GOVERNMENT OF THE PUNJAB
FINANCE DEPARTMENT

WHITE PAPER
BUDGET 2014 - 15

June 13, 2014

PREFACE

This White Paper is a policy document used as a means of presenting government policy preferences and it performs the dual role of presenting government's policies while at the same time inviting opinions thereon.

White Paper is an explanatory guide through the maze of statistics and budgetary estimates given in the complicated budget books. It aims at elaborating government's policies and decisions that steer the budget formulation process. It enables even a casual reader to understand various projections and budget estimates.

The Executive Summary to the White Paper provides a brief overview of economic environment that propelled policy decisions that translated into budgetary targets. A chapter on Annual Development Programme presents salient features of the development initiatives taken and to be undertaken or continued in the next financial year. Various other Chapters have been included detailing Estimates of Receipts & Expenditures, Public Account, Over view of Fiscal Management Reforms, Debt & Contingent Liabilities, Local Revenue Authority, and Local Government Finance.

Like all budget Documents, White Paper is the outcome of a team effort of the officers and officials of the Finance Department. I acknowledge and appreciate the pain stacking efforts of Mr. Furqan Ahmad, Composer, Mr. Socrat Aman Rana, Deputy Secretary (Resources), Mr. Mahmood Hassan, Additional Finance Secretary (Budget) and Mr. Ahmad Raza Sarwar, Special Secretary Finance, in preparing the White Paper.

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Government of the Punjab

June 13, 2014

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EXECUTIVE SUMMARY

On the economic front, the country is facing many challenges mainly from power shortages and terrorism that are not allowing the country to achieve its true economic potential. Despite all these challenges, the national economy managed to grow by 4.14% during FY 2013-14. The country also showed significant improvement on external front as the Foreign Exchange Reserves reached a comfortable level while exchange rate remained stable.

Overall confidence on Pakistan's economy is increasing in the international markets. The Stock Exchange (KSE-100 index) which is considered a leading indicator of an economy, increased by 46% in a short span from May 2013 to May 2014 – it rose from 19,916 to 29,543 points. As a result of prudent fiscal and monetary measures taken by the Federal Government, inflation came down to single digit during July – May 2014 (8.26%) from the average of around 12% during the last five years.

Fiscal Deficit, which was 5.5% during Jul-Apr 2012-13, is reducing for the corresponding period of this year. Tax-to-GDP ratio, however, remained 9.7% which is significantly lower than the countries at similar development status. Although FBR registered a handsome growth of 16.4% in revenue collection during 11 months of FY 2013-14, the collection target has been lowered from Rs. 2,475 billion to Rs. 2,275 billion. The federal target for next year is Rs 2,810 billion, an increase of 23.5% from the revised target.

Punjab largely depends on federal transfers from the divisible pool for its expenditure plans. Any short fall in collection at the federal level has a direct impact on the revenue receipts of the province. Such a situation requires expenditure controls and is detrimental to development planning. The classical approach is of cautious financial management with an eye on cash balance. The situation is compounded by the fact the provinces cannot borrow to meet deficits which may arise in a situation of volatile revenue transfers. Despite these financial constraints, Government of Punjab completed its priority development projects without any delay.

The Government of Punjab has ambitious plans for spurring economic growth, providing quality public services, building infrastructure and protecting the vulnerable and marginalized of the province. These objectives require revenue generation for meeting development and operational expenses. Government of Punjab intends to generate revenue from provincial own resources through better tax management, in particular plugging leakages, taxing untaxed areas and rationalizing taxes in under taxed area. These measures would be complemented by tax payer facilitation, reducing interface between the tax collector and the tax payer and promoting a culture of tax payment and compliance. It also intends to recognize and encourage tax payers through incentives and recognition. These revenue generation measures must be situated in the context of income disparities and the incidence of poverty. Government of Punjab therefore believes in equity and fair play in tax administration. Government of Punjab's tax reforms agenda is to implement an efficient tax system with transitional losses and to bring the tax rates at reasonable level by under taking broad based tax reforms and increasing the tax base rather than transferring further burden on existing tax payers. E stamping, automation of properties through GIS mapping, elimination of redundant taxes like Bed Tax etc. are some of the measures proposed for FY 2014-15.

Punjab Revenue Authority (PRA), created in July 2012, is primarily tasked to collect Sales Tax on Services. The Authority has demonstrated promising potential of growth since its inception. It continues to expand tax base with an aim to enter a negative tariff regime in the coming years. More and more services are being brought into the tax net. The organization is building its capacity so that it can expand coverage in the major urban centers in Punjab. Its organizational strength is being further augmented through a range of subordinate legislation that will make PRA more effective in increasing the provincial own source revenues. Apart from PRA, government is also focused on improving the tax collection of Excise & Taxation Department and Board of Revenue. Without much addition in new taxes, both the organisations have planned to improve their collection by plugging the leakages through automation and computerization of their tax collection regimes. In case of non-tax levies, the existing rates which were levied more than five years ago, have been revised upwards. However, adequate safeguards have been placed for economically vulnerable.

Finance Act 2014 further brings a number of changes in the existing regimes of revenue collection. It provides for imposition of luxury tax on palatial houses and luxury vehicles. A number of changes have been incorporated in Punjab Sales Tax on Services to rationalize and bring harmony in the existing Sales Tax regime. A separate legislation is also being introduced to impose Punjab Infrastructure Development Cess. This tax will be levied on goods destined for export or imported and passing through the limits of the province of Punjab.

On the expenditure side, Punjab Government remains fully committed to curtailing avoidable expenditures and to allocate more resources for health and education & infrastructure. Current Revenue allocations in FY 2014-15 for Health & Education have been increased significantly.

Punjab's Development Budget has been formulated to trigger economic growth which would achieve the target of 8% by 2017-18. It focuses on growth that is sustainable and has the capacity to transform the socio-economic status of its citizens. The Development Budget is geared towards creating jobs and generating private investment. The poor and vulnerable of a society often do not benefit from the growth and investments. This segment needs special attention and hand holding to protect and help them participate in social and economic life. Government of Punjab invests in social protection and welfare for such members of the communities. A number of pro-poor initiatives such as the Punjab Education Endowment Fund, subsidy on public transport and agriculture inputs, provision of free text books and stipends to girl students, availability of sufficient free medicines in hospitals and many other such interventions have been planned and adequately budgeted in the next financial year.

Energy shortage has plagued the economy and hampers it from realizing its full potential. It has not only stinted the growth of economy, but has also brought miseries for ordinary citizens who are unable to continue livelihoods and businesses. Government of Punjab has taken a number of initiatives to combat the energy crises. The establishment of Quaid-e-Azam Solar Park in Cholistan Bahawapur is a reflection of the resolve of the government to deal with power crises. Earmarking of sites for coal fired power plants in the province and exploitation of indigenous fuels such as biomass and biogas are part of Government of Punjab's priorities. Development budget 2014-15 includes a sizable allocation for energy related projects.

In recent times, Pension Management has remained a center of focus not only among the developed countries but also for developing countries. Punjab is the largest province of the country having approximately one million employees and 436,995 pensioners. In conformity with the global trend, Government of Punjab initiated a number of pension reforms in last few years. A dedicated corporate entity, Punjab Pension Fund has been established through enactment by Punjab Provincial Assembly to enhance the Fund size to meet the liabilities of Pension through prudent investments. Further, Government has also taken various measures for facilitating pensioners in pension disbursement.

Despite limited resources and severe economic crises, Government of Punjab through better administrative and fiscal management has managed to keep its debt at manageable level. Government of Punjab has a small debt liability compared to size of Gross Regional Product of the province. At end of June-2014, the Punjab's total debt was Rs. 452 billion, or 3.52% of provinces' economy.

Another window of opportunity is the interest of private sector in building public private partnership through which not only would the private sector would accrue profits but efficiency gain would be achieved through leveraging of public assets and investments too. Government of Punjab is keenly looking to work in cooperation with private sector to utilize the province's resources more efficiently.

GENERAL ABSTRACT OF REVENUES AND EXPENDITURE 2014-15

(Rs. in million)

RECEIPT		EXPENDITURE	
Description	**BE 2014-15**	**Description**	**BE 2014-15**
A - General Revenue Receipts		**A - Current Revenue Expenditure**	
General Revenue Receipts	**1,033,073.219**	**Revenue Expenditure**	**699,951.083**
Federal Transfers (Including Excise Duty on N/G)	804,195.607	General Public Services	392,445.112
Provincial Tax Revenue	164,680.244	Public Order & Safety Affairs	113,218.426
Provincial Non Tax Revenue	64,197.368	Economic Affairs	71,759.186
Provincial Own Receipts	23,590.386	Environment Protection	139.704
Straight Transfers (Incl: Net Hydel Profit and excluding excise duty on N/G)	29,589.982	Housing and Community Amenities	15,129.467
Federal Grants	11,017.000	Health	53,745.852
		Recreational, Culture and Religion	2,332.603
		Education Affairs & Services	46,712.078
		Social Protection	4,468.655
B - General Capital Receipts		**B - Current Capital Expenditure**	
Capital Receipts	**278,618.566**	**Capital Expenditure**	**304,453.122**
Recoveries of Loans and Advances (A/C-I)	2,498.359	Public Debt	0.434
Debt (A/C-I)	21,839.834	Repayment of Principal	21,618.211
Recoveries of Investment-State Trading Schemes (A/C-II)	134,111.115	Investments	14,960.832
Cash Credit Accommodation (A/C-II)	120,169.258	Loans and Advances (Principal)	13,556.444
		State Trading in Medical Stores	36.828
		State Trading (Wheat) (A/C -II)	152,947.258
		Repayment of Commercial Bank Loans (A/C-II)	101,333.115
C - Development Receipts		**C - Development Expenditure**	
Foreign Project Assistance	37,712.420	**Annual Development Programme**	**345,000.000**
		Core ADP	290,000.000
		Other Development Initiatives	40,000.000
		Special Initiatives	15,000.000
Total Receipts A/C-I	**1,095,123.832**	**Total Expenditure A/C-I**	**1,095,123.832**
Total Receipts A/C-II	**254,280.373**	**Total Expenditure A/C-II**	**254,280.373**
Total Provincial Consolidated Fund	**1,349,404.205**	**Total Provincial Consolidated Fund**	**1,349,404.205**

BUDGET AT A GLANCE

(Rs. in Million)

CLASSIFICATION	BE 2013-14	RE 2013-14	BE 2014-15
A- CURRENT BUDGET			
General Revenue Receipts	871,953.317	845,169.177	1,033,073.219
Current Expenditures	607,569.311	584,670.278	699,951.083
A - Net Revenue Account-Surplus(+)/ Deficit(-)	**264,384.006**	**260,498.899**	**333,122.136**
B - CURRENT CAPITAL BUDGET			
Current Capital Receipts	17,661.259	20,166.230	24,338.193
Current Capital Expenditure	51,745.265	55,527.854	50,172.749
B - Net Capital Account-Surplus(+)/Deficit (-)	**(34,084.006)**	**(35,361.624)**	**(25,834.556)**
C - Surplus for Development (A+B)	**230,300.000**	**225,137.275**	**307,287.580**
D - ADP Financing Items			
Foreign Project Assistance	29,700.000	33,712.310	37,712.420
Operational Shortfall	30,000.000	(34,734.991)	--
TOTAL RESOURCES (C+D)	**290,000.000**	**224,114.594**	**345,000.000**
Development Programme	**290,000.000**	**224,114.594**	**345,000.000**
Annual Development Programme	240,000.000	197,414.594	290,000.000
Other Development Initiatives (below the line)	50,000.000	26,700.000	40,000.000
Special Initiatives	-	-	15,000.000

Chapter 1

ESTIMATES OF RECEIPTS

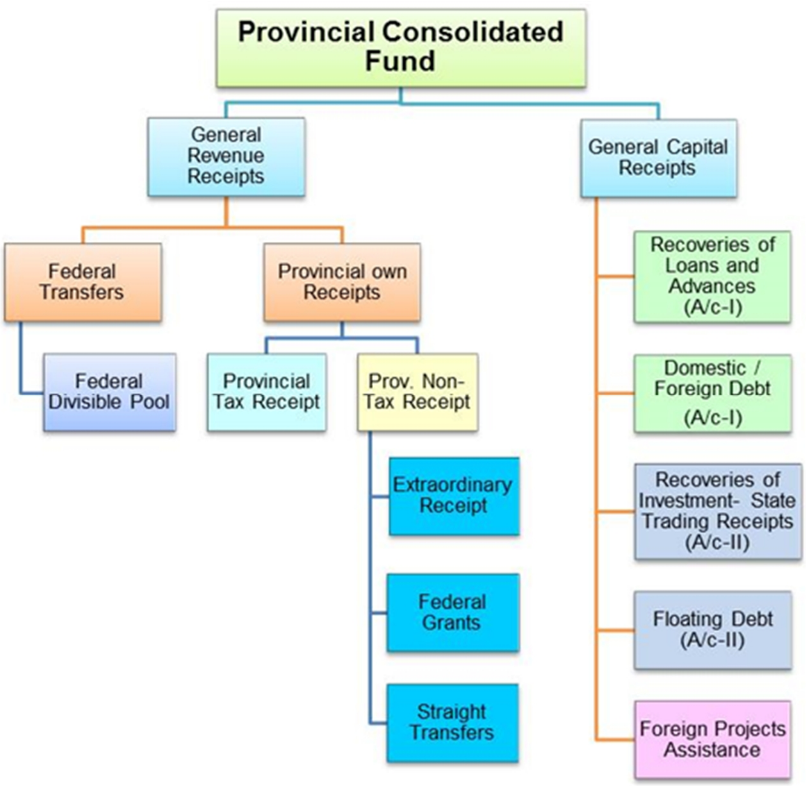
1. ANALYSIS OF RECEIPTS – FINANCIAL YEAR 2013-14

The two components of receipts as per the Annual Budget Statement (ABS) are:

1) General Revenue Receipts
2) General Capital Receipts

The following flow chart provides various sub-categories of the receipts leading to the two major heads of receipts mentioned above.

Figure 1.1
Flow chart of modes of financing



In FY 2013-14, total receipts were estimated at Rs. 1,180,214.210 million. Revised estimate are Rs. 1,153,356.207 million. For FY 2014-15, total Receipts have been pitched at Rs. 1,349,404.205 million.

The total receipts less Food Account Receipts has been pitched at Rs. 1,095,123.832

million for the FY 2014-15 as compared to Rs. 919,314.576 million for BE 2013-14. The increase in estimates of General Revenue Receipts for FY 2014-15 is mainly attributable to expected increase of 14.5% in the Federal Divisible Pool.

Federal Divisible Pool share is estimated to be Rs.804,195.607 million in FY2014-15, compared to budget estimate of Rs. 702,120.646 million in FY 2013-14, assuming a growth in tax collection of FBR by 23.5% from the RE 2013-14. Budgetary Estimates of Provincial Tax Receipts for FY 2014-15 have been fixed at Rs. 164,680.244 million in comparison with Revised Estimates of Rs. 111,788.994 million for FY 2013-14.

For non-tax receipts, an estimate of Rs. 64,197.368 million has been fixed for FY 2014-15 against budgetary estimates of Rs. 43,129.872 million in FY 2013-14. Table below summarises the estimates of total Provincial Receipts of the Government.

Table 1.1
Total Provincial Receipts

(Rs. in Million)

RECEIPTS	BE 2013-14	RE 2013-14	BE 2014-15
General Revenue Receipt	**871,953.317**	**845,169.177**	**1,033,073.219**
Federal Divisible Pool	*702,120.646*	*650,390.499*	*804,195.607*
Provincial Taxes	*126,702.799*	*111,788.994*	*164,680.244*
Provincial Non-Tax	*43,129.872*	*82,989.684*	*64,197.368*
General Capital Receipts	**308,260.893**	**308,187.030**	**316,330.986**
Recoveries of Loans and Advances	*385.325*	*4,369.842*	*2,498.359*
Debt Foreign	*17,275.934*	*15,796.388*	*21,839.834*
State Trading - (A/c. No.II)	*140,639.125*	*138,082.764*	*134,111.115*
Cash Credit Accommodation- (A/c. No.II)	*120,260.509*	*116,225.726*	*120,169.258*
Foreign Project Assistance	*29,700.000*	*33,712.310*	*37,712.420*
Total Provincial Receipts	**1,180,214.210**	**1,153,356.207**	**1,349,404.205**

The definitions, composition and analysis of different types of receipts are given below: -

1.1 General Revenue Receipts

The main heads according to the Annual Budget Statement are as follows:

I) **Federal Transfers:**

- Share of Federal Divisible Pool of Taxes as per the 7th National Finance Commission (NFC) Award.

II) **Provincial Own Receipt:**

- Provincial Tax Receipts
- Provincial Non-Tax Receipts
    - Provincial Non Tax Revenues

- Straight Transfers as per Article 161 of the Constitution and NFC Award with respect to royalties on Oil & Gas, and net proceeds of the Federal excise duty on natural gas
- Federal Development and Non Development Grants released to executing agencies. These are only pass through items
- Extraordinary Receipts

Table below shows the details of Budget Estimates and Revised Estimates for General Revenue Receipts for FY 2013-14 in comparison with the anticipated Budget Estimates for FY 2014-15. Federal Grants and Straight Transfers that form part of provincial non-tax receipts in the Annual Budget Statement (ABS) have been shown separately to furnish a clear picture of the provincial non-tax collection of the Province.

Table 1.2
General Revenue Receipts

(Rs. in Million)

	GENERAL REVENUE RECEIPTS	BE 2013-14	RE 2013-14	BE 2014-15
a	**Federal Divisible Pool Taxes**	**702,120.646**	**650,390.499**	**804,195.607**
	Tax on Income	273,832.152	253,282.768	336,122.524
	Land Customs	78,436.271	68,504.315	79,991.000
	Sales Tax	303,875.819	291,428.944	339,397.535
	Capital Value Tax	--	172.035	197.986
	Federal Excise	45,528.610	36,777.572	48,268.048
	Excise Duty on Natural Gas	447.794	396.900	416.500
b	**Provincial Tax Revenue**	**126,702.799**	**111,788.994**	**164,680.244**
	Board of Revenue	37,918.950	35,390.659	39,789.784
	Excise & Taxation	20,946.905	17,831.776	22,799.960
	Transport	538.426	531.112	550.000
	Finance	62,350.000	52,000.000	95,000.000
	Energy	4,948.518	6,035.447	6,540.500
c	**Provincial Non Tax Revenue (Excluding Straight Transfers and Grants)**	**28,707.386**	**23,434.955**	**44,590.386**
	Income from Property and Enterprise	5,483.844	637.162	21,361.469
	Receipts from Civil Administration and Other Functions	7,776.705	7,261.834	8,759.188
	Miscellaneous Receipts	15,446.837	15,535.959	14,469.729
d	**Straight Transfers**	**6,606.242**	**8,602.334**	**8,589.982**
	Net Proceeds of Royalty on Crude Oil assigned to Provinces	*2,830.426*	*4,808.327*	*2,907.337*
	Net Proceeds of Royalty on Natural Gas assigned to Provinces	*1,530.848*	*1,505.984*	*1,736.049*
	Surcharge on Natural Gas-share of net proceeds assigned to provinces	*2,244.968*	*2,288.023*	*3,946.596*

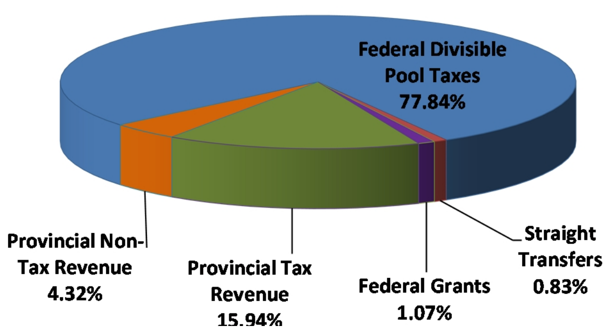
	GENERAL REVENUE RECEIPTS	BE 2013-14	RE 2013-14	BE 2014-15
e	**Federal Grants**	**7,816.244**	**50,952.395**	**11,017.000**
	Development Grants from the Federal Govt. (PSDP)	3,231.145	15,294.499	--
	Non-Dev. Grants from the Federal Govt. (PSDP)	--	24,153.270	--
	Foreign Grants - Dev. Grants from Foreign Govts.	4,585.099	11,504.626	11,017.000
	Total Non Tax (c + d + e)	**43,129.872**	**82,989.684**	**64,197.368**
Total General Revenue Receipts		**871,953.317**	**845,169.177**	**1,033,073.219**

As depicted in Table above, the General Revenue Receipts for FY 2013-14 were estimated at Rs. 871,953.317 million, which subsequently decreased by Rs. 26,784.140 million on account of 8.7% less receipts of Federal Divisible Pool Taxes from the anticipated amount of tax collection by FBR. However, for FY 2014-15, the estimates of General Revenue Receipts have been pitched at Rs. 1,033,073.219 million. This increase is projected on the basis of FBR collection estimates of Rs.2,810 billion during FY 2014-15.

It is evident from the above table that major source of revenue for the Provincial Government is Federal Divisible Pool share receipt in lieu of the Federal Transfers. This is primarily because of the structure of fiscal federalism which allocates almost all buoyant taxes such as income tax, sales tax on goods, customs and excise duties to the Federation.

Figure below reflects the share of components of the General Revenue Receipts:

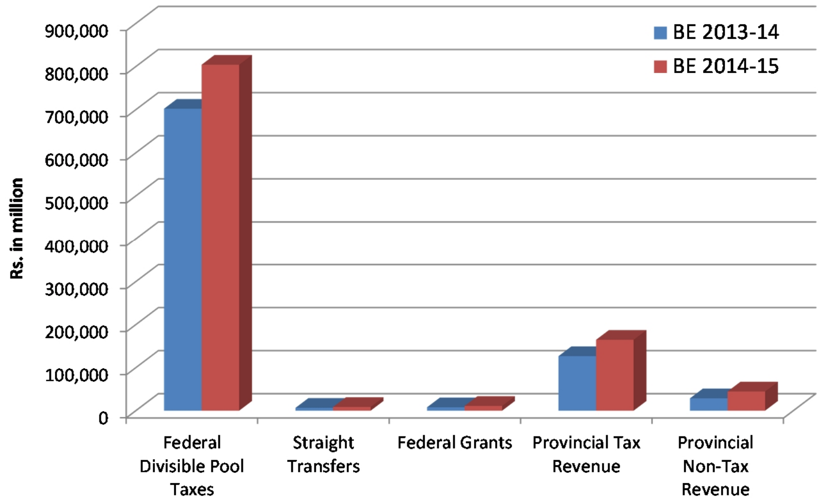
Figure 1.2
General Revenue Receipts BE 2014-15



Heavy dependence on Divisible Pool Transfers implies that in case of a small (say 5%) shortfall in FBR revenue collection, the provincial government has to make major adjustments in its expenditures.

Figure further provides a comparison of budget estimates of different components of General Revenue Receipts for FY 2013-14 and 2014-15.

Figure 1.3
General Revenue Receipts BE 2013-14Vs. 2014-15



1.1.2 Provincial Revenue Receipts

The second component that constitutes the General Revenue Receipts is Provincial Revenue Receipt including:

a) <u>Tax Receipts</u>

i. Receipts from Direct Taxes:

- Agricultural Income Tax
- Property Tax
- Land Revenue
- Professional Tax
- Capital Value Tax

ii. Receipts from Indirect Taxes:

- Sales Tax on Services
- Provincial Excise
- Stamp Duties
- Motor Vehicle Taxes
- Electricity Duty

b) <u>Non-Tax Receipts</u>

i) Income from public owned property and enterprises

ii) Receipts from civil administration and other functions

iii) Miscellaneous Receipts including Extraordinary Receipts, Federal Grants, Development Surcharges and Royalties

The estimates of Provincial Revenue Receipts are provided in Table below:

Table 1.3
Provincial Revenue Receipts

(Rs. in Million)

RECEIPTS	BE2013-14	RE2013-14	BE2014-15
a) Tax Receipts	**126,702.799**	**111,788.994**	**164,680.244**
i. Direct Taxes	31,076.815	27,352.523	29,700.881
ii. Indirect Taxes	95,625.984	84,436.471	134,979.363
b) Non-Tax Receipts	**43,129.872**	**82,989.684**	**64,197.368**
i. Income from Property and Enterprises	5,483.844	637.162	21,361.469
ii. Receipts from Civil Administration and other Functions	7,776.705	7,261.834	8,759.188
iii. Miscellaneous Receipts	15,446.837	15,535.959	14,469.729
iv. Federal / Foreign Grants	7,816.244	50,952.395	11,017.000
v. Straight Transfers	6,606.242	8,602.334	8,589.982
Total Provincial Revenue Receipts	**169,832.671**	**194,778.678**	**228,877.612**

I. Tax Receipts

There are 5 departments for the collection of Provincial Tax Receipts.

1) Board of Revenue
2) Excise & Taxation
3) Finance Department/Punjab Revenue Authority
4) Energy
5) Transport

The details of taxes collected in FY 2013-14 & the BE for 2014-15 are provided below:

Table 1.4
Provincial Tax Receipts

(Rs. in Million)

TAX RECEIPTS	BE 2013-14	RE 2013-14	BE 2014-15
Board of Revenue	**37,918.950**	**35,390.659**	**39,789.784**
Agricultural Income Tax	2,018.938	830.000	2,018.938
Registration	4,680.457	4,640.866	1,612.271
Land Revenue	11,583.643	11,036.299	11,788.682
Capital Value Tax	4,938.755	4,938.755	5,432.631
Stamps	14,697.157	13,944.739	18,937.262

TAX RECEIPTS	BE 2013-14	RE 2013-14	BE 2014-15
Excise & Taxation	**20,946.905**	**17,831.776**	**22,799.960**
Urban Immovable Property Tax	7,254.663	5,278.268	7,750.000
Tax on Professions, Trades and Callings	583.359	583.359	583.359
Opium	6.886	0.050	0.050
Receipts under MV Acts	10,100.117	9,361.643	11,255.341
CVT on Moveable Assets	0.000	101.352	200.002
Provincial Excise	1,782.608	1,500.000	1,782.608
Farm house tax	17.000	0.536	15.000
Tax on Luxury Houses	0.000	44.440	500.00
Other Indirect Taxes	1,202.272	962.128	713.600
Transport	**538.426**	**531.112**	**550.000**
Motor Vehicles fitness certificate and permit fee	538.426	531.112	550.000
Finance	**62,350.000**	**52,000.000**	**95,000.000**
Sales Tax on Services	62,350.000	52,000.000	95,000.000
Energy	**4,948.518**	**6,035.447**	**6,540.500**
Electricity Duty	4,948.518	6,035.447	6,540.500
Total Provincial Tax Revenue	**126,702.799**	**111,788.994**	**164,680.244**

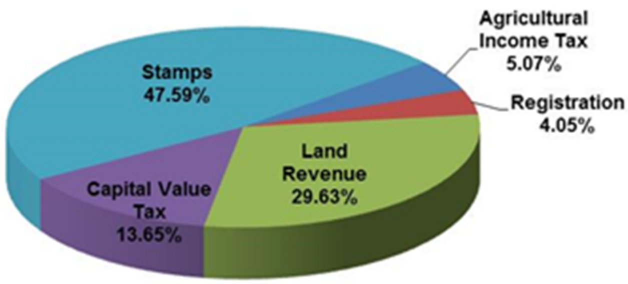
The above table shows that tax collection by the government during FY 2014-15 is pitched at Rs.164,680.244 million as compared to RE 2013-14 of Rs.111,788.994 million. In this way government expects to increase its tax collection by 47% from the Revised Estimates. The government has however taken necessary steps including expansion in scope of different taxes and improving collection efficiency with measures like e-stamping, automation of property tax record through GIS mapping of properties, plugging of revenue leakages and simplification of procedures.

The shortfall seen in the revised estimates for FY 2013-14 as against the Budgetary Estimates for FY 2013-14 can be attributed to shortfall in Board of Revenue with respect to AIT which remained less than 143% from the BE 2013-14. The same was the case with respect to Stamp Duty collection which remained 5.4% less than BE 2013-14. It is hoped that with the implementation of E-Stamping the Board of Revenue would be able to give a growth of 28.8% in Stamp Duty collection. The UIPT collection remained 36.6% less than the budgetary estimates however, with the new valuation tables coming into force in the next financial year, the same would be augmented by 13.7% from the last year. The Sales Tax on Services is clearly indicating that it will in future make unprecedented achievements increasing revenue income of the province. However, there is still a lot of potential to be tapped from this tax by extending its base and increasing efficiency of collection. At present the tax is being collected from 37 different categories of services. The government intends to include 10 more services in the next financial year in a bid to realize the full potential of this tax. The government in order to plug compliance gap arising out of the diversified interpretation of the service tax tariff has further rationalized the description so that tax evasion could be minimized.

A. Provincial Tax Receipts Collected By Board of Revenue

The following pie chart shows the composition of taxes collected by Board of Revenue as estimated for FY 2014-15.

Figure 1.4
Board of Revenue Taxes BE 2014-15



Board of Revenue has been assigned collection of Agriculture Income Tax, Registration Duty, Land Revenue, Capital Value Tax & Stamp Duty. Its contribution in the overall tax receipts of Province is projected to increase from Rs.37,918.950 million for FY 2013-14 to Rs. 39,789.784 million in FY 2014-15. The following measures are underway for increased resource mobilization efforts by BOR:

- Computerization of land records by December 2014
- Introduction of e-Stamping by December 2014 (Creation of PMU – ADP Allocation of Rs. 375 million)
- Enhanced monitoring and audit
- Rationalization of District Collector's Table by 30th June, 2014
- Rationalization of Stamp Duty – from 2% to 3%
- Flat rate for Registration Fee (from Rs. 500 to Rs. 1000 as per pecuniary ceiling)

For the purpose of clarity the major tax heads under BOR's preview are elaborated upon as follows:

a) Agricultural Income Tax

Agricultural Income Tax (AIT) is an important direct tax available to provinces. AIT Act was promulgated in 1997. It envisaged payment of fixed amount per acre of land. Major amendments were introduced to this Act in 2001 and whereby holders of 25 acre irrigated land (equivalent to 50 acre un-irrigated land) were required to submit their AIT return. The income mode of the tax was, however, not practically implemented due to capacity related issues of the collectors in the field. The collection of tax, however, continued in the fixed mode and owing to the sub-division of land over-time into smaller holdings, and exemption to owners of up to 12.5 acres, the collection from this tax has been declining in recent times.

b) Land Revenue

Land Revenue is a broad category, and includes a number of receipts related to Land Revenue functions. This category of Provincial Tax Receipt has a lot of potential and it is expected to contribute Rs. 11,788.682 million to the provincial exchequer for FY 2014-15. During the last few years, Government has tried to tap buoyancy of this source by introducing structural reforms which included introduction of valuation table to rural areas for the purpose of mutation. Government intends to complete the automation of land revenue record under a foreign funded project named Land Record Management Information System, at the earliest. Complete automation is likely to enhance buoyancy of this tax even further.

c) Stamp Duty

The increase in the BE 2014-15 can be attributed to revision of valuation tables/DC tables annually to reduce the gap between the value of property assessed by the DC tables & the market value of properties. Government is considering introduction of further reforms including introduction of e-stamping to land transactions to plug leakages in this tax and to ensure greater transparency in the process of transfer of property.

Further, since the private housing societies are not obliged to encourage registration of transfer deeds, therefore, the one percent levy as registration fee has been discontinued in favour of a flat rate of Rs. 500 (for property upto Rs. 500,000/-), Rs. 1,000/- (for property exceeding Rs.500,000/-) and a one percent enhancement in the stamp duty rate has been made in the stamp duty.

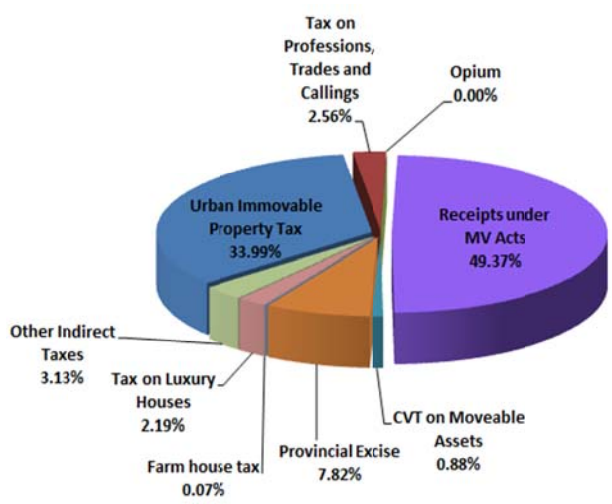
Keeping in view the inflationary impact the rates of stamp papers for affidavit, agreement, cancellation, contract deed, divorce, partnership, declaration and revocation of trust has been enhanced after 20 years.

The Budget Estimates of Stamp Duty for FY 2014-15 has been pitched at Rs. 18,937.262 million which is 28.8% higher than the BE 2013-14 on account of introduction of e-stamping.

B. Provincial Tax Receipts Collected By Excise & Taxation

The following pie chart shows the composition of taxes collected by Excise & Taxation as estimated by FY 2014-15.

Figure 1.5
Excise & Taxation Taxes BE 2014-15



a) Urban Immoveable Property Tax (UIPT)

The UIPT is essentially a devolved tax, but for administrative convenience it is being collected by the Provincial Government and passed on to the respective TMAs as per the agreed distribution. The UIPT for FY 2014-15 stands at Rs. 7,750.000 million which is 6.8% higher than BE 2013-14.

The government has completed automation of property tax record through GIS mapping of properties in five major districts. The revised valuation tables with a 50% enhancement in rental rates and a further reduction in UIPT rates to 5% would be enforceable in FY 2014-15. This would not only improve the under-taxation of properties but would be beneficial in documenting occupied excess properties.

The tax demand would be facilitated through a property tax calculator whereby tax-payers would be able to generate their own UIPT demand and avoid interface with the tax collectors. In view of the above measures, the proceeds of this tax are likely to undergo a significant increase.

b) Tax on Luxury and Palatial Houses

In order to tax luxurious lifestyle the government has levied a tax on luxurious and palatial houses from the owners, occupant or transferee of a residential house notified areas.

c) Professional Tax

The B.E for FY2014-15 with respect to professional tax have been pitched at Rs. 583.359 million. The contribution of professional Tax is not huge, but being a direct tax, it has good potential in the long term.

C. Provincial Tax Receipts collected by Punjab Revenue Authority

PRA has already developed a complete system for real time monitoring of transactions in food sector services. PRA will soon apply a scheme of Restaurant Invoice Monitoring System (RIMS). In order to effectively manage the operational side of revenue automation in the province of Punjab, the government has allowed PRA to establish Punjab Government Revenue Automation Limited (PGRAL) on the analogy of Pakistan Revenue Automation Limited (PRAL). PGRAL will work in close collaboration with Punjab Information Technology Board and undertake rigorous programs for process-reengineering and automation of other provincial taxes before their regular transfer to PRA. PRA has already finalized the enforcement rules and reward rules.

After commencement of VAT-like sales tax on hotels, continuation of bed tax remains no more justified. Bed tax is therefore, being abolished. However, sales tax threshold exemptions on hotels are being reviewed so as to enlarge the outreach of sales tax and broadening of sales tax base. This will also help promote economic documentation of hotels sector in the province.

Ten new services have been incorporated in the sales tax net. Most of these services were either being partially taxed as part and parcel of taxable services of other business domains or were failing to discharge tax liabilities in respect of the taxable component of their main business activities. Inclusion of these new services will also further bring equity in the Punjab sales tax base and also harmonize the service tax system of Punjab with other provinces.

In view of the above, the budgetary estimates 2014-15 for PRA has been pitched at Rs.95,000.000 million as against Rs. 62,350.000 million for FY 2013-14 which is 52.4% higher than last year owing to the still untapped potential in the sales tax net.

II. Non-Tax Revenue

Non-Tax Receipts accrue mainly on account of regulatory functions performed by the Provincial Government and rates and fees charged for the provision of certain social and economic services and also include Federal Grants and Straight Transfers received from Federal Government. Table summarises the Revised Estimates for FY 2013-14 as against the initial BE for FY 2013-14. The BE for FY 2014-15 has been affixed at Rs. 38,180.368 million.

Table below shows a comparison of the Provincial Non-Tax receipts between FY 2013-14 and FY 2014-15.

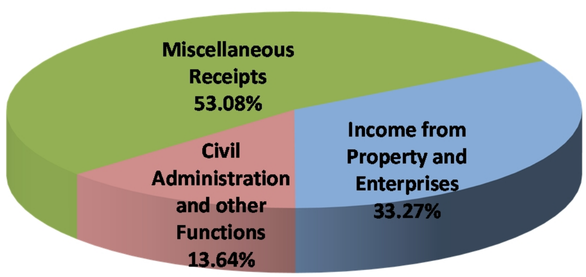
Table 1.5
Provincial Non Tax Revenue

(Rs. in Million)

NON TAX REVENUE	BE 2013-14	RE 2013-14	BE 2014-15
Income from Property and Enterprises	**5,483.844**	**637.162**	**21,361.469**
State Trading Schemes-Electricity	5,117.000	--	21,000.000
Interest on Loans to District Govts. / TMAs	157.120	102.106	157.120
Interest on Loans to Financial Institutions.	147.000	472.749	--
Interest on Loans to Non-Financial Institutions.	59.056	56.343	198.477
Interest on Loans & Advances to Govt. Servants	0.668	0.459	0.459
Interest on Loans – Others	3.000	5.413	5.413
Dividends	--	0.092	--
Civil Administration and other Functions	**7,776.705**	**7,261.834**	**8,759.188**
Fiscal Administration	**102.881**	**102.881**	**102.881**
Law and Order	**3,458.757**	**3,482.609**	**4,114.925**
Justice	*282.069*	*296.381*	*297.055*
Police Department	*3,075.001*	*3,096.298*	*3,703.585*
Jails including Civil Defence	*101.687*	*89.930*	*114.285*
Community Services	**2,156.334**	**1,576.467**	**2,244.645**
Communications & Works	*2,105.706*	*1,541.177*	*2,206.645*
Public Health	*50.628*	*35.290*	*38.000*
Social Services	**1,525.611**	**1,667.777**	**1,711.637**
Education	*995.692*	*1,099.654*	*1,124.367*
Health	*529.919*	*568.123*	*587.270*
Housing and Physical Planning	**533.122**	**432.100**	**585.100**

Miscellaneous Receipts	**29,869.323**	**75,090.688**	**34,076.711**
Agriculture	755.909	624.618	771.705
Board of Revenue	4,153.544	329.233	2,576.629
Fisheries	225.285	205.867	229.000
Forest & Wildlife	1,105.144	1,356.508	1,413.766
L&DD	802.748	716.302	820.102
Cooperative	8.225	2.415	3.567
Irrigation	2,761.552	1,610.029	3,099.035
Industries	103.122	145.176	160.786
Mines & Minerals	4,205.064	2,500.000	3,500.000
Home	716.171	642.353	730.000
Misc.	610.073	7,403.458	1,165.139
Federal / Foreign Grants	7,816.244	50,952.395	11,017.000
Straight Transfers	6,606.242	8,602.334	8,589.982
TOTAL NON-TAX RECEIPTS	**43,129.872**	**82,989.684**	**64,197.368**

Figure 1.6
Provincial Non-Tax Receipt BE 2014-15



A. Non Tax Revenue – Income from Property and Enterprises

From the table above, it is clear that this component of the non-tax revenue is an important part of Non-Tax Revenue for the province.

The Income from property and enterprises comprises of two components.

- Net hydel profit
- Income from interest on loans advanced to financial institutions, local governments, autonomous bodies and government servants etc.

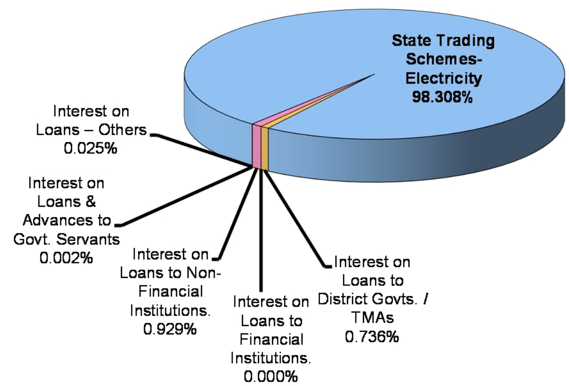
a. Net Hydel Profit to Punjab Government

The background of the issue is that Punjab had not been receiving net hydel profits from the Federal Government since 1996-97. Punjab Government is now requesting the Federal Government to resolve the issue of payment of arrears of net hydel profit to Punjab since 2004-05 onwards in addition to regular payment of net hydel profit accruing every year. In order to have a claim over Federal Government of net hydel profit an allocation of Rs.21,000.000 million has been made in BE 2014-15.

b. Interest on loans

Punjab Government extends loans to local governments, financial institutions and autonomous bodies under its purview for meeting their current and development expenditures. The interest from these loans is another important part of receipts of “Income from Property and Enterprises”. Interest amounting to Rs. 366.844 million was received during FY 2013-14 and the interest income for FY 2014-15 has been pitched at Rs. 361.469 million. It may be pertinent to mention here that after the issuance of right shares against subscription money of Rs. 10,000.000 million by Bank of Punjab the interest payments to Government of Punjab would not be available in FY 2014-15. Hence, the interest income during next financial year is expected to be considerably lower than FY 2013-14.

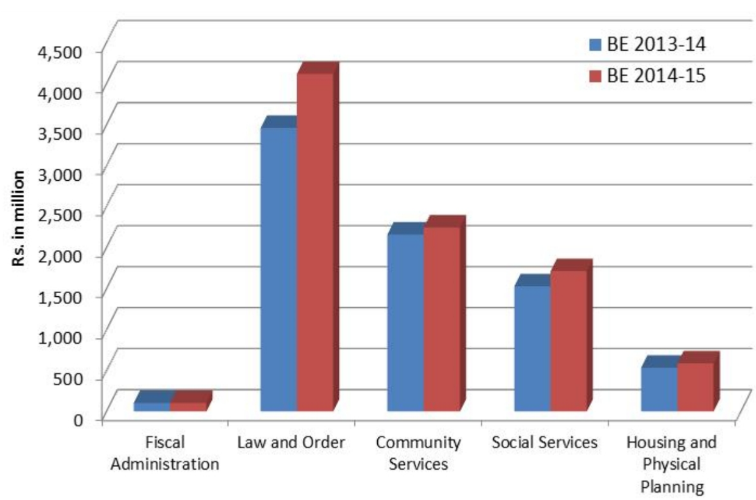
Figure 1.7
Income from Property and Enterprises BE 2014-15



B. Non Tax Revenue – Civil Administration & Other Functions

These receipts generally accrue from the regulatory and administrative functions of the Government and pension contribution on behalf of provincial civil servants working in autonomous bodies etc. Government is expected to collect Rs. 8,759.188 million during FY 2014-15 from these sources of revenue. A break-up of these receipts is graphically elaborated below:

Figure 1.8
Civil Administration and other Functions BE 2013-14 vs. BE 2014-15



a) Law and Order

There are 3 main components of law & order receipts: -

1) Receipts: - namely Receipts collected by Law Department on sale proceeds of unclaimed and escheated property, court fees realised in cash, General fee, fines & forfeitures, receipt of official record room & recoveries of overpayments etc.

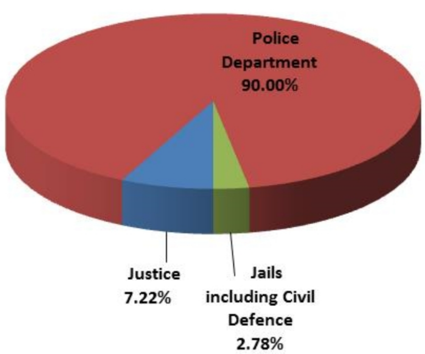
2) Receipts collected by Home Department: - include sale proceeds of articles manufactured in jail, fines, overpayments on services rendered includes supplies made by factory department to maintenance department in jail.

3) Receipts collected by Police Department on account of police personnel provided to Railway, Fed. Govt., Public departments, fees, fines, forfeiture, motor driving license fee, traffic fines, police land receipts and recoveries of overpayments.

The collection of police department in FY 2014-15 is expected to be around Rs. 3,703.585 million, which is 20.4% higher than last FY 2013-14 and thus the total law & order receipts are estimated at Rs. 4,114.925 million.

The following pie chart is given below to further elaborate the contributions made by the above mentioned heads of receipts in the total Law & Order receipts status:

Figure 1.9
Law and Order BE 2014-15

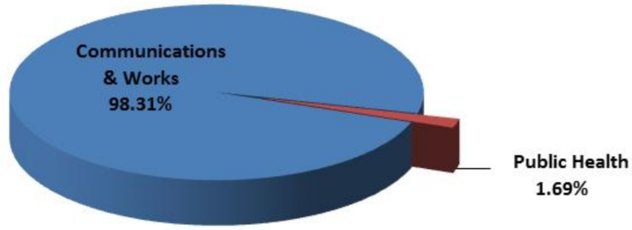


b) Community Services

The major source of income in this classification are receipts accruing from toll collection on provincial roads and bridges and through rent of Government buildings. The toll collection is expected to grow due to revision of toll tax rates. Moreover, with the inclusion of newly constructed provincial roads, the receipts with respect to toll on Roads & Bridges would substantially increase in FY 2014-15.

Figure below elaborates the break-up percentage contribution of each component of the total community service receipts estimated for FY 2014-15.

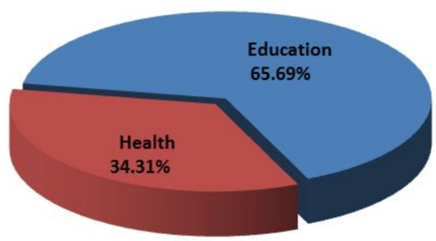
Figure 1.10
Community Services BE 2014-15



c) Social Services

These receipts include general administration receipts realized through different economic regulations, examination fee realized by Punjab Public Service Commission, receipts and revenues under regulations on 'weights and measures', trades etc. The BE for FY 2014-15 has been set at Rs.1,711.637 million which is 12.2% higher than the BE 2013-14.

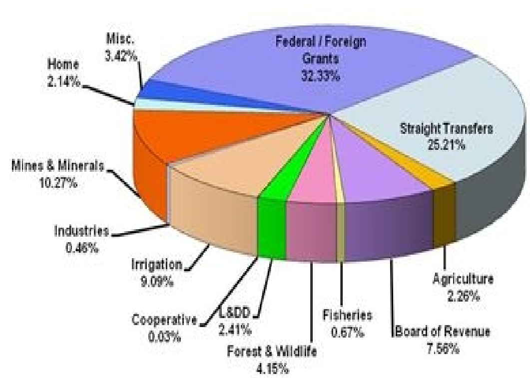
Figure 1.11
Social Services BE 2014-15



C. Non Tax Revenue – Miscellaneous Receipts

Under the receipts from economic functions, revenue on account of Abiana (water rate for irrigation), receipts from renting out of agricultural machinery / equipment, sale of forest timber etc. are included. In the general category, other receipts such as small fees / charges on account of regulatory functions of the Government are included. Similarly, major receipts such as those accruing from arms licence fee and royalty from mines and minerals are also included under this classification as show in the following pie chart.

Figure 1.12
Miscellaneous Receipts BE 2014-15



Under Miscellaneous Receipts, the important constituents include receipts from Forest, Wildlife & Fisheries, Irrigation and Mines & Minerals. The budgetary estimates for FY 2014-15 has been pitched at Rs. 34,076.711 million which is 14% higher than the BE 2013-14.

Another significant non-tax potential is that of Punjab Privatization Board. BE 2014-15 of Rs.2,576.629 million has been set that includes an estimate of Rs. 2,000.000 million through sale of properties by Punjab Privatization Board.

a) Straight Transfers

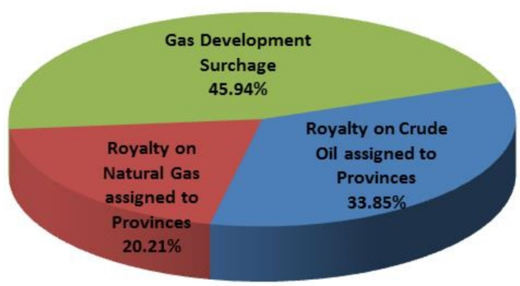
Under Article 161 of the Constitution and the NFC Award, Straight Transfers to the provinces include:

i) The net proceeds of the Federal excise duty on natural gas

ii) Net proceeds of royalty on crude oil and natural gas assigned to the provinces under the Constitution.

Straight Transfers are reflected under the non-tax provincial receipts, yet for the purpose of clarity, the same have been shown separately under the Federal Transfers in this chapter. The Budget Estimates for FY 2014-15 have been pitched at Rs. 8,589.982 million against Rs. 6,606.242 million for BE2013-14.

Figure 1.13
Composition of Straight Transfers BE 2014-15



b) Federal Grants

Federal Grants, both Development and Non Development, comprise of public sector development programs (PSDP), grants from federal government as well as budget support grants received from foreign development partners. The federal PSDP grants are only pass through items. These grants are released to executing agencies for implementation of Federal Development Projects. Therefore, the estimates of PSDP grants are only made part of the revised estimates. The RE for FY 2013-14 for PSDP grants is Rs.39,447.769 million against budget estimates of Rs.3,231.145 million.

Table 1.6
Federal / Foreign Grants

(Rs. in Million)

Sr. No.	Particulars	BE 2013-14	RE 2013-14	BE 2014-15
1.	DFID Grants	3,459.099	10,074.015	9,580.000
2.	Foreign multi lateral grants (mainly JICA)	1,126.000	1,430.611	1,437.000
3	Federal Grants (PSDP)	3,231.145	39,447.769	--
	Total Grants	**7,816.244**	**50,952.395**	**11,017.000**

Revised Estimates for FY 2013-14 of Foreign Grants are higher than the budget estimates for FY 2013-14 on account of anticipated DFID program grants for Punjab Education Sector Project-II (PESP-II) and Punjab Health and Nutrition Program (PHNP). DFID has provided £30 million as frontloading in respect of PESP-II in FY 2013-14. The BE for FY 2014-15 for Foreign multilateral grants projects specific grants are pitched at Rs. 1,437.000 million, as against the Budgetary Estimates for FY 2013-14 of Rs. 1,126.000 million.

The Table below provides the break-up of Foreign Grants.

Table 1.7
DFID Grants

(Rs. in Million)

Sr. No.	Particulars	BE 2013-14	RE 2013-14	BE 2014-15
1.	DFID-Punjab Education Sector Project-II	2,830.172	9,428.009	5,455.000
2.	DFID-Provincial Health and Nutrition Program	628.927	646.006	4,125.000
	Total Grant (Program)	**3,459.099**	**10,074.015**	**9,580.000**

The table below provides the break-up of Foreign multi lateral grants:

Table 1.8
Foreign multi lateral grants (mainly JICA)

(Rs. in Million)

Sr. No.	Particulars	BE 2013-14	RE 2013-14	BE 2014-15
1.	JICA-Punjab Water & Sanitation Academy, Lahore.	25.000	--	5.000
2.	Australia-Optimizing Canal and groundwater Management to assist Water User Association in Maximizing Crop Production and Management Salinisation with Australia Assistance	1.000	0.611	2.000
3.	Up-gradation of Mechanical System of WASA, Faisalabad.	100.000	--	--
4.	Punjab Economic Opportunity Program	1,000.000	1,430.000	1,430.000
	Total Grant	**1,126.000**	**1,430.611**	**1,437.000**

1.2 General Capital Receipts

1.2.1 Current Capital Receipts

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

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

Current Capital Receipts figures for FY 2013-14 and FY 2014-15 are presented in Table below.

Table 1.9
Current Capital Receipts

(Rs. in Million)

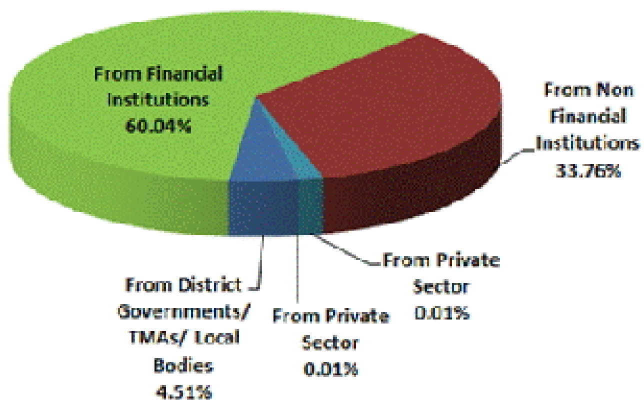
RECEIPTS	BE 2013-14	RE 2013-14	BE 2014-15
a) Loans & Advances/Recoveries of Loans and Advances	**385.325**	**4,369.842**	**2,498.359**
From District Governments/TMAs/Local Bodies	105.708	75.000	112.710
From Financial Institutions	--	3,902.677	1,500.000
From Non Financial Institutions	234.741	350.063	843.546
From Government Servants	44.739	41.924	41.925
From Private Sector	0.137	0.178	0.178
b) Debt	**17,275.934**	**15,796.388**	**21,839.834**
Permanent Debt-Domestic	0.434	0.035	0.434
Permanent Debt-Direct (Access to Justice Programme)	--	--	--
Recovery of Investment	--	--	--
Permanent Debt-Foreign	17,275.500	15796.353	21,839.400
Account No. I (a) + (b)	**17,661.259**	**20,166.230**	**24,338.193**
Recoveries of Investment-State Trading Schemes	140,639.125	138,082.764	134,111.115
Cash Credit Accommodation	120,260.509	116,225.726	120,169.258
Account No. II	**260,899.634**	**254,308.490**	**254,280.373**
Total Current Capital Receipts (I & II)	**278,560.893**	**274,474.720**	**278,618.566**

a) Recoveries of Loans and Advances

In this category, Rs. 2,498.358 million are estimated to be received during FY 2014-15. It includes an amount of Rs. 112.710 million which will be recovered from District Government/TMAs and Rs. 843.546 million from agencies like Punjab Small Industries Corporation and Sui Northern Gas Pipelines Limited etc.

It will be useful to provide a synopsis of the more significant items categorised under Recoveries of Loans and Advances.

Figure 1.14
Recoveries of Loans and Advances BE 2014-15



b) Permanent Debt - Account No. I

Direct debt and loans borrowed from or through the Federal Government i.e. domestic and foreign loans comprise the permanent debt of the provincial government. B.E. 2014-15 for the permanent debt (foreign) has been estimated at Rs. 21,839.834 million. The Government received budgetary support loan from World Bank under Punjab Health Sector Reforms Program, Education Sector Reform Program, Large Cities Project and Governance Reforms for Service Delivery Project from the World Bank.

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

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

1.2.2 Development Capital Receipts (Foreign Projects Assistance)

Foreign Project Assistance may be termed as ADP financing items which comprise of loans borrowed from multilateral donor agencies through the Federal Government for specific foreign-assisted development projects. The Budget Estimates for FY 2014-15 for Foreign Project Assistance are pitched at Rs. 37,712.420 million compared to Budget Estimates 2013-14 of

Rs.29,700.000 million and RE 2013-14 of Rs. 33,474.886 million.

A complete list of projects for which the above mentioned Development Capital Receipt is to be utilized is as under:

Table 1.10
Detail of Foreign Aid

(Rs. in million)

Sr. No.	Particulars	BE 2013-14	RE 2013-14	BE 2014-15
1	IDA-4258-Pak Land Records Management Information System Project.	892.846	890.000	--
2	IDA-5081-Pak Punjab Irrigated Agriculture Improvement Program Project (PIPIPP)	4,500.000	4,500.000	4,670.000
3	JBIC-PK-P53 Rehabilitating Lower Chanab Canal System (Part B)	900.000	1,000.000	1,900.000
4	IBRD-7380-Pak Punjab Municipal Services Improvement Project (Including Sustainable Development of Walled City Lahore)	41.000	74.552	--
5	OFID-1134-Pak Establishment of Govt. Institute of Emerging Technologies, Raiwind Road, Lahore.	191.000	244.188	34.020
6	ADB-2300-Pak Punjab Irrigated Agriculture Improvement Project	160.000	159.690	300.000
7	ADB-2299-Pak (PIAIP) Lower Bari Doab Canal Improvement Project	5,000.000	4,999.540	5,000.000
8	JBIC-PK-P59 Punjab Irrigation System Improvement Project	3,000.000	3,708.820	3,270.000
9	IBRD-7900-Punjab Barrages Improvement Phase-II Project (Jinnah Barrage)	3,400.000	3,563.520	3,750.000
10	ADB-2286-Pak Renewable Energy Development Sector Investment Program	2,580.000	1,800.000	4,300.000
11	ADB-2287-Pak Renewable Energy Development Sector Investment Program	20.000	--	30.000
12	France/VINCI-Extension of Water Resource for Faisalabad City Phase-I	400.000	2,004.000	908.400
13	IFAD-625-PK- Southern Punjab Poverty Alleviation Project	900.000	550.000	1,350.000
14	2841-New Khanki Barrage Construction Project	3,500.000	7,500.000	6,000.000
15	Lahore Water Supply, Sewerage & Drainage Improvement Project	20.000	--	--
16	2971-Pak-Pakpattan Canal & Sulemanki Barrages Improvement Projects	750.000	750.000	1,500.000
17	IDA-4258-Pak Land Record Management Information System Project (Additional Financing)	3,445.154	1,968.000	3,600.000
18	IFAD – Livestock and Access to Market Project	--	--	1,000.000
19	Rehabilitation and upgradation of Trimmu Barrage & Panjnad head works	--	--	100.000
	Total Loans	**29,700.000**	**33,712.310**	**37,712.420**

Chapter 2

ESTIMATES OF EXPENDITURE

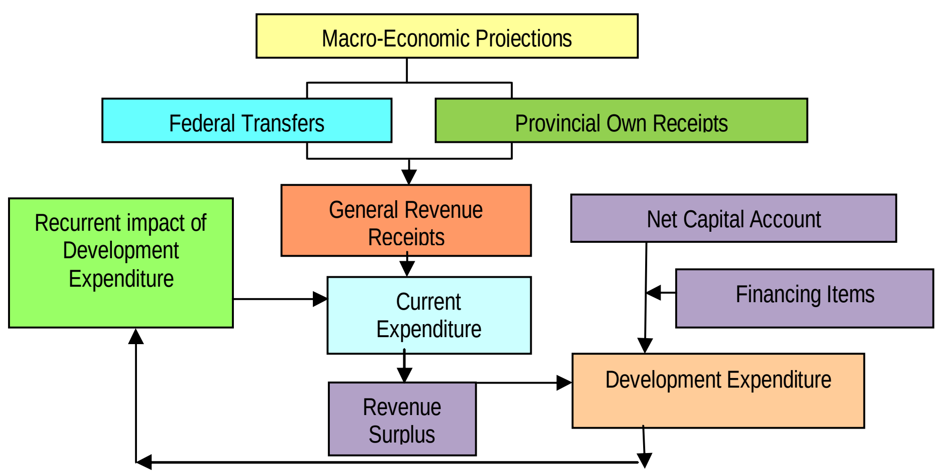
OVERVIEW OF EXPENDITURE

The Punjab Government in the past few years has shown great commitment towards service delivery through asset creation. It was befitting thus that a simultaneous strategy to consolidate these assets was under taken timely. The Government, therefore, is tuned to consolidate its assets and leverage them to gain efficiencies. With this view enhanced allocation have been made in the Current Budget so that the infrastructure created through Development Budget is optimally and efficiently leveraged to gain value for money. The Budget 2014-15 has placed more resources in the service delivery areas, whereby, a common citizen would be able to benefit from better roads, functional hospitals, thriving schools and all other amenities of public use. The Annual Development Programme is 33% of the total outlay.

2.1 PROVINCIAL BUDGETARY FRAMEWORK

The budgetary framework broadly represents the total receipts of Provincial Government, which comprises Federal Transfers and Provincial Own Receipts, and Total Expenditure. After accommodating the demands of current revenue expenditure and current capital expenditure, the net surplus is available for financing the Development Expenditure, which is also financed directly through foreign aided projects. The framework of provincial budget is depicted below at Figure 2.1.

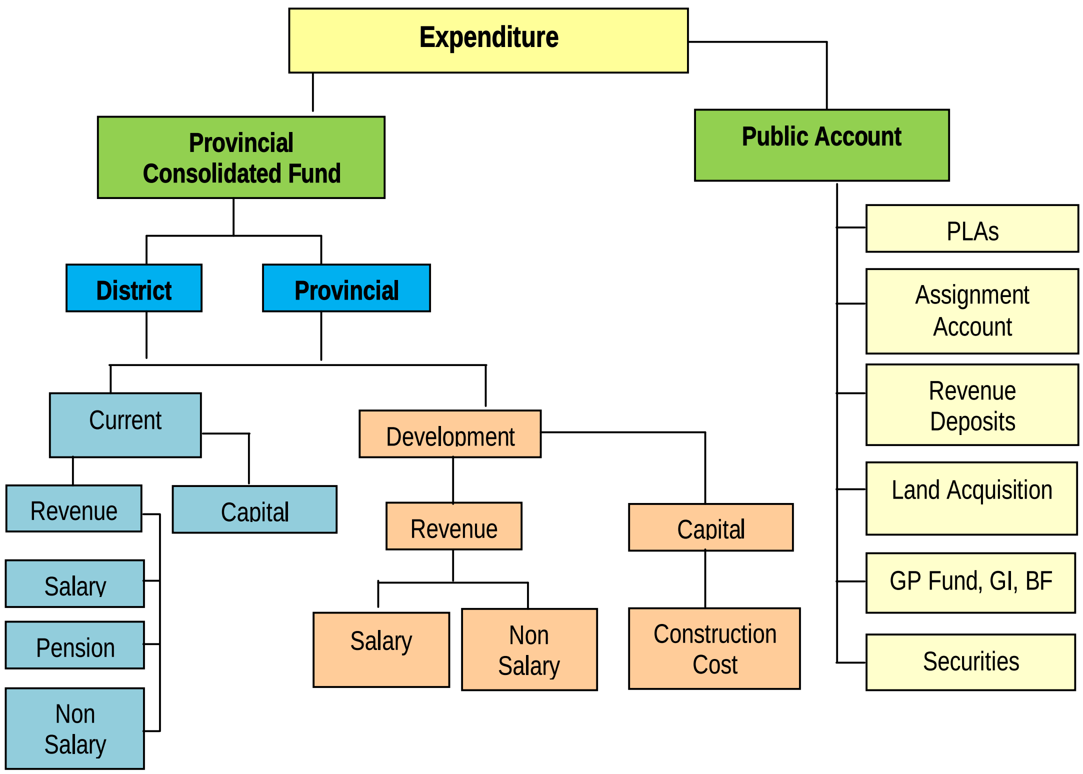
Figure 2.1
Budgetary Framework



The provincial budget allocation tends to strike a balance between the competing demands of current and development expenditure. Without compromising on essential areas of current and capital expenditure, the provincial budget bids to ensure maximum surplus for Development Expenditure. Overall expenditures of the government are classified under Provincial

Consolidated Fund and Public Account of the province pursuant to the Article 118 of the Constitution of Islamic Republic of Pakistan. Components of Provincial Consolidated Fund are represented in the Figure 2.2.

Figure 2.2
Expenditure Classification



Against the various components of expenditure, a comparison of allocations in year 2013-14 and 2014-15 is explained;

Table 2.1
Total Provincial Consolidated Fund

(Rs. in million)

CLASSIFICATION	BE 2013-14	RE 2013-14	BE 2014-15
Current Revenue Expenditure	607,569.311	584,670.278	699,951.083
Current Capital Expenditure	312,644.899	309,836.344	304,453.122
Development Revenue Expenditure	170,705.637	153,460.881	216,595.841
Development Capital Expenditure	119,294.363	70,653.713	128,404.159
Total Provincial Consolidated Fund	**1,210,214.210**	**1,118,621.216**	**1,349,404.205**

These expenditures are charged on the Provincial Consolidated Fund and have been discussed separately in the following paragraphs. The transactions on receipt and expenditure side that are not part of the Provincial Consolidated Fund are explained separately in another Chapter on Public Account.

2.2 Current Revenue Expenditure

Current Revenue Expenditure depicts the operational and regulatory functions rendered by provincial government departments for public service delivery. The Current Revenue Expenditure for 2014-15 has been estimated to be at Rs. 699,951.083 million against the last year allocation of Rs. 607,569.311 million.

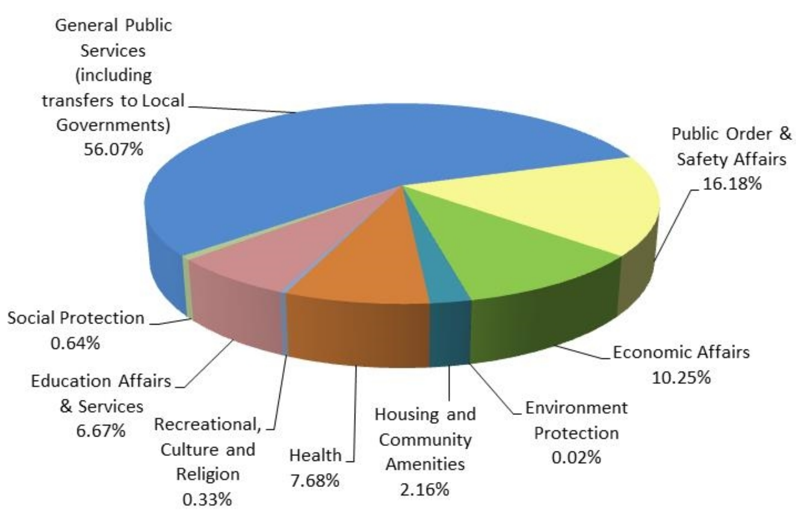
The budgetary spread of the Current Revenue Expenditure is classified into 9 Functional Heads. The classifications broadly define the areas of expenditure. A comparison of allocation against various functions is tabulated below:

Table 2.2
Current Expenditure

(Rs. in million)

CLASSIFICATION	BE 2013-14	RE 2013-14	BE 2014-15
General Public Services (including transfers to Local Governments)	345,327.434	349,744.499	392,445.112
Public Order & Safety Affairs	93,718.858	90,842.571	113,218.426
Economic Affairs	75,652.940	51,417.202	71,759.186
Environment Protection	116.730	117.191	139.704
Housing and Community Amenities	4,002.789	4,162.170	15,129.467
Health	44,629.627	43,968.363	53,745.852
Recreational, Culture and Religion	1,334.779	2,983.628	2,332.603
Education Affairs & Services	40,596.539	34,949.100	46,712.078
Social Protection	2,189.615	6,485.554	4,468.655
Total Current Expenditure	**607,569.311**	**584,670.278**	**699,951.083**

Figure 2.3
Current Revenue Expenditure 2014-15



2.2.1 Trends in Current Expenditure by Function

Table below shows the level of current expenditure under different functions for last four years and budgetary allocations for FY 2014-15. It shows a continuous increase from Rs.370,119.300 million to Rs.536,058.650 million in actual expenditure from 2010-11 to 2012-13. The last few years have seen a substantial increase in allocations especially for education, health, law & order and subsidies in the Public Service Delivery component of the Current Budget.

Table 2.3
Trends in Current Revenue Expenditure (Function Wise)

(Rs. in Million)

FUNCTION	Actual 2010-11	Actual 2011-12	Actual 2012-13	RE 2013-14	BE 2014-15
General Public Services	209,603.600	261,398.911	308,772.100	349,744.499	392,445.112
Public Order & Safety Affairs	63,144.200	73,548.248	83,900.388	90,842.571	113,218.426
Economic Affairs	38,369.100	46,211.614	57,019.828	51,417.202	71,759.186
Environment Protection	72.400	93.372	83.126	117.191	139.704
Housing and Community Amenities	1,901.200	2,951.465	5,557.759	4,162.170	15,129.467
Health	19,709.200	27,142.130	34,610.952	43,968.363	53,745.852
Recreational, Culture and Religion	866.700	1,243.197	2,164.883	2,983.628	2,332.603
Education Affairs & Services	26,200.600	27,674.762	37,740.356	34,949.100	46,712.078
Social Protection	10,252.300	4,035.887	6,209.258	6,485.554	4,468.655
Total Revenue Expenditure	**370,119.300**	**444,299.586**	**536,058.650**	**584,670.278**	**699,951.083**

2.2.2 General Public Services

General Public Services includes primarily the expenditure on the provision of services related to executive and legislative organs; and financial and fiscal affairs. The allocation for general administration in this functional classification is pitched at Rs.392,445.112 million. This includes an estimated expenditure of Rs. 104,000.000 million for pension payment against the last year allocation of Rs. 74,935.253 million.

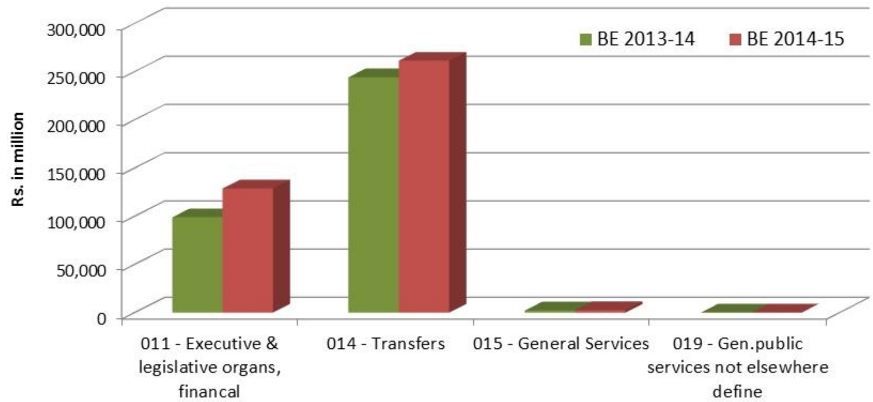
Allocations under General Public Services including the transfers to Local Governments are shown in the Tables below:

Table 2.4
General Public Services

(Rs. in Million)

General Public Services	BE 2013-14	RE 2013-14	BE 2014-15
Executive & Legislative Organs, Financial & Fiscal Affairs	98,911.958	101,346.724	128,741.041
Transfers	244,267.098	246,046.656	261,219.161
General Services	2,146.486	2,349.227	2,482.996
General Public Services not elsewhere defined	1.892	1.892	1.914
Total	**345,327.434**	**349,744.499**	**392,445.112**

Figure 2.4
General Public Services



The allocation for transfer to District Governments, Tehsil Municipal Administrations, Union Administrations and Cantonment Boards has been tabulated below:

Table 2.5
Transfers to Local Governments (Current)

(Rs. in Million)

TRANSFERS (INTER-GOVERNMENTAL)	BE 2013-14	RE 2013-14	BE 2014-15
To District Government	214,800.000	215,665.391	236,280.000
To TMAs	17,000.000	15,511.632	17,000.000
To Union Administration	6,000.000	4,909.177	6,000.000
Cantonment Boards	1,200.000	1,373.958	1,200.000
Total	**239,000.000**	**237,460.158**	**260,480.000**

2.2.3 Public Order and Safety Affairs

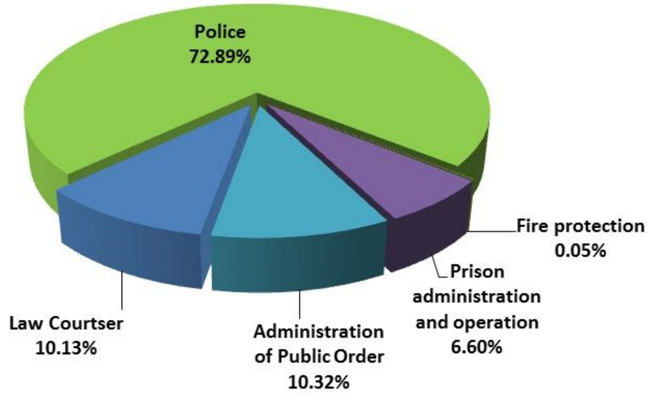
The allocation earmarked for Public Order and Safety Affairs for 2014-15 is Rs.113,218.426 million as compare to Rs.93,718.858 million in FY 2013-14 showing a growth of 20.81% from last year. This allocation includes Rs.82,530.390 million for Punjab Police, that is 15.7% more than the allocation made in the last financial year. The allocation for all the formations, especially the counter terrorism department, elite police force and district police have been substantially enhanced to ensure preparedness of Police to provide better law and order to the general public. The allocations under various sub-classification are tabulated below:

Table 2.6
Public Order and Safety Affairs

(Rs. in Million)

PUBLIC ORDER AND SAFETY AFFAIRS	BE 2013-14	RE 2013-14	BE 2014-15
Law Courts	10,500.564	9,672.657	11,473.988
Police	71,305.410	70,180.353	82,530.390
Fire Protection	57.611	49.488	59.220
Prison Administration and Operation	5,839.796	6,032.152	7,469.520
Administration of Public Order	6,015.477	4,907.921	11,685.308
PUBLIC ORDER AND SAFETY AFFAIRS	**93,718.858**	**90,842.571**	**113,218.426**

Figure 2.5
Public Order and Safety Affairs BE 2014-15



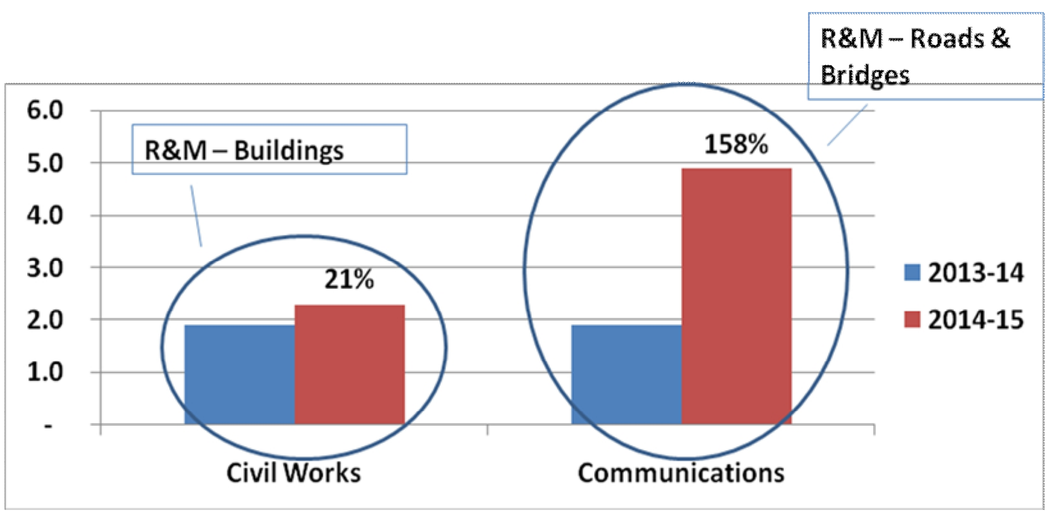
2.2.4 Economic Affairs

The sectors / departments in the provincial government contributing to economic development fall under this classification. These sectors / departments are Agriculture, Communication and Works, Forestry, Wildlife & Fisheries, Industries, Irrigation, Livestock & Dairy Development, Mines & Mineral Department, etc. For Economic Affairs, an allocation of Rs.71,759.186 million has been suggested in FY 2014-15 against budgetary estimate of Rs.75,652.940 million in FY 2013-14. The allocations for these sectors have primarily been enhanced to cater for the repair & maintenance of roads, building infrastructure and canals & drainage network.

C & W

- Current Operational allocation from Rs 6.9 B to Rs.10.4 B – growth of 50.8%
    - Public Service Delivery allocations from Rs. 4.1 B to Rs. 7.4 B – growth of 80%

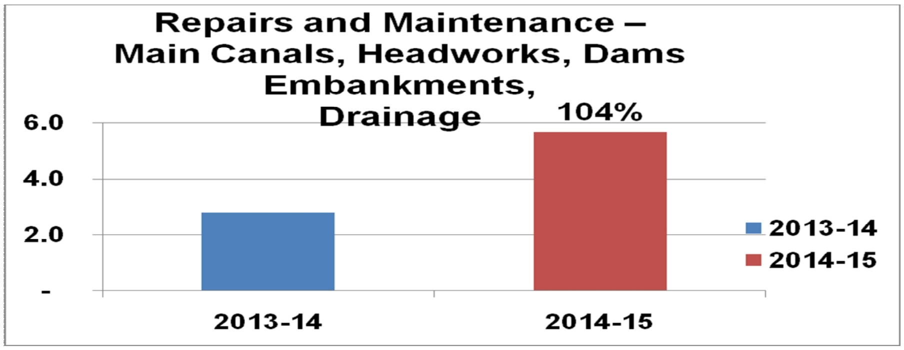
Figure 2.6
Asset Consolidation – R&M Allocation (C&W)



Irrigation

- Current Operational allocation increase from Rs 11.4 B to Rs. 15.3 B – growth of 34%
- Public Service Delivery allocations increased from Rs. 3.6 B to Rs.6.6 B – growth of 81%

Figure 2.7
Asset Consolidation – R&M Allocation (Irrigation)



Allocation for Extension Services (Research), Extension Services (Floriculture), Extension Services (Field) have been increased sufficiently over the last year. Subsidies for wheat, Ramzan Package and Public Transport form part of this classification. Current financial year's allocation for Subsidy has been pitched at Rs. 22,785.000 million.

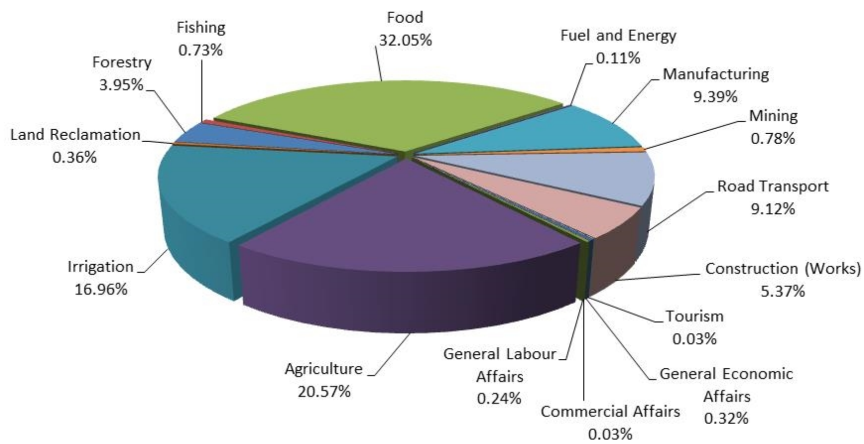
Table below shows the break-up of this expenditure across major departments.

Table 2.7
Economic Affairs

(Rs. in Million)

ECONOMIC AFFAIRS	BE 2013-14	RE 2013-14	BE 2014-15
General Economic, Commercial & Labour Affairs	**399.570**	**386.307**	**414.909**
General Economic Affairs	236.755	188.615	226.597
Commercial Affairs	16.017	18.168	19.247
General Labour Affairs	146.798	179.524	169.065
Agriculture, Food, Irrigation, Forestry & Fishing	**62,070.197**	**34,447.468**	**53,548.307**
Agriculture	13,009.890	11,459.290	14,763.118
Irrigation	9,552.284	12,272.821	12,167.123
Land Reclamation	252.095	288.237	261.359
Forestry	2,613.748	2,538.566	2,837.823
Fishing	468.632	517.479	521.636
Food	36,173.548	7,371.075	22,997.248
Fuel and Energy	**34.708**	**104.204**	**77.159**
Administration	34.708	104.204	77.159
Mining and Manufacturing	**6,256.096**	**6,404.971**	**7,295.750**
Manufacturing	5,805.358	5,995.997	6,737.022
Mining	450.738	408.974	558.728
Construction and Transport	**6,878.627**	**10,060.934**	**10,398.480**
Road Transport	3,480.678	6,710.128	6,545.144
Construction (Works)	3,397.949	3,350.806	3,853.336
Other Industries	**13.742**	**13.318**	**24.581**
Tourism	13.742	13.318	24.581
Grand Total	**75,652.940**	**51,417.202**	**71,759.186**

Figure 2.8
Economic Affairs Expenditure, BE 2014-15



2.2.5 Housing and Community Amenities

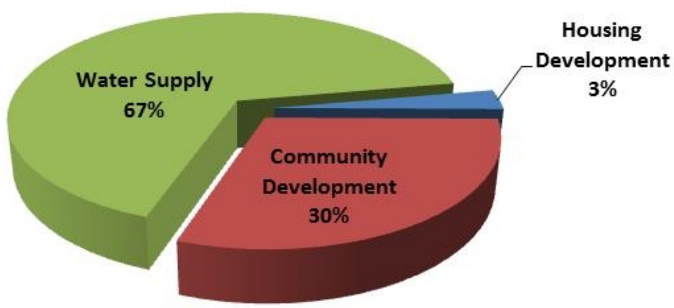
This classification includes expenditure on Housing Urban Development & Public Health Engineering Department, Environment Protection and Local Government and Community Development Department. An allocation of Rs.15.129.467 million has been made under this classification against the last year's allocation of Rs. 4.002.789 million. General Revenue Administration expenses has been pitched at Rs.122.318 million whereas the Public Service Delivery allocation has been enhanced by 285.2% at Rs.15,007.149 million for FY 2014-15 from Rs.3,895.956 million. Details of expenditure on Housing and Community Amenities are provided in table below:

Table 2.8
Housing and Community Amenities

(Rs. in Million)

HOUSING AND COMMUNITY AMENITIES	BE 2013-14	RE 2013-14	BE 2014-15
Housing Development	413.646	417.785	446.316
Community Development	586.680	472.708	4,558.057
Water Supply	3,002.463	3,271.677	10,125.094
Total	**4,002.789**	**4,162.170**	**15,129.467**

Figure 2.9
Housing and Community Amenities BE 2014-15



The Budget 2014-15 includes an allocation for the newly established Parks & Horticulture Authorities at Divisional Headquarters of Sahiwal, D.G Khan, Bahawalpur, Sargodha and Gujranwala.

2.2.6 Health Services

This functional classification includes allocation for hospitals, healthcare Institutes, laboratories and other expenditure related to health administration, including the general administration. The overall allocation for Health has increased from Rs. 44,629.627 million to Rs.53,745.852 million, registering an increase of 20.4%. It is pertinent to highlight that increase in Service Delivery Budget is to the extent of 20.42% against the allocations of Rs.44,377.484 million in 2013-14. The major allocations related to Health Sector are for purchase of medicine, repair of machinery and equipment. The allocation for General Administration has been kept at Rs.305.360 million. Rs.1,000.000 million have been earmarked for creation of posts in health sector after due completion of development projects. The current allocations for free medicines has been enhanced to Rs.8,653.405 million and Rs.518.435 million has been allocated for the repair and maintenance. In addition, a sum of Rs. 2,000.000 million has been allocated to cater for emergencies and control of epidemics.

Figure 2.10
Purchase of Drugs and Medicine

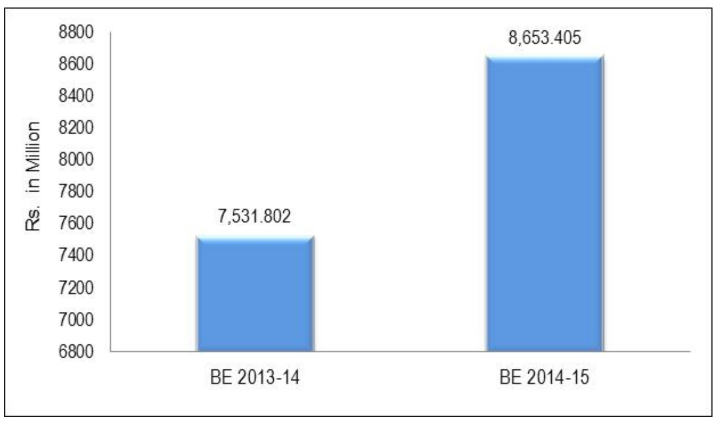
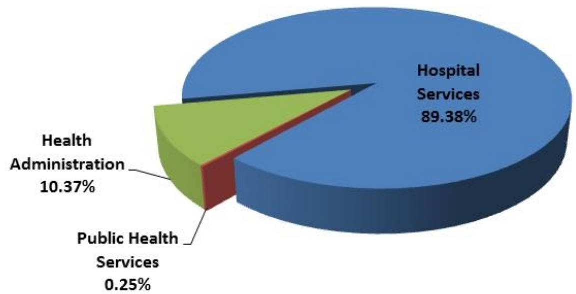


Table 2.9
Health Services

(Rs. in Million)

HEALTH	BE 2013-14	RE 2013-14	BE 2014-15
Hospital Services	42,902.728	38,918.279	48,039.911
Public Health Services	138.726	119.786	135.135
Health Administration	1,588.173	4,930.298	5,570.806
Total	**44,629.627**	**43,968.363**	**53,745.852**

Figure 2.11
Health Services BE 2014-15



2.2.7 Recreational, Culture and Religion Services

The allocation under this classification has increased from Rs.1,334.779 million to Rs.2,332.603 million for the current financial year 2014-15. Rs.765.043 million have been earmarked for General Administration, whereas, Rs.1567.560 million has been allocated for Public Service Delivery expense with a special focus in the promotion of arts and cultural heritage.

Table below shows the breakup of different services under this functional classification and their allocations for financial year 2014-15 along with Revised Estimates for FY 2013-14.

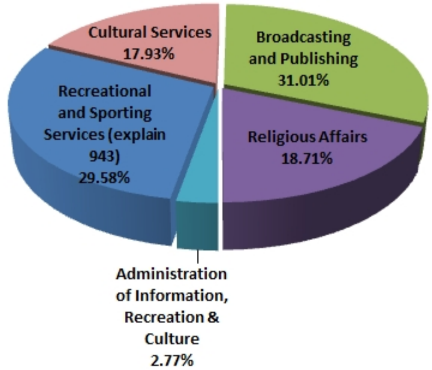
Table 2.10
Recreational, Culture and Religion

(Rs. in Million)

RECREATIONAL, CULTURE AND RELIGION	BE 2013-14	RE 2013-14	BE 2014-15
Recreational and Sporting Services (explain 943)	176.655	1,668.450	689.896
Cultural Services	311.987	382.925	418.276
Broadcasting and Publishing	590.645	689.625	723.346
Religious Affairs	204.085	187.882	436.372
Administration of Information, Recreation & Culture	51.407	54.746	64.713
Total	**1,334.779**	**2,983.628**	**2,332.603**

From the above table it is apparent that Cultural Services, Broadcasting and publishing constitute a major expenditure under this classification. The allocation for Lahore Arts Council has been enhanced by 118.61% in the non-salary component similarly 124% enhancements has been made in the non-salary component for promotion of cultural activities 18.7%. Punjab Council of Arts Lahore's allocations have been enhanced by 114% in the non-salary component.

Figure 2.12
Recreational, Culture and Religion BE 2014-15



2.2.8 Education Affairs and Services

Education has continued to be the top priority of the government in its overall policy framework for the socio-economic development of Punjab. The allocation for Education Affairs and Services for the financial year 2014-15 has increased from Rs.40,596.539 million to Rs.46,712.078 million as against the outgoing financial year. The General Administration expenditure has been reduced by 9.2% from last year and the Public Service Delivery allocation has been enhanced by 15.3% from the last financial year to the tune of Rs.46,357.287 million.

Table 2.11
Allocations for Departments under Education Affairs and Services

(Rs. in Million)

Allocations for Departments	BE 2014-15	Growth in %
School Education	20,280.323	29.2%
Higher Education	24,196.256	6.6%
Special Education	190.819	12%
Non-formal Basic Education	35.863	31.3%

Allocations under various sub sectors of Education are tabulated below:

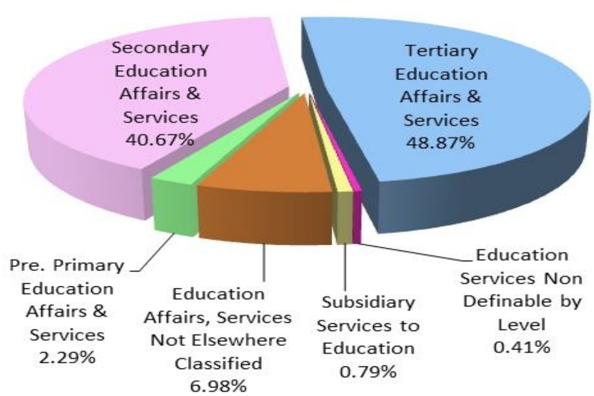
Table 2.12
Education Affairs and Services

(Rs. in Million)

EDUCATION AFFAIRS & SERVICES	BE 2013-14	RE 2013-14	BE 2014-15
Pre. Primary Education Affairs & Services	991.916	953.822	1,070.248
Secondary Education Affairs & Services	14,542.079	10,863.801	18,995.722
Tertiary Education Affairs & Services	20,980.764	18,968.812	22,828.631
Education Services Non Definable by Level	170.413	170.006	190.819
Subsidiary Services to Education	238.100	274.598	366.695
Education Affairs, Services Not Elsewhere Classified	3,673.267	3,718.061	3,259.963
Total	**40,596.539**	**34,949.100**	**46,712.078**

In the overall allocation of Education Affairs & Services shown in Table above, budgetary provisions relating to Universities of Education, Health and Agriculture are also included.

Figure 2.13
Education Affairs & Services BE 2014-15



The expenditure on the salaries and allowances of the staff in School Education are borne by District Governments out of the funds transferred enbloc to them.

2.3 DEBT MANAGEMENT AND ALLOCATIONS FOR PENSIONS

Budget Estimates for the FY 2014-15 are pitched at Rs.118,517.805 million against the provision of Rs.89,979.055 million in FY 2013-14. Expenditures on Debt Servicing include payment of interest on Foreign and Domestic Debt, General Provident Fund and interest on blocked loan of Government of Punjab payable to State Bank of Pakistan. For Interest payments, an amount of Rs.14,517.805 million has been provided in budget estimates 2014-15 against the budget estimates of Rs.15,043.802 million in FY 2013-14. Decrease on this account is due to discharged of interest liability pertaining to blocked account (medium term loan from State Bank of Pakistan). Expenditure on Pension is pitched at Rs.104,000.000 million in FY2014-15 against the revised estimate of Rs. 77,644.000 million.

The itemized allocations on this account are shown in Table below:

Table 2.13
Debt Management and Pensions

(Rs. in Million)

EXPENDITURE	BE 2013-14	RE 2013-14	BE 2014-15
Debt Management (Interest Payment)	15,043.802	14,516.100	14,517.805
*Domestic Debt **	*5,014.249*	*4,599.333*	*3,950.700*
Domestic Debt (General Provident Fund)	*5,273.635*	*6,160.902*	*7,118.240*
Foreign Loans	*4,755.918*	*3,755.865*	*3,448.865*
Pensions	74,935.253	77,644.000	104,000.000
Total	**89,979.055**	**92,160.100**	**118,517.805**

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

2.4 CURRENT CAPITAL EXPENDITURE

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

(i) Principal Repayment of Domestic, Foreign and Market Debt.

(ii) Loans and advances to corporate bodies of the Government of Punjab or associated with the Government of Punjab.

Expenditure in Account No.II are mainly incurred on state trading operations of the government in food grains especially procurement of wheat and repayment of loans taken from the commercial banks for trading operations of Food Department.

The details of the current capital expenditures are shown in Table below:

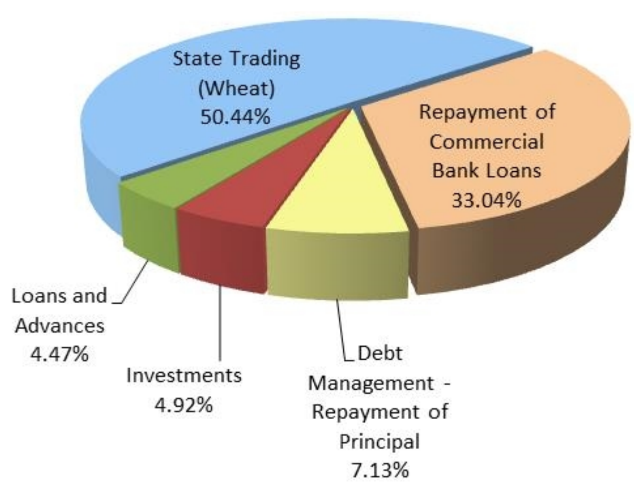
Table 2.14
Current Capital Expenditure

(Rs. in Million)

CURRENT CAPITAL EXPENDITURES	BE 2013-14	RE 2013-14	BE 2014-15
Public Debt	**0.434**	**0.035**	**0.434**
Permanent Debt (Market Loan)	0.434	0.035	0.434
Debt Management - Repayment of Principal	**21,457.221**	**21,060.190**	**21,618.211**
Domestic Debt Federal Government (CDL)	4,160.381	4,160.381	4,264.263
Foreign Debt	17,196.840	16,899.809	17,253.948
Blocked Allocation for Exchange Risk Cover	100.000	--	100.000
Investments	**8,147.592**	**8,147.592**	**14,960.832**
Capitalization of Pension Fund	8,147.592	8,147.592	14,960.832
Loans and Advances	**22,107.443**	**26,294.972**	**13,556.444**
Loan to Bank of Punjab for its recapitalization	6,175.000	6,175.000	--
Principal repayment of blocked account	5,302.095	5,302.095	--
Loans to other Non Financial Institutions	10,530.348	14,817.877	13,546.444
Government Servants	100.000	--	10.000
State Trading in Medical Stores	**32.575**	**25.065**	**36.828**
Total Account No. I	**51,745.265**	**55,527.854**	**50,172.749**
Public Debt Account No. II	**260,899.634**	**254,308.490**	**254,280.373**
State Trading (Wheat)	148,581.069	142,829.313	152,947.258
Repayment of Commercial Bank Loans	112,318.565	111,479.177	101,333.115
Total Current Capital Expenditure	**312,644.899**	**309,836.344**	**304,453.122**

The details of the current capital expenditures are represented in the chart below:

Figure 2.14
Current Capital Expenditure BE 2014-15



The principle repayment of blocked account (Medium term loans from SBP) alongwith loan to Bank of Punjab for its re-capitalization has been discharged and therefore no allocation has been kept in the FY 2014-15 in this regard. Similarly, in order to fulfil the growing contingent liability of Pension and General Provident Fund an ample amount to the tune of Rs.14,960.832 million has been kept for the capitalization of both the Pension Fund as well as the General Provident Fund.

2.5 DEVELOPMENT REVENUE EXPENDITURE

The expenditure under this grant pertains to expenses other than the brick and mortar expense and includes employees related expense, purchase of transport, machinery and equipment, operating expenses, research and development, training etc. provided under the projects during the execution of the projects. Development Expenditure on Revenue account refers to expenditure on proposed and ongoing projects/schemes which are being financed from normal government operations and financial budgetary support through foreign multilateral grants.

2.6 DEVELOPMENT CAPITAL EXPENDITURE

Development capital expenditure is the capital investment under the development programs for roads, buildings, irrigation sectors etc that is financed through loans and borrowings multilateral donor agencies through Federal Government for specific foreign assisted development projects.

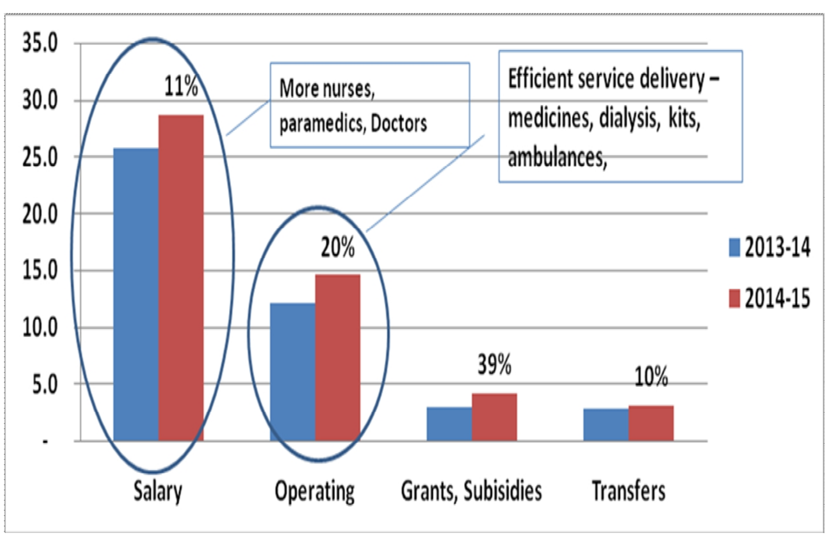
2.7 Salient Features of the Public Service Delivery Allocations for different Departments / Functions for FY 2014-15

Broadly, allocations in the Public Service Delivery for FY 2014-15 have the following salient allocations:

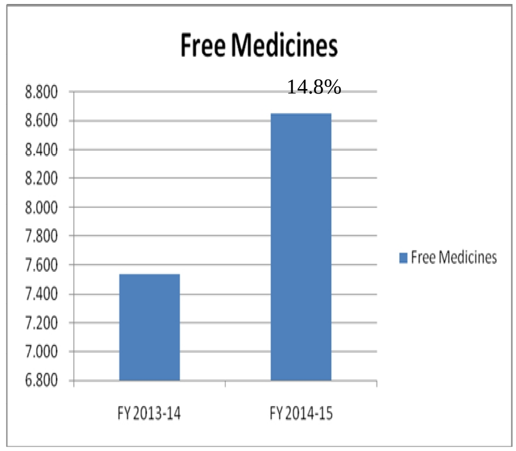
- Pay, allowances and pension have increased by 19.4% in 2014-15 against the last year allocation.
- An increase of 10% in salary and pension.
- Non-salary service delivery expenditure has been enhanced by 16.90% to the tune of Rs.510,964.470 million from the last financial year.
- Teacher Incentives for improved performance enhanced from Rs. 100.000 million to Rs. 150.000 million
- Non-salary budget for schools in 18 districts increased to Rs. 7,000.000 million, while for remaining schools the allocation is Rs. 700.000 million to be spent under the supervision of School Management Committees.
- Allocation for Stipend to Girls Students Rs. 1,500.000 million in 15 low literacy districts

- Allocation of Rs. 3,630.000 million for Free Text Books
- Block Allocation for College Buses Rs. 300.000 million
- Expenditure on account of Public Order and Safety Affairs has been estimated at Rs.113,218.426 million in FY 2014-15 against the budget estimate of Rs.90,842.571 million in FY 2013-14 showing an increase of 20.8% in comparison with the FY 2013-14. The additional allocation has been made primarily to supplement the emergent needs of Law and Order, jails and administration of justice.
- Allocation for Rescue 1122 (Punjab Emergency Service) Rs. 3,180.389 million.
- The allocation for Police has been enhanced from Rs.70,180.353 million to Rs.82,530.390 million. The budget for police is progressively being increased over the last few years. Growth of 12.43% has been given in the allocations for police training. Counter Terrorism Department allocations have been enhanced to Rs.3,913.243 million with a growth of 156%. District police budget has been enhanced to Rs.64,062.356 million from Rs.58,276.960 million with a growth of 9.9%.
- Further a block allocation of Rs. 5,000.000 million has been made for the emergent needs of Law & Order.
- An allocation of Rs. 7,785.000 million has been made for provision of subsidy on public transport and Ramzan package. An allocation of Rs. 22,785.000 million has been made for subsidies and pro-poor initiatives in financial year 2014-15.
- Allocation of Rs. 8,653.405 million has been made in FY 2014-15 for provision of free medicines in public sector hospitals with a growth of 14.6% from last year.
- Allocations for the Health Department have increased from Rs. 44,629.627 million in FY 2013-14 to Rs.53,745.852 million in FY 2014-15 representing an increase of 20.43% over the budget estimates of FY 2013-14.

Figure 2.15
Health Service Delivery Allocations FY 2014-15

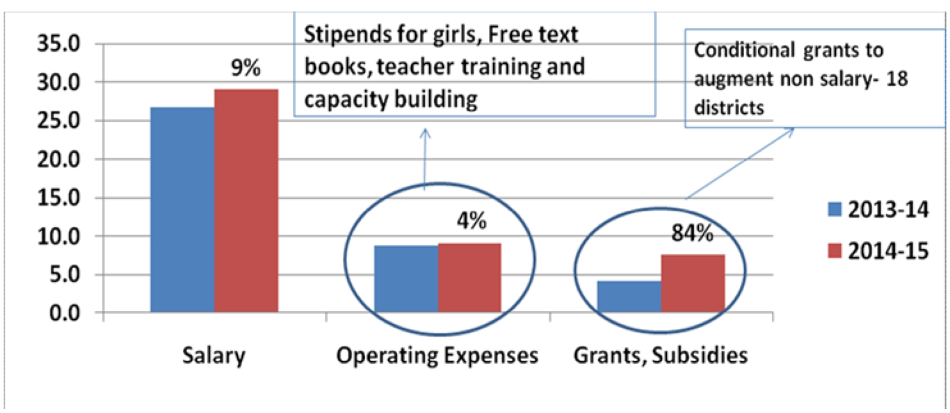


- **Non Salary (Health Operational Allocation) increased from Rs.18.7 B to Rs. 24.9 B – growth of 32.8%**
  - Rs 2,000.000 Million for PMDGs
  - Rs 2,000.000 Million for emergent health needs
  - Free dialysis – increased from Rs 300.000 M to Rs 600.000 M
  - Creation of 3000 new posts of nurses – block of Rs 1,436.000 Million
  - Creation of posts for new facilities / SNEs – Rs 1,000.000 Million



- Expenditure on Education Affairs and Service has been estimated at Rs.46,712.078 million in FY 2014-15 against Budget Estimates of Rs. 40,596.539 million in FY 2013-14 showing increase of 15%. Higher Education Department has been allocated Rs.24,196.256 million in FY 2014-15 as compared to Rs.22,706.811 million in the last year showing the growth of 6.6%. The allocation for libraries and Museum has been enhanced by 54% from last year. Teacher's training allocation has been enhanced to Rs.2,914.134 million in FY 2014-15 from Rs.2,645.455 million in FY 2013-14. The School Education Department's allocations has been enhanced by 29% from last year with the total allocation rising upto Rs.20,280.332 million in FY 2014-15 from Rs.15,699.869 million in FY 2013-14. Literacy & Non-Formal Basic Education Budget has been enhanced by 31% from the last FY 2013-14.

Figure 2.16
Education Affairs Service Delivery Allocations FY 2014-15



- Expenditure on Pension is pitched at Rs.104,000.000 million in FY 2014-15 against the revised estimate of Rs.77,644.000 million in FY 2013-14.
- As a social protection initiative flood control / drainage has been given additional allocation of Rs.2,737.434 million which is 87% higher than the last year.
- Cumulatively Rs.4,468.655 million has been allocated in FY 2014-15 for functional classification of social protection which is 104% higher than the last year.

Chapter 3

PUBLIC ACCOUNT OF THE PROVINCE

3.1 INTRODUCTION

Public Account[1] consists of those moneys for which the Provincial Government has a statutory or other such obligation. These are in the form of trust money for which the Government has a fiduciary responsibility. Public Account consists of series of accounts, each of which is separately governed under specific rules framed for the said purpose. Main elements of the Public Account in the Annual Budget Statement are summarized as follows:

Table 3.1
Public Account of the Province

(Rs. in Million)

RECEIPTS AND DISBURSEMENTS	BE 2013-14	RE 2013-14	BE 2014-15
A:RECEIPTS	**(318,854.299)**	**(367,864.599)**	**(406,695.004)**
Assets	**(561.930)**	**(713.808)**	**(767.808)**
Cash and Bank Balances	-	-	-
Receivable	(561.930)	(713.808)	(767.808)
Other Assets	-	-	-
Deposits and Reserves	**(318,292.369)**	**(367,150.791)**	**(405,927.196)**
Other Liabilities	(255,425.000)	(263,748.222)	(306,379.523)
Control Account	-	-	(34,589.389)
Trust Account Fund	(9,894.500)	(19,114.637)	(19,387.440)
Trust Accounts-others	(18,195.474)	(57,758.602)	(17,698.821)
Special Deposit – Investments	(33,318.346)	(24,606.362)	(25,878.090)
Special Deposit Fund	(1,459.049)	(1,922.968)	(1,993.933)

[1] The Constitution of Pakistan stipulates "118. Provincial Consolidated Fund and Public Account.-(1) All revenues received by the Provincial Government, all loans raised by that Government, and all moneys received by it in repayment of any loan, shall form part of a consolidated fund, to be known as the Provincial Consolidated Fund. (2) All other moneys- (a) received by or on behalf of the Provincial Government; or (b) received by or deposited with the High Court or any other Court established under the authority of the Province; shall be credited to the Public Account of the Province".

RECEIPTS AND DISBURSEMENTS	BE 2013-14	RE 2013-14	BE 2014-15
B: DISBURSEMENTS	**318,854.299**	**367,864.599**	**406,695.004**
Current Assets	**-**	**-**	**-**
Cash and Bank Balances	-	-	-
Receivables	-	-	-
Liability	**318,854.299**	**367,864.599**	**406,695.004**
Current / Other Liabilities *	239,868.200	274,930.555	302,891.287
Control Account	-	-	-
Trust Account Fund	11,921.025	16,157.256	16,921.920
Trust Account Others	53,166.530	58,013.935	60,029.350
Special Deposit – Investments	9,098.544	13,962.853	14,480.042
Special Deposit Fund	4,800.000	4,800.000	12,372.405
Net Public Account (A-B)	**--**	**--**	**--**

* This include the Pension Fund liability

3.2 RECEIPTS

3.2.1 ASSETS

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

3.2.2 DEPOSITS AND RESERVES

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

Deposits and reserves include a large number of items of miscellaneous receipts and expenditure, most of which do not follow any particular pattern. This is especially true of receipts and expenditures pertaining to personal ledger accounts of autonomous and local bodies of the

Provincial Government, which are kept with Government treasuries. This is also applicable to receipts and expenditures pertaining to various suspense accounts. Whether net receipts from suspense accounts will be positive or negative depends entirely on whether misclassification in respect of receipts has been more than in respect of expenditure and vice versa. Therefore, for purposes of budgeting, the net effect of such receipts and expenditure is assumed to be nil as receipts and disbursement of equal size are shown on both sides of the account.

3.3 DISBURSEMENTS

3.3.1 CURRENT ASSETS

Outflows from Assets are included under the category of Current Assets which includes cash, bank balances and receivables.

3.3.2 LIABILITY

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

In FY 2014-15, the Public Account is showing a nil balance. The practice of using Public Account funds for financing budgetary expenditures has been abandoned since 2008-09.

Chapter 4

REVIEW OF DEVELOPMENT PROGRAMME 2013-14

&

ANNUAL DEVELOPMENT PROGRAMME 2014-15

The mandate of any Government is to produce maximum public goods utilizing the resources generated by its revenue collection system. The public goods can either be produced using Government's existing capacity of service delivery or by enhancing its capacity to provide these services. Therefore, each year a key decision for the Government in budget making is to decide the distribution of estimated resources for next financial year between (i) service delivery through existing capacity known as current expenditure of the Government; and (ii) initiatives to enhance Government's capacity to deliver public goods known as development expenditure or Annual Development Programme (ADP). Resources allocated for ADP are divided among different sectors on the basis of their importance in the light of policies of the Government. In this way, ADP is an important instrument to expand provision of service delivery and to accelerate economic growth in the province.

The Development Programme 2014-15 is guided by the Chief Minister and his Cabinet's overarching vision for a secure, economically vibrant, industrialized and knowledge-based Province, which is prosperous and competitive wherein every citizen enjoys high quality life.

Annual Development Programme 2014-15 is anchored in Punjab's Medium Term Inclusive Growth Strategy. It represents the first year of Medium Term Development Framework (MTDF) that supports the growth strategy, a rolling plan providing development estimates for a three years period i.e. base year and the following two years. The main objectives of the Annual Development Programme 2014-15 would be:

- Overcoming energy shortage
- Export oriented industrial cum agricultural growth
- Enhance productivity and competitiveness in the production sector
- Development of human capital and skills
- Equitable regional development
- Institutional reforms and governance
- Encourage public private partnership

- Gender mainstreaming
- Effective security through better law & orders

At the same time, it must be mentioned that, in the first year of MTDF, it would not be possible to include schemes in ADP only on the basis of the economic growth strategy as such an approach would have left a number of ongoing schemes unfunded and wasted a large amount of investment already made on the ongoing schemes. Therefore, some fiscal space has been given to ensure that no wastage of public resources takes place and minimum compromise is made on achieving economic growth objectives of the Province.

The size of Development Programme 2014-15 is pitched at Rs.345 billion which includes Rs.290 billion for regular development programme and Rs.40 billion for other development initiatives and Rs.15 billion for special initiatives. The important features and new initiatives included in ADP 2014-15 are as follows:

- Focus on completion of ongoing schemes — allocation of Rs.155 billion
- Regional balance in allocation of resources with extra weight (36%) for 11 districts of Southern Punjab
- Adequate funding for foreign aided and mega projects
- Continued focus on undertaking projects that can be completed within one / two years to control throw forward
- Allocation of Rs.119 billion for social sectors investments with major focus on education (Rs.48 billion) and health (Rs.31 billion)
- Continued strategic interventions in large cities to realize their potential as engines of growth. Allocation of Rs.40.4 billion for Urban Development Sector including allocation of Rs.10 billion each for Mass Transit System for Rawalpindi and Multan.
- Enhanced allocation of Rs.35.5 billion for Irrigation Sector as compared to Rs.22 billion during 2013-14
- Allocation of Rs.31 billion for investment in the energy sector to overcome power shortages in the Province
- Allocation of Rs.30 billion for Women Empowerment initiatives over and above the combined expenditure as both male & females.
- Allocation of Rs.12 billion for District / TMA Development Programme
- Allocation of Rs.7.96 billion for Agriculture Sector and Rs.5.2 billion for Livestock & Dairy Development Sector
- An allocation of Rs.7.4 billion for Governance & Information Technology.
- Allocation of Rs.7.1 billion for Industries Sector
- Allocation of Rs.6 billion for Skills Development Programme
- Allocation of Rs.5 billion for Provision of Water Filtration Plants for clean drinking water.
- Allocation of Rs.1.3 billion for Integrated Development of Cholistan.
- Allocation of Rs.1 billion for Establishment of Punjab Police Command, Control and Communication Centers

Sector wise allocations of development programme in FY 2014-15 is presented below:

Table 4.1

Sector Wise Comparison of Development Programme 2014-15

(Rs. in billion)

S.No.	Sector	Budget Estimates 2014-15
	Social Sectors	**119,436**
1	Education	**48,310**
	School Education	28,100
	Higher Education	14,050
	Special Education	800
	Literacy & NFBE	2,400
	Sports & Youth Affairs	2,960
2	Health & Family Planning	31,070
3	Water Supply & Sanitation	17,118
4	Social Protection	1,800
5	Regional Planning	7,150
	PVTC, TEVTA	3,000
6	LG&CD	3,488
7	District Development Packages	7,500
	Infrastructure Development	**148,532**
8	Roads	31,560
9	Irrigation	35,572
10	Energy	31,000
11	Public Buildings	8,000
12	Urban Development	42,400
	Production Sectors	**26,320**
13	Agriculture	7,960
14	Cooperatives	100
15	Forestry	980
16	Wildlife	1,000
17	Fisheries	580
18	Food	940
19	Livestock	5,200
20	Industries, Commerce & Investment	7,110
21	Mines & Minerals	1,460
22	Tourism	990

S.No.	Sector	Budget Estimates 2014-15
	Services	**9,493**
23	Governance & IT	7,393
24	Labour & HR Development	541
25	Transport	109
26	Emergency Service	1,450
	Others	**8,209**
27	Environment	190
28	Information & Culture	607
29	Archaeology	380
30	Auqaf & Religious Affairs	100
31	Human Rights & Minority Affairs	320
32	Planning & Development	6,612
	Special Initiatives / Programme	**33,010**
33	Special Initiatives / Programme	6,010
34	District/TMA Development Programme	12,000
35	Special Initiatives	15,000
	Grand Total Development	**345,000**

Note: Other Development Expenditures/ initiatives have also been included in the relevant sector

In the following paragraphs, performance of ADP for fiscal year ending 30th June 2014 have been discussed along with the proposed allocations for ADP for FY 2014-15. The size of the provincial ADP was originally fixed at Rs.290 billion. Although resource availability for funding the development budget improved during 2013-14 however, it fell short of projections made at the time of formulation of budget estimates for FY 2013-14 leading to downward revision of Development Program to the extent of Rs.224 billion.

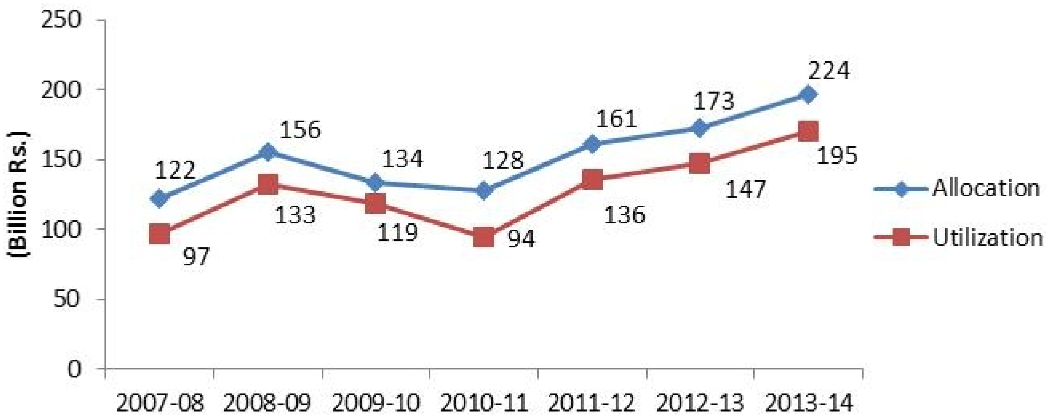
For execution of development schemes, funds were released in four quarterly installments during FY 2013-14. As per utilization status of development program during 11 months of FY 2013-14, an expenditure of Rs.162 billion has been reported against a release of Rs.208 billion till end May, 2014. Based on this utilization trend, it is expected that by the end of 2013-14 utilization will be approximately Rs.195 billion indicating a significant improvement in the overall development expenditure.

The historical trend of the last seven years revised ADP allocation and utilization is given in the following graph:

Figure 4.1

Trend of ADP Allocation (Revised) and Utilization

2007-08 to 2013-14

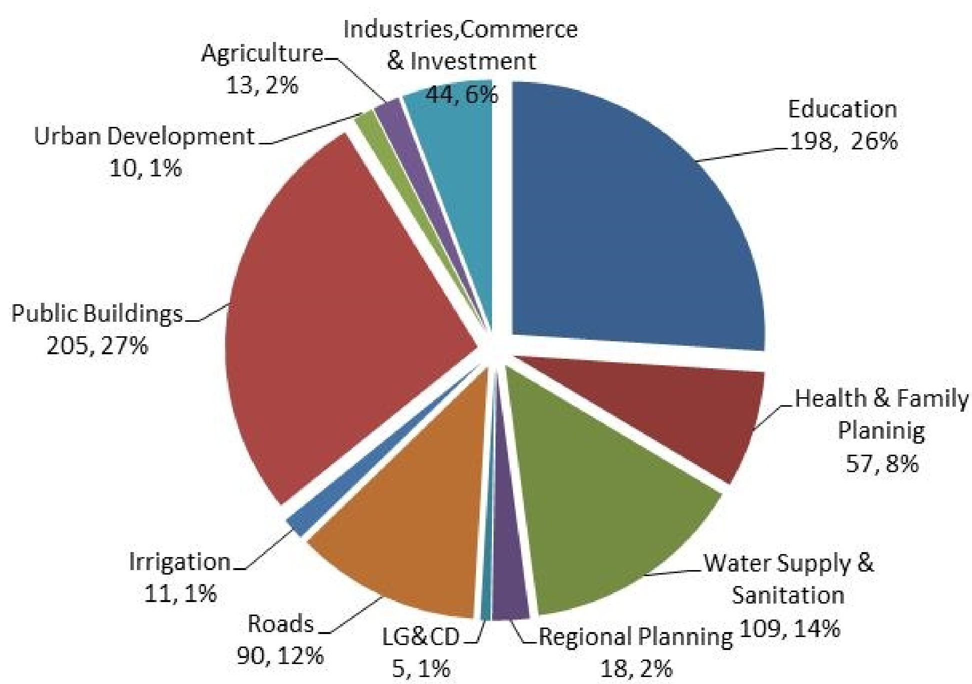


During the year 2013-14, a total of 3584 schemes were implemented which include 1179 ongoing and 2405 new schemes during the year. Out of these 3584 schemes, 760 schemes were completed during the year which represent almost 21% completion rate. Amongst the completed schemes 634 were ongoing schemes from the previous years.

Sector-wise breakup of 760 completed schemes is depicted in the following pie-chart:

Figure 4.2

Schemes Completed during 2013-14

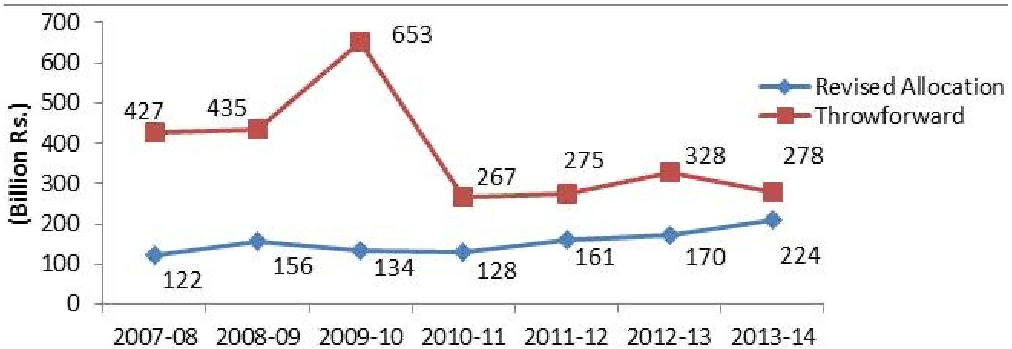


Like the previous year, concrete efforts were made to minimize the throwforward of ongoing ADP Schemes by weeding out unfeasible and slow moving schemes. Full funds were provided to schemes with the completion target during FY 2013-14, particularly during the last quarter. Provision of token allocation for new schemes has been discouraged. These interventions have helped clean up current ADP portfolio and curtail the throwforward. However, due to initiation of new projects under District Development Package / SPDP and funding of new schemes through supplementary grants, throwforward is expected to increase from Rs.278 billion in 2013-14 to Rs.366 billion in 2014-15. Still the throwforward to development budget ratio will decrease in FY 2014-15 compared to FY 2013-14.

The historical trend of revised core allocation and throwforward during the last 7 years is given in the following graph:

Figure 4.3

Trend of ADP Allocation (Revised) and Throwforward 2007-08 to 2013-14



During the year, a special effort has been made to remove regional disparities by providing equal opportunities of growth to less developed areas of Punjab including Southern Punjab, Cholistan and the Barani areas. This includes enhanced flow of development resources and sustainability of development momentum in the less privileged areas, creation of job opportunities and mitigation of poverty of low income groups. The strategy includes increasing the overall development allocation of 11 Districts of Southern Punjab from Rs.25.7 billion in 2008-09 to Rs.93 billion in 2013-14 and launching of new south focused special development programs. During 2013-14, a three year development programme has been initiated for uplift of Southern Punjab. Under this programme 91 projects costing about Rs.19.0 billion have been started to improve socio-economic conditions of these districts. These schemes pertain to Road, Health, Water Supply & Sanitation, Education, Technical Education, Emergency and Irrigation sectors. Another programme "Punjab Economic Opportunities Programme (PEOP)" funded jointly by Government of Punjab & United Kingdom's Department for International Development (DFID) was initiated in the districts of Bahawalnagar, Bahawalpur, Lodhran and Muzaffargarh during 2010-11. Under this programme, 54,057 youth including 21,123 female trainees have been provided training in various skills. This training has been provided by engaging private / public training providers including technical training institutions and NGOs through a transparent process. This initiative has not only been instrumental in creating employment opportunities for poorest segments of the project area but has also helped in developing the capacity and interest of private sector training providers in Southern Punjab in particular and rest of the province in general. In addition, focus of skill development strategy on funding of trainees marks a departure from the traditional approach of investing in brick and mortar adopted by the public sector in the past.

International Fund for Agriculture Development (IFAD) has joined the efforts of Government of the Punjab for maintaining regional balance and poverty alleviation by launching a new project "Southern Punjab Poverty Alleviation Project" in the districts of Bahawalnagar, Bahawalpur, Muzaffargarh and Rajanpur. The programme having a total outlay of Rs.4.1 billion will provide support to 80,000 poorest of the poor families through asset creation, vocational training, community projects and productivity enhancement in Agriculture and Livestock sectors. All these interventions have been / will be helpful in removing regional disparities and increasing employment / income generation opportunities for the poorest segments of the Punjab's population.

SECTORAL ANALYSIS OF DEVELOPMENT PROGRAMME 2013-14

SOCIAL SECTORS

Issues of social sectors have been effectively addressed in 2013-14 through a comprehensive approach including sustained financial allocations, institutional strengthening and policy measures.

Education

Priorities of education sector include 100% enrolments and retention at elementary education level, gender parity, reduction of regional disparities, child friendly environment coupled with provision of quality education. Policy is geared towards ensuring achievement of Millennium Development Goals. In School Education Sector, following achievements were made during 2013-14:

- 15,239 schemes of Missing Facilities (Boundary wall, Drinking Water, Furniture, Electricity, Toilet Block) completed in all Girls schools in Punjab and all boys schools in 11 Districts of Southern Punjab.
- 50 Girls Middle Schools were upgraded to High Level.
- 931 High/Higher Secondary Schools were converted into Model Schools having enrolment above 1000 from Class VI to Class X.
- 50 dangerous school buildings and 500 flood affected school buildings were reconstructed and rehabilitated.
- Merit scholarships amounting to Rs.99.900 million were provided to the talented students.

Punjab Education Foundation has also achieved following milestones:

- 200,000 vouchers have been provided through Education Voucher Scheme (EVS) to households in the urban slums for the children in the age cohorts of 4-17 years.
- Under New School Program (NSP), 417 schools are running in 36 districts of Punjab with an enrollment of 70,000.
- 2,129 Foundation Assisted Schools are running in 36 districts of Punjab and 1.3 million students are getting free education.

In School Education Sector, following major targets are fixed for FY 2014-15:

- Provision of Missing Facilities (Boundary wall, Drinking Water, Furniture, Electricity, toilet block & additional class rooms) in 15,000 schools in Punjab.
- Up-Gradation of 100 Primary Schools and 100 Elementary Schools to next level.
- Provision of IT Labs in 990 Secondary Schools having highest enrollment.
- Provision of IT Labs in 500 Elementary Schools.
- Establishment of New Primary Schools.
- Provision of Additional Classrooms in 1250 Schools having Highest Enrollment in Punjab.
- Reconstruction of Dangerous Buildings of Schools.
- Reconstruction of Flood Affected Schools in 13 Districts of flood affected areas in Punjab.
- Conversion of existing IT Labs on Solar Energy in 1200 High / Higher Secondary Schools of Punjab.
- Provision of Furniture in High Schools having Highest Enrolment.

In Higher Education Sector, following achievements were made during 2013-14:

- Establishment of 18 new Colleges in Punjab.
- Provision of missing facilities to 22 colleges of the Punjab.
- Completion of 07 projects of Commerce Colleges.
- Establishment of I.T University Punjab, Lahore.
- Provision of 100,000 Laptops to students free of cost purely on merit.

Major targets fixed in Higher Education Sector for FY 2014-15 are as under:

- Establishment of 136 new Colleges.
- Provision of Missing Facilities in 58 Colleges.
- Up Gradation of 10 Colleges.
- Establishment of Home Economics Colleges at 3 Divisional Headquarters (Faisalabad, Bahawalpur, D.G. Khan).
- Provision of 100,000 Laptops to students free of cost purely on merit.

- Establishment of Khawaja Farid University of Engineering and Information Technology (UEIT) R.Y. Khan.
- Establishment of new Universities at Sahiwal and Okara.

In Special Education Sector, following achievements were made during 2013-14:

- Construction of Building of Special Education centers at Shakargarh, Muridkey, Sharaqpur Sharif, Samundri, Dunyapur & Pattoki.
- Provision of Solar Energy Solution to Special Education Offices of District Education Officer in Punjab.
- Provision of Generators to the Institutions of Special Education in Punjab.
- Construction of Building of Govt. Degree College of Special Education at Bahawalpur.
- Capacity Building of Directorate of Special Education, Punjab Lahore.
- Computerized Braille Printing Press, Lahore & Training college for the teachers of Deaf Gulberg II Lahore.

Major targets fixed in Special Education Sector for FY 2014-15 are as under:

- Establishment of Govt. Institute for Slow Learners at Chiniot.
- Construction of Building of Slow Learners at Vehari & Bahawalpur.
- Establishment of Special Education Centres at Raiwind, Bhera, Vehari & Muzaffargarh.
- Construction of Building for Special Education Centre at Dunyapur, Samundri, Pattoki, Saddar, Burewala.
- Up-gradation of Govt. Special Education School for Hearing Impaired at D.G. Khan and Mianwali from Secondary to Higher Secondary level.
- Up- gradation of Govt. Special Education School for Hearing Impaired, Gujrat from Middle to Secondary level.
- Establishment of Disabled Friendly Enclave in the existing park at Sargodha, Faisalabad, Rawalpindi, D.G.Khan, Multan, Bahawalpur, Gujranwala & Sahiwal.

Literacy Sector

Focus of Literacy Department is eradication of illiteracy through non-formal means in adults and children of most vulnerable and neglected groups of society, providing them with another chance to benefit from educational learning and knowledge dissemination and play their role in socio-economic development of the Country.

In Literacy Sector, following achievements were made during 2013-14:

Campaign for Enhancement of literacy Project in four districts (Khushab, Khanewal, D.G.Khan and M.B.Din) was completed in 2013-14. During project period 630 Non Formal Education Schools were established and total of 22,988 learners were enrolled .

Major targets fixed in Literacy Sector for year 2014-15 are as under:-

- Establishment of 5440 NFBE Schools in 32 Districts for 190400 learners.
- Establishment of 667 Functional Literacy Centers in selected 36 Tehsils for more than 1 million adult illiterates.
- Establishment of 1000 NFBES in 11 Southern Districts with low literacy rate for 30,000 learners.
- Establishment of 12500 centers in collaboration with NGOs, CBOs, CSOs and un-employed youth, for 250,000 learners.
- Crash Literacy program for youth, women and rural adults for attainment of MDGs targets.

In Sports Sector, following achievements were made during 2013-14:

- Completion of Gymnasiums in District Sahiwal and Muzafargarh
- Renovation / Up-gradation of National Hockey Stadium, Lahore.
- Renovation / Up-gradation of Punjab Stadium, Lahore.
- Laying of synthetic Hockey Turf (Blue) at National Hockey Stadium, Lahore.
- Holding of International level Sports and Youth Festivals.

Major targets fixed in Sports Sector for year 2014-15 are as under:-

- Construction of 39 Gymnasiums in Punjab.
- Construction of 5 Stadiums in Punjab (Lahore, Rahim yar Khan, Muridke, Kasur, Sialkot).
- Construction of Tennis Stadium in Lahore.
- Construction of International Swimming Pool in Lahore
- Development of 13 Sports grounds at Tehsil & District level.
- Construction of Multipurpose Sports Gymnasium at Nishtar Park Sports Complex, Lahore.
- Up-gradation of 15 Sports Grounds at Tehsil & District level.
- Laying of Synthetic Astroturf at Gojra & Rawalpindi.

Health and Family Planning

Health Sector development programme has been focused on improvement and upgradation of primary, secondary and tertiary health care and expansion of medical education in the public sector. Efforts have been made for optimal utilization of the existing health facilities by providing essential missing facilities.

During 2013-14, total development outlay for Health Sector was Rs.17.0 billion. Four new medical colleges at Gujranwala, Sialkot, Sahiwal and D.G. Khan established in 2011-12 have been operationalized in 2013-14. Funds amounting to Rs.1.5 billion were provided in ADP 2013-14 for developing infrastructure and labs in accordance with PMDC standards. Mega projects like Purchase of Equipment for 400-Bedded Civil Hospital Affiliated with QAMC Bahawalpur (Rs.1.1 billion), Establishment of Kidney Transplantation / Dialysis Unit, BV Hospital Bahawalpur (Rs.0.59 billion), Provision of Lacking Facilities in Multan Institute of Cardiology, Multan (Rs.0.57 billion) and Nursing Health Care in Punjab in partnership with Fatima Memorial Hospital Lahore (Rs.3.2 billion) have been completed. Furthermore additional facilities have been provided in eighteen existing hospitals besides establishment of one new THQ Hospital. One RHC was upgraded to THQ hospital during the year.

Considering the success of Chief Minister's Health Initiative for attainment of MDGs efforts were made for provision of 24/7 Emergency Obstetrics & Newborn Care (EmONC) services at selected RHCs of flood affected areas in Bhakkar, Mianwali, R.Y. Khan, Layyah, D.G. Khan, Muzaffargarh and Rajanpur. Government of the Punjab has decided to replicate the model throughout the province in a phased manner starting from 2013-14. During 2013-14, 16 districts having poor health indicators were selected for implementation of EmONC services which will be extended in remaining districts of the province during 2014-16.

Government of the Punjab has also made efforts to reduce the prevalence of malnutrition among children, pregnant and lactating women. The preventive nutrition interventions are being proposed in 2014-15 for all 36 districts. The problem of acute malnutrition is being addressed by providing iron-folic acid tablets, zinc sulphate supplements, fortification of salt iodization, distribution of Multi micro-nutrient powder sachet and vitamin supplements for 12 priority districts and urban peripheries of 9 large districts of Punjab during 2014-15. Subsequently, phased extension is being proposed in the remaining districts of the province.

Government of the Punjab has taken initiative to establish state of the art hospitals like Pakistan Kidney and Liver Institute and Cancer Hospital at Lahore during 2014-15. Moreover, Purchase of Mobile Health Units is also being proposed in 2014-15 to provide health care facilities in far flung areas of Punjab.

In order to ensure quality of health care delivery in public and private sector, Punjab Health Care Commission has been established. Detailed technical spadework has been completed with technical assistance from DFID. Minimum service delivery standards for Tertiary Care Hospitals, licensing protocols and governance mechanism have been developed. Health Care Commission has hired its management team for starting the actual work of licensing and regulating public and private health facilities in the province. Health sector strategy developed through a consultative process has been approved by the Chief Minister. The strategy addresses all major issues in health sector and suggests solutions. Reorientation of primary health care will be focused under this strategy. World Bank & DFID have expressed interest to provide support in implementation of strategy through Punjab Health Sector Reform Programme. An agreement has been signed by Government of the Punjab with DFID whereby DFID has agreed to provide a grant

£90.000 million for improving health and nutrition facilities. Negotiations have also been concluded with World Bank for a soft loan of $100 million for the implementation of the Health Sector Reforms Programme. Schemes titled Population welfare program with an allocation of Rs.500.000 million, PMDGP / PHSRP WB, DFID Sponsored with an allocation of Rs.2,000 million and Health Insurance Card in four Pilot Districts with an allocation of Rs.4,000 million were included in the development programme 2013-14.

<u>Water Supply & Sanitation</u>

Government of Punjab has undertaken a number of initiatives to accelerate the provision of safe drinking water and to improve sanitation facilities for the entire population of the province recognizing the fundamental human need and basic human right. Southern Punjab has been specially focused for provision of clean water and sanitation facilities to improve the condition and quality of life of general public particularly in rural areas. Government of Punjab is also committed to the Millennium Development Goals (MDGs) to extend access to improved water and basic sanitation.

Sanitation

To accomplish the cherished goal of a clean Punjab, the sanitation component is being sharply focused. 'Pakistan Approach to Total Sanitation (PATS)' would be given priority through initiatives to eradicate the menace of Open Defecation which in turn would be a great step in the preventive health care programme. A sustained programme to address this problem would enable Punjab to achieve the objective of Open Defecation free Province. In addition to these steps, new initiatives regarding elimination of ponds from major villages and solid waste management in rural areas would be implemented through LG&CD Department to improve the sanitation indicators.

To achieve these targets, substantial resources are being provided to the sector by allocating Rs.17,118 million for the financial year 2014-15 as compared to the allocation of Rs.10,868 million in 2013-14.

In financial year 2013-14, 274 schemes were implemented which included 145 on-going schemes and 129 new schemes. Out of these 274 schemes, 132 were completed which represent almost 48% completion.

Annual Development Programme 2014-15 for water supply & sanitation has been formulated with an effort to minimize throw forward of on-going schemes by allocating maximum resources to the on-going schemes. Rs.11,590 million have been allocated to the ongoing schemes which is 68% of total size.

Main objectives of Annual Development Programme 2014-15 are:-

- Ensuring water quality through provision of water filtration plants.

- Rehabilitation of dysfunctional schemes in brackish and barani areas.
- Ensuring priority in resource distribution for sanitation sector.
- Ensuring community participation in identification and execution of rural water supply and sanitation projects for sustainability.
- Ensuring regional equity in the development portfolio.
- Improving sanitation and environmental sustainability
- Quality assurance through third party validation.

Social Protection

During FY 2013-14, an allocation of Rs.1302 million was allocated to this sector. During 2013-14, Social welfare Department established children home at Faisalabad for rehabilitation of destitute and neglected children with the purpose to make them productive citizens of society. In order to provide facility to the old people, a separate building for old age home at Lahore has been established. The residents of this institute are provided free shelter, food, treatment and recreational facilities. In the next financial year 2014-15, Rs.900 million has been allocated to the Social Protection Sector. District Industrial Home would be established in the newly established districts of Chiniot & Nankana Sahib. For socio economic empowerment of native women, the Government of Punjab would establish Mini Sanatzars at Rajanpur, Sargodha and Sheikhupura. Qasar-e-Behbood would be established at Faisalabad and Muzaffargarh which will not only provide quality training in different demand driven skills but would also arrange work orders for women passing out from these centers.

In order to impart training in marketable skills to the poorest of the poor (Mustehqeen-e-zakat), PVTC has established 175 VTIs throughout Punjab and producing approximately 50,000 trainees per annum and catering the needs of technical manpower required both in public & private sectors. In the next financial year 2014-15, Rs.1,000 million would be provided to PVTC to enhance their training capacity from existing 53,400 to 58,400 trainees.

The Women Development Department has established working women hostels in various districts of Punjab to cater the need of residence for working women. The objective behind the establishment of these hostels is to facilitate the working women so that they may perform their duties diligently and efficiently. Under the Punjab Women Empowerment Package 2014, two new schemes have been included. First, the voucher scheme for working women for hostel services has been included in 2014-15 to provide affordable accommodations to low income salaried working women. The second scheme relates to initiative for support to working women in the field of skill development, women entrepreneurship, rozgar bank, etc. Toll free women's helpline to provide information about laws relating to women inheritance rights, violence against women, employment, policies, mechanisms and services to both women and men would be started. The Department is also establishing Day Care Centers in collaboration with NGOs, NPOs in different districts of Punjab to facilitate the working women to make their workplaces women friendly.

Regional Planning

The process of development in Punjab has been somewhat skewed in its impact across the regions. Less developed regions of Punjab comprising barani tracts, sandy deserts of Cholistan, Tribal areas of D.G. Khan and Rajanpur and 11 districts of Southern Punjab have not kept pace with the rest of the province in terms of development and economic progress. With scanty rainfall, these ecological zones face the challenges of acute shortage of water, mostly small land holdings and primitive agriculture techniques. Government assigns high priority to the removal of regional disparities in the Province. This objective is being achieved through direct investment in less developed areas to enhance rural household incomes and employment opportunities, improving infrastructure and providing financial support to enhance production and skill development of the target groups through participatory approach.

DFID assisted "Punjab Economic Opportunities Programme (PEOP) initiated in 2010-11in districts of Bahawalpur, Bahawalnagar, Lodhran and Muzaffargarh has now been extended to 10 more districts i.e. Lahore, Sheikhupura, Faisalabad, Chiniot, Sargodha, Gujranwala, Narowal, Vehari, Khenewal and R.Y. Khan. Under this programme, 54,057 youth including 21,123 female trainees have been provided skills training. International Fund for Agriculture Development (IFAD) has joined the efforts of Government of the Punjab for maintaining the regional balance and poverty alleviation by launching a project "Southern Punjab Poverty Alleviation Project" (SPPAP) in 2011-12 in the districts of Bahawalpur, Bahawalnagar, Rajanpur and Muzaffargarh having a total cost of Rs.4,126 million. During the current FY around 10,000 families have been provided assets creation package in the shape of provision of Livestock animals, land to landless widows and clean drinking facilities to masses. In the next financial year 40,000 beneficiaries will be provided support to enhance their incomes.

Integrated Cholistan Development Programme at the cost of Rs.2,348 million will create a visible impact and improvement in the living quality of people of Cholistan. The package includes construction and rehabilitation of roads & water supply schemes and desiltation of Tobas in Cholistan. Keeping these facts in view, the sector has been provided with an allocation of Rs.7,150 million during 2014-15.

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

- Removal of regional imbalances.
- Multi-sectoral integrated development programmes.
- Targeted poverty alleviation schemes for less developed areas.
- DFID assisted Punjab Economic Opportunities Programme (PEOP) for Skills Development intervention
- Tribal Area Development project for physical Infrastructure development, Community Development and Social Infrastructure.
- IFAD assisted Southern Punjab Poverty Alleviation Project (SPPAP).
- Provision of physical and social infrastructure in Cholistan under Cholistan Development Authority.

- Integrated Development of Cholistan through desiltation of Tobas, construction and rehabilitation of roads and water supply schemes in Cholistan.
- Water Resource Development (through Construction of 400 Mini Dams along with Command Area Development) of Potohar Region, Barani Areas of Punjab.
- Rain water harvesting project in all villages in Potohar Area by ABAD through command area development, catchment treatment works (soil conservation works, afforestation / plantation of forest tress), and solar energy irrigation system.
- Promotion of alternate energy for command area development of 173 Mini Dams in Potohar Region.
- City internal roads Jampur, District Rajanpur.

Planning & Development (P&D) Sector

The mandate of Planning & Development Sector includes provision of technical support and coordination to various Government Departments to devise strategies for employment generation and sustainable development for improving the living standards of rural & urban population of the Punjab.

The Government of the Punjab is committed to build capacity of civil service to improve operational efficiency of the provincial departments. Well-equipped workforce and efficient service delivery can only be ensured through timely and quality trainings for which government has devised certain programmes which will help to enhance the capacity of the civil servants.

In order to achieve the objective of strengthening of social services and reducing poverty and income inequality, Government. of the Punjab has allocated Rs.6,612 million for P&D sector for the current FY 2014-15.

Major Initiatives

- Punjab Public Management Program (PPMRP) to improve transparency and access to information about specific services, strengthening performance monitoring systems and feedback loops and strengthening resource management systems.
- Public Private Partnership Cell.
- Project Development Fund for PPP Projects
- 4th Multiple Indicators Cluster Survey (MICS).
- Capacity Building of civil servants in collaboration with Lahore University of Management Sciences (LUMS) to accelerate the performance, delivery mechanism and efficiency
- Capacity building of P&D Department for improved policy planning and monitoring development process in Punjab (Phase-II).

- Capacity building of Directorate General of M&E for improved project planning, monitoring and evaluation of development projects in Punjab.
- E-procurement interventions for PPRA under PPMRP
- Strengthening of IT infrastructure and development of online databases for BOS.
- Research and Development to boost the research related activities in the province.

LG&CD

Local level development and provision of civic services in urban and rural areas is the function of District Governments, Tehsil Administrations and Union Councils. The provincial level development programme of LG&CD is primarily aimed at plugging the financial and physical gaps, providing province wise interventions and building the capacity of local governments to perform their devolved task more efficiently. Rs.3,488 million has been allocated for LG&CD for the financial year 2014-15. During 2013-14, the following major initiatives were undertaken and focus on these priority areas would be continued:

i. Six Solid Waste Management Companies were established during the year 2013-14 in six cities (Gujranwala, Sialkot, Faisalabad, Rawalpindi, Multan and Bahawalpur.

ii. Three Solid Waste Management Models for rural areas have also been launched in i.e. Bahawalpur, Lodhran, Chiniot Districts as pilot projects

iii. Umbrella project for “Elimination of Ponds from Major Villages of Punjab to improve Sanitation / Eradication of Vector Diseases through Bio-Remediation (Phase-II)” launched. It would significantly contribute towards improved rural sanitation. Seventy eight ponds in twenty eight districts have been selected to be drained out for controlling the spread of water borne diseases

iv. A programme for establishment of cattle markets in nine cities in a phased manner has also been initiated in Punjab. Under this programme, projects for two cities (Sheikhupura and Faisalabad) have already been launched. Remaining seven schemes would be undertaken during the year 2014-15.

v. Another mega initiative for improvement of graveyards has been launched in Punjab. During the financial year 2013-14, 704 schemes for provision of requisite infrastructure / facilities (boundary wall, storm water drainage facility, uncovered concrete platform, lighting arrangements and shades / roof for funeral prayers) were undertaken during 2013-14. During the year 2014-15, another 80 graveyards would be improved.

vi. Projects for parks development and landscaping and horticulture would also be implemented in secondary/small cities

vii. Moreover the projects for municipal services in Punjab and replication of pilot project for preservation of cultural heritage in Lahore would also be undertaken.

Roads

Roads are the predominant mode of transportation in the country commuting more than 90% of the passengers and freight traffic with an average yearly growth rate of 4.5% and 10.5 % respectively. Strategies for road sector development in the province have been focusing on consolidation and maintenance of the existing assets which include a vast network of provincial highways, inter-district roads, and the communication links comprising rural access and farm-to-market roads. In addition to above, the province's road sector development portfolio also includes major urban and intra-city road projects.

Road sector's total revised outlay for the year 2013-14 was Rs. 33.837 billion, registering an increase of about 20% compared to the sector's revised allocation over the previous year. During FY 2013-14 the sector achieved completion of 103 Schemes. Major schemes completed during FY 2013-14 are listed as follows:

- W/I of road from Bhawalpur Bypass to Chungi No 9 Multan with a cost of Rs.4,505 million.
- Construction of Fly over on G. T Road In Gujranwala with a cost of Rs.3,920 million.
- Improvement / Rehabilitation of existing Multan road, Lahore from Thokar Niaz Baig to Chauburji (Land Acquisition & Shifting of Utilities) with a cost of Rs.3,578 million.
- Dualization of Gujranwala Sialkot Road Section Gujranwala to Daska with a cost of Rs.2,082 million.
- Construction of Flyover at Peshwar Road near Pirwadai, Rawalpindi With a cost of Rs.1,447 million.
- Construction of Underpass at Abdullahpur Faisalabad with a cost of Rs.1,231 million.
- Construction of Phalia-Bherowal-Waryam-Sialmore-Ahmed Nagar road with a cost of Rs.1,201 million.
- W/I of Sialkot Eimanabad road with a cost of Rs.1,038 million.
- Improvement and renovation of existing Multan Road in Lahore city from Scheme More to Chuburji with a cost of Rs.993 million.
- Dualization and Improvement of Rawat to Kallar Syedan Road, Distt. Rawalpindi With a cost of Rs.916 million.
- Dualization of Eastern Side Bypass Gujranwala with a cost of Rs.913 million.
- W/I of T.H.A.T Pail Road Section Dhoke Pathan to Talagang including Talagang Byepass with a cost of Rs.810 million.
- Widening / Improvement of road from Hafizabad (Jinnah Chowk) to Pindi Bhattian Interchange with a cost of Rs.755 million.
- W/I of Layyah - Garh Maharaja Road with a cost of Rs.714 million.
- Dualization of Arifwala to Bahawalnagar Road with a cost of Rs.649 million.
- Raising / Improvement of Lahore Sheikhupura Sargodha Road with a cost of Rs.620 million.

- W/I of road between Sharqpur and Sheikhupura i/c connecting bridge from Jaranwala road with a cost of Rs.575 million.

During FY 2014-15, an amount of Rs.31.560 billion is being allocated for the Road Sector. Indicated outlay as above includes allocation of Rs.11,531 million for the southern Punjab while an amount of Rs.2,100 million is allocated for improvement and up-gradation of the Farm to Market Roads network in the province.

During FY 2014-15, the road sector aims at completion of 337 schemes including following major schemes:

- Rehabilitation of Gujranwala-Hafizabad Road with a cost of Rs.1,940 million.
- Widening / Improvement (dualization) of Sahiwal - Pakpattan Road with a cost of Rs.1,419 million.
- Widening / Improvement of Pattoki to Kanganpur Road, with a cost of Rs.974 million.
- Widening / Improvement of Sheikhupura Sargodha road with a cost of Rs.991 million.
- Widening / Improvement of road from Faisalabad By-Pass road to Mari Pattan, Faisalabad with a cost of Rs.900 million.
- Rehabilitation /Improvement of Sundar-Raiwind road with a cost of Rs.696 million.
- Rehabilitation /Improvement of Manga-Raiwind road with a cost of Rs.670 million.
- Widening / Improvement of Rangpur - Chowk Munda - Daira Din Pannah to Taunsa More, MuzaffarGarh with the cost of Rs.638 million.
- Construction of road on Empress Bund Bahawalpur with a cost of Rs.590 million.
- Lahore Ring Road: Construction of underpass at Karol Ghati with a cost of Rs.505 Million.

Major new initiatives being taken in the roads sector up during FY 2014-15 are as follows:

- Construction of Bridge over River Indus Near Miran Pur R.Y.Khan with a cost of Rs.4,000 Million.
- Construction of Flyover on G.T Road at Aziz Road Cross Gujranwala with a cost of Rs.4000 Million.
- Widening / Improvement of Sargodha-Bannu Road (Phase-II Kot Chandna to Daratang) with a cost of Rs.2,000 Million.
- W/I of road from Yazman to Ahmedpur East Bahawalpur with a cost of Rs.1,500 Million.
- Construction of Approach Road to Icha Bangla, R.Y.Khan with a cost of Rs.1,500 Million.
- Construction of dual carriage way from Burewala to Chichawatni road, Vehari with a cost of Rs.1,164 Million.

- W/I Construction of road from Laksian Pull at Km 130 of Lahore Sargodha Road to Lilanai with a cost of Rs.978 Million.
- Widening/ Improvement of Chiniot - Faisalabad Road, District Faisalabad with a cost of Rs.950 Million.
- Construction of Over-head Bridge on the railway lines between Jhanian Road to Police station sadder and Abdulghafoor road at Khanewal city with a cost of Rs.800 Million.

Irrigation

One of the key policy goals of ADP 2013-14 has been rehabilitation and modernization of province's irrigation network including barrages, canals and secondary irrigation channel. This has been a fundamental investment priority of the provincial government not only to address issue of water scarcity but also to mitigate potential threat to structural stability of century old water conveyance network. This is a serious concern emanating from the expected increase in frequency of super floods coupled with inter seasonal fluctuation of surface flows in the coming years due to climate change. A total of 62 schemes, 47 ongoing schemes and 15 new schemes, were included in the irrigation sector during 2013-14 covered wide-ranging water conservation, drainage and flood management, interventions along with programs envisaging irrigation system rehabilitation and development, and institutional reforms. Overall funding allocation in ADP 2013-14 has been Rs.23.000 billion.

Some of the significant development milestones in the irrigation sector during the financial year are:

- Launching of the mega barrages rehabilitation &modernization projects at Jinnah over river Indus at a cost of Rs.12.7 billion, at Khanki over river Chenab at a cost of Rs.23.4 billion, at Balloki over river Ravi at a cost of Rs.2.4 billion, at Sulemanki over river Sutlej at a cost of Rs.3.0 billion, at Trimmu on Cherah at a cost of Rs.12.1 billion and Punjnad on Cherah at a cost of Rs.6.000 billion.
- 90% completion of Lower Chenab Canal (Part – B) feeding vast canal command area of 1.67 million acre;
- Accelerated implementation of the Lower Bari Doab Canal Improvement Project (LBDCIP) and Punjab Irrigation System Improvement (PISIP) projects entailing extensive irrigation canals and secondary channels remodeling projects to address irrigation water demand in 25% of province's overall irrigated command area.
- Province-wide selective lining of distributaries and minors in number of canal commands in saline ground water and high seepage zones.
- Development of Nine (9) small dams serving for irrigation supplies to over 25,400 acre of rain-fed (barani) farmlands in Pothohar;
- 100% completion of flood dispersion and management structures to harness and channelize hill torrents in D.G. Khan and Rajanpur districts to avoid flood devastation in vast areas in southern Punjab.

Keeping in view the importance of Irrigation Sector, a considerable allocation of Rs.35,572 million has been provided in the Annual Development Programme 2014-15 to this Sector. Major initiatives included in the ADP 2014-15 are as follows:

- Lower Bari Doab Canal Improvement Project (PC-I) (Estimated cost of Rs.29,832 million)
- New Khanki Barrage Construction Project (Estimated cost of Rs.23,442 million)
- Rehabilitation and upgradation of Trimmu Barrage, Punjnad Head Works (Estimated cost of Rs.18,185 million)
- Punjab Barrages Improvement Phase-II Project (PBIP-II) -Jinnah Barrage (Estimated cost Rs. 12,678 million)
- Rehabilitation of LCC System Part-B (Estimated cost Rs.12,453 million)
- Punjab Irrigation System Improvement Project (Estimated cost Rs. 11,534 million)
- Construction of Small Dams in Potohar area (Estimated cost of Rs.11,900 million)
- Pakpatan canal and sulemanki Barrage Improvement Project (PCSBIP) (Estimated cost of Rs.7,829 million)
- Management of Hill Torrent in D.G khan and Rajanpur District (Estimated cost of Rs.8,205 million)
- Remodeling of SMB Link Canal and Enhancing Capacity of Mailsi Syphon (Estimated cost Rs.2,571 million)
- Construction of flood embankments and protection works along left and right bank of river Indus for Miranpur bridge (Estimated cost of Rs.1,500 million)
- Remodeling and Extension of Tayyab Drain District and Tehsil Rajanpur (Estimated cost of Rs.915 million)
- Protection of Bhakhar Flood Bund from erosive action in between RD 0+000 to 76+000 to save the Abadies, Agricultural land & other infrastructure of Bhakhar City (Estimated cost of Rs.800 million)
- Construction of Nutanki Flood Carrying Channel in District D.G khan (Estimated cost of Rs.615 million)
- Rehabilitation of Ahmadpur Branch System (Estimated cost of Rs.500 milli9on)

Energy

Energy Department was established by Government of Punjab in 2011 to oversee and administer the development, growth and regulation of Energy Sector in Punjab. Whereas Department has a consistent focus on effective regulation in energy conservation and regulation, it has set up wings to facilitate power generation in the province. Punjab Power Development Board (PPDB) facilitates power generation in the province by engaging private sector. In addition to that two public sector companies i.e. Punjab Power Development Company Limited (PPDCL) and

Punjab Quaid-e-Azam Solar Power Company have been set up to expedite power generation in the province.

Total generation capacity in the province of Punjab is only 9564 MW against its present requirement of 14,000 MW which is increasing at the pace of 8% per annum. It is presumed that in the year 2018 the demand of Punjab will be 20,570 MW and by the year 2025, this demand will increase up to 35,254 MW.

During 2013-14, following meaningful advancements have been made;

- Two of the Four Hydropower Stations designed to produce 20 MW electricity from hydro under REDSIP program in 04 districts of Punjab are in final stages and scheduled to be completed by April 2015
- Feasibility Study was completed for two coal power projects 2x55 MW each for Industrial Areas in Lahore & Faisalabad
- Feasibility Study was completed to set up 2.5 MW of solar PV power plant at Islamia University Bahawalpur to provide un-interrupted power supply & research base for the university students.
- Under “CM Ujaala Program” 78,000 Solar Home Solution units have been procured to distribute among deserving school students
- To promote research in renewables, a Center of Excellence for Research in such Technologies (CERAD) has been set up at KSK Campus, UET Lahore.

During current year, 100 MW Solar Power Plant was started near Bahawalpur, under a public sector company “Punjab Quaid-e-Azam Solar Power Company”. The plant is scheduled to start power generation by December 2014. Work on enhancement of this generation capacity by another 900 MW will begin during 2014-2015 through employment of innovative capital structuring and private sector participation.

Under Coal based Power Initiatives the Provincial Government took another bold initiative to engage private sector in power generation. Under the initiative it is expected to set up 6 x 1320 MW power plants at 06 sites in Punjab in next four years. Private investors showed great interest in this initiative. This initiative will continue during 2014-15 whereby work on 2 x 55 MW coal based power plants is planned to kick-off in Lahore and Faisalabad.

FY 2014-15 will witness a major thrust towards renewable energy sources and energy efficiency and conservation initiatives. In this regard a number of projects based on Bio mass have been identified. Efforts are being focused to attract private and foreign investment in this sector to augment GoPb’s development outlay and bring in management efficiencies. Work on various Public Private Partnership models has already started which will gain momentum during FY 2014-15. In order to achieve these targets, an allocation of Rs.31 billion has been provided to Energy Sector in the ADP 2014-15.

Public Buildings

The Public Buildings (*Government Housing & Offices*) sector caters to provide residential and office accommodation facilities for nearly all administrative departments, mainly clustered under the Police, Prisons, Home, Judiciary, S&GAD, Provincial Assembly, S&GAD, Board of Revenue (BOR) and Communication & Works (C&W) sub-sectors.

During FY 2013-14, an amount of Rs.4,839 million was allocated for the public buildings sector which was subsequently increased to Rs.6,400 million including Rs.2,000 Million for Judiciary and Rs.1,500 Million for Jails. In all, 240 out of 530 schemes covered under ADP 2013-14 including High-Security Prison, Sahiwal; District Jails, Okara, Bhakkar, and Layyah and fifteen (15) police stations. Owing to influx of competitive demands under several other sectors, the public buildings sector during FY 2013-14 were assigned comparatively low priority, however for FY 2014-15 a higher allocation of Rs.8,000 million has been made under current ADP including Rs.2,500 Million for Judiciary and Rs.2,100 Million for Jails. Major focus in the Public Buildings sector under instant plans is given to the high-priority public service delivery domains as illustrated under provision of the Integrated Command, Control & Communication (IC3 Center under Police Department, the BOR's service centres, and security related strengthening of Judiciary projects. The major initiatives during FY 2014-15 are as under:

- Construction of Courts along with allied facilities for Judicial Officers in the Punjab
- Establishment of Satellite Stations of PFSA at civil divisional level
- Construction of residences of Judicial Officers in the Punjab
- Child Protection Institutes at civil divisional level
- Construction of Remote Search Park
- Establishment of Family Courts complexes in Punjab
- Establishment of Punjab Prisons staff training college at Sahiwal
- Construction of Infrastructure for Public Facilitation Centres in Punjab
- 40 Nos. Police Station in Punjab

Strategic Interventions

To meet the objectives of provision of offices and residential facilities in the province's public sector, the MTDF aims to fulfill the vision through pursuit of following strategies:

- Provision of adequate infrastructure to Judiciary, Police and Jails to improve security and delivery of justice to common people.
- Completion of district and high security jails in Punjab.
- Adoption of standardized plans for construction of Residences and Offices.

Urban Development

In addition to development of traditional sectors, the Government of Punjab undertook various initiatives to develop the large cities as engines of economic growth. This is immensely important as more than 40% of the Punjab's population now resides in urban areas. Under the Development Programme 2013-14, Urban Development sector was allocated funds amounting to Rs.13.822 billion for 36 schemes. However, the allocation was revised to Rs.41.715 billion for 118 schemes of development authorities and WASAs of five large cities. During this period, 15 schemes were completed.

During the year 2013-14, a number of major road projects were undertaken including the following:

- Elevated Signal Free Junction at Azadi Chowk
- Elevated Signal Free Junctions at Chungi Amarsidhu, Qainchi and Ghazi Chowk
- Alternate Route to Circular Road at Lahore
- Widening and Improvement of RB Canal Road, Faisalabad
- Widening/ Improvement of Left Over Section of Millat Road, Faisalabad
- Traffic Improvement at Marrir Chowk through addition of two lanes on either side of Murree Road under Railway Bridge, Rawalpindi

Similarly, for water and sanitation services, various projects for replacement/installation of tube-wells, installation of water filtration plants, surface water induction, replacement of outlived and rusted water supply lines, laying of trunk & lateral sewers, procurement of machinery & equipment and widening and improvement of drains were undertaken for increasing efficacy of WASAs and improving service delivery. Moreover, projects for master planning of some of the large cities and water and sanitation services net-work were also undertaken during the year 2013-14.

In the Annual Development Programme 2014-15, Rs.40,400 million have been allocated for implementation of 75 schemes. Emphasis of the programme would be on completion of the ongoing schemes that are at advanced stage. Higher priority would be on the improvement and augmentation of the existing network for water supply, sewerage and drainage systems in five large cities. Master planning for the services infrastructure for the cities requiring updating would also be undertaken under this programme. Certain new initiatives including pilot projects for provision of comprehensive water supply system (zoning, 100% metering, supply through storage reservoirs and filtration plants/taps) would be implemented in Lahore for improved and better quality water distribution to the consumers. Moreover, projects for surface water induction for Lahore and Faisalabad have also been proposed under the programme.

Due weightage has also been assigned to intra city communication networks like dual carriageways, flyovers, underpasses, elevated expressway, metro bus services and metro train projects. It includes the orange line metro projects of Lahore and metro bus projects for Faisalabad, Multan and Rawalpindi. In addition to the said services, preparatory study and the project for River Ravi front Urban Development Zone has also been proposed. It would generate economic activities and provide state of the art recreational facilities like theme park, lake and housing facilities in the project area. Under this project, a comprehensive scheme for treatment of waste water of entire Lahore city would also be undertaken. It would facilitate the elimination of untreated flows of waste water to River Ravi, generate water supplies for downstream irrigation purposes and improve the underground water quality.

Furthermore, an allocation of Rs.1,500.00 million has been made for the Low Income Housing which includes provision of serviced plots, small housing units and apartments to the low and medium income groups and Rs.500.00 million for development of Parks & Horticulture for the cities.

Production Sector

Agriculture and Livestock sectors have a paramount role in ensuring food security for whole population of the province. In fact Punjab is also expected to contribute to food security of the whole country. In ADP 2013-14, major focus of strategy in this sector has been on meeting the challenges of food security, productivity enhancement, developing direct linkages of agriculture and livestock farmers with the markets and quality improvements through accreditation and certification.

Agriculture and livestock have immense economic potential as these provide food and fiber besides being major source of foreign exchange. Livestock is a newly emerging economic sector with high potential in terms of economic returns. Livestock contribution to agriculture value added stood at 55.9 percent while it contributes 11.8 percent to the national GDP during 2013-14. In the context of global food crisis of 2008, major focus in Agriculture & Livestock is on meeting the challenges of food security and increase the growth rate for employment generation and poverty reduction in the rural areas. Hence, self-reliance, food security and promotion of exportable high value crops, milk and meat productivity enhancement accompanied with improved marketing are the key areas of emphasis. A brief account of development activities during 2013-14 is as under:

a) To produce frontline agricultural extension workers by conducting three year Diploma in Agricultural Sciences, establishment of an ‘In-service Agricultural Training Institute at Karor, District Layyah’ has been completed at a total cost of Rs.154.532 million.

b) To strengthen and coordinate existing research activities on mangoes leading towards development of new varieties, productivity improvement and enhancing export of mangoes, establishment of Mango Research Institute at Multan has been completed at a total cost of Rs.98.982 million.

c) During second year of mega project “Punjab Irrigated-Agriculture Productivity Improvement Project”, 1,500 Laser leveller units were distributed to service providers at a subsidy of Rs.225,000 per unit, High Efficiency Irrigation Systems were installed on 7,000 acres at a subsidy of 60% of the cost, lining of 1,500 watercourses in canal command and

500 irrigation schemes in non-canal command areas were completed. The total cost incurred on carrying out the afore-said activities has been Rs.4,500 million.

d) To cater to need of trained manpower in agricultural sciences and provision of professional education facilities in Southern Punjab, first phase of Muhammad Nawaz Sharif University of Agriculture, Multan has been completed at a total cost of Rs.45.502 million whereas a sub-campus of University of Agriculture, Faisalabad at Burewala is being established for which an amount of Rs.150.199 million has been incurred.

e) To provide three-tier support to farmers, processors and exporters to enhance export of fruits and vegetables in compliance of Global GAP/IFC parameters, 'Supply Chain Improvement Project' was launched during 2011-12 for a period of three years. However, the project objectives have not been achieved and hence revised / restructured during 2013-14 for another three years.

f) To fulfil regulatory requirements under Agricultural Pesticides Ordinance, 1971 adopted by Government of the Punjab, establishment of a 'Provincial Pesticide Reference Laboratory' at Kala Shah Kaku has been started at a total cost of 147.736 million for a period of two years. It may help resolve the issues related to quality control of pesticide samples, provide analytical service to the purchaser of pesticides and effectively contribute in pesticide anti-adulteration campaign in Punjab.

g) To streamline vegetable seed production, productivity enhancement, edification of growers and reduction of post-harvest losses, a project 'Enhancing Vegetable Production in Punjab' has been started at a total cost of Rs.410.870 million for a period of four years.

h) To produce pre-basic / basic seed of high yielding varieties of pulses, promote use of certified seed by its distribution among farmers at subsidized rates, demonstrate modern production technology at farmers' field and promote pulses in association of other crops in irrigated areas, a project'Promotion of Pulses Cultivation in Punjab' has been started at a total cost of Rs.148.790 million for three years.

i) To mitigate energy crisis in Punjab, a project 'Installation of Biogas Supplemented Agriculture Tubewells for Irrigation Purpose in Punjab' has been started at a total cost of Rs.1876.347 million for a period of three years. It may help saving of 40 million litres HSD per annum.

j) To conserve and propagate 'Nili Ravi' buffalo breed, Buffalo Research Institute, Pattoki, District Kasur has been strengthened through provision of latest R&D technology regarding semen and milk analysis at a cost of Rs.126.251 million.

k) Preliminaries for enhancement of sheep/goat production in D.G Khan and Rajanpur through provision of animals to poor farmers and enhanced vaccination coverage in small ruminants have been completed at a cost of Rs.99.000 million.

l) To produce trained supporting manpower in livestock, a Para-veterinary School at Layyah has been established at a total cost of Rs.153.650 million.

m) To cater residential requirements of female veterinary students, construction of female hostel at University of Veterinary and Animal Sciences (Ravi Campus), Pattoki accomplished at a total cost of Rs.59.694 million.

Allocation for Agriculture and L&DD Sectors have been enhanced from Rs.7,974 million in 2013-14 to Rs.13,160 million in 2014-15.

New initiatives for 2014-15 include: Introduction and Adaptation of Advanced Technologies through Local Development to Mechanize Various Farm Operations; Management of Fruit Fly with Special Reference to Non-conventional Methods; Targeting Malnutrition and Low Productivity through Balanced Use of Fertilizer; Development of Castor bean varieties and Sunflower Hybrids to Enhance Oilseeds Production; Establishment of Punjab Bio-Energy Institute (PBI) at UAF; Establishment of Export Oriented Floriculture Centre at Pattoki; Livestock & Access to Market Project (IFAD assisted); Establishment of University of Veterinary and Animal Sciences at Bahawalpur; Enhancing Dairy Production through Exotic Semen; Up-scaling Research Centre for Conservation of Sahiwal Cattle (RCCSC) Genetic Improvement Programme at Jhang; Establishment of Model Veterinary Hospital at One Tehsil of each Division in Punjab and Provision of Rural Poultry Breeds through Augmenting R&D.

Transport

One of the highlights in the transport sector in 2013-14 was initiation of work on Rawalpindi-Islamabad Metro Bus Service (MBS) aimed at addressing the transport problems of urban residents and reduces traffic congestion. Metro Bus System after completion in 2014-15 shall provide efficient, affordable and comfortable Public Transport system to the commuters in Rawalpindi-Islamabad.

During FY 2014-15, a new initiative of Inland Waterways Transport is being launched. The project is of unique nature and would explore the opportunities of comfortable waterways transport facilities to the inhabitants of Lahore. The ongoing scheme for capacity development of the Transport Department through Transport Planning Unit shall be continued during 2014-15 with funding of Rs.39 million in 2014-15.

Mines & Minerals

Efforts are being made to restructure the working of Mines & Minerals sector and reorganize the same on modern lines. Resultantly, a scheme titled “Strengthening of Mine Survey Institute in Makarwal has been completed during 2013-14. Similarly, a scheme titled “Capacity Building & Strengthening of Directorate General of Mines & Minerals Punjab has been included in ADP 2014-15 with funding of Rs.40 million. To explore the true potential of Mines Sector, Establishment of New Mining Sites for Lime Stone have been proposed during ensuing financial year with funding of Rs.63 million. It will help to meet the requirements of Limestone requirements of the industrial sector. Furthermore schemes for safety and rescue of Labour in the mining sector have been included in the ADP 2014-15. Similarly the scheme for Iron Ore in Chiniot Rajoa has been provided funding of Rs.1,200 million.

Labour & Human Resources

Protection of worker's rights is one of the priorities of the Government of the Punjab. Similarly, to curb the menace of bonded and child labour, an integrated mega project for Elimination of Child and Bonded Labour has been provided with an allocation of Rs.319 million during 2014-15. It aims at elimination of child and bonded labour throughout Punjab province. Furthermore, the system of weights and measurements shall be strengthened during next financial year.

Industries, Commerce & Investment

During 2013-14, land acquisition for mega industrial project namely Quaid - e - Azam Apparel Park has been completed and is being executed on fast track basis. On completion of the scheme the additional export potential in the wake of attainment of GSP plus status shall be explored in the Garments sector. In addition, another scheme for improving the infrastructure in Industrial Estates has been made part of ADP 2014-15 with an allocation of Rs.1,808 million. For optimal utilization of potential in Public Private Partnership, a scheme titled "Viability Gap Fund (VGF) for PPP Projects" is being launched wherein an amount of Rs.2,000 million has been earmarked. In order to strengthen the regulatory activities in the Industrial sector and inspection regime, the schemes for up-gradation of boilers inspection wing was initiated during the last year which is being carried forward to FY 2014-15. Furthermore, with a view to ensure protection of rights of consumers substantial funding has been allocated for providing the buildings/allied set-up of consumer courts.

With a view to promote artisans and micro enterprises the ongoing schemes have been provided funding of Rs.21 million in ADP 2014-15.

Auqaf & Religious Affairs

The aim of the government is to improve the facilities at places of religious significance and promote religious/inter-faith harmony. Auqaf & Religious Affairs Department completed two schemes in 2013-14. The allocation of Auqaf Sector has been enhanced from Rs.36 million to Rs.100.000 million during 2014-15. One of the mega schemes Quran Complex and Seerat Academy Lahore shall be completed in 2014-15. Major Initiatives under Auqaf Sectors are:

- Reconstruction of Shrine Hazrat Madhu-Lal-Hussain, Lahore.
- Rehabilitation & Conservation of Badshahi Mosque, Lahore.
- Reconstruction of Mosque attached with Shrine Hazrat Badshah, Khushab.
- Reconstruction of Jamia Masjid Jhoke Vains, Multan.

Information Technology and Governance

The Government of Punjab has initiated a number of initiatives to give a direction to IT application and development in the Province. During F.Y. 2013-14, an amount of Rs.5167 million was allocated for Information Technology Sector. A project titled "Punjab E-Gateway Project" has been completed under which a secure and state of the art Data Centre has been established which allows integration of various databases and shares resources among departments. Websites of different government departments have been developed and are being maintained by Punjab Information Technology Board (PITB). Virtual Private Networks of various departments have also been developed. Moreover, latest IT infrastructure has been introduced and pirated software(s) have been replaced with licensed software(s).

Implementation of "Lands Record Management Information Systems" in all Districts and Tehsil of Punjab" project is under process which aims at computerization of Land Records in order to provide security of title to the landowners in the province. Up till now, data entry of 33 Districts has been completed, 119 service centers have been operationalized, data verification completed in 17,391 revenue estates, 9662 revenue estates operationalized and work for remaining districts is in full swing. Service delivery is also currently being made available at 37 tehsils of Punjab.

Police Reforms were initiated in 100 Model Police Stations of Punjab through Information Technology. 94 Police Stations have become fully operational. Similarly, Centralization of Driving License Management Information System application has been made which will enable all districts to issue Computerized Driving Licenses and will ensure effective policing through reliable and valid statistics. Similarly, Computerization of Transport Department (TDAS) in Lahore has been implemented & operations of District Regional Transport System (DRTS) have been initially started in five districts which has now been extended to all 36 districts of Punjab.

Government's commitment to promote IT culture in the province is particularly highlighted through initiatives taken in ADP 2014-15. During the year 2014-15, an allocation of Rs.7,393 million has been provided. Major thrust of the investment in the public sector would be on Development of Management Information System for the improvement of governance leading to improved service delivery to the public. Capacity Building for Human Resource Development projects will also be implemented to attract Direct Foreign & Local Investments, create Job opportunities and help foreign exchange earnings through establishment of Software Houses and Call Centers in the Information Technology Parks.

To accomplish its vision of making Punjab the hub of Information Technology, the government has focused on following initiatives during FY 2014-15:

- IT based solution for improvement of various business processes in key departments including Police, Health, Transport, Education and Public Prosecution Departments etc, as well as Lahore High Court.
- Implementation of "Lands Record Management Information Systems project in all Districts and Tehsil of Punjab" as well as new scheme titled "Automation of Stamp Paper (E-

Stamping)" has been proposed. These projects are part of the broader vision of Government of Punjab i.e to provide better quality services to citizens through the use of Information and Communication Technologies (ICTs) in order to provide security of title to the landowners in the province.

- Incubator Centers and Tech Hub Space at Arfa Software Technology Park for IT startup firms to provide IT Training, manpower development regarding latest tools and technologies adopted in international business and marketing with the help of IT awareness
- Introduction of Citizen E- Services and IT Centric Intervention & Smart Monitoring Under Punjab Public Management Reforms Program (PPMRP) aiming at smart monitoring, accessibility of reports and automation of service delivery on service delivery centers of government.
- Establishment of Video Conferencing facility for efficient information exchange, speedy decision making regarding emergent circumstances and Policy up-dation.
- The dengue control campaign through "Larvaciding and Fogging/IRS Reporting System" which enable data capture on the move, Verification via GPS coordinates/ real time data entry into central server and online dashboards which is accessible by all stakeholders.
- The new initiative of telemedicine to provide disease evaluation, diagnostics and treatment coverage to the patients living in remote areas using modern technologies and state of the art facilities through qualified professionals. Whereas, "District Health Information System" is meant for disease reporting, patients treatment & medication schedule, disease patterns as well as appropriate management of appointments dates to facilitate general public for availing better health care.
- Evidence based monitoring of Pro-Poor to effectively reach out the poorest of the poor to pour targeted subsidy.
- Develop process of initiating performance evaluation, monitoring system of Government departments, establishing KPIs of employees through Pilot Project of "I.T Based Profiling of Government employees" for effective service delivery.
- Continuity of E-Governance applications already established under "Citizen Contact Centers" and " Citizen Feedback Model" in order to introduce transparency, efficiency and minimize corruption using E-tools.
- The allocations have been secured for major initiatives of Police Department like Computerization of all Police Stations using modern technologies i.e Hardware, Software, Network Equipment (Active & Passive), Internet Connectivity in order to run the police business in an efficient manner. Punjab Police Integrated Command, Control and Communication Centre is being included in ADP to sort out terrorist activities and fool proof security of the Punjab Province.

Emergency Service Sector - 1122

The major focus in the Sector is regarding the development of safer communities through an effective system for management and prevention of emergencies such as road traffic accidents, hazardous material incidents, buildings collapse, explosions, fires and disasters

During 2013-14, total development outlay for emergency 1122 sector was Rs.1.65 billion. Establishment of Emergency Service Academy at Lahore is near completion during the current financial year. Strengthening of emergency service in existing cities has been completed during 2013-14. Establishment of emergency service in Tehsils of Punjab (Phase-I) was also completed in the year 2013-14. A development outlay of Rs.1.45 billion has been included in the ADP 2014-15. One of the new initiative is the Managing Emergency in High-rise Buildings has been included with a total allocation of Rs.400.00 million to address the emergency like fire in the high-rise buildings, adequately. The total allocation for SPDP and District Development Package for the Sector is Rs.310.00 million. This package will cater for the facility of emergency 1122 in the districts of South Punjab as well as for Districts of Sheikhupura, Lahore and Gujranwala.

It is envisaged that these services will facilitate in mitigating the sufferings of general public by reaching the vulnerable in the shortest possible time.

Environment Sector

During 2013-14, revised allocation of Rs.54 million was provided to this Sector. EPD utilized Rs.47 million against the available funding of Rs.54 million. The major initiatives during FY 2013-14 included establishment of monitoring system in Punjab, which assisted EPD to estimate and assess the environmental parameters in different districts. The EPD officers in the province were strengthened by providing the missing facilities through which the competency of the EPD offices has been enhanced in collection and analysis of Environmental data. The work on establishment of Biodiversity Park at Murree continued and the scheme would be completed during 2014-15.

An amount of Rs.190 million has been allocated during FY 2014-15 for Environment Sector for five new and five ongoing schemes. The scheme titled Establishment of Air Quality Monitoring System in the Punjab aims at building the capacity of EPA to effectively monitor and implement Provincial Environmental Quality Standards (PEQS). The provision of missing facilities in EPA field offices is an important initiative of the Department for effective monitoring of polluters and compliance of PEQS. The development of Biodiversity Park in collaboration with City/District Governments will not only help in conserving the endangered species but would also create awareness among the masses for conservation and protection of biodiversity. The Biodiversity parks have been established at Bhawalpur, Kasur and DG Khan and Biodiversity park at Murree will be completed during 2014-15. The formulation and implementation of regulatory framework is one of the prime responsibilities of EPD. The Department is creating a legal cell to introduce and promote management and legal discipline to effectively enforce the environmental regulations.

The department has envisaged commencement of a number of new interventions during 2014-15. The notable ones are to establish benchmarking of major environmental parameters in the Punjab. This data will enable the scientists and policy makers to gauge the changes in environmental resources like air, land and water. The industrial and municipal waste water are being thrown untreated / unchecked in the water bodies like river, drains and canals of Punjab. In order to ascertain the feasible options for treatment of wastewater, a study will be undertaken during this financial year to prioritize the most feasible treatment option for Hudiara drain. Similarly, the evaluation of water quality and characterization of industrial effluents in the province will also be conducted. The review, rationalization and revision of environmental laws, rules, regulations & PEQS will be done during 2014-15.

Information & Culture

In the ADP 2013-14 Rs.106 Million were allocated which included Rs.55 Million for the ongoing schemes and remaining Rs.51 Million for the new schemes. During 2013-14, only one scheme titled “Expansion of Punjab Auditorium” has been completed with Rs.5 Million. In the ADP 2014-15, Rs.607 Million have been allocated to this sector. A scheme titled “Citizen Engagement and Public Perception Analysis for Improving Governance and Service Delivery in Punjab” has been started for conducting 20 public perception surveys to gauge public opinion about governance and public service delivery. A report on the basis of these surveys would be submitted to the policy makers. For improving the performance of Director General Public Relations (DGPR), a scheme titled “Up gradation and strengthening of Directorate General Public Relations”, has been included. This scheme would improve its functioning by monitoring, organizing, analyzing media contents and using that information for timely response to media, better decision making and analysis.

Archaeology

In the original ADP of 2013-14 of Rs.294 million was allocated to Archaeology Sector for 25 schemes and out of this 19 were ongoing and 6 were new. These schemes related to conservation and development of historical monuments and sites.

During 2013-14, 06 schemes have been completed. In the ADP 2014-15, Rs.380 million has been allocated. Out of this allocation, Rs.329.152 million allocated for 19 ongoing schemes and the remaining amount i.e. Rs.50.848 for 06 new schemes. Major focus is on completion of ongoing schemes and it is expected that 08 ongoing schemes would be completed during the 2014-15.

Six new schemes included in the ADP 2014-15 pertain to conservation and rehabilitation of historical monuments and sites which need immediate attention to preserve and restore them to the original condition.

A new scheme titled “Capacity Building of Directorate General of Archaeology through improvement in human resource, equipment and trainings etc.” has also been included in the ADP 2014-15 to enhance its capability to preserve and develop the built heritage of Punjab.

Table 4.2

Comparison of other Development Initiatives for 2013-14 and 2014-15

(Rs. in Million)

Sr.#	Name of Programme	B.E. 2013-14	B.E. 2014-15
1	Punjab Education Foundation (PEF)	7,500	7,500
2	Punjab Education Endowment Fund (PEEF)	2,000	2,000
3	Daanish School System	3,000	2,000
4	Sports & Youth Affairs	500	1,000
5	Knowledge Park and Punjab Technology University	500	500
6	Health Insurance Card etc	4,000	4,000
7	Population Welfare	2,500	500
8	PMDGP/PHSRP WB, DFID Sponsored / Vertical Program	5,000	2,000
9	QA Solar Bahawalpur	-	9,000
10	Women Development	1,000	900
11	TEVTA	1,500	2,000
12	PVTC	-	1,000
13	Green Development Fund (PHA)	1,000	500
14	PLDC (Aashiana Housing Scheme)	3,000	1,000
15	Low Income Housing	500	500
16	PLDDB & PAMCO	2,000	1,400
17	PSIC (Self Employment Scheme)	3,000	2,000
18	PIEDMIC/FIEDMIC	3,000	1,000
19	Punjab Mineral Corporation	-	1,200
20	Innovation Development Fund	500	-
21	Internship Program	1,500	-
22	Infrastructure Development Fund	3,000	-
23	Clean Drinking Water	5,000	--
	Special Initiatives	**--**	**--**
24	Special Initiatives		15,000
TOTAL:		**50,000**	**55,000**

Allocations for Innovation Development Fund, Clean Drinking Water and Infrastructure Development Fund /VGF have been provided under regular ADP. An allocation of Rs. 6 billion has been provided under skill development program for Youth

Chapter 5

5. PENSION REFORMS AND DISBURSEMENT OF PENSION THROUGH USE OF INFORMATION COMMUNICATION TECHNOLOGY (ICT) BASED APPLICATIONS

5.1 Pension Scheme – An Overview

In terms of population, Punjab is the largest province of the country. It has approximately one million employees and 436,995 pensioners, the number whereof is growing continuously. As per actuarial assessment undertaken in 2010, total pension liability estimated at 30th June 2010 was to the tune of Rs. 687.7 billion. Amount of pension paid to pensioners in FY2012-13 was Rs. 65 billion and it is expected that this figure will touch Rs. 75 billion in FY2013-14.

Government has an elaborate and well defined pension benefit scheme regulated under Section 18 of the Punjab Civil Servants Act 1974, and the Punjab Civil Service Pension Rules. The scheme entitles the pension to the employees who have either reached the age of superannuation (60 years) or have retired early after serving for 25 years. Pension Rules also prescribe ten years as a minimum qualifying service for receipt of pensionery benefits. Gross Pension is determined on the basis of last drawn pay multiplied with the number of years of service and factor 7/300. A pensioner has the option of commuting upto 35% of his gross pension at the time of retirement. Net pension is paid for the life time of the employee. After his death, his family is entitled to family pension. The Government also increases pension periodically to mitigate the effects of inflation.

5.2 Need for Pension Reforms

In recent times, Pension Reforms have gained pace around the World. In conformity with the global trend, Government of Punjab also initiated number of pension reforms in last few years. To ascertain pension liabilities, an actuarial analysis was undertaken. Pursuant to this study and as an important reform agenda of Government of Punjab under its program for public sector financial management reforms, a dedicated corporate entity i.e. Punjab Pension Fund was established through enactment by Punjab Provincial Assembly. An elaborate structure for the management of Punjab Pension Fund was established with the induction of professional management. Moreover, number of committees such as management committee, investment committee, accounts and audit committee, HR committee etc. were also established to monitor and oversee the activities of the Fund. These committees are not only represented by public sector but also have an adequate representation of professionals from private sector. An elaborate oversight mechanism is also in place to review and oversee the investment policy, funding strategy and other such arrangements related to fund management. In line with the parameters laid down in the legal framework of Punjab Pension Fund, Central Depositary Company (CDC) has been appointed as the trustee of the Fund.

While far reaching reforms were introduced not only to ascertain the pension liabilities but to formulate medium and long term funding / investment strategy of the Fund, it was also felt that there is a need to reform and improve the existing pension processing and disbursement system focusing on facilitating existing and future pensioners. Accordingly, it has been found expedient to conceive, develop and implement a reformed simplified pension processing and disbursement system through the use of ICT based applications. It is hoped that in addition to ease of doing business, reformed pension disbursement system will allow the pensioners to have access to more convenient modes of receipt of pension. The system is intended to be piloted first in Lahore District which has the maximum number of existing pensioners. After the successful implementation of the pilot, the same will be up scaled and rolled out to other districts of Punjab Province.

5.3 Pension Payments – Current Dispensation

Pension papers with the formal sanction of Pension Sanction Authority are submitted to District Accounts Officer (DAO) / Accountant General Office (AG) for issuance of Pension Payment Order (PPO). DDO / AG Office issues PPO after due verification of pension papers. Pension is paid manually either by Treasury Officer or by National Bank. In the current system, after issuance of the PPO there is disconnect between Accounting Office and Disbursing Authority. Pensioner or his representative visits NBP / Treasury Office for disbursement of pension. Appearance of the pensioner twice a year in the NBP / Treasury Office is mandatory as a proof of his / her life. Any change in pension on account of annual revision is posted manually by NBP/ Treasury Office. The current system for pension disbursement is cumbersome and lacks transparency.

5.4 Reformed Pension Disbursement System – Credit into Bank Account

Assisting pensioners in receipt of pensions by providing an option of pension disbursement through scheduled commercial banks in addition to existing mechanism of pension disbursement only through National Bank / Treasury is an important part of reformed pension disbursement system. Under this system, it has been envisaged that there would be front loading of the pensionery benefits on the analogy of payroll through pension roll system in SAP R/3 system of PIFRA. Pension would be credited directly into pensioners' bank accounts which they can withdraw through cheque, ATM/Debit Card, branchless banking network of schedule banks and bank-led model of mobile companies. Biometric enrolment, verification and biometric authentication of pensioners shall be undertaken by NADRA. Revision in pensionary emoluments announced by the Government from time to time shall be made by respective Accounting Offices and credited into pensioners' accounts in banks. For effective functioning of this system, technological integration of various offices/ entities involved in pension disbursement i.e. Accountant General / DAOs, PIFRA, NADRA and banks have also been envisaged. Moreover, for pensioners establishment of a facilitation centre has also been visualised in office of Accountant General Punjab not only for submission and tracking of pensionery documents through one window operation but also for recording and addressing the complaints relating to pension.

5.5 Financial inclusion Program through use of Information Communication Technology (ICT)

The automated pension disbursement has the potential to be an important milestone in the financial inclusion program being jointly pursued by the State Bank of Pakistan and the Government of Punjab. By accessing modern banking services through this program, pensioners will find withdrawal of pension much easier in comparison with the erstwhile manual, cumbersome and non-transparent system. Greater number of pensioners to be brought in this system over a period of time will encourage banks to offer better services to hitherto uncovered population.

5.6 Uniqueness and impact of Innovation

Cash withdrawal by pensioners' through branchless banking outlets and bank-led model of mobile companies is unique in a sense that it even saves them from visiting the bank. The innovation will be of great convenience to pensioners'. Further, biometric verification of pensioners' including proof of their life through NADRA will allow pensioners to get these particular recorded without visiting to NBPs/Treasury Offices and waiting in queue for verification of their particulars manually. The pensioners will also be encouraged to save as withdrawal of the money will take place when it is actually needed by the pensioner. A host of banking disbursement modes e.g. Cheque, Debit Card, ATMs, branchless banking outlets like UBL Omni and bank-led model of mobile companies will facilitate pensioners as they can withdraw anytime from anywhere in Pakistan. The automated pension disbursement will bring greater transparency and accuracy into the whole system. It will also help in reducing leakages in the system.

5.7 Seamless transition from a serving civil servant to a pensioner

Reformed pension disbursement system besides offering new avenues of withdrawal of pension also focused on 'seamless transition' from a civil servant to a pensioner. The project has been designed in a manner where in collaboration with AG/DAOs and Administrative Departments, data of retiring civil servants for year 2012 and 2013 was retrieved from PIFRA system relating to Lahore district. Data cleansing exercise aimed at verification of particulars of serving civil servants recorded in the automated data on payroll was undertaken. Once this data was fully cleansed, shifting/transition of pensioners was made possible in a seamless manner. Moreover, while issuing the Pension Payment Order (PPO), retrieval and comparison of the corrected data of civil servants by AG for allowing pensionery emoluments was far easier than the current system of manual recording.

5.8 New Simplified Procedure of Processing and Disbursement of Pension through Pension Roll

A major reform was introduced during the year in the form of "New Simplified Procedure of Processing and Disbursement of Pension through Pension Roll". Under this simplified procedure notified on December 18, 2012 a pensioner has to give a one page descriptive roll containing a list of his/her family members, an undertaking for making good any established recovery and option for commutation percentage he/she wants to avail. The Department/Pension Sanctioning Authority (PSA) in return issues a one page notification order of his/her retirement which is submitted to the AG Office/District Account Officer along with a copy of his/her last pay slip, a copy of CNIC and original service book. In case of a gazetted civil servant, a service profile is also submitted by the pensioner. The AG Office/District Account Officer prepares Pension Payment Order (PPO) on the basis of these documents and does not seek any other document from the pensioner. These reforms were piloted in Lahore district and pensioners retiring in January 2013 were advised to submit their pension papers under new procedure. The Chief Minister Punjab, in a simple but impressive ceremony held on 1st January 2013 distributed PPO's to 20 civil servants retiring in January 2013. On directives of the Chief Minister, the "New Simplified Procedure of Processing and Disbursement of Pension through Pension Roll" were also introduced in districts of Chakwal, Rahim Yar Khan and Multan. During FY2013-14 "New Simplified Procedure of Processing and Disbursement of Pension through Pension Roll" are being implemented in eleven (11) more districts of Punjab namely Attock, Rawalpindi, Jhelum, Bahawalpur, Lodhran, Kasur, Sheikhupura, Nankana sahib, Khanewal, Vehari and Bahawalnagar.

Another major reform titled "Disbursement of Commutation and Monthly Pension through Pension-Roll" was notified by the Government on January 9, 2013. Irrespective of how a pension case is processed i.e. through old pension papers or through new simplified procedures, the pensioners in all districts of Punjab will henceforth be disbursed their commutation and monthly pension through pension-roll only. This reform has the effect that new pensioners are only paid pension directly into their bank account instead of pension payment through NBP under decades old legacy system. As a consequence of this initiative by the Government the process of enrolment into pension roll for direct credit of pension into bank account has picked up considerably in all districts of Punjab. A report generated from SAP R/3 PIFRA system shows enrolment of 64,934 pensioners in pension roll at 31st May 2014 compared to 8,279 pensioners enrolled in pension roll at 31st December 2012.

5.9 Institutional arrangements for Reformed / Automated Pension Disbursement System

In order to accomplish specific verification needs of particulars of pensioners, NADRA and PIFRA envisage to chalk out an arrangement of technologically integration of set of data being maintained by NADRA and accounting offices in automated SAP R/3 PIFRA system. This technological integration will be of great importance as its success will open new avenues for disbursement of other welfare payments by use of Information Technology tools to be employed under this system.

Commercial banks, office of the Accountant General Punjab, District Account Offices will be the key partners in reformed pension disbursement system. SAP R/3 system with its expected updated and improved version shall serve as a backbone of automated pension disbursement system. Commercial banks and telecommunication companies will partner in this initiative as the government intends to broaden delivery modes of pension benefits through commercial banks and telecoms.

Key steps involved in the reformed pension disbursement system shall inter-alia include the following:

(i) Creation of a dedicated project office, if warranted.

(ii) Establishment of a Facilitation Centre at AG Punjab similar to one already functional with Project to Improve Financial Reporting & Auditing (PIFRA), Islamabad.

(iii) Arrangements with NADRA for biometric identification and verification of pensioners at the time of account opening and subsequent proof of life, and availability of network of kiosks at banks and AG Office / DAOs.

(iv) Capacity building of DAO's / Treasury Officers / AGs Office.

(v) Retrieving of manual records of existing pensioners from NBP/Treasury Office and putting them into SAP R/3 after correction of anomalies in recorded data if any.

(vi) Creating awareness of the new scheme through publicity of the scheme.

(vii) Establishing reliable network connectivity and end-user computing stations at DAOs/Treasury offices/AG office - only where necessary.

(viii) Setting-up a proper data archival mechanism.

5.10 Planned Project Implementation and Up-scaling

Automated pension disbursement system is being piloted in Lahore district. Once all the project parameters are in place and transition from manual to automated pension disbursement is successfully achieved, the project will be up-scaled in other districts of the Province. Successful implementation of automated pension disbursement system will encourage the Government to implement automated disbursements in other departments. It is expected that transition from manual to automated pension disbursement will be accomplished in significant number in Lahore district in FY 2014-15.

CHAPTER 6

DEBT AND CONTINGENT LIABILITIES

6.1 DEBT STOCK

Punjab Government has a small debt liability compared to size of the gross regional product of the province. At end-June 2014, the province's total debt was Rs.451.8 billion, or 3.52% percent of GSDP[1]. This ratio appears even smaller relative to national GDP, i.e., 1.9 percent[2].Of Punjab's total debt, 6 per cent or Rs.26.1 billion (Annex-I) is domestic while 94 per cent or Rs.425.6 billion (Annex-II) is foreign (Table 6.1). Asian Development Bank (ADB) with 46 percent holding is the principal creditor of Punjab foreign debt. This is followed by the World Bank and Government of Japan with 46 percent and 6 percent foreign debt holding respectively (Table 6.2).

Table 6.1
Punjab Total Debt Stock as on June 30, 2014

	Stock (Rs. in Billion)	**In Percent of Total**
Foreign Debt	425.6	94%
Domestic Debt	26.1	6%
TOTAL	**451.8**	**100.0%**

Note: Rs/US$ EoP Exchange rate of 99 is used to estimate rupee value of foreign debt stock as of end June, 2014.

Punjab's foreign debt portfolio is highly concessionary and of long term maturity. In 2013-14, average explicit interest rate on foreign debt stood at only 1.47 percent with average maturity of15 years (Table 6.2). Most of the loans have embedded fixed interest rates; only 16 loans are on LIBOR[3] terms (variable interest rate). Foreign debt, in terms of currency composition, is heavily denominated in US Dollars which accounts for more than two-thirds of foreign debt stock. During 2013-14, foreign debt stock increased by Rs.22.4 billion. Favorable exchange rate movements, of US Dollar and Japanese Yen, resulted in transational gains[4] in the foreign debt stock of Punjab

[1]There are no official provincial GDP estimates in Pakistan. Nominal gross provincial value added (GSDP) used for Punjab is Rs.12,822.4 billion based on Punjab MTFF estimates.

[2] This ratio is calculated using the nominal GDP of Pakistan in 2013-14 at factor cost that approximates to Rs.24,085.1 billion.

[3]London Interbank Offered Rate

[4] In Pakistan, external loans are contracted in various currencies but disbursements are effectively converted into Pak Rupee. As Pak Rupee is not an internationally traded currency, other currencies are bought and sold via selling and buying of USD. Hence, the currency exposure of foreign debt originates from two sources: USD/other foreign currencies and PKR/USD. This two pronged exchange rate risk is called translational gain/loss. Rs/US$ and Rs/JPY end of period weighted average exchange rate during this period (point to point) appreciated by almost 0.1 percent and 2.8 percent respectively, causing debt stock to decline by almost Rs.3 billion.

government during 2013-14. This impact would have been the reverse, in line with its historical trend, had it not been due to appreciation of Pak Rupee against US Dollar and Japanese Yen.

Table 6.2
Punjab Outstanding Debt Portfolio as of June 30, 2014

	Stock *Rs. Billion*	Avg. Interest Rate	Avg. Maturity *No. of Yrs*	In percent of Total
	Foreign Debt			
ADB	196.7	0.96%	13	46%
IDA*	152.0	0.87%	19	36%
IBRD*	44.9	0.86%	12	11%
JAPAN	25.8	1.65%	17	6%
IFAD	2.3	0.83%	20	1%
FRANCE	3.3	1.60%	16	1%
IDB	0.3	2.50%	9	0%
OPEC Fund	0.4	2.50%	11	0%
TOTAL	***425.6***	***1.47%***	***15***	***100%***
	Domestic Debt			
	Stock *Rs. Billion*	Avg. Interest Rate	Avg. Maturity *No. of Yrs*	In percent of Total
CDL (Normal)	17.4	13.29%	25	67%
CDL (Scarp)	8.7	12.70%	25	33%
TOTAL	***26.1***	***13.10%***	***25***	***100%***

** IDA & IBRD are World Bank lending arms*

In 2013-14, program loans/non-project aid constituted half of Punjab's foreign debt portfolio (or Rs.213 billion), the remaining half, of the same magnitude, came in the form of project aid. The latter category appears to be focused on Irrigation (19 percent), agriculture (8 percent), roads & infrastructure and housing & water supply (5 percent each), and education & training, governance and social welfare (3 percent each) (Figure 6.1). Program (non-project) aid, on the other hand, was primarily devoted to three sectors: education, governance, and poverty reduction.

In 2013-14, Punjab's domestic debt accounted for 6 percent of total debt or Rs.26.1 billion. The domestic debt portfolio of the province is composed mainly of cash development loans (CDLs) with long-term maturities, lent by the federal government. These loans are now being repaid for past several years, thus, stock of domestic debt is declining.

Punjab's total debt service in 2013-14 stood at Rs.47.0 billion (5.7 per cent of total provincial revenues). Almost 44 percent of the servicing was on account of foreign debt, as it constitutes 94 percent of the total provincial debt (Figure 6.2). Interest payments on total debt which peaked at Rs.20.1 billion in 2009-10 have now come down to Rs.14.5 billion in 2013-14. Similarly, interest payments relative to revenues have been declining.

Figure 6.1
Sectoral Share in Outstanding Punjab Foreign Debt, June 30, 2014

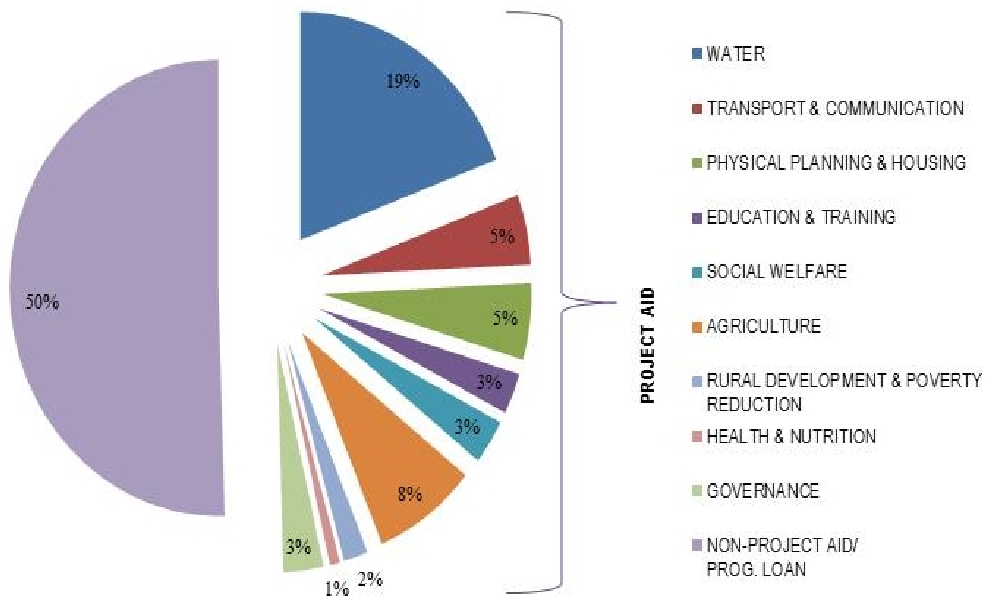
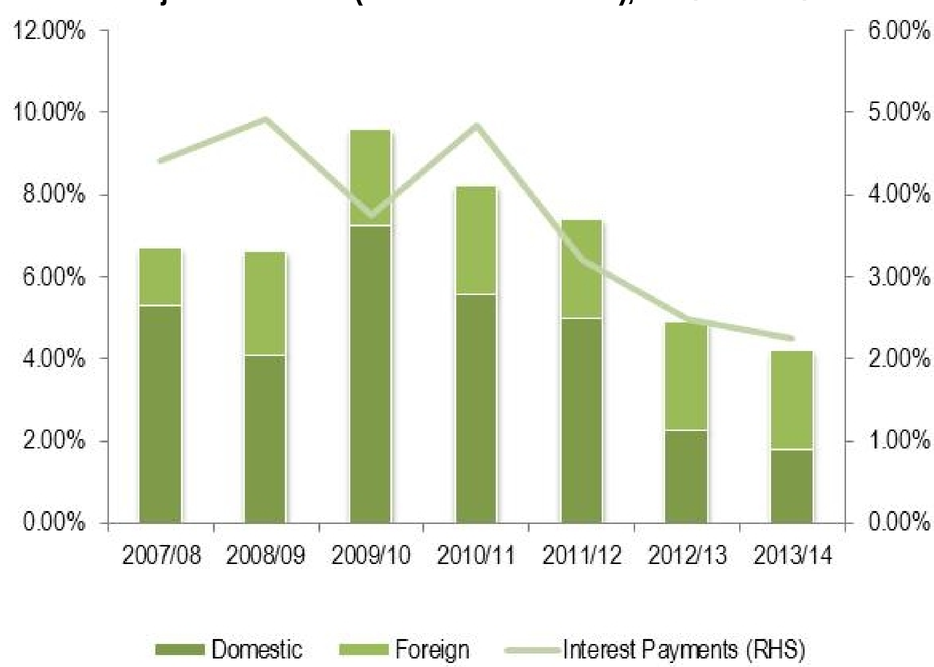


Figure 6.2
Punjab Debt Service (in % of total Revenues), 2006/07 - 2013/14



6.2 PENSION AND GENERAL PROVIDENT FUND LIABILITIES

Government has a Defined-Benefit Pension Scheme for its permanent employees. Traditionally the Pension Scheme was being managed on 'pay-as-you-go' basis i.e. pension payment during a year was made out of that year's revenues regardless of point of accrual of a particular liability. Considering the rising burden of pension payments, Government has, over the last few years, been following a more systematic approach towards assessment, reporting and funding of these liabilities.

In addition to the Pension Scheme, Government requires its permanent employees to subscribe to the General Provident 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. However, to avert the possibility of using Public Account balances as a borrowing window for Government expenditures, there was a need to create a separate GP Fund. Further, there was also a need to replenish the amounts earlier utilized from GP Fund Account due to the fact that the Government maintained a common cash balance for both Provincial Consolidated Fund and Public Account.

Following major steps have been taken by the Government for improving the management of its contingent liabilities:

- Actuarial Assessment of Pension and General Provident Fund liability of Government is being made on a regular basis;
- Funding strategies for meeting the Pension and General Provident Fund liabilities have been adopted and are regularly reviewed and updated; and
- Punjab Pension Fund and Punjab General Provident Investment Fund have been created to invest the funds (set aside by the Government for meeting, at least partially, its future Pension and General Provident Fund liabilities) in accordance with the investment policies approved by the Management Committee of the Funds.

During the FY2013-14, Punjab Government contributed Rs. 4.8 billion in Pension Fund and Rs. 3.347 billion in GP Fund for capitalization of these Funds. For FY2014-15, Punjab Government has allocated an amount of Rs.10 billion for capitalization of Pension Fund and Rs.4.960 billion for GP Fund. Increased contribution in Pension and GP Funds will make up for fewer contributions in earlier years.

6.2.1 Pension Liability

The estimated accrued pension liability of active employees and pensioners (combined) as of June 30, 2010 is Rs. 687.7 billion detailed below:-

Table 6.3
Pension Liability

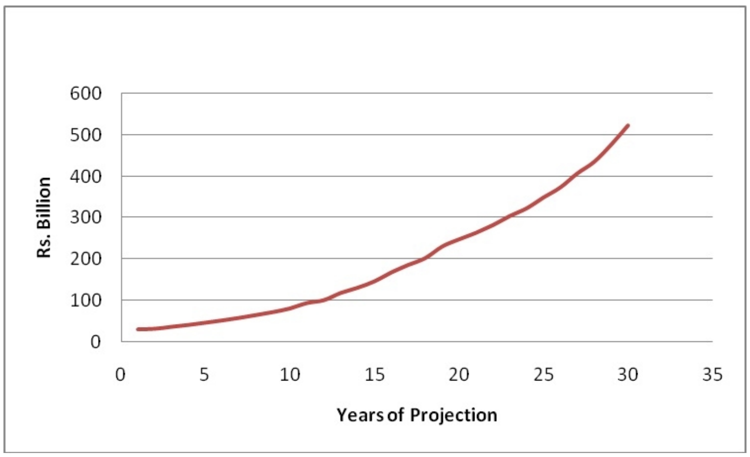
(Rs. in billion)

	No of employees/pensioners	Accrued Liability
Active Employees	938,511	401.9
Pensioners	436,995	285.8
Total	**1,375,506**	**687.7**

Increase in pension payments over 30 years' time scale is illustrated in **Annex-III**.

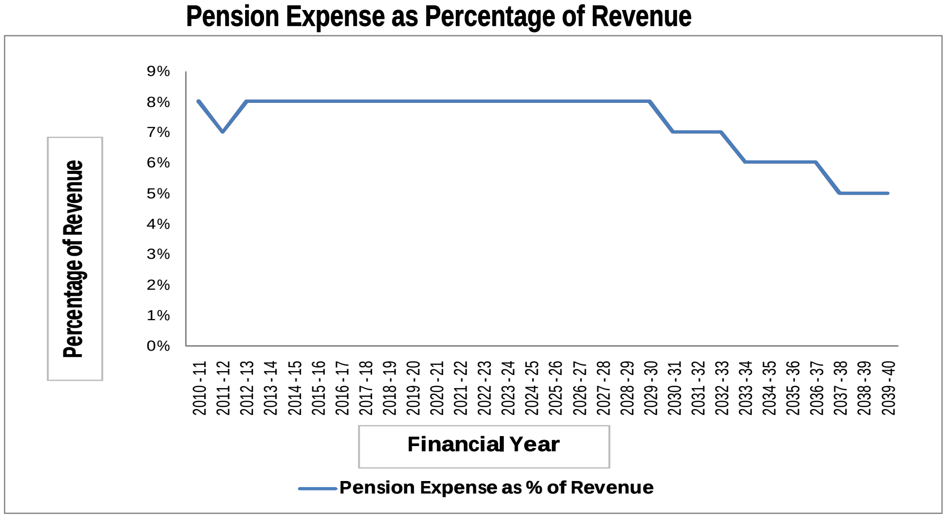
Graphical representation of expected pension payments over 30 years' is as under:

Figure 6.3
Expected Pension Payments



It may, however, be noted that despite increase in pension liability, the pension expense as percentage of total Government revenue is expected to remain within 8% of the total revenue as shown below:-

Figure 6.4
Pension Expense as Percentage of Revenue



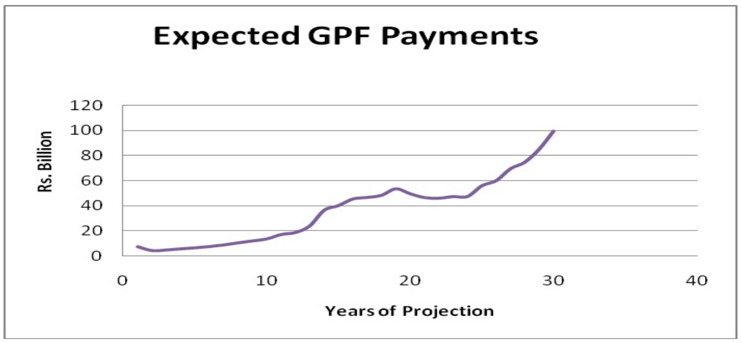
6.2.2 General Provident Fund Liability

The amount of GP Fund payment of a Government employee is the accumulated contribution deducted from his/her salary during service plus interest announced by the Government on such contributions on annual basis. As per the Actuarial Assessment carried in 2010, the accrued GP Fund liability of in service employees is expected to be Rs.141.5 billion at June 30, 2014.

Increase in GP Fund payments over 30 years' time scale is illustrated in **Annex-IV.**

Graphical representation of expected GP Fund payments over 30 years' is as under:

Figure 6.5



The growth in GP Fund balances (i.e. liability), assuming interest credited to GP Fund balances at a rate of 12% per annum, for the 30 years', is illustrated in **Annex-V**.

6.2.3 Assumptions underlying actuarial assessment of contingent liability

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

- Rate of inflation — 10% p.a.
- Rate of return of Fund — 12% p.a. (Real return 2% p.a.)
- Employees' salary growth — 11% p.a. (Real growth 1% p.a.)
- Pension growth rate — 8% p.a. (Real growth -2% p.a.)
- GP Fund subscriptions growth rate — 8% p.a.
- Govt. Revenue growth rate — 10% p.a.
- Increase in employees — 1% of total active employees

6.2.4 Funding Strategy

Funding strategy 2010-40 aims at:

(i) Building up reasonable pension assets during the next 5-10 years with a view not only to discharge a part of pension expense as an off-budget item but also to cater for any expected or unexpected spikes in pension expenditures through the earnings of the

Punjab Pension Fund. This in turn will create fiscal space to meet partial pension pay out, if needed. The funding would be made available from provincial resources.

(ii) The Government would transfer equivalent amount from the Provincial Consolidated Fund to the annual employees GP Fund contributions every year and in addition would amortize past arrears of GP Fund annually from the Provincial Consolidated Fund for the next 30 years.

During the initial years, contributions were relatively limited, owing to the continuing economic downturn which had a direct correlation with the tax collection efforts. Now it is expected that greater resources will be spared for funding Pension and GP Fund liabilities as the economic situation has stabilised. The table below illustrates the funding strategy for the next 5 years:

Table 6.4
Funding Strategy 2014-19

(Rs. in billion)

Financial Year	Annual Regular Contribution deducted from Salaries	Past GP Fund Liability Amortization Instalment	Total Amount of Pension Fund Contribution	Total Contribution
2014-15	8.1	4.0	4.0	16.1
2015-16	8.9	5.1	**6.0	20.0
2016-17	9.8	6.2	**6.6	22.6
2017-18	10.9	7.4	**7.2	25.5
2018-19	11.9	8.7	**7.9	28.5

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

Punjab Pension Fund plans to carry out actuarial valuation of Pension and GP Fund liabilities at June 30, 2014. Funding strategy may have to be reviewed as a result of new estimates of contingent liabilities.

6.2.5 Punjab Pension Fund's Investments

FUND SIZE

A summary of changes in fund size from July 2013 to May 2014 is given in the following table:

(Rs. in millions)

	July 2013–May 2014
Beginning fund size	17,585
Add: contribution during the period	1,800
Add: contribution in transit	3,000
Add: profit during the period	1,979
Less: expenses during the period	(25)
Ending fund size	**24,339**

The numbers exclude unrealized capital gains/losses

FUND'S PORTFOLIO

- The Fund's exposure to different investment types is summarized as under:

(Amounts in millions)

	30 June 2012		30 June 2013		31 May 2014	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
Pakistan Investment Bonds	9,068	58.1	9,145	52.0	15,316	71.8
Term Finance Certificates	489	3.1	237	1.3	593	2.8
Treasury Bills	139	1.0	-	-	1,081	5.1
Short term bank deposits	5,339	34.2	5,799	33.0	-	-
National Saving Schemes	-	-	1,800	10.2	1,000	4.7
Cash at bank	130	0.8	11	0.1	2,693	12.6
Accrued Mark-up	434	2.8	584	3.3	642	3.0
Other assets*	6	0.0	9	0.1	14	0.0
Fund Size	**15,605**	**100.0**	**17,585**	**100.0**	**21,339**	**100.0**
Contribution in transit**	-	-	-	-	3,000	-
Total Fund Size	**15,605**	**100.0**	**17,585**	**100.0**	**24,339**	**-**

*Other assets include prepaid expenses for management and book value of fixed assets of the Fund
** Contribution released by the Finance Department but not received till 30-May-2014.

- Long-term investments consist of Pakistan Investment Bonds (PIBs) and Term Finance Certificates (TFCs) whereas short-term investments consist of Treasury bills, short term bank deposits and National Saving Schemes.
- The Fund has been switching exposure between T-bills, short-term bank deposits and National Saving Schemes in pursuit of higher rates of return.

FUND'S PERFORMANCE

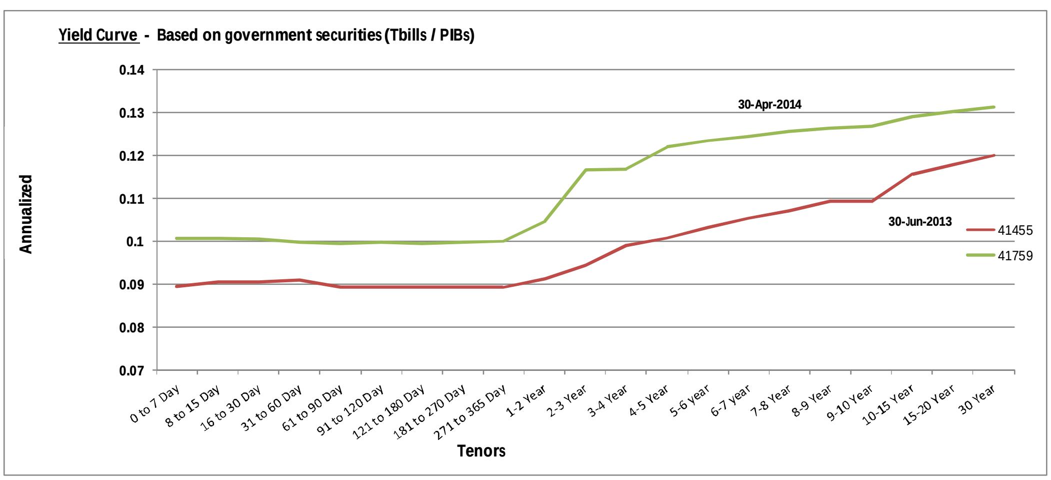
- Time Weighted Return (TWR) earned by the Fund is summarized as under:

Period	Annualized Return for the period		Year End Discount Rate	YoYCPI Inflation	Long-term Benchmark
	Gross Return	Net Return*			CPI Inflation + 3%
FY 2008-09	15.21%	15.00%	14.00%	13.14%	16.14%
FY 2009-10	13.79%	13.61%	12.50%	12.69%	15.69%
FY 2010-11	13.48%	13.32%	14.00%	13.13%	16.13%
FY 2011-12	13.96%	13.79%	12.00%	11.26%	14.26%
FY 2012-13	12.85%	12.69%	10.00%	5.85%	8.85%
Jul 2008-Jun 2013 (CAGR) **	13.85%	13.67%	12.40%	11.17%	14.17%
July 2013 – May 2014	12.11%	11.95%			

*Net Return means the return after deducting expenses incurred on management of PPF
** CAGR means Compound Annualized Growth Rate

- In order to lock-in high yields for a long period of time, the Fund has invested a large proportion of its assets in long-term fixed-rate instruments consisting mainly of PIBs. At the end of May-14, around 71.8% of total portfolio is invested in PIBs.
- During FY13, the year-on-year (y-o-y) CPI Inflation rate had declined sharply, and the SBP reduced the policy rate by 3.0% cumulatively (from 12% to 9%). With the start of FY14, the newly elected government announced considerable upward adjustments in electricity, gas and petroleum prices; as a result the y-o-y CPI inflation had started to accelerate since May 2013 and peaked at 10.90% at the end of November 2013. In response, to combat rising inflation, SBP also increased its discount rate by 100 basis points to 10.00%. After touching double digit inflation in Nov 2013, y-o-y CPI softened and stood at 8.34% in May 2014. We expect that inflation for the full year FY14 will comfortably remain in single digit. We don't expect any further change in discount rate by State Bank of Pakistan during remaining part of FY14.
- The investment strategy followed over the past few years i.e. investment in long-term fixed-rate instruments at attractive yields, is now paying off. Despite lower inflation and discount rates, PPF continues to earn an attractive real rate of return over y-o-y CPI because of its high yielding portfolio of PIBs

Yield-Curve 2014 vs. 2013
Figure 6.6



GROWTH IN ASSETS vs. LIABILITIES AND FUNDING RATIO

- As per the last Actuarial Assessment Report, the present value of pension liabilities of the Government of the Punjab stood at Rs. 687.7 billion as on June 30, 2010.
- Market value of Fund's asset at May 31, 2014 stood at Rs. 24.5 billion.
- If PPF were envisaged as a fully funded pension plan, the value of its assets would match the value of the total pension liability of the Government of the Punjab, and the funding ratio (the ratio of its assets to its liabilities) would equal one (or 100%). This would mean that for the

accrued pension liabilities, the Government of the Punjab would not have to earmark any budgetary resources because these would be met by PPF from the return on its assets.

- Currently the Government of the Punjab does not have an explicit target for the Funding Ratio. The desired Funding Ratio can be inferred from the projected injections of funds in PPF by the government as stated in the Medium Term Budgetary Framework 2009-12 announced by Government of the Punjab. If the injections of funds were to stay on course and there were no withdrawals then at the current average rate of return on PPF funds, the projected funding ratio in the foreseeable future is expected to stay in the range of 1.75%-2.25%.
- When interest rates go down the rate of return on assets also go down and the pension plan needs a larger amount of assets to pay the pension liabilities promised to the employees. Thus a decline in interest rates can lower the Funding Ratio of a pension plan further.
- In order to properly manage a pension plan, two things are important.
    - Firstly, the Funding Ratio of the pension plan should be high so that sufficient assets vis-à-vis the liabilities are available. A Funding Ratio of 100% is ideal.
        - Currently, the Funding Ratio of the pension plan is around 2% which means that the current level of assets is sufficient to meet 2% of accrued pension liabilities of the Government of the Punjab. This Funding Ratio is clearly quite low and the government may consider increasing this ratio which would require a long-term and sustainable plan of gradual injection of funds into the pension plan.
    - Secondly, the Fund should preferably make long-term fixed-rate investments whose maturity is as close as possible to the maturity of pension liabilities. With fixed-rate investments the rate of return on the assets of the Fund will be less vulnerable to the fluctuations in the market rate of interest.
        - Considering the importance of long-term fixed-rate investments, PPF has invested 71.8% of its assets in long-term fixed-rate bonds at May 31, 2014 and remains ready to invest further up to the maximum allowable exposure limit of 75% of fund size in long term fixed rate bonds.

6.2.6 Reporting of Pension and GP Fund Liabilities as per IPSAS 25:

Pension and GP Funds liabilities of Government as on June 30, 2010, as per IPSAS 25 reported in the Actuarial Report, has been summarized at **Annex-VI** of White Paper.

Chapter 7

PUNJAB REVENUE AUTHORITY

PRA is completing its second financial year. PRA started collection of sales tax only on such services as were earlier covered under the Punjab Sales Tax Ordinance, 2000. These included hotels, clubs, caterers, advertisements on T.V & radio (including cable TV), customs agents, ship chandlers, stevedores, telecommunication, insurance and re-insurance, banking companies, non-banking financial institutions, stock brokers, shipping agents and courier services. In October, 2012, three more services were brought under Punjab sales tax net. These were franchise services, restaurant services, advertisements on hoarding boards, pole signs and sign boards. In May, 2013, the Punjab sales tax coverage was compared with Sindh sales tax regime and fourteen more services were added to Punjab sales tax. These included motels, guest houses, marriage halls and lawns, security alarm systems, international incoming calls, construction services, property development and promotion, contractual execution of work or furnishing of supplies, foreign exchange dealers including exchange companies and money changers, beauty/slimming parlors/clinics, management consultancy including fund and asset management, port services, terminal operators including public bonded warehouses and international freight forwarders. In July, 2013, more new services were added such as software or IT-based system development consultancy, technical, scientific & engineering consultancy, tour operators, manpower recruitment agency, security agency, mining & exploration services, advertising agents, share transfer agents, business support services, property dealers, fashion designers, architects, town planners & interior decorators, rent-a-car, car/automobile dealers and toll manufacturing services (industrial vending).

Application of Reduced Tax Rate

Standard Punjab sales tax rate is 16%. Telecom services are chargeable to tax @ 19.5%. The services of property development/promotion and freight forwarders are chargeable to fixed rates of tax. PRA is generally not inclined to import unnecessary reduced rate schemes into Punjab sales tax on services system. So far only stand-alone caterers have been given reduced rate scheme of 5% (without input tax adjustment). Similar scheme for non-corporate marriage halls is also under finalization. These two time bound special reduced rate schemes for stand-alone caterers and non-corporate marriage halls have been proposed/adopted as a “tax bait” to attract historically delinquent regimes towards tax compliance in incremental mode. VAT does not discourage such innovative techniques to allure the obstinate segments from the business community towards tax compliance in progressive manner. Such special limited schemes eventually increase taxpayers’ confidence in the fairness of the tax system.

Registry

When PRA started its operations, its initial registry consisted of only 615 registrations, details of which were primarily transferred from FBR's system (through PRAL). Currently, there are 3762 regular registrations besides 848 compulsory registrations (total 4610). Compulsory registrations are gradually shifting towards regular regime. In addition to these, PRA has, by using multiple source data and field surveys, identified nearly 9750 service sector businesses, about which PRA thinks that majority of them is prima facie liable to be registered with PRA and pay Punjab sales tax. Particulars of all these cases have been sent to the duly empowered field officers of civil administration (up to tehsil level) with the request to follow them for registration/ compliance after necessary impartial verifications, if needed, about the character and size of their businesses.

Ever since its establishment, neither PRA nor any taxpayer has faced any problem in registration for the purpose of Punjab sales tax on services. The businesses already having NTN number (for income tax purposes) are enrolled on the basis of "same-day-principle". The businesses without NTN route their requests for NTN issuance to FBR through PRA, which is done by FBR system maximally within 72 hours and PRA's subsequent enrolment is issued instantly without any further loss of time. No fee is charged for enrolment or registration or for any amendment in registration particulars and returns/statements etc. PRA's registration base is increasing on daily basis.

Revenue Achievements

As against Punjab's share of Rs.22 billion for the year of 2011-12, PRA collected over Rs.37 billion during 2012-13. For the year 2013-14, a target was worked out at Rs.52.2 billion which was optimistically uplifted to Rs.62.2 billion considering that PRA would be able to bridge the carried-over compliance gaps. However, during the first eleven months PRA has collected Rs.39.4 billion. The gap between targets and receipts is easily explainable. For the first eleven months, the proportionate target comes to Rs.39.87 billion, against which Rs.39.4 billion have been collected. Short fall is only of 1.19% which is likely to be made up by the end of June, 2014. The following table shows the month-wise revenue receipts followed by graphics of monthly revenue growth patterns:

Table 7.1
Month Wise Collections

(Figures in Pk. rupee)

Sr.No	Month	Revenue
1	July-13	3,279,463,596
2	August-13	3,444,668,441
3	September-13	3,242,429,550
4	October-13	3,403,791,884
5	November-13	3,454,903,267
6	December-13	3,525,070,081
7	January-14	3,419,557,439

Sr.No	Month	Revenue
8	February-14	3,970,873,579
9	March-14	3,471,472,164
10	April-14	4,010,300,895
11	May-14	4,171,502,031
TOTAL		**39,394,032,927**

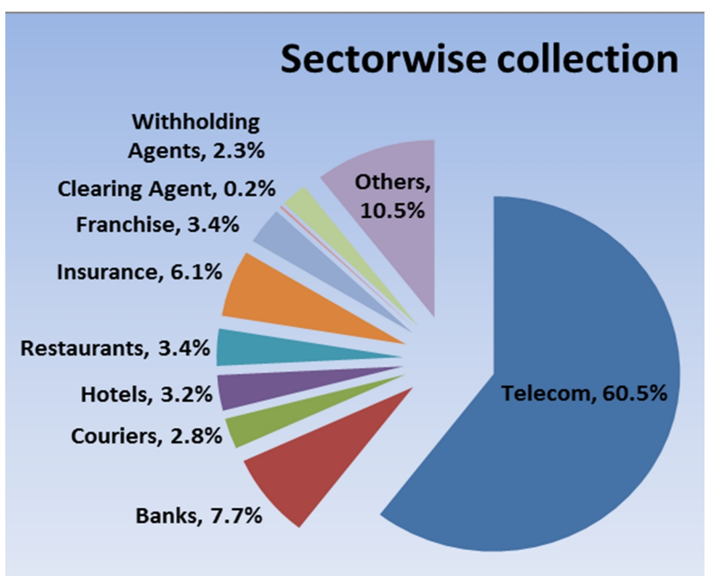
Service wise collections remained as follows:

Table 7.2
Service wise Collections

(Rupee in million)

Texperiod Wise Sectoral Collection Details FY 2013/14													
Sr.No	Sector	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	Total
1	Telecom	2,281,284,921	2,205,905,108	2,285,559,675	2,316,380,440	2,289,465,907	2,215,798,191	1,808,580,123	2,207,242,410	2,007,611,966	1,942,719,259	2,256,739,050	**23,817,287,050**
2	Banks	254,353,244	279,517,519	215,121,915	248,241,265	246,668,039	262,031,443	330,807,371	316,884,683	276,518,945	295,316,725	317,025,766	**3,042,486,915**
3	Couriers	92,485,379	104,812,858	86,091,687	101,606,666	103,777,723	102,265,852	103,372,403	99,567,105	96,399,425	110,648,850	99,332,035	**1,100,359,983**
4	Hotels	132,986,806	82,087,639	91,443,548	108,473,674	113,956,100	105,591,565	130,918,639	119,607,174	128,255,121	134,117,659	126,055,805	**1,273,493,730**
5	Restaurants	118,312,680	92,035,059	125,521,344	171,255,553	114,900,561	96,388,020	127,666,155	125,868,142	108,269,486	128,316,807	117,542,429	**1,326,076,236**
6	Insurance	247,960,102	496,690,867	118,780,644	169,603,748	167,364,869	154,746,335	234,434,415	264,171,995	152,437,582	204,992,777	178,295,810	**2,389,479,144**
7	Franchise	89,099,789	77,207,796	126,964,478	117,977,713	117,080,231	116,835,144	161,413,683	157,186,811	120,925,282	93,543,997	143,515,757	**1,321,750,681**
8	Clearing Agent	8,393,627	7,992,140	7,398,372	7,640,446	7,337,883	6,496,076	8,006,270	7,490,408	7,362,875	7,079,568	6,902,924	**82,100,589**
9	Withholding Agents	50,985,076	39,310,554	111,883,936	65,269,100	43,308,300	62,222,181	85,905,348	103,262,835	108,002,791	128,368,916	95,702,689	**894,221,726**
10	Others	58,602,665	61,357,242	104,888,829	188,291,086	202,662,280	343,527,936	564,258,692	447,727,484	411,146,443	829,782,454	828,707,996	**4,040,953,107**
Received for Previous Tax Year													**105,481,793**
Grand Total		3,334,464,289	3,446,916,782	3,273,654,428	3,494,739,691	3,406,521,893	3,465,902,743	3,555,363,099	3,849,009,047	3,416,929,916	3,874,887,012	4,169,820,261	39,393,690,954

Figure 7.2



Two Distinct Revenue Streams

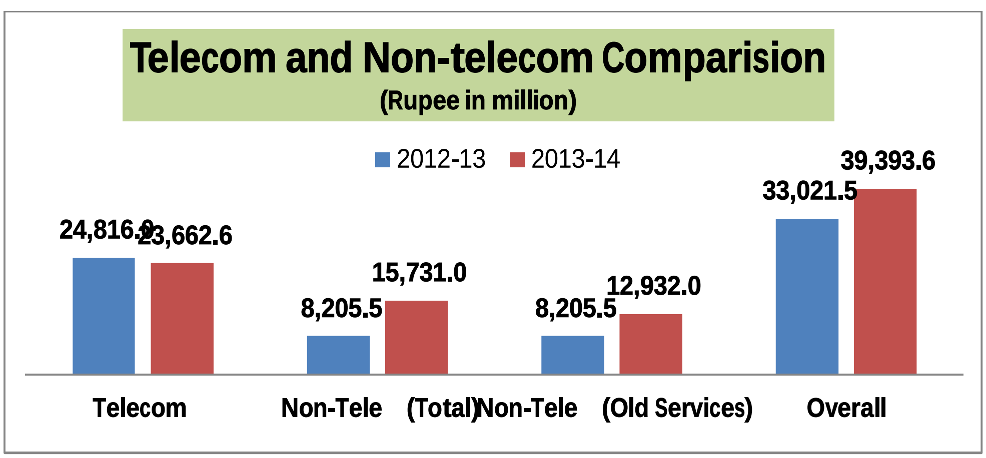
PRA has two main revenue streams, i.e. one is telecom and the other is non-telecom. During 2012-13, ratio between telecom and non-telecom tax receipts was 75:25. Due to sectoral saturation and sudden changes in income tax withholding rates by FBR, revenue from telecom services has stagnated rather slightly declined (reportedly in all tax jurisdictions) and is likely to remain so in foreseeable future. This year, tax receipts from non-telecom regimes have increased by 91.7%, while growth in original seventeen services is 57.6%. The total aggregated growth is 19.3% despite 35% increase in aggregate input tax adjustment. PRA is hopeful that this year, telecom-to-non-telecom tax ratio will touch somewhere around 60:40 and thereafter, it will reach at 50:50 (may be 45:55) in the next year (2014-15), where after it will be 25:75 maximally by the end of 2016-17. PRA believes that this goal is not impossible provided “under-invested” position of PRA is prudently transformed into “properly-invested” tax organization as the post-modern economics opines that on the successful path of development, nothing is created, nothing is destroyed, only wise and visionary transformation is engineered. The major two streams of taxable services had the following tax receipts:

Table 7.3
Tele and Non-Tele Comparison

(Rupee in million)

Sector	2012-13(11-months)	2013-14 (11-months)	Change	%age
Telecom	24,816.0	23,662.6	(1,153.40)	-4.6%
Non-Tele(Total)	8,205.5	15,731.0	7,525.50	91.7%
Non-Tele(Old Services)	8,205.5	12,932.0	4,726.50	57.6%
Overall	33,021.5	39,393.6	6,372.10	19.3%

Figure 7.3



Despite exponential increase in non-telecom revenue receipts, PRA is fully cognizant of the fact that there are still widespread enforcement gaps in the implementation of Punjab sales tax in non-telecom services. In this regard, PRA is continuously making multi-dimensional efforts such as effectively contesting litigations in courts, forcefully conducting exception management, pursuing the civil administration to accelerate their efforts to extract compliance from localized taxable businesses, actively coordinating with different trade bodies/associations to ensure optimum compliance from their members and responsively settling tax disputes and above all increasing its registry through identification of new taxable businesses using third party data. Audit efforts have also been commenced on limited scale.

Services-wise Revenue Growth

Services-wise growth trends indicate that revenue from franchise services has increased more than four times. Restaurant services and withholding agents have also shown phenomenal increase. Increase from customs agents, banks, insurance and courier services is also reasonably good. Increase from other miscellaneous services is nearly two and half fold. PRA's overall thrust is to maximize collections from non-telecom tax base. Service-wise comparative tax receipts are tabulated below:

Table 7.4
Comparison of Monthly Collections

(Rs. in million)

Sector	2012-13 (11-months)	2013-14 (11-months)	Change	%age increase
Telecom	24,816.0	23,662.6	-1153.4	-4.6
Banks	2,155.3	3,040.0	884.66	41.0
Couriers	781.9	1,098.0	316.13	40.4
Hotels	1,096.3	1,273.4	177.14	16.2
Restaurants	579.9	1,199.6	619.7	106.9
Insurance	1,922.0	2,389.2	467.18	24.3
Franchise	272.3	1,321.2	1048.93	385.2
Clearing Agent	50.0	82.0	32	64.0
Withholding Agents	359.6	891.3	531.72	147.9
Others	988.3	4,436.3	3447.95	348.9
Total	33,021.6	39,393.6	6372.01	19.3

Figure 7.4

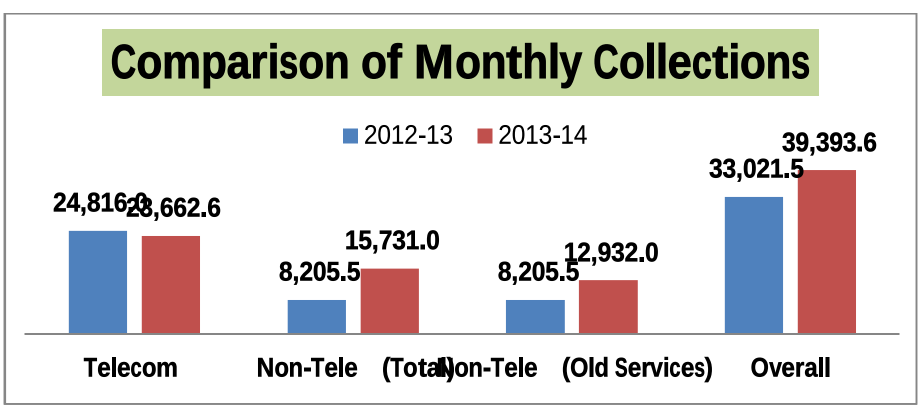
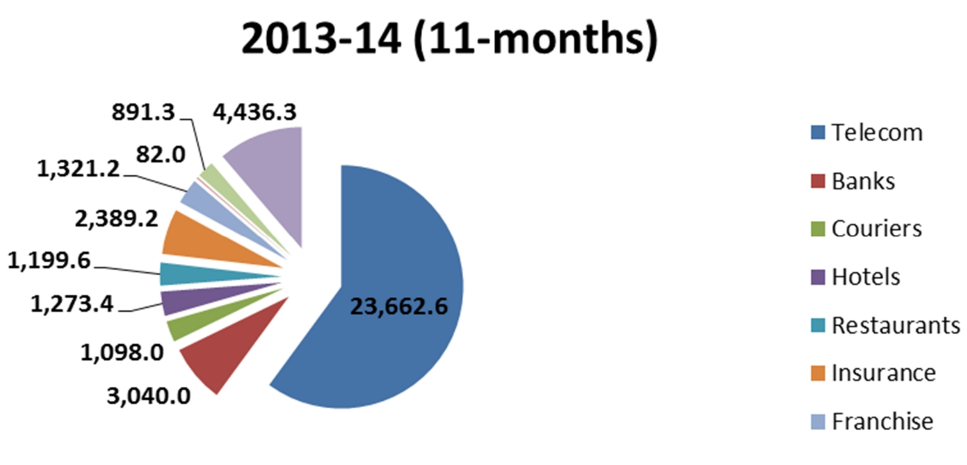


Figure 7.5



The experience so far gained shows that most of the compliance problems are coming from regimes which have either remained untaxed in the past or have traditionally defied tax compliance.

Expenditure Budget Scenario

During 2013-14, PRA obtained budget allocation of Rs.200 million. During the first 10 months, it spent only Rs.110 million. It is expected that by the end of the year, the total expenditure will be nearly Rs.167 million. Out of this, the major spending has gone to the payment of service charges to PRAL, fixed liabilities of rentals and outsourced services and acquisition of durable/capital goods. The salary component was only Rs.31 million. The balance of Rs.33 million (which also included economy cut) is being surrendered to the government. PRA believes that collection cost of sales tax on services in the province of Punjab is the lowest as compared to comparable tax organizations in the country.

Inter tax issues

PRA is already proactive and is in consultation with FBR and other sub-national VAT organizations for earlier resolution of the issues of mutual concern/interest. Like Sindh, Punjab too agreed to sign MOU with FBR for reciprocal input tax adjustment with an inbuilt mechanism for periodical settlements of claims on the basis of a principle that "winner will compensate the loser". MOU has been signed on 13-03-2014. FBR has also issued the required notification.

Taxpayers' education

PRA has conducted over 40 big seminars/workshops in collaboration with civil administration, trade bodies/associations, tax bar associations etc. wherein the invitees from the concerned sectors were fully enlightened about the system of Punjab sales tax. The second regular round of seminars will be undertaken by PRA after the forthcoming budget. Besides, PRA has been using electronic and print media for the advertisements on Punjab sales tax (publicity is a continuous feature). Number of FAQs on PRA's website is gradually increasing. These FAQs carry tremendous importance for the guidance of taxpayers. Most of the taxpayers' correspondence with PRA is online. PRA replies emails within 24 hours. So far 5406 emails have been received and all stand replied. PRA's average email response time is 11.61 hours (less than 12 hours).PRA website has recorded 249,784 visits, 89,889 unique visits and 504,203 page views. These figures show a significant interaction of taxpayers/businesses/public with PRA's website.

IT Developments

Modern tax management cannot be imagined without proper IT-support. Use of information technology not only enhances the neutrality of tax management besides upgrading its efficiency and service level but also exponentially economizes upon collection and compliance costs. PRA is currently availing paid IT services of PRAL for the purpose of collection of Punjab sales tax. PRA is actively working for avenues for additional ultra-advance IT-based solutions for compliance issues especially in regimes where underreporting is not an unusual feature of tax declarations. Restaurant Invoice Monitoring System (RIMS) has been designed by PRA where under through real time modem-based connectivity, the invoice data of restaurants will be captured by PRA into its system and propriety of monthly declarations of restaurants will be checked by the system on the basis of online-retrieved invoice data. The scheme also envisages reward for the diners/food eaters (customers) so that people themselves persuade and force the restaurants to issue tax invoices. The rewards shall be given through automated random balloting. In case the proposed scheme succeeds (which is definitely expected to) other vulnerable business regimes involving walk-in-customers or spot clientele will also be subjected to similar system-based watch.

Revenue Vision

Based upon R&D work conducted and the experience gained during 2013-14, PRA has developed a precise and comprehensive 7-points' budget vision for the year 2014-15. These points cover abridgment of experientially identified operational gaps, rationalization of description, codification, nomenclature and classification of taxable services, inclusion of new services, indigenization of IT capacity/operations, formal launching of (non-intrusive) audit operations and systematic HR development and resource mobilization. With the materialization of these points, PRA is expecting to bring a further robust revenue growth in the year 2014-15 especially in services other their telecom.

Chapter 8

LOCAL GOVERNMENT FINANCE

Under the Punjab Local Government Ordinance 2001 a Provincial Finance Commission Award was envisaged as basis of allocation for Local Governments. The PFC Award established an inter-se share of various tiers of Local Governments through a system of percentage shares based on a matrix of "population – performance-need" continuum. The share of Districts/City Districts and TMAs has accordingly been prescribed under four generic categories of "tied", "general purpose", "development" and "equalization" grants. In addition TMAs receive Urban Immovable Property Tax proceeds and City District Governments receive additional resources to perform municipal functions. Funds are provided to Unions on fixed share basis. Cantonment Boards receive share in lieu of Octroi on the basis of their respective populations. The allocations for local governments have been growing since the promulgation of the Punjab Specification and Distribution of Provincial Resources Order, 2006. As such District Governments, TMAs and Councils received the following share:

Table 8.1

Allocation to Local Governments under the PFC Award, 2006

(Rs. in Billion)

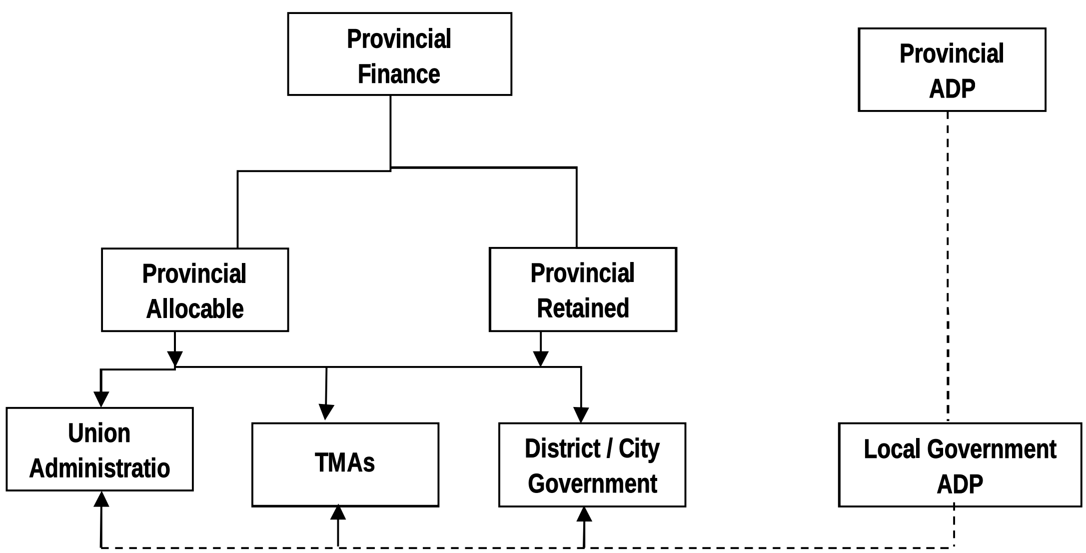
Year	District Governments	Tehsil Municipal Administrations	Union Administrations	Cantonment Boards
2010-11	131.653	13.800	5.019	1.200
2011-12	148.000	15.570	5.019	1.200
2012-13	186.783	17.000	6.000	1.200
2013-14	214.800	17.000	6.000	1.200
2014-15	236.280	17.000	6.000	1.200

Under the PFC Award, 2006 there has been progressive increase in the allocations for Local Governments. Beginning from financial year 2010-11 the allocations for District Government has increased from Rs. 131.653 billion to Rs. 214.800 billion in financial year 2013-14. The allocation for TMAs has increased from Rs. 13.8 billion in financial year 2010-11 to Rs.17.000 billion in financial year 2013-14. Similarly, the allocation for Union Administrations has increased from Rs. 5.019 billion to Rs.6.000 billion in 2013-14 and the Cantonment Boards have been receiving a steady annual allocation of Rs.1.2 billion for the past four financial years.

In the fiscal year 2013-14, Local Government Finance experienced a special dispensation whereby Local Governments as they received greater Provincial Government allocations for better governance through special grants and packages in addition to the formula based fiscal transfers under the Provincial Finance Commission Award. These extra-PFC allocations included grants for Solid Waste Management, Bail-out packages for District Governments and TMAs, Grants for PHAs, Grants for Schools and Primary Health Care, District Development Packages, Development Grants for Large Cities, etc. A more vivid picture of transfers to Local Governments transpires when PFC and extra-PFC grants are seen in conjunction.

Figure 8.2

Allocations to Local Governments



The above figure reflects that Local Governments receive grants under the Provincial Retained Amount and through the Annual Development Programme of the Province in addition to grants from the Provincial Allocable amounts under Provincial Finance Commission Award.

However, District Governments have been able to generate only Rs.37,196,567 million in the preceding financial year as their own revenues which averages at 0.021% percent of their overall resources. Similarly, TMAs generated a total of Rs.97,839.434 million whereas under the PFC share alone the TMAs received Rs.11,955.669 million. Thus, Local Governments remain clearly dependent on provincial allocations. This is despite the provision of an elaborate taxation regime in the second schedule of the Punjab Local Governments Ordinance, 2001. Local Governments have been able to generate the following amounts as their own source revenue:-

Table 8.3

Own Source Revenue Receipts of District Governments

(Rs. in Million)

Financial Year	Transfers	Own Receipts	Grand Total	% of Own Receipts against G.Total
2007-08	109,466.958	4,746.402	114,213.360	4.16%
2008-09	124,868.722	6,926.613	131,795.335	5.26%
2009-10	131,236.938	4,043.428	135,280.366	2.99%
2010-11	143,276.078	2,434.891	145,710.969	1.67%
2011-12	172,357.448	4,256.024	176,613.472	2.41%
2012-13	212,884.841	3,094.716	215,979.557	1.43%
2013-14	221,637.377	37.196	221,674.573	0.02%

Table 8.4

Overall Allocation to Districts and TMAs

(Rs. in Million)

	Development		Current	
	Original Budget	Revised Estimate	Original Budget	Revised Estimate
2008-09	12,000	36,051	106,155	105,205
2009-10	12,000	31,420	118,000	121,078
2010-11	12,000	21,119	151,672	150,587
2011-12	12,000	16,576	169,789	187,205
2012-13	12,000	24,090	210,983	216,924
2013-14	12,000	24,171	239,000	237,460
2014-15	12,000	--	260,480	--

Chapter 9

PUBLIC FINANCIAL MANAGEMENT REFORM

Public Financial Management (PFM) is a process by which governments translate public resources into public services. It is a critical tool for Government to achieve policy objectives and development goals, as defined by the policymakers. Built around the principles of transparency and accountability, it helps build bridges between the state and citizens.

PFM reforms are at the vanguard of provincial reform agenda with focus on aggregate fiscal discipline, resource allocation based on agreed priorities and efficient use of available resources for delivery of high quality public services and accountability. These are invariably very complex and long term and, by very nature, a political exercise. They require proper prioritization, sequencing and, above all, ownership of the stakeholders.

The provincial government rolled out several reforms over the past several years in the province, with varying degrees of success. The following is an account of on-going as well as contemplated reform initiatives:

PFM Reforms at Provincial Level:

The Finance Department has been spearheading PFM Reforms in the province and has developed a roadmap, which broadly gives a policy direction to the reforms. With technical support from international development partners, the provincial government is implementing reforms. Sub National Governance Programme (SNG) –United Kingdom's Department for International Development (DFID) funded programme– is supporting the provincial government in implementing PFM reforms.

(i) PFM Reform Strategy

Finance Department, with the assistance of SNG, is developing a comprehensive ***PFM Reform Strategy*** to properly strategize and prioritize various PFM reform initiatives. While building around the lessons and experiences from around the world and Punjab, the PFM Reform Strategy revolves around the following primary principles:

- Shift to a more medium term approach, with its emphasis on linking policy, planning and budgeting, from the traditional annual focus;

- Shift to a top-down approach, driven not only by resource availability but also by the priorities of government, from a bottom-up approach to budgeting;

- Shift towards performance based budgeting, linking inputs to outputs and outcomes, and away from input based budgeting.

The proposed PFM Reform Strategy aims to improve transparency of budgetary process, strengthen Medium Term Budget Framework (MTBF) process, improve accountability and credibility of the budget as well as need for political engagement for ownership of the PFM reforms.

PFM Reform Strategy is built around anchoring the Medium Term Budgetary Framework (MTBF) in the provincial government. MTBF is key to linking policy, planning and budgeting by providing multi-year perspective and creating linkages among outcomes, output and costs. In line with this approach, Government of the Punjab is committed to strengthen MTBF, including Medium Term Fiscal Framework (MTFF), Budget Strategy Paper and Sector Planning.

(ii) Budget transparency and accessibility

Availability of and access to complete fiscal and budgetary information is central to PFM reform. It is a stylized fact that budget transparency and accountability can accrue several dividends in terms of priorities based allocation; increased responsiveness to people’s needs and reduced rent seeking. In order to benefit from this approach, a Budget Transparency Review (BTR) is in the pipeline mainly to improve budget transparency and accountability. The purpose of this study is to (i) conduct a baseline assessment of current levels of budget transparency and accessibility based on international good practice, (ii) identify areas of potential reform which if implemented would improve budget transparency and accessibility, (iii) build the capacity of the FD to assess and strengthen budget transparency and (iv) provide a basis for FD to respond to the requirements of Right to Information (RTI) legislation.

(iii) Citizen Budget for Punjab

Protection, preservation and promotion of the interests and aspirations of its masses lend basis to the existence and legitimacy of the Governments. Governments therefore, stand answerable to their citizens for ‘what they do and how they do it’. Therefore, public policies and plans should be responsive to and reflective of the needs and priorities of their people. Implementation efforts of Governments and their outcomes should also be known to the citizens. On the other side, citizens have a responsibility to hold their governments accountable.

Citizens’ engagement can be enhanced by ‘creating preconditions’ that enable people to contribute in an effective way. One most crucial precondition is that all citizens have easy and ready access to government information. Technical documents should be made available to the stakeholders in easy and understandable layout. Needless to underscore budget documents are highly technical and not user friendly. Complex concepts and terminology are mostly unfamiliar to many. Therefore, presentation of budget information in an easy and understandable format seems imperative to ensure engagement of citizens. While providing the budget information to the common man, a Citizens Budget provides the government as opportunity to communicate its perspective and rationale behind various budgetary choices and decisions. For the first time ever, Government of Punjab is producing a Citizens' Budget 2014-15 that would present the budgetary information to the citizens in a way and layout that is easy to understand.

(iv) Creating Fiscal Space

Given that ours is a resource constrained economy, there is always a need for reforming the revenue side of the provincial finances to create fiscal space to fund better public services. SNG is trying to assist in creating fiscal space by expenditure savings or generating additional revenue. In this regard, areas of technical assistance such as tax surveys for broadening of tax bases, automation of tax bases etc. would be identified to help generate more revenue for the province. On the other hand initiatives would be implemented to get savings in expenditure. An example of such initiatives is 'Pay Roll Audit of Education Sector'. While main objective of the payroll audit remains to provide reasonable assurance that effective controls are in place to ascertain the integrity of transactions, some sizable fiscal space may also be created as a result of payroll audit. The exercise is in the pipeline to conduct payroll audit in the education department to identify gaps and accumulate some savings for the government. The resultant savings might be utilized on much needed public services.

(v) Designing of Provincial Finance Commission (PFC) Award:

Evidence suggests that decentralization of authority and responsibility for service delivery improves quality and delivery of public services. The creation of the local governments in 2001, especially the district governments, therefore required predictable, transparent and credible mechanism for intergovernmental transfers to provide adequate revenues for local services. The new local government system also provides for PFC mechanism to ensure uninterrupted financing of devolved service delivery functions through a system of formula based transfers. A study has been commissioned to assess the effectiveness of PFC transfers in Punjab. The study mainly appraises the adequacy, predictability and equalization effects of the PFC transfers. Another key feature of the analysis of the PFC mechanism also assesses the sustainability of local government expenditures, financed largely through transfers mandated under the PFC. Based on the recommendations of the study; PFC Award is being redesigned to fund the local governments to better respond to the needs of their people.

PFM Reforms at District Level:

A few reforms are also being planned at the district level to improve primary and secondary service delivery in education and health sector. These include:

(i) District Needs Assessment for Needs Based Budgeting:

Our district governments are mandated to manage and monitor the provision of basic services. However, very unfortunately they lack the capacity and the evidence to properly plan and manage budgets for the service delivery. Budgets at the district level are mainly result of incremental allocations over the previous year. Hardly any analysis goes into the allocation of funds. This leads to poor planning and budgeting for the services. In order to assess the needs of the people and find gaps in planning, budgeting and delivery of services, comprehensive needs assessment exercises in health and education sector are in the pipeline. The recommendations of the assessments will help district governments to prepare their budgets based on evidence of the people's needs. Needs Assessments in education and health sectors are designed to address specific service delivery objectives and investigate both generic issues such as flow of funds and lack of citizen engagement, and the needs of the different groups including women, girls, minorities and people with disabilities.

(ii) Expenditure Tracking at Service Delivery Level:

Efficiency, effectiveness and equity in the use of public resources are primary preconditions for delivery of quality public service. However, poor mechanisms for tracking and monitoring allocation and utilization of funds lead to poor public services. Besides unpredictability of funds allocation and transfers results in poor delivery of public services at the local level. Resultantly our service delivery units such as Basic Health Units (BHU) and Schools cannot deliver quality public services. Provincial Government is in the process of streamlining the transfer of funds from province to the districts and to the actual service delivery units such as BHU. Given that most of our service delivery units have no Drawing and Dispersing Officer (DDO), tracking of expenditures becomes impossible beyond DDO level. Therefore, an expenditure tracking exercise is being carried out to assess funds flow mechanisms and timeliness of transfers of funds to service delivery unit.

Evidence shows that availability of resources at the service provider level is not sufficient to produce desired results. Capacity to efficiently utilize the available funds also plays a critical role to this effect. 'How efficiently the available funds are utilized' is the focus of EQSDS (Expenditure and Quantity of Service Delivery Survey). A comprehensive EQSDS is also being conducted with the help of World Bank. The EQSDS will help improve efficiency of public spending for better public service.

GLOSSARY

A

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

B

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

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

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

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

C

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

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

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

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

Expenditures in Account No. II are mainly incurred on state trading operations of the government in food grains especially procurement of wheat and repayment of loans taken from the commercial banks for trading operations of Food Department.

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

D

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

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

a) Revenue Expenditure
b) Capital Expenditure

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

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

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

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

E

Entity: The organizational unit within the government responsible for management and control of particular resources. In a budgetary framework, each entity shall receive an allocation of funds and the entity mangers would be responsible for the expenditure incurred.

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

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

F

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

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

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

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

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

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

Function: The economic function relating to provision of a particular service, activity or a program.

Fund: The pool of money from where the budget allocation is made e.g. consolidated fund.

G

General Revenue Receipt: General Revenue Receipts include the following:

I) Federal Transfers:
- Share of Federal Divisible Pool of Taxes under the NFC Award, 2009
- Straight Transfers on account of constitutional provisions, royalties on oil and gas
- Federal Grants

II) Provincial Own Revenue:
- Provincial Tax Revenue including Provincial GST on Services collected by the Federal Board of Revenue
- Provincial Non-Tax Revenue (As per the classification used in ABS, the Provincial Non-Tax Revenue includes Federal Grants and Straight Transfers)
- Extraordinary Receipts

H

Historical Cost: Acquisition price of the asset.

I

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

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

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

L

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

M

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

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

N

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

O

Object: Accounting classification describing the item of expenditure, receipt, asset or liability.

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

P

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

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

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

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

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

S

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

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

T

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

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

U

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

Annex-I

DEBT STOCK OF PUNJAB GOVERNMENT AS ON 30.06.2014

(A) DOMESTIC DEBT:

(Rs. in million)

Sr. No.	Loan No.& Name	Rate of Interest	Total Amount of Loan	Amount Repaid	Balance outstanding
(i)	**CASH DEVELOPMENT LOANS**				
1	1987-88	15.28%	2,881.961	2,881.961	-
2	1988-89	14.84%	2,610.940	2,610.940	-
3	1990-91	15.93%	7,472.036	5,454.994	2,017.042
4	1991-92	14.51%	7,331.700	5,467.297	1,864.403
5	1993-94 (NORMAL)	15.94%	4,640.959	2,454.914	2,186.045
6	1993-94 (SAP TIED)	15.94%	3,437.940	1,818.522	1,619.418
7	1994-95 (NORMAL)	15.59%	2,036.459	925.563	1,110.896
8	1994-95 (SAP TIED)	15.59%	1,215.433	552.481	662.952
9	1995-96 (SAP TIED)	15.94%	994.659	377.429	617.230
10	1996-97 (NORMAL)	16.31%	457.427	143.573	313.854
11	1997-98 (NORMAL)	8.50%	6,000.000	2,424.616	3,575.384
12	1999-2000 (NORMAL)	11.21%	470.246	120.780	349.466
13	1999-2000 (SAP TIED)	11.21%	4,167.200	1,070.262	3,096.938
	Total Cash Development Loans		**43,716.960**	**26,303.332**	**17,413.628**
(ii)	**CASH DEVELOPMENT LOANS FOR SCARP TUBEWELLS PROJECTS**				
1	1988-89	14.84%	320.125	320.125	-
2	1989-90	15.93%	461.174	461.174	-
3	1990-91	15.93%	554.411	466.651	87.760
4	1991-92	14.51%	518.700	339.183	179.517
5	1992-93	15.24%	708.055	504.353	203.702
6	1993-94	15.94%	709.082	374.613	334.469
7	1994-95	15.59%	1,034.210	452.295	581.915
8	1995-96	15.94%	1,362.837	502.891	859.946
9	1996-97	16.31%	791.617	281.407	510.210
10	1997-98	8.50%	707.146	265.266	441.880
11	1998-99	17.71%	1,049.209	210.190	839.019
12	1999-2000	11.21%	968.059	248.640	719.419
13	2000-01	11.70%	922.910	193.488	729.422
14	2001-02	10.72%	887.491	167.565	719.926
15	2002-03	7.42%	387.173	79.066	308.107
16	2003-04	7.20%	320.000	54.906	265.094
17	2005-06	9.79%	964.051	79.756	884.295
18	2007-08	10.14%	1,075.980	38.855	1,037.125
	Total Loans for Scarp Tubewells		**13,742.230**	**5,040.424**	**8,701.806**
TOTAL DOMESTIC LOANS (i) + (II)			**57,459.190**	**31,343.756**	**26,115.434**

Annex-II

DEBT STOCK OF PUNJAB GOVERNMENT AS ON 30.06.2014

(B) FOREIGN DEBT

(Figures in million)

Sr. No.	Loan Number	Rate of Interest %		Contracted Amount of Loan *(Foreign Currency)*	UP TO 30.06.2014 Actual Disbursement *(Foreign Currency)*	Amount Repaid *(Foreign Currency)*	Outstanding Balance *(Foreign Currency)*	Outstanding Balance *(Pak. Rs.)*
1.	IFAD-18-PA (SF)	1.00	$	1.667	1.667	1.050	0.617	61.119
2.	IFAD-48-PA (SF)	1.00	$	6.555	6.555	3.854	2.701	267.415
3.	IFAD-83-PA (SF)	1.00	$	6.346	6.346	3.555	2.791	276.348
4.	IFAD-492-PAK(SF)	0.75	$	15.073	15.073	2.816	12.257	1,213.443
5.	IFAD-825-PAK	0.75	$		5.160	-	5.160	510.840
6.	IBRD-3327-PAK (SF)	0.75	$	11.160	11.160	4.474	6.686	661.914
7.	IBRD-7277-PAK (SF)	LIBOR	¥	12,107.500	11,924.279	2,389.985	9,534.295	9,286.403
8.	IBRD-7379-Pak	LIBOR	¥	11,780.000	11,780.000	-	11,780.000	11,473.720
9.	IBRD-7380-Pak	LIBOR	$	50.000	48.865	0.000	48.865	4,837.635
10.	IBRD-7454-Pak	LIBOR	$	100.000	100.000	0.000	100.000	9,900.000
11.	IBRD-7900-Pak	LIBOR	$	145.600	87.944	0.000	87.944	8,706.456
12.	PK-P37	2.60	¥	5,016.600	5,016.600	0.000	5,016.600	4,886.168
13.	PK-P50 (SF)	2.30	¥	5,788.761	5,788.761	2,117.835	3,670.926	3,575.482
14.	JBIC-PK-P53	1.30	¥	12,523.000	10,053.525	-	10,053.525	9,792.134
15.	JBIC-PK-P59	1.30	¥	11,382.000	7,784.927	-	7,784.927	7,582.518
16.	IDA-106-PAK	0.75	$	1.750	1.750	1.606	0.144	14.256
17.	IDA-466-PAK (SF)	0.75	$	9.786	9.786	6.860	2.926	289.674
18.	IDA-620-PAK(SF)	0.75	$	12.586	12.586	8.252	4.334	429.106
19.	IDA-630-PAK(SF)	0.75	$	26.600	26.600	17.024	9.576	948.024
20.	IDA-678-PAK	0.75	$	2.745	2.745	1.715	1.030	101.970
21.	IDA-683-PAK (SF)	0.75	$	16.366	16.366	10.215	6.151	608.949
22.	IDA-813-PAK (SF)	0.75	$	12.500	12.500	7.276	5.224	517.176
23.	IDA-892-PAK (SF)	0.75	$	2.514	2.514	1.400	1.114	110.286
24.	IDA-1109-PAK (SF)	0.75	$	10.794	10.794	5.292	5.502	544.661
25.	IDA-1113-PAK (SF)	0.75	$	1.230	1.230	0.588	0.642	63.558
26.	IDA-1163-PAK (SF)	0.75	$	21.758	21.758	10.656	11.102	1,099.098
27.	IDA-1239-PAK (SF)	0.75	$	20.181	20.181	9.292	10.889	1,077.995
28.	IDA-1348-PAK (SF)	0.75	$	4.077	4.077	1.742	2.335	231.157
29.	IDA-1375-PAK (SF)	0.75	$	5.810	5.810	2.494	3.316	328.284
30.	IDA-1487-PAK (SF)	0.75	$	27.310	27.310	11.350	15.960	1,580.079
31.	IDA-1603-PAK (SF)	0.75	$	19.390	19.390	7.178	12.212	1,208.988
32.	IDA-1670-PAK(SF)	0.75	$	13.809	13.809	4.692	9.117	902.585
33.	IDA-1693-PAK (SF)	0.75	$	2.989	2.989	1.020	1.969	194.882

					UP TO 30.06.2014			
Sr. No.	Loan Number	Rate of Interest %	Contracted Amount of Loan *(Foreign Currency)*		Actual Disbursement *(Foreign Currency)*	Amount Repaid *(Foreign Currency)*	Outstanding Balance *(Foreign Currency)*	Outstanding Balance *(Pak. Rs.)*
34.	IDA-1762-PAK (SF)	0.75	$	20.941	20.941	6.810	14.131	1,398.954
35.	IDA-1888-PAK (SF)	0.75	$	32.521	32.521	17.896	14.625	1,447.909
36.	IDA-1895-PAK (SF)	0.75	$	83.834	83.834	45.064	38.770	3,838.262
37.	IDA-2003-PAK (SF)	0.75	$	18.596	18.596	9.290	9.306	921.253
38.	IDA-2004-PAK (SF)	0.75	$	3.836	3.836	1.872	1.964	194.429
39.	IDA-2154-PAK (SF)	0.75	$	7.624	7.624	3.456	4.168	412.622
40.	IDA-2245-PAK	0.75	$	22.248	22.248	8.896	13.352	1,321.848
41.	IDA-2257-PAK (SF)	0.75	$	5.825	5.825	2.336	3.489	345.380
42.	IDA-2354-PAK (SF)	0.75	$	65.693	65.693	22.988	42.705	4,227.811
43.	IDA-2383-PAK (SF)	0.75	$	4.028	4.028	1.404	2.624	259.745
44.	IDA-2464-PAK (SF)	0.75	$	11.262	11.262	3.408	7.854	777.511
45.	IDA-2468-PAK (SF)	0.75	$	31.150	31.150	10.117	21.033	2,082.267
46.	IDA-2593-PAK(SF)	0.75	$	23.820	23.820	5.960	17.860	1,768.128
47.	IDA-2999-PAK (SF)	0.75	$	16.849	16.849	2.954	13.895	1,375.605
48.	IDA-3050-PAK (SF)	0.75	$	20.190	20.190	3.024	17.166	1,699.405
49.	IDA-3776-PAK (SF)	0.75	$	7.892	7.559	0.378	7.181	710.891
50.	IDA-3855-Pak	0.75	$	100.644	100.644	1.258	99.386	9,839.179
51.	IDA-4046	0.75	$	96.469	96.469	0.000	96.469	9,550.403
52.	IDA-4176	0.75	$	102.573	102.573	0.000	102.573	10,154.727
53.	IDA-4258-Pak	0.75	$	46.000	45.650	0.000	45.650	4,519.361
54.	IDA-4317-Pak	0.75	$	99.426	99.426	0.000	99.426	9,843.204
55.	IDA-4586-Pak-PESRP	1.50	$	350.000	353.341	0.000	353.341	34,980.759
56.	IDA-4890-Pak-PESRP	1.50	$	50.000	48.479	0.000	48.479	4,799.440
57.	IDA-5081-Pak (PIPIP)	1.25	$	250.000	87.190	0.000	87.190	8,631.769
58.	IDA-5106-Pak (PESP-II)	1.25	$	350.000	191.307	0.000	191.307	18,939.390
59.	IDA-5151-Pak LRMISP	1.25	$	70.000	15.807	0.000	15.807	1,564.874
60.	IDA-5153-Pak (PCGIP)	1.25	$	145.000	56.720	0.000	56.720	5,615.280
61.	IDA-5314-PPMRP	1.25	$	50.000	5.000	0.000	5.000	495.000
62.	IDB-0079-Pak	2.50	ID	3.777	3.777	1.974	1.803	287.826
63.	ADB-331-PAK (SF)	1.00	$	39.500	39.500	33.970	5.530	547.470
64.	ADB-433-PAK (SF)	1.00	$	2.850	2.850	2.233	0.617	61.083
65.	ADB-495-PAK (SF)	1.00	$	13.118	13.118	9.694	3.424	338.952
66.	ADB-734-PAK	1.00	$	19.456	19.456	11.291	8.165	808.333
67.	ADB-750-PAK (SF)	1.00	$	40.425	40.425	21.816	18.609	1,842.275
68.	ADB-758-PAK	1.00	$	15.026	15.026	8.117	6.909	684.001
69.	ADB-759-PAK (SF)	1.00	$	5.985	5.985	3.240	2.745	271.729
70.	ADB-851-PAK (SF)	1.00	$	5.670	5.670	3.266	2.404	237.964
71.	ADB-871-PAK (SF)	1.00	$	25.633	25.633	14.733	10.900	1,079.058
72.	ADB-901-PAK (SF)	1.00	$	44.536	44.536	24.496	20.040	1,983.941

				UP TO 30.06.2014			
Sr. No.	Loan Number	Rate of Interest %	Contracted Amount of Loan *(Foreign Currency)*	Actual Disbursement *(Foreign Currency)*	Amount Repaid *(Foreign Currency)*	Outstanding Balance *(Foreign Currency)*	Outstanding Balance *(Pak. Rs.)*
73.	ADB-916-PAK (SF)	1.00	$ 6.018	6.018	3.192	2.826	279.726
74.	ADB-917-PAK (SF)	1.00	$ 45.061	44.171	23.190	20.981	2,077.133
75.	ADB-973-PAK (SF)	1.00	$ 10.738	10.738	5.092	5.646	558.954
76.	ADB-977-PAK (SF)	1.00	$ 17.805	17.805	8.465	9.340	924.631
77.	ADB-1012-PAK	1.00	$ 24.117	24.117	11.447	12.670	1,254.308
78.	ADB-1146-Pak	1.00	$ 111.888	111.888	0.000	111.888	11,076.905
79.	ADB-1185-PAK (SF)	1.00	$ 79.163	79.163	25.737	53.426	5,289.129
80.	ADB-1200-PAK	1.00	$ 13.147	13.147	4.267	8.880	879.097
81.	ADB-1209-PAK	1.00	$ 39.206	39.206	12.740	26.466	2,620.132
82.	ADB-1210-PAK (SF)	1.00	$ 17.454	17.454	5.668	11.786	1,166.773
83.	ADB-1260-PAK	1.00	$ 48.134	48.134	13.243	34.891	3,454.203
84.	ADB-1297-PAK(SF)	1.00	$ 46.351	46.351	12.739	33.612	3,327.541
85.	ADB-1301-PAK	1.00	$ 56.670	56.670	14.160	42.510	4,208.512
86.	ADB-1350-PAK	1.00	$ 2.803	2.803	0.665	2.138	211.666
87.	ADB-1373-PAK	1.00	$ 15.946	11.717	2.636	9.081	898.992
88.	ADB-1401-PAK	1.00	$ 50.662	50.662	10.761	39.901	3,950.204
89.	ADB-1454-Pak(SF)	1.00	$ 29.947	29.947	5.610	24.337	2,409.395
90.	ADB-1467-PAK	1.00	$ 30.655	30.655	5.745	24.910	2,466.108
91.	ADB-1493-PAK	1.00	$ 64.479	64.479	12.090	52.389	5,186.486
92.	ADB-1531-PAK	1.00	$ 30.842	30.842	5.018	25.824	2,556.576
93.	ADB-1534-Pak	1.00	$ 14.671	14.671	2.392	12.279	1,215.621
94.	ADB-1578-PAK	1.00	$ 14.909	14.909	2.418	12.491	1,236.603
95.	ADB-1671-PAK (SF)	1.50	$ 15.800	13.207	4.127	9.080	898.891
96.	ADB-1679-PAK	1.00	$ 7.968	7.968	1.100	6.868	679.926
97.	ADB-1877-PAK	1.50	$ 28.068	28.068	7.894	20.174	1,997.204
98.	ADB-1878-PAK	LIBOR	¥ 14,176.659	$ 46.179	31.698	14.482	1,433.705
99.	ADB-1900-PAK	1.50	$ 4.967	0.667	0.125	0.542	53.686
100.	ADB-1928-PAK	0.75	¥ 18,396.800	8,762.487	4,592.112	4,170.376	4,061.946
101.	ADB-1950-PAK (SF)	1.50	$ 50.000	53.694	7.833	45.861	4,540.200
102.	ADB-2030-PAK (SF)	LIBOR	¥ 21,761.000	21,761.000	10,554.085	11,206.915	10,915.535
103.	ADB-2031-Pak (SF)	1.50	$ 1.897	1.897	0.198	1.700	168.255
104.	ADB-2060-Pak (SF)	1.50	$ 45.000	24.535	2.555	21.980	2,176.039
105.	ADB-2061-Pak	LIBOR	¥ 4,896.225	2,743.518	322.638	2,420.880	2,357.938
106.	ADB-2134-Pak	1.50	$ 41.000	28.785	2.546	26.239	2,597.649
107.	ADB-2144-Pak	LIBOR	¥ 7,995.750	7,995.750	3,109.657	4,886.093	4,759.054
108.	ADB-2145-Pak	1.50	$ 75.000	75.594	7.087	68.508	6,782.243
109.	ADB-2211	LIBOR	$ 20.000	11.473	0.773	10.699	1,059.240
110.	ADB-2212	1.50	$ 40.000	2.228	0.05	2.182	215.977
111.	ADB-2286-Pak	LIBOR	¥ 5,599.000	2,061.616	0.000	2,061.616	2,008.014

					UP TO 30.06.2014			
Sr. No.	Loan Number	Rate of Interest %	Contracted Amount of Loan *(Foreign Currency)*		Actual Disbursement *(Foreign Currency)*	Amount Repaid *(Foreign Currency)*	Outstanding Balance *(Foreign Currency)*	Outstanding Balance *(Pak. Rs.)*
112.	ADB-2287-Pak	1.50	$	5.000	-	-	-	-
113.	ADB-2299-Pak	LIBOR	¥	25,637.827	11,058.439	0.000	11,058.439	10,770.920
114.	ADB-2300-Pak	1.50	$	10.000	5.797	0.000	5.797	573.931
115.	ADB-2385-Pak	LIBOR	$	250.000	250.000	45.750	204.250	20,220.750
116.	ADB-2386-Pak	1.50	$	8.800	6.923	0.000	6.923	685.377
117.	ADB-2485-Pak	1.50	$	100.000	95.974	0.000	95.974	9,501.382
118.	ADB-2547-Pak PGEIP	LIBOR	$	75.000	75.000	7.264	67.736	6,705.871
119.	ADB-2548-Pak PGEIP	1.50	$	75.000	76.466	0.000	76.466	7,570.122
120.	ADB-2644-Pak	1.50	$	150.000	150.969	0.000	150.969	14,945.949
121.	ADB-2841-Pak	1.50	$	270.000	51.614	0.000	51.614	5,109.786
122.	ADB-2971-Pak		$	73.000	6.194	0.000	6.194	613.206
123.	OFID-1134-P	2.50	$	5.250	3.876	0.000	3.876	383.724
124.	French Loan-Extension of Water Resources for Faisalabad City Phase-I	1.60	€	33.440	24.173	0.000	24.173	3,270.160
	Total							**417,445.739**
Foreign loans to be repaid in Pak Rupees								*(Rs. in million)*
125.	ADB-2216-Pak	LIBOR	$	200.000	12,047.360	3,846.723	8,200.637	8,200.637
							GRAND TOTAL (IN PKR)	425,646.376
Total $						$	3,357.757	332,417.920
Total ¥						¥	83,644.593	81,469.834
Total Rs.						Rs.	8,200.637	8,200.637
Total Islamic Dinar						ID	1.803	287.826
Total Euro				24.173	3,270.160	€	24.173	3,270.160
Grand Total (in Rs.)								**425,646.376**

Exchange Rates : US $ 1 = 99.00, ¥ = 0.9740, ID = 159.6494 & € 1 = 135.281

Annex-III

PENSION PAYMENTS (WITH 5 YEAR INTERVALS)

(Rs. in billion)

Year	Expected Pension	Expected Commutation	Expense
2014- 15	36.3	9.7	**46.0**
2019 - 20	62.8	17.7	**80.5**
2024 - 25	111.3	34.9	**146.2**
2029 - 30	193.2	54.6	**247.8**
2034 - 35	297.0	52.3	**349.3**
2039 - 40	442.8	80.9	**523.7**

* Inflation is assumed at 10%

Annex-IV

GP FUND PAYMENTS (WITH 5 YEAR INTERVALS)

(Rs. inbillion)

Year	Total Expense
2014 – 15	6.4
2019 – 20	13.5
2024 – 25	40.0
2029 – 30	49.4
2034 – 35	55.8
2039 – 40	99.3

*Inflation is assumed at 10%

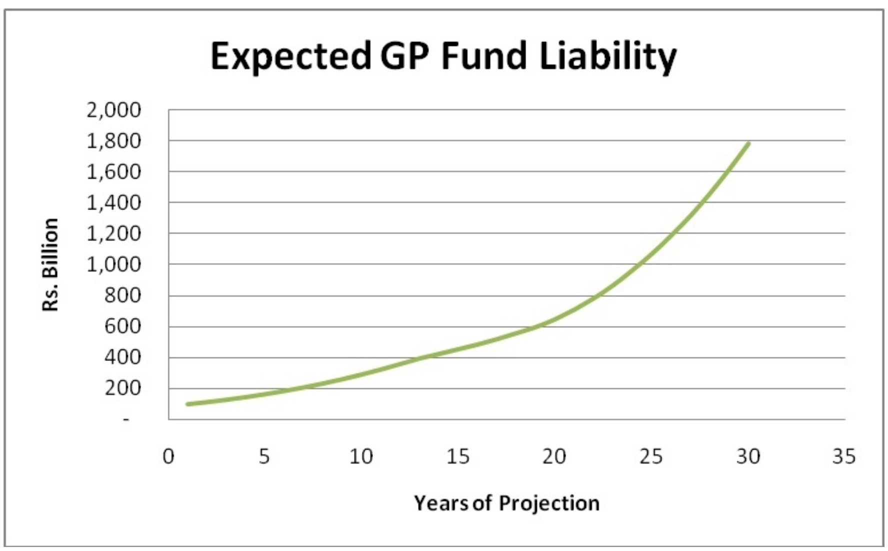
Annex-V

EXPECTED GP FUND LIABILITY (WITH 5 YEAR INTERVAL)

(Rs. in billion)

Year	Expected GP Fund Liability
2014 – 15	160.5
2019 – 20	288.4
2024 – 25	452.4
2029 – 30	646.4
2034 – 35	1,070.5
2039 – 40	1,784.9

Graphical representation of growth in GP Fund liabilities over 30 years' is as under:



Annex-VI

PENSION & GP FUND LIABILITY DISCLOSURES UNDER IPSAS 25

PENSION FUND

Statement of Financial Position (under Paragragh 65. of IPSAS 25)

	30th June 2010 Rupees in '000	30th June 2009 Rupees in '000
Present Value of Defined Benefit Obligation	687,725,241	597,622,375
Plus Actuarial Gains/**Less** Actuarial Losses not yet recognised	(2,336,136)	(14,208,481)
Minus Past Service Cost not yet recognised	(137,230,205)	(147,032,363)
Minus Past Service Cost not yet recognised on account of benefit changes as at 30.06.2010	(5,570,800)	Nil
Minus fair value of Plan Assets	(12,050,495)	(3,486,611)
Statement of Financial Position	**530,537,605**	**432,894,920**

Expense Recognized in the Statement of Financial Performance (under Paragraph 74. of IPSAS 25)

	2009-10 Rupees in '000	2008-09 Rupees in '000
Current Service Cost	25,040,019	25,173,434
Interest Cost	71,714,685	61,848,739
Expected Return on Plan Assets	(1,228,393)	(360,000)
Actuarial Gains and Losses	Nil	Nil
Non-Vested Past Service Cost that arose during the year	9,802,158	9,802,158
Non-Vested Past Service Cost that arose during the year	371,387	Nil
Vested Past Service Cost that arose during the year	23,768,749	Nil
Total Expense Recognized in the Statement of Financial Performance	**129,468,605**	**96,464,331**

Major reasons for the increase in P&L Charge for 2009-10

- Increase in interest cost on Benefit Obligations
- Increase in Benefit Obligations due to changes in Pension benefits with effect from 0.07.2010
- Increase in Pension amounts through indexation with effect from 0.07.2010
- Vested past service cost (of Rs.23.8 billion) due to changes in Pension benefits is charged to Profit & Loss account immediately

A break-up of the amounts of gains/losses from different sources is as follows:

(Rs. Billions)

Sources	Past Service Cost		Actuarial (Gain)/Loss	Total Increase / (Decrease) In Liability
	Vested	Non-vested		
Salary Increase			(35.5)	(35.5)
New Entrants			2.8	2.8
Benefit Changes	23.8	5.9		29.7
Indexation			22.8	22.8
Total	23.8	5.9	(9.9)	**19.8**

Reconciliation of Present Value of Defined Benefit Obligation[141.(c)]

	2009-10 Rupees in '000	2008-09 Rupees in '000
Present Value of Defined Benefit Obligation as at 1st July	597,622,375	515,406,161
Current Service Cost	25,040,019	25,173,434
Interest Cost	71,714,685	61,848,739
Non-vested Past Service Cost due to benefit changes during the year	5,942,187	Nil
Vested Past Service Cost due to benefit changes during the year	23,768,749	Nil
Benefits paid	(24,625,920)	(18,654,440)
Actuarial gains and losses	(11,736,854)	13,848,481
Present Value of Defined Benefit Obligation as at 30th June	**687,725,241**	**597,622,375**

Reconciliation of Fair Value of Plan Assets [141.(e)]

	2009-10 Rupees in '000	2008-09 Rupees in '000
Fair Value of Plan Assets as at 1st July	3,486,611	3,486,611
Contributions by the employer	9,000,000	Nil
Expected return on plan assets	1,228,393	360,000
Profit transferred to Reserve Pension Fund	(1,800,000)	Nil
Benefits paid	Nil	Nil
Actuarial gains and losses	135,491	(360,000)
Fair value of plan assets as at 30th June	**12,050,495**	**3,486,611**

Corroboration of Results

	2009-10 Rupees in '000
Statement of Financial Position as at June 30, 2009	432,894,920
Total Expense Recognized in the Statement of Financial Performance	129,468,605
Benefit Payments made during the Year	(24,625,920)
Payment to Reserve Pension Fund	1,800,000
Contribution made during the Year	(9,000,000)
Statement of Financial Position as at June 30, 2010	**530,537,605**

GENERAL PROVIDENT FUND

The Punjab Government is not a contributor to General Provident Fund. Employee is the sole contributor to this benefit. The contributions are deducted by the Government from employees' salaries using subscription rates depending on the pay scales of employees. The GP Fund notional accounts thus created are credited with interest income based on interested rates announced by the Government on an annual basis. The account balances are paid to employees at the time of cessation of their service.

As per IPSAS25:

- definitions given in **paragraph 10** of the Standard, Employee Benefits are all forms of consideration given by an entity in exchange for service rendered by employees;
- introduction note **IN1** of the Standard, benefits that are not consideration in exchange for service rendered by employees or past employees of reporting entities are not within the scope of this Standard; and
- **paragraph 28** of the Standard, for a post retirement benefit plan to be classified as a defined contribution plan, the entity must pay fixed contributions into a **separate entity**.

Keeping in view the above paragraphs and the nature of the GP Fund benefit, it is interpreted that reporting of this scheme does not fall under this Standard. However, if disclosures are prepared as per IPSAS25, they would be as follows:

GP Fund Liability Disclosures under IPSAS 25

Statement of Financial Position (under Paragraph 65. of IPSAS 25)

	June 30, 2010 Rupees in '000	June 30, 2009 Rupees in '000
Present Value of Defined Benefit Obligation	83,772,168	79,185,192
Plus Estimated outstanding GP Fund payments during the year	3,109,253	Nil
Plus Actuarial Gains/**Less** Actuarial Losses not yet recognised	Nil	Nil
Minus Past Service Cost not yet recognised	Nil	Nil
Minus fair value of Plan Assets	Nil	Nil
Statement of Financial Position	**86,881,421**	**79,185,192**

Expense Recognized in the Statement of Financial Performance (under Paragraph 74. of IPSAS 25)

	2009-10 Rupees in '000	2008-09 Rupees in '000
Current Service Cost	Nil	Nil
Interest Cost	9,586,223	8,615,641
Miscellaneous Adjustment in Liability	(6,399,247)	Nil
Expected Return on Plan Assets	Nil	Nil
Total Expense Recognized in the Statement of Financial Performance	**3,186,976**	**8,615,641**

- The reason of decrease in P&L Charge is liability adjustment of Rs.6.399 billion during the year.

Reconciliation of Present Value of Defined Benefit Obligation [141.(c)]

	2009-10 Rupees in '000	2008-09 Rupees in '000
Present Value of Defined Benefit Obligations as at 1st July (GP Fund Loan Balance on GOPB at beginning of the year)	79,185,192	69,275,369
Interest Cost	9,586,223	8,615,641
Benefits paid	(1,090,747)	(3,749,092)
Employees' contribution deducted during the period	5,600,000	5,043,274
Miscellaneous Adjustment during the year	(6,399,247)	Nil
Present Value of Defined Benefit Obligation as at 30th June (GP Fund Loan Balance on GOPB at end of the year)	**86,881,421**	**79,185,192**

Corroboration of Results

	Rupees in '000
Statement of Financial Position as at 30th June 2009	79,185,192
Total Expense Recognized in the Statement of Financial Performance	3,186,976
Benefit Payments made during the Year	(1,090,747)
Estimated Contributions deducted from employees during the year	5,600,000
Statement of Financial Position as at 30th June 2010	**86,881,421**