



# BALUCHISTAN BUDGET WHITE PAPER 2019-20





## Message from The Chief Minister Balochistan



Proper allocation of scarce public resources had been a major challenge in Balochistan over the years. Particularly, formulation of PSDP and efficient execution of projects thereof always remained questionable for various reasons.

Historically, the lion's share of the provincial resources is consumed on non-development activities comprising salary, pension, law & order and other operational activities of the government. It is a widely acknowledged fact that the expenses on the non-development side need to be minimized to allow appreciable growth and development on the development side, by which Government can take initiatives that benefit large proportions of the population.

After the 7th NFC Award, fiscal space of the province though increased reasonably but unfortunately, due to inefficient allocation of resources, no tangible improvement could be achieved in any of the sectors i.e. infrastructure, production and social sectors. Most of the additional resources received through 7th NFC Award were spent on non-productive sectors due to which the economic outlook and financial health of the province remained stagnant. Unfortunately, despite spending huge resources, the outcomes in the social sectors also remained worse than the national average and average in other provinces.

In the education sector, despite spending major chunk of our resources during the last five years, yet large number of public schools lacks essential facilities such as shelter, water, sanitation, boundary walls, electricity, books and blackboards etc. which deter many families from sending their children, especially girls, to the public sector schools. Similarly, majority of the public sector health facilities with few exceptions are in deplorable condition.

For the above reasons, our government has placed special emphasis on enhancing province's own source revenue by investing more on production sectors, improving public sector investment management and improving efficiency, quality, and access to selected public services through consolidation/rationalization. Similarly, we have to prepare our youth for future challenges and therefore we have to invest heavily in human resource development. It was this motivation that inspired us to enhance budget of the Labour and Manpower Departments more than thirty percent.

Another priority area for us has been gender mainstreaming and women empowerment. We have to focus on our women if we expect this province to prosper. Without producing able women leaders, we cannot make any progress. Women empowerment was therefore assigned priority in all areas.

I earnestly hope that these measures and initiatives will translate into good policy outcomes for this province.

**Jam Kamal Khan**  
Chief Minister



## Message from

### The Minister Finance Balochistan



The preparation and presentation of annual budget is a complex process, which need an in depth analysis and understanding of the financial and social issues of the province. This strategically located province has seen a number of hardships over the last seventy years. Some have been due to its arid climate and rugged terrain, while others have had to do with security concerns, both internal and external. With 70% of the population living in rural areas and an average population density of 29 persons per square kilometer, the largest challenges facing growth and development in the province are the high costs of governance per capita, compared to other provinces.

The lion's share of the total revenues of the province is spent on the non-development budget. In addition to education and health, a large chunk of non-development budget is spent on maintenance of law & order. During the last two decades, the disturbed security situation badly impacted private sector growth, reducing job opportunities for the unemployed youth, thus adding more pressure on the Public Sector for creation of increasing number of government jobs to accommodate its youth.

Despite all these difficulties, the provincial government while formulating its first budget made every effort to ensure allocation efficiency, minimizing non-development expenditures and allocation of more resources for the development projects to allow appreciable growth and development that benefits large proportions of the population. It is in this context that the incumbent provincial government for the first time in the history of the province allocated more than Rs.100 billion for the PSDP 2019-20. At the same time, investments were made on the non-development side targeting social protection and enhancing institutional capacity.

Similarly, the provincial government is undertaking institutional reforms to deal with the ever-important task of strengthening province's own source revenues. The Balochistan Revenue Authority established in the recent past is being strengthened and the tax collection mechanisms of the revenue generating departments are in the process of automation. To ensure that no area is left with undiagnosed weaknesses, the Finance Department through a Consulting Firm has initiated review of its existing tax laws and the collection mechanisms thereof. With the assistance of the said firm, the provincial government through its finance bill 2019 proposed amendments in nine different tax laws of the province, which will help enhance province's own source revenues.

I believe that these initiatives will aid value to better public financial management, service delivery and help in reducing the budget deficit, as is evident from the recent decrease in the deficit compared to the last year. In the end, I appreciate all those who contributed in compiling and presenting Budget 2019-20

**Mir Zahoor Ahmed Buledi**  
Minister Finance



## Foreword from the

### **Secretary Finance Government of Balochistan**



The White paper for the financial year 2019-20 is one of the key source of communication between finance department and the key stakeholders of government of Balochistan. The white paper portrays a comprehensive picture of the financial activities of Balochistan government. The major budget heads have been discussed here with strong emphasis on the current expenditure, development budget, public account and all sources of revenue including transfers from the federation.

