



FINANCE DEPARTMENT, PUNJAB

Mid-Year Budget Execution Report

Fiscal Year 2023-24

Finance Department Punjab

Table of Contents

List of Acronyms & Abbreviations	ii
1 Executive Summary	1
2 Macroeconomic Assumptions	2
3 Analysis of Receipts	2
3.1 Total Provincial Receipts	2
3.1.1 Provincial General Revenue Receipts	4
3.1.1.A Provincial Tax Revenue	6
3.1.1.B Provincial Non-Tax Revenue	7
3.1.2 Total Capital Receipts	9
4 Analysis of Expenses	11
5 Budget Management	21
6 Budgetary Highlights during 1H FY23	Error! Bookmark not defined.

List of Acronyms & Abbreviations

AR	Audit Reports
BE	Budget Estimates
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
YoY	Year on Year

1 Foreword

Punjab Public Financial Management Act, 2022 (“the Act”) vide its Section-41 requires Finance Department (FD) to prepare Budget Execution Report (BER) on semi-annual basis or for the full financial year comparing actual figures of revenue & expenditure with budget and computation of variance along with explanation of underlying factors contributing to the variance.

This document meets the requirement of semiannual reporting of budget execution across the Government for the period July`2023 to December`2023 hereinafter named as “mid-year BER”. The mid-year BER aids in assessing the impact of changes in the macroeconomy and political state of affairs on the budget execution and provides a comparison of actual spending and revenue collection with respect to initial forecasts at the midpoint of the fiscal year. It also helps in identifying the need for modifications in the budget allocations, such as supplemental appropriations, if required. Furthermore, it shows commitment of the Government of Punjab towards budget transparency & accessibility for a wider audience – both technical and non-technical.

2 Macroeconomic Assumptions

In the first half of the current fiscal year, performance of overall economy remained gloomy mainly on account of global economic slowdown coupled with the effect of Russia-Ukraine War and inflation levels touching historic highs. Thus, monetary tightening, import compression policies, and inflation control measures have continued to depress the performance of the manufacturing sector particularly. During Jul-Nov of FY2023-24, large-scale manufacturing reported a contraction of 3.6% compared to a growth of 7.2% during the same period the previous year. This performance was thus translated into the external sector. Exports declined by 6.8 percent during Jul-Dec of FY2023-24 and reached \$ 14.2 billion (\$ 15.2 billion last year) while imports declined by 18.2% during Jul-Dec of FY2023-24 and reached \$ 29.5 billion (\$ 36.1 billion last year). The overall performance of the economy has impacted economic activities in Punjab also. The Federal Government is negotiating with IMF for staff level agreement which may require further tightening of monetary policy and imposition of taxes leading to effect the business activities in the country including Punjab.

The following table provides the list of the assumptions used in Budget FY 2023-24 and the recent estimates.

Table 2.0: Assumptions of Economic Indicators

Economic Indicators	Budget FY 2023-24 ¹	Revised Estimate FY2023-24 ²
Size of GDP (market prices)	Rs. 105,817 billion	Rs. 108,910 billion
Inflation	21%	25.9%
Economic Growth Rate	3.5%	2.5%
FBR Tax to GDP Ratio	9.0%	8.6%
FBR Revenue Target	Rs. 9,415 billion	Rs. 9,415 billion

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 any loan, form part of a consolidated fund, to be known as the Provincial

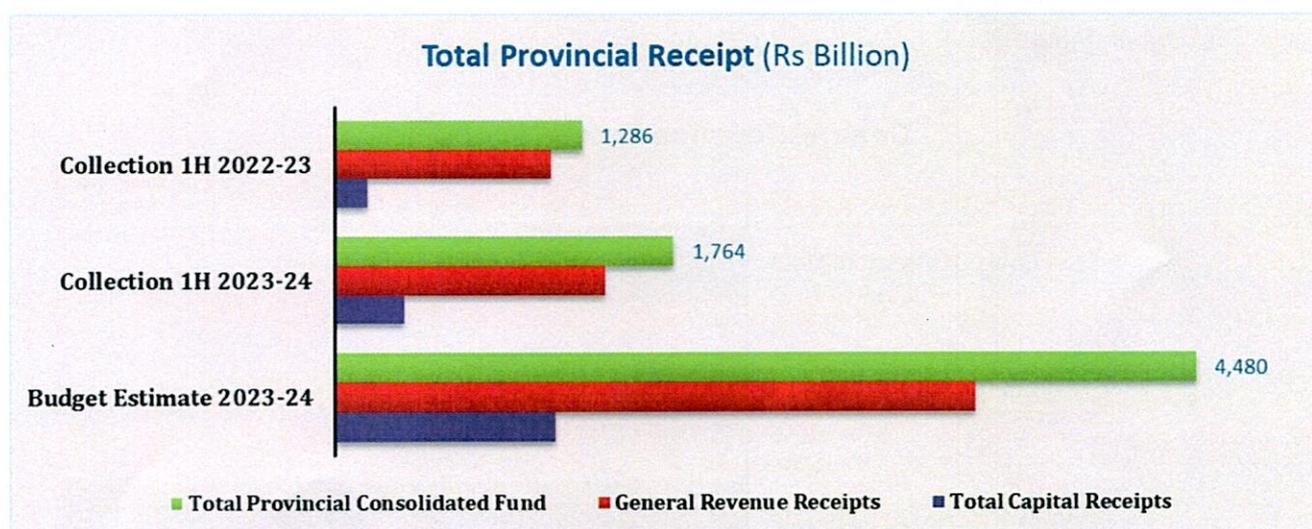
¹ Estimate obtained from Federal Budget Strategy Paper 2023-24.

² Estimates are obtained from Staff Report of IMF issued on July 2023.

Consolidated Fund³. Provincial Receipts can be categorized into General Revenue Receipts (GRR) and Total Capital Receipts. General Revenue Receipts include federal divisible pool (FDP) transfers, provincial tax revenue and provincial non-tax revenue whereas Total Capital Receipts include new loans (foreign & domestic) raised by the Government, recoveries of loans & advances issued by the Government in addition to amount borrowed for State Trading under Account-II which mainly comprises of Provincial borrowing for procurement of wheat.

An examination of the provincial revenue trends over the last three years shows that 85% of the total provincial receipts come from GRR, with capital receipts making up the remaining 15%. Lower capital receipt share in PCF 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 realization of proceeds from the sale of wheat mainly.

During the first six months of FY 2023-24 Punjab Government has realized 39% of its revenue target set in the budget for CFY. Total provincial receipts during the 1H of CFY amounted to Rs. 1,764 billion which surpassed total provincial receipts of 1H of LFY of Rs. 1,286 billion resulting in an increase of 37%. Figure 3.1 shows a comparison of GRR and Total Capital Receipt of 1H of CFY & LFY.



Further analysis into provincial receipts (Table 3.1) reveals that 47% growth has been budgeted in CFY over last year's actual receipts. Collection under GRR during first half of CFY remains 42% of the budget estimate whereas collection under Capital Receipts could account for only 31% of the budget estimate. Highest growth of 126% was envisaged in receipts under Capital Account II which remained 30% of the budgeted Capital Account II amount of FY 2023-24.

³ Article 118 of Constitution of Pakistan, 1973

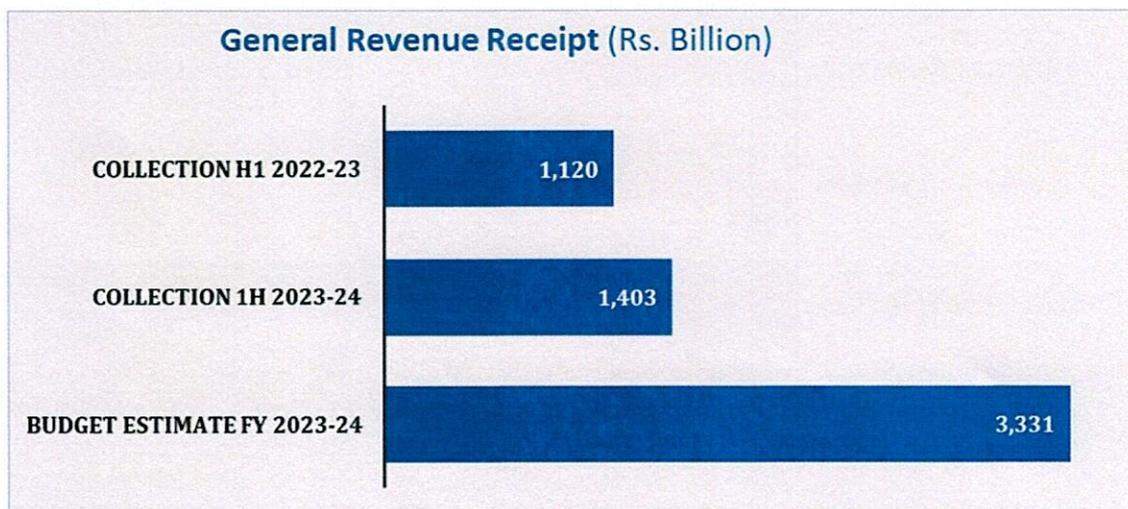
Table -3.1: Total Provincial Receipts

(Rs. in billion)

	Actual Collection FY2022-23	B.E 2023-24	Budgeted Growth %	Collection 1H 2023-24	% Collection w.r.t. BE 2023-24	Collection 1H 2022-23	YoY- 1H growth
General Revenue Receipts	2,491	3,331	34%	1,403	42%	1,120	25%
Capital Receipt AC I	122	160	32%	61	38%	27	125%
Capital Receipt AC II	437	989	126%	300	30%	140	115%
Total Capital Receipts	558	1,149	106%	361	31%	167	116%
Total Provincial Consolidated Fund	3,049	4,480	47%	1,764	39%	1,286	37%

3.1.1 Provincial General Revenue Receipts

The Government has collected an amount of Rs.1,403 billion (42%) in the first six months as General Revenue Receipts compared to the budget estimate of Rs.3,331 billion for the CFY. GRR increased by 25% (Rs. 283 billion) on YOY basis in 1H of CFY in comparison with corresponding period of LFY as shown in Figure 3.1.1.



As per the 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 only 13% towards GRR followed by 6% contribution from provincial non-tax revenue including PSDP grants and Net Hydrel Profit (NHP).

Mid-Year Budget Execution Report 2022-23

The composition of GRR as per budget estimates of CFY consists of 81% Federal Divisible Pool's (FDP) share followed by 12% share of provincial tax revenue and 7% share of provincial non-tax revenue respectively. At the end of 1H of CFY, GRR composition changed resulting in increased share of FDP (84%) and decreased shares of provincial tax revenue (12%) and provincial non-tax revenues (4%).

Punjab's share in FDP is approximately 28.74% of net collection of FBR. However, growth in Punjab's FDP share is not consistent with the growth in FBR's collections due to short / less transfers from the Federal Government. Based on actual revenues of the federal government in the first half of 2023-24, the NFC (Punjab's Share) transfers should have been close to Rs 1,284 billion, incorporating the growth in federal divisible tax revenues of 30%. Instead, the actual transfer in the first half was Rs 1,184 billion, implying a shortfall of around Rs 100 billion; accounting for 44% of the FDP's budget estimate for CFY i.e. Rs.2,706 billion. Historical data of last 05 FYs shows that approximately 48% of the FBR receipts are collected in the first six months against the target whereas 44% of FBR's actual receipts are collected in 1H of the FY.

Table -3.1.1: General Revenue Receipts

(Rs. in billion)

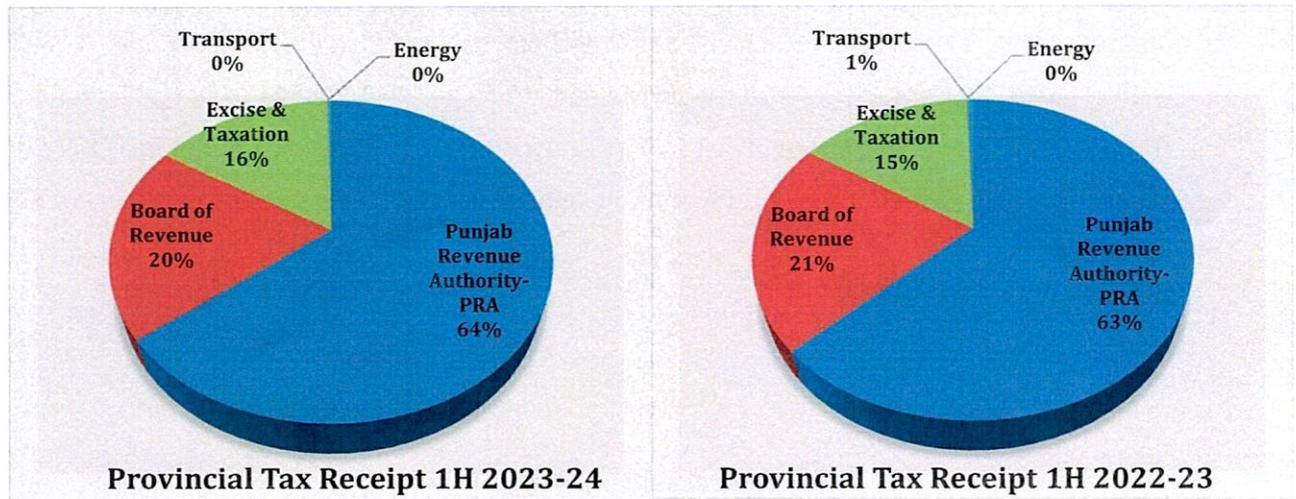
	Actual Collection FY2022-23	B.E 2023-24	Budgeted Growth %	Collection 1H 2023-24	% Collection w.r.t. BE 2023-24	Collection 1H 2022-23	YoY- 1H growth
Federal Divisible Pool Transfers	2,065	2,706	31%	1,184	44%	930	27%
Provincial tax	310	394	27%	161	41%	147	9%
Provincial non-tax	116	232	100%	58	25%	43	36%
General Revenue Receipts	2,491	3,331	34%	1,403	42%	1,120	25%

Provincial tax collection till December was Rs.161 billion against the budget estimate of Rs.394 billion for the entire fiscal year. Trend analysis of last five fiscal years shows that provincial tax collection in the first six months is approximately 49% which in in case of 1H of FY2023-24 stands 41% against the total Budget Estimates. In case of provincial non-tax revenue, the government has collected Rs.58 billion (25%) till December compared to the budget estimate of Rs.232 billion. However, the average of last five

fiscal year shows that provincial non-tax collection during first six months accounts for 41% of the actual annual collection.

3.1.1. A Provincial Tax Revenue

Provincial tax revenue accounts for 13% of the general revenue receipt 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 1H of CFY & LFY.



In CFY first half, revenue share of Punjab Revenue Authority has increased by 1 percentage point (64% from 63%) in provincial tax collection as compared to the share of LFY first half. During this period BOR taxes were critically impacted due to increase in the rate of advance tax rate on sale and purchase of properties by the federal government. Stamp duty transactions remained down by 8% after the lapse of first half of CFY. **ET&NCD has collected Rs 25 billion during the first six months of ongoing fiscal year which 12% higher than the collection during same period of the preceding fiscal year.**

Table -3.1.1.A: Provincial Tax Revenue Department wise

(Rs. in billion)

	Actual Collection FY2022-23	B.E 2023-24	Budgeted Growth %	Collection 1H 2023-24	% Collection w.r.t. BE 2023-24	Collection 1H 2022-23	YoY- 1H growth
Punjab Revenue Authority- PRA	201.11	240.00	19%	103.50	43%	92.55	12%
Sales Tax on Services	197.56	235.00	19%	101.08	43%	90.91	11%
Punjab Infrastructure Dev. Cess	3.55	5.00	41%	2.42	48%	1.64	48%
Board of Revenue	68.34	99.20	45%	31.82	32%	31.46	1%

Mid-Year Budget Execution Report 2022-23

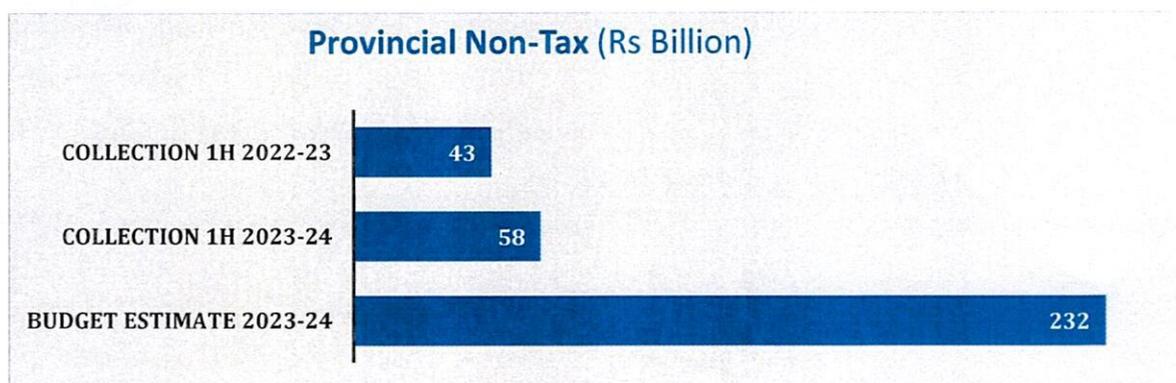
Stamp Duty	46.47	71.93	55%	20.14	28%	22.43	-10%
Land Revenue	19.25	24.06	25%	9.61	40%	7.83	23%
Agriculture Income Tax	2.32	2.85	23%	1.99	70%	1.07	85%
Property Tax (Transfer of Property)	0.26	0.36	38%	0.07	19%	0.11	-40%
CVT on Immoveable Property	0.05	-	-100%	0.01	-100%	0.01	-24%
Excise & Taxation	38.78	45.50	17%	25.04	55%	22.40	12%
Property Tax (UIPT)	17.50	20.82	19%	13.02	63%	11.57	13%
Motor Vehicles	17.37	19.56	13%	9.32	48%	8.81	6%
Provincial Excise	2.62	3.53	35%	1.84	52%	1.25	47%
Professional Tax	1.14	1.35	18%	0.69	51%	0.64	7%
Other Indirect Taxes	0.15	0.25	63%	0.17	67%	0.12	40%
Energy	0.19	7.60	3879%	0.11	1%	0.10	10%
Transport	1.28	1.21	-6%	0.44	36%	0.70	-38%
Provincial Tax Revenue	309.70	393.51	27%	160.90	41%	147.20	9%

Punjab's tax collection was Rs.161 billion during the first six months of FY 2023-24 compared to the budget estimate of Rs.393.5 billion for the entire fiscal year. As per the historical trend of last five fiscal years, tax collection during first six months accounted for 43% of the annual budgeted target. Based on the current performance of first half, the Government may not be able to meet the budgeted target. Around Rs.40 billion short fall is expected from provincial tax revenue side primarily due to lower rate of stamp duty.

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 include Net Hydrel Profit (NHP), sales/lease of Government owned assets, royalties from mines extraction, water rates, traffic challans and some other user fees.

Government estimated its non-tax collection at Rs.232 billion for FY 2023-24. **The collection during the first six months was Rs.58 billion (25% of budget estimate), whereas on average the non-tax revenue collection for the first six months is estimated to be 41% of the total collection.** However, in absolute terms the 1H-YoY collection is 36% higher compared to collection of Rs 43 billion In during same period of preceding fiscal year 2022-23. Figure 3.1.1.B shows a comparison of provincial non-tax revenue during 1H of CFY & LFY.



Punjab Government's non-tax collection is likely to fall well short of the target mainly on account of lower receipt of arrears of 'Net Hydel Profit', meagre receipts under state land disposal by Board of Revenue and decrease in receipts budgeted under universal health insurance. The expected shortfall in receipts of Irrigation can prove to be another factor for lower provincial non-tax revenues. ***Till the close of December 2024, only Rs5.6 billion receipts were realized from Federal Government against the budget estimate of Rs 40 billion (including Rs20 billion arrears of previous fiscal years) under Net Hydel Profit (NHP) and also a meagre amount has been realized under the PSDP grants from federal government.***

The government is expected to collect Rs.100 billion during the year 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 falling under Miscellaneous category (Board of Revenue department).

The collection from high revenue generating departments including Finance, Health and BOR remained substantially low. Irrigation department's Abiyana receipts are also far behind the expected budgeted growth of 124%, however, the Abiyana collection is expected to grow in the 2nd half of the CFY following the revision of Abiyana rates w.e.f January 2024.

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

(Rs. in billion)

	Actual Collection FY2022-23	B.E 2023-24	Budgeted Growth %	Collection 1H 2023-24	% Collection w.r.t. BE 2023-24	Collection 1H 2022-23	YoY- 1H growth
Finance	39.02	91.68	135%	17.16	19%	10.32	66%
Health	6.86	25.50	272%	5.49	22%	2.81	95%
Board of Revenue	2.24	30.50	1264%	2.17	7%	1.21	80%
Miscellaneous	25.39	25.52	1%	12.85	50%	10.79	19%

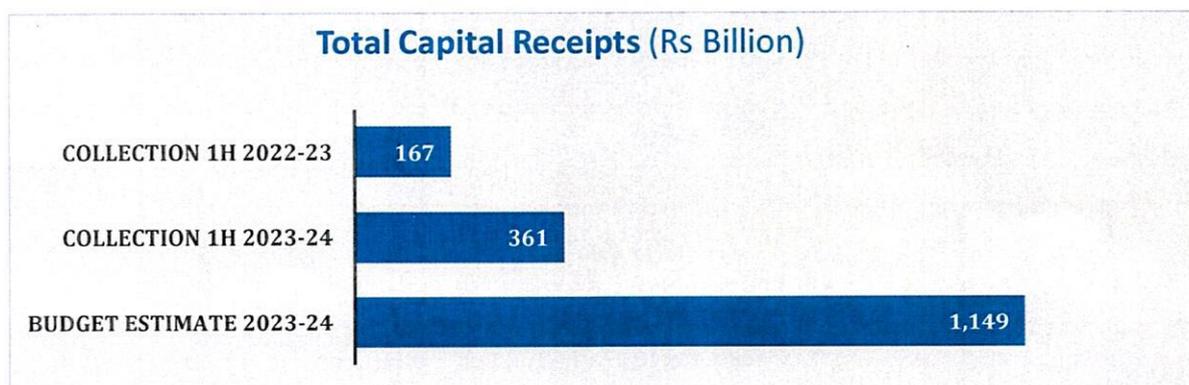
Mid-Year Budget Execution Report 2022-23

Mines & Minerals	14.18	19.85	40%	6.56	33%	6.73	-2%
Irrigation	4.46	10.00	124%	1.73	17%	1.75	-1%
Police	5.34	9.30	74%	4.48	48%	2.56	75%
Communication and Works	3.00	4.21	40%	1.34	32%	1.59	-16%
Education	1.94	2.30	19%	0.90	39%	0.90	0%
Forestry, Wildlife & Fisheries	1.13	1.90	69%	0.96	50%	0.62	55%
Livestock and Dairy Development	1.60	1.93	20%	0.59	31%	0.48	24%
Home	1.76	2.50	42%	0.42	17%	0.78	-46%
Agriculture	2.57	2.51	-2%	1.61	64%	1.24	30%
HUD &PHE	0.74	1.20	63%	0.26	22%	0.22	22%
Law and Parliamentary Affairs	0.99	1.30	31%	0.61	47%	0.37	64%
Industries	4.76	1.61	-66%	0.49	30%	0.16	203%
Cooperatives	0.003	0.004	21%	0.00	22%	0.00	100%
Total	115.97	231.81	100%	57.62	25%	42.51	36%

3.1.2 Total Capital Receipts

Total Capital Receipts of the Government can be classified into two categories – ‘Current Capital Receipts’ and ‘Development Capital Receipts’. Current Capital Receipts comprise recoveries of loans and advances by the government from its entities (autonomous bodies, companies etc) and borrowing by the Government for (i) commodity operations & (ii) budget support programs of multilateral donors mainly. Current capital receipts are either credited to Account No. I (Non-Food Account) or Account No. II (Food Account) depending on nature of receipt. Development Capital Receipts on the other hand comprise borrowing from multilateral donor agencies to finance specific development projects.

The government managed to collect 31% (Rs.361 billion) of the total budgeted capital receipts of Rs. 1,149 billion during the first six months of the ongoing fiscal year 2023-24. In comparison with total capital receipts of Rs. 167 billion during the same period last year, current collection is 117%



Mid-Year Budget Execution Report 2022-23

higher. The reason of lower collection compared to budget of fiscal year 2023-24 is attributed to lesser proceeds from the sale of wheat under commodity operations, low recoveries of loans advanced to public sector entities & employees, and lower than target funding (borrowing) from multilateral development partners.

Table 3.1.2.A Total Capital Receipts

(Rs. in billion)

	Actual Collection FY2022-23	B.E 2023-24	Budgeted Growth %	Collection 1H 2023-24	% Collection w.r.t. BE 2023-24	Collection 1H 2022-23	YoY- 1H growth
Current Capital Receipts	524.19	1,041.25	99%	313.13	30%	158.66	97%
Development Capital Receipt	34.03	107.69	216%	48.07	45%	8.08	495%
Total Capital Receipts	558.22	1,148.94	106%	361.20	31%	166.74	117%

The actual collection from current capital receipts amounts to Rs.313 billion in the first half of the ongoing fiscal year, which is 30% of the B.E 2023-24 compared to Rs.159 billion in the corresponding period of the preceding fiscal year showing a year on year (YoY)-1H growth of 97%. On the other hand, development capital receipts collection amounts to Rs. 48 billion in the first half of the ongoing fiscal year, which is 45% of the B.E 2023-24 compared to Rs.8 billion in the corresponding period of preceding fiscal year showing a year on year (YoY)-1H growth of negative 495%.

Table 3.1.2.B - Total Capital Receipts Account wise

(Rs. in billion)

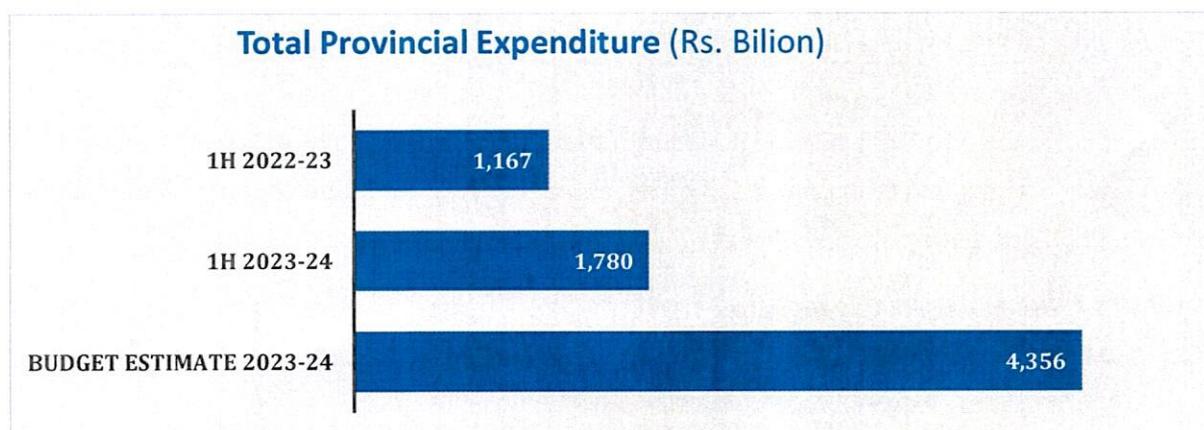
	Actual Collection FY2022-2	B.E 2023-24	Budgeted Growth %	Collection 1H 2023-24	% Collection w.r.t. BE 2023-24	Collection 1H 2022-23	YoY- 1H growth
Recoveries of Loans & Advances	3.58	2.65	-26%	0.21	8%	0.87	-76%
Debt	84.00	49.98	-41%	12.65	25%	18.08	-30%
Development Capital Receipts	34.03	107.69	216%	48.07	45%	8.08	495%
Account I	121.61	160.32	32%	60.92	38%	27.02	125%
Recoveries of Investment-State Trading Schemes	436.61	645.27	48%	300.28	47%	139.72	115%
Cash Credit Accommodation		343.35	100%	-	0%	-	0%
Account II	436.61	988.62	126%	300.28	30%	139.72	115%
Total Capital Receipts (A+B)	558.22	1,148.94	106%	361.20	31%	166.74	117%

Capital Account receipts (both Account I and II) show no particular trend. The Account-I capital receipts show a collection of Rs.60.71 billion against a target of Rs.160.32 billion (38% collection) whereas the capital receipts from Account-II amount to Rs. 300.28 billion (30% collection) for the first half compared to the annual target of Rs. 988.62 billion. Collection results in table above show that the loans (debt) under Account-I have not been realized as per the budget showing a collection of only 25% which is less than the previous year's receipts of first half by Rs.6 billion. This implies that the active program loans are not meeting their Disbursement Linked Indicators (DLIs) on time leading to delay of disbursement from multilateral donors. However, receipts from project-based funding (development capital receipt) remained on track and realized 45% of the budgeted receipts during first half of ongoing fiscal year significantly higher than the collection during same period of the preceding fiscal year.

4 Analysis of Expenses

4.1 Total Provincial Expenditure

The total provincial expenditure budgeted for FY 2023-24 is Rs.4,356 billion showing a provincial surplus of Rs.125 billion to be realized by the end of the year. Punjab Government has been able to spend 41% of the total provincial expenditure budget (Rs. 1,780 billion) during first six months of the ongoing fiscal year 2023-24 compared to Rs.1,167 billion in the corresponding period of preceding fiscal year showing a year on year (YoY)-1H growth of 53%.



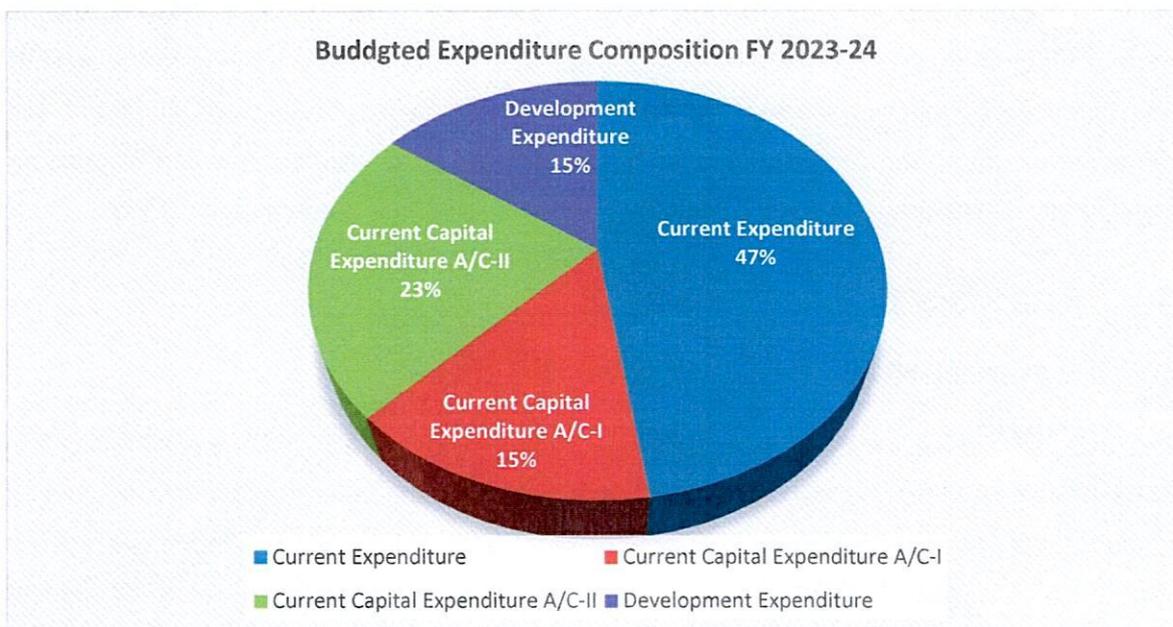
Spending rate of 41% during 1H-2023-24 is higher than the average spending rate of last three fiscal years when compared with the approved budget (i.e. 37%). The reason of this growth is attributed to higher growth in capital expenditure for retirement of commodity debt mainly.

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

1. **Current Expenditure:** To maintain/improve the level of service delivery.

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. 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
Following is the expenditure composition for the FY 2023-24:



Current expenditure has the highest share of the budget expenditure for FY2023-24 followed by current capital expenditure (38% covering A/C-I & A/C-II both) and development expenditure (15)%. Whereas the utilization has been highest in the heads of current capital expenditure A/C-I (57% of allocated budget) followed by current expenditure (43% of allocated budget) and development expenditure (36% of allocated budget) when compared to total budget expenditure for FY2023-24.

Figure 4.1 Total Provincial Expenditure

(Rs. in Billion)

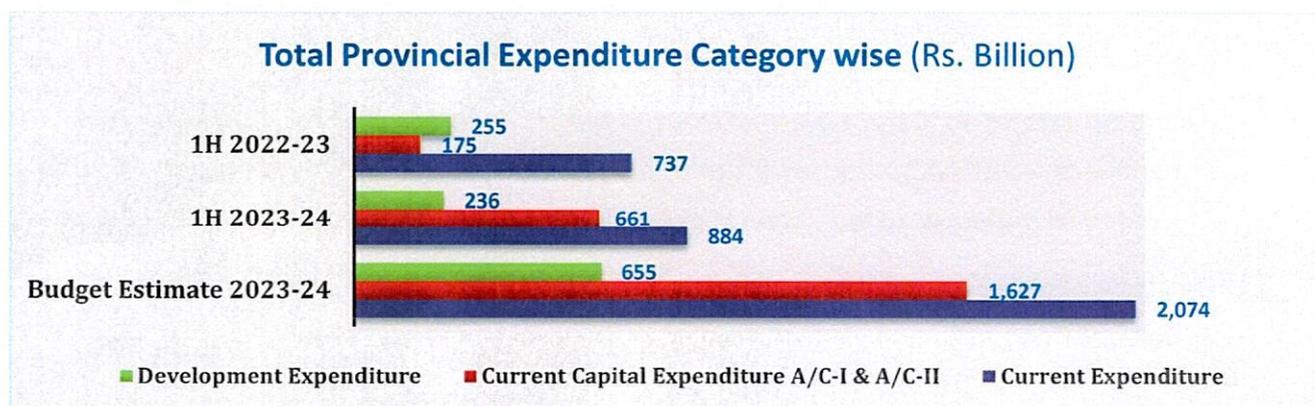


Table 4.1 below shows a detailed comparison of category wise expenditure in terms of budgeted growth and growth in expenditure for 1H over the corresponding period last year.

Table 4.1 Total Provincial Expenditure Category wise

(Rs. in Billion)

	Actual Expenditure FY2022-23	B.E 2023-24	Budgeted Growth %	Expenditure 1H 2023-24	1H Utilization w.r.t BE2023-24	Expenditure 1H 2022-23	1H- % Change YoY
Current Expenditure	1,667.17	2,074.12	24%	883.72	43%	737.11	20%
Current Capital Expenditure A/C-I	347.20	638.37	84%	362.78	57%	34.70	945%
Current Capital Expenditure A/C-II	445.33	988.62	122%	298.16	30%	140.68	112%
Development Expenditure	585.76	654.55	12%	235.67	36%	254.75	-7%
Total Provincial Expenditure	3,045.46	4,355.67	43%	1,780.33	41%	1,167.24	53%

Table 4.1.A divides the total expenditure of the Government into four major components i.e. salary, pensions, transfers to Local Government & Others and non-salary (service delivery). A total of Rs.234 billion has been spent on salary, Rs.183 billion on pensions, Rs.283 billion on transfer to local governments and Rs.1,080 billion on service delivery expenditure including development spending during 1H of FY2023-24. Utilization of service delivery expenditure is lowest (38% of BE 2023-24) but a sizable growth is there when compared with 1H spending of the same period last year. The reason of low utilization in service delivery could be slow economic recovery and volatility on the political front. It could have been further improved if there had there been relatively more political stability and economic revival. Funds utilization rate for remaining heads remained on track and spending touched nearly 50% of the budgeted allocations during the 1H 2023-24.

Table 4.1.A Total Provincial Expenditure by Component

(Rs. in Billion)

	Actual Expenditure FY2022-23	B.E 2023-24	Budgeted Growth %	Expenditure 1H 2023-24	1H Utilization w.r.t BE2023-24	Expenditure 1H 2022-23	1H- % Change YoY
Salary	417.81	517.77	24%	234.31	45%	203.28	15%
Pension	324.47	392.09	21%	182.60	47%	155.26	18%
Transfers (to LGs and others)	530.52	627.65	18%	282.75	45%	265.24	7%

Mid-Year Budget Execution Report 2022-23

Non-Salary (service delivery)	1,772.66	2,818.16	59%	1,080.66	38%	543.46	99%
Total Provincial Expenditure	3,045.46	4,355.67	43%	1,780.33	41%	1,167.24	53%

Table 4.1.B below shows analyses of budgeted provincial expenditure function wise in terms of growth in BE 2023-24 over last year's actual expenditure and comparison of 1H actual expenditure with that of last year's corresponding period.

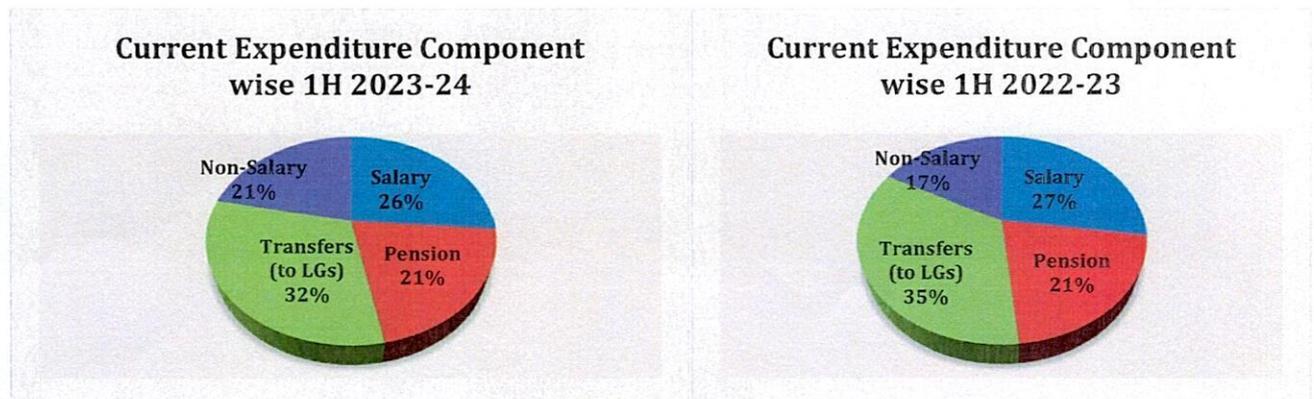
Table 4.1.B Total Provincial Expenditure by Function

(Rs. in Billion)

	Actual Expenditure FY2022-23	B.E 2023-24	Budgeted Growth %	Expenditure 1H 2023-24	1H Utilization w.r.t BE2023-24	Expenditure 1H 2022-23	1H- % Change YoY
General Public Service	1,730.27	2,381.15	38%	1,172.13	49%	602.94	94%
Public Order and Safety Affairs	232.24	246.91	6%	122.28	50%	103.39	18%
Economic Affairs	533.10	1,084.03	103%	231.02	21%	241.08	-4%
Environment Protection	2.95	5.30	80%	0.43	8%	0.44	-2%
Housing and Community Amenities	117.09	126.53	8%	62.57	49%	45.95	36%
Health	268.21	305.32	14%	119.60	39%	106.48	12%
Recreational, Culture and Religion	9.23	11.43	24%	3.30	29%	3.86	-15%
Education Affairs and Services	118.34	169.30	43%	53.95	32%	47.57	13%
Social Protection	34.03	25.69	-25%	15.05	59%	15.54	-3%
Total Provincial Expenditure	3,045	4,356	43%	1,780	41%	1,167	53%

4.1.1 Current Expenditure

Current expenditure is segregated into four major categories i.e., salary, non-salary, pensions, and transfers. Pie Charts given below show comparison of composition of current expenditure of 1H for FY 2023-24 & FY 2022-23 which are largely aligned except increase in non-salary component of 4% which is mainly due to higher spending on service delivery kind of expenditures coupled with the impact of high inflation during first half of the ongoing fiscal year i.e. FY 2023-24.



Mid-Year Budget Execution Report 2022-23

Table 4.1.B provides further details of category wise current expenditure. It shows that overall budget utilization has been 43% during 1H of FY 2023-24 and funds utilization rate for categories of salary, pension and transfers (LGs & others) are on track while the utilization rate is relatively low in case of non-salary category (35%). However, current expenditure during 1H of FY 2023-24 increased by 23% over the last year's corresponding period.

Table 4.1.B Total Provincial Current Expenditure Category wise

(Rs. in Billion)

	Actual Expenditure FY2022-23	B.E 2023-24	Budgeted Growth %	Expenditure 1H 2023-24	1H Utilization w.r.t BE2023-24	Expenditure 1H 2022-23	1H- % Change YoY
Salary	413.97	513.74	24%	232.32	45%	201.65	15%
Pension	324.47	392.09	21%	182.60	47%	155.26	18%
Transfers (LGs & Other)	517.37	627.65	21.3%	279.09	44%	255.23	9%
Non-Salary	411.35	540.64	31%	189.71	35%	124.96	52%
Total Current Expenditure	1,667.17	2,074.12	24%	883.72	43%	737.11	20%

Table 4.1.1.B provides object wise break-up of the current expenditure. In terms of budgeted growth, the category of "Grants, Subsidies, and Write-offs of Loans/Advances/Others" leads with an increase of Rs. 188 billion, constituting 46% of the overall current expenditure budgeted growth. This is followed by "Employee Related Expenses" with an increase of Rs. 100 billion (25%), and "Employee Retirement Benefits" with a growth of Rs. 68.4 billion (17%) compared to the actual spending of the last fiscal year. During the first half of the fiscal year 2023-24, expenditure in these categories has ranged from 41% to 46% of the allocated budgets. The absolute expenditure has increased in all heads compared to the same period last year, Grants, Subsidies, and Write-offs (13%), Employee Related Expenses (15%), Employee Retirement Benefits (17%), Interest Payments (311%), etc.

Table 4.1.1.B Total Current Expenditure by Object

(Rs. in Billion)

	Actual Expenditure FY2022-23	B.E 2023-24	Budgeted Growth %	Expenditure 1H 2023-24	1H Utilization w.r.t BE2023-24	Expenditure 1H 2022-23	1H- % Change YoY
Employee Related Expenses	414.26	514.05	24%	232.53	45%	201.80	15%
Project Pre-investment Analysis	0.02	0.06	273%	0.00	3%	0.00	-10%
Operating Expenses	162.33	172.09	6%	66.65	39%	52.41	27%
Employees Retirement Benefits	332.80	401.23	21%	184.40	46%	157.11	17%

Mid-Year Budget Execution Report 2022-23

Grants, Subsidies and Write-offs of Loans/Advances/Others	636.00	824.23	30%	334.45	41%	296.31	13%
Transfers	16.03	18.24	14%	6.67	37%	7.30	-9%
Interest Payment	43.15	67.95	57%	29.28	43%	7.12	311%
Expenditure on Acquiring of Physical Assets	16.68	20.22	21%	5.78	29%	2.95	96%
Investments	-	-		-	0%	-	
Civil Works	0.21	0.71	235%	0.11	15%	0.03	242%
Repairs and Maintenance	45.52	55.01	21%	23.81	43%	12.05	98%
Suspense and Clearing	0.18	0.33	82%	0.05	15%	0.02	100%
Total Current Expenditure	1,667.17	2,074.12	24%	883.72	43%	737.11	20%

According to the current expenditure utilization by function in the first half of the current fiscal year (Table 4.1.1.C), spending has been relatively lower in Environment Protection, Economic Affairs, and Education Affairs compared to other categories, relative to their allocated budgets. Conversely, most other functions have achieved utilization rates above 40% during the first half of the fiscal year. However, all functions have shown growth compared to the same period in the previous fiscal year.

Table 4.1.1.C Total Current Expenditure by Function

(Rs. in Billion)

	Actual Expenditure FY2022-23	B.E 2023-24	Budgeted Growth %	Expenditure 1H 2023-24	1H Utilization w.r.t BE2023-24	Expenditure 1H 2022-23	1H- % Change YoY
General Public Service	951.05	1,207.35	27%	517.07	43%	446.70	16%
Public Order and Safety Affairs	230.38	241.18	5%	121.64	50%	102.84	18%
Economic Affairs	156.02	219.94	41%	71.78	33%	64.37	12%
Environment Protection	0.63	1.55	147%	0.38	24%	0.27	37%
Housing and Community Amenities	21.28	24.10	13%	21.88	91%	7.89	177%
Health	184.66	227.92	23%	91.06	40%	65.45	39%
Recreational, Culture and Religion	5.13	6.55	28%	2.44	37%	1.80	36%
Education Affairs and Services	85.45	120.30	41%	42.82	36%	33.52	28%
Social Protection	32.57	25.24	-22%	14.65	58%	14.27	3%
Total Current Expenditure	1,667.17	2,074.12	24%	883.72	43%	737.11	20%

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 relates to expenditure by the Government for the provision of services to citizens whereas Current Capital Expenditure A/C-II is

Mid-Year Budget Execution Report 2022-23

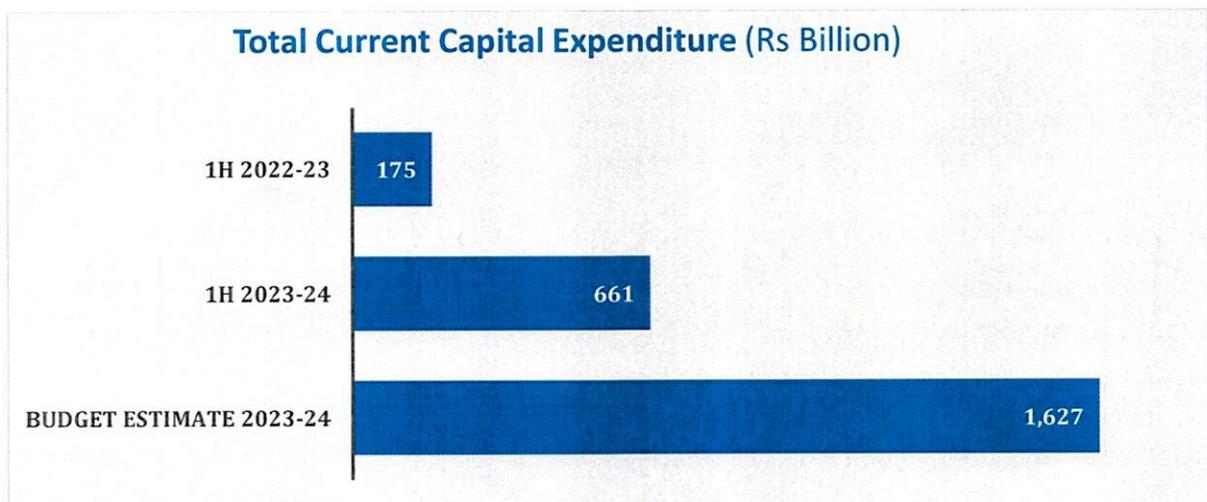
reserved for transactions relating to commodity operations. Major transactions of A/C-I (Non-Food) include (i) principal repayment of domestic & foreign debt (ii) loans and advances to public sector entities of the Government and (iii) investments in favor of Punjab pension fund and benevolent fund. Expenditure in A/C-II (Food) is mainly incurred on state trading operations of the Government in food grains, especially procurement of wheat and repayment of loans taken from the commercial banks for the trading operations to ensure food security in the country.

Table 4.1.2.A – Total Current Capital Expenditure A/C wise

(Rs. In Billion)

	Actual Expenditure FY2022-23	B.E 2023-24	Budgeted Growth %	Expenditure 1H 2023-24	1H Utilization w.r.t BE2023-24	Expenditure 1H 2022-23	1H- % Change YoY
Current Capital Expenditure A/C-I	347.20	638.37	84%	362.78	57%	34.70	945%
Current Capital Expenditure A/C-II	445.33	988.62	122%	298.16	30%	140.68	112%
Total Current Capital Expenditure	792.53	1,626.99	105%	660.93	41%	175.38	277%

Total current capital expenditure spending has been recorded 41% during first half of the ongoing fiscal year, reasonably better than the total capital receipt collection during same period of the year i.e. 31%. In absolute terms an amount of Rs. 661 billion has been spent on capital expenditure during 1H of FY2023-24 significantly higher than the expenditure made during same period last year (i.e. 277%).



Mid-Year Budget Execution Report 2022-23

In Current Capital Expenditure A/C-I (reference Table 4.1.2.B below), the budget estimate for the year was Rs.638.37 billion whereas the actual expenditure till December amounted to Rs.362.78 billion, showing a 57% utilization, however, there has been an increase of 945% when compared with A/C-I first half spending of FY2022-23. Historical (last three fiscal years) trend of current capital expenditure A/C-I reveals that the government spends approximately 25% of the allocated current capital expenditure budget in first half which in case of ongoing fiscal year is 57% (considerably high) mainly due to retirement of commodity debt worth Rs. 244 billion during first half of the fiscal year 2023-24. The overall utilization of current capital expenditure A/C-I could have been much higher if expenditures under the category of Investments had been made.

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

(Rs. in Billion)

	Actual Expenditure FY2022-23	B.E 2023-24	Budgeted Growth %	Expenditure 1H 2023-24	1H Utilization w.r.t BE2023-24	Expenditure 1H 2022-23	1H- % Change YoY
Loans To Municipalities/ Abs Etc.	27.14	65.29	141%	61.01	93%	8.05	658%
State Trading In Medical Stores And Coal		76.76	100%		0%	-	0%
Loans To Government Servants		0.00	100%		0%	-	0%
Investment	10.50	121.88	1061%	1.00	1%	-	100%
Permanent Debt (Discharged)		150.00	100%		0%	-	0%
Repayment of loans to other entities	225.00	0.00	-100%		0%		0%
Repayment Of Loans From The Federal	84.56	120.44	42%	56.47	47%	26.66	112%
Loans To High Court Judges		1.00	100%	0.30	30%	-	100%
Repayment of loans to other entities		103.00	100%	244.00	237%		100%
Total Current Capital Expenditure A/C-I	347.20	638.37	84%	362.78	57%	34.70	916%

For Current Capital Expenditure A/C-II (reference Table 4.1.2.C below), the actual expenditure till December of ongoing fiscal year amounts to Rs.298 billion against the budget allocation of Rs.988.62 billion (showing 30% utilization of budget). Current Capital Expenditure A/C-II of ongoing fiscal year has increased by 112% when compared with the midyear spending of last fiscal year i.e. FY2023-24. As of June`2023 the size of commodity debt outstanding amounted to Rs.680 billion out of which Rs.264 billion

Mid-Year Budget Execution Report 2022-23

till December 2023 leading to close the debt stock at Rs. 450 billion by 1H of FY 2023-24 against the wheat stock of Rs. 414 billion (based on price of 4,700 per maund) resulting in unsecured portion of debt and interest at PKR 36 billion only. The unsecured commodity debt could have ballooned further if government had not made measures to curtail its growth by way of rationalizing release price, purchase quantity and retirement of debt mainly. The state of utilization in current capital expenditure A/C-II has been produced in table 4.1.2.C below.

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

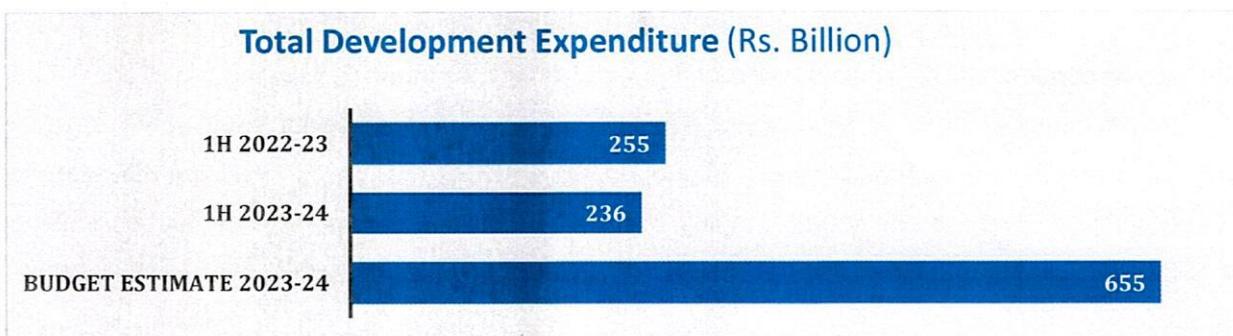
(Rs. in Billion)

	Actual Expenditure FY2022-23	B.E 2023-24	Budgeted Growth %	Expenditure 1H 2023-24	1H Utilization w.r.t BE2023-24	Expenditure 1H 2022-23	1H- % Change YoY
State Trading In Foodgrains And Sugar (Voted)	-27.46	370.70	-1450%	2.08	1%	4.67	-56%
State Trading In Foodgrains And Sugar (Charged)	86.74	142.74	65%	32.48	23%	41.82	-22%
Floating Debt (Discharged)	386.05	475.18	23%	263.59	55%	94.18	180%
Total Current Capital Expenditure A/C-II	445.33	988.62	122%	298.16	30%	140.68	112%

4.1.3 Development Expenditure

Expenditure by the Government that enhances its capability of service delivery to citizens is classified as development expenditure. Every year an Annual Development Program (ADP) is approved by the Provincial Assembly. The approved size of ADP amounts to Rs. 655 billion for the fiscal year 2023-24.

Development expenditure of the Government during first half of the ongoing fiscal year 2023-24 amounts to Rs. 236 billion (i.e. 36% of the ADP budget) compared to actual spending of Rs.255 billion during same period of the preceding fiscal year showing a year on year (YoY)-1H growth of negative 7%.



During first half of the fiscal year 2022-23, the resource available to Government for development amounted to Rs.219 billion after netting off Capital Account I & II. However, the Administrative Departments have made expenditure to the level of Rs. 236 billion exceeding the resource availability by using the previous year surplus funds available with the Government.

The development expenditure is categorized into development revenue and development capital expenditure. Development Capital Expenditure is defined as expenditure on creating new physical assets for the Government such as roads, bridges, buildings, etc. Other related expenditures required for completion of a project such as employee related expense, purchase of transport, machinery, equipment, expenditure on research and development, etc. are categorized as Development Revenue Expenditure.

Allocation of funds to development expenditure increased by 12% during BE 2023-24 in comparison with that of the last FY's actuals whereas the expenditure in absolute terms remains lower than 1H of the FY2022-23 (i.e. -7%). The reason of this low spending in development expenditure may be attributed to volatility on the political front in addition to slow revival of the economy.

Table 4.1.3.A – Total Development Expenditure by Category

(Rs. in Billion)

Development Expenditure							
Total Development Expenditure by Category	Actual Expenditure FY2022-23	B.E 2023-24	Budgeted Growth %	Expenditure 1H 2023-24	1H Utilization w.r.t BE2023-24	Expenditure 1H 2022-23	1H- % Change YoY
Development Revenue Expenditure	304.29	356.20	17%	130.47	37%	132.14	-1%
Development Capital Expenditure	281.47	298.35	6%	105.20	35%	122.60	-14%
Total Development Expenditure	585.76	654.55	12%	235.67	36%	254.75	-7%

Mid-Year Budget Execution Report 2022-23

Table 4.1.3.B shows function wise breakup of development expenditure. 1H-YoY growth reflects negative growth in all the functions except Housing & Community, Public Order & Safety, and General Public Service where marginal growth has been recorded. The reason of negative growth compared to last financial year may be attributed to volatility on the political front during first six months of the FY2023-24 in addition to slow economic revival of the country. Therefore, the spending rate of major functions like Education Affairs, Health, Economic Affairs, and Public Order & Safety remained low leading to make the overall spending lower than the first half of the previous fiscal year.

Table 4.1.3.B – Total Development Expenditure by Function

(Rs. in Billion)

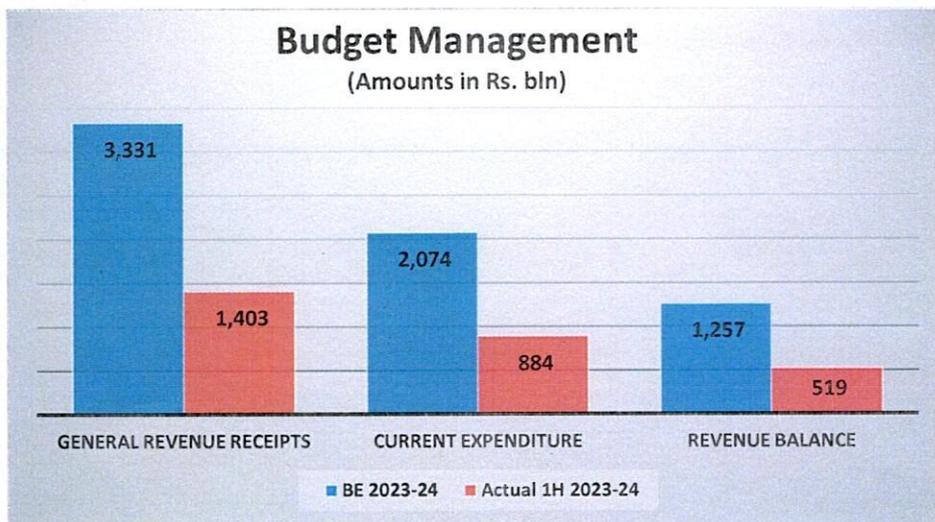
Development Expenditure by Function	Actual Expenditure FY2022-23	B.E 2023-24	Budgeted Growth %	Expenditure 1H 2023-24	1H Utilization w.r.t BE2023-24	Expenditure 1H 2022-23	1H- % Change YoY
General Public Service	45.97	60.25	31%	28.69	48%	27.36	5%
Public Order and Safety Affairs	1.86	5.73	208%	0.64	11%	0.55	16%
Economic Affairs	317.80	350.65	10%	124.68	36%	130.21	-4%
Environment Protection	2.32	3.75	62%	0.05	1%	0.16	-69%
Housing and Community Amenities	95.81	102.43	7%	40.69	40%	38.06	7%
Health	83.54	77.40	-7%	28.53	37%	41.04	-30%
Recreational, Culture and Religion	4.09	4.88	19%	0.86	18%	2.06	-58%
Education Affairs and Services	32.89	49.01	49%	11.13	23%	14.05	-21%
Social Protection	1.46	0.45	-70%	0.40	89%	1.27	-69%
Total	585.76	654.55	12%	235.67	36%	254.75	-7%

5 Budget Management

In Budget FY2023-24, total provincial receipts i.e. PCF (Provincial Consolidated Fund) was estimated at Rs.4,480 billion whereas the total provincial expenditure was estimated at Rs. 4,356 billion leaving a provincial surplus of Rs. 125 billion. Till December 2023, total actual receipts collected amounted to Rs.1,764 billion (39% of the budgeted target), whereas the actual expenditure amounted to Rs.1,780 billion (41% of the budgeted spending). During 1H of the last fiscal year these percentages were 40% & 38% respectively allowing us to claim that the ongoing fiscal year could not make any significant move

in terms of revenue collection and subsequent spending from the first six months of the previous fiscal year.

Talking about revenue balance of first six months of the fiscal year 2023-24 (i.e. General Revenue Receipt minus Current Expenditure), the Government has realized revenue balance of Rs.519 billion compared to budgeted revenue balance target of Rs.1,257 billion for the complete financial year. The realized balance is 41% of the yearly revenue balance target indicating the need of more control over current expenditures to meet the yearly target.



The Revenue balance is combined with the Net Capital Receipt A/C-I (i.e., Capital Receipt minus Capital Expenditure) to determine the available resources for development which turns Rs. 217 billion during first half of the ongoing fiscal year, against which Rs. 236 billion has been utilized. The lower level of available resources for development is primarily due to the repayment of high-cost wheat debt totaling Rs. 264 billion. Without this repayment, the balance would have been more favorable. However, overall analysis of the budget execution for the first half of the ongoing fiscal year indicates that the Punjab is well on its way to fulfill its Estimated Provincial Saving (EPS) commitments under the IMF program.