے میں 250.3 ارب روپے سے مزید نیچے نہ آنے پائے۔

بجٹ برائے مالی سال 2020-21 ان مشکل معاشی حالات کے تناظر میں پیش کیا جا رہا ہے۔تمام تخمینہ جات کا تعین ان وسیع معاشی اندازوں کو مدنظر رکھ کر کیا گیا ہے کہ اصل جی ڈی پی کی شرح نمو 2.1 فیصد، مہنگائی 6.5 فیصد، وفاقی محصولات کی وصولیاں 4963 ارب روپے تک ہوں گی۔ مجموعی طور پر صوبائی حکومت کو 2240.6 ارب روپے کی وصولیاں ہوں گی۔ جن میں سے عمومی وصولیوں کا حجم 1750 ارب روپے ہو گا، جس میں وفاقی ترسیلات 1433 ارب روپے اور صوبائی محصولات 317 ارب روپے ہوں گے۔حکومت کے جاری اخراجات کا تخمینہ 1318 ارب روپے لگایا گیا ہے جو گزشتہ مالی سال کے مقابلے میں صرف 1.4 فیصد زائد ہے۔ اس کڑی مالیاتی صورت حال میں حکومت نے اپنے بڑے اخراجات جن میں تنخواہیں، پنشن اور روزمرہ کے عمومی اخراجات شامل ہیں کو مالی سال 2019-20 کی سطح پر منجمد کرنے کا فیصلہ کیا ہے۔ ترقیاتی اخراجات کے حجم کا تخمینہ 337 ارب ہے جوگذشتہ مالی سال میں 350 ارب روپے تھا جبکہ صوبائی EPS کو 125 ارب روپے رکھا گیا ہے جو ایف بی آر کی وصولیوں کے ہدف کے ساتھ منسلک رہا ہے۔

حکومت نے Covid-19 کی صورت حال کے رونما ہونے کے بعد اپنی سرکاری سرمایہ کاری کی حکمت عملی کو "Responsive Investment for Social Protection and Economic Stimulus (RISE)" کے نام سے موسوم کیا ہے۔ یہ حکمت عملی Covid-19 کی وجہ سے پیدا ہونے والے بحران سے نمٹنے کے لئے جوابی اقدامات لینے کے لیے ایک اہم دستاویز ہے۔ یہ سالانہ ترقیاتی پروگرام کے لئے ترجیحاتی بنیادوں پر رہنمائی فراہم کرتی ہے جو نہ صرف سالانہ ترقیاتی پروگرام 2020-21 کی درست سمت متعین کرتی ہے بلکہ پنجاب کے وسط مدتی ترقیاتی پروگرام (MTDF) پر عملدرآمد میں بھی معاون ہے۔

سالانہ ترقیاتی پروگرام 2020-21 میں ایک اہم ترجیحی شعبہ پاکستان چین اقتصادی راہداری (CPEC) کا ہے۔ اس ضمن میں حکومت پنجاب میں دو اہم ترقیاتی پروگرام یعنی اورنج لائن میٹرو ٹرین پراجیکٹ اور علامہ اقبال انڈسٹریل سٹی فیصل آباد کے منصوبوں پر کام جاری ہے۔ مالی سال 2020-21 میں ان دونوں منصوبوں کو ترجیحاتی بنیادوں پر مکمل کرنے کے لئے مناسب وسائل مہیا کئے جا رہے ہیں۔حکومت اپنے ترقیاتی اقدامات کے حجم کو بڑھانے کے لئے پبلک پرائیویٹ پارٹنرشپ (PPP) کے تحت بھی سرمایہ کاری کرے گی۔ اس ضمن میں PPP پراجیکٹس کے

لئے سازگار ماحول فراہم کرنے کے لئے اقدامات کئے جا رہے ہیں۔ سالانہ ترقیاتی پروگرام Sustainable Development Goals (SDGs) کو مدنظر رکھ کر تشکیل دیا گیا ہے۔ Covid-19 کی وجہ سے صحت عامہ کے شعبہ میں کئے جانے والے اخراجات پر شدید دباؤ آیا ہے۔ پنجاب کی آبادی کا ایک بڑا حصہ شدید غربت اور افلاس میں مبتلا ہو گیا ہے جس سے باہر نکلنے کے لئے ایک پائیدار حکمت عملی وضع کی گئی ہے۔ حکومت پنجاب کو اس بات کا ادراک ہے کہ وبا کی وجہ سے رونما ہونے والی صورت حال میں بھی لئے جانے والے تمام اقدامات کے SDGs سے منسلک رہنے کو نظر انداز نہیں کیا جا سکتا۔ بلکہ یہ صورت حال اس امر کی متقاضی ہے کہ SDGs اہداف کے حصول کو صحت مند اور محفوظ پنجاب بنانے کے لئے بطور حکمت عملی استعمال کیا جائے گا۔

Covid-19 کی وجہ سے لوگوں کے روزگار پر رونما ہونے والے منفی اثرات کو کم کرنے کے لئے حکومت پنجاب نے دوررس حکمت عملی کو اپناتے ہوئے مالی سال 2019-20 کے اواخر میں ٹیکسوں کی وصولی میں خاطر خواہ رعایتیں فراہم کی ہیں جن کا حجم 18 ارب روپے سے زائد ہے۔ اس کے ساتھ ساتھ صحت عامہ اور حفظان صحت کی سہولیات کی بروقت فراہمی کے لئے اخراجات میں اضافہ کیا گیا ہے اور سماجی تحفظ کا جامع پیکیج مہیا کیا گیا ہے تاکہ بے روزگاری سے نمٹا جا سکے۔ وزیراعلیٰ کے انصاف امداد پروگرام 2020 کے تحت آبادی کے بے روزگار طبقے کو خصوصی ریلیف فراہم کیا گیا ہے جس کے لئے 10 ارب روپے کی رقم مختص کی گئی اور اس آفت سے فوری طور پر نمٹنے کے لئے ایک ارب روپے کی رقم مہیا کی گئی جبکہ تمام اضلاع کی سطح پر ریلیف کے فوری اقدامات کے لئے 2.6 ارب روپے فراہم کئے گئے۔

چونکہ اس بات کا قوی امکان ہے کہ Covid-19 کے منفی اثرات آئندہ مالی سال کے وسط تک موجود رہیں گے لہذا حکومت نے کثیر الجہتی مالیاتی حکمت عملی اپنانے کا فیصلہ کیا ہے تاکہ محصولات میں بذریعہ معاشی ترقی اور ٹیکس دہندگان کی تعداد میں اضافے، معاشی ترقی میں تیزی لانے کے لئے کاروباری طبقے بالخصوص تعمیراتی شعبہ کے لئے مراعات، Covid-19 کی وجہ سے متاثر ہونے والے معاشی شعبہ جات اور سماجی طبقے کا تحفظ، میں توازن برقرار رکھا جائے۔

Covid-19 اور اس سے رونما ہونے والے سماجی اور معاشی بحران نے ٹڈی دل (Locust) کے حملے جیسے سنجیدہ مسئلے کو مبہم کر دیا ہے جو غذائی قلت کا موجب ہو سکتا ہے۔ پاکستان بالخصوص پنجاب کو ایک زرعی معیشت ہونے کی وجہ سے ان حالات میں شدید مشکلات درپیش ہوں گی۔ ان حالات میں ہنگامی طور پر حکومت پنجاب نے بروقت فوری اقدامات لیتے ہوئے ریلیف کے لئے کئے جانے والے دیگر اقدامات کے علاوہ ٹڈی دل (Locust) کے حملے سے بچاؤ کے لئے 50 کروڑ روپے کی رقم مختص کی ہے۔

صوبے میں مضبوط اور عملی مالیاتی تنظیم صوبائی کابینہ کی فنانس اور ڈویلپمنٹ کی سٹینڈنگ کمیٹی کی کاوشوں کی

بدولت ممکن ہوسکی۔ اس کمیٹی نے اپنے اختیارات کو برتنے میں مسلسل ارتقائی رجحانات کا مظاہرہ کیا۔ اس دستاویز میں اس کابینہ کمیٹی کے چیدہ چیدہ فیصلوں کا ہی ایک جامع احاطہ کیا گیا ہے ۔ ان فیصلوں کی بدولت کئی ایسے اصلاحاتی اقدامات لیے گئے ہیں جوصوبائی مالیاتی پالیسیوں پر دُور رَس اثرات مرتب کریں گے۔

شمولیتی بجٹ سازی اور اخراجات کے تعیّن کے لیے وضع کردہ ضابطہ کار ایسے عملی اقدامات ہیں جو صوبائی مالیاتی تنظیم کو اپنے معیار اور اعتبار میں بتدریج بہتری کی طرف گامزن کر دیں گے۔شمولیتی بجٹ سازی کے متعارف کروائے جانے کو اس کے آغاز سے ہی سراہا جا رہا ہے اور قوی امکان ہے کہ اخراجات کے تعیّن کے ضابطہ کار کی بدولت اخراجات کی محتاط اور کڑی نگرانی ممکن ہو سکے گی۔

☆☆☆

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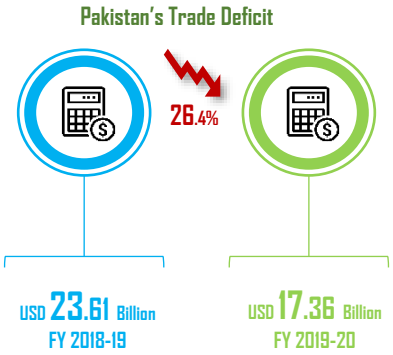
Macroeconomic Outlook and Challenges

National Economic Outlook

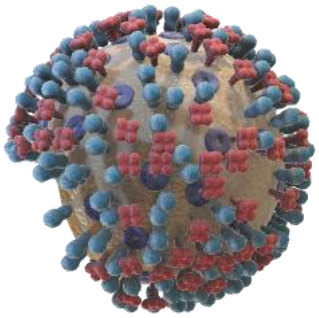
The Government of Pakistan was recovering from the twin deficit (Current Account and Fiscal Account deficit) problem it inherited from the previous Government. Overall, Pakistan booked a trade deficit of USD 17.36 billion in first 10 months (Jul-Apr) of current fiscal year 2019-20 as compared to USD 23.61 billion in the same period of previous year showing a decline of 26.45%.

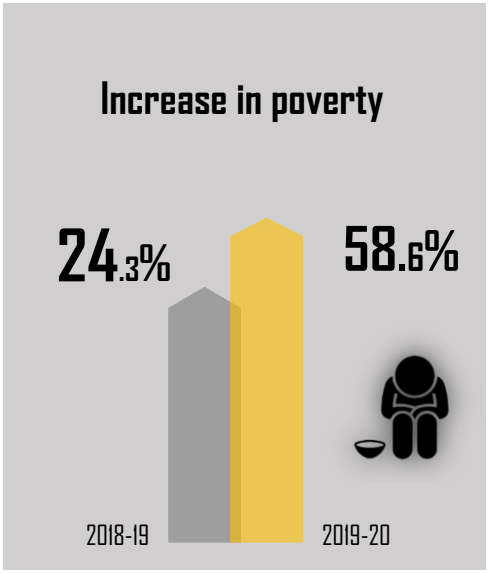


FBR tax collection was showing a growth of over 13% in the first 09 months of the Financial Year. Similarly, the Non-Tax collection by the Federal Government was showing a very healthy growth trend compared to LFY. Punjab Government's fiscal situation had a positive outlook with the Provincial Own Source Revenue exhibiting a growth rate of 29% upto February 2020 compared to the corresponding period LFY. Post February 2020 the onslaught of the Coronavirus Pandemic caused the economic situation to deteriorate.

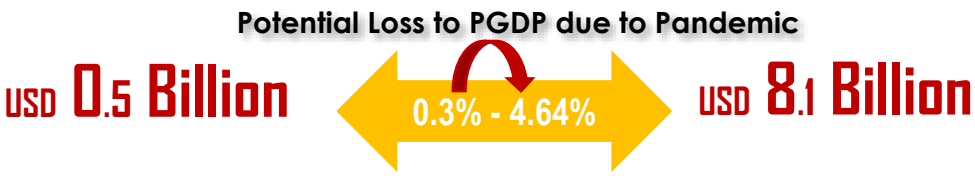
Current Account Deficit narrowed 71% to **USD2.8 Billion** in the nine months of the CFY as foreign inflows and balance of trade continued to improve during the period. The Deficit had shrunk to **1.3% of GDP** in the July-March period compared to **4.7%** in the corresponding period a year earlier. In addition stable Exchange Rate, healthy growth in FDI at 126.8%, improved ranking in World Bank's Ease of Doing Business Index, and 'Stable'' credit outlook to B3 from 'Negative' by **Moody's**, reaffirmed the successful policies of Government in stabilizing the economy and laying a foundation for robust growth.

The Country came to a standstill both in terms of human mobility and economic and activity. With the increase in Coronavirus cases, the Government of Punjab imposed a lockdown from 23rd of March 2020 for a period of roughly two months. As of June 13, 2020 the number of Coronavirus cases in Punjab stood at **50,087** confirmed cases, is the highest among all Provinces in Pakistan and the numbers are rising.





The spread of Coronavirus has not only put the healthcare system under great stress but has also resulted in colossal economic loss for the Province, like all the other Provinces. The Country is projected to go through an economic recession for the first time after 1952. The real GDP growth projections vary although there is a general consensus on a recessionary outcome for the CFY. IMF estimates a **growth rate of -1.5%** for the year. The Federal Government has projected that the country's GDP will shrink by 0.4% of GDP. The scale of the economic loss for Punjab has been estimated by World Bank and Asian Development Bank which suggests that Punjab may lose around three to four percent of its GDP per month during the lockdown. The **economic loss** to Punjab is estimated to be US USD3-5 billion and short-term employment loss of 4-6 million people. Most of those who will be unemployed are already on the brink of the poverty line, with high probability of being pushed into poverty. PIDE has estimated the **poverty to increase significantly** from 24.3 percent to 33.7 percent in low case scenario, or **to 44.2% in medium case and up to 58.6%** in case of high impact scenario. 19 percent of the population already falls in the vulnerable category who may potentially fall below poverty line due to the Pandemic. PIDE has estimated GDP losses of between 0.3% to 4.64%, implying that Punjab can have economic **losses ranging between** USD 0.5 billion to USD 8.1 billion.

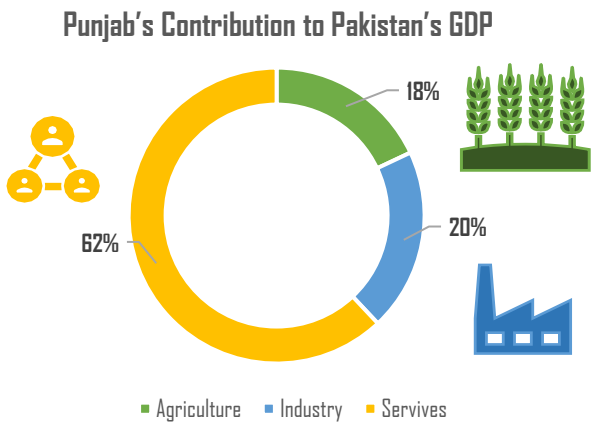


Income loss due to unemployment amongst informal and daily wage workers is estimated to be **USD 2.2 billion**. Though this unemployment is expected to be temporary and will recover as soon as the Pandemic ends. The combined effect of unemployment and economic slowdown has potentially resulted in the economy going into a recession.

To understand the impact on unemployment it is important to realise that Punjab's **economy comprises 62% of Services**, **20% Industry (includes mining and construction) and 18 percent Agriculture**. In terms of its employment structure, there are more than 37 million people employed in the Province. Approximately 16 million are in the non-Agriculture labour force and informally employed or engaged in small self-employment. The impact of COVID-19 has been tilted towards the urban areas so far, with the Agriculture sector mostly stable. However, the sector depends on various inputs and effective logistics that need to be managed as this sector employs 14.5 million people and provides food to the entire Province.

Punjab's Economy & Effects of COVID – 19

The effect of the Pandemic has been felt by various industries. Businesses, including large businesses, have already experienced significant slowdown resulting in many workers being sent home. Liquidity across supply chains have shrunk; requiring the State Bank to propose measures that ease out flow of capital.



Garment, textile and sporting goods sector have been impacted due to the lockdown in Europe and export orders and payment for export orders have gone down. The Small and Medium Enterprise sector is finding it difficult to retain all workers. Auto parts business is in a critical state as imports have been badly affected, with the automobile industry already suffering from low sales pre-COVID-19. The hospitality and entertainment industry are also facing significant difficulties; marriage halls closure alone has resulted in **unemployment of 200,000 people**. Closure of eateries, retail, transport and other activities have impacted the **7 million informally employed in the wholesale, retail and transport** sectors. Surgical, cutlery and hunting knives, and leather and footwear sectors have experienced reduction in exports. Pharmaceutical sector's exports have stopped as countries have closed borders and imports are uncertain. Only food processing and plastic industry have not been impacted yet. The Agriculture sector, while not affected much by COVID-19, has been impacted by pests and locust attack leading to lower output than predicted.

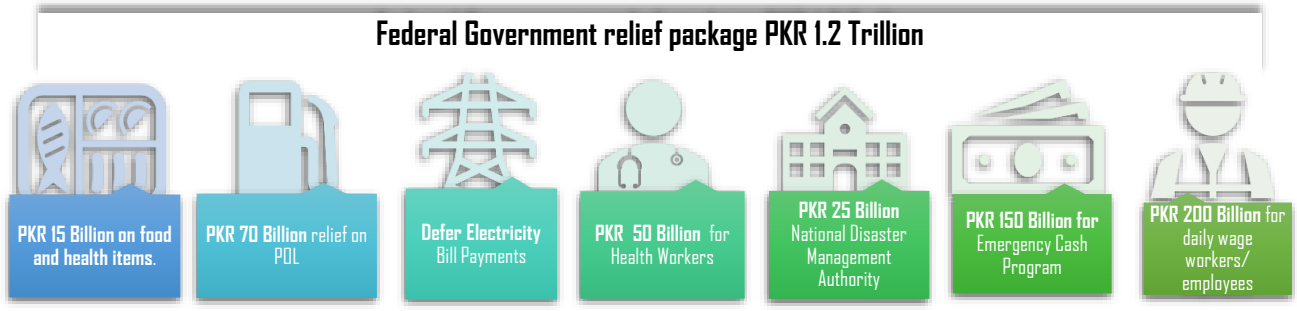
> *"The COVID-19 pandemic of 2020 has strengthened the case for fiscal policy actions and heightened its emergency. Sustained high and inclusive growth is critically needed for development in emerging market and developing economies."*
>
> *IMF Fiscal Monitor, April, 2020*

A recent IMF document on financial assistance under Rapid Finance Instrument (RFI), projects that **taxes collected** by FBR **will drop** from a pre-COVID-19 estimate of **PKR 4,803 Billion** in FY 2020 to **PKR3,908 billion,** implying a revenue shock of more than two percent of GDP, the bulk of which would have been received by Provincial Governments. Similarly, the Government's own Tax & Non-Tax revenues are expected to fall short as compared to pre-COVID-19 forecast. Such a sudden revenue shock towards the end of the Financial Year is likely to cripple Provincial Budget management. FBR revenue has decreased from **PKR5,550 billion** to **PKR3,907 Billion**, a reduction of PKR1,643 billion. The Fiscal Deficit has increased from **PKR3,560 Billion** to **PKR3,800 Billion** which may further slip (increase from **7.1% of GDP to 9.3% of GDP).**

While the initial response of the Government has been to ensure Social Protection for the most vulnerable along with food and essential goods supply chain remaining operational, there is a need to develop a comprehensive plan enabling businesses to restart. It is important to note that beyond the lockdown the economic recovery won't be quick as businesses that have closed will struggle to reopen with some being unable to sustain the shock and be permanently closed. **WTO** has estimated **global trade to reduce by 30-40 percent**, export-oriented companies will find themselves out of orders. Supply chain of imported inputs will be disturbed affecting production of several industries and the Service

Industry will have to reorient itself to become functional again in the new norms of social distancing. The entire value chain of the Country has been disrupted requiring short to long term measures to bring them back to normal functioning.

To respond to the Coronavirus Pandemic, the **Federal Government** has announced a **PKR 1.2 trillion** relief and stimulus package, the largest ever stimulus package, focusing on **healthcare, social protection** and **economic stability and stimulus**. With regards to healthcare, the Federal Government has released **PKR 25 billion** to National Disaster Management Authority for procurement and distribution of equipment. An additional **PKR 50 billion** is set aside for incentivizing health workers and healthcare equipment. An emergency fund has been established having a budget of **PKR 100 billion.**



Under social protection, the Federal Government has launched the Ehsaas Emergency Cash Program of **PKR 150 billion** for vulnerable families out of which **PKR 81 billion** has been **disbursed to 6.6 million families. PKR 200 billion** has been allocated for daily wage workers/ employees.

For economic stability and stimulus, various measures have been undertaken. Tax relief has been provided amounting to PKR 15 billion on food and health items. Relief of amount PKR 70 billion has been provided by reducing petrol and diesel prices. Low usage consumers of power and gas can defer their payments. Similarly, relief of **PKR 200 billion** has been provided to Exporters, Agriculture and SME sector. Funds (PKR 50 billion) have been provided to Utility Store Corporations to ensure provision of food items at affordable prices. The SBP has also cut the policy rate to 8% and has given relaxation of one year in repayment of principle under various refinance schemes. SBP will also provide a refinance scheme to support employment of workers. **Credit limit to SMEs** has been **increased to PKR 180 million**. The **construction sector** has been given a special stimulus package that includes **amnesty scheme, tax exemptions** and **PKR 30 Billion** subsidy for Naya Pakistan Housing Project. The Construction Sector has been allowed an increased advance payment of up to **USD 25,000** by the SBP for import of raw materials and spare parts.

The Government has also been provided with external financing from World Bank **USD1.79 Billion**, IMF **USD1.4 Billion**, Asian Development Bank **USD1.75 Billion**, Islamic Development Bank, G-20/ Paris Club **USD1.8 Billion**, United Nations and countries such as USA, Japan, China. These include both loans and grants. The funding is earmarked for emergency medical supplies, relief funds, National Disaster Risk Management Fund, Development Policy Credit, reduction in interest payment and budgetary support. The IMF has also announced a Rapid Financing Facility of **USD 1.4 billion**.

In order to face the challenges posed by the Coronavirus, the Government has developed a comprehensive and holistic response through the Responsive Investment in Social Protection and Economic Stimulus Framework. It integrates seven critical pillars to help **Punjab fight back health, economic and special protection challenges**.

Macroeconomic Outlook

As explained above, the Government had made considerable progress towards resolving the issue of Macroeconomic imbalances. However, after March 2020 the situation changed drastically as a result of Coronavirus Pandemic and subsequent lockdowns. This resulted in reduction of Economic output of the country by **0.4% for FY 2019-20** as against a budget projection of 2.4%. Likewise tax collection and fiscal balance situation deteriorated as shown in the table below. Inflation eased down to single digit as a result of decrease in aggregate demand. Going forward, the economy is projected to start growing again. The Federal Government has projected real GDP to grow by **2.1% in 2020-21**. The growth should further pick up to **4.5% by 2022-23**. Inflation is expected to hover around **6%** during next **3 years**. The Government is target to improve its Fiscal balance by increasing FBR tax collection from 9.4% of GDP in **FY 2019-20 to 12.6%** of GDP. The table below summarizes the Medium Term Macroeconomic Framework, as projected by Federal Government:

Macroeconomic outlook 2019-20 to 2022-23[i]

Items	Budget 2019-20	Revised 2019-20	Budget 2020-21	Target for 2021-22	Target for 2022-23
Real GDP Growth (%)	2.4	-0.4	2.1	4	4.5
Inflation (%)	11-13	11-12	6.5	6.2	6
FBR Tax Revenue	12.6	9.4	10.9	11.8	12.6
Fiscal Balance	-7.1	-9.1	-7.0	-5.6	-4.8
GDP at market prices (Billion PKR)	44,003	41,727	45,567	50,443	55,991

In the above Macroeconomic scenario, the Punjab Budget 2020-21 aims to provide maximum healthcare facilities to fight the Coronavirus Pandemic. Similarly, the Budget includes Social Protection schemes to protect the poor and vulnerable. Economic stimulus would be another important priority of the Budget 2020-21. Investments will be made in public infrastructure with the objective of creating greater employment and to help construction related industries in the Province. No new tax has been suggested in the budget. The rate of taxes has been reduced for construction sector in line with the vision of the Prime Minister. The Government would further aim to improve business climate in the Province to help businesses recover from the existing problems. Further details regarding the Budget 2020-21 are provided in the following chapters.

[i] Annual Budget Statement 2020-21, Government of Pakistan

2

Estimates of Receipts

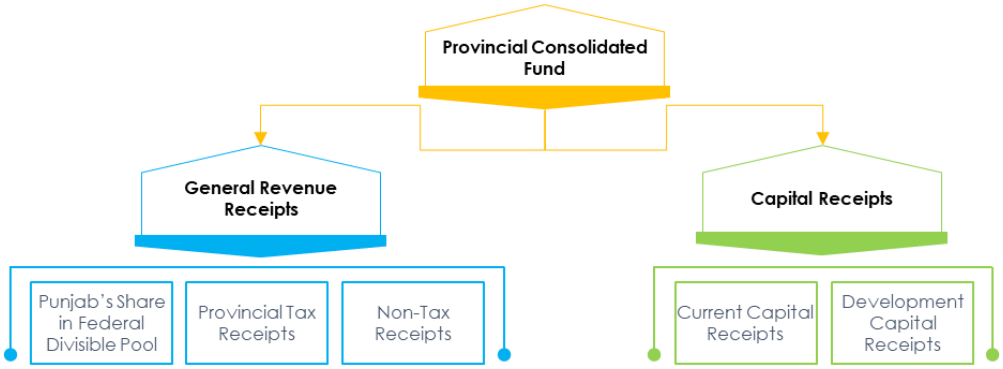
Estimates of Receipts

Annual Budget is regarded as the primary manifestation of the Service Delivery plan of a Government. For administrative purposes, however, the plan is reflected in terms of estimates of Receipts and Expenditure during a Fiscal Year. This Chapter is aimed at providing a comprehensive analysis of the Receipts of the Provincial Government in FY 2019-20 and projected for FY 2020-21.

Classification of Receipts by the Provincial Government

1 General Revenue Receipts & 2 Capital Receipts

The following flow diagram provides different sub-categories of the Receipts under the two main categories of Provincial Receipts:



As highlighted in Chapter 1, Punjab, like the global economy, has been hit adversely by the COVID-19 pandemic. The Government of Punjab adopted a proactive approach to mitigate the negative impact on livelihoods by announcing a Tax Relief Package worth more than PKR18 billion (discussed in detail below). Furthermore, it has been estimated that the negative impact of COVID-19 will continue till at least the 1st half of FY 2020-21. Keeping this in view, the Ministerial Committee of the Cabinet on Resource Mobilization (RMC) also adopted a multi-pronged Fiscal Strategy with a focus on striking a balance between:

Based on multiple rounds of Finance Department's meetings with major Tax and Non-Tax Departments and efforts of the RMC, a rigorous tax-by-tax analysis of Punjab's Tax Relief Package and Departmental proposals for the FY2020-21 has been conducted resulting in the following key recommendations:

Punjab's Tax Relief Package: Key Recommendations

- Punjab Sales Tax on Services (PSTS) will not be charged on Construction Services provided by Property Developers, Builders and Promoters
- PSTS on Health Insurance and Services provided by doctors and hospitals at 0%
- PSTS reduced to 5% for 14 sectors affected by COVID-19
- Adoption of new Valuation Table for UIPT postponed for 1 year
- COVID-19 centric administrative relief measures in collection of UIPT, Token Fee and Vehicle Registration Fee etc

The table below summarizes the estimates of total Provincial Receipts of the Government:

(PKR Billion)

Receipts	BE 2019-20	RE 2019-20	BE 2020-21
a. General Revenue Receipt	**1,989.826**	**1,408.398**	**1,750.035**
Federal Divisible Pool	*1,601.468*	*1,127.878*	*1,432.968*
Provincial Taxes	*294.963*	*191.088*	*220.886*
Provincial Non-Tax	*93.395*	*89.432*	*96.181*
b. Capital Receipts A/C-I	**60.496**	**68.864**	**133.724**
Current Capital Receipts	*42.307*	*55.419*	*86.630*
Development Capital Receipts (Foreign Projects Assistance)	*18.189*	*13.445*	*47.094*
c. Capital Receipts A/C-II	**208.255**	**334.545**	**331.869**
d. Innovative Financing	**42.000**	**0.000**	**25.000**
Total Provincial Consolidated Fund (a+b+c+d)	**2,300.577**	**1,811.807**	**2,240.628**

General Revenue Receipts

The main elements of General Revenue Receipts as per Annual Budget Statement are **Federal Divisible Pool**, **Provincial Tax Receipts** and **Provincial Non-Tax Receipts**. The table below shows the details of Budget Estimates and Revised Estimates of General Revenue Receipts for FY 2019-20 in comparison with the anticipated Budget Estimates for FY 2020-21.

(PKR Billion)

General Revenue Receipts	BE 2019-20	RE 2019-20	BE 2020-21
Federal Divisible Pool Taxes	**1601.468**	**1127.878**	**1432.968**
Tax on Income	598.349	467.029	587.887
Land Customs	286.448	157.012	184.043
Sales Tax	613.241	415.506	558.763
Capital Value Tax	1.136	0.704	0.887
Federal Excise	101.577	87.188	100.882

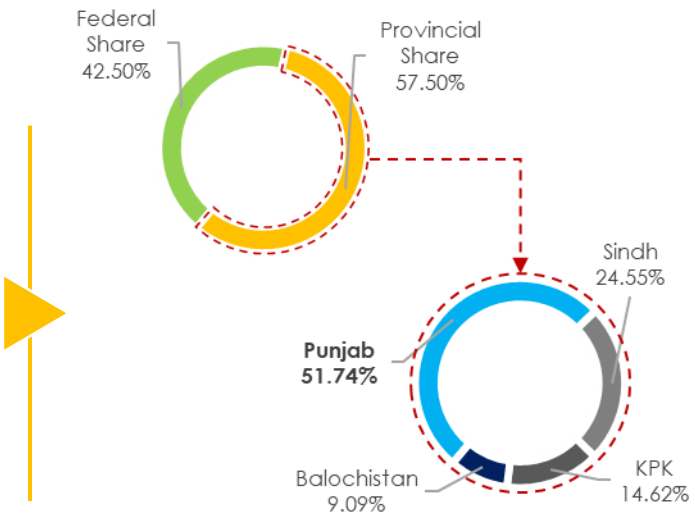
Excise Duty on Natural Gas	0.717	0.438	0.507
Provincial Tax Revenue	**294.963**	**191.088**	**220.886**
Board of Revenue	81.156	62.500	56.000
Excise, Taxation & Narcotics Control Department	39.700	23.001	32.364
Transport	0.710	0.431	0.675
Finance (Punjab Revenue Authority)	166.550	105.000	125.000
Energy	6.847	0.156	6.847
Provincial Non-Tax Revenue (Excluding Straight Transfers and Grants)	**93.395**	**89.432**	**96.181**
Income from Property and Enterprise	32.354	8.035	10.208
Receipts from Civil Administration and Other Functions	18.285	13.512	16.479
Miscellaneous Receipts	42.756	67.885	69.494
Total General Revenue Receipts	**1,989.826**	**1,408.398**	**1,750.035**

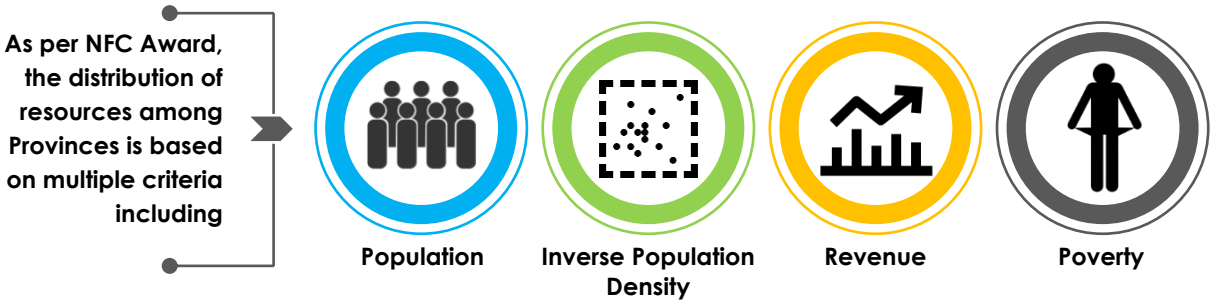
FEDERAL DIVISIBLE POOL TAXES

The major source of revenue for the Provincial Government is the receipt of Federal Divisible Pool share which constitutes **82%** of the General Revenue Receipts projected for FY 2020-21. Under the 7th NFC Award, the Divisible Pool of Taxes as collected by FBR has been laid down as under:

Divisible Pool of Taxes as collected by FBR (under the 7th NFC Award)

- Taxes on income
- Wealth Tax
- CVT
- Taxes on sales of goods & purchase of goods imported-exported, produced, manufactured and consumed
- Export duties on Cotton
- Customs Duties
- Federal Excise Duties excluding the excise duty on gas charged at well heads





Since the Divisible Pool transfers constitute a large proportion of General Revenue Receipts, even a small percentage variation between Federal Board of Revenue's Budgeted Estimates and Actual Collection leads to a major re-adjustment in Provincial Receipts. The following table shows the variance between Budget Estimates and Actual Tax Collection by FBR during the last four years:

(PKR Billion)

	2015-2016	2016-17	2017-18	2018-19
Budget Estimates	3,104	3,621	4,013	4,435
Actual Collection	3,113	3,361	3,841	3829
Excess/Shortfall	9	-260	-172	-606
Excess/Shortfall (in Percentage)	**0.29%**	**-7.18%**	**-4.29%**	**-13.66%**

Punjab's Estimated Federal Divisible Pool Receipts

PKR 1,601.468 bn ← -10% → PKR 1,432.968 bn

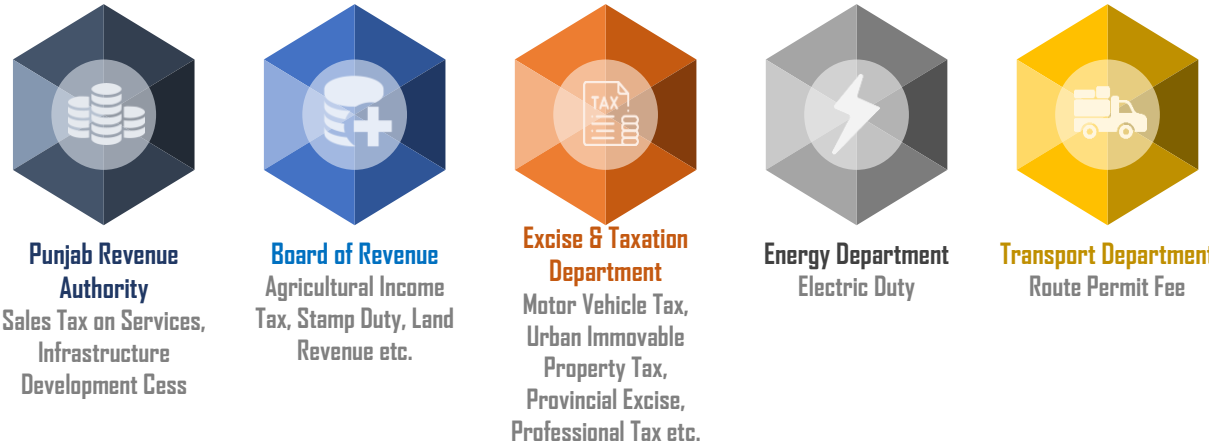
B.E. FY 2019-20 B.E. FY 2020-21

The last tranche of the FDP is received around the 28th of June each Financial Year. The common practice is to conduct the settlement and reconciliation exercise for the entire FY as well as the last two to three days of June and transfer the balance amounts to the Provinces in the form of arrears in the first quarter of the next FY. In FY 2019-20, an amount of PKR 62.9 billion of Punjab's FDP share for FY 2018-19 was transferred from the Federal Government to the A/C-I of the Provincial Government as arrears of FDP.

PROVINCIAL TAX REVENUE

The second component of the General Revenue Receipts is termed as Provincial Tax Revenue. The tax revenue is collected by the following agencies of the Government:

Provincial Tax Revenue Sources



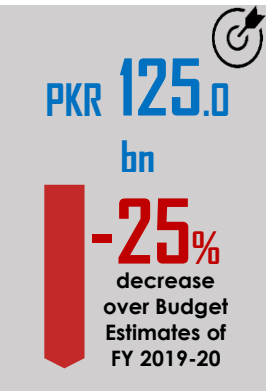
The details of taxes budgeted for FY 2020-21 is presented below:

(PKR Billion)

Tax Receipts	BE 2019-20	RE 2019-20	BE 2020-21
Punjab Revenue Authority	**166.550**	**105.000**	**125.000**
Sales Tax on Services	161.550	101.820	121.000
Punjab Infrastructure Development Cess	5.000	3.180	4.000
Board of Revenue	**81.156**	**62.500**	**56.000**
Agricultural Income Tax	2.074	2.074	2.500
Registration of documents	0.075	0.181	0.074
Land Revenue	18.286	14.500	20.000
Capital Value Tax	0.000	0.118	0.000
Stamp Duty	60.721	45.627	33.426
Excise, Taxation & Narcotics Control Dept.	**39.700**	**23.001**	**32.364**
Urban Immovable Property Tax	14.362	9.690	14.500
Tax on Professions, Trades and Callings	1.800	0.704	1.200
Receipts under Motor Vehicles	15.850	9.703	13.031
Other Direct Taxes	0.000	0.000	0.000
Provincial Excise	7.140	2.518	3.114
Tax on Luxury Houses	0.100	0.088	0.092
Other Indirect Taxes	0.448	0.298	0.427
Energy	**6.847**	**0.156**	**6.847**
Electricity Duty	6.847	0.156	6.847
Transport	**0.710**	**0.431**	**0.675**
Motor Vehicles fitness certificate and permit fee	0.710	0.431	0.675
Total Provincial Tax Revenue	**294.963**	**191.088**	**220.886**

The above table shows that tax collection by the Punjab Government during FY 2020-21 is estimated at **PKR 220.89 billion**, as compared to BE 2019-20 of PKR 294.96 billion. Major decrease in Provincial revenue is expected due to decline in economic activity as a consequence of COVID-19. Furthermore, as highlighted earlier the fiscal strategy adopted is one of providing maximum relief to the public which includes reduced rates on PSTS for around **23** sectors.

Punjab Revenue Authority (PRA)



PRA was assigned a revenue collection target of PKR 166.550 billion for FY 2019-20. The target was based on the revenue collection trends of the preceding years, the revenue generation potential of the assigned taxes and tax policy measures taken by the Government. However, due to overall impact of COVID-19 on the service sector and the reduction of PSTS on 20 plus sectors from 16% to 0% for the last quarter of FY19-20 under the **Tax Relief Package** the R.E for FY19-20 has been set at **PKR 105 billion**. This amount also includes the transfer of PKR 4.288 billion claim pending with the Federal Government regarding wrong transfer of PRA funds to FBR by NBP.

Services such as Telecommunications, Banking/ Insurance, Contractual Execution, etc. were expected to be the primary revenue spinners for PRA during the financial year and have also generated the highest revenue amongst different sectors as shown below. The following table shows the Revised Estimates of collection from major Services during the year:

Sales Tax on Service Collection 2019-20

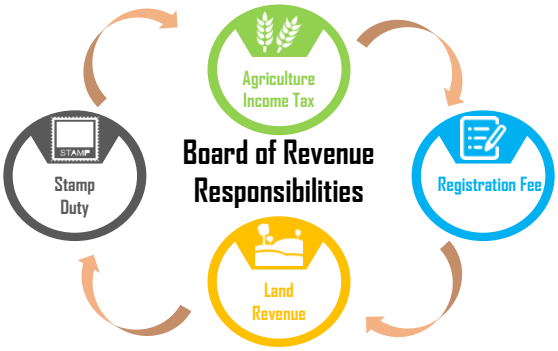
(PKR Billion)

Service	Revised Estimates of Collection
Telecommunication	23.0
Withholding Agents	18.0
Banking / Non-Banking/ Insurance	13.5
Franchise services	7.0
Contractual execution of work or furnishing supplies.	4.0
Courier services	2.8
Manpower recruitment agents including labour and manpower supplies.	2.7
Restaurants including cafes, food (including ice-cream) parlors, coffee houses, coffee shops, deras, food huts, eateries, resorts and similar cooked, prepared or ready-to-eat food service outlets etc.	2.6
Construction services	2.4
Security Agency	2.1
Information Technology-enabled or Information Technology-based services	2.0
Services in relation to transport of goods other than water, through pipeline, conduit or any other medium	1.8
Other Services	15.64
Transfer from FBR (previous wrong credit)	4.28
PIDC	3.18
Total Revised Estimate of Collection	**105.0**

PRA has done exceedingly well to maintain very high growth in revenue collection over the past 4-5 years. Based on the revenue trends, PRA has been assigned a target of **PKR 125.000 billion** for FY 2020-21 with a decrease of **25%** over Budget Estimates of FY 2019-20. The Government has reduced the PSTS for nine sectors from 16 to 5% to incentivize compliance. Furthermore, the Government of Punjab has consented to a Memorandum of Agreement (MOA) with the Federal Government geared towards '**Harmonization of Sales Tax**' across the country. This MOA has come in the wake of the creation of a National Tax Council under the FCC by the Federal Government.

Board of Revenue (BOR)

BOR's collection is estimated at **PKR 56.0 billion** for FY 2020-21. The major tax heads under BOR's purview are elaborated for the purpose of clarity:



Agricultural Income Tax:

Agricultural Income Tax (AIT) is an important Direct Tax of Provinces, collected under the AIT Act of 1997. It is levied as a fixed amount per acre of land, or as a percent of income of owners of agricultural land, whichever is higher. After 2001, the Government had revised the land based AIT rates, w.e.f. from FY2019-20, by doubling the existing rates. Similarly, the exemption limit for the Income Based AIT rates had also been raised from PKR 80,000 income per annum to PKR 400,000 per annum in order to improve the horizontal equity between taxes on agricultural and non-agricultural income. The RE for AIT for FY 2019-20 is set at **PKR 2.074 billion** indicating 100% achievement of target.

Land Revenue:

Land revenue is a broad category and includes a number of receipts related to land revenue functions, the largest being mutation fee. This category of Provincial Tax Receipts has a lot of potential and is expected to contribute **PKR 20.0 billion** to the provincial exchequer during FY 2020-21 which is 38% higher than the R.E for previous year.

PKR 14.5 bn	PKR 20.0 bn
Revised Estimate 2019-20	Budget Estimate 2020-21

Stamp Duty:

Government has reformed the system by introducing e-Stamps to facilitate taxpayers, plug leakages in this tax collection and to ensure greater transparency in the process of transfer of property. This reform has shown a decent growth since implementation of reform initiative.

A priority area for the Federal and Provincial Governments has been the Construction Sector. In order to provide impetus to the Sector, the Government of Punjab has reduced the Stamp Duty rates for transactions of land in Urban areas to 1% from 5%. This step was taken as part of the Tax Relief Package for the last quarter of FY19-20 and is expected to continue for the next FY. Keeping in view the incentive of a lower Stamp Duty rate coupled with the annual growth trajectory the Budget Estimates of Stamp Duty for FY 2020-21 have been pitched at **PKR 33.426 billion**.

Excise, Taxation & Narcotics Control Department

Excise, Taxation & Narcotics Control Department provides services for collection of eight different levies/ taxes. The Department aims to promote automation of its functions to optimize service delivery through reduced interface between public and Government officials. The major tax heads under purview of Excise, Taxation & Narcotics Control Department are as indicated below:

Motor Vehicle Taxes:

Excise, Taxation & Narcotics Control Department collects 'Tax on Registration' and 'Token Tax' on motor vehicles. The BE 2019-20 of MV Taxes was PKR 15.850 billion. The Revised Estimate for this tax has been pitched at PKR 9.7 billion, while the target for the next Financial Year has been estimated as **PKR 13.031 billion**. The Department has not been able to achieve the target set at the start of FY19-20 due to general slowdown in the economy whereby sale and purchase of vehicles was 40% lower than the previous year.

Urban Immoveable Property Tax (UIPT):

This is a tax devolved to Municipal Committees, Municipal Corporations and Metropolitan Corporation under Local Government legislation in Punjab. However, for administrative purpose, it is being collected by the Provincial Government. The proceeds of this tax are passed on to the respective Local Governments/local agencies from where the tax is collected.

The UIPT for FY 2020-21 stands at **PKR 14.500 billion**. The shortfall primarily arose as a result on non-implementation of decision to tax properties abutting major highways in the Punjab which had an estimated impact of PKR 2.0 billion.

Administrative Relief Proposed for FY2020-21

Valuation Tables	UIPT	Reg. Fee and Token Tax
Updation of Valuation Tables postponed for 1 year	1. Waiver of surcharge on UIPT for FY2020-21 2. Collection of UIPT in 2 installments 3. 10% rebate for early payment 4. 5% rebate for payment by ePayPunjab	1. Extension of rebate period for one month up to 30-09-2020 2. Increase in rebate from 10% to 20% for annual lump-sum payment 3. Waiver of enhanced rate of registration fee on late registration for the period from 01-04-2020 to 31-12-2020 4. Waiver of penalty on late payment of motor vehicle tax for the FY 2020-21

Professional Tax

The B.E for FY 2020-21 with respect to Professional Tax has been pitched at **PKR 1,200 billion** against the Revised Estimates for FY2019-20 to the tune of PKR 0.704 billion.

NON-TAX REVENUE

Categories of Provincial Non-Tax Revenue

- Income from publicly owned property and enterprises
- Receipts from Civil Administration and other functions
- Extraordinary Receipts
- Miscellaneous Receipts from toll, fees, cess etc. collected by Provincial Departments (excluding Federal Grants and Development Surcharges and Royalties)

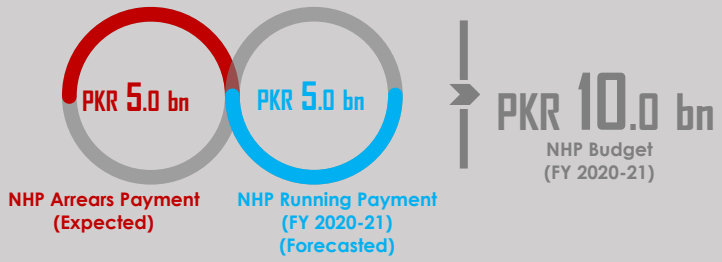
Revised Budget Estimates FY 2019-20 & Projected Budget Estimates FY 2020-21 are:

(PKR Billion)

Non-Tax Revenue	BE 2019-20	RE 2019-20	BE 2020-21
Income from Property and Enterprises	**32.354**	**8.035**	**10.208**
Electricity (Net Hydel Profit)	10.000	-	5.000
Net Hydel Profit Arrears	22.000	6.500	5.000
Interest on Loans to District Govts. / TMAs	0.045	0.045	0.040
Interest on Loans to Financial Institutions.	0.175	0.225	-
Interest on Loans to Non-Financial Institutions.	0.129	0.120	0.163
Interest on Loans & Advances to Govt. Servants	-	-	-
Interest on Loans – Others	0.005	0.005	0.005

Dividends	-	1.140	-
Civil Administration and other Functions	**18.285**	**13.512**	**16.479**
Fiscal Administration	**0.360**	**0.883**	**0.815**
Law and Order	**7.016**	**5.246**	**6.878**
Justice	0.513	0.562	0.622
Police Department	6.322	4.530	6.100
Jails including Civil Defense	0.181	0.154	0.156
Community Services	**5.211**	**3.501**	**4.215**
Communications & Works	5.000	3.213	3.900
Public Health	0.211	0.288	0.315
Social Services	**5.109**	**3.421**	**4.036**
Education	1.950	1.940	1.950
Health	3.159	1.481	2.086
Housing and Physical Planning	**0.589**	**0.461**	**0.535**
Miscellaneous Receipts	**42.756**	**67.885**	**69.494**
Agriculture	1.464	0.898	1.072
Board of Revenue	4.090	0.329	20.356
Fisheries	0.313	0.326	0.320
Forest & Wildlife	0.889	0.889	0.918
L&DD	1.100	1.048	1.026
Cooperative	0.003	0.003	0.003
Irrigation	4.201	3.052	4.201
Industries	0.341	0.289	0.347
Mines & Minerals	12.200	9.000	11.000
Home	0.900	0.650	0.952
Misc.	6.660	14.710	18.974
Federal / Foreign Grants	3.817	29.121	4.177
Straight Transfers	6.778	7.570	6.148
Total	**93.395**	**89.432**	**96.181**

Income from Property & Enterprises mainly consist of profits of hydroelectricity generating units referred to as **'Net Hydel Profits' (NHP)** located in Punjab – in line with Article 161(2) of the Constitution of Pakistan 1973. An amount of **PKR 6.5 Billion** was received as arears of NHP during FY19-20. The running payment for FY2020-21 is forecasted at **PKR 5.000 billion**. However, due to uncertainty in receipt of NHP over the years, an amount of PKR 10 billion has been budgeted for FY2020-21 in lieu of NHP with the following break-up:



The other main source of Revenue under this category is '**Interest on Loans**' advanced by the Government to financial and non-financial institutions. The revenue from '**Civil Administration & Other Functions**' can be divided into:

Civil Administration & Other Functions

Law and Order

Receipts collected by Law Department from *sale proceeds of unclaimed and escheated property, court fees realised in cash, general fee, fines & forfeitures, receipt of official record room & recoveries of over-payments, etc.*

Receipts collected by Home Department include sale proceeds of articles manufactured in jail, fines, payments on services rendered including supplies made by workshop of department

Receipts collected by Police Department on account of police personnel deputed at the strength of Railways, Federal Government, public departments, fees, fines, forfeiture, motor driving license fee, traffic fines, e-challans, police land receipts and recoveries of overpayments.

Community Services

The Receipts from 'Toll on Provincial Roads and Bridges' are the major sources of income in this category. Levy of toll on 13 new roads has already been approved by the Government since FY2019-20.

Social Services

These Receipts pertain to different social services like Health and Education etc. The Budget Estimate for FY 2020-21 has been set at PKR 4.036 billion

For **Miscellaneous Receipts**, the Budgetary Estimates for FY 2020-21 have been pitched at **PKR 69.494 billion**. Under Article 161 of the Constitution and the NFC Award, Straight Transfers to the Provinces include Net Proceeds of the Federal Excise Duty on Natural Gas, Net Proceeds of Royalty on Crude Oil and Natural Gas assigned to the Provinces under the Constitution. The table below compares Straight Transfers receipts:

(PKR Billion)

Component	BE 2019-20	RE 2019-20	BE 2020-21
Net Proceeds of Royalty on Crude Oil	3.780	4.528	4.616
Net Proceeds of Royalty on Natural Gas	2.426	1.678	1.629
Surcharge on Natural Gas-share of net	0.572	1.363	(0.097)
Total	**6.778**	**7.570**	**6.148**

Federal Grants

The PSDP grant are merely a pass-through item as far as Provincial budget is concerned as the same are passed on to different executing agencies for implementation of Federal Development Projects for which these Development grants are received from the Federal Government.

Foreign Program Grants
+
Public Sector Development Programs (PSDP)
=
Federal Grants

(PKR Billion)

Component	BE 2019-20	RE 2019-20	BE 2020-21
Programme Grants (Foreign i.e. PESP-II, NISP etc.)	3.818	9.705	4.177
PSDP Grants / Federal Grant (Dev + N.Dev)	0.000	19.416	0.000
Total	**3.818**	**29.121**	**4.177**

(PKR Billion)

Particulars	BE 2019-20	RE 2019-20	BE 2020-21
DFID-Punjab Education Sector Project-II	0.757	6.973	-
DFID-Punjab Skills Development Project	1.998	1.478	2.434
National Immunization Support Project	0.402	0.686	-
Enhancing PPPs in Pakistan (Punjab)	0.661	0.568	0.643
Women's Income Growth and Self Reliance Program in Punjab (WINGS)	-	-	1.100
Total	**3.818**	**9.705**	**4.177**

CURRENT CAPITAL RECEIPTS

Current Capital Receipts of the Province include all the new loans borrowed or raised by the Provincial Government (except for loans for specific Development projects) and recoveries of loans granted to provincial entities/authorities/financial institutions, provincial employees or the District Governments. 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.

For the Financial Year 2020-21, estimate of total Current Capital Receipts is pitched at **PKR 443.499 billion** compared to a Revised Estimate of PKR 389.964 billion during FY 2019-20. The table below provides a detailed comparison of Current Capital Receipts for FY 2019-20 and FY 2020-21 (*in PKR Billion*):

(PKR Billion)

Receipts	BE 2019-20	RE 2019-20	BE 2020-21
Loans & Advances/Recoveries of Loans and Advances	**1.097**	**2.727**	**1.280**
From District Governments/TMAs/Local Bodies	0.024	0.024	0.024
From Financial Institutions	0.000	2.000	0.000
From Non-Financial Institutions	1.053	0.683	1.236
From Government Servants	0.020	0.020	0.020
From Private Sector (Taccavi Loans)	0.000	0.000	0.000
Debt	**41.209**	**52.692**	**85.350**
Permanent Debt-Domestic	0.000	0.000	0.000
Permanent Debt-Foreign	41.209	52.692	85.350
Account No. I Total	**42.306**	**55.419**	**86.630**
Recoveries of Investment-State Trading Schemes	110.926	176.565	173.913
Cash Credit Accommodation	97.329	157.980	157.956
Account No. II Total	**208.255**	**334.545**	**331.869**
Innovative Financing	**42.000**	**-**	**25.000**
Total Current Capital Receipts (Account No.I & II)	**292.561**	**389.964**	**443.499**

Account No. I - Permanent Debt: The Budget Estimates for FY 2020-21 for the permanent debt (foreign) have been estimated at **PKR 85.350 billion**. The Government would receive budgetary support loans from World Bank under Punjab Education Sector Reform Program, Punjab Skills Development Project, Punjab Jobs & Competitiveness Project, Strengthening Markets for Agriculture and Rural Transformation (SMART), Punjab Green Development Program and Punjab Cities Program including 02 new programs (Pipelines) amounting to PKR 7.014 billion which are expected to be signed during Financial Year 2020-21 and disbursements of these new programs will be received from World Bank accordingly. The Revised Estimates of FY2019-20 were higher than the Budget Estimates due to excess disbursement of PKR 11.483 billion owing to foreign currency fluctuation, it also includes PKR 8.179 billion which was credited in FY2019-20 whereas it was disbursed by donors in FY 2018-19.

> *"Domestic and Foreign Loans borrowed directly or through the Federal Government comprise the Permanent Debt of the Provincial Government."*

Details of Permanent Debt (Foreign)

(PKR Billion)

Detail of Loan	B.E. 2019-20	R.E. 2019-20	B.E. 2020-21
Punjab Health Sector Reforms Programme	-	2.400	-
Punjab Skills Development Project	1.878	1.248	1.587
Punjab Jobs & Competitiveness Project	2.800	4.056	2.291
Punjab Education Sector Reform Programme-III	6.720	6.582	12.464
Access to Clean Energy Investment Programme	3.500	4.485	3.300
National Immunization Support Program	0.401	0.683	-
Strengthening Markets for Agriculture and Rural Transformation (SMART) Punjab-Pak	4.900	6.126	7.425
Punjab Cities Program	6.860	7.564	3.878
Punjab Green Development Program	5.320	6.523	6.600
Punjab Resource and Revenue Management Program	-	-	1.650
Punjab Human Capital Investment (HCI) Project	-	-	5.364
Metro Rail Transit System (Orange Line)	8.830	13.025	40.791
Total	**41.209**	**52.692**	**85.350**

Account No. II - Public Debt (Food Account): Food Account of the Province, commonly known as Account No. II, is also maintained with the State Bank of Pakistan like Account No. I. However, the former account is meant exclusively for transactions relating to state trading in food commodities by the Food Department.

During FY2020-21, an amount of **PKR 331.869 billion** is estimated to be received for commodity operations compared to the amount of PKR 334.470 billion realized during FY2019-20.

Development Capital Receipts

The loans borrowed from multilateral donor agencies through the Federal Government for specific foreign-assisted development projects are termed as **Development Capital Receipts** or **Foreign Project Assistance**. The estimated Receipts will be utilized for a number of Development projects for which, a total of PKR 47.094 billion worth of loans for Development projects are expected to be realized during the FY 2020-21 including 10 new projects (in pipeline) amounting to PKR 10.512 billion which are expected to be signed during next financial year and disbursements of these new projects will be received from respective donors accordingly. The difference between the BE and RE for FY 2019-20, PKR 4.744 billion less disbursed, arose as work could not be executed due to COVID-19 and subsequent lockdowns.

The Provincial Government has taken up the issue with the Federal Government during various meetings at Secretarial as well as Ministerial levels. The Chief Minister of Punjab has also requested the Prime Minister for his intervention. However, the settlement might take longer than anticipated. It is, therefore, thought appropriate that these claims may not be budgeted as Receipts for the CFY as their reconciliation and settlement may not actualize during FY 2019-20.

Moreover, at the start of FY19-20 claims of various Provincial Departments, pending with the Federal Government came to the tune of PKR 35.7 billion (excluding NHP)approximately **PKR 55 Billion**. However, this amount reached a total of PKR 85.39 billion after certain new claims were identified during the year. Of this PKR 4.288 billion of PRA was settled and credited to Punjab, leaving a net claim of PKR 81.2 billion (detail in table below) pending with the Federal Government. These claims, which if received, will create additional fiscal space in the Development budget of the Province.

Details for pending claims are as below:

(PKR Billion)

Issues	Department	Amount
Reconciliation of Cross-Adjustments of Taxes	PRA	19.09
Federal share of Subsidy on Wheat Export	Food	9.96
CDA share for operation of RWP-ISB Metro	Transport	2.43
Arrears of Lady Health Workers Programme	Primary Health	13.79
Workers Welfare Board Fund	Labour & Human Resource	4.61
Payment of Mark-Up on 2.5 MMT of Federal Strategic Reserves of Wheat Claimed	Food	31.321
	Total	**81.2**

3

Estimates of Expenditures

Drivers of Public Sector Expenditures

As COVID-19 pandemic hit Pakistan towards the end of the third quarter of Financial Year 2019-20, it had a proverbial hard-to-predict Black Swan impact on fiscal management. The consequential imposition of lockdown and social distancing controls caused economic slowdown that cannot be measured easily in Pakistan but the magnitude of impact was obviously very high, calling for immediate fiscal rearrangements. Revenues sloped downwards to a near collapse. Development spending received a similar shock. All public expenditure objectives had to be shelved at least temporarily. At the same time, needs for social sector spending surged. Government of Punjab responded immediately and the PKR25.22 billion COVID-19 package included, in addition to the PKR18.000 billion tax relief, increased expenditure on healthcare facilities, preventive and curative measures and Social Protection Package to offset the unemployment effect. Chief Minister's Insaf Imdad Programme 2020 for targeted monetary relief to the unemployed population segments, was launched with a total outlay of PKR10.000 billion, PKR1.000 billion was earmarked for disaster relief response and PKR2.600 billion was transferred directly to the lowest District tier for relief measures.

COVID-19 and its economic and social fallout overshadowed the contemporaneously lurking locust infestation peril that directly threatens Food Security. Pakistan, being a predominantly agricultural economy, stands to be massively hit by the menace. As an emergency response measure, Government of Punjab acted swiftly and allocated PKR500.000 million for locust control, in addition to the budget for disaster relief measures.

Budgetary outlays for Financial Year 2020-21 had to be formulated against the backdrop of these occurrences. Sources of Revenue receipts were difficult to predict and may dwindle substantially as uncertainty around COVID prevalence grows. Expenditure on Health sector and allied services can be expected to mount. Social Protection services shall require increased and targeted focus. Public Works program for employment generation is being promoted as an effective tool and will receive additional funds. It also coincides with Federal priority program of provision of low cost housing to public as well as a boost to construction sector in general. In order to safeguard output from the Non-Development and Development expenditures on production sectors, the threat of locust has to be averted. In the midst of these crises, essential expenditures cannot be curtailed and non-essential spending requires implementation of stringent austerity measures to achieve fiscal balance.

Expenditures Overview

Public spending holds critical significance in Pakistan's economy. In general, objectives of Government expenditure are to maximize public welfare through provision of Public Goods, investment in social sectors like Health and Education for improvement in labour productivity, provision of subsidies wherever necessary, equitable redistribution of income and increase in aggregate demand. Despite massive resource constraints consequent to the pandemic COVID-19, Government of Punjab has made strenuous efforts to ensure that spending in key areas is not compromised and the benefits of expenditure reach all segments of society. Development expenditure had to take a hit and is decreased due to serious resource constraints.

Major Components of Government Expenditure

Current Expenditure	Enables Government to maintain the current level of service delivery
Development Expenditure	Enhances capacity of Government to provide services to citizens
Capital Expenditure	Consists of Loans made, Loans repaid, and Contributions made to separate funds for meeting Long-Term Liabilities, such as Pensions

Current Expenditure	Development Expenditure	Capital Expenditure
PKR 1,318.3 bn	PKR 337.00 bn	PKR 460.292 bn
FY 2020-21 Estimate	FY 2020-21 Estimate	FY 2020-21 Estimate
1.5%	4%	9.9%
Higher than FY 2019-20 Budget Estimates	Lower than FY 2019-20 Budget Estimates	Higher than FY 2019-20 Budget Estimates

Abstract of Expenditure FY 2020-21

(PKR Billion)

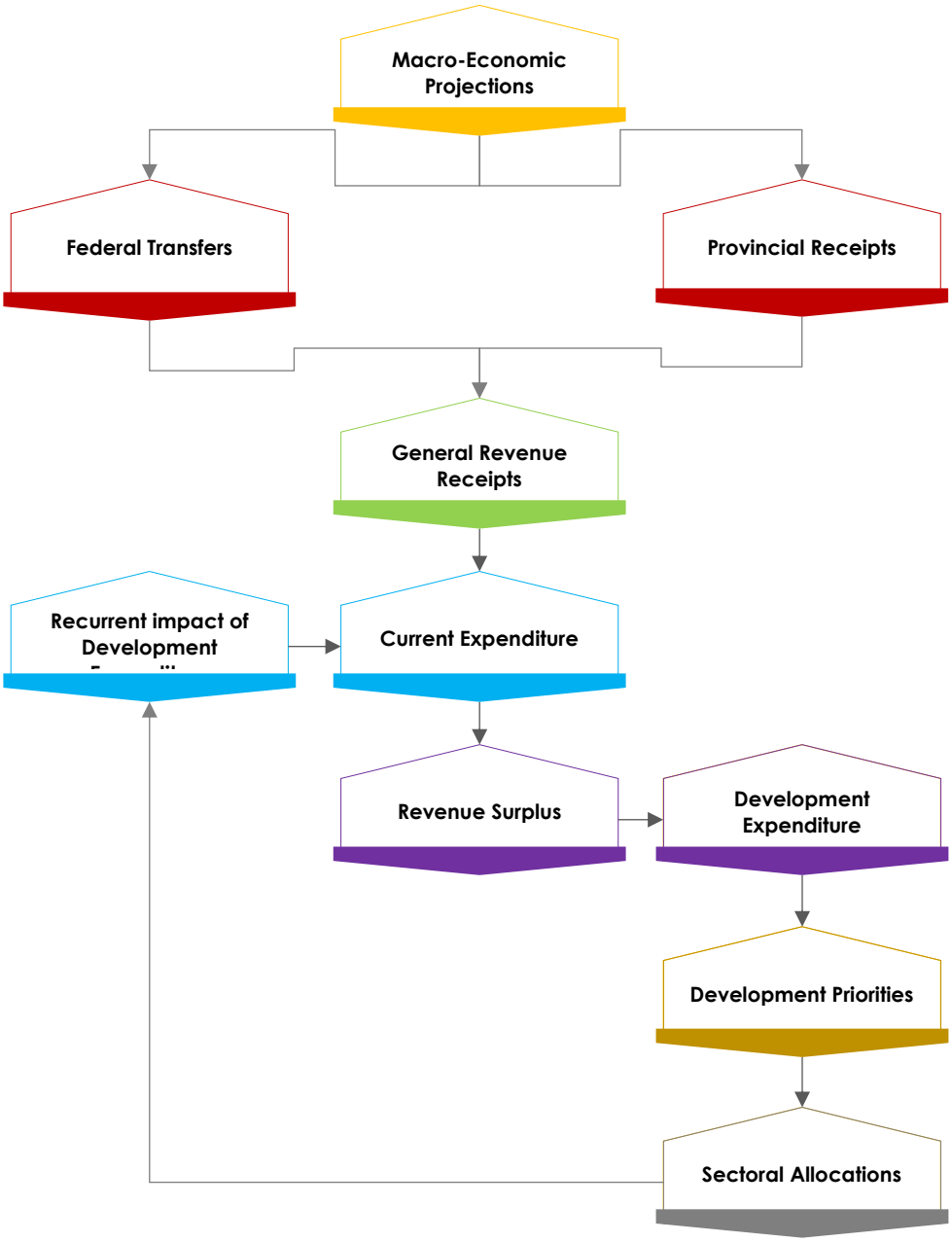
CLASSIFICATION	BE 2019-20	RE 2019-20	BE 2020-21
Current Revenue Expenditure	**1,298.773**	**1,257.943**	**1,318.338**
*General Public Services (including transfers to Local Governments)	754.681	726.511	778.129
Public Order & Safety Affairs	178.385	179.757	172.525
Economic Affairs	121.311	103.407	118.110
Environment Protection	0.503	0.499	0.489
Housing and Community Amenities	13.814	13.358	7.848
Health	145.151	153.983	157.071
Recreational, Culture and Religion	3.842	3.777	3.779
Education Affairs & Services	71.311	61.107	72.154
Social Protection	9.775	15.535	8.582
Current Capital Expenditure	**418.9**	**417.118**	**460.292**
Repayment of Principal	49.150	47.178	55.084
Investments	84.400	6.720	43.800
Loans and Advances (Principal)	76.977	28.418	29.411
State Trading in Medical Stores	0.093	0.257	0.127
State Trading (Wheat) (A/C-II)	157.000	225.561	217.211
Repayment of Commercial Bank Loans (A/C-II)	51.348	108.984	114.659
Development Expenditure	**350.000**	**250.000**	**337.000**
Annual Development Programme	350.000	255.028	337.000
Total Expenditure	**2,067.386**	**1896.613**	**2,115.628**

Budgetary Framework under the Constitution

Articles 120-126 of the Constitution of Islamic Republic of Pakistan, 1973 provide framework for Annual Budget Statement, Demand for Grants, Charged and Voted Expenditure out of Provincial Consolidated Fund, procedure for Annual Budget Statement, Authentication of Schedule of Authorized Expenditure and procedure for Supplementary Grants for excess expenditure.

After accommodating the demands of Current Revenue Expenditure and Current Capital Expenditure, the net surplus is available for financing the Development Expenditure, which may be additionally financed through foreign aided projects. The budgetary allocations tend to strike a balance between competing demands of Current and Development Expenditures. Without compromising on essential areas of Current and Capital Expenditure, the Provincial Budget bids to ensure maximum surplus for Development Expenditure.

Budgetary Framework



Against the various components of expenditure, a comparison of allocations in year 2019-20 and 2020-21 is explained as follows:

(PKR Billion)

Classification	BE 2019-20	RE 2019-20	BE 2020-21
Current Revenue Expenditure	1,298.773	1,257.934	1,318.337
Current Capital Expenditure	418.876	417.118	460.292
Development Expenditure	350	255.03	337.000
Total Provincial Consolidated Fund	**2,067.649**	**1896.613**	**2,115.628**

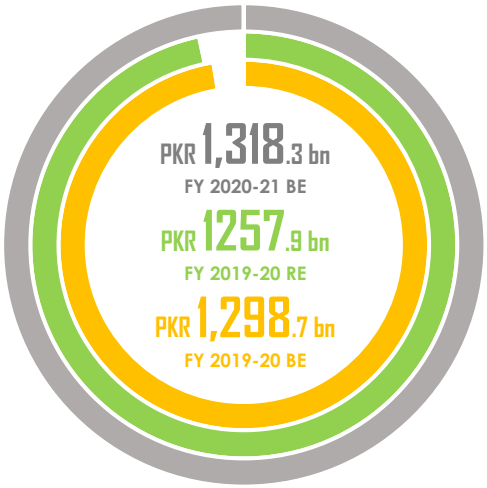
Current Expenditures

The Current Expenditure, which is classified into nine Functional Heads, has been estimated at **PKR 1,318.3 billion** for FY 2020-21, which is 1.5% higher than the outgoing Financial Year's Budget Estimates.

(PKR Billion)

Classification	BE 2019-20	RE 2019-20	BE 2020-21
General Public Services	754.681	726.510	778.129
Public Order & Safety Affairs	178.385	179.757	172.525
Economic Affairs	121.311	103.407	118.110
Environment Protection	0.503	0.499	0.489
Housing and Community Amenities	13.814	13.358	7.848
Health	145.151	153.983	157
Recreation, Culture and Religion	3.842	3.777	3.78
Education Affairs & Services	71.311	61.107	71.802
Social Protection	9.775	15.535	8.582
Total Current Expenditure	**1,298.773**	**1,257.934**	**1,318.338**

- Proposed allocation for General Public Services has **increased by 3.1%** from the Budget Estimate of last year
- For Health sector, an **increase of 8.0%** over Budget Estimates for last financial year is proposed
- Allocation for Social Protection remains at last year's level, however during last quarter of FY 2019-20, expenditure on Social protection rose by **59%** over BE 2019-20
- Despite challenged resources, allocations for Public Order, Economic Affairs and Education sector are maintained at current levels



General Public Service

Encapsulating Current Expenditure of the Punjab Government's essential Departments, Attached Departments and legislative bodies among others, the Functional head General Public Services details Non-Development expenses of these Government institutions, Fiscal Transfers to Local Governments and others. Government of Punjab's commitment to devolution of financial powers to grass root level translates into fiscal transfers to Local Governments as apportioned through the Provincial Finance Commission (PFC) Award. The details for allocations for next Financial Year in comparison with those of the previous financial year are given as under:

(PKR Billion)

General Public Services	BE 2019-20	RE 2019-20	BE 2020-21
Executive & Legislative Organs, Financial & Fiscal Affairs	300.564	285.465	313.882
Transfers to Local Governments and other entities	442.368	433.393	456.738
General Services	11.747	7.651	7.508
General Public Services not elsewhere defined	0.002	0.002	0.002
Total	**754.681**	**726.511**	**778.129**

Budgetary estimates for Financial Year 2020-21 for General Public Services record 3.1% increase over last year's Budget Estimates. Punjab Government is fully committed to improving performance of its administrative and regulatory functions through provision of sufficient allowance for Current Expenditures.

General Public Service

PKR 754.7 bn BE FY 2019-20 +3% PKR 778.1 bn BE FY 2020-21

PFC Share to LGS has been increased from BE 437.1 RE 418.8 to BE 448.5 for FY 2020-21. After promulgation of Local Government Act Punjab, 2019, funds are transferred to Metropolitan Corporation, Municipal Corporations, Union Councils, Town Councils, District Health Authorities and District Education Authorities with the objective of empowering Local Governments to incur expenditure in accordance with the wishes of local populace. Devolution of financial powers are expected to earn dividends of effective, efficient and representative expenditures. Budget Estimates for transfer of funds to Local Governments and other entities is **PKR 456.738 billion**, which is higher than last year's Revised Estimate of PKR 433.443 billion.

Public Order and Safety Affairs

While security remains highly priced, it is expected that the rising costs of policing shall address the overt or covert reasons for increasing crime rates, forestall possible security disasters and sustain reduction in the crime rate in general. In addition to the social costs of crimes, poor security directly translates into stalled economic growth. The general, accepted notion is that a hike in crime rate post-Covid socio-economic downturn cannot be ruled out. However hard it may be to determine economic impact of improved security system through higher expenditure on law enforcement services, Government of Punjab has consistently provided unflinching financial support to Public Order and Safety Affairs. In the financial year 2019-20, total outlay for corrective and judicial functions, policing, fire protection, prison administration and emergency services was a record high at 5% total increase and policing received the largest share of allocations with an increase of 3.5%.

Despite financial stress, Government of Punjab has yet again expressed its resolve and commitment towards greater public sense of security for citizens and business through increased spending on law and order. As expenditure on law enforcement increases, Government of Punjab

aims to develop indicators that can assess value of policing – a legitimate demand generated by the current financial crisis. Spending on judicial and policing services is expected to safeguard economic affairs and social sector public investments and hence the expectation for a sizeable return on security investment grows.

Police

PKR 115.6 bn BE FY 2019-20 | +3% | PKR 119.1 bn BE FY 2020-21

(PKR Billion)

Public Order and Safety Affairs	BE 2019-20	RE 2019-20	BE 2020-21
Law Courts (High Court & Lower Judiciary)	28.570	26.683	27.738
Police	115.633	129.480	119.122
Fire Protection (Civil Defence)	0.804	0.758	0.710
Prison Administration and Operations (Jails)	10.662	8.317	9.850
Administration of Public Order (including Rescue & Emergency Services)	21.034	13.065	13.623
Total	**176.703**	**178.303**	**171.043**

Economic Affairs

Amid controversies among economic scholars regarding positive, mildly positive or negative effects of Government Expenditure on economic growth, Government of Punjab increases spending on Production Sectors through procurement of goods and administration of Developmental projects aimed at fostering growth and increase in investment in production sectors by the private enterprises. During Financial Year 2020-21, calibrated expenditures on support of Small and Medium Enterprises, skills development programs, development of Industrial estates and gender inclusion programs are expected to drive economic growth. A whopping amount of PKR9.500 billion is earmarked for *Punjab Rozgar Program* for increase employment opportunities. This could be a game changer if the multiplier effect is attained during its implementation.

Economy of Pakistan, particularly that of the Province of Punjab, is predominantly agrarian and Punjab remains the food basket for the entire country. Government Expenditure on Agriculture sector in Pakistan has shown to have medium to long run positive relationship with economic growth. The Agriculture sector provides Food Security, raw inputs to Agri-based industry fetching sizeable exports revenue and provides livelihood to a large segment of population. In addition to the Current Non-Development Expenditure in FY 2020-21; Government of Punjab has committed resources for several initiatives that aim at strengthening the Agriculture sector and providing necessary support to struggling agriculturists. An amount of PKR1.350 billion is allocated for Crop Insurance Program, farmers shall be provided subsidy on agricultural inputs to the tune of PKR4.000 billion and an amount of PKR1.860 billion is earmarked for Interest Free Loan Schemes for farmers. Additionally, initiatives like construction of modern silos through Public-Private Partnerships, development of high value agricultural outputs through sprinkler and drip irrigation systems and establishment and improvement of food testing laboratories can potentially revolutionize the Agriculture sector, which still remains the backbone of the Province's economy. Budgetary allocations for agriculture during FY 2021-20 are expected to help in improving research, extension and field services to farmers.

Irrigation sector acts as a necessary complement to Agriculture as well as Fisheries sectors. The sector requires high maintenance costs and in spite of the financial constraints, Punjab Government has allocated PKR15.410 billion for Current Expenditure in the sector.

Resource constraints have dictated slight decrease in Current Expenditure on production sectors, however, an effort has been made to ensure that the allocations remain at the last financial year's level; this is depicted below:

(PKR Billion)

Economic Affairs	BE 2019-20	RE 2019-20	BE 2020-21
General Economic, Commercial & Labor Affairs	**1.006**	**1.607**	**2.942**
General Economic Affairs	0.461	0.306	0.620
General Labor Affairs	0.545	0.471	0.826
State Trading	-	0.829	1.495
Agriculture, Food, Irrigation, Forestry & Fishing	**72.352**	**58.865**	**69.501**
Agriculture	44.248	36.502	41.188
Irrigation	16.205	15.336	15.410
Land Reclamation	0.377	0.348	0.350
Forestry	4.921	4.298	4.938
Fisheries	0.911	0.769	0.881
Food	5.691	1.612	6.733
Fuel and Energy	**3.136**	**3.151**	**0.163**
Administration	3.136	3.151	0.163
Mining and Manufacturing	**10.328**	**9.453**	**10.903**
Manufacturing	9.553	8.705	10.135
Mines	0.775	0.749	0.768
Construction and Transport	**34.460**	**30.315**	**34.910**
Roads & Transport	24.911	22.491	25.911
Construction & Works	9.550	7.824	8.999
Other Industries	**0.029**	**0.017**	**0.092**
Tourism	0.029	0.017	0.092
Grand Total	**121.311**	**103.425**	**118.110**

Government's capital spending in construction and infrastructure directly contributes to economic gains, net increase in physical capital assets and increase in employment opportunities. Efficient Government Expenditure in construction and public works fosters private sector investment opportunities. Annual Budget FY 2020-21 supports and finances several capital development programs particularly rural connectivity and accessibility initiatives.

Housing and Community Amenities

One of the major objectives of public sector spending is provision of Public Goods. Housing development, community development, provision of clean drinking water and sanitation services are fundamental to urban growth. Urban centers attract both foreign and local investments and thereby create job opportunities. The budgetary functional head Housing and Community Amenities includes Expenditure on Housing, Urban

Development & Public Health Engineering Department, Environment Protection Department and Local Government & Community Development Department. Due to COVID-19 induced economic hiatus, allocations for the sector had to be reduced to save resources for essential health sector, education, economic affairs and maintenance of public peace.

Details of expenditures for FY 2019-20 and estimated allocations for FY 2020-21 are given below.

(PKR Billion)

Housing and Community Amenities	BE 2019-20	RE 2019-20	BE 2020-21
Housing Development	0.766	0.667	0.749
Community Development	3.521	3.104	1.384
Water Supply & Sanitation	9.527	9.587	5.715
Total	**13.814**	**13.358**	**7.848**

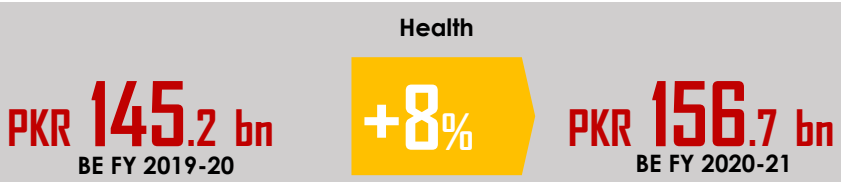
Health Services

As discussed earlier in this Chapter, in addition to its impact on public resources streams, COVID-19 and its serious threat to public health is the major driver for budgetary allocations for Non-Development and Development Expenditure especially in the Health sector. For formulation of budgetary estimates for healthcare and allied services for FY 2020-21, Government of Punjab had to resort to assumptions regarding intensity and duration of the pandemic during the year. Needless to say, some emergency measures are inevitable. Development and improvement of diagnostic facilities, establishment of special COVID related curative facilities to boost capacity for affected citizens and procurement of curative medicinal stocks and protective equipment of healthcare professionals require substantial increase in Government spending. Punjab, being a populous Province, has insufficient and ill-equipped public sector hospital facilities to cater to the disease burden. It has to adopt a very cautious approach towards the pandemic while simultaneously ensuring continued financial support to eradication of other communicable and non-communicable diseases.

(PKR Billion)

Health	BE 2019-20	RE 2019-20	BE 2020-21
Hospital Services	117.001	126.175	127.152
Public Health Services	6.213	5.081	6.003
Health Administration	21.938	22.727	23.916
Total	**145.151**	**153.983**	**157.071**

Health sector receives 8.0% increase in budgetary estimates for FY 2020-21 to a total of PKR156.720 billion, in addition to similar increase in expenditure over allocations for the sector during FY 2019-20.



Additionally, an amount of PKR95.000 billion is earmarked for District Health Authorities as Primary Health is a devolved function in terms of Punjab Local Governments Act 2019.

Government of Punjab commits to providing maximum resources for necessary procurement of medicines and equipment and repair of machinery & equipment. The allocations will help the Government in provision of better healthcare services to citizens in Punjab.

Recreational, Culture & Religion

Before COVID-19 took the entire world by surprise, Government of the Punjab was geared towards creating conducive environment for sporting events, promotion of cultural activities and development of tourism sector particularly cultural and religious tourism, tapping and highlighting the indigenous potential of the Province. Punjab has rich and diverse cultural history which deserves to be preserved for both present and future generations. Moreover, promoting cultural activities can attract investments and help in economic growth. Details of budgetary outlays are indicated below:

(PKR Billion)

Recreational, Culture & Religion	BE 2019-20	RE 2019-20	BE 2020-21
Recreational and Sporting Services	1.018	0.951	0.921
Cultural Services	1.036	0.819	1.029
Broadcasting and Publishing	1.036	0.827	1.142
Religious Affairs	0.571	1.029	0.517
Admn. of Info. / Recreation & Culture	0.182	0.152	0.171
Total	**3.842**	**3.777**	**3.780**

Education Affairs and Services

One of the most significant social sectors, Education captures the interest of all policy makers and practitioners alike. Improvement in Human Capital and the quality of employable labour has a direct causal relationship with investments in Education sector. Government Expenditure in Education sector has clearly shown positive impact on economic growth after some time lag although it may show negative impact on growth in the short run. Increased and effective Government spending on Education sector improves social cohesion, indirectly affects Health sector through consequentially improved nutrition, preventive care and sanitation and the educated population has more informed participation in public decision making. Since Primary and Secondary education is a legislative subject devolved to Local Governments after promulgation of Punjab Local Government Act, 2019, an amount of PKR215 billion has been allocated for District Education Authorities. In addition to this, an allocation of **PKR 71.802 billion** is proposed for Education sector at the Provincial level.

Table below shows breakup of different services under this functional classification and allocations against each for financial year 2020-21 along with Revised Estimates for FY 2019-20.

(PKR Billion)

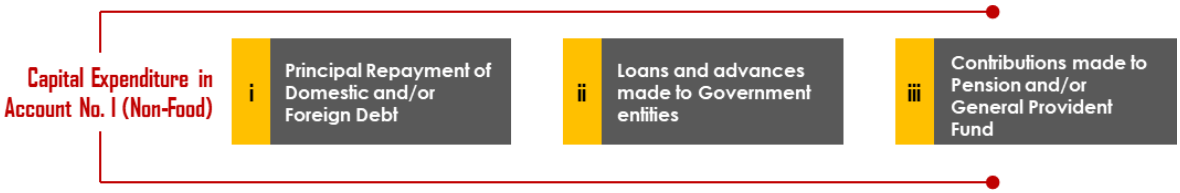
Education Affairs & Services	BE 2019-20	RE 2019-20	BE 2020-21
Pre. Primary Education Affairs & Services	1.712	1.351	2.089
Secondary Education Affairs & Services	29.332	22.234	30.366
Tertiary Education Affairs & Services	35.288	31.950	34.852
Education Services Non-Definable by Level	0.280	0.271	0.271
Subsidiary Services to Education	0.577	0.485	0.566
Education Affairs, Services Not Elsewhere Classified	4.122	4.816	3.657
Total	**71.311**	**61.107**	**71.802**

Education Affairs & Services

PKR 61.1 bn RE FY 2019-20 | +18% | PKR 71.8 bn BE FY 2019-20

At Provincial level, major spending shall be at Secondary and Tertiary levels of Education; i.e. Colleges and Universities. As against Revised Estimates for FY2019-20, the Current Year's allocation receives 18% increase over.

Capital Expenditure



Government of Punjab maintains Provincial Account No. II (Food) with the State Bank of Pakistan. Capital Expenditure out of this account is incurred on state commodity trading operations in food grains especially procurement of wheat for maintaining critical stocks of the staple food. Out of sale proceeds of the grains released to the Flour Mills, loans obtained from the commercial banks for trading operations of Food Department are repaid.

(PKR Billion)

Capital Expenditure	BE 2019-20	RE 2019-20	BE 2020-21
Debt Management - Repayment of Principal	**49.150**	**47.178**	**55.084**
Investment	**84.400**	6.720	43.800
Loans and Advances	**76.977**	28.418	29.411
Loans to other Non-Financial Institutions	76.977	28.418	29.411
Loans to Government Servants	0.000	-	-
State Trading in Medical Stores	**0.093**	0.257	0.127
Total Account No. I	**210.621**	**82.573**	**128.518**
Public Debt Account No. II	**208.255**	334.545	331.869
Total Current Capital Expenditure	**418.876**	**417.118**	**460.292**

Public Financial Management Reforms initiated shift from Incremental Budgeting to Medium-Term Budgeting Framework (MTBF) against the traditional yearly approach. On the basis of macroeconomic indicators, a Medium-Term Fiscal Framework (MTFF) was developed to finalize an indicative resource envelope for next three Financial Years.

Faced with uncertainties this year, Finance Department intends to introduce Framework for Rolling Expenditure to control and monitor expenditure on the basis of demand as against traditional supply model. The Framework may make budgetary allocations resilient enough to combat unexpected macroeconomic challenges. With the introduction of the Framework, Administrative Department will be expected to demand release of allocated monies spread over the entire fiscal years based on actual needs at a given time. This constitutes a paradigm shift of sorts as well.

4

Section-I

Annual Development Programme

Section-II

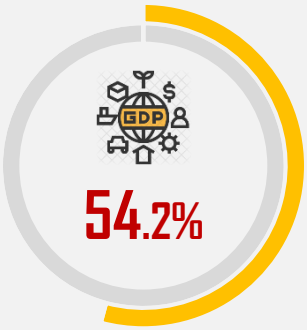
RISE Punjab

Section - I

Review of Development Program 2019-20 & Annual Development Program 2020-21

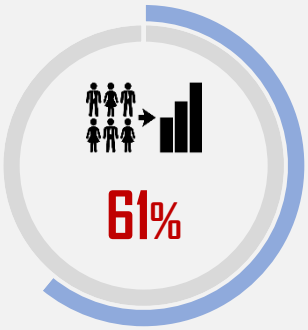
Economy of Punjab

Punjab has an estimated 54.2 percent share in the national GDP and a 53 percent share in Pakistan's total population. House to 110 million Pakistani's, the Province employs 61 percent of the country's workforce (37 million employed). A relatively young population of the Province presents an opportunity for the Government to develop Human Capital. Therefore, Punjab is considered to have an important role in sustaining the economy of Pakistan.



Punjab's share in National GDP

Share in Country's Population with 110 million people

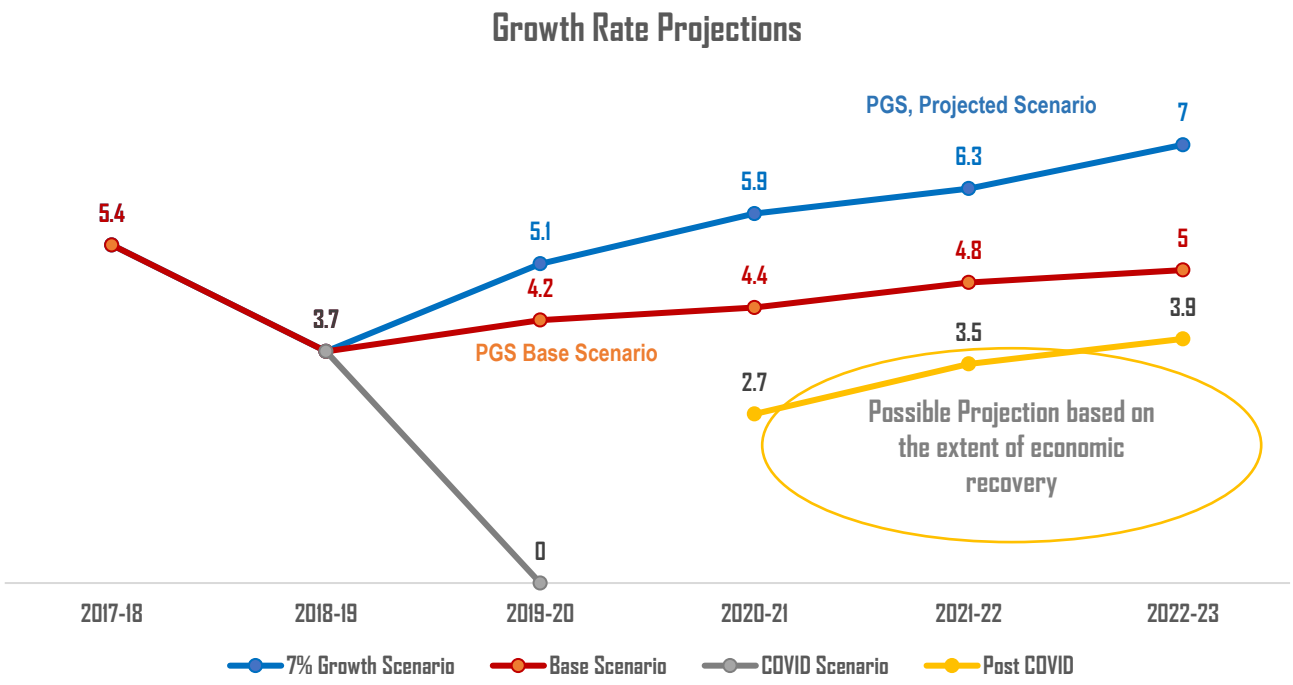


Share in Country's Workforce with 37 million employed

The Financial Year 2019-20 presented various economic challenges for Punjab. The COVID-19 pandemic has tested the healthcare system of the Province and at the same time has caused a massive decline in economic activity, especially in Services and Industry sectors that make major contribution to provincial GDP growth. The pandemic has caused a set back to the economic, social and development advances, not only in Punjab, but throughout Pakistan.

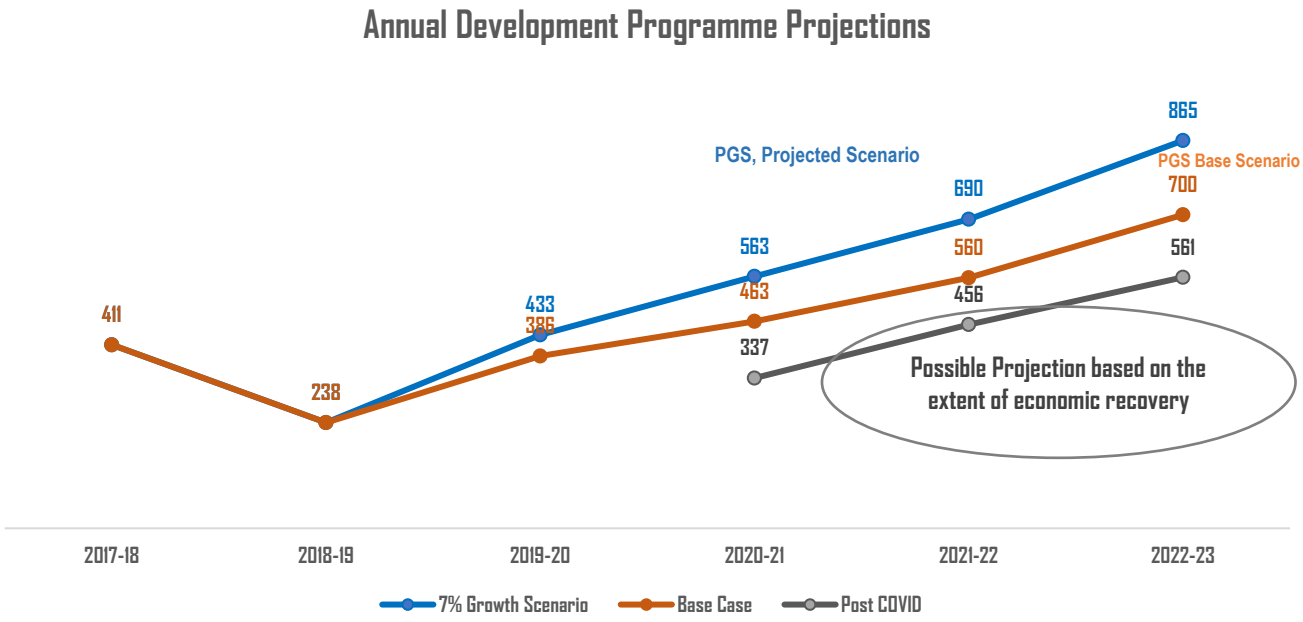
The growth rates for 2019-20 were already slowing down due to a tough period of stabilization and are now predicted to be lower than those of 2018-19. Estimates of international agencies are also suggesting high cumulative losses to the Provincial GDP due to COVID-19, which may reverse progress on unemployment and poverty in Punjab. Taking account of this significant exogenous shock Figure – 1 below presents a revised GDP growth trajectory for Punjab over the next three years, suggesting that economy will reach a growth rate of around 3 percent by 2023.

> *"International Estimates suggest high losses to GDP due to COVID-19; may reverse progress on unemployment and poverty in Punjab. Revised GDP growth trajectory predict economy growth rate to reach 4% by 2023.*



Source: Planning and Development Board, Government of the Punjab

To achieve growth rate of 7 percent in 2022-23, ADP was needed to be increased to PKR 865 billion. Taking account of COVID-19, Figure – 2 below presents more realistic ADP projections trajectory for Punjab over the next three years, suggesting that the Development budget will increase to around PKR 550 billion by 2023.



Source: Planning and Development Board, Government of the Punjab

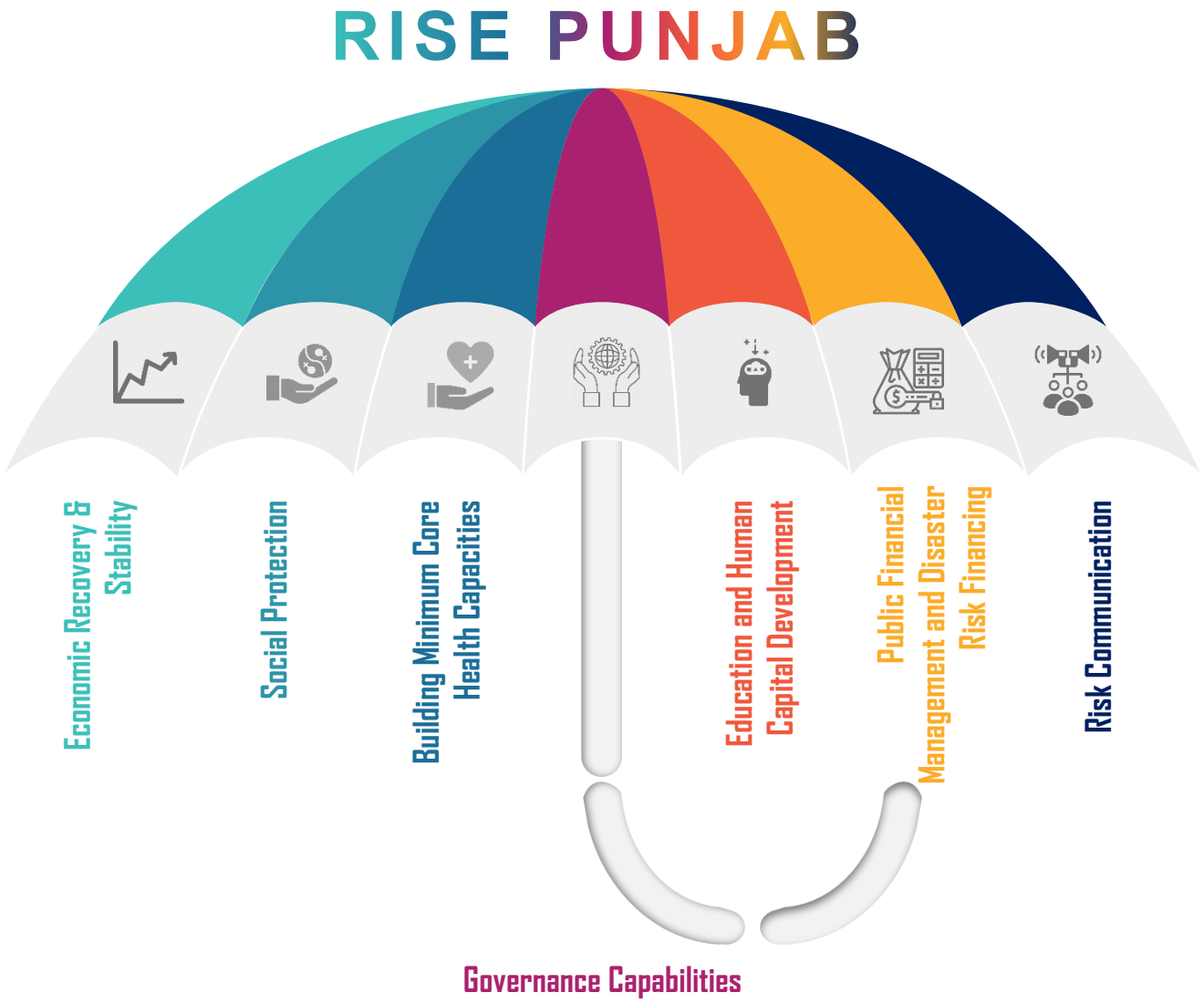
The sectoral share in Punjab's economic structure comprises 20 percent Agriculture, 17.6 percent Manufacturing and 62.4 percent Services. In FY 2019-20, Punjab's Large-Scale Manufacturing sector has been exhibiting negative growth. Some of the major crops, especially cotton, are likely to see significant output declines and various Service activities like domestic trade and transport are in a state of recession due to COVID-19. The private consumption expenditure is expected to fall, which will have negative implications on the nutritional status of the bottom

40 percent of the population. The volume of exports of Goods and Services in Punjab is also predicted to fall by almost 7 to 15 percent. Therefore, it will be difficult for the economy of Punjab to take the brunt of this major shock, especially with a heightened risk perception in larger and small industries and commercial enterprises in a wide range of sectors.

Containing the spread of COVID-19 and providing support to the economic sectors to help recover from the losses, through substantial and effective public investment and policy will be the top priority of the Government this year. Public spending will be planned strategically and will be targeted at key Social and Economic sectors, at the same time ensuring availability of funds to tackle the health pandemic and support in Social Protection. Reforms to support the private sector and improve the investment climate will be pushed in FY 2020-21.

Responsive Investment for Social Protection and Economic Stimulus (RISE) Punjab

In order to achieve these objectives, Government of the Punjab has formulated Punjab's Post COVID-19 Public Investment Strategy titled "Responsive Investment for Social Protection and Economic Stimulus (RISE)". The Strategy presents targeted interventions and policy responses to contain the COVID-19 crisis. It also includes ADP prioritization framework which has not only set the direction for ADP 2020-21, but has also supported in developing the Medium-Term Development Framework of Punjab. RISE Framework integrates the following seven critical pillars of Punjab's economy in dealing with economic and Social Protection challenges.



China Pakistan Economic Corridor

The China Pakistan Economic Corridor will continue to be a priority area for Punjab. The two major ongoing projects being implemented by Government of the Punjab are Orange Line Metro Train Project and Allama Iqbal Industrial City, Faisalabad. For FY 2020-21 adequate resources have been prioritized for the timely completion of both projects. Trial runs of Orange Line project are nearing completion and the project will soon enter operationalization phase, which has been delayed due to the lockdowns in COVID-19.

The project of Allama Iqbal Industrial City, Faisalabad has also faced delays in the development of civil and electrical infrastructure due to the Corona crisis. Despite the effects, COVID-19 is expected to have some positive impact on the development of AIIC in terms of low prices of petroleum products, bitumen, reduction of transportation costs and withdrawal of certain duties and taxes on construction material. The incentives announced by Government for various categories of industries is also expected to have benefits which may lead to industrialization and colonization of the SEZ under CPEC. Development of AIIC will, therefore, be a top priority for Government of the Punjab in FY 2020-21. Furthermore, fast-track implementation of CPEC Socio-Economic projects in the fields of Education, Healthcare, poverty alleviation, and access to safe water supply will also be the focus.

Orange Line Metro Train, Lahore

Allama Iqbal Industrial Estate, Faisalabad

CPEC

In FY 2019-20, Government of the Punjab initiated a yearly exercise for the preparation of new provincial project proposals under CPEC. Guidelines for provincial planning and implementation of CPEC project proposals were developed and circulated to the Administrative Departments to ensure that the process for identification and preparation of proposals for inclusion in CPEC are fully geared towards and informed by principles of value for money. In FY 2020-21 preparation of meaningful proposals for various CPEC Joint Working Groups, that are focused on improving economic and livelihood opportunities for the people of Punjab will be a priority.

Leveraging Private Investment via Public Private Partnerships

The regulatory mechanism of PPPs in Punjab has been reformed through promulgation of PPP Ordinance, 2019 which is now enacted as PPP Act, 2019 after approval of the Provincial Assembly of the Punjab, with a view to removing the existing bottlenecks and facilitate the private sector participation in infrastructure/service provision. The PPP Act, 2019 envisages a diverse institutional arrangement for regulating the PPPs in Punjab including (a) Punjab Public Private Partnership Authority - PPPPA, (b) Public Private Partnership Policy and Monitoring Board – PPP P&M Board, (c) Executive Committee of PPPPA, (d) Risk Management Unit, Finance Department - RMU, and (e) Public Private Partnership (PPP) Cell, P&D Board. In line with the requirements of new PPP Act, in FY 2019-20 all the legal and institutional framework of PPPs in Punjab has been strengthened. Palpable results are anticipated therefore.

Government of the Punjab has also developed a potential three years PPP Rolling Business Plan, a roadmap developed in 12 sectors in view of the fiscal constraints/scarce public funding for the overall development portfolio of the Province. Under this plan, 38 projects amounting PKR 488 Billion have been identified and are being planned for launching under Punjab Private Finance Initiative (PPFI). Project Development Facility (PDF) funding has already been approved for 20 such projects for hiring of Transaction Advisors/ development of detailed project proposals. A robust marketing strategy of PPP projects is also planned in collaboration with PBIT Punjab Board of Investment & Trade (PBIT) at national/international level to attract private investment for successful implementation of the Business Plan as well as PPFI.

Having implemented an extensive reform process during 2019-20, Government of the Punjab in FY 2020-21 is aiming to create an enabling ecosystem for PPPs in Punjab which can attract private sector participation and capital investments in the Development projects and create synergy through public – private sector collaboration for mutually beneficial economic gains while delivering quality infrastructure and services.

Government of the Punjab also extensively worked for the project development and endeavored to create an enabling environment for implementation of these projects;

- **During FY 2019-20, mega project "Lahore Ring Road Southern Loop (SL-III)" worth PKR 10,448 million has been awarded.**
- **Similarly, "Construction of food grain silos" at two sites District Layyah and District Bhakkar have been completed with the private investment of PKR 300 million and trial run at Bhakkar site is completed whereas Layyah is under process.**
- **Two projects "Weaving City at M-3 Industrial Estate, Faisalabad and "Procurement, installation and O&M of Water meters in Lahore", amounting PKR 15 Billion are currently at bidding stage.**

Sustainable Development Goals (SDGs)

The COVID-19 panademic has come at a time when the SDGs were getting good traction: Agenda 2030 also hit a bump while entering the Decade of Action on SDGs in 2020. Developing nations world over are struggling to implement their Development plans while sparing resources for crisis response contingencies. Punjab, Pakistan is no exception. While developing massive pressure on the healthcare systems, the crisis threatens to push large portion of population in poverty and hunger, which would require a strong sustainable recovery approach this year. However, spirit of Development while leaving no one behind is still the core of Government of the Punjab's strategy for recovery, i.e. "Responsive Investment for Social Protection and Economic Stimulus". This is a comprehensive Framework for the entire economy that provides strategic direction for public investments and aligning policies and formulating next year's Annual Development Plan.

Government of the Punjab believes that the response to the pandemic cannot be de-linked from actions on the SDGs. Rather, it seeks to continue working on accelerating Sustainable Development Goals as a tool to 'recover better' and build a healthier and a safer Punjab through the interventions envisaged in Rise Punjab framework. Though the next ADP will generally cover all the areas of SDGs goals covered in Agenda 2030, certain important goals / targets are being focused in the Annual Development Program 20-21, in context of COVID-19 crisis are as under:

01 Promotion of sustained, inclusive, and sustainable economic growth with productive employment (SDG-8) serves as guide to Punjab's economic recovery approach: strong focus on MSMEs and rural enterprises; interventions to protect the Agriculture sector; recovery of the Services sector through incentives and enhanced digital marketplace.

02 Government of Punjab's Development approach is in line with SDG-1 & SDG-2: Designing robust and inclusive Social Protection interventions, aiming at

recovery of most vulnerable groups working at low wages / daily wages in the informal sectors who suddenly fell below poverty line. Sustainable Social Protection plans are in the offing.

03

SDG-3: "Ensuring healthy lives and promote well-being for all at all ages" is at the heart of next year's Development Program since COVID-19 has inflicted strong blow to this sector. The Government intend to invest on improving facilities and bringing resilience in health systems also to ensure wellbeing of Health staff. Since SDG-3 provides a sustainable solution to the Health sector deficiencies, the initiatives will cover all the SDG-3 targets.

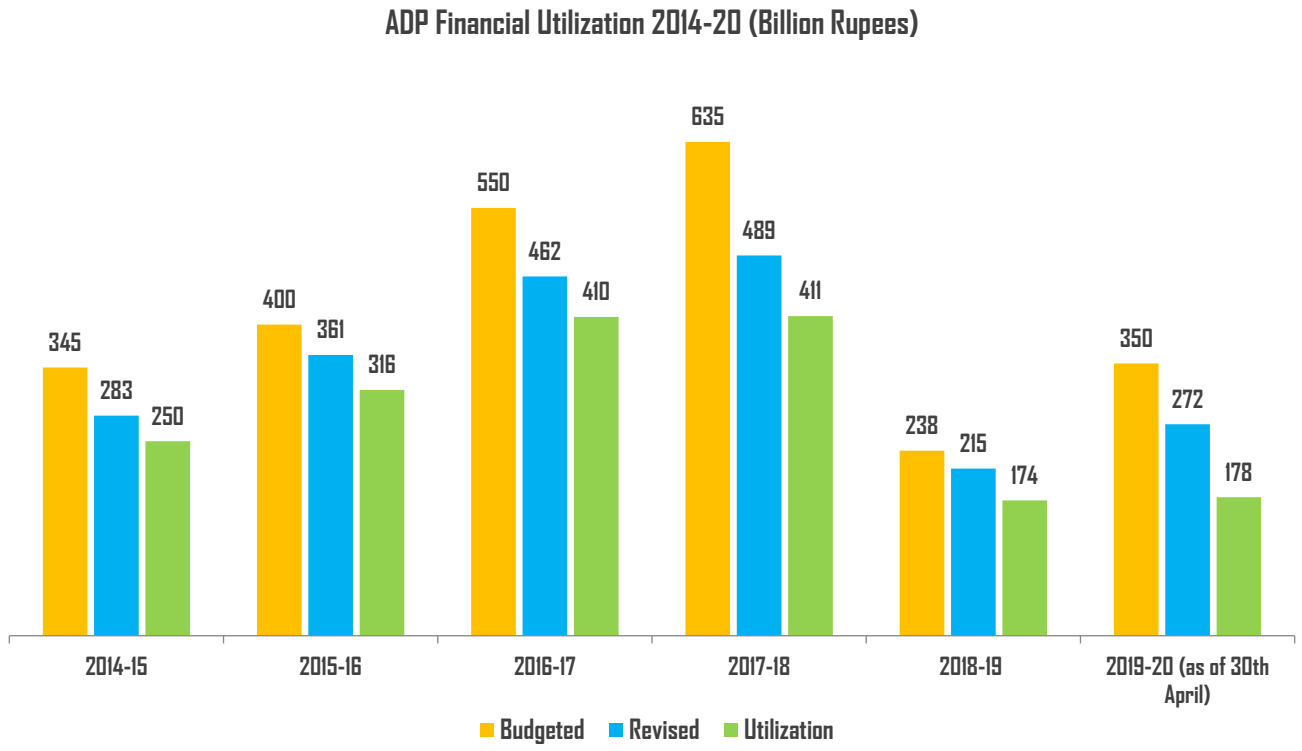
04

Interventions for developing resilience in our Governance capabilities is another area of focus (SDG-16). Improving ability of the Government to engage meaningfully with a variety of stakeholders through robust "online feedback mechanism' and technology-driven solution to help the Government conduct meaningful policy dialogues with the private sector.

Review of Annual Development Program 2019-20

In FY 2019-20, the Government was focused on promoting 'Sustainable Development' which emphasized increased efficiency in planning and implementation of its multiple interventions. The Government emphasized the development of the Province's Education, Health and Water Supply sectors to improve social outcomes. Other priority areas included the Agriculture and Irrigation sectors, and the development of Punjab's industrial competitiveness for which the Government devised an Industrial Policy to identify the future course of action.

The budget for the Annual Development Programme 2019-20 was set at PKR 350 billion. Considering the Government's focus on developing Human Capital, it allocated PKR 89.8 billion for the Education Sector inclusive of School, Higher, and Special Education etc. Similarly, the Government increased allocation to the Irrigation, Water Supply and Sanitation sectors to PKR 23.4 and PKR 22.4 billion respectively. To address environmental changes, the Government allocated PKR 1.0 billion to promote Conservation and Environmental Governance. For the Health Sector, the Government allocated PKR 22 Billion and 23.5 billion for Specialized Healthcare and Medical Education and Primary and Secondary Healthcare respectively. The Figure 1 depicts the Annual Development Programme budgets over the last six years along with its revision and utilization over the past 6 years. Previous years have seen a steady increase in the Development portfolio. However, the 2018-19 ADP budget saw a sharp decline in allocation owing to the present Government's decision to address the high Fiscal Deficit as previous Expenditure levels were proven to be unsustainable.



Source: Planning and Development Board, Government of Punjab

Major Achievements during the FY 2019-20

- Missing facilities were provided in 352 schools in Punjab, IT Labs in 302 Elementary / Secondary / Higher Secondary Schools / 443 additional classrooms and Rehabilitation / Reconstruction of 180 dilapidated buildings of schools / building for 95- Shelter-less Schools and Establishment of 733 ECE rooms.
- Established 22 new Colleges / missing facilities in 19 Colleges / IT labs in 20 Colleges / security facilities in 40 Colleges / scholarship to 35,000 students and 10 BS Blocks in Colleges were provided in Punjab
- Established 09 Special Education Centres, 02 Special Education Degree Colleges / Transport Facility (51 buses) for Special Children across the Province.
- Provided basic education to 463,276 out of school children through 13,519 Non-Formal Basic Education Schools, and Non-Formal Education Feeder School in 36 Districts / basic literacy skills to 34000 illiterate adults across Punjab.
- Solarization of all Public Schools (11,000) in South Punjab through Punjab Ujaala Programme / Installation of 4900 AMI centres in Public Buildings to ensure savings of around PKR 4,000 million.
- Test Run of Lahore Orange Line Metro Train / Substantial Completion of Lahore Orange Line Metro Train Project.
- Training of approximately 5,50,000 individuals through Skill Development Programme / projects of PSDF, TEVETA and PVTC. Launching of Punjab Rozgar Scheme to facilitate SMEs. Training Facility of TEVTA institutions increased from 90,000 to 150,000.
- Completion of Judicial Academy at Lahore / Completion of Judicial Complexes at 3 Districts
- Completion of thirty-four (34) Minority Development Schemes, distribution of PKR 25 million for Educational Scholarship among deserving minority students.
- Elimination of Bonded Labour in 4 Districts of Punjab at the cost of PKR 196.9 million.
- Substantial Completion of 25 Water Supply and 184 schemes of sanitation. Approval of Mega Project i.e Clean Drinking Water by Punjab Aab-e-Pak Authority.
- Launching and Substantial Completion of Rural Accessibility Programme / Naya Pakistan Manzilyen Asan (Phase-I). Completion and Dualization of Muzaffargarh-DGK road. Dualization of Dina-Mangla road. Substantial completion of Dualization of Sargodha-Mianwali road.
- Under IFAD assisted Southern Punjab Poverty Alleviation Project (SPPAP), 838 no-cost houses constructed and distributed among poorest women, small ruminant (2 Goats packages) 15,370 poor women, vocational and enterprise trainings to 5,416 and 2,148 were given to women, respectively.
- Under Tribal Area Development Project (TADP), 80 kms of metaled roads, 7 kms of roads rehabilitation, 50 Nos. of Community Development Sub Projects, 10 Nos. of Community Solar Tube well Sub Projects and 15 Nos. of community Drinking Water Supply Sub Project were completed.
- Construction of flood embankments and protection works along left and right bank of river Indus for bridge near Miranpur Linkage N-5 at Anbi Tibba with RYK Iqbalabad / Construction of Spur Bund Biat Gujji & Summer Nahshaib NA-182 District Layyah

Annual Development Programme 2020-21

COVID-19 has emerged as a global challenge that has deeply affected the world economy and the daily lives of millions of the people around the world. The outbreak began to emerge in Pakistan and Punjab at the end of February of 2020 and in just under four months, the health pandemic has caused economic slowdown and significant impact on economic growth of Punjab. The initial estimates are showing the economic loss to Punjab in the tune of USD 3-5 billion and short-term employment loss of 4-6 million. In post Covid-19 Economic Recovery & Stability Phase, the Government of the Punjab has developed a comprehensive response plan “Responsive Investment for Social Protection and Economic Stimulus (RISE)” that will enable the economic activity to pick up pace through targeted Development initiatives and recoup some of losses through these diversified interventions.

ADP Prioritisation Framework under RISE:

All projects must support the key priorities set up under RISE Framework. The projects should make meaningfully contribute towards:

01 Mass employment generation of semi to low skilled workers and investments in sectors with highest employment multipliers: Construction activity (avoiding projects that have tedious land acquisition outstanding); Irrigation works, roads, farm to market connectivity; Interventions under billion tree tsunami; Other public works schemes that can guarantee employment.

02 Immediate investments to fill in health emergency infrastructure gaps and to fight disease breakout. This will include ensuring immunization and also setting up certified laboratories for diagnostics and tests. These may be designed in partnerships with foreign partners to leverage grants in aid and other financing available.

03 Social Protection schemes that will directly support the increased vulnerability due to COVID-19, setting of Social Protection Fund with seed allocation and use it to leverage donor support.

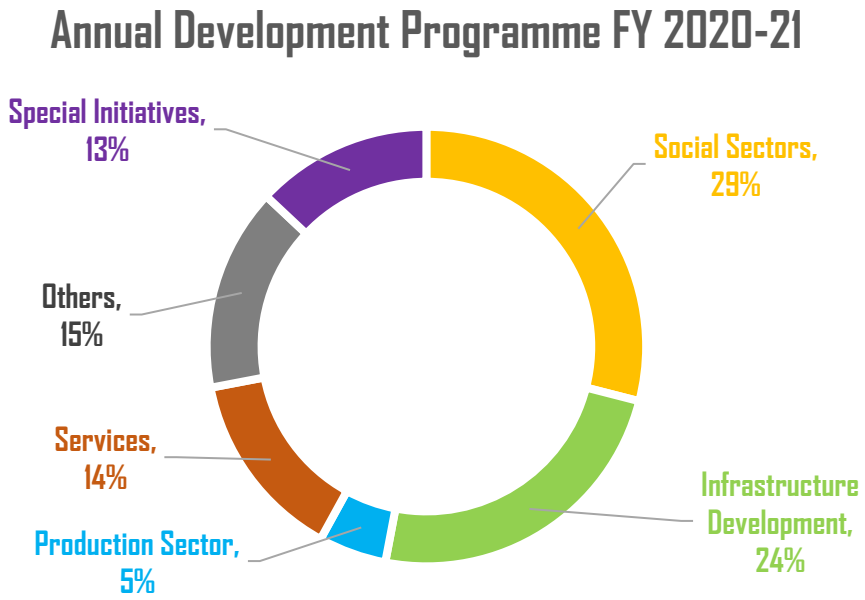
04 Education Sector Reforms that need to be supported in light of COVID related limitations and teachers and public schools moving to alternative mediums of teaching.

05 Investment that will support in Food Security; investments may be required to ensure inputs for Agriculture and livestock and also addressing the locust threat

06 Medium-term investments in improving yields, seed quality, variety and changing crop pattering based on revised Agri-Climatic Zones.

07 Schemes that will directly support MSMEs sector to sustain and re-orient itself under new normal conditions of social distancing.

The Government of Punjab has proposed an amount of PKR 337 billion for the 2020-21 Development budget, with an emphasis on Human Capital Development and Social Sectors. The sector wise distribution is illustrated in Figure 2. For School Education an amount of PKR 27.6 billion has been allocated. Higher Education has been allocated PKR 3.9 billion. In Health sector, PKR 22.15 billion for Specialized Health care & Medical Education and Rs 11.462 billion for Primary & Secondary Healthcare has been allocated. Another notable feature is the PKR 11.86 billion allocation for Water Supply & Sanitation and the PKR 17.47 billion allocation for the Irrigation.



Source: Planning and Development Board, Government of Punjab

Major Projects/ Programmes of ADP 2020-21

Following are the major projects/programmes of ADP 2020-21:

- Punjab Economic Stimulus Programme -- Micro, Small, Medium Enterprises (MSMEs).
- Punjab Economic Stimulus Programme -- Rural Accessibility Programme (Phase-II).
- Rural Enterprises for Agriculture Development (READ).
- Crop Maximization through Creative Farming.
- Punjab Arterial Roads Improvement Programme.
- Provision of Clean Drinking Water by Punjab Aab-e-Pak Authority to un-served & underserved rural areas (PKR6000 million).
- Uplift Water Supply & Sanitation Infrastructure in Underdeveloped areas of Punjab (PKR 3297.75 million).
- Construction of Chahan Dam Project (PKR 1,567.430 million).
- Construction of Jalalpur Irrigation Project (PKR 32721 million).
- Rehabilitation and Up gradation of Trimmu & Punjnad Barrage (PKR 16800 million).
- Provision of Missing Facilities in 360 schools on need basis, Reconstruction of 108-Dilapidated School buildings in Punjab, Provision of buildings for 72-Shelter-less Schools.
- Establishment of *Taleem Ghar* for on-line education, Science, Technology, Engineering and Maths (STEM) initiatives in Punjab.
- Establishment of School Education Department (HRMIS System).
- Establishment of 35 degree colleges in the Punjab (Cost PKR 600 million), Provision of Missing facilities to 30 colleges in the Punjab.
- Strengthening and improvement of the existing buildings of the Special Education Institutions in Punjab.
- Establishment of PDMA Complex in Lahore and Storage Facilities (Small Warehouses) and Staff Offices in 36 Districts of Punjab for Effective Response.
- Human Capital Investment (HCI) Project in Punjab will be launched.
- Capacity Building of OSH Regimes to promote safer working condition at workplaces (PKR 200 million).
- Establishment of Workers Repository Cell. (PKR 200 million).
- Establishment of Job Centers in Punjab Province. (PKR 250 million).
- Punjab Ujaala programme (Central Punjab) to solarize 44,010 schools so as to complete the target of solarizing 15,000 Schools (DLI Based) under Access to Clean Energy Investment Programme.
- Solarization of 2,400 Basic Health Units.
- Under SPPAP, 900 small housing units will be constructed and given to 900 women, to goat package will be given to 10,000 women, vocation and enterprise training will be given to 5,500 and 1,200 women respectively.
- Under TADP, 53kms of metal roads will be constructed along with rehabilitation of 34 kms of existing metalled roads.
- Under Skill Development Programme, 82,000 youth will be imparted with skill trainings.
- Under CDA, schemes relating to construction of 56.64 kms of metal roads and rehabilitation of 91.49 kms of metal road along with construction of 16 bridges 2 pounds and 16 kms of water supply pipelines will be completed.
- Women's Income Generation and Self-Reliance (WINGS) Project would be launched by PSPA to provide livelihood to the extremely vulnerable women in 9 Districts of Punjab.

Foreign Funded Projects

The technical and financial assistance extended by international Development partners plays a pivotal role in the Planning and Development machinery of the Province. For the year 2020-21, Rs 132 billion are estimated to be contributed by different international donors which is 86% higher than the previous year. Out of this amount, Rs 88 billion will be funded in Project mode and Rs 44 billion in Program mode as soft loans. In addition to these soft loans, Rs 4 billion will also be contributed by different donors in the form of grants. It is pertinent to mention here that, in the context of COVID-19, the Planning and Development Board Punjab carried out a series of negotiations with its Development Partners and successfully concluded a restructuring plan of its ongoing portfolio amounting to the much needed Rs 24 billion. Following are the major initiatives by Government of the Punjab in collaboration with the international agencies for the FY 2020-21:

WORLD BANK ASSISTED PROJECTS

- Human Capital Investment (HCI) Project in Punjab
- Punjab Resource and Revenue Management Program
- Punjab Urban Land system Enhancement (PULSE) Project
- Punjab Rural Sustainable Water and Sanitation Project
- Support to Naya Pakistan Housing Program in Punjab

ASIAN DEVELOPMENT BANK ASSISTED PROJECTS

- Rehabilitation of Islam Barrage Project
- Project Readiness Financing (PRF) for Punjab Water Resources Management
- Project Readiness Financing (PRF) for Urban Development Projects
- Punjab Agriculture Markets Development Projects
- Greater Thal Canal (GTC) Project
- Improving Work Force Readiness in Punjab
- Punjab Provincial Roads Multi-Tranche Financing Facility (MFF) Tranche-I

DFID FUNDED PROJECTS

- Women's Income Growth and Self Resilience Programme

AIIB FUNDED PROJECTS

- Lahore Water and Waste Management Project
  - Sewerage Scheme for Larech Colony to Gulshan-e-Ravi
  - Construction of Surface Water Treatment Plant at BRBD Lahore
  - Construction of Waste Water Treatment Plant at Mehmood Booti & Shahdra

FRENCH DEVELOPMENT AGENCY (AFD) FUNDED PROJECT

- Heritage & Urban Regeneration: Tourism Development in Lahore Fort and its Buffer Zone

DANISH (DANIDA) FUNDED PROJECT

- Construction of Eastern Waste Water Treatment Plant at Faisalabad City

Annual Development Programme 2020-21

(PKR Million)

Sr. No.	Sector	Allocation
Social Sectors		**97,664**
1	Education	36,645
	School Education	27, 600
	Higher Education	3,900
	Special Education	555
	Literacy & NFBE	2,500
	Sports & Youth Affairs	2,090
2	Health & Family Planning	34,932
	i. Primary and Secondary Health Care	11,462
	ii. Specialized Health and Medical Education	22,150
	iii. Population Welfare	1,320
3	Water Supply & Sanitation	11,860
4	Social Welfare	630
5	Women Development	400
6	LG&CD	13,197
Infrastructure Development		**77,860**
7	Roads	29,820
8	Irrigation	17,470
9	Energy	4,500
10	Public Buildings	9,734
11	Urban Development	16,339
Production Sectors		**17,350**
12	Agriculture	7,750
13	Forestry	1,750
14	Wildlife	500
15	Fisheries	500
16	Food	200
17	Livestock & Dairy Development	1,700
18	Industries, Commerce & Investment (inc. skills development)	3,000

19	Mines & Minerals	1,550
20	Tourism	400
Services		**45,383**
21	Governance & IT	2,400
22	Labour & HR Development	150
23	Transport & Mass Transit	42,333
24	Emergency Services (1122)	500
Others		**51,240**
25	Environment	5,917
26	Information & Culture	200
27	Archaeology	300
28	Auqaf & Religious Affairs	170
29	Human Rights & Minority Affairs	500
30	Planning & Development	29,153
31	Community Development Programme	25,000
Special Initiatives		**47,500**
32	Special Programme / Initiatives	47,500
	Total	**337,000**

Section - II

RISE Punjab

(Responsive Investment for Social Protection and Economic Stimulus)

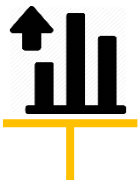
Government of the Punjab's initial reaction to the outbreak of COVID–19 was focused on fortifying public sector Health infrastructure and services and devising and implementing measures to slow down the spread of the deadly virus. The lockdowns imposed to control the spread impacted all sectors of the economy but some sectors, including Micro and Small and Medium Enterprises (MSME), informal and daily wage workers, etc., were the worst effected. The Punjab Government launched an emergency response plan to respond to COVID-19 worth PKR140.0 Billion. The Plan aimed at providing immediate relief to businesses and citizens which suffered due to this outbreak.

Realising that the economic impact of the pandemic was extraordinary and unprecedented, Chief Minister constituted a Steering Committee, headed by Finance Minister Punjab, to devise a short to medium term response plan. Paucity of time and imperatives of social distancing and lockdown made the task of the Committee extremely challenging but all notified and associated members contributed greatly to the formulation of the strategy. P&D Board steered the formulation of a comprehensive strategy for rejuvenating the economy, improving Health services to respond to the challenges of COVID–19, provide Social Protection to most vulnerable sections of the society and to improve preparedness for other calamities. The plan titled 'Responsive Investment for Social Protection and Economic Stimulus Framework – **RISE Punjab**' was launched by Chief Minister Punjab on 27.04.2020.

RISE Punjab Framework integrates **seven critical pillars** to help Punjab respond to the Health, Economic Regeneration and Social Protection challenges:

Economic Recovery and Stability

Punjab Growth Strategy 2023 was developed under the assumption of severe macroeconomic challenges requiring a period of stabilisation and economic growth; however, the current exogenous shock requires re-estimation of the projected growth target set under the Strategy. RISE Punjab realises that the micro-level interventions along all the key supply/value chains of the economy will be required. The Government will therefore take a sector-by-sector view of interventions to help firms sustain, re-orient, diversify, and grow. A core focus of the Government will be on Micro, Small and Medium-sized Enterprises (MSMEs) and rural enterprises.



RISE Punjab's micro-level interventions in all key supply/value chains of the economy. Focus of Government on **micro, small and medium-sized enterprises** (MSMEs) and rural enterprises.

The **Agriculture sector** has largely escaped the severity of pandemic however disruptions in supply chains, impacted availability of agriculture inputs as well as sale of production

The **services economy** has probably been the hardest hit, with more than **70%** of enterprises being **impacted. Government's** initiatives such as ensuring access to credit & capital, initiatives for Ease of Doing Business

The Agriculture sector has largely escaped the severity of pandemic however disruptions in supply chains due to the lockdown have impacted availability of Agriculture inputs as well as sale of produce. Unfortunately, this sector is facing the brunt of one of the worst ever locust

attack. The vulnerability of the sector to external threats is large and needs to be managed through focused interventions to improve agriculture extension services, promote better and more resilient varieties of seeds and crops, etc. Further, several interventions are proposed for cushioning financial situation of small and medium level farmers through crop insurance, credit availability, etc.

The services economy has probably been the hardest hit, with more than 70% of enterprises being impacted. The Government will have to invest and give substantial incentives for these businesses to re-orient the way they conduct business. The scope of the digital marketplace has suddenly seen a surge; however, it needs to be properly managed. For economic recovery and stability, the broad direction of Government's policy measures shall include initiatives such as ensuring access to credit and capital, initiatives for Ease of Doing Business, unlocking potential of land assets, establishment of SEZs and provision of trained labour force for industrial sector. In addition, the Government shall create private sector opportunities in the agri-sector and support female entrepreneurs. The Government shall enhance opportunities for MSMEs to grow and improve the quality of output

Social Protection

The pandemic caused severe hardships to the vulnerable segments of the population. RISE Punjab proposes provision of relief and social protection to the most vulnerable populations through *EHSAAS* Programme so that the registered beneficiaries are provided assistance in shortest possible time. The pandemic has shaken the public service delivery system and exposed some of the weak areas. One such area is identification of vulnerable segments of population. For example, one such segment is unregistered labour mostly working in informal sector or on a daily wage or piece rate and lost livelihood as a direct consequence of the economic tragedy. Other segments of vulnerable populations who were above the poverty line but the shock eroded their liquidity and pushed them under the poverty line are also not fully captured by existing datasets. The only reliable existing database, viz. NSER, is also almost a decade old and likely to be outdated. The pandemic has highlighted the necessity of developing 'Punjab Spatial Vulnerability Index' as an element of Shock-Responsive Social Protection Strategy to address issues raised due to COVID-19 and similar future shocks.

Credible social protection initiatives require sustainable availability of funds. RISE Punjab has proposed establishment of a fund that can be built over the years to provide immediate one–off relief and regular support to vulnerable populations. Other initiatives proposed include contributory insurance schemes for workers in the informal sector. Punjab currently has over 37 million employed people; however, the number of registered workers is a paltry two million. The Strategy proposes to close this gap through regulatory measures and introducing worker self-registration programmes. Further, the strategy proposes initiating development projects that create jobs and small scale works to create economic opportunities for businesses as well as provide employment and livelihood opportunities for most affected workers and businesses.

Minimum Core Health Capabilities

Building minimum **core capacities in the Health system to respond to crises and pandemic like** COVID–19 has been identified as a critical pillar for Punjab's future strategy. Such crises require that all stakeholders and service providers to work together as neither public nor private sector alone can cater to the challenges especially when large size of population is exposed and vulnerable. Upgrading of laboratory infrastructure is another area identified for additional investment. Further, increasing coverage of immunisation to cover total population and improving Province's compliance status in real-time disease surveillance and reporting is another area of focus.

The Strategy proposes establishing a 'One Health Council' for an integrated approach for deep-rooted health issues and outbreak of diseases. The proposed Council should have concerned stakeholders including agriculture, livestock, food safety, police, etc. Moreover, the Framework addresses the issues and complications caused by zoonotic diseases and highlights the work that needs to be undertaken for to prevent them. Food safety, biosafety, and biosecurity are other areas that the Government will now be inevitably focussing on. The Government will have invest to upgrade health facilities across Punjab, thereby serving the cause of Regional Equalization too.

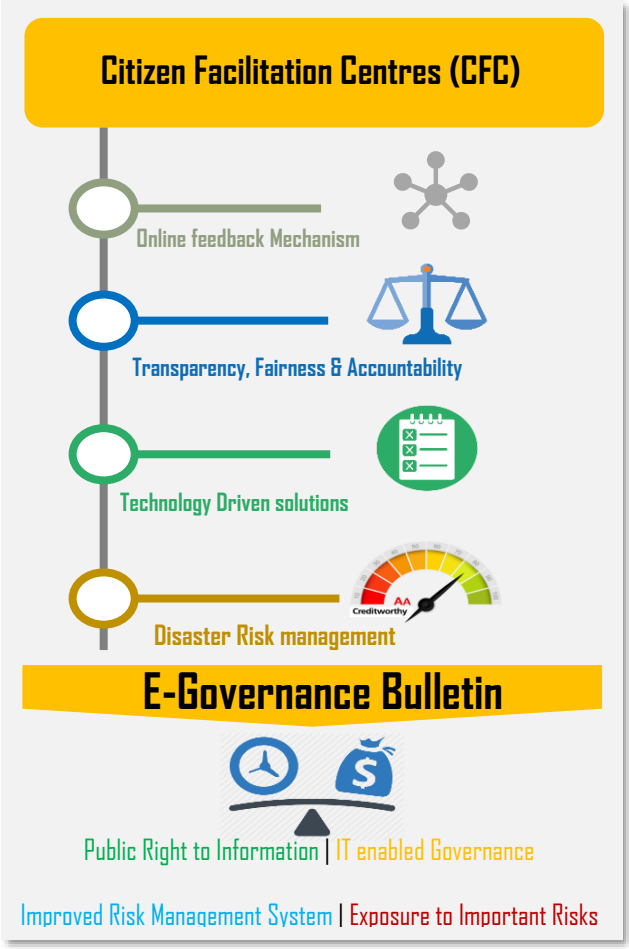
Governance Capabilities

Implementing new targeted interventions and responding to bigger challenges will require substantial improvements in **governance capabilities.** A first critical step is the ability of the Government to engage meaningfully with a variety of representative stakeholders. For this, the Government plans to establish an 'online feedback mechanism', which will be a technology-driven solution to help the Government conduct meaningful policy dialogues with all stakeholders. Punjab has been leading the e-governance drive; however, there are still certain gaps. In

order to deliver services under new norms of social distancing, the Government will have to invest more in improving its E-Systems, simultaneously reducing the contact between citizens and the departments and still delivering more effectively.

For effective governance and stabilization of economy, the Government is leading towards IT enabled governance system. The system includes initiatives like 'one-stop service delivery' through Citizen Facilitation Centres (CFC), an integrated management information system (i-MIS), integration of data bases and enforcement of Punjab Transparency and Right to Information Act 2013. Similarly, reforms in procurement systems to be introduced for handling procurements under crises without compromising principles of transparency, fairness, economy and accountability.

The Government will also review and update its Disaster Risk Management and Governance Policies and Guidelines to ensure better disaster preparedness. Disaster Management Authorities will be better integrated with mainstream provincial and local Governments, as well as with other stakeholders, including international development partners. The Government will also prepare an Adaptive and Integrative Risk Management and Governance Framework in consultation with the relevant stakeholders.

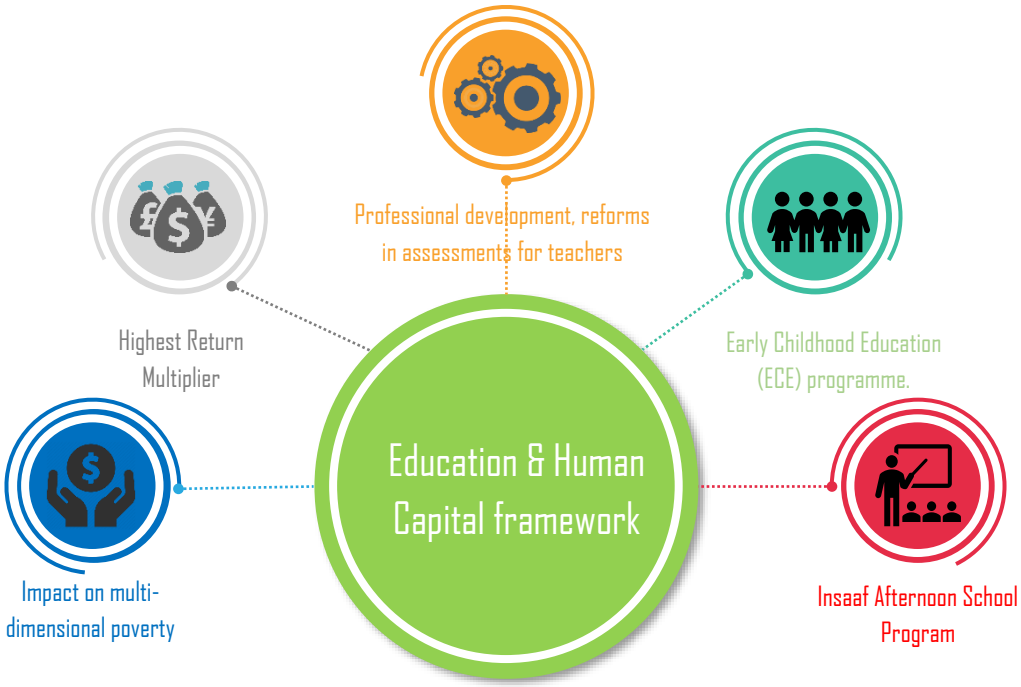


Education and Human Capital Development

Investment in **Education and Human Capital Development** shows the highest return multiplier and has a profound impact on multi-dimensional poverty. The Province will continue to focus on improving not just access to but the quality of the education. The education and human capital framework focus on improving the quality and access of education as well as the governance and monitoring regime of the sector.

For improving quality, the intended reforms include strengthening of teaching practices and assessments, professional development programme for teachers, reforms in assessment policy and expansion of Early Childhood Education (ECE) programme.

For improving access, the Government aims to refine and improve the public-private partnerships in the



education sector, infrastructure improvement and provision of new educational facilities and development of online education models. It will also take measures to ensure efficient distribution of conditional cash transfers managed by SED. In addition, expansion of *Insaaf Afternoon School Program* will be done that aims to provide opportunities to students at the middle and secondary school level who drop out. Once the schools re-open, a mass re-enrolment campaign shall be carried out.

For improving management and monitoring regime in the sector, the Government shall be focussing on capacity building of the school councils for efficient utilisation of the non-salary budget and carry out integration of data management system to enable the digitisation of the functions of School Education Department. The department has initiated the pilot School Improvement Framework in six districts. This School Improvement Framework is a system of monitoring and data collection that ensures that each school is able to collect and receive data to assess its own performance.

Risk Communication

The fight against pandemics or disease outbreaks such as COVID-19 cannot be won without effective **risk communication.** The Government's response strategy to COVID-19 places risk communication at the heart of its major intervention. The focus and effort required to bring about behavioural change in over 110 million people in the Province, of whom a large portion has low levels of literacy, is indeed a deep challenge and one that requires a dedicated intervention. As a first step, the strategy will look towards assessing the existing information value chains and building on them an integrated and unified public channel to disseminate risk communication. This will further involve policy changes and coordination between a host of departments and stakeholders, and between the media and cyber control agencies to ensure strict standards are developed and enforced. The Government will also leverage more with international agencies and channel good practices and common information on risk mitigation through mediums that would work more effectively in local contexts. It is important to highlight that inclusion is an important aspect and is often under-represented in communications, especially in the context of Pakistan and Punjab, where the social and digital divide is stark. Finally, communication interventions will involve a large number of diversified and relevant stakeholders and experts to ensure a greater impact.

Public Financial Management Systems

The strategic interventions presented above can only be implemented effectively if the **public financial management systems** are flexible enough to respond to large-scale shocks and there exist clear approaches and processes for **disaster risk financing**. The Government is cognizant of the fact that it will not have much space to introduce new taxes as the economy is already in recession; however, at the same time, it will have to work towards reducing the deficits that will accrue from stimulus and bailout packages. Therefore, the strategy is to enhance revenue potential through increased expenditure efficiency and by increasing the effectiveness of existing taxes. In the initial response, the Government relaxed provincial taxes worth PKR 18 billion till June 2020; however, some of these relaxations may need to be reviewed. Additionally, the Government will review spending authorisations and release of funds policies to ensure that cash is available at service delivery units responding to the COVID-19 emergency. All cash plans will be reviewed to prioritise essential expenditure and consolidate Government cash by pooling all assets at the treasury. The framework also requires improving reporting and expenditure tracking capabilities and developing disaster risk financing strategy for the Province to ensure that funds are allocated and used judiciously and effectively.

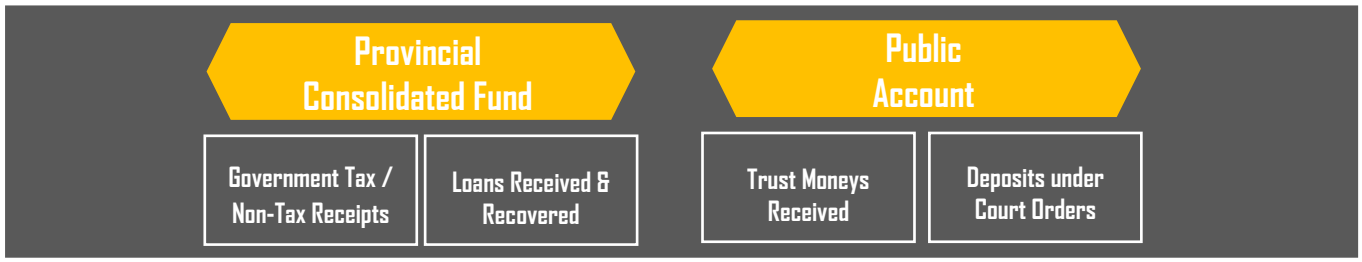
Implementing the RISE Framework

Though the agenda presented above is extensive, the Government is committed to implement it and has already initiated adequate measures to implement it. P&D Board has developed an ADP Development Framework to filter existing as well as new projects to ensure alignment with RISE Punjab. It will also ensure that the identified projects are implemented during the next fiscal year. The interventions requiring softer policy reforms have also been identified and the Government is working actively to implement them. Similarly, interventions that can leverage PPP and donor funding have also been identified and a dialogue with potential partners has already initiated.

5

Public Account of the Province

The Provincial Consolidated Fund (PCF) has been established under Article 118 (1) of the Constitution of Islamic Republic of Pakistan, 1973. The Constitution requires that all revenues of the Government, all loans raised by it and all moneys received by it in repayment of loans shall form part of the Provincial Consolidated Fund. Article 118 (2) further provides that all other moneys received by or on behalf of the Government or received by or deposited with the High Court or any other court established under the authority of the Province shall be credited to the Public Account of the Province.



The moneys received in Provincial Consolidated Fund and Public Account are deposited to the Government Treasury, cash of which is placed in a bank account maintained by the State Bank of Pakistan, under an agreement between the Governor of the Punjab and State Bank of Pakistan, titled "Punjab Account Number – I (Non-Food)". This account reflects a common cash balance of both PCF and the Public Account. However, separate sets of books of accounts for receipts and expenditure of Provincial Consolidated Fund and Public Account of the Province are maintained by the AG's / District Accounts Offices. It may also be worthwhile to add that the Government is authorized to open more than one bank account to run the system of the Government in a smooth manner. All such accounts would, however, form part of the Provincial Consolidated Fund or the Public Account of the Province depending upon the type of money. For example, Government of the Punjab has opened Provincial Account Number - II (Food) with the State Bank of Pakistan for its commodity operations. Similarly, Provincial Account Number – V (DEAs) and Provincial Account Number – VI (DHAs) have also been opened with the State Bank of Pakistan. The cash balances of these accounts are treated part of the composite cash balance of the Province for the purpose of overdraft facility of the Punjab Government. However, the cash available in these accounts are used only for the purpose of commodity operation, expenditure on School Education and as the case may be, for Primary and Secondary Health, respectively, in the Province.

The Government, as a custodian of all moneys placed in the Public Account, has a fiduciary responsibility to receive and disburse these moneys but is not at liberty to appropriate the money pertaining to Public Account for the general service of the Government. The form and manner for disbursement of moneys from the Public Account is regulated under the Punjab Treasury & Subsidiary Treasury Rules and the Punjab Financial Rules, framed under the Article 119 of the Constitution. As the disbursement of moneys credited to the Public Account is not subject to the vote of the Provincial Assembly, the deposits unclaimed for one whole account year, balances of deposits partly repaid during the year then closing, and all balances unclaimed for more than three complete account years will lapse at the close of June in each year, be credited to Government, therefore, the balances thereof, if any, are carried forward on year to year basis, maximum for three complete financial years. Therefore, such money can be refunded within a span of three financial years after the year of deposit. On completion of life of three financial years the unpaid lapsed credits are shifted to the Provincial Consolidated Fund as Miscellaneous receipts under Object code C03801-Unclaimed Deposits. Any claim arising thereafter is refunded from provincial receipt of "unclaimed deposits".

The moneys credited to the Public Account and its disbursement are generally governed by the agreement(s) / law & rules / court orders etc. So far as to distinguish the different kinds of credits / debits and the maintenance of accounts of Public Account is concerned, various codes with nomenclature have been allotted at Major, Minor and Detailed levels in the Chart of Accounts (CoA). The credits and debits of Public Account are categorized in following three categories.

I	II	III
Cash and Bank balances, Receivable loans & advances, Physical Assets and Investments)	Liabilities, Loans, Deferred Liabilities, Trust Accounts, Special deposit Accounts etc.	Equities and Investment by Government

Annual Budget Statement (ABS): Summary of Major Elements of Public Account

(PKR in billion)

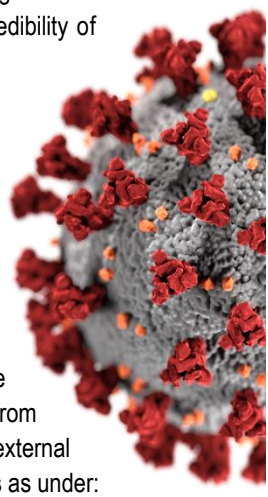
ROW LABELS	BE 2019-20	RE 2019-20	BE 2020-21
ASSETS & LIABILITIES - PUBLIC ACCOUNT RECEIPT	**(1,578)**	**(1,230)**	**(1,640)**
F02-RECEIVABLES	(2)	(2)	(2)
F05-OTHER ASSETS	-	-	-
G01-CURRENT LIABILITIES	(787)	(650)	(887)
G02-LOANS	-	-	-
G05-CONTROL ACCOUNTS	(508)	(384)	(450)
G06-TRUST ACCOUNT-FUND	(35)	(30)	(37)
G10-TRUST ACCOUNTS-OTHER	(108)	(53)	(120)
G11-SPECIAL DEPOSIT INVESTMENT	(134)	(107)	(139)
G12-SPECIAL DEPOSIT FUND	(4)	(4)	(5)
ASSETS & LIABILITIES - PUBLIC ACCOUNT PAYMENT	**1,578**	**1,230**	**1,640**
F02-RECEIVABLES	1	1	1
F05-OTHER ASSETS	-	-	-
G01-CURRENT LIABILITIES	784	647	832
G04-OTHER LIABILITIES	-	-	-
G05-CONTROL ACCOUNTS	509	385	515
G06-TRUST ACCOUNT-FUND	37	65	46
G10-TRUST ACCOUNTS-OTHER	115	74	111
G11-SPECIAL DEPOSIT INVESTMENT	123	50	128
G12-SPECIAL DEPOSIT FUND	9	8	7
NET OF PUBLIC ACCOUNT (+) (-)	**-**	**-**	**-**

Positive net reflects the position of more credits and less debits and vice versa. The net of Public account (+) or (-) may be treated as source / financing available during a financial year for PCF. However, prudent financial management principles require that the moneys of Public Account are not utilized for the purpose relating to Provincial Consolidated Fund.

6

Debt, Pension and GPF Liabilities

Debt, pension and GP Fund involve major financial liabilities of the Government. As per the international good practice, the Government specifically includes details of these liabilities in the white paper on budget to allow policy makers and legislators have a close eye on them. If not managed properly, these liabilities can erode fiscal space and adversely affect the credibility of budget.



Debt Stock

Punjab's debt levels are currently quite low when measured as percentage of its GSDP (Gross Sub-national Domestic Product) or as a percentage of its annual revenue. In current scenario, when revenue receipts have been affected drastically due to COVID-19 pandemic, the major challenge of the Province is to manage its debt operations to finance its large and growing development needs without impairing its capacity to repay the debt.

Punjab's debt consists mainly of long-term foreign loans obtained on concessional terms from international institutions by the federal Government and on-lent to Government of the Punjab. Government of the Punjab obtained multilateral loans from international financial institutions and a few bilateral loans to support the development needs of the Province. The focus of external financing remains in the areas of Education, Agriculture, Transport, Urban Development etc. Bifurcation of Punjab's total debt is as under:

(Rs Billion)

[ii]Punjab`s Debt Stock as of 30.06.2020

Type of Loan	as at Jun '19	as at Jun`20	% growth from Jun`19	Rupee Value growth from Jun`19	Net New Debt	Exchange Rate Loss /(Gain)
[iii]Domestic Loans	8.7	6.7	-22.1%	(1.9)	0	0
External Loans	945.3	938.8	-0.7%	(6.5)	(0.8)	(7.7)
Total	**954.0**	[iv]**945.5**	**-0.9%**	**(8.5)**	**(0.8)**	**(7.7)**

Debt stock as of Jun`20 (Table 6.1) shows a decline of -0.9% (i.e. Rs.8.5 billion) with respect to debt stock of Jun`19.

This negative growth is attributed mainly due to Pak Rupee appreciation against foreign currencies i.e. PKR7.7 billion and remaining PKR0.8 billion is the net addition of new loans in the portfolio of Government of the Punjab (GoPb) against new as well as already contracted loans.

4.2%

Punjab's total Debt as % of GSDP

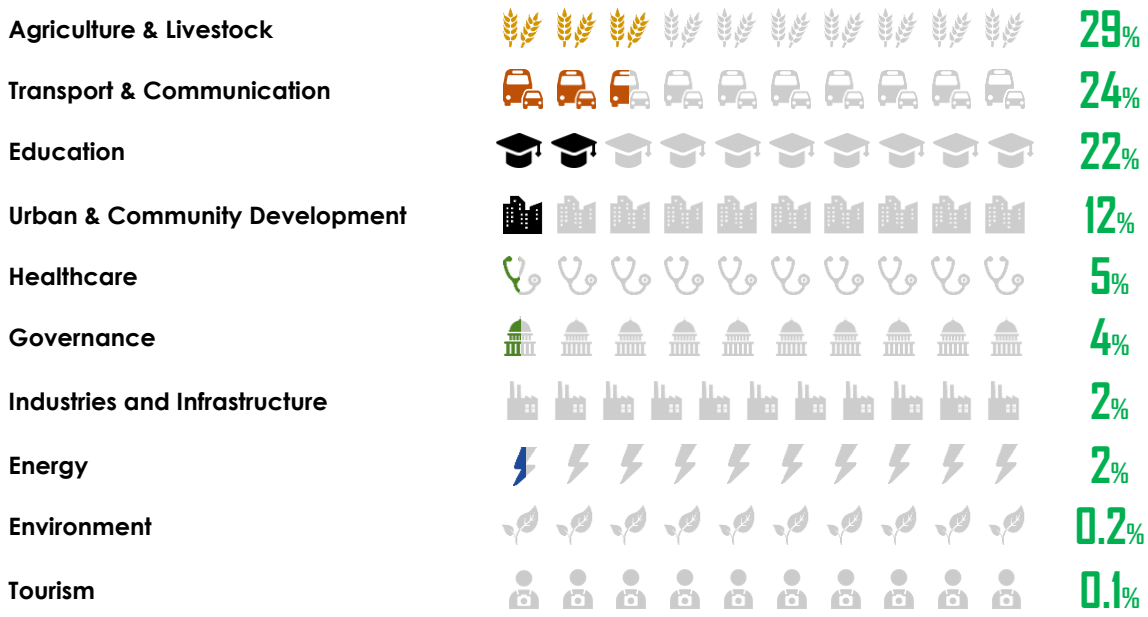
2.3%

Punjab's total Debt as % of National GDP

The size of Punjab's debt is quite low when measured as a percentage of its Gross Sub-national Domestic Product (GSDP) i.e. 4.2% and the ratio goes down when debt stock is compared with national GDP.

Sector Wise Composition of Total Outstanding Debt as of 30-06-2020

(% of total outstanding debt)



Domestic Debt

Domestic liability of the Government consists of Cash Development Loans (CDLs) obtained from the Federal Government for agriculture purposes under SCARP program for barani areas of the Punjab mainly, at fixed interest rates with maturity of 25 years. Many of these loans have already been repaid and the outstanding amount of CDLs as of Jun`20 is estimated as PKR6.73 billion. Domestic debt stock includes only direct borrowing by GoPb. The borrowing on account of commodity financing is not included in the domestic debt of GoPb because such borrowing is securitized through wheat stock as well as the Guarantee of Federal Government.

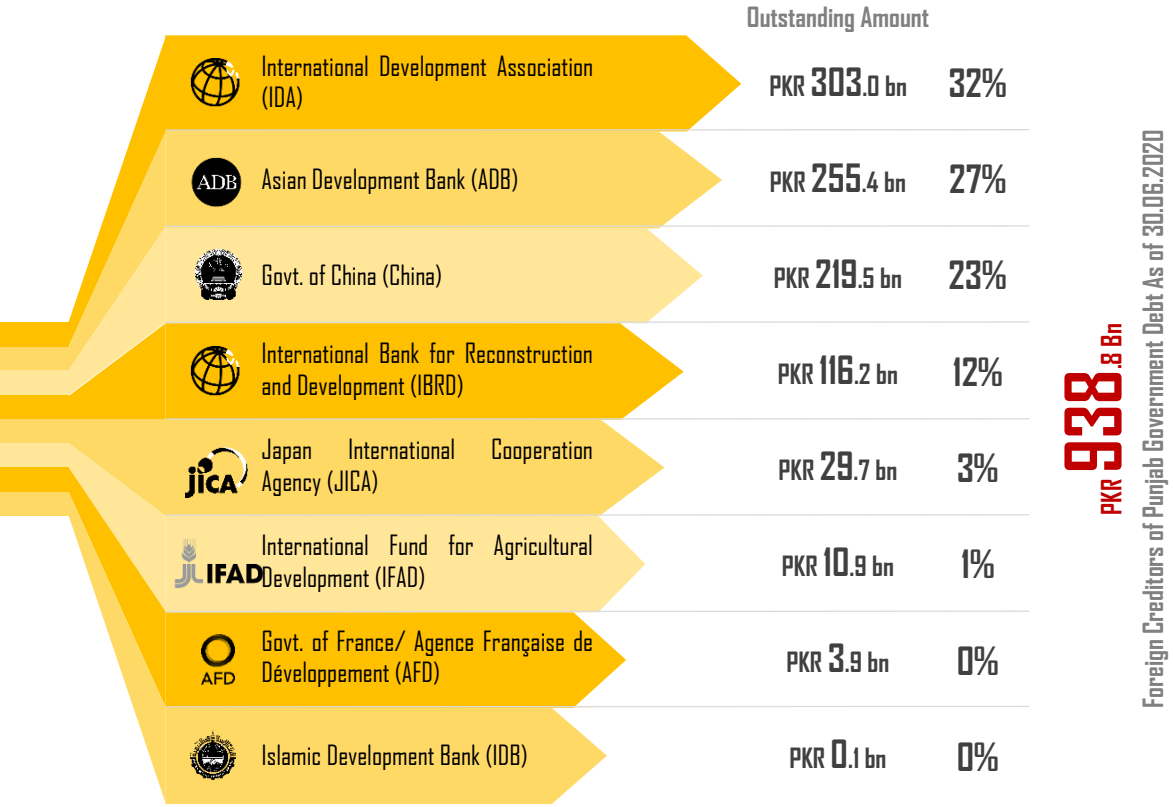
PKR 15.19 bn

outstanding amount of CDLs as of Jun`20

Foreign Debt

Punjab's foreign debt portfolio is highly concessional with an average maturity of 9 years as of June '20. The World Bank (including IBRD and IDA) is the leading creditor with 44% share of the total outstanding debt followed by ADB with 27% share in foreign debt stock. Foreign Debt stock also includes bilateral loans from China, Japan and France. Creditor wise composition is provided in Table 6.3 below.

Punjab`s foreign/external debt is heavily denominated in USD which is 78% of the total foreign loans followed by Japanese Yen (JPY) with a share of 8%. Table 6.4 below explains the composition of the foreign debt stock by currency.



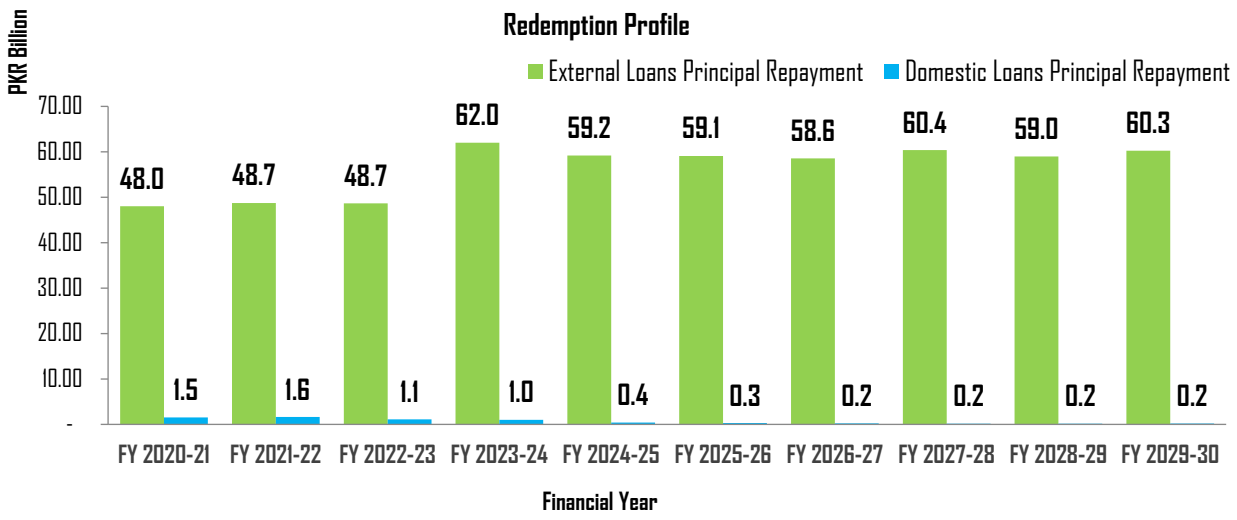
(Rs Billion)

Foreign Debt Stock by Currency as of 30.06.2020

Currency	Outstanding	% of Total
US Dollar (USD)	728.4	78%
Japanese Yen (JPY)	73.7	8%
Chinese Yuan Renminbi (RMB)	27.3	3%
European-American Unity and Rights Organization (Euro)	3.9	0%
Islamic Dinar (ID)	0.1	0%
Special Drawing Rights (SDR)	105.3	11%
Total	**938.8**	**100%**

Redemption Profile

The redemption profile refers to the projections of annual principal repayments in future according to repayment schedules of underlying loans. It helps in identifying periods in which large principal repayments will be due and taking appropriate measures to deal with such challenges. Redemption profile of Punjab's debt is quite smooth and is spread over a period of 38 years in the future. Projection of principal repayments for next 10 years is shown below:



Debt Servicing

Debt Servicing refers to the amount of annual payments on account of principal and interest. Debt servicing as compared to revenue receipts of the Province is a good measure to scale the debt distress of a Province/entity. Lower the amount of debt servicing as compared to revenue means the lower or no debt distress.

4.4%

Average Annual Revenues of last 3 years

Punjab`s estimated Debt Servicing for FY2020-21 is marginal when compared to the size of average annual Revenues[v] of the last three years i.e. 4.4%. This indicates that the Province is self-sufficient to honor its obligations on account of debt servicing. Debt servicing estimates of FY20201-21 are summarized below:

1.0%

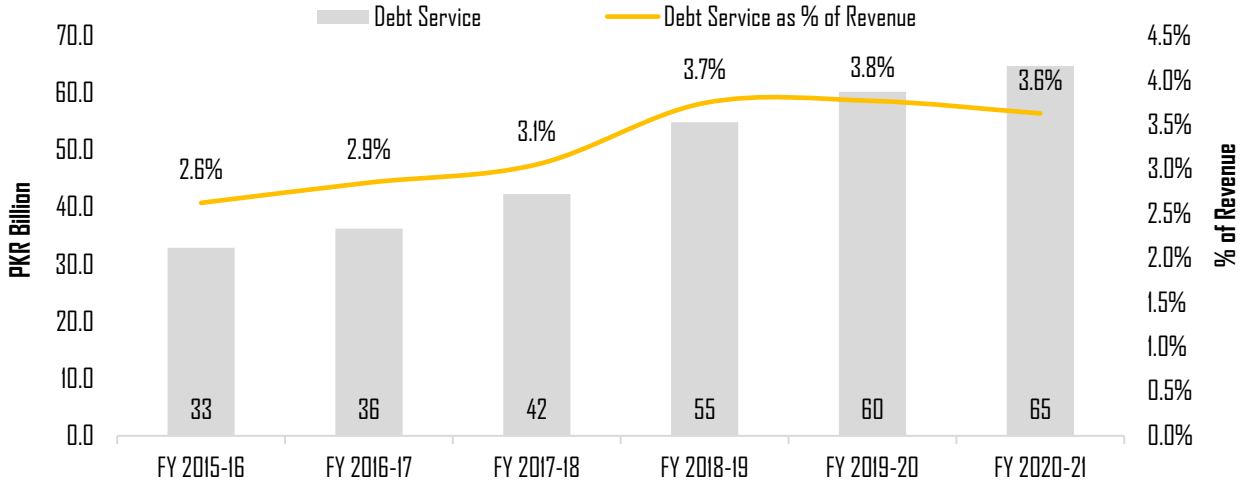
Interest Payment: PKR 15.19 bn

FY2020-21 Interest payment as % of Average Revenues for the last three years

4.4%

Principal Payment: PKR 49.59 bn

FY2020-21 Debt Servicing as % of Average Revenues for the last three years



CFY estimates of debt servicing follow certain [vi]assumptions which are given in footnotes.

Risk Analysis of Punjab's Debt Profile

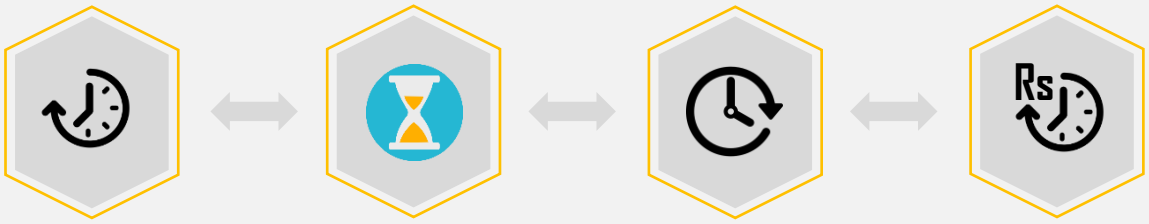
A number of indicators are used to monitor and control risks associated with Government's debt. Risk indicators act as a guideline to devise future borrowing strategies. A few risk indicators are explained in below given paragraphs.

Refinancing / Rollover Risk

Refinancing/Rollover risk refers to the risk of refinancing retired portion of the debt at a higher interest rate. Debt maturing in a year and Average Time to Maturity (ATM) are the two indicators used to measure this Refinancing/Rollover risk. ATM shows the average time-to-retirement of the entire debt stock. High proportion of debt maturing in a year and shorter ATM implies higher risk exposure, as a large proportion of the existing loans will need to be refinanced in a shorter period of time.

Estimated Refinancing/Rollover risk indicator as of **30.06.2020** are given below:

Refinancing Risks are 'Low for Punjab'

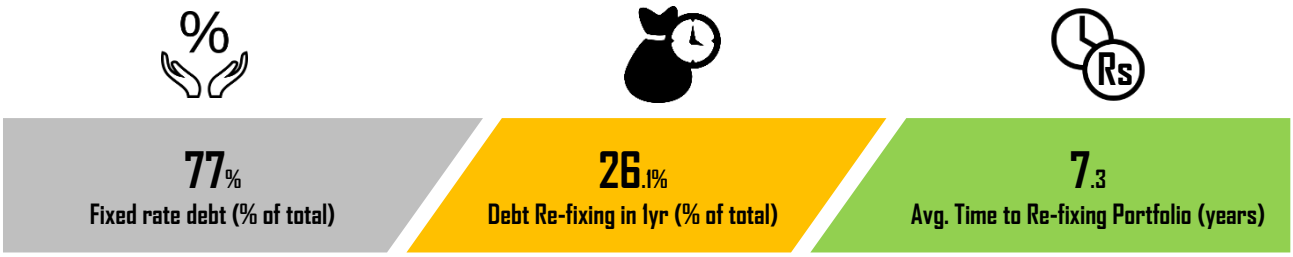


5.0%	9.1	2.8	9.0
Debt maturing in 01 yr (% of total)	Avg. Time to Maturity (ATM) Foreign Portfolio (years)	Avg. Time to Maturity (ATM) Domestic Portfolio (years)	ATM Total Portfolio (years)

> *ATM of the Punjab`s total debt portfolio is 9 years which is quite reasonable and indicates low exposure to refinancing risk. Similarly, the portion of outstanding debt retiring in a year ahead is also not material.*

Interest Rate Risk

Interest Rate Risk refers to the exposure of debt portfolio to changes in interest rate. Proportion of Fixed Rate Debt, Average Time to Re-fixing (ATR) and share of debt stock exposed to interest rate re-fixing in one year are the key indicators. Fixed rate debt is considered less risky as it is not exposed to interest rate fluctuations during its life. ATR indicates the average time after which the interest rate on the entire debt portfolio is reset. Low ATR and high proportion of debt re-fixing in one year indicates high interest rate risk and implies that debt stock is significantly exposed to rate reset over a relatively shorter period of time in a rising rate environment. Estimated indicators of Interest Rate risk as of **30.06.2020** are given below:



Interest Rate Risk

Punjab's debt has low exposure to interest rates

ATR of the Punjab`s total debt portfolio is 7.3 years showing that total loan portfolio will be exposed to interest rate reset after a period of 07 years approx.

Foreign Exchange (FX) Risk

Foreign exchange risk refers to the exposure of the debt portfolio to changes in exchange rate. Govt. of Punjab`s debt is highly exposed to FX Risk as 99% of the total outstanding debt stock is denominated in foreign currency. However, this seemingly high risk is partially mitigated by two factors;

99%

Share of Foreign Debt
(as % of total)

i) low interest rates on foreign loans offset the adverse consequences of exchange rate depreciation

ii) overall size of Punjab's debt portfolio is quite small as a percentage of the provincial GSDP which implies that repayment burden attributable to exchange rate depreciation is not too high as proportion of provincial GSDP

Fiscal Risks

The Government budget is subject to number of fiscal risks included the risks from contingent liabilities arising from guarantees to borrowing by its public sector companies, public private partnerships (PPPs), natural calamities/disasters and pending court cases. It is therefore important to track and manage these fiscal risks. Disclosure of fiscal risks is an important international best practice.

Domestic borrowing limit assigned by the **National Economic Council (NEC)** has so far been used by the Government to offer Guarantees to various **Public Sector Entities (PSEs)** to ensure/increase the bankability of their projects.

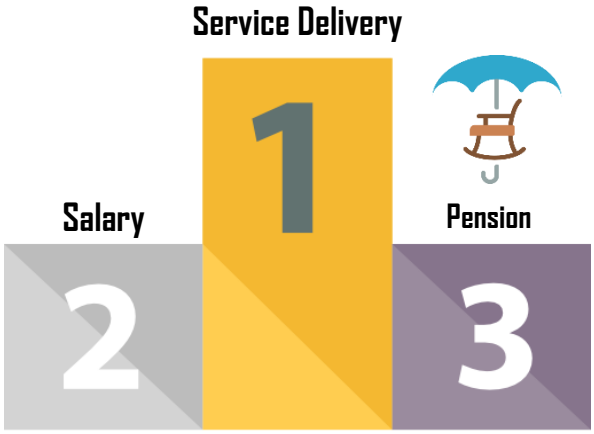
All such guarantees are categorized as explicit guarantees for which Government is legally bound to pay to the investor directly in case the PSE fails to honor its obligations. Major beneficiary of the Government support in the form of Guarantees, in Punjab, is the energy sector ([vii]QATPL, PTPL) followed by roads & transportation sector.

> *As of 30.06.2020 the total amount of outstanding Guarantees is estimated at PKR 77 billion out of which PKR 4.7 billion is attributable to Public Private Partnerships (PPP) of the Government.*

In future Government would like to further increase its fiscal risk management and disclosure by estimating disaster risk financing requirements and disclosing that as part of it drive to make PFM more and more transparent.

Pension

Government has a Defined-Benefit (DB) Pension Scheme for its permanent employees. The pension scheme is being managed on 'pay-as-you-go' basis, i.e. pension payment during a year is made out of that year's revenues regardless of the time of accrual of the liability. Considering the rising burden of pension expenditure, Government has, over the last few years, been following a more systematic approach towards valuation, reporting and funding of pension liability.



Pension Expenditure

Pension is the third largest expenditure of Government of Punjab's Current Revenue Expenditure after salary. The growth rate of expenditure on pension is a matter of concern. The trend of Punjab's pension expenditure since FY10-11 is as under:

(PKR In Billion)

Year	Pension Expenditure	Current Expenditure	Pension as % of. Current Expenditure	General Revenue Receipts	Pension % of Revenue Receipts
FY10-11	36.40	370.00	9.84	539.00	6.75
FY11-12	50.10	444.00	11.28	606.00	8.27
FY12-13	67.40	534.00	12.62	703.00	9.59
FY13-14	76.40	569.00	13.43	815.00	9.37
FY14-15	88.80	670.00	13.25	902.00	9.84
FY15-16	113.70	730.00	15.58	1,108.00	10.26
FY16-17	141.00	900.00	15.67	1,405.00	10.04
FY17-18	172.90	961.00	17.99	1,387.00	12.47
FY18-19	205.10	1,225.00	16.74	1,466.00	13.99
CAGR	**24.12%**	**16.14%**		**13.32%**	

24.12%

CAGR

Pension Expenditure has grown over a period of eight years since FY 2010-11

16.14%

CAGR

Current Expenditure over a period of eight years since FY 2010-11

13.32%

CAGR

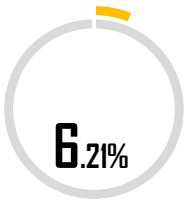
General Revenue Receipts over a period of eight years since FY 2010-11

Pension expenditure was 9.84% of Current Revenue Expenditure in FY10-11. This number increased to 16.74% in FY18-19. Similarly, pension expenditure to General Revenue Receipts ratio has increased from 6.75% in FY10-11 to 13.99% in FY18-19. If pension expenditure continues to grow in a similar fashion, it will constrain the Government's fiscal space for other current and/or development expenditures in future.

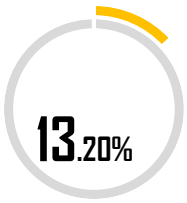
Government of the Punjab follows the Federal Government in allowing annual increase in salary and pension. Comparison of inflation and increase in salary and pension given by the Government of Punjab since FY10-11 is as under:

Year	Inflation (YoY CPI) *(%age)*	Salary Increase *(%age)*	Pension Increase *(%age)*
FY 2010-11	13.13	50.00	15.00
FY 2011-12	11.26	15.00	15.00
FY 2012-13	5.85	20.00	20.00
FY 2013-14	8.22	10.00	10.00
FY 2014-15	3.16	10.00	10.00
FY 2015-16	3.19	7.50	7.50
FY 2016-17	3.93	10.00	10.00
FY 2017-18	5.21	10.00	10.00
FY 2018-19*	13.13	50.00	15.00
CAGR	**6.21%**	**13.20%**	**11.48%**

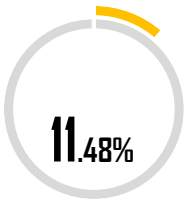
*CPI is based on new base year 2015-16; Salary Increase in 2019 was made as follows: Grade 1-16 10%; Grade 17-20 5%; Grade 21-22 Nil



Inflation (YoY CPI)



Salary Increase



Pension Increase

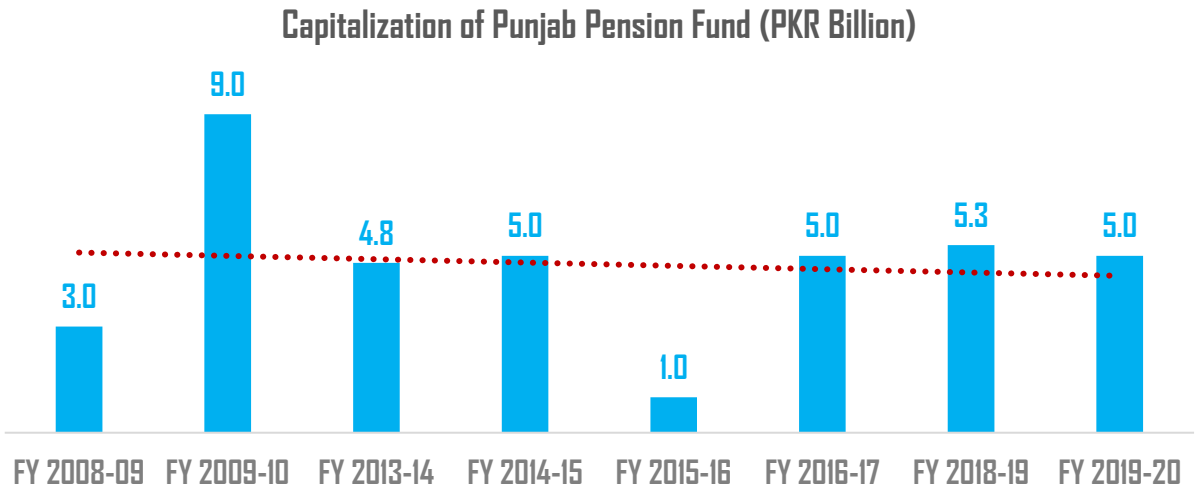
Annual increase in salary and pension without regard to inflation may lead to unmanageable pension expenditure and liabilities. It is imperative that annual increase in salary and pension is linked to inflation as practiced in developed economies. The Government is also reviewing the existing pension scheme with a view to keep the liability arising out of pension at a sustainable level.

Capitalization of Punjab Pension Fund through a clear Funding Strategy

Punjab Pension Fund has been created to invest funds set aside by the Government for meeting, at least partially, its future pension liability.

> *Punjab Pension Fund's funded status (assets/liabilities) is estimated to be 1.23%, as of June 30, 2020, which is quite low.*

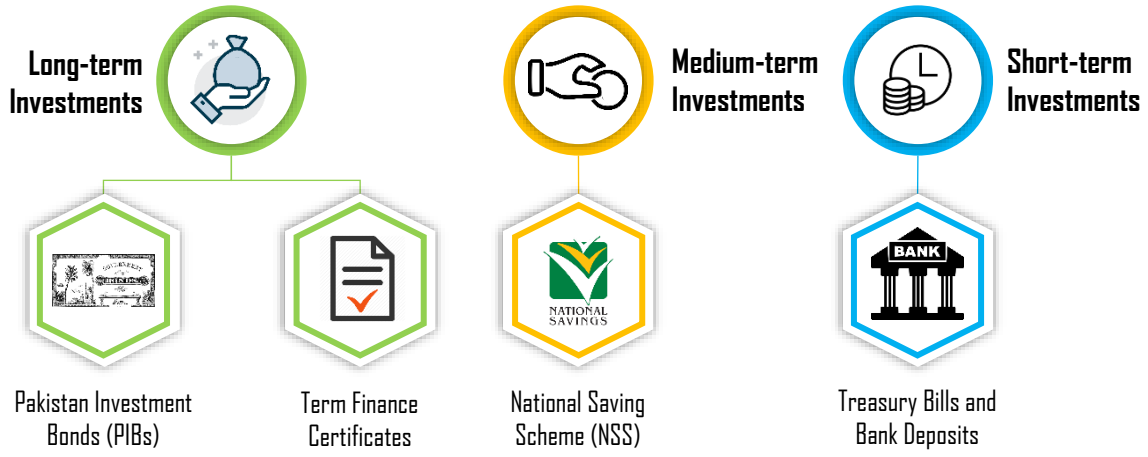
The Government, despite severe fiscal constraints, has been giving due consideration to capitalization of the fund. In the FY19-20, until April 2020, the Government had provided a capital of PKR 5.0 billion. Higher contributions coupled with rationalization of pension benefits can improve funded status of the Fund. History of capitalization of the fund by the Government is summarized as under:



Punjab Pension Fund's Assets

Assets of the Punjab Pension Fund are estimated to increase to **PKR 74.9 billion** as of June 30, 2020 against the capitalization of PKR38.1 billion into the Fund until April 30, 2020. The remaining amount of PKR 36.8 billion has been earned by the Fund through its investments.

Investment Classification



Punjab Pension Fund's Performance

Time Weighted Return (TWR) earned by the Fund is summarized as under:

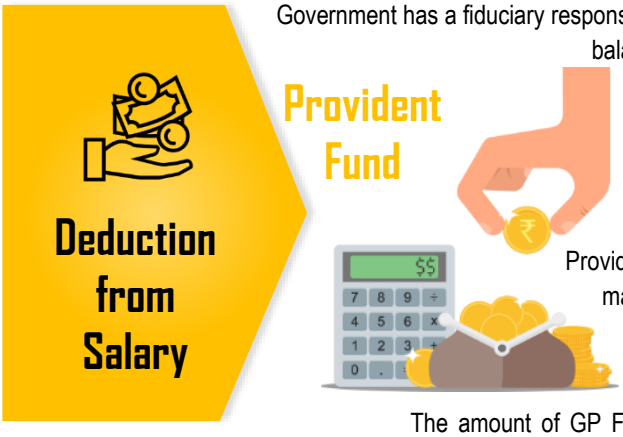
Period	Annualized Return for the period	
	Gross Return	Net Return*
FY 2008-09	15.21%	15.00%
FY 2009-10	13.79%	13.61%
FY 2010-11	13.48%	13.32%
FY 2011-12	13.96%	13.79%
FY 2012-13	12.85%	12.69%
FY 2013-14	12.05%	11.90%
FY 2014-15	15.90%	15.73%
FY 2015-16	10.79%	10.63%
FY 2016-17	10.28%	10.14%
FY2017-18	9.07%	8.95%
FY 2018-19	8.05%	7.95%
FY 2019-2020 (Projected)	17.69%	17.62%
Jul 2008-June 2020 (CAGR)	13.86%	13.75%

*Net Return means the return after deducting expenses incurred on management of PPF

The investment strategy followed over the years has worked well. Pension Fund continues to earn an attractive real rate of return because of its high yielding portfolio of PIBs, TFCs and NSS.

General Provident Fund

In addition to the Pension Scheme, Government requires its permanent employees to subscribe to the General Provident (GP) Fund, which is a Defined Contribution Scheme. General Provident Fund contributions are deducted from salaries of Government employees and credited to GP Fund Account, which is part of the Public Account of the Province.



Government has a fiduciary responsibility for these contributions. To avert the possibility of using Public Account balances as a source of cash for meeting Government expenditures, there was a need to create a separate GP Investment Fund. There was also a need to replenish the amounts earlier utilized from GP Fund Account as the Government had historically maintained a common cash balance for both Provincial Consolidated Fund and Public Account. Based on these considerations, Government of the Punjab passed Punjab General Provident Investment Fund Act 2009 to establish an investment fund for management of GP Fund liabilities of the Government.

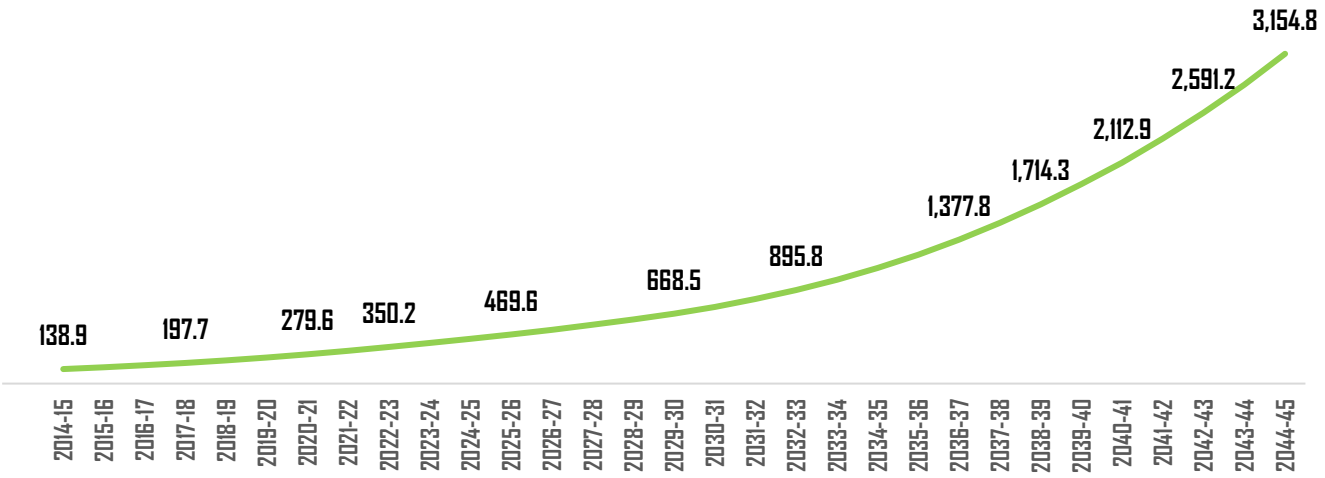
General Provident Fund Liability

The amount of GP Fund payment of a Government employee is the accumulated contribution deducted from his/her salary during service increased by mark-up /interest rate announced by the Government on such contributions on annual basis.

PKR 248.700 billion

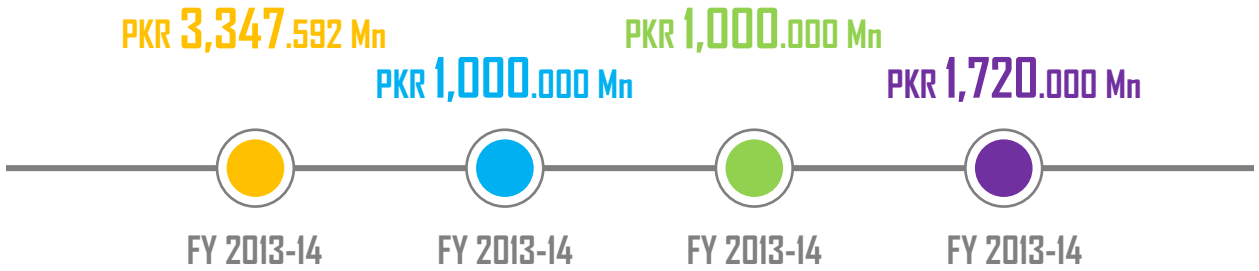
Based on the actuarial valuation, accrued GP Fund liability is estimated at **June 30 2020**

The growth in GP Fund liability, assuming interest credited to GP Fund balances at the rate of 12% per annum, for 30 years' period, is illustrated in graphical representation as follows:



Capitalization of Punjab General Provident Investment Fund

The Government is working on modalities of transferring General Provident Fund contribution deducted from salaries of employees every month to the PGPIF to enable the Fund to achieve a fully funded status in the shortest possible time. In a meanwhile, Government is capitalizing fund from its annual budget. The Government capitalized Punjab General Provident Investment Fund (PGPIF) in FY19-20 with PKR1.720 billion. The Capitalization history is summarized as under:



PKR 7,067.592 Mn

Total Capitalization by Government

Punjab General Provident Investment Fund's Assets

Assets of the Punjab General Provident Investment Fund are projected to reach to the tune of PKR 10.4 billion at June 30, 2020. The Government has contributed PKR8.6 billion into the Fund until April 30, 2020 while remaining PKR 1.802 billion has been earned by the Fund through its investments.

Punjab General Provident Investment Fund's Performance

Time Weighted Return (TWR) earned by the Fund is summarized as under:

Period	Annualized Return for the period	
	Gross Return	Net Return*
FY 2013-14	10.45%	10.45%
FY 2014-15	12.45%	12.45%
FY 2015-16	9.51%	9.51%
FY 2016-17	9.37%	9.37%
FY2017-18	7.61%	7.61%
FY 2018-19	8.34%	8.34%
FY 2019-2020 (Projected)	17.28%	17.25%
Jul 2008-June 2020 (CAGR)	12.53%	12.52%

*Net Return means the return after deducting expenses incurred on management of PGPIF

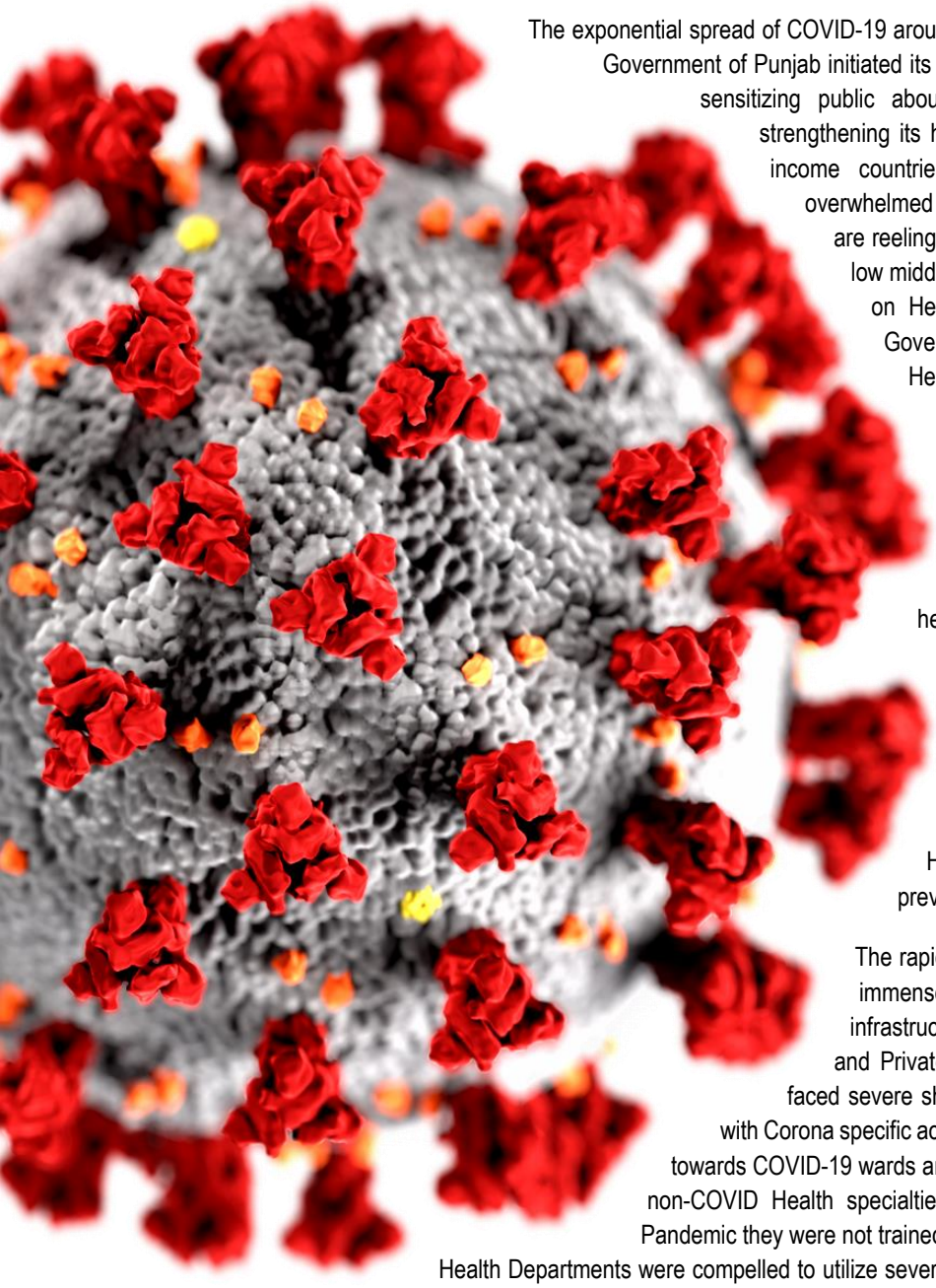
[ii] Debt stock includes actual disbursements till 30.04.2020 and the estimates of next two months i.e. May & Jun`20.
[iii] Domestic loan amount is exclusive of Food Department's outstanding loans obtained for procurement of wheat i.e. Rs. 336 billion as on 30.04.2020.
[iv] Rupee amount of debt stock at Jun`20 is calculated by using exchange rates of 30.04.2020.
[v] Revenue means annual General Revenue Receipts of the Province which is exclusive of capital receipts i.e. loan amount.
[vi] Assumptions:
• Exchange rates communicated by Federal Government are used for calculating debt servicing in Rupee.
• In floating-rate foreign loans, LIBOR rate of 30.04.2020 has been used for calculation of future interest payments.
[vii] QTPL- Quaid-i-Azam Thermal Power Ltd. PTPL- Punjab Thermal Power Ltd

7

Impacts of COVID-19:
Fiscal Pressures and Healthcare Deficit

Effects of COVID -19 on Economic Outlook

The rampant Coronavirus disease (COVID-19) has quickly evolved from a provincial health scare in China to a global pandemic. While it has brought nearly half the world to a standstill, it has affected the financial markets in unseen ways by eroding a quarter of wealth in nearly a month. A colossal challenge confronts us as a pandemic, we understand little about, sweeps across the globe. With 33 mutations of this virus, the use of data and technology to swiftly understand the changing landscape is more important than ever.



The exponential spread of COVID-19 around the globe has become a real challenge for humanity. Government of Punjab initiated its response to combat the virus at quite an early stage by sensitizing public about its severity, enhancing the testing capacity and strengthening its hospital capacity vis-à-vis bed strength. Even the high-income countries with a well-developed Healthcare system were overwhelmed with this pandemic within the first few weeks and several are reeling under the havoc caused by it. In contrast, Pakistan is a low middle income country which spends less than 1% of its GDP on Health and this came up with a big challenge for the Governments and policy makers to deal the pandemic. The Health system is already not up to the mark and there are many disparities in the healthcare delivery between the rural and urban areas. The doctor-to-patient ratio in Pakistan is 78: 100,000 and number of hospital beds is mere 0.6:1000.4 Before the COVID-19 pandemic set in, there was no proper National Health plan or Government strategy in place to tackle such a healthcare crisis as the cumulative capacity of the Government Hospitals in Punjab stood at 40,660 beds against the population of around 110 million showing is a huge gap. The instant Pandemic has unearthed the systematic deficiencies in the existing Health infrastructure including the non-availability of reliable data, absence of disaster management framework in Health sector, insufficient communication framework for preventive Health Care etc.

The rapid increase in local transmission of COVID-19 cases has immensely stressed out the already insufficient healthcare infrastructure in terms of patient handling capacity of the Public and Private Sector Hospitals. Due to this, Healthcare authorities faced severe shortage of specialized human resource required to deal with Corona specific activities and ultimately they had to divert their existing staff towards COVID-19 wards and on the other hand Healthcare staff belonging to those non-COVID Health specialties and establishments was compelled to deal with a Pandemic they were not trained to cope with. Owing to the shortage of space Provincial Health Departments were compelled to utilize several health specialty related wards and establishments for isolating and treating COVID-19 patients. Such improvisations on one hand deprived non-COVID patients from curative healthcare against serious ailments like Hepatitis-C, Cardiovascular diseases, Neurological disorders and other medical emergencies were not able to receive the essential curative medical care they needed and on the other hand led to serious neglect of preventive healthcare regime as one of the most visible negative effects could be seen on anti-polio vaccination campaign.

On the basis of WHO Guidelines and keeping in view the ground realities of the country, the Government has taken multiple steps to mitigate the various dimensions of the crisis:

1. Mandatory thermal screenings at all points of entries in country
2. Surveillance and contact tracing through data collection
3. Testing and diagnostic capacity has been strengthened by importing Polymerase Chain Reaction (PCR) kits for SARS-COV-2 diagnostics, 8 BSL-III (Bio Safety Labs) have been established at Divisional Headquarters of Punjab along with the upgradation of existing labs to BSL-III level which has enhanced the diagnostic capacity available in the public sector labs 2,000 to 10,000 tests per day. Additionally both Health Departments hired the services of private labs for COVID-19 Testing
4. District Administrations were mobilized to set up quarantine facilities for suspected cases at several cities and hospitals, and surveillance units were activated to trace contacts of confirmed cases, as recommended by the WHO. In this regard, medical wards were designated for handling covid patients at Secondary and Tertiary Care hospitals across 36 Districts in Punjab. A separate 900 bedded dedicated isolation Centre has also been established at Expo Centre, Lahore. Currently available number of beds for COVID-19 Patients isolation stands at 6,216 and out of which 4,765 were occupied during the 1st week of June.
5. Currently there are 1,369 Ventilators available at hospitals accross Punjab for handling seriously ill patients out of which 454 ventilators are marked for the COVID-19 Patients.
6. Due to the high demand for PPEs all around the world, Pakistan initially also faced shortage of PPEs but with passage of time the Province has been able to procure sufficient quantity of PPEs from both global and local markets
7. Punjab Government has duly appreciated the efforts of medical staff at all ranks and for enhancing the morale of the medical community announced special additional salary package for Healthcare staff directly dealing with COVID-19 patients. A lump sum compensation package is also approved if any employee directly dealing with COVID-19 patients passes away in line of duty; the family would receive an amount of PKR 4 Million up to BS-16 and PKR 8 Million for BS-17 & above.
8. New hiring of medical workers has been initiated on emergency basis to strengthen logistical support and ease the pressure on Health-Care personnel.
9. Tele-medicine facilities have been established to provide assistance to patients via telephone, skype and WhatsApp instead of physical visits.
10. Realizing the deficiency in syllabus, the Medical Educationists are developing material to deal with such issues of Public Health.

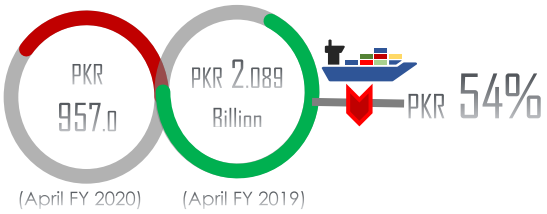
Besides its colossal human toll, the economic and political costs of the contagion are considerable. Developed countries are banking on huge stimulus packages to somewhat mitigate the effects of economic disruption. The efforts to "flatten the curve" have severely contracted economic activities around the world. The output contraction will continue in the second quarter of the calendar year 2020 as most countries expect to experience peaks in pandemic and consequent social containment measures in the next couple of months. Assuming that the pandemic will recede in the second half of the year (baseline scenario), the global economy is projected to contract by 3% for 2020 (World Economic Outlook, 2020 by IMF). Advanced economies and emerging markets are expected to experience growth rates of -6.1% and -1.0% against the pre-COVID-19 targets of 1.7% and 3.7%, respectively. The severity of this crisis can be judged from the fact that the Global Financial Crises in 2009 resulted in reduction of global economy by 0.1 % – a staggering difference of 2.9 percentage points with the projected impact of COVID-19[viii].

Impact of COVID-19 ON Pakistan's Economy

In these circumstances, the economic situation of Pakistan is somewhat similar to the global economy. Following are some of the highlights of the impact of COVID-19 on Pakistan's economy, the growth rate of which has fallen from a pre-COVID projection of 2.4% to -1.5%[ix]:

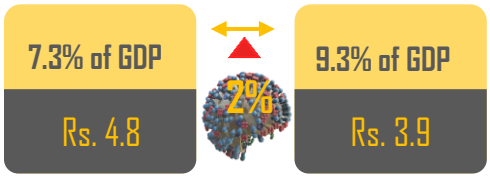
Increase in Trade Deficit

Owing to the closure of global markets amid COVID-19 outbreak, Pakistan's exports fell by a massive 54% in April, 2020 as compared to April, 2019. According to the data released by Pakistan Bureau of Statistics (PBS), the country's exports stood at USD957 million in April 2020, as compared to exports worth USD2.089 billion in April 2019 and USD1.8 billion in March 2020. Such a major drop in exports is indicative of the negative impact of COVID-19 on the Trade Balance.



Higher Budget Deficit

Pakistan's budget deficit (post COVID-19) is projected to rise to 9.3% of GDP or PKR 3.9 Trillion in the current Fiscal Year compared to a pre-COVID estimate of 7.3% of GDP[x]. The major driver of increase in Fiscal Deficit was the reduction in FBR collection which dropped from a pre-COVID estimate of PKR 4.8 trillion to PKR 3.9 trillion. The reduction in FBR collection meant a reduction of PKR 256.0 billion in Divisible Pool transfers to the Government. Consequently, the Government had to make major readjustments/reduction in its Development and Non-development expenditure.



Slow- Down in Remittance

A World Bank report has estimated that Remittances to Pakistan from abroad, which is a major item of Current Account, is projected to decline by 23 percent in year 2020, totaling about USD17 billion, compared with USD22.5bn remitted in 2019, in the wake of the economic crisis caused by the Covid-19 outbreak[xi]. And, the report cautions that this crisis could be long, deep, and pervasive when viewed through a migration lens.

i. **Increase in Unemployment**
   Slower growth, reduced trade and lock-downs caused by COVID-19 mean that Pakistan could expect 12.3 million to 18.5 million layoffs[xii]. This increase in unemployment has a direct impact on increase in poverty rate in the country.

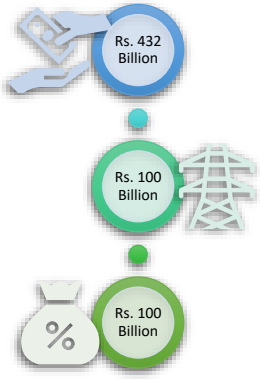
ii. **Decline in Large-Scale Manufacturing Output**
   Latest data released by PBS suggests that Large Scale Manufacturing (LSM) output witnessed a decline of 22.0% in March 2020 compared to the corresponding month last year. This decline was contributed by almost all major LSM sector with the exception of Fertilizer industry which exhibited some growth compared to last year[xiii].

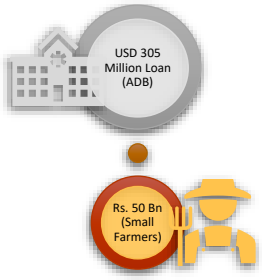
Response by Federal/ Provincial Government

Prime Minister Imran Khan announced huge relief package worth PKR1.2 trillion to ward off the negative impact of Coronavirus on the country. This included the contribution of the Government for cash transfers to poor. The package also included measures to reduce prices of petroleum products, monthly stipends for daily wagers, improving liquidity crunch for exporters and industrialists and deferment of utility bills for households.

The Government of Pakistan, in collaboration with the Government, is trying hard to fight against the deadly disease on the one hand and recovery from its disastrous impacts on the society on other and has taken various measures out of which following measures are targeted to resurrect the economy:

- The State Bank of Pakistan has deferred principal repayments of loans amounting to PKR432 billion under its refinancing scheme to protect SMEs from the impact of Covid-19.
- A package of PKR100 billion has been provided to SMEs for payment of their utility bills and other relief measures
- A relief package of PKR100 billion has been provided for exporters in the form of tax refunds and other measures;





- A USD 305 million loan finalized with the ADB of which USD 200 Million is meant for social sector and USD105 million for healthcare infrastructure support;
- The signing of an agreement between the Government of Pakistan and the China Power – Frontier Works Organization (Pakistan) consortium for the construction of the Diamer Bhasha Dam including the 4500 MW hydropower plant. The project is meant to provide a short-term boost to the construction sector in Pakistan.
- The Government has announced a PKR 50 Billion support package for small farmers comprising of subsidy on fertilizers, seeds, pesticides as well as reduction in the bank loan mark up.

Economic Outlook for Pakistan

COVID-19 has resulted in a major economic setback for Pakistan. Recovery from this setback requires a concerted effort by both Federal and Provincial Governments. IMF predicts a U-shaped recovery for Pakistan's economy, with economic growth reaching 2% by the end of next financial year. Following is a summary of pre & post COVID-19 economic indicators by different multilateral agencies[xiv]:

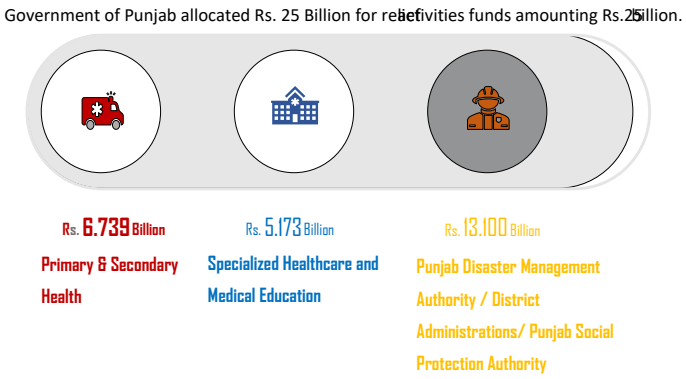
Economic Indicators	IMF			World Bank		ADB	
	FY20 (Pre-Covid19)	FY20 (Post-Covid19)	FY21	FY20 (Post-Covid19)	FY21	FY20 (Pre-Covid19)	FY21 (Pre-Covid19)
Real GDP Growth (%)	2.4	-1.5	2	-1.3	0.9	2.6	3.2
Inflation (%)	11.8	11.3	8	11.8	9.5	11.5	8.3
Fiscal Deficit (% of GDP)	-7.2	-9.2	-6.5	-9.5	-8.7	-8	
Exports Growth (%)	5.6	-2.1	-4.7	-19.7	-5.3		
Imports Growth (%)	-8.8	-16	3	-26.3	-7.7		
Remittances Growth (%)	3.4	-4.8	-1.5	-6.5	-6		
Current Account Deficit (% of GDP)	-2.2	-1.7	-2.4	-1.9	-2	-2.8	-2.4
Debt (% of GDP)	84.6	89.8	87.8	90.6	91.8		

Response by Provincial Government

Punjab has a dominant role in the performance and development of the national economy. The Province contributes 55 percent to the national income, employs 61 percent of the total employed in the country and houses 53 percent of the total population. At this scale, it is apt to say that, "Pakistan grows if Punjab grows." The converse, however, holds even strongly, and a dip in Punjab's economy is likely to have a greater impact at the national level. Therefore, sustaining Punjab's economy under the existing Health and resulting economic emergency is crucial to resurrect the national economy.

So far, some estimates have been developed on the size of economic and employment loss for Punjab. The existing estimates show an economic loss to Punjab to the tune of USD3-5 billion and short-term employment loss of 4 to 6 million. The immediate response to these shocks will be focusing more on Social Protection to protect the most vulnerable and to ensure that the food and essential goods supply chains continue to stay operational. It is inevitable that some of the businesses will not be able to sustain this shock and will be closed permanently or will have to be reopened with an entirely different business plan. To date, the impact of COVID-19 has been lower in rural areas and the Agriculture sector seems to be broadly stable. However, the Agriculture sector is dependent on a variety of inputs and effective logistics and market operations. It is important that support to this sector is managed, as it employs 14.5 million people and is a food line to the entire Province.

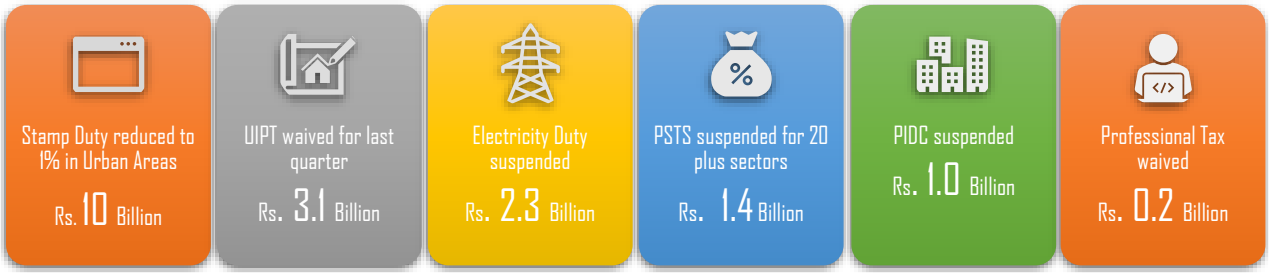
The Government of Punjab in the middle of March 2020 declared a Health Emergency and enforced a complete lockdown throughout Punjab from 23rd of March 2020. On the directions of the Government , P&D Board immediately set up a Steering Committee under Minister Finance which tasked three working groups for (i) Health Emergency; (ii) Social Protection and; (iii) Economic Support to develop immediate interventions in response.



The three Working Groups worked on a tight deadline and recommendations under all three areas were submitted to the Chief Minister. These recommendations were approved by Government and the concerned departments took emergency steps to achieve the defined objectives of prevent and disaster relief along with financial support to Effected classes. For efficient execution of emergency relief activities funds amounting PKR25 billion have been allocated. The efforts, however, are still ongoing and require further support in fight against the disease and its destructive impacts on the economy/society.

Tax Relief

Apart from above direct spending on relief and recovery, the Government took other initiatives to help support the economy and the fiscal base of the Province and provided relief in various Provincial Taxes of **PKR18.0 billion**.



Priorities for Budget 2020-21

With a very unstable economic situation for the country and the Province, budget priorities had to be reviewed and aligned with the current ground realities. Additional fiscal space is required for the Health, Disaster Management & Social Protection during the next financial year. Higher Revenue generation would be focused primarily through improvements to administrative efficiency. There would be greater emphasis on Austerity measures to create space for necessary Development and Non-Development expenditures. Therefore, following are some of the major areas of focus for Budget 2020-21:

1. Improvements in conditions for revival of various sectors of economy to minimise impacts of un-employment and layoffs with special focus on Micro, Small & Medium enterprises (MSMEs).
2. Efforts to increase the Provincial Tax revenues by broadening the tax base as per current structures through efficient enforcements by revenue collection departments.
3. Implementation of strict Austerity measures.
4. Efforts for recovery of pending receivables of Punjab as discussed in Chapter 2.
5. Privatization of provincial owned companies/assets.

viii https://www.imf.org/en/Publications/WEO/Issues/2020/04/14/weo-april-2020
https://www.pide.org.pk/pdf/PIDE-COVID19-EBook.pdf
https://www.thenews.com.pk/print/633754-forecast-of-covid-19-pakistan-may-face-12-3m-to-18-53m-lay-offs
ix IMF Country Report No. 20/114 (IMF document on Rapid Financing Instrument)
x ibid
xi https://openknowledge.worldbank.org/bitstream/handle/10986/33634/COVID-19-Crisis-Through-a-Migration-Lens.pdf?sequence=5&isAllowed=y
xii https://www.pide.org.pk/pdf/PIDE-COVID19-EBook.pdf
https://www.thenews.com.pk/print/633754-forecast-of-covid-19-pakistan-may-face-12-3m-to-18-53m-lay-offs
xiii http://www.pbs.gov.pk/sites/default/files//industry_mining_and_energy/qim/2020/qim_web_note_mar-2020.pdf
xiv https://mettisglobal.news/unemployment-in-pakistan-to-rise-in-fy21-even-after-combating-covid-19-successfully

8

MSMEs

Revitalizing Punjab's Economy

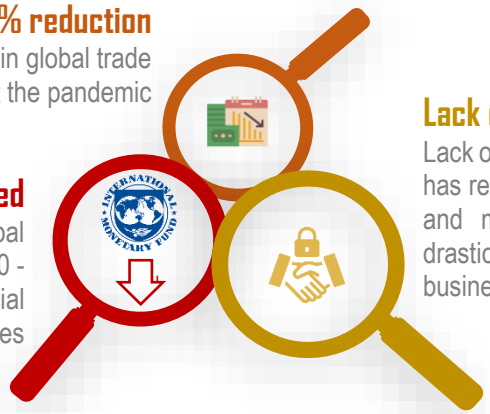
Pakistan and the Province of Punjab are no exception to the macroeconomic challenges arising due to COVID-19 outbreak. Enterprises around the country are already facing the consequences of the closure of economy. Many economists contend that the economic crisis that COVID-19 emergency has ensued will be longer-lasting and will have more far-reaching implications than the immediate healthcare crisis.

30 – 40% reduction

WTO's early estimates show reduction in global trade as the economies fightback against the pandemic

USD09 trillion slashed

slashed from global output with global growth estimated at -3.0 % in 2020 - worse than during the 2008-09 financial crises



Lack of aggregate demand

Lack of aggregate demand across the globe has resulted in job losses, closure of small- and medium-sized businesses and has drastically altered the way countries do business with each other

Micro, Small and Medium Enterprises (MSMEs) stand to lose the most as they account for more than 90% of economic activities and more than 50% of the jobs in the developing countries. SMEs have played a key role in the development of economies like those of South East Asia. In Pakistan, SMEs constitute nearly 90% of enterprises, employ 80% of the non-agricultural labour force, contribute more than 40% to GDP and over 40% to exports. SMEs significantly contribute to the economy in multiple ways through employment creation, human resource development, value addition, innovation and services and small-scale manufacturing support to Large-Scale Manufacturing and industrial establishments.

90% of enterprises,

employ **80%** of the non-agricultural labor

SMEs

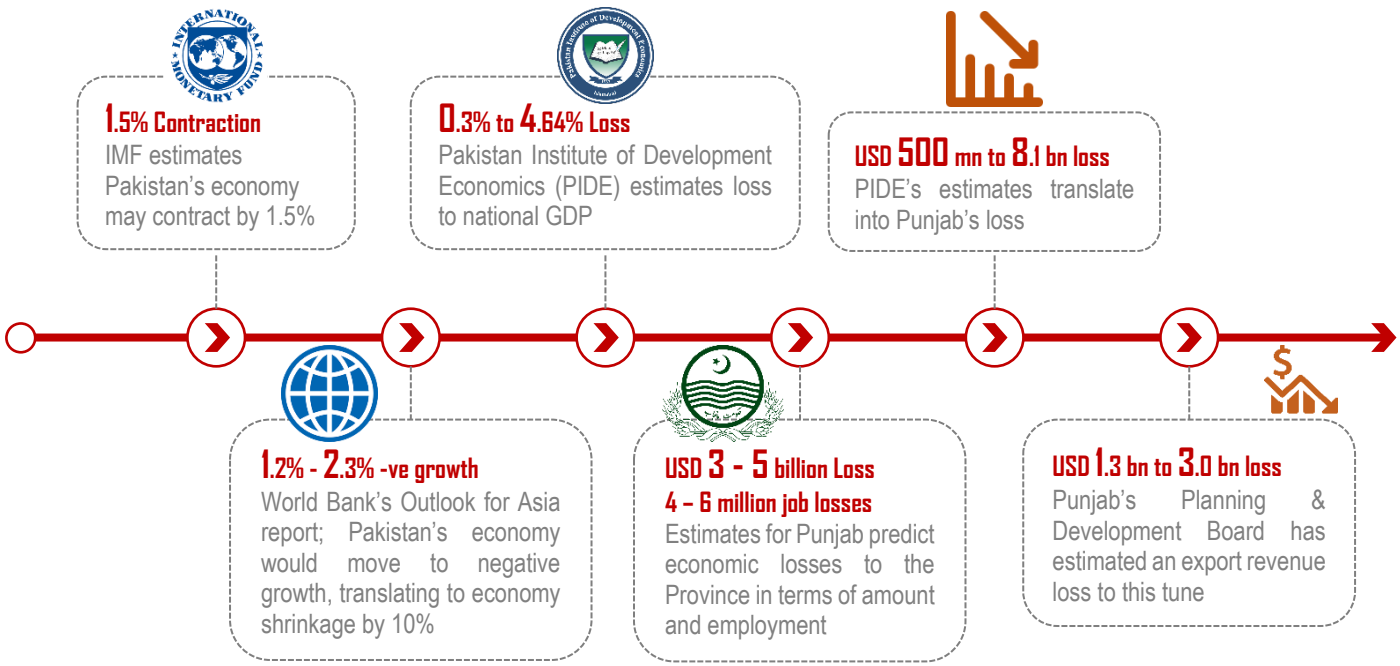
40% share in GDP,

over **40%+** share in exports

Economic Impact Assessment

Initial estimates have shown that the Pakistan's economy will witness sluggish growth in services, manufacturing and agriculture sectors, increase in unemployment, decrease in Government revenue, decline in exports and disruption in supply chains. Closure of businesses across the country is expected to make the situation dire for the estimated 5.2 million enterprises in the country. Micro, Small and Medium Enterprises (MSMEs) have been particularly hit through supply chain disruptions owing to irregular supply of raw materials and intermediate goods, revenue loss and shortage of liquidity to continue business operations. However, the magnitude of economic losses is uncertain and depends on intensity and duration of COVID-19 as it is still an ongoing challenge.

Real GDP growth projections vary from negative to positive. IMF estimates Pakistan's economy may contract by 1.5%. World Bank's Outlook for Asia report has suggested that that Pakistan's economy would move to negative growth (-1.2% to -2.3%) which translates into economy shrinking by about 10 percent for this to happen. Pakistan Institute of Development Economics (PIDE) has conducted some estimations of economic loss and their results show that GDP will suffer a loss of anywhere between 0.3 percent to 4.64 percent. In case of Punjab, some estimates have been developed on the size of economic and employment losses. The existing estimates predict an economic loss to Punjab in the tune of USD3-5 billion and short-term employment loss of 4-6 million. Pakistan Institute of Development Economic (PIDE) estimates translate into Punjab losing USD500 million to USD8.1 billion. Punjab's Planning & Development Board has estimated an export revenue loss to the tune of USD1.3-3 Billion to the Province (See Chapter on **Macroeconomic Outlook** for a more detailed analysis). These economic losses will eventually translate into job losses and retrenchment of employment options for the labour force in MSMEs.



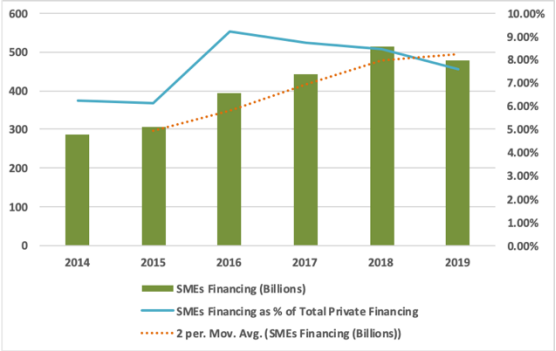
Unemployment Impact Assessment

According to Pakistan Labour Force Survey 2017-18, Punjab has more than 37 million employed persons. It is estimated that 68% of Pakistan's MSMEs are in Punjab which employ bulk of this labour force. Approximately 16 million are in the non-agriculture labour force and informally employed or engaged in small-scale self-employment. These constitute the most vulnerable segment of the labour force as majority of them are associated with MSMEs in one capacity or another. Invariably all of them went out of work as the lockdown was announced in the Province on 23rd March, 2020. PIDE estimates that unemployment can be anywhere between 1.8 million to 11.2 Million, while Punjab's own estimates suggest unemployment between 4-7 Million. However, some part of this unemployment may be temporary and may have started to recover as soon as the economy has begun to slowly open. But, due to uncertainty about the pandemic cycle, unemployment is expected to remain high in this segment.

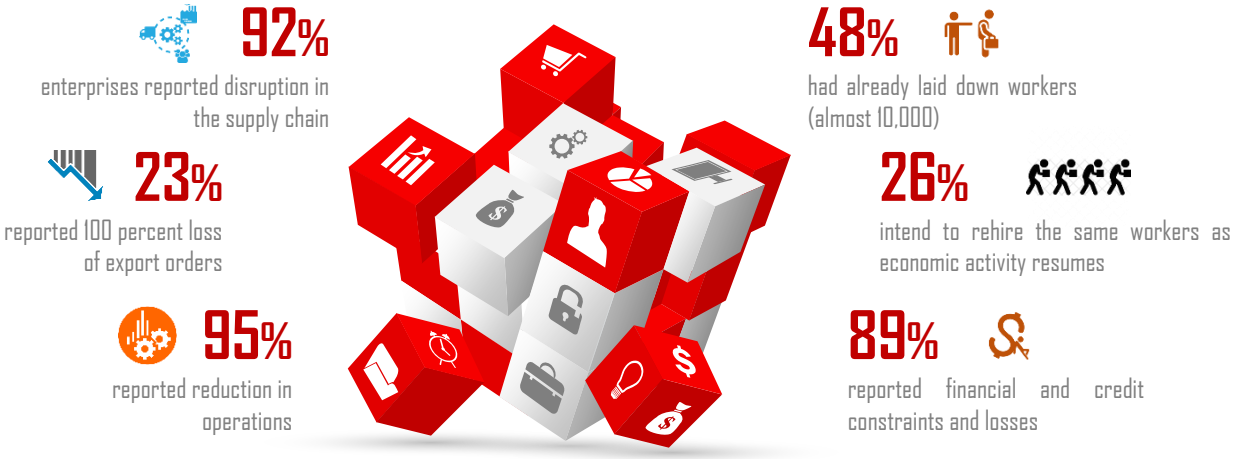
With a view to providing relief to this vulnerable labour force, Punjab has focused its immediate response on social protection, in addition to healthcare interventions, to protect the out of work labour force and to ensure that the food and essential goods supply chains continue to stay operational. However, with gradual easing of lockdown and as the impact on MSMEs becomes clearer, the Government of Punjab has realized the need to enable the businesses to restart economic activity, help them recoup some of the losses and sustain themselves in the post-COVID-19 scenario.

Situational Analysis viz the MSMEs Sector

MSMEs in Pakistan account for 98% of all economic establishments. According to estimates, there are 3.8 million MSMEs in Pakistan. These MSMEs are concentrated in trade, services and manufacturing sectors. MSMEs sector of Pakistan is heterogeneous, dispersed, and mostly unorganized which results in market failure on part of intermediaries to provide support to this sector. Owing to this fact, banks' credit to SMEs as a share in overall private financing does not show an encouraging picture.



Now, the COVID-19 situation is still evolving, the economic situation is largely uncertain due to which the exact economic fallout for the MSMEs is yet unknown. Recent survey carried out by SMEDA to ascertain the impact of COVID-19 on Small & Medium Business post-lockdown in Pakistan has some relevant findings below:



Punjab Board of Investment and Trade (PBIT) has carried out sector specific analysis to gauge the impact of economic slowdown on industries in Sialkot and industrial segments such as Poultry industry in Punjab. Sialkot, as Pakistan's third largest export center after Karachi and Lahore, has a substantial share of Pakistan's total export revenue.

> ***Sialkot based industry has gained global prominence for a highly diverse range of products ranging from sports goods, surgical instruments, leather goods and gloves, readymade garments to musical instruments. Around 400,000 plus people are engaged directly or indirectly with export activities through medium to micro-scale industries.***

Other than the surgical instruments and allied units, other units have had considerable setbacks due to cancellation or deferment of export orders suggesting a substantial economic loss and disruption across the sectors. Similarly, PBIT report finds that Poultry industry has been hit by supply side crises, resulting in a demand pushed price hike.

Finance and Planning & Development Departments have had detailed consultative sessions with various industrial sector bodies, Chambers of Commerce and representative associations with a view to assessing the magnitude of economic and business impact of lockdown. While the observations and responses largely resonate with findings of SMEDA survey, the following indicative statistics show the economic impact on some MSMEs sectors:

Economic Impacts on some MSMEs

- ***Approximately 350,000 becoming economically ineffective due to closure of banquet halls and associate downstream value-chain activities in Lahore***
- ***Around 300,000 daily wagers work in auto-parts market at Badami Bagh Lahore***
- ***Closure of eateries, retail, transport and other activities impacting the 7 million informal employed in the wholesale, retail and transport sectors.***

Finance Department, as part of the budget making exercise for FY2020-21, also solicited proposals from the citizens at large as to identify the priority areas of intervention. A significant majority of the citizens have termed employment generation and economic revival as the key priority area, besides healthcare interventions in the wake of COVID-19 (See Chapter on **Inclusive Budgeting** for details).

Based on the preceding, the Government of Punjab has realized the following key challenges being faced by businesses, particularly the MSMEs:

- Lack of liquidity and cash across the entire spectrum of value chain – direct impact on jobs particularly in non-formal and non-bankable MSMEs
- Accessibility to credit is a challenge due to major proportion of the MSMEs being out of formal financial and taxation net
- Broken supply chains due to partial lockdown restrictions still in place
- Operating businesses under the restrictions due to COVID-19 situation - Traditional wholesale businesses located in older and denser parts of the cities are particularly challenged
- Additional operational expenditure due to protective measures
- Lack of availability of inputs to manufacturing
- Aggregate demand shock resulting due to loss of income, unemployment, closure of businesses during lockdown (consumption has typically been considered a major contributor to Punjab's GDP with contribution up to **78%**)

Government's Strategic Response for MSMEs Sustainability

While being fully cognizant of the challenges faced by the economy, Punjab Government's strategic response to support MSMEs is constrained by fiscal space. Revenue collection in the wake of COVID-19 economic lockdown has remained below its target for FY2019-20 which has directly impacted the federal fiscal transfers to the Province considerably. Similarly, tax relief announced by Punjab Government has dented the own source revenue collection. The shortfall in FY2019-20 has been exacerbated by the fact that sizeable revenue resources have already been shifted to healthcare sector, social protection and relief measures. So, a proportion of liabilities already accrued has been pushed forward to FY2020-21. In FY 2020-21 too, considerable fiscal resources are still needed to ward off the disruption caused by COVID-19 through healthcare, relief and social protection apportionments. This has consequences for other desirable interventions such as bailout for the MSMEs. So, the strategy adopted by Government of Punjab for FY2020-21 is based on three key complementary pillars – first, leveraging the interventions spearheaded by Federal Government and State Bank of Pakistan to revive the economy; second, direct support to MSMEs through Development portfolio of the Punjab Government in FY2020-21 under Punjab Rozgar and other schemes; and third, short-, medium- and long-term policy interventions to create an enabling environment which is supportive of MSMEs sustainability and growth. Broad contours of the three pillars of the strategy are briefly discussed here:

01

Leveraging Existing Initiatives of Federal and Punjab Government in FY2020-21: Initiatives already undertaken in FY2019-20 and continuing in FY 2020-21 include both fiscal and monetary measures. On the fiscal side, Federal & Provincial Governments in Pakistan have announced PKR1.2 trillion relief and Stimulus package in order to reduce the impact of Corona virus outbreak. It aims to provide relief to vulnerable MSMEs, construction industry, deferment of utility bills of lower income groups, deferment of principal and interest for business and reduction in fuel prices etc. Government has launched "Ehsaas Emergency Cash Program" with total allocation of PKR 144 Bn to provide immediate cash relief of PKR 12,000/- to 12 Mn families of daily wage earners and low-income households, whose livelihood has been severely affected by the pandemic. Punjab Government has contributed PKR 10 Bn to these resources. Finance Department has implemented an initial relief package of PKR 18 billion through relaxing provincial taxation, fees and licenses to help businesses with their cashflow challenges.

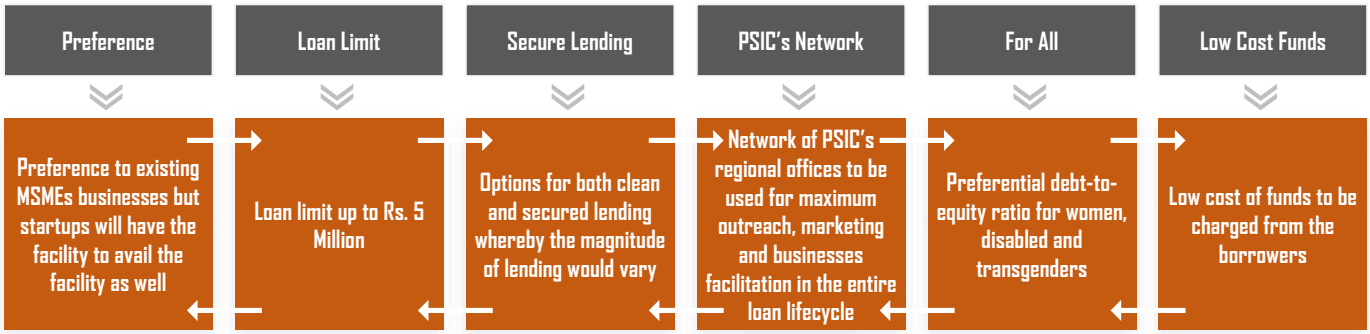
> ***State Bank of Pakistan has cut the policy rate to 7 percent. SBP has also provided various incentives to manufacturing sector and exporters. State Bank of Pakistan has introduced a refinance scheme to avoid layoffs of employees by businesses particularly the SMEs. The scheme essentially is Refinance Scheme for Payment of Wages and Salaries to the Workers and Employees of Business Concerns.***

> ***In addition to the recently introduced SBP's refinance scheme, SBP has many other targeted schemes which have the potential to support the vulnerable segments of MSMEs but are deficient in terms of their outreach hence off take. Punjab Small Industries Corporation (PSIC), which is the lead agency of Government of the Punjab to support growth and sustainability of small industries in the Province, is exploring the possibility of joining hands with SBP to market these schemes through its network of branches and field offices spread throughout the Province.***

> ***Although SBP's refinance scheme has the potential to address the cashflow problems of smaller businesses which are already in banking and taxation network; one area that needs to be addressed is the collateral / guarantee requirements to access the credit, especially for the large proportion of MSMEs which are out of the tax net. For such businesses, there has been felt a need that these loans should be subsidized and backed by Government's credit loss guarantee and Punjab Government has accordingly responded by introducing a scheme, to be executed by PSIC, for this segment within MSMEs, which is discussed under subsequent pillar of the strategic response.***

02

Punjab Rozgar – A Flagship Intervention for MSMEs Support and Other Measures: Flagship intervention by Punjab Government to support MSMEs entitled **"*Punjab Rozgar*"** has been designed and approved in principle**.** Punjab's Post Covid-19 public investment strategy stipulated in **RISE Punjab** ADP prioritisation framework mandates that projects should meaningfully contribute towards supporting MSMEs to sustain and re-orient under the new normal. ***Punjab Rozgar*** shall be implemented by Punjab Small Industries Corporation (PSIC) in FY 2020-21 in partnership with the Bank of Punjab (BoP) to provide financing support to MSMEs through three channels - entrepreneurship development, Credit Guarantee Support and Loan Markup Support. ***Punjab Rozgar*** has been designed to make it more conducive, effective and useful for MSMEs in the current economic slowdown. Salient contours of the facility are:



PSIC has also launched a scheme for financial support to cottage industry and cluster development in select districts of Punjab. This facility is also being provided through mobile app named **"*Dastak*"** and is geared towards the MSME sectors which are affected by the COVID-19 slowdown. MSMEs can avail the facility for requirements for Working Capital, Raw Material, Purchase of Machineries, Tools, Equipment's and Establishment of New Projects up to PKR 0.3 Million for a period of 03 years.

Chief Minister's Self-Employment Scheme (CMSES) has been active since 2011 through Akhuwat Islamic Microfinance as service provider. More than 2.9 Million borrowers have so far benefitted from it with total interest-free loans disbursed to the tune of PKR 72 Billion. Some more interventions provide targeted credit facilities for artisans and handicrafts development and support to skilled, semi-skilled and home-based workers. These schemes primarily aim at addressing challenges of liquidly needs & employment generation of micro businesses at 0% mark-up.

In conjunction with MSMEs support, skill development for industrial workers and employees has remained a key area of focus under Punjab Growth Strategy and now under RISE Punjab as well. Technical and vocational training opportunities not only provide skilled manpower to micro- to large-scale industries but shall help the labour force develop its capacity to establish their own small businesses to seek better employment opportunities. TEVTA has been the lead agency of the Government of Punjab in this regard. One of its flagship programs named "***HUNARMAND NAUJWAN***" is aimed at producing 94,700 trained graduates within a time span of 12-months. It is anticipated that the human

capital development through this program will add value to the tune of 13 Billion to the economy of Punjab. TEVTA shall adopt mode of training to online through ***e-Rozgar*** initiative.

The Government of Punjab, therefore evidently, is leveraging new and ongoing interventions by realigning their focus in the aftermath of COVID-19 spread which cover the entire spectrum of issues being faced by the economy. In addition to the preceding direct intervention, other policy levers are being attuned as well to yield medium to long-term dividends in wake of the challenging economic and business environment.

03

Enabling Environment to help MSMEs Sustain and Grow: In this regards, Punjab Government's strategy entails the following dimensions with a view to providing enabling environment to sustain and grow businesses in immediate to medium-term:

Enabling Environment to help MSMEs Sustain and Grow

- **Realigning Punjab Growth Strategy:** With a view to bringing in resilience to the economic growth and development trajectory of the Province, Punjab Growth Strategy is being realigned. RISE Punjab Framework was developed by Planning and Development Department for the purpose of formulating a prioritization framework for guiding Development spending. Support to businesses and prioritizing those sectors for public investment which crowd-in private investment or involve multiple industries are the key pillars of this realignment. For example, one initial intervention is to increase focus on Public Works Schemes, Construction Sector and Irrigation projects that will create employment in large numbers and will support allied smaller businesses and help revive the economy.
- **Accelerating Reforms for Ease of Doing Business:** Pakistan and Punjab have made significant strides in terms of facilitating the businesses in terms of start-ups and operations. Government is contemplating accelerating the pace by reviewing the existing regulatory and licensing regimes and will carry out consultations with the private sector to further reform the regulatory regime. The Government is considering easing out the PESSI registrations and also looking at the Local Government licenses that can be relaxed to provide Ease of doing Business to the small businesses.
- **Bringing MSMEs under Formal Net:** Punjab Government is contemplating measures to reduce cost of compliance with a view to broadening the provincial tax base. Various measures are under consideration in this regard. One of the challenges in providing support to MSMEs through any sort of intervention is high degree of informality and micro enterprises being outside any formal banking and taxation net. This has consequences for provincial tax revenue as well.
- **Crowding-in Private Investment:** Innovative Financing by crowding-in private investment in times of constrained public fiscal space is a key element Government's strategy and offers a lot of potential for both Government and the private sector. Government is cognizant of the fact that a business-friendly economy is key to attracting and protecting investment. PPPs investments have a lot of potential to trickle down the economic opportunities to MSMEs, hence a sector of priority for the Punjab for FY 2020-21.
- **Provide Productive and Skilled Labour Force:** Government plans to use the existing TVET infrastructure to increase the relevance and quality of training provided. With Punjab Skills Development Authority (PSDA) in place as a regulator, private sector will be encouraged to impart skills-based trainings, thus reducing the burdent on Government providers such as Punjab TEVTA. In the context of COVID-19 induced unemployment, Government intends to strengthen this sector through PSDA regulation and involvement of private sector to produce better trained individuals. This calibrated approach looks more result-oriented.

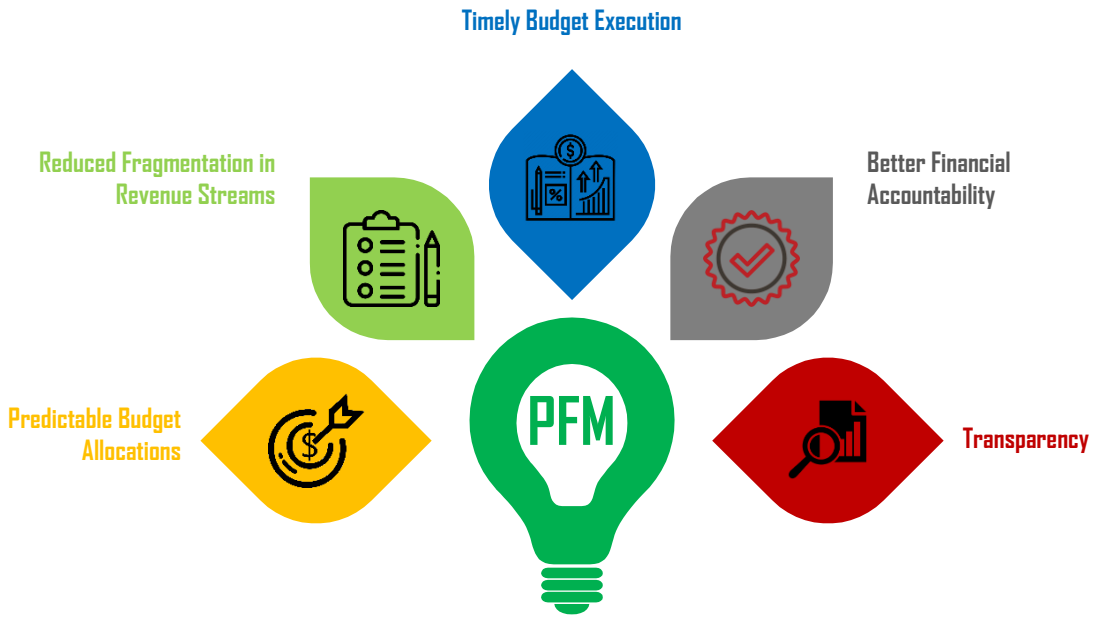
For the industrial development, the importance of the Micro and SME sector cannot be overemphasized. This segment of the market holds great promise for Pakistan. SMEs contribute more than 40% in the annual GDP, bulk of which is provided through the SMEs located in Punjab. However, unlike large enterprises in the formal sector, a small and medium enterprise is resource constrained, especially in the currently prevailing overwhelming circumstances. In addition to indigenous initiatives by the Government to support this sector, these is a need to tap international partners for support in this area. International Finance Corporation (IFC) in 2010 revealed that an estimated 50-60% of MSMEs on a global level are either under-served or completely un-served. Financial institutions, globally, are considering MSMEs sector as an opportunity to capitalize and earn significant return on investment (ROI). This is high time for Punjab and Pakistan to tap such support opportunities for its MSMEs sector to make it resilient to any future economic shocks.

9

Public Financial Management (PFM) Reform

> *The Public Financial Management (PFM) system – the institutions, policies, laws and processes that govern the use of public funds – plays a key role in ensuring optimal utilization of resources to achieve service delivery objectives in line with National and Provincial priorities.*

A strong PFM system can ensure higher and more predictable budget allocations, reduced fragmentation in revenue streams and funding flows, timely budget execution, better financial accountability and transparency.



Background

Government of the Punjab has been striving to enhance its PFM capacity to provide better services to citizens of Punjab. Finance Department, being the central agency for financial management in the Provincial Government, has been leading these reforms. Examples of such initiatives include but are not limited to;

- Piloting of Medium-Term Budgetary Framework (MTBF)
- Establishment of Punjab Pension Fund
- Creation of Punjab Revenue Authority
- Digitization of tax bases for Urban Immovable Property Tax and Motor Vehicle Taxes
- Introduction of e-stamping)
- Budget transparency reforms (Medium Term Fiscal Framework, Budget Strategy Paper and Citizens Budget)
- Establishment of formula based fiscal transfer systems for Local Governments
- Initiation of online collection of Provincial taxes/levies through ePay Punjab under the Ease of Doing Business umbrella

Need Assessment

The magnitude of the ever-evolving and multifarious Development challenges facing the Government of Punjab and the limited financial resources available to foster accelerated growth, development and the provision of quality public

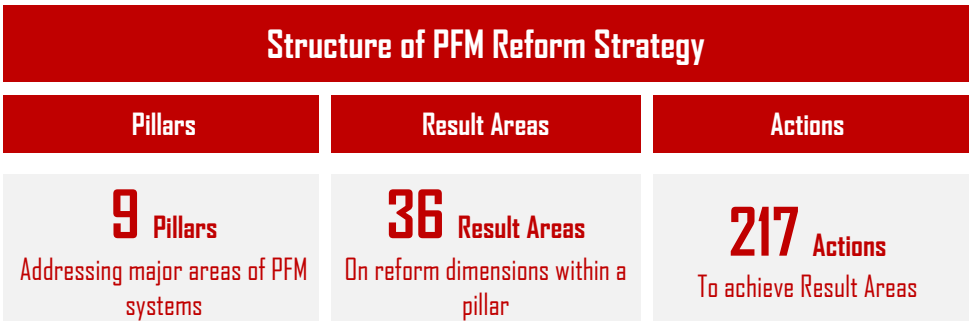
services for the population of the Province have together created the need for a new PFM reform paradigm. Furthermore, a Public Expenditure and Financial Accountability (PEFA) Assessment, 2019 of the Government of the Punjab, was recently undertaken by the World Bank and DFID, UK to help identify gaps in the PFM system in the Punjab. Some of the critical areas identified by PEFA 2019 include weaknesses in policy-based budgeting, unreliability of Provincial budgets due to inaccurate revenue forecasting, low predictability in budget execution, ineffective accountability mechanisms and fiscal risks due to operations outside financial reports.

Summary of Punjab's PEFA Assessment

Score	A	B	C	D	Total
Result	**2 (7%)**	**5 (16%)**	**11 (35%)**	**13 (42%)**	**31 (100%)**
A	**Indicates perfect result in terms of compliance with the criteria which is based on the notified standards or best practices**				
B	**Indicates good result largely in compliance with the criteria**				
C	**Reflects basic performance**				
D	**When the performance is less than the basic level or is absent or due to insufficient information**				

The findings of PEFA were supplemented with a gap analysis carried out by the Sub-National Governance (SNG) Programme in consultation with the Finance Department. Thus, the PFM Reform Strategy (PFM-RS), 2020 provides a set of actions to plug the gaps in PFM in Punjab identified through PEFA 2019 and the gap analysis carried out by the SNG programme.

PFM Reform Strategy 2020



Experience in Pakistan and other countries points clearly to the fact that PFM reform is a complex and time-consuming process. While some incremental improvements can be made fairly quickly, the comprehensive overhaul of the PFM system will usually extend to a decade or more. A key role of the PFM-RS in this situation is to set out the longer-term vision for a strengthened PFM system and to clearly define the priorities and sequencing of the reform process. Established international good practice is that PFM reform should start with putting the basic systems in order – "***First Things First***". More complex reforms, such as Performance budgeting, can only be successfully implemented once the core PFM systems are in good order. The PFM-RS establishes a long-term framework for PFM reform in Punjab, distinguishing between the short & medium term (2020-2023) and the long term (2024-30) interventions. This permits clear identification of the most urgent areas in which reforms should be commenced immediately from those reforms which should be undertaken in the medium and longer term.

To cope with the wide span of PFM, the PFM-RS 2020 is based on a total of nine "Pillars", each of which addresses a major area within the PFM system. The Pillars are presented in a 'Results-Framework' that specifies the vision, result areas, issues, and recommended actions to counter these challenges.

PFM Reforms – Results Framework

01	02	03	04	05	06	07	08	09
Revenue mobilization is strengthened to finance services	PFM and Disaster Risk Financing	Quality of budgeting is improved	Budget is executed as planned and fiscal risks are managed better	Reformed development budget systems	Improved management of funds in local governments	Improved legal and regulatory framework	Capacity enhancement for better PFM	IT for effective PFM and revenue mobilization
Improved fairness of taxation policy	Forecasting the macro-fiscal impact of pandemic	Strengthening of Top-down budgeting	Disciplined and orderly budget execution	Planning process is comprehensive i.e. includes sector strategies aligned with overall strategic priorities as the basis of identification of projects/scheme	Implementation of a need based, transparent and equitable fiscal transfer system	Overarching PFM system is defined by a PFM law	Improved systems of PFM trainings	Automation of Key PFM processes
Higher non-tax revenue through greater cost recovery, rationalization of rates of licensing/ royalties and transparent sale of assets	Taxation policy & administration response	Consultative and performance-based budgeting with greater legislative scrutiny	Strengthened internal controls	Strengthened compliance with planning procedures	Strengthened PLGFC Secretariat	Comprehensive and consistent set of regulations underpin sound public financial management	Improved capacity of stakeholder institutions to manage PFM systems	Technology enables timely reporting and supports better management of public finances
Taxpayer facilitation for ease of doing business	Managing expenditure for disaster relief	Enhanced transparency of budget	Effective and proactive fiscal risk management	Effective project monitoring systems for management decisions	Mobilization of local revenues and focus on incentivized growth	Updated budget manual provides a sound basis for management of budget cycle	Strengthening/capacity building of tax departments	Automation of payments
Improvement in intergovernmental coordination	Reduce fiduciary risks of disaster management funds	Effective monitoring of results		Efficient and transparent procurement management	Improved PFM systems at local level			Automation of tax systems
	Disaster risk financing strategy			Identification of opportunities and subsequent management of Public Private Partnerships				

Program for Results (PforR) - Punjab Public Resource Management Program

While recognizing the need for PFM Reforms, Finance Department, with the partnership of the World Bank, has developed a **USD 330 million** Program for targeted reforms in different Provincial agencies: Finance Department, Planning and Development Board (P&D Board), Board of Revenue (BOR). Excise, Taxation and Narcotics Control Department (ET&NC Department). Local Government and Community Development Department (LG&CD Department), Punjab Information Technology Board (PITB), Punjab Revenue Authority (PRA), Punjab Procurement Regulatory Authority (PPRA).

The Program Development Objective (PDO) is "to improve collection of Own Source Revenue, management of public resources and disaster risk and use of technology in the delivery of Government services in Punjab". The Program design is informed by revenue potential and tax administration analyses conducted under Trust Fund for Accelerating Growth and Reforms (TAGR), PEFA and other technical assessments. This is a hybrid Program for Results (PforR) operation with three key result areas under the Results Component (USD 300 million):

Strengthened Budget Formulation and Fiscal Risk Mitigation

Gov-tech for continuity, efficiency and transparency of services

Increased Revenue Mobilization by strengthening Administration

The Program will also include a Technical Assistance Component (USD 30 million) to support the implementing entities with interventions that require input-based specialized expertise and capacity building. It will finance automation of business processes and provide technical Assistance for both Finance Department and P&D Board for activities/diagnostics including use of big data in tax administration and tax audit techniques; revenue generation from public properties; business process mapping and simplification to enable automation in tax administration; review of legal framework and technical requirements for public financial management, especially relating to performance-based budgeting and e-procurement etc.

The Program is for a duration of 5 years and is expected to initiate in October 2020. The Punjab Government believes that this deep-seated reform will address the systematic deficiencies in the most result-oriented manner.

PFMU

While the Program is being developed, the Government is very keen on initiating implementation of major PFM reform requirements already identified e.g. e-Procurements, Pension Reforms, development of tax analytics capacity etc. A PFM Unit will be established within Finance Department to undertake Budget Reforms, Revenue Mobilization Reforms and e-Procurement. There would be five distinct work streams within the PFM Unit – Project Finance, PFM, Taxation, Management Information System (MIS) and the e-Procurement. The Unit will collaborate with all Development Partners to help ensure donor coordination for effective implementation of its agenda. Following will be the major functions of the proposed PFM Unit:

Major Functions of Proposed PFM Unit

1. Develop, implement and monitor Public Financial Management Reforms;
2. Undertake analytical research on taxation policy and administration;
3. Redesign and implement a system for e-Procurement;
4. Effectively communicate and highlight Government of Punjab's Public Financial Management Reforms.

Resultantly, the proposed Unit will support Government of the Punjab in transforming its Public Financial Management (PFM) System by facilitating simpler and productive business processes and adoption of IT systems as tools for transparent and efficient service delivery. These, it is expected, in turn will contribute towards the desired outcomes of improved management of public resources and augur well for increased Own Source Revenue collection for Punjab.

Conclusion

Improving the effectiveness of the PFM system is expected to generate widespread and long-lasting benefits, and may in turn help to reinforce wider societal shifts towards inclusive institutions, and thus towards an economically stronger Punjab with reduced poverty, greater equality and balanced growth.

10

Breaking the Mould:

Inclusive Budgeting, Framework for Rolling Expenditure and the Rest

PART I: FISCAL DISCIPLINE & AUSTERITY MEASURES

Provincial Government, as a matter of policy adheres to broad-based austerity by observing prudent financial management and judicious reduction of expenditure without compromising the essential and core service delivery and development mandates. In pursuance of this, Government of the Punjab adopted measures for ensuring strict Fiscal Discipline and Austerity Measures for the Financial Year 2019-20 which shall continue into the FY 2020-21 as well. To ensure stringent monitoring, Finance Department has institutionalized the preparation of a *Ready Reckoner* updated on monthly basis. This brief but concise document captures the essence of fiscal operations and steps in terms of fiscal discipline exercised during this period. From next FY, Finance Department plans to ensure a wider dissemination of the same to all Provincial Government Departments and also to the Federal Government.

This Hard Budget constraint led to massive savings in the FY 2019-20 to the tune of PKR 61 Billion through Supplementary Grants and PKR 1.5 Billion under other austerity measures.

Some of the core elements of ensuring fiscal discipline and austerity regimes are control of Supplementary Grant, Ban on Purchase of New Vehicles (except Ambulances for Hospitals, Buses and Coasters for Educational Institutions, Tractors / Trollies, Dumpers, Water Bowsers, Fire Fighting Vehicles, Flood Relief & Rescue Equipment(s) / Vehicles, Motorcycles), Ban on Purchase of Air Conditioners, Ban on Furnishing of Houses and Discretionary Grants to the Provincial Ministers and Ban on Up-gradation of Posts, *inter alia.*

Correct up to 13-04-2020

READY RECKONER

RECEIPT:

- For FY 2019-20, FBR target has been fixed at Rs. 5,555 bn. (Projection Rs.4000 bn) accordingly, Punjab's share in Federal Divisible Pool (FDP) amounts to Rs. 1,601 bn (Projection – Rs. 1149 bn)
  - Punjab has received Rs. 852.5 bn till 31st March, 2020 as its FDP share against Rs. 740.2 bn for the same period during LFY 2018-19 (15% ↑)
- Provincial Own Source Revenue (OSR) target for CFY has been fixed at Rs. 388 bn (Projection Rs. 262 bn) against actual receipt of Rs. 273.1 bn for LFY (42% ↑)
  - Provincial Own Receipt (OSR) are Rs. 218.1 bn (Tax Receipts Rs.152 bn + Non-Tax Receipts = Rs.66.1 bn) against Rs. 183 bn for the same period during LFY (19% ↑) till 31st March, 2020.
    Status of major financial receipts is as under:
    - PRA – Rs. 79.9 bn (18.7% ↑)
    - E&I Department – Rs. 22 bn (-8% ↓)
    - Net Hydel Profit – Rs. 6.5 bn
    - BOR – Rs. 55.9 bn (5.6% ↑)
    - Non-Tax & Others – Rs. 66.1 bn (73% ↑)
- Tax Relief Package of Rs.18 bn (Convid-19)

EXPENDITURE:

DEVELOPMENT BUDGET

- Annual Development Program 2019-20 – Rs. 350 bn against Rs. 238 bn for LFY (47% ↑)
- Indicative Cash Cover for ADP up till 3rd quarter – Rs. 240 bn
- Status of Development Funds:
  - Funds released – Rs. 226 bn CFY against Rs. 164 bn LFY (38% ↑)
  - Utilization – Rs. 159 bn CFY against Rs. 114 bn LFY (39% ↑)
- FD has released Rs. 226 bn against Rs. 257 bn released by P&D.

NON-DEVELOPMENT BUDGET

- Non-Development Budget for CFY – Rs. 1,298.8 bn *(Projected Expenditure – Rs. 1,241.1 bn)*
- Funds for 4th quarter have been released. Updated status is as under:
  - Salary funds released (100%) Rs. 337.6 bn, Expenditure – Rs. 228.9 bn *(Projection – Rs. 315 bn)*
  - Non-salary funds released (90%) – Rs. 251.5 bn, Expenditure – Rs. 142 bn *(Projection – Rs. 260 bn)*
  - Funds for Purchase of Medicines released – Rs.28.5 bn, Expenditure Rs. 14.4 bn
- Rs. 15 bn for Mitigation & Control of Covid-19 for the following Departments:
  - SHC & MED – Rs. 6.7 bn, P&SHC – Rs. 5.2 bn, PDMA – Rs. 2.6 bn, Zakat Deptt – Rs. 708 mn

FIRST STATEMENT OF EXCESS & SURRENDER ISSUED ON 7TH JANUARY, 2020.

- Thirty Departments submitted First Statement of Excess & Surrender, Excess demanded– Rs.23.1 bn, Beneficiary Departments - SHC&ME – Rs. 13 bn, P&SHC – Rs. 5 bn & S&GAD – Rs.0.99 bn

NET SUPPLEMENTARY GRANTS FOR FY 2019-20:

- Net Supplementary Grants approved up till 31st meeting of SCCFD (19-03-2020) *Rs. 56.1 bn
  - Newly approved funds – Rs. 33.6 bn (including Rs. 17.33 bn for PTPL by Provincial Cabinet)
  - Unspent & Lapsed funds (Donor and Federal Govt.) – Rs. 22.5 bn
- Total supplementary grant regretted – Rs. 60.9 bn
  - Net Supplementary Grants regretted by SCCFD – Rs. 6.8 bn
  - Net Supplementary Grants regretted by Finance Department – Rs. 54.1 bn

* *Without Supplementary Grant of Food Account-II – Rs. 40 bn*

PART II: SCCFD - Role in Policy Making

Standing Committee of Cabinet on Finance & Development (SCCFD) has played a pivotal role in effective and efficient Policy Making during the FY 2019-20. Unlike the past practice where agenda items were primarily restricted to decisions on Supplementary Grants, the SCCFD during FY 2019-20 has assumed the role of a more robust forum taking key decisions that have had major bearing on the fiscal and Development trajectory of the Province. Some of the key decisions are highlighted as follows:

1. **Sustainable Model for WASAs**
   HUD&PHE Department directed to finalize a comprehensive and sustainable financial model for WASAs under the aegis of an institutionalized mechanism headed by the Chief Secretary and including Finance Department, Planning & Development Board and Urban Unit.

2. **Sustainable Model for PHA**
   The Committee directed the HUD&PHE Department to present a sustainable financial model for the Parks & Horticulture Authority in the wake of the judgement of the Supreme Court of Pakistan impacting Revenues.

3. **Dynamic Plan for CFMP**
   The Committee directed that the Punjab Information Technology Board (PITB) would draft a comprehensive and holistic overview of the Citizen Feedback Monitoring Programme (CFMP) along with practical suggestions and solutions to ensure effective utilization of the programme that would result in responsive, dynamic, transparent and efficient Governance.

4. **Lifting of Ban on Coal Mining Concessions in Punjab**
   Policy framed in consultation between Mines & Mineral, Environment Protection, FW&F departments and lead by Finance Department consequent to directions of Committee.

5. **Induction of New Buses for Public Transport**
   Transport Department directed draft a holistic proposal to address public transport issues through innovative financing models, in consultation with Finance Department, Planning & Development, Urban Unit and City Traffic Police under the convenorship of Advisor to CM on Economic Affairs and Planning & Development.

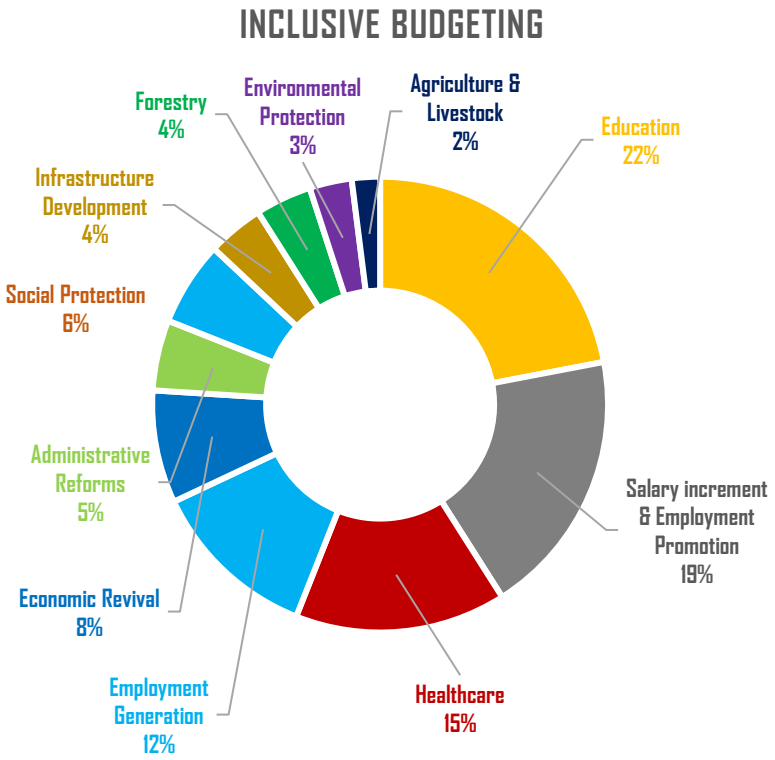
6. **Establishment of Child Protection Institution**
   Home Department directed to frame a comprehensive and holistic plan for Child Protection in the Province.

7. **Legal Representation of Government Departments in Court**
   The Committee highlighted the sub-par quality of legal representation for the Government in important cases carrying huge financial implications before higher courts of law. This deficiency often led to heavy and avoidable monetary losses to the public exchequer.

Part III: INCLUSIVE BUDGETING

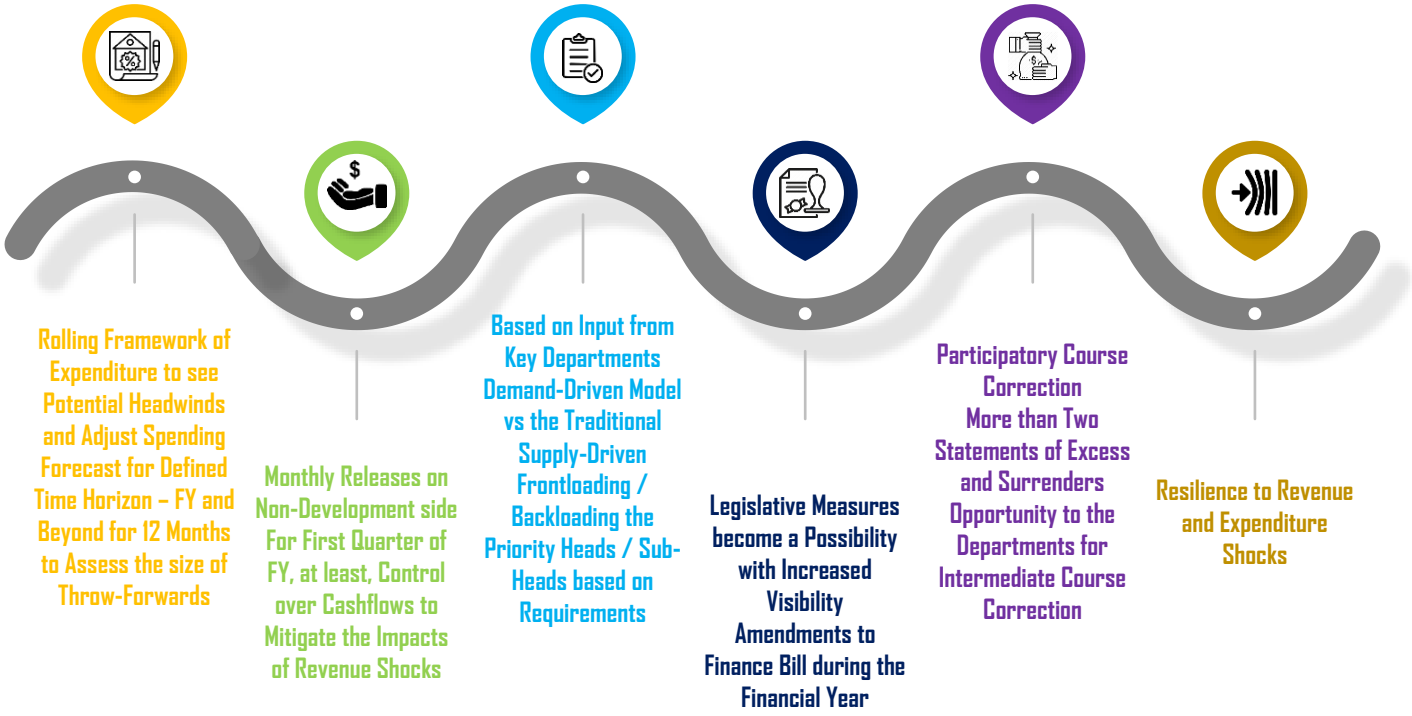
Inclusive Budgeting is attributed to several global best practices. In a bid to move towards greater transparency and stakeholder participation in the budget making process, the Government of the Punjab, Finance Department conducted a survey through an advertisement, published in all major English and Urdu local newspapers. The pole received an overwhelming response from citizens indicating priority areas for public expenditure. Key results are indicated below;

- A sizeable majority has favored interventions in the sectors resulting in **economic revival and employment generation (39%)**
- **Healthcare (15%)** has rightly been suggested as another area for the Government to focus on and **Education (22%)** is preferred by the highest number of respondents.



PART IV: Framework for Rolling Expenditure

In consonance with Public Financial Management Reforms Strategy, the Finance Department has conceived and implemented a Framework for Rolling Expenditure (FRE) to get a better handle on the releases of Expenditure assignments. The Framework shall govern the execution of Expenditure assignments budgeted for FY 2020-21. FRE has been structured with a view to enabling the Finance Department to better plan and manage the upcoming Fiscal Year and execute the Annual Budget in a more predictable and responsive manner. It is aimed at providing control over the forecast and visibility for the 12-months on rolling basis. Such fiscal controls are mandated owing to the challenges that accompany the exigencies like COVID-19 pandemic, which force a diversion of significant resources off course, and the need remains to ensure provision of other aspects of service delivery at the same time with only minimal disturbance. So, essentially, the FRE has evolved out of the lessons learnt from the fiscal management of the COVID-19 pandemic in the Province, hence having very practical foundation, and understanding of the need to prepare better for the future. FRE is meant to serve three key ends – resilience to Revenue and Expenditure shocks, ensuring only unavoidable disruption to the most important aspects of routine service delivery and demand-driven model of releases of Expenditure assignment. Following are the salient constituent features of this Framework; Figure 1 captures the essence of the same:

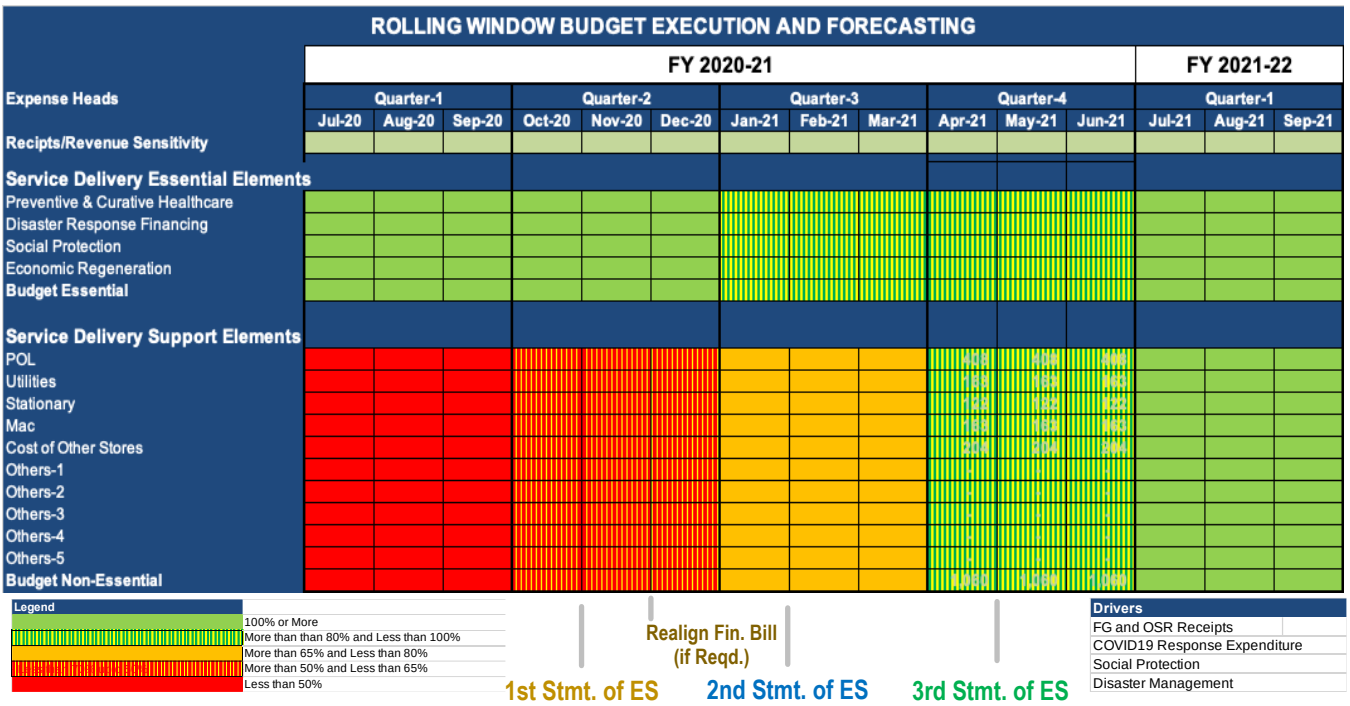


Framework for Rolling Expenditure. Finance Department. Govt. of Punjab

- Real-time visibility for a defined time horizon – Fiscal Year and beyond for 12 months rolling. Envisages monthly releases on Non-Development side. This carries the advantage of greater spending control in the beginning of the FY.
- Applicable on all Non-Development Expenditure heads excluding Pays and Allowances
- Demand-driven vs. Supply-Driven release plan characterizes the FRE. The FRE model kicks into action at the beginning of the Fiscal Year by taking input from the key Provincial Government Departments before the year commences. A Department-specific prioritized list of heads/sub-heads and proportion of their expenditure assignments at various periods in the year provides main input into the FRE. (This aspect has been elaborated later in this chapter)
- These Department-specific requirements are stockpiled to provide a cumulative overall release plan spread over defined time horizon (12 months) and divided across periods.
- FRE model is structured in a way that it caters to emergent Expenditure requirements above and beyond what has been allocated or budgeted for the specific period by the FRE model to meet any exigent requirement under a specific head. The remaining Budget is rolled over to the remaining periods in the FRE time horizon. Similarly, the model provides insight into requirements for future adjustments in case of releases lower than the budgeted amounts in a certain period.

- On the Revenue side, it is intended to provide a better control over cashflows by mitigating the impacts of revenue shocks. A categorization of Most Essential, Moderately Essential and Lesser Essential Expenditure Heads helps minimize the impact of revenue shocks across heads to ensure minimum disruption to service delivery.
- FRE involves participatory course correction. More than two Statements of Excesses and Surrenders become a possibility with the kind of visibility and predictability it offers over the rolling period.

An indicative view of the FRE model output based on sample data is shown in the Figure 2 below:



Snapshot of Output from the FRE Model based on Sample Data. Extends to 12-Months' Time Horizon. Finance Department, Govt. of Punjab

It is worth noting the fact that input from Provincial Government Departments is of utmost significance to for such a Framework to be practicable. Finance Department has sought feedback of Administrative Departments as to which object heads and sub-object heads under their Non-Development Budget (except Pay & Allowances) matter the most towards ensuring a minimum level of service delivery. A prioritized list of object heads / sub-heads under the Non-Development Budget of the Administrative Department provides input to the FRE release plan and projections. FRE identifies the heads/sub-heads that the Departments require either to be front-loaded and back-loaded based on the requirements in specific time in the Fiscal Year and by what proportion. This input is characterized by a number of factors that are critical to service delivery. Tolerance to Expenditure and Revenue shock of every head/sub-head and any fluctuations in the Rolling Budget availability is an important consideration and shall vary from Department to Department. Similarly, there can be Department-specific seasonal variations in requirements under specific heads/sub-heads which may also need to be factored in.

Essentially, Framework of Rolling Expenditure introduces a novel mechanism which is more demand-driven as compared to the traditional supply-driven. The latter has a uniform application across the board and the annual budgetary allocations are split into a strait-jacketed 4-quarterly or twice-a-year releases of Expenditure assignments; hence is insensitive to the unique needs of the Departments. FRE not only has the potential to provide more visibility and predictability into the cashflows for the Finance Department, but also helps the Administrative Departments plan their Expenditure requirements over the 12 months' time horizon more prudently and with a greater degree of formality. FRE

has great prospects to provide better control over the situations resulting out of the Expenditure and Revenue shocks, hence making the fiscal policy of the Province more resilient in future. The colour-coding employed in the FRE makes it more comprehensible and lucid.

FOR FURTHER INFORMATION

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Finance Department

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