These estimates of receipts document give a broad picture of details of revenues of the Government of Balochistan from all sources including tax both direct and indirect, non-tax, miscellaneous, grants, dividends and capital receipts. Government of Balochistan is embarking on a series of institutional activities to broaden and increase the revenue of Balochistan earned from direct and indirect sources. It is worth mentioning that Balochistan Revenue Authority`s contribution towards revenue generation has been appreciable despite The Supreme Court`s decision regarding tax collection via mobile phone companies. We are revisiting and updating the Laws/Acts related to various sources of revenue generation like Stamp Duty Act ,1899, Balochistan Entertainments Duty Act, 1958, Balochistan Finance Acts of 1964 plus 1965, Balochistan Urban Immovable Property Tax Act,1958, Finance Act 2013, Motor vehicle and Taxation Act,1958 and Balochistan Sales Tax Act,2015. The updating and revision of the Acts and the tax rates incorporated in these Acts will improve the revenue earning capabilities of our province thus reducing the reliability of Balochistan Government on the federation.

The quality of human resource in any organization plays a vital role in any entity whether in the private sector or public sector. We have also realized the fact and created a fund allocating an amount Rs2 billion named Provincial Development Fund for Provincial Officer. The fund will help in continuous professional development of the officers of government of Balochistan. We are also fully aware of the financial risks to be borne by the government in the future. The most drastic one is of our pension liability which is estimated to reach at the level Rs. 100.30 billion by the financial year 2024-25. To meet such liabilities in the future, we have created a Balochistan Pension Fund and injected a capital amount of Rs. 5 billion for the financial year 2019-20.

I sincerely thank my team for the devotion and commitment they showed in preparation of the budget for the financial year 2019-20.

**Noor-ul-Haq Baloch**  
Finance Secretary





# Acronyms

<b>BC</b>	Balochistan Constabulary
<b>BE</b>	Budget Estimates
<b>BEEF</b>	Balochistan Education Endowment Fund
<b>BRA</b>	Balochistan Revenue Authority
<b>BSTS</b>	Balochistan Sales Tax on Services
<b>CPEC</b>	China Pakistan Economic Corridor
<b>EAD</b>	Economic Affairs Division
<b>CVT</b>	Capital Value Tax
<b>FATA</b>	Federally Administered Tribal Areas
<b>FBR</b>	Federal Board of Revenue
<b>FPA</b>	Foreign Project Assistance
<b>GDS</b>	Gas Development Surcharge
<b>GPF</b>	General Provident Fund
<b>GoB</b>	Government of Balochistan
<b>GPP</b>	Governance & Policy Project
<b>HBFC</b>	House Building Finance Corporation
<b>MCC</b>	Metallurgical Corporation of China
<b>IMF</b>	International Monetary Fund
<b>KP/ KPK</b>	Khyber Pakhtunkhwa
<b>MDGs</b>	Millennium Development Goals
<b>MMR</b>	Maternal Mortality Rate
<b>MIS</b>	Management Information System
<b>MW</b>	Megawatt
<b>NFC</b>	National Finance Commission
<b>NMR</b>	Neonatal Mortality Rate
<b>NNS</b>	National Nutritional Survey
<b>OBOR</b>	One Belt One Road
<b>OGDC</b>	Oil & Gas Development Corporation
<b>P&amp;D</b>	Planning & Development
<b>PEFA</b>	Public Expenditure Financial Accountability
<b>PFM</b>	Public Finance Management
<b>PHE</b>	Public Health Engineering
<b>PP&amp;H</b>	Physical Planning & Housing
<b>PPL</b>	Pakistan Petroleum Limited
<b>PSDP</b>	Public Sector Development Programme
<b>PSLM</b>	Pakistan Social & Living Standards Measurement
<b>RE</b>	Revised Estimates
<b>SBP</b>	State Bank of Pakistan



# Preface

Budget is financial tool used by the Government to plan its Income and Expenditure for a particular period of time. The annual budget document presents the Receipt of the Government from all available sources and the expenditures to be incurred by the Government in the upcoming financial year.

1. Development Budget (Capital Budget): government undertakes new developmental activities in order to keep pace with emerging requirements of the society. Technically it is new outlay of the government which includes the construction of new buildings, roads and other public goods.
2. Current Budget: On the current side, the operational activities are reflected like pay and allowances and other operational costs. The Government always tries to generate enough resources to meet both developmental and current expenditure through its own resources. Where there is a gap between income and expenditure, the government resorts to internal and external borrowings. Under the Fiscal Responsibility and Debt Limitation Act, 2005 all governments are bound to meet current expenditure from within their own revenues and they are allowed to go for borrowing only for capital/ developmental expenditure.

As we all know that resources are scarce and limited, the provincial governments also have limited taxable income therefore they always find it difficult to balance income and expenditure. Therefore, it becomes a very challenging task for the government to prepare and present a balanced budget. Moreover, unlike Federal Government, the Provincial governments do not have easy access to foreign borrowing, nor are they allowed internal borrowing without seeking approval of EAD and Finance Ministry, although under 7th NFC all provincial governments have been authorized to borrow directly from the bilateral and multilateral foreign sources.

