FINANCE DEPARTMENT, PUNJAB

Budget Execution Report

Fiscal Year 2023-24

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List of Acronyms & Abbreviations

AR	Audit Reports
BE	Budget Estimate
CAGR	Compound Annual Growth Rate
CB	Citizen's Budget
CFY	Current Fiscal Year
DLI	Disbursement Linked Indicator
1H	First Half
FBR	Federal Board of Revenue
FCDO	Foreign, Commonwealth & Development Office
FDP	Federal Divisible Pool
FED	Federal Excise Duty
FY	Financial / Fiscal Year
GDP	Gross Domestic Product
GSDP	Gross Sub-national Domestic Product
GSTS	General Sales Tax on Services
GoPb	Government of the Punjab
IMF	International Monetary Fund
IYR	In-Year Reports
KPK	Khyber Pakhtunkhwa
LFY	Last Fiscal Year
LG	Local Government

1 Foreword

The Budget Execution Report (BER) for the fiscal year 2023-24 has been prepared to comply with the provision of Section-41 of the Punjab Public Financial Management (PFM) Act 2022 which requires Finance Department (FD) to prepare a Budget Execution Report (BER) on semi-annual basis or for the full financial year comparing actual figures of revenue & expenditure with the budget and computation of variance along with explanation of underlying factors contributing to the variance.

The BER aids in assessing budgetary performance of the Government under various categories, functions, and components budgeted for the year. It also offers various takeaways which help the Finance Department to make prudent budgetary decisions in future. Furthermore, it shows the commitment of the Government of Punjab towards budget transparency & accessibility for a wider audience – both technical and non-technical.

2 Macroeconomic Assumptions

During FY 2023-24, Pakistan's macroeconomic conditions showed improvement, recovering from the previous year's contraction. The economy experienced a moderate recovery of 2.52% compared to a contraction of 0.22% in FY 2022-23. The Stand-By Arrangement (SBA) with the IMF in FY 2024 alleviated stress on external accounts. Additionally, contractionary monetary and fiscal policies, better agricultural output, and a decline in global commodity prices contributed to a significant reduction in the current account deficit of the country.

At the time of budget formulation, expected GDP growth was 3.5% while inflation was targeted at 21.0%. Hence, GDP at current prices was expected to be Rs. 105,817 billion with a growth of 25%. Thus, the target of FBR was Rs.9,415 billion. During FY 2023-24, the real GDP posted growth of 2.52 % while inflation remained at 23.4%. The nominal GDP was recorded at Rs. 105,741 billion and posted a growth of 26%. With certain measures, FBR tax collection reached at Rs. 9,311 billion which is Rs. 104 billion less than the target.

The following table shows the performance of the macroeconomic conditions during FY 2023-24

Table 2.1: Performance of Economic Indicators

	Economic Indicators	Actual FY 2022-23	Budget Estimate FY 2023-24	Actual FY 2023-24
1	Size of GDP (market prices) (Rs Billion)	83,995	105,817	105,741
2	Inflation (%)	29.2	21.0	23.4
3	Economic Growth Rate (%)	-0.22	3.5	2.52
4	FBR Tax to GDP Ratio (%)	8.5%	8.9%	8.8%
5	FBR Revenue (Rs Billion)	7,169	9,415	9,311

Source: Ministry of Finance, Pakistan Bureau of Statistics

The Government successfully stabilized the economy through a range of policy measures, despite the complex and challenging environment. However, despite efforts to restrain domestic demand, inflationary pressures continued to persist at elevated levels during FY 2023-24. It is anticipated that economic performance will improve when inflationary pressures diminish in the forthcoming months of FY 2024-25.

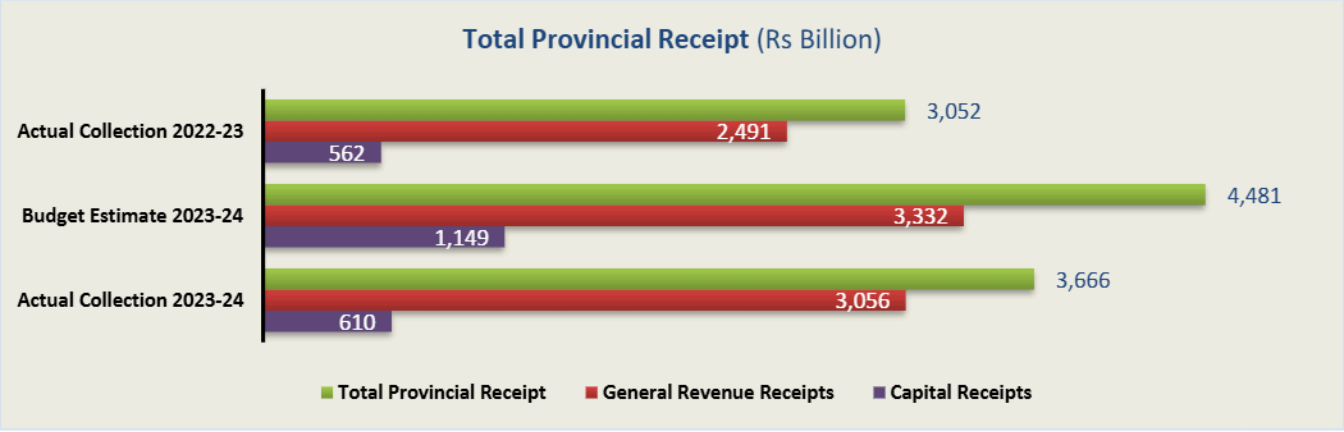
3 Analysis of Receipts

3.1 Total Provincial Receipts

All revenues received by the Provincial Government, all loans raised by that Government, and all moneys received by it in repayment of a loan, form part of a consolidated fund, known as the Total Provincial Receipt (TPR). The total provincial receipt can be categorized into General Revenue Receipts (GRR) and Total Capital Receipts mainly. General Revenue Receipts include federal divisible pool (FDP) transfers, provincial tax revenue and provincial non-tax revenue whereas Total Capital Receipts include loans (foreign & domestic) raised by the Government, recoveries of investments including recoveries of loans & advances issued by the Government in addition to the amount borrowed for State Trading under Account-II which mainly comprises of borrowing for procurement of wheat in Punjab.

An analysis of past trend of Total Provincial Receipts for last five fiscal years reveals that the GRR on average accounts for 81% of the TPR while the remaining 19% is attributed to capital receipts of the Government. Lower capital receipt share in TPR can be primarily attributed to non-recurring/volatile nature of potential sources of capital receipts including funding from international development partners, recoveries of loans & advances offered by the Government and the realization of proceeds from the sale of wheat mainly.

During the fiscal year 2023-24 Punjab Government has achieved 82% of its revenue target set in the budget. In absolute terms, the Government has collected Rs.614 billion more than the collection of FY2022-23 showing a YoY growth of 20% in TPR which is lower than the TPR average growth of the last five years i.e.23%. Figure 3.1 below shows a comparison of TPR, GRR and Capital Receipt budget vs. actual for FY2023-24 & FY2022-23.



Source: Budget Wing, Finance Department

Further analysis of TPR in Table 3.1 reveals that during FY2023-24 GRR has reached growth of 23% compared to FY2022-23 which is higher than the average GRR growth (i.e.15%) of last five fiscal years, comprising 83% of the total TPR. In case of Total Capital Receipt 9% growth has been realized during FY2023-24 compared to budgeted growth of 105% which accounts for 17% of the TPR during 2023-24.

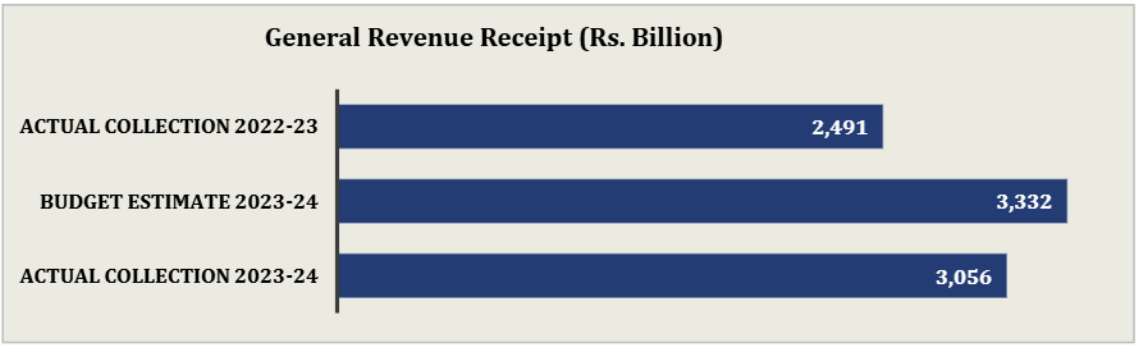
Table -3.1: Total Provincial Receipts

(Rs. in billion)

	Actual Collection 2022-23	B.E 2023-24	Budgeted Growth %	Actual Collection 2023-24	% Collection w.r.t. BE 2023-24	YoY-growth
General Revenue Receipts	**2,491**	**3,332**	34%	**3,056**	92%	23%
Capital Receipt Ac I	125	160	28%	129	81%	3%
Capital Receipt Ac II	437	989	126%	481	49%	10%
Total Capital Receipts	**562**	**1,149**	105%	**610**	**53%**	**9%**
Total Provincial Consolidated Fund	**3,052**	**4,481**	**47%**	**3,666**	**82%**	**20%**

3.1.1 Provincial General Revenue Receipts

The Government has collected an amount of Rs.3,056 billion in FY2023-24 as General Revenue Receipts compared to the budget estimate of Rs.3,332 billion. GRR increased by 23% (Rs. 565 billion) on YOY basis in FY2023-24 in comparison with last fiscal year as shown in Figure below:



As per historical trend Punjab remains highly dependent on transfers from Federal Divisible Pool (FDP). Based on last five years average, FDP has contributed 81% towards GRR, whereas own source tax revenue contributed 13% towards GRR followed by 6% contribution from provincial non-tax revenue including PSDP grants, Straight Transfers and Net Hydel Profit (NHP).

As per budget estimate of FY2023-24, the composition of GRR consists of 81.2% Federal Divisible Pool (FDP) share followed by 11.8% share of provincial tax revenue and remaining 6.9% share of provincial non-tax revenue. At the end of FY2023-24, GRR composition changed resulting an increase in share of FDP (83.8%) and decrease in shares of provincial tax revenue (11.2%) and provincial non-tax revenues (5.0%) when compared with the estimates of budget 2023-24.

Punjab's share in FDP is approximately 28.74% of net collection of FBR. FBR collected Rs 9,311 billion during the FY 2023-24. Punjab received Rs 3,056 billion on account of FDP Punjab's share including Rs.18.5 billion as arrears of FY2022-23. Based on actual collection of the FBR during FY2023-24, the NFC (Punjab's Share) transfers should have been close to Rs 2,693 billion (including arrears of FY2022-23) whereas the actual receipt remains Rs.2,561 billion which is less than the due share. The shortfall of Rs.132 billion is the outstanding amount expected to be received in arrears during the FY2024-25 due to short / less transfers from the Federal Government in FY2023-24.

Table -3.1.1: General Revenue Receipts

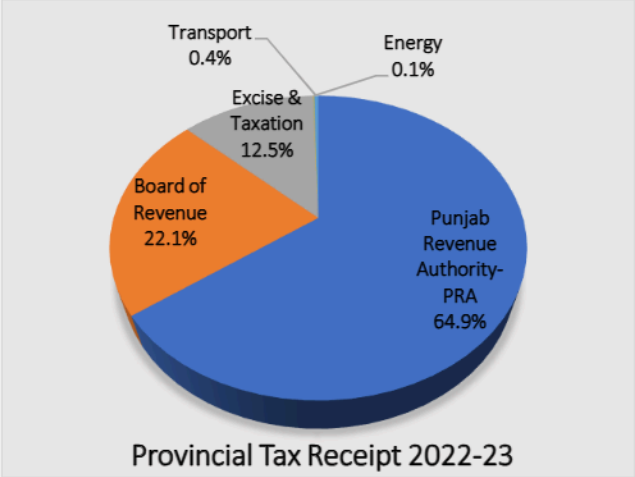
(Rs. in billion)

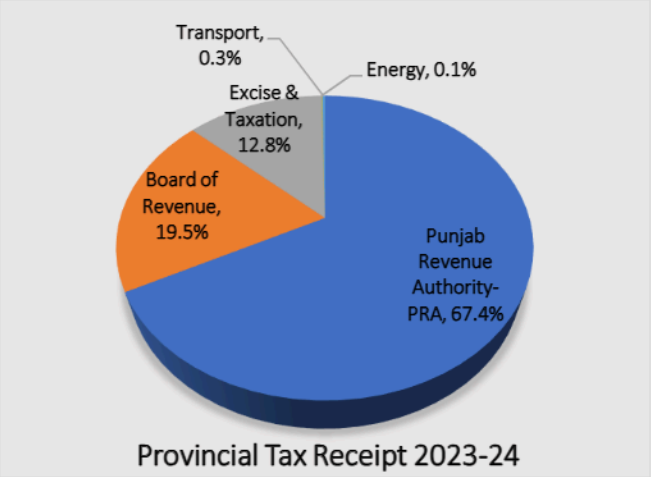
	Actual Collection 2022-23	B.E 2023-24	Budgeted Growth %	Actual Collection 2023-24	% Collection w.r.t. BE 2023-24	YoY-growth
Federal Divisible Pool Transfers	2,065	2,706	31%	2,561	95%	24%
Provincial tax	310	394	27%	342	87%	10%
Provincial non-tax	116	232	100%	153	66%	32%
General Revenue Receipts	**2,491**	**3,332**	**34%**	**3,056**	**92%**	**23%**

Provincial tax collection for the entire fiscal year was Rs.342 billion against the budget estimate of Rs.394. Trend analysis of last five fiscal years shows that provincial tax collection is approximately 88% against the budgeted targets which in case of fiscal year 2023-24 remains 87%. In case of provincial non-tax revenue, the government has collected Rs.153 billion (66%) compared to the budget estimate of Rs.232 billion. A shortfall of Rs 79 billion (34%) in non-tax collection is observed during the entire fiscal year details of which are explained under Section 3.1.1.B.

3.1.1. A Provincial Tax Revenue

Provincial tax revenue accounts for 13% of the GRR collection based on historical trend of last five fiscal years. Revenues from provincial taxes are collected primarily by three out of five government agencies including Punjab Revenue Authority (PRA), Board of Revenue (BOR) & Excise Taxation & Narcotics Control Department (ET&NCD). Following figures depict a comparison of composition of provincial tax revenue with respect to the five tax agencies for FY2022-23 & FY2023-24.





In FY 2023-24, revenue share of Punjab Revenue Authority has remained highest (67%) in provincial tax collection, PRA share increased by 2.5% as compared to the share of FY2022-23. The majority receipts of BOR are transaction based and primarily driven by the property market. The BOR taxes share was reduced to 19% from 22% in FY2023-24 mainly due to reduced property transactions. Likewise, the BOR performance was also hit by the stamp duty transactions which were reduced by 14% in comparison with the transactions of LFY***. In urban areas property transactions, the Government kept the stamp duty at a reduced rate of 1%, even though there has been a 12% decrease in property transactions. Additionally, there has been a 2.5% increase in the share of PRA among provincial tax receipts compared to the fiscal year 2022-23, primarily because of the decrease in the share of BOR in total tax receipts.***

Table -3.1.1.A: Provincial Tax Revenue Department wise

(Rs. in billion)

	Actual Collection 2022-23	B.E 2023-24	Budgeted Growth %	Actual Collection 20223-24	% Collection w.r.t. BE 2023-24	YoY-growth
Board of Revenue	**68.34**	**99.20**	**45%**	**66.62**	**67%**	**-3%**
Agriculture Income Tax	2.32	2.85	23%	3.57	125%	54%
Property Tax (Transfer of Property)	0.26	0.36	38%	0.10	27%	-63%
Land Revenue	19.24	24.06	25%	20.96	87%	9%
CVT on Immoveable Property	0.05	-	-100%	0.02	100%	-62%
Stamp Duty	46.46	71.93	55%	41.97	58%	-10%
Energy	**0.19**	**7.60**	**3879%**	**0.21**	**3%**	**9%**
Excise & Taxation	**38.78**	**45.50**	**17%**	**43.64**	**96%**	**13%**
Property Tax (UIPT)	17.50	20.82	19%	18.81	90%	8%
Professional Tax	1.14	1.35	18%	1.22	90%	7%
Provincial Excise	2.62	3.53	35%	4.06	115%	55%

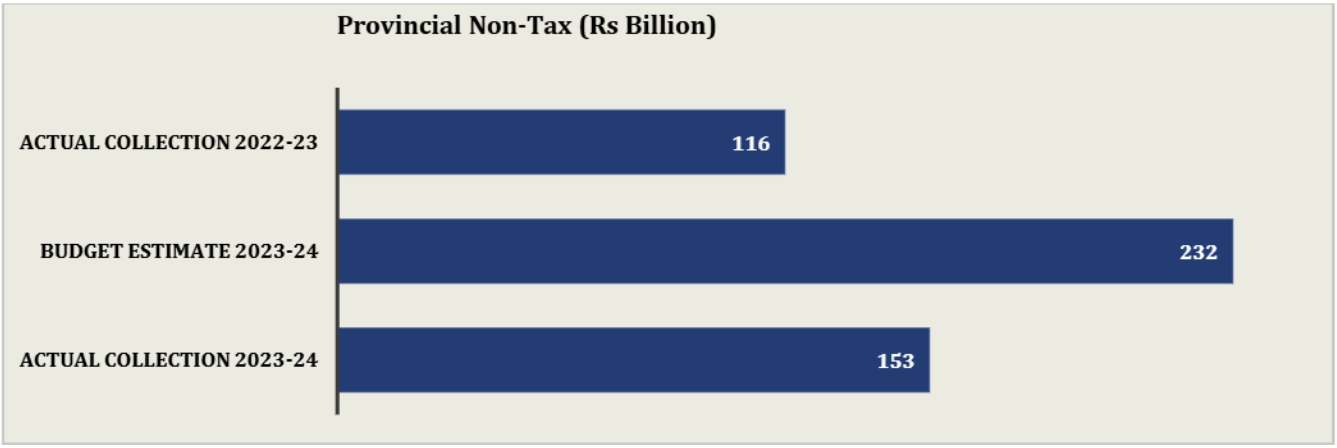
Motor Vehicles	17.37	19.56	13%	19.34	99%	11%
Other Indirect Taxes	0.15	0.25	64%	0.21	84%	37%
Punjab Revenue Authority- PRA	**201.11**	**240.00**	**19%**	**230.11**	**96%**	**14%**
Sales Tax on Services	197.56	235.00	19%	224.70	96%	14%
Punjab Infrastructure Dev. Cess	3.55	5.00	41%	5.41	108%	52%
Transport	**1.28**	**1.21**	**-6%**	**0.96**	**80%**	**-25%**
Provincial Tax Revenue	**309.69**	**393.51**	**27%**	**341.54**	**87%**	**10%**

Punjab's tax collection was Rs.342 billion during the FY2023-24 compared to the budget estimate of Rs.394 billion for the entire fiscal year. Trend analysis of last five fiscal years shows that provincial tax collection is approximately 88% against the budgeted targets which in case of FY2023-24 remains 87% a touch lower than the last five year average. While reviewing performance of tax collecting agencies It has been observed that Punjab Revenue Authority (PRA) is the largest contributor by collecting 67% of the total tax collection followed by BOR and then ET&NCD having share of 20% and 13% respectively. The PRA collected Rs.230 billion around 96% of its assigned target of Rs.240 billion. The Punjab Infrastructure Development Cess (PIDC) surpassed its assigned target of Rs.5 billion and remained the high performing tax with a growth of 52%. PSTS contributed 65.8% in total own source tax revenue followed by Stamp Duty (12.3%), Land Revenue (6.1%) and contribution of all other taxes remained 15.8%. Board of Revenue (BOR) remained unable to meet the budget targets and even fell short of collecting the same amount of revenue as in the previous fiscal year 2022-23. ET&NCD and PRA both demonstrated a year-over-year growth of 13% and 14% in their performance, respectively.

3.1.1. B Provincial Non-Tax Revenue

Provincial non-tax revenue accounts for 6% of the General Revenue Receipt based on historical trend of last five fiscal years. Non-Tax receipts mainly includes Federal Grants, Net Hydel Profit (NHP), sales/lease of Government owned assets, royalties from mines extraction, water rates, traffic challans and some other user fees. The Government estimated its non-tax collection at Rs.231.8 billion for FY2023-24. ***The collection during the entire fiscal year was Rs.153.39 billion (66% of budget estimate), whereas on average the non-tax revenue collection of last five is 98% of its assigned targets***.

The Government of Punjab has collected Rs 153.4 billion in the fiscal year 2023-24 which is 32% higher than the Rs 115.9 billion collected during the preceding fiscal year 2022-23. Figure below shows a comparison of provincial non-tax revenue during FY 2022-23 & 2023-24 wherein collection has increased by 32% during FY 2023-24 over the same period last year.



Punjab Government was unsuccessful in meeting its non-tax collection target primarily due to lower receipt of arrears of 'Net Hydel Profit', minimal receipts from state land disposal by the Board of Revenue, huge (52%) shortfall of Irrigation department (Abiyana) receipts and lower-than-expected receipts under universal health insurance budget. ***After the close of FY 2023-24, only Rs.8.9 billion receipts were realized (22%) from Federal Government against the budget estimate of Rs 40 billion under Net Hydel Profit (NHP) and only Rs 18 billion has been realized under the PSDP and other grants from federal government in comparison with Rs 25 billion in last fiscal year.***

The budget estimate included the expected receipt of Rs.40 billion on account of Net Hydel Profit from the Federal Government. However, during FY 2023-24, only Rs.8.9 billion receipt has been realized resulting in huge shortfall. Table 3.1.1.B provides a department wise summary of Provincial Non-Tax revenue collection in comparison with the budget. Net Hydel Profit, PSDP and other grants are part of Finance Department receipts. The government managed to collect Rs.153.4 billion only during the fiscal year 2023-24 for non-tax receipts, the majority of the difference arising from Net Hydel Profit, receipts budgeted under universal health insurance and sale of land that are extraordinary receipts pertains to Board of Revenue department.

At the close of FY 2023-24, total collection under provincial non-tax revenue accounted for only 66% of the budget estimate. Collection from high revenue generating departments including Finance, Health, Irrigation and BOR remained substantially low. Irrigation department's Abiyana receipts remained far behind the expected budgeted growth of 124% as the Irrigation department faces challenges in implementation of new crop-based rates with effect from rabi (2023-24), however, the collection of Abiyana expected to improve in upcoming fiscal year. The performance of Agriculture, Police and Law & Parliamentary Affairs departments remained satisfactory.

Table 3.1.1.B: Provincial Non-Tax Revenue - Department wise

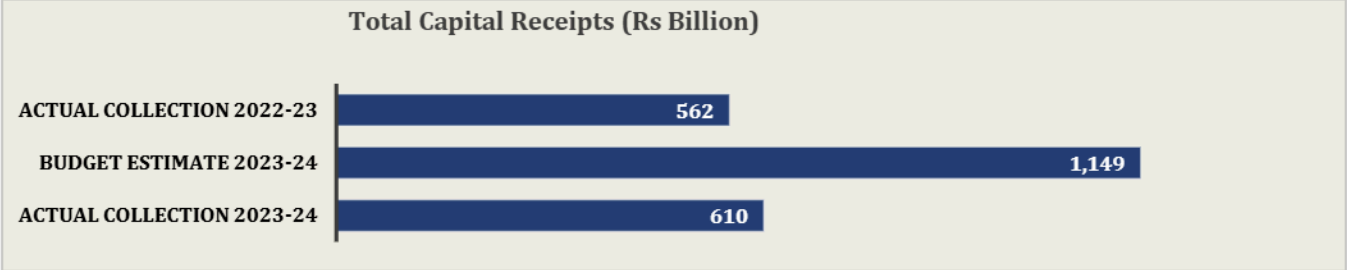
(Rs. in billion)

	Actual Collection 2022-23	B.E 2022-24	Budgeted Growth %	Actual Collection 2023-24	% Collection w.r.t. BE 2023-24	YoY-growth
Agriculture	2.58	2.51	-3%	3.00	120%	17%
Board of Revenue	2.24	30.50	1264%	5.02	16%	125%
Communication and Works	3.00	4.21	40%	3.37	80%	12%
Cooperatives	0.003	0.004	21%	0.00	54%	100%
Education	1.90	2.30	21%	1.57	68%	-19%
Finance	41.50	91.68	121%	54.72	60%	40%
Forestry, Wildlife & Fisheries	1.13	1.90	69%	1.40	74%	25%
Health	7.86	25.50	224%	11.21	44%	64%
Home	1.90	2.50	32%	1.27	51%	-28%
HUD &PHE	0.74	1.20	63%	0.64	53%	-14%
Industries	4.76	1.61	-66%	0.71	44%	-85%
Irrigation	4.46	10.00	124%	4.81	48%	8%
Law and Parliamentary Affairs	0.99	1.30	31%	1.26	97%	27%
Livestock and Dairy Development	1.60	1.93	20%	1.46	76%	-9%
Mines & Minerals	14.17	19.85	40%	14.62	74%	3%
Police	5.23	9.30	78%	12.88	138%	141%
Miscellaneous	21.92	25.52	16%	35.43	139%	40%
Total	**115.97**	**231.807**	**100%**	**153.39**	**66%**	**32%**

3.1.2 Total Capital Receipts

There are different types of capital receipts which are booked under this head ranging from the raising of domestic loans, recovery of investments, recovery of loans/advances granted by the government from its employees & entities (autonomous bodies, companies etc.) in addition to the borrowing by the Government for (i) commodity operations & (ii) foreign funded loans of the Government. These capital receipts are either credited to Account No. I (Non-Food Account) or Account No. II (Food Account) depending on the nature of receipt.

In the FY 2023-24, the government collected 53% (Rs.610 billion) of the overall budgeted capital receipt totaling Rs.1149 billion indicating a 9% year-on-year growth compared to the collection during same period of the preceding financial year.



The breakdown of total capital receipts in the table below shows that collections under A/C-I were largely on target, reaching 81% of the budgeted amount. In contrast, collections under A/C-II fell significantly short, achieving only 49% of the target for the entire fiscal year 2023-24. The primary reason for this shortfall in A/C-II is the absence of receipts from commodity financing as planned, leading to a Rs. 507 billion gap in budgeted bank borrowing for the government's commodity financing scheme. Despite this, the total capital account shows a 9% year-on-year growth compared to the previous fiscal year.

Table 3.1.2.A - Total Capital Receipts Account wise

(Rs. in billion)

	Actual Collection 2022-23	B.E 2023-24	Budgeted Growth %	Actual Collection 2023-24	% Collection w.r.t. BE 2023-24	YoY- growth
Recoveries of Loans & Advances and Others	3.58	2.65	-26%	1.10	42%	-69%
Debt Financing	76.73	47.95	-37%	35.17	73%	-54%
Development Capital Receipts	44.59	109.72	146%	92.85	85%	108%
Account I	**124.89**	**160.32**	**28%**	**129.12**	**81%**	**3%**
Commodity Financing	436.61	988.62	126%	481.34	49%	10%
Account II	**436.61**	**988.62**	**126%**	**481.34**	**49%**	**10%**
Total Capital Receipts (A+B)	**561.51**	**1,148.94**	**105%**	**610.46**	**53%**	**9%**

4 Analysis of Expenses

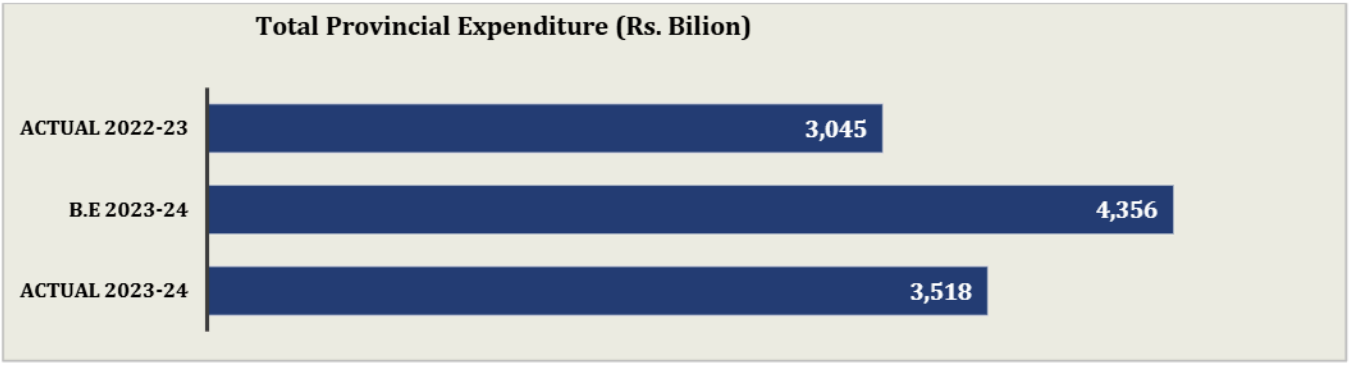
4.1 Total Provincial Expenditure

The total provincial expenditure planned for FY2023-24 amounts to Rs. 4,356 billion, which would yield a projected provincial surplus of Rs. 125 billion by the end of the year as part of the IMF Program.

The graph below reflects actual expenditure for 2022-23, the budget estimates for 2023-24, and the actual expenditure for 2023-24:

- The total expenditure for 2022-23 was 3,045.46 billion.
- The budget estimate for 2023-24 is 4,356.12 billion, showing a 43% growth in total budgeted expenditure.

- The actual expenditure for 2023-24 is 3,518.33 billion, with an overall utilization of 81% of the budget.
- The YoY growth in total provincial expenditure is 16%.



Overall budget utilization has been realized as 81% during FY2023-24, which is 17% less than the utilization during same period of the preceding fiscal year 2022-23 i.e. 98%. However, it is still not so far from the average budget utilization of the past three years, which stands at 93%. The primary reason for reduced spending is the interim Government which remains in place for eight months of the fiscal year 2023-24. The interim government was entitled to run the affairs of the Government without taking any major policy decisions and incurring investments/ development spending.

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

1. **Current Expenditure:** To maintain/improve the level of delivery service.
2. **Current Capital Expenditure:** For loans made/repaid, equity investment(s) of the government and contributions made to funds for meeting long-term liabilities such as pensions etc. It is further segregated into Current Capital Expenditure A/C-I and Current Capital Expenditure A/C-II.
3. **Development Expenditure:** For enhancing the Government's capacity to provide public services.

The category-wise total expenditure analysis (Table 4.1) below reveals:

- Current expenditure has shown a steady 19% YoY growth with 96% of the budget utilized.
- Current Capital Expenditure A/C-II has the highest budgeted growth (122%) but has only utilized 49% of the budget.
- Development expenditure has decreased slightly (-3%) compared to the previous year, with 87% budget utilization.

The table highlights the province's overall fiscal health and spending patterns, showing strong growth in capital expenditures and consistent utilization of the current & development expenditure budget during FY2023-24.

Table 4.1 Total Provincial Expenditure by Category

(Rs. in Billion)

	Actual Expenditure 2022-23	B.E 2023-24	Budgeted Growth %	Actual Expenditure 2023-24	% Utilization w.r.t. BE 2023-24	YoY-growth
Current Expenditure	1,667.17	2,074.12	24%	1,985.08	96%	19%
Current Capital Expenditure A/C-I	347.20	638.37	84%	482.16	76%	39%
Current Capital Expenditure A/C-II	445.33	988.62	122%	482.79	49%	8%
Development Expenditure	585.76	655.00	12%	568.31	87%	-3%
Total Provincial Expenditure	**3,045.46**	**4,356.12**	**43%**	**3,518.33**	**81%**	**16%**

Total Provincial Expenditure

(Rs. in Billion)

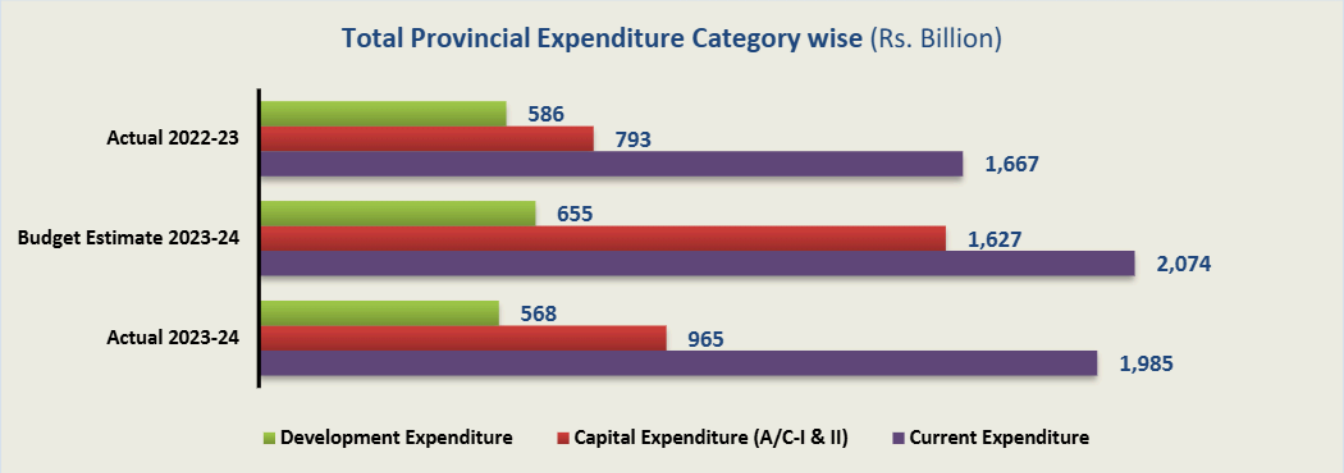


Table 4.1.A below shows an analysis of provincial expenditure in terms of functional spending compared to its budget and that of the spending during last fiscal year i.e. FY2022-23.

Table 4.1.A Total Provincial Expenditure by Function

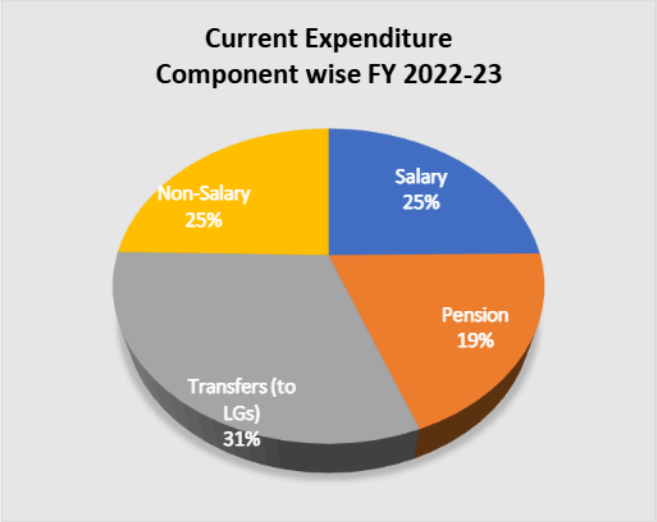
(Rs. In Billion)

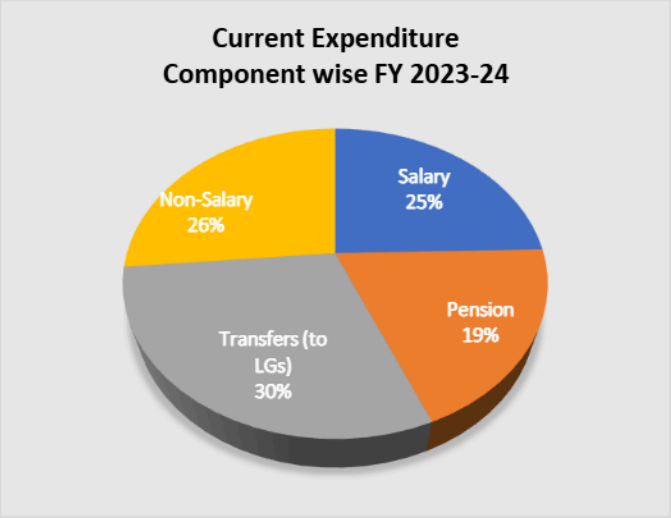
	Actual Expenditure 2022-23	B.E 2023-24	Budgeted Growth %	Actual Expenditure 2023-24	% Utilization w.r.t. BE 2023-24	YoY-growth
01 - General Public Service	1,730.27	2,381.15	38%	2,019.11	85%	17%
03 - Public Order and Safety Affairs	232.24	246.91	6%	281.11	114%	21%
04 - Economic Affairs	533.10	1,084.03	103%	583.07	54%	9%
05 - Environment Protection	2.95	5.30	80%	3.71	70%	26%

06 - Housing and Community Amenities	117.09	126.53	8%	127.03	100%	8%
07 – Health	268.21	305.32	14%	324.64	106%	21%
08 - Recreational, Culture and Religion	9.23	11.43	24%	9.53	83%	3%
09 - Education Affairs and Services	118.34	169.30	43%	139.73	83%	18%
10 - Social Protection	34.03	25.69	-25%	30.39	118%	-11%
Total Provincial Expenditure	**3,045**	**4,356**	**43%**	**3,518**	**81%**	**16%**

4.1.1 Current Expenditure

Current expenditure consists of four major categories i.e., salary, non-salary, pensions, and transfers to Local Government(s). Pie Charts given below show a comparison of composition of actual current expenditure of FY2022-23 & FY2023-24 which is almost identical.





The pie chart divides the current expenditure of the Government into four major components i.e. salary, pensions, transfers to Local Government & Others and non-salary (service delivery) expenditure. A total of Rs.488 billion has been spent on salary, Rs.381 billion on pensions, Rs.591 billion on transfer to local governments and Rs.525 billion on service delivery expenditure during FY2023-24. The rate of utilization of each component remains above 95% compared to its budget for the year.

Table 4.1.1.A further reveals that the overall budget utilization during FY2022-23 has been 96% while realizing a YoY growth of 19%. Moreover, the utilization rate for categories of salary, non-salary, and transfers (to LGs) remains in order having a utilization range of 94-97% of the budget amount.

Table 4.1.1.A Total Provincial Current Expenditure Category wise

(Rs. in Billion)

	Actual Expenditure 2022-23	B.E 2023-24	Budgeted Growth %	Actual Expenditure 2023-24	% Utilization w.r.t. BE 2023-24	YoY-growth
Salary	413.97	513.74	24%	488.09	95%	18%
Pension	324.47	392.09	21%	380.98	97%	17%
Transfers (to LGs and others)	517.37	627.65	21.3%	591.31	94%	14%
Non-Salary (Service Delivery Expenditure)	411.35	540.64	31%	524.70	97%	28%
Total Current Expenditure	**1,667.17**	**2,074.12**	**24%**	**1,985.08**	**96%**	**19%**

Table 4.1.1.B below provides an object-wise break-up of current expenditure indicating that the objects of "Operating Expenses," "Interest Payment," "Transfers," and "Repairs & Maintenance" have exceeded their allocated budgets. This may be due to high inflation during the 2023-24 fiscal year, as well as elevated interest rates, which likely contributed to the higher-than-budgeted interest expenses. Whereas the heads of "Employee Related Expense", "Employee Retirement Benefits", "Physical Asset Acquisition" and "Grants" remain aligned with the budgetary estimates having utilization in the range of 90-96% of the budgeted amount.

In absolute terms, YoY growth of Rs. 318 billion has been realized during the financial year 2023-24 compared to budget growth of Rs. 407 billion from the actual spending of FY2022-23 i.e. Rs. 1,667 billion.

Table 4.1.1.B Total Current Expenditure by Object

(Rs. in Billion)

	Actual Expenditure 2022-23	B.E 2023-24	Budgeted Growth %	Actual Expenditure 2023-24	% Utilization w.r.t. BE 2023-24	YoY-growth
A01-Employee Related Expenses	414.26	514.05	24%	488.40	95%	18%
A02-Project Pre-investment Analysis	0.02	0.06	273%	0.00	6%	-76%
A03-Operating Expenses	162.33	172.09	6%	182.47	106%	12%
A04-Employees Retirement Benefits	332.80	401.23	21%	384.94	96%	16%
A05-Grants, Subsidies and Write-offs of Loans/Advance	636.00	824.23	30%	747.53	91%	18%
A06-Transfers	16.03	18.24	14%	18.40	101%	15%
A07-Interest Payment	43.15	67.95	57%	75.91	112%	76%
A09-Expenditure on Acquiring of Physical Assets	16.68	20.22	21%	18.38	91%	10%
A12-Civil Works	0.21	0.71	235%	0.32	44%	49%
A13-Repairs and Maintenance	45.52	55.01	21%	68.60	125%	51%
A14-Suspence and Clearing	0.18	0.33	82%	0.14	42%	-23%
Total Current Expenditure	**1,667.17**	**2,074.12**	**24%**	**1,985.08**	**96%**	**19%**

Function wise breakup of current expenditure spending for the FY2023-24 compared to FY2022-23 has been projected below:

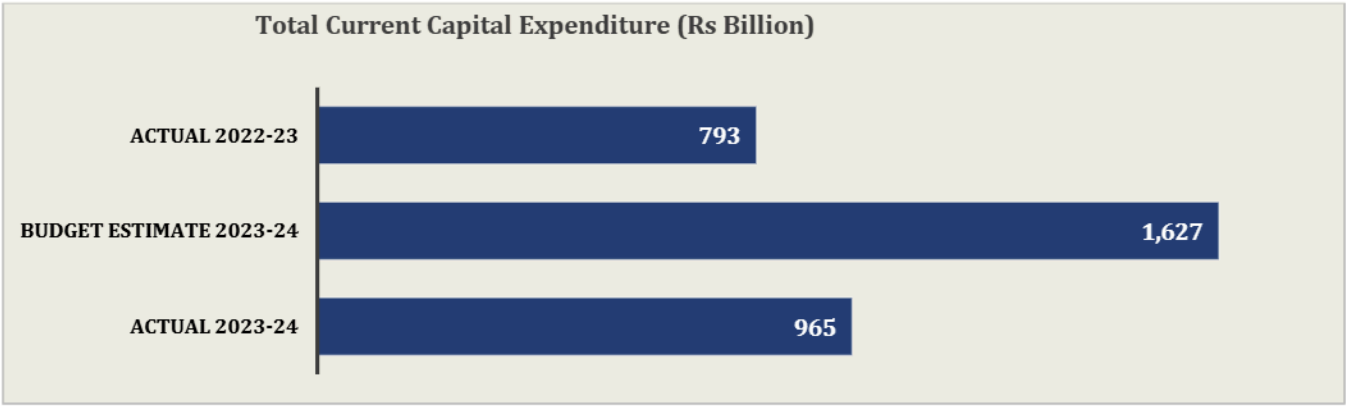
Table 4.1.1.C Total Current Expenditure by Function

(Rs. in Billion)

	Actual Expenditure 2022-23	B.E 2023-24	Budgeted Growth %	Actual Expenditure 2023-24	% Utilization w.r.t. BE 2023-24	YoY-growth
01 - General Public Service	951.05	1,207.38	27%	1,129.02	94%	19%
03 - Public Order and Safety Affairs	230.38	241.18	5%	273.83	114%	19%
04 - Economic Affairs	156.02	219.90	41%	162.51	74%	4%
05 - Environment Protection	0.63	1.55	147%	0.73	47%	17%
06 - Housing and Community Amenities	21.28	24.10	13%	37.76	157%	77%
07 – Health	184.66	227.92	23%	242.04	106%	31%
08 - Recreational, Culture and Religion	5.13	6.55	28%	6.83	104%	33%
09 - Education Affairs and Services	85.45	120.30	41%	102.84	85%	20%
10 - Social Protection	32.57	25.24	-22%	29.52	117%	-9%
Total Current Expenditure	**1,667.17**	**2,074.12**	**24%**	**1,985.08**	**96%**	**19%**

4.1.2 Total Current Capital Expenditure

Total current capital expenditure includes two main categories. Current Capital Expenditure (A/C-I) & Current Capital Expenditure (A/C-II). Current Capital Expenditure A/C- I relate to expenditure for investment/financing related affairs of the Government whereas Current Capital Expenditure A/C-II is reserved for transactions relating to commodity operations of the GoPb. Major transactions of A/C-I include (i) principal repayment of domestic & foreign debt (ii) loans and advances to public sector entities of the Government and Employees and (iii) investments in favor of Punjab Pension Fund, General Provident Fund and other Endowment Funds of the Government of Punjab mainly. The expenditure in A/C-II (Food Account) is mainly incurred on state trading operations of the Government in food grains, especially procurement of wheat and repayment of loans taken from the commercial banks for the trading operations to ensure food security in the country. The budget vs. actual status of total current capital expenditure for FY2023-24 is given below:



Analysis of Table 4.1.2.A below reveals that the current capital expenditure has been highest for the FY2023-24 compared to any fiscal year in the last decade reflecting a YoY growth of 22% compared to expenditure of FY2022-23. In absolute terms YoY growth amounts to Rs. 172.42 billion wherein 78% is attributed to capital expenditure for A/C-I only.

The share of utilization against A/C-II budget remains less than 50% during the FY 2023-24 leading to a reduction in the overall capital expenditure of the Government.

Table 4.1.2.A – Total Current Capital Expenditure Account wise

(Rs. In Billion)

	Actual Expenditure 2022-23	B.E 2023-24	Budgeted Growth %	Actual Expenditure 2023-24	% Utilization w.r.t. BE 2023-24	YoY-growth
Current Capital Expenditure A/C-I	347.20	637.92	84%	482.16	76%	39%
Current Capital Expenditure A/C-II	445.33	988.62	122%	482.79	49%	8%
Total Current Capital Expenditure	**792.53**	**1,626.54**	**105%**	**964.95**	**59%**	**22%**

The Current Capital Expenditure A/C-I (see Table 4.1.2.B below) shows a utilization rate of 76% for FY2023-24, reflecting a year-on-year growth of 39%. The primary driver of this utilization has been the repayment of foreign loans and the retirement of commodity debt that accrued due to unpaid subsidies financed by financial institutions in the form of debt. In a reform-oriented decision, the Government resolved to fully repay the unsecured commodity debt and allocated funds for retiring this high-cost market debt. During FY 2023-24, a total of Rs. 244 billion was repaid against commodity debt.

Table 4.1.2.B – Current Capital Expenditure A/C-I

(Rs. in Billion)

	Actual Expenditure 2022-23	B.E 2023-24	Budgeted Growth %	Actual Expenditure 2023-24	% Utilization w.r.t. BE 2023-24	YoY-growth
PC13043 & PC12043-LOANS TO MUNICIPALITIES/ ABS ETC.	27.14	141.60	422%	116.89	83%	331%
PC13035-LOANS TO GOVERNMENT SERVANTS	-	0.00		-	0%	
PC13050-INVESTMENT	10.50	121.88	1061%	7.00	6%	-33%
PC16046-PERMANENT DEBT (DISCHARGED)		-		-	0%	0%
PC13052-REPAYMENT OF LOANS TO OTHER ENTITIES	225.00	150.00	-33%	-	0%	100%
PC16048-REPAYMENT OF LOANS FROM THE FEDERAL	84.56	120.44	42%	113.97	95%	35%
PC16051-LOANS TO HIGH COURT JUDGES	-	1.00	100%	0.30	30%	100%
PC16052-REPAYMENT OF LOANS TO OTHER ENTITIES	-	103.00	100%	244.00	237%	100%
Total Current Capital Expenditure A/C-I	**347.20**	**637.92**	**84%**	**482.16**	**76%**	**39%**

The Current Capital Expenditure A/C-II for FY2023-24 recorded a utilization rate of 49%, as shown in the budget (Table 4.1.2.C below). Expenditure fell short of the budget due to non spending on commodity

operations, for which around Rs. 371 billion had been allocated. The Government purchased only a small quantity from farmers, allowing market prices to be determined by supply and demand factors. Moreover, the release price of the available wheat is set at a level with no financial implication for the Government leading to loan repayment without accruing any liability for the Government.

Table 4.1.2.C – Current Capital Expenditure A/C-II

(Rs. in Billion)

	Actual Expenditure 2022-23	B.E 2023-24	Budgeted Growth %	Actual Expenditure 2023-24	% Utilization w.r.t. BE 2023-24	YoY-growth
PC13033-STATE TRADING IN FOODGRAINS AND SUGAR (VOTED)	-27.46	370.70	-1450%	10.93	3%	-140%
PC16033-STATE TRADING IN FOODGRAINS AND SUGAR (CHARGED)	86.74	142.74	65%	113.00	79%	30%
PC16047-FLOATING DEBT (DISCHARGED)	386.05	475.18	23%	358.86	76%	-7%
Total Current Capital Expenditure A/C-II	**445.33**	**988.62**	**122%**	**482.79**	**49%**	**8%**

4.1.3 Development Expenditure

Government spending that improves its capacity to deliver services to citizens is referred to as development expenditure. Annually, the Provincial Assembly approves an Annual Development Program (ADP).

Development expenditure of the Government during FY2023-24 amounted to Rs.568.31 billion (i.e. 87% of the ADP budget) compared to actual spending of Rs.586 billion during same period of the preceding fiscal year showing a year on year (YoY) negative growth of 3%. The main reason for development expenditure falling short of the budgeted amount is the duration of the interim government, which devoted considerable time to elections and the formation of a new government. Consequently, the focus has been on completing ongoing schemes and projects rather than launching new development initiatives.

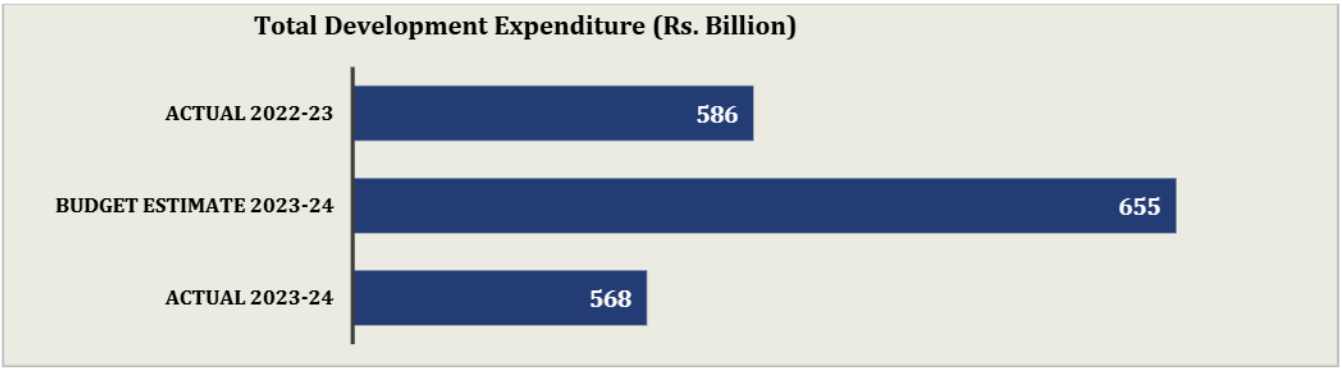


Table 4.1.3.A shows function-wise breakup of development expenditure.

Table 4.1.3.A – Total Development Expenditure

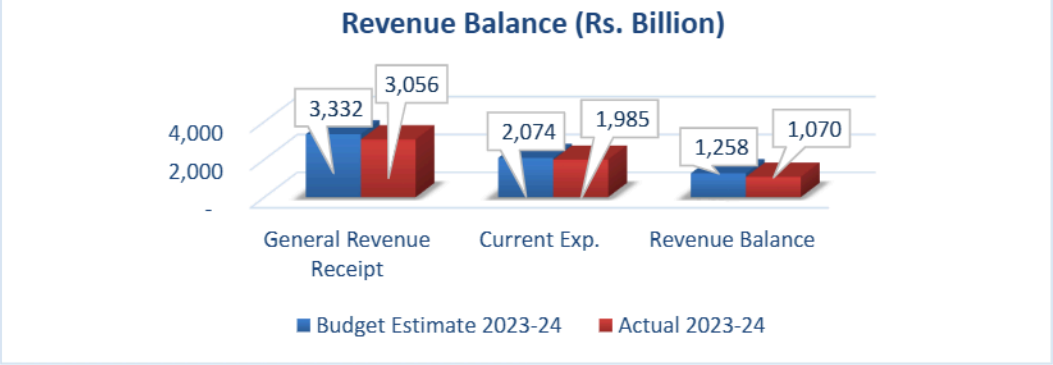
(Rs. in Billion)

Development Expenditure by Function	Actual Expenditure 2022-23	B.E 2023-24	Budgeted Growth %	Actual Expenditure 2023-24	% Utilization w.r.t. BE 2023-24	YoY-growth
01 - General Public Service	45.97	60.70	32%	49.08	81%	7%
03 - Public Order and Safety Affairs	1.86	5.73	208%	7.28	127%	291%
04 - Economic Affairs	317.80	350.65	10%	296.63	85%	-7%
05 - Environment Protection	2.32	3.75	62%	2.98	80%	29%
06 - Housing and Community Amenities	95.81	102.43	7%	89.27	87%	-7%
07 – Health	83.54	77.40	-7%	82.61	107%	-1%
08 - Recreational, Culture and Religion	4.09	4.88	19%	2.70	55%	-34%
09 - Education Affairs and Services	32.89	49.01	49%	36.89	75%	12%
10 - Social Protection	1.46	0.45	-70%	0.87	196%	-40%
Total	**585.76**	**655.00**	**12%**	**568.31**	**87%**	**-3%**

5 Budget Management

In the FY2023-24 budget, total provincial receipts (PCF) were projected at Rs. 4,481 billion, with total provincial expenditures estimated at Rs. 4,356 billion. Actual figures indicate that total receipts collected during FY2023-24 under PCF reached Rs. 3,666 billion (82% of the budgeted target), while actual expenditure was Rs. 3,518 billion (81% of the planned spending).

For the full fiscal year, the government achieved a revenue balance of Rs. 1,070 billion, compared to the budgeted target of Rs. 1,258 billion. This balance is 30% higher than the previous year's revenue balance of Rs. 824 billion.



The revenue balance, together with the government's Net Capital Receipts (A/C-I & A/C-II) calculated as Capital Receipts minus Capital Expenditure determines the total resources available for development during the year. This totaled Rs. 716 billion, compared with the budgeted target of Rs. 780 billion for development resources in FY2023-24. Out of the available Rs. 716 billion, the government spent Rs. 568 billion on development, resulting in a fiscal balance of Rs. 148 billion approximately for FY2023-24.

A statistical snapshot of the fiscal position of the Government of Punjab for the FY2023-24 is given below:

Ref. No	Fiscal Statement	BE 2023-24 (Rs. bln)	Actual 2023-24 (Rs. bln)
A	General Revenue Receipts	3,331.72	3,055.56
B	Total Current Expenditure	2,074.12	1,985.08
C	**Revenue Balance (A-B)**	**1,257.60**	**1,070.48**
D	**Net Capital Receipts (E-F)**	**-477.60**	**-354.49**
E	Capital Receipt (A/C-I & A/C-II)	1,148.94	610.46
F	Capital Exp. (A/C-I & A/C-II)	1,626.54	964.95
G	**Net Resources for Development (C+D)**	**780.00**	**715.99**
H	Development Exp.	655.00	568.31
I	**Fiscal Balance (G-H)**	**125.00**	**147.68**