In this white paper attempt has been made to analyze both income and expenditure sides and also depict various trends in income and expenditure. Efforts have also been made to do sector wise analysis of both development as well as current budget, focus has been on highlighting areas of concern like abnormal growth in various sectors and other liabilities.

In terms of receipts the Government of Balochistan relies heavily on Federal Government transfers through; NFC and straight transfers. In the background of long neglect before 1970, Balochistan lacked social and economic infrastructure, warranting big investment in order to keep pace with other regions of the country. Before 7th NFC, resources were distributed on the basis of population and Balochistan was only getting 5% of the Divisible Pool, which was hardly sufficient to meet developmental needs of the Province. Things changed after 7th NFC and Balochistan's share was increased to 9.09 % and gas issues were also settled, and Balochistan got PKR 140 billion arrears of

gas which increased the availability of resources. Moreover, Balochistan was guaranteed Divisible Pool Transfers on the basis of yearly revenue targets instead of transfers on actual receipt basis.

Gas income was also being diverted partly to other provinces due to flawed distribution formula of Ministry of Petroleum and Natural Resources. The rates of Balochistan gas were lowest, therefore Balochistan was getting much lesser royalty compared to other provinces. Similarly, the GDS was also partly diverted to Sindh as the distribution formula was based on cumulative production of the country. In case of Uch gas field till 7th NFC royalty amount was worked out at 8% instead of 12.5% of well head price, which was subsequently rectified thereby increasing the amount coming to Balochistan.

Balochistan's claim of gas arrear was also accepted and the province started getting arrears which has improved resource position in the province.

Unfortunately, Balochistan could not increase its own tax and non-tax revenues which is almost static. This is a dangerous trend because expenditure is growing at an average rate of 13% whereas revenue stream is increasing at a low rate of 8%. This will result in growing gap between income and expenditure and successive future governments will be forced to go for deficit budgeting.

In recent years' revenues generated through GDS have also witnessed a dip without any plausible reason. In 18th Constitutional Amendment it was clearly mentioned that the provinces will have 50% share in oil and gas profits but Federal Government has not yet given a single penny on that account. Balochistan is generating gas through 5 well heads and the companies are reaping huge profits from these well heads. Likewise, 35% of Saindak profits were to be shared with the province as decided under Huqooq-e-Aghaz-e-Balochistan but after paying for a year or so that has been discontinued and estimated payments on that account come to around PKR 5 billion which is yet to be paid. Had these payments been made to the province there would have been no budgetary deficit.

The Public Expenditure & Financial Accountability (PEFA) Assessment Report Balochistan 2017 highlights certain gaps in PFM. The Report criticizes the GoB for not having a fiscal strategy. The report further states that Balochistan is the only province preparing a deficit budget without identifying sources to finance that deficit. The Government does not have an approved strategic plan or development strategy to be used as a policy document to prepare budgets. Spending of the province is predominantly focused on the recurrent side that accounts for three-quarters of the total budget. It would merit mentioning that the provincial government is still using the Budget Manual of 1987 which surely is an outdated document as far as the current PFM challenges and practices are concerned.

There is no denying the fact that the critique of PEFA is based on facts and the Government has

responded positively to this critique by launching a process of reforms aimed at revamping the Finance and Planning and Development Departments with the help of the World Bank and the European Union.

Government of Balochistan currently has an estimated budget deficit of nearly PKR 47 billion for the year 2019-20. It works out to be 11% of the total budget which is not a healthy indicator. There is no plan for financing this deficit, which ultimately will result in overdraft of SBP.

The government of Balochistan gets a substantial amount as gas revenues, which includes royalty on gas, GDS and excise duty on gas. This is a variable source of income depending on the production of gas from the gas fields of Balochistan. In the financial year 2018-19 we received an amount of Rs 13 billion against the expected budgeted figure of Rs 9 billion. In 2016-17 a shortfall of PKR 8 billion was incurred in receipts than the projected figures for GDS. There is at source deduction by the Federal Adjuster against service charges from the revenues of Excise and Taxation Department which is almost equivalent to the total earnings of Excise and Taxation Department.



## About Budget White Paper

The purpose of the white paper published along with the annual budget is a type of comp report to all the stakeholders including general public of the province about financial per and position both historic and years to come. The white paper includes the nature, sum analysis of the Receipts and Expenditure of the Government of Balochistan. The docume rates the Government Strategy and Policy towards the well-being of the people of Baloch those associated with the province. The budget white paper gives a strategic view of tl diture incurred towards the two main aspects of Government Expenditure i.e. Develop Non-Development Expenditure. The development expenditure includes the analysis of I the vision on future investments in different sectors like Education, Health, Infrastructu tion etc. The document also highlights the steps taken by the Government towards the ach of Goals and Targets like sustainable development goals, the means & ways acquired to u available funds effectively and efficiently, steps taken to improve accountability and trai in the economic and financial activities of public money.





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## Chapter I:

## Overview of Socio-Economic Background of Balochistan

Our province Balochistan is the least developed province among all the four provinces of Pakistan in terms of the socio-economic indicators practiced around the globe. Balochistan accounts for the 44% of total landmass of Pakistan spreading over 347,190 square km with a population density of just 29 per square kilometer as compare to the highest population density of 513 per square kilometer in Punjab. The small population spread across a vast geographical area increases the cost and complexity of service delivery to people of Balochistan. The health, education, availability of clean drinking water and other social indicators in the province are also far below the standards when compared either globally or with other provinces within the country. The following table gives us a comparison or the position of Balochistan within the Pakistan.

Description	Balochistan	Sindh	KPK	Punjab
Population density / Sq.Km	29	331	352	513
Children with vaccination	29	49	55	80
Infant Mortality	49	81	63	81
Child Birth in Health Facility	35	72	62	69
Percentage of out of School Children	66	51	34	47
Primary Gross Enrolment	73	79	92	98
Percentage of Literacy Rate (10 years and above)	41	55	53	62

The outgoing fiscal year 2018-19 of Pakistan observed a submissive growth of only 3.29% against the ambitious target of 6.2 % for the said financial year 2018-19. The target was based considering growth in the sectors for agriculture, industry and services at 3.8 percent, 7.6 percent and 6.5 percent respectively. Whereas, the actual sectoral growth turned out to be lower to the percentage of only 0.85 percent for agriculture, 1.4 percent for industry and 4.7 percent for the services sector in Pakistan. The lower growth rate at the National level definitely impacts the growth at provincial level and vice versa.

## Overview of Socio-Economic Background of Balochistan

In order to achieve the Goal 4 of Sustainable development goals, the federal government and the provincial government is committed to allocate more resources for education, reduce the number of out school children, achieving the slogan of education for all, reduce the drop out rate or increase the retention rate of students, bring uniformity in education standards and enhance access to vocational and skills training. The allocation of largest amount of Rupees 62.431 billion in the current expenditure making 21.27% of the total current expenditure of Budget 2019-20 and Rupees 12.581 billion in the PSDP is enough evidence to proof the commitment of Government of Balochistan towards education sector.

According to Labour Force Survey 2017-18, literacy rate was estimated at 62.3 percent in 2017-18 as compared to 60.7 percent estimated in 2014-15. According to the same report, literacy rate increased in three provinces; Khyber Pakhtunkhwa from 54.1 percent to 55.3 percent, Punjab from 61.9 percent to 64.7 percent and Balochistan from 54.3 percent to 55.5 percent.

At the National Level Public Expenditure on education as a percentage of GDP is estimated at 2.4 percent in FY2018 as compared to 2.2 percent in FY2017. The education related expenditure increased by 18.6 percent to Rs 829.2 billion in FY2018 from Rs 699.2 billion in FY2017. The provincial governments are also spending sizeable amount of their Annual Development Plans (ADPs) on education. Punjab increased its expenditure in FY2018 to Rs 340.8 billion from Rs 260.6 billion in FY2017 showing an increase of 30.8 percent. Sindh increased its expenditure from Rs 146.7 billion in FY2017 to Rs 166.0 billion in FY2018 showing an increase of 13.16 percent. Similarly, Khyber Pakhtunkhwa and Balochistan also increased their expenditure on education from Rs 136.1 billion to Rs 142.6 billion and from Rs 47.7 billion to Rs 52.8 billion respectively during the corresponding period.

Balochistan government has allocated Rs 12.45 billion for 2018-19 for 205 ongoing and 449 new development projects for education. Out of the total allocation, an amount of Rs 1.77 billion has been allocated for primary education, Rs 4.15 billion for middle education, Rs 3.03 billion for secondary education, Rs 2.11 billion for college education, Rs 0.57 billion for university education, Rs 0.74 billion for general education and 0.069 billion for technical education. The increasing trend in education PSDP has been maintained by Government of Balochistan by allocating an amount of Rs12.681 billion for the financial year 2019-20.

In almost every budget presented by the Government of Balochistan, major portion of almost 85% of the annual education budget is allocated to current expenses comprising of salary and non-salary expenditures while a small portion of the budget is spent on educational reforms; the development budget for education needs to be increased significantly in order to benefit from public and foreign investments being funneled into the sector. Though the Department of Education devised a sector plan Balochistan Education Sector Plan that resulted in a substantial increase in allocations for the

sector by the government, however, Alif Ailaan revealed that the children of Balochistan remain the most abandoned of all Pakistani children. According to Alif Ailaan's report titled "Five Years of Education Reforms in Balochistan. Wins, losses and challenges for 2018-23" around 1.89 million children remain out of school.

Balochistan is the largest province (area wise) of the country constituting about 43% of the total National landmass. The Country, in general, and the province in particular, is endowed by the nature with the blessing of substantial mineral wealth. Mineral industry can play an important role in boosting up the socio-economic setup in Balochistan as agriculture in other parts of the country but due attention could not be given to the exploration and development of mineral sector due to financial constraints, heavy risk investment and lack of infrastructure as the deposits are located in remote and far flung areas.

Nature has gifted Balochistan with vast natural resources. Efforts are being made for scientific exploration and exploitation of minerals resources of the province. Major mineral potentials are described as under:-

- i. Metallic Minerals (Chromite, Iron, Copper/Gold, Lead Zinc, Titanium potential and Antimony)
- ii. Non-Metallic Minerals (Coal, Gypsum, Fluorite, Magnesite, Baryte, Vermiculite, Asbestos, Dimension stone)

The health sector of Government of Balochistan is struggling to provide adequate healthcare services due to shortage of healthcare service providers who prefer to work in provincial capital Quetta and unwilling to stay in rural areas which has largely affected health status of rural population. The provincial health department has made robust arrangements to address this issue and developed Health Sector Strategy (2013-2018) which is ongoing in its last phase of implementation. Recently, in August 2018, the newly established provincial government decided to take strategic initiatives to address the challenges of healthcare service delivery, quality of care, lack of skilled health workforce and to ensure adequate health coverage for the poor and vulnerable population in the province.

Other than low budgetary allocations for the health sector in PSDP, investment is done without any proper situation analysis and requirements for preventive and curative services in the region. The outreach of primary and secondary medical services is low in rural area except in Quetta where centralized tertiary health infrastructures are estab-

## Overview of Socio-Economic Background of Balochistan

lished and are operational. The coverage of the health sector particularly in maternal & child healthcare services, including antenatal, neonatal and vaccination, is significantly poor in the rest of the province. According to the departmental reports the Maternal Mortality Rate (MMR) in Balochistan is 785 per 100,000 lives whereas the Neonatal Mortality Rate (NMR) has reached 68 & Child Mortality Rate (children up to five years of age) has significantly increased to 158 per 1000 live births in Balochistan.

However, the allocation of funds in the PSDP of Health Sector by the Government of Balochistan is on rising trend since financial year 2017-18. The Health sector will consume 7.59% of PSDPs allocation in the financial year 2019-20 making the fifth largest sector after Communication, Education, PHE and Irrigation sectors. As far as, the current expenditure is concerned, Health sector is the 3<sup>rd</sup> largest sector with an amount of Rs. 22.382 billion for the financial year 2019-20.

Balochistan inherited underdeveloped infrastructure hence the rural population has been primarily dependent on the primary economic sectors such as agriculture, livestock and fisheries. The snowball effect of an underperforming economy has resulted in a steady and significant increase in poverty. The poor education system is another major contributor to the province's widespread poverty as most of the graduates from local educational institutions lack the skills set to qualify for jobs thus resulting in mass unemployment, at best quasi employment in Balochistan. Balochistan has tremendous potential for economic growth through available natural resources and revenue generation activities, provided the Government develops a potent strategy for reaping the benefits of its economic potential.

The Government of Balochistan is the province's biggest employer, more than 5000 new jobs have been announced in the current budget for the financial year 2019-20 in the different departments of Government. There is a vacuum, with almost no role of the private sector, in terms of job creation and economic growth. The impact of this scarcity of employment opportunities is forcing the province's human resources to migrate to other parts of the country or immigrate abroad. The private sector, like everywhere, is the only sustainable solution to this crisis. The job creation ability of the government is also limited as already most of the expenditure are part of non-development expenditure, which has to be discouraged and diverted towards development expenditure. The population of Balochistan is growing rapidly, with most of the population being youths, and the government cannot hire everyone; policies such as the Balochistan Youth Policy 2015, developed by the Environment, Sports and Youth Affairs Department need to be implemented for creating economic activity generating interventions through public and private platforms of the system. Currently the private sector is non-existent, at

best, operating in limited and informal ways in the province. Private businesses require significant amounts of capital investment to bear high operational costs and need a conducive environment that requires external sources of financing such as those offered by banks. Although the banking sector is able to attract lucrative deposits from both public and private sectors of the province, but the lending policies of the banking sector's players don't have the province on its priority thus depriving the province of an important source of financing.

The large area of the province is still waiting for access to the Natural Gas although Balochistan has been a major supplier of natural gas. For over half a century it has provided most of the country with natural gas for both consumer and industrial purposes. The non-availability of Natural Gas is forcing the locals to rely on firewood, agricultural and animal waste for cooking and heating purposes. Around 40% of the province receives direct solar radiation, which through employment of solar energy systems can generate huge electricity. According to the Meteorological Department's Wind Measuring Report, Balochistan's wind resource potential was estimated to be more than 20,000 MWs. Both locations Nokundi and Chaghi have been declared 'wind-corridor' by a study financed by USAID.

The proposed economic corridor based on One Belt One Road (OBOR) will create huge economic opportunities for the youth of Balochistan who will only be able to capitalize if they have the necessary skills needed to be players in advanced markets. In the first phase of the CPEC, because of delayed initiatives, Balochistan lost the benefit of early harvest projects. CPEC requires a proactive approach in order to capitalize on the potential it offers to the people of the province.

Gawadar Port is the second greatest monument of Pak-China friendship after Karakoram Highway linking Pakistan and China. Gawadar has handled last year around 7.156 Metric Ton Cargo from 53 ships.

As per Pakistan Economic Survey 2018-19 CPEC is the flagship and most actively implemented project of Belt & Road Initiative (BRI) where Pakistan and China have successfully launched 22 projects on the ground, costing more than US\$ 28.5 billion. Chinese and Pakistani workforce, in a large number, is employed to ensure timely completion of the infrastructure projects and launch new projects like ML-1, Eastbay Expressway and Airport at Gawadar. Pakistan and China are also executing Cross-Border Fiber Optic Project (Khunjerab-Rawalpindi).

The Geographic location of Balochistan bestowed it with a 740 km long coastline offering a huge potential for international trade through bigger landing sites in Jiwani, Pishukan, Gawadar, Surban-

## Overview of Socio-Economic Background of Balochistan

dar, Pasni, Ormara, Damb and Gaddani. Besides providing an opportunity to the locals for livelihood , there is an enormous potential to export as well. A significant proportion of the catch, estimated to be more than 30%, is wasted due to non-availability of adequate processing facilities in the coastal areas of Balochistan. Currently, a major portion of the catch is transported to Karachi for processing for both local consumption and export markets.

According to the past years' Public Sector Development Programme's trend, coastal development, particularly the fisheries sector has failed to get the government's attention and not been on priority budgetary allocations. In spite of claims and commitments by successive governments, both provincial and federal, no tangible progress can be seen in the fisheries sector; the government must have strategies on how to bring economic stability through establishing fish processing facilities, providing advanced skills and introducing quality motorized boats and fishing equipment to the fisherman.

There is a general lack of knowledge on available resources, systems and research at the public sectors which further impediments the ability of the government as well as the masses to best utilize the available resources.



## Chapter II:

# Overview of the Budget

The table below shows the overall Receipts and Expenditure as well as the Net Deficit/ Surplus position of the Government of Baluchistan's according to actual position of the previous year, the Budget and Revised estimates for the year 2018-19 and Budget Estimates proposed for the following financial year (FY) 2019-20. The same budgets are further analyzed as the White Paper progresses both in terms of revenues as well as expenditures. Such analysis is carried out by duly bifurcating the various items of budget. The Revenues are analyzed on the basis of sources and types with departments with major revenue streams. The current expenditure is mainly discussed by type of expenditure and an elaboration of functional classification on which the government's expenditure structure is based. That is, a break-up of the expenditure among the various functions carried out by the government and the types of expenditure incurred in these functions. Apart from the current expenditure, as required for the functioning of government system, the government spends a huge amount on development areas broadly distributed among the social, productive and infrastructure sectors.

The government, for the last many years, has been presenting its budget with deficit due to overburden on account of increasing spending requirements and lesser growth in own source revenue. The major dependence is on transfers from the Federal Government and sparing of a huge amount for development side from revenue receipts.

## Summary of Receipts and Payments for 2018-19 and 2019-20

### Summary of Receipts and Payments for 2018-19 and 2019-20

PKR (Billion)

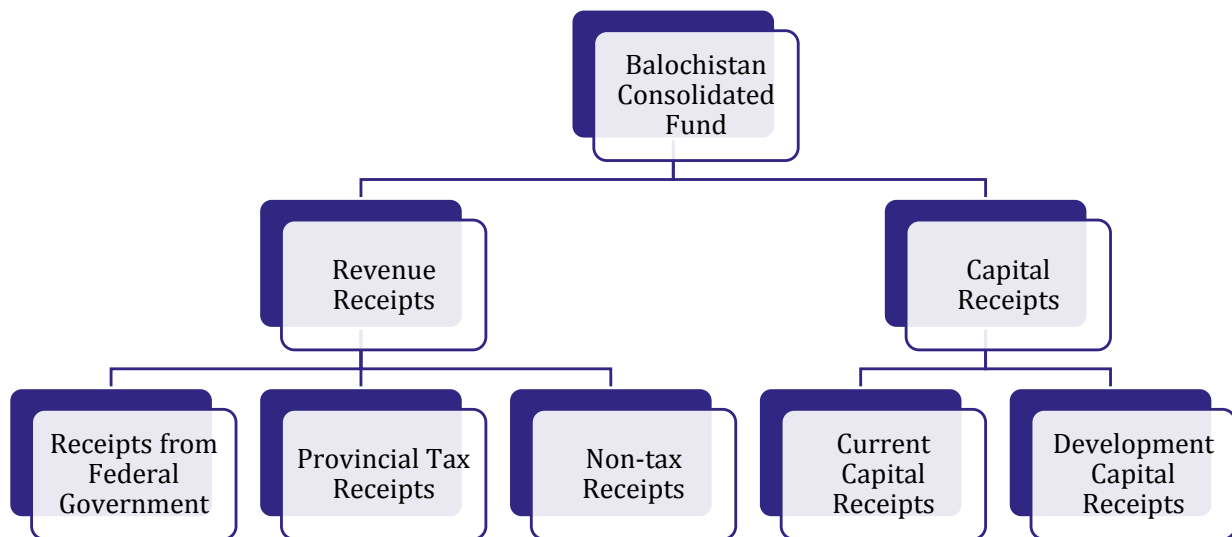
Head of Account	Accounts	Budget Estimates	Revised Estimates	Budget Estimates
	2017-18	2019-20	2018-19	2019-20
<b>PROVINCIAL CONSOLIDATED FUND RECEIPTS</b>				
<b>GENERAL REVENUE RECEIPTS</b>				
<b>FEDERAL RECEIPTS</b>	<b>229.756</b>	<b>243.177</b>	<b>254.299</b>	<b>319.889</b>
Federal Divisible Pool	202.691	224.116	224.116	281.230
Straight Transfers	10.229	9.061	13.498	13.754
Non-development grants including GDS Arrears	10.319	10.000	10.008	10.000
Development Grants (Outside PSDP)	6.516	-	6.677	14.906
<b>PROVINCIAL RECEIPTS</b>	<b>13.998</b>	<b>15.409</b>	<b>13.068</b>	<b>34.182</b>
Tax Revenue	9.291	10.211	8.438	14.756
Non-tax Revenue	4.707	5.198	4.630	6.395
Non-tax Revenue (Gas Lease Ext. Bonus)	-	-	-	13.031
<b>FOREIGN PROJECT ASSISTANCE (FPA)</b>	<b>2.736</b>	<b>9.230</b>	<b>8.019</b>	<b>8.060</b>
Grants	1.594	5.151	3.940	4.672
Loan	1.142	4.079	4.079	3.388
<b>CAPITAL RECEIPTS - OTHER THAN FOOD &amp; FPA</b>	<b>8.094</b>	<b>16.010</b>	<b>0.136</b>	<b>7.264</b>
<b>FOOD RECEIPTS</b>	<b>0.228</b>	<b>6.771</b>	<b>4.385</b>	<b>2.817</b>
<b>Total Provincial Consolidated Fund Receipts</b>	<b>254.811</b>	<b>290.597</b>	<b>279.907</b>	<b>372.213</b>
<b>PROVINCIAL CONSOLIDATED FUND PAYMENTS</b>				
<b>CURRENT EXPENDITURE:</b>	<b>192.161</b>	<b>264.038</b>	<b>258.874</b>	<b>293.580</b>
Current Revenue Expenditure	186.532	223.047	230.422	257.435
Current Capital Expenditure	5.629	40.991	28.452	36.144
<b>DEVELOPMENT EXPENDITURE</b>	<b>67.642</b>	<b>88.249</b>	<b>76.869</b>	<b>126.343</b>
Provincial PSDP	67.642	77.160	70.858	100.572
Foreign Project Assistance	-	11.090	6.011	7.561
Development Grants (Federal Funded Projects)	-	-	-	18.210
<b>Total Consolidated Fund Payments</b>	<b>259.803</b>	<b>352.287</b>	<b>335.744</b>	<b>419.923</b>
<b>Net Consolidated Fund Receipts and Payments</b>	<b>-4.992</b>	<b>-61.690</b>	<b>-55.837</b>	<b>-47.710</b>

## Chapter III:

# Estimates of Receipts

Generally, provincial government's receipts are classified into the following two main categories and as further elaborated in the flow diagram as under:

1. GENERAL REVENUE RECEIPTS and
2. CAPITAL RECEIPTS



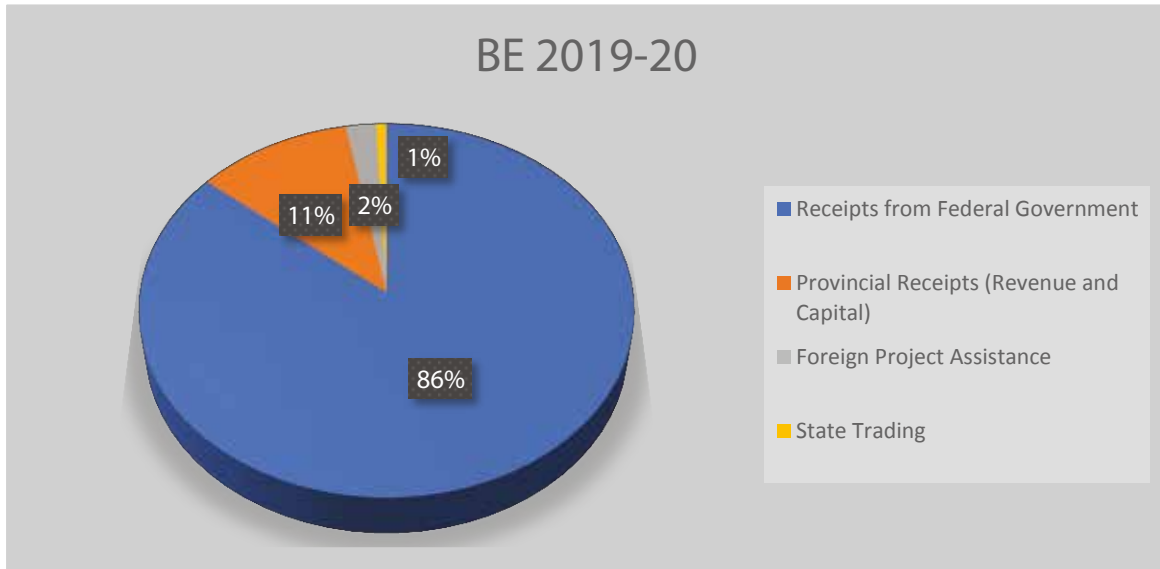
As described above the receipts are broadly categorized under Tax, Non-tax and Capital Receipts, which can be further categorized by sources from Federal Government, Provincial own source revenue and loans and advances.

## Estimates of Receipts

The expected receipts of the Government for the following FY 2019-20 and a comparison with the last year is as follows:

Revenue and by Source and Type	BE 2018-19	Amount PKR Billion	
		RE 2018-19	BE 2019-20
<b>Receipts from Federal Government</b>	<b>243.177</b>	<b>254.399</b>	<b>319.889</b>
<b>Federal Divisible Pool</b>	<b>224.116</b>	<b>224.116</b>	<b>281.230</b>
Capital Value Tax	0.329	0.329	0.200
Federal Excise	12.881	12.881	17.846
Income Taxes	86.711	86.711	105.122
Land Customs	37.268	37.268	50.325
Sales Tax	86.926	86.926	107.738
<b>Straight Transfers</b>	<b>9.061</b>	<b>13.498</b>	<b>13.754</b>
Development Surcharge	2.019	0.750	0.000
Federal Excise on Natural Gas	2.257	1.970	2.920
Royalty	4.785	10.779	10.834
<b>Non-development Grants</b>	<b>10.000</b>	<b>10.008</b>	<b>10.000</b>
<b>Development Grants</b>	<b>-</b>	<b>6.777</b>	<b>14.906</b>
<b>Provincial Receipts (Revenue and Capital)</b>	<b>31.419</b>	<b>13.204</b>	<b>41.446</b>
Tax	10.211	8.438	14.756
Non-Tax	5.198	4.630	6.395
Gas Extension Bonus	-	-	13.031
Capital	16.010	0.136	7.264
<b>Foreign Project Assistance</b>	<b>9.230</b>	<b>6.254</b>	<b>8.060</b>
Loan	4.079	2.314	3.388
Non-Tax	5.151	3.940	4.672
<b>State Trading</b>	<b>6.771</b>	<b>4.385</b>	<b>2.817</b>
Capital	6.771	4.385	2.816
Non-Tax	-	-	0.001
<b>Grand Total</b>	<b>290.597</b>	<b>278.242</b>	<b>372.213</b>

Graphical presentation of the Provincial Receipts by sources is shown in the following pie chart



The above diagram shows that Balochistan mainly depends on the federal transfers which amounts to 86% of the total provincial receipts, while the provincial own resources contributes only 11% aided by foreign grants and loans amounting to Rs. 8 billion (2%) for the year 2019-20. A type and department wise breakup is given in the sections following description of the different types of receipts as follows;

## Federal Receipts

Federal Receipts consist of the following;

1. Federal Divisible Pool
2. Straight Transfers
3. Non-development Grants
4. Development Grants for Federally Funded Projects

### Federal Divisible Pool

The major source of Revenue for the Provincial Government is the receipts of Federal Divisible Pool share which constitutes 76% of the provincial revenues. This is primarily because the collection of almost all buoyant taxes, other than Sales Tax on Services, is still with the Federal Government. Under the 7th NFC Award, the Divisible Pool of Taxes as collected by FBR consists of the following stream of taxes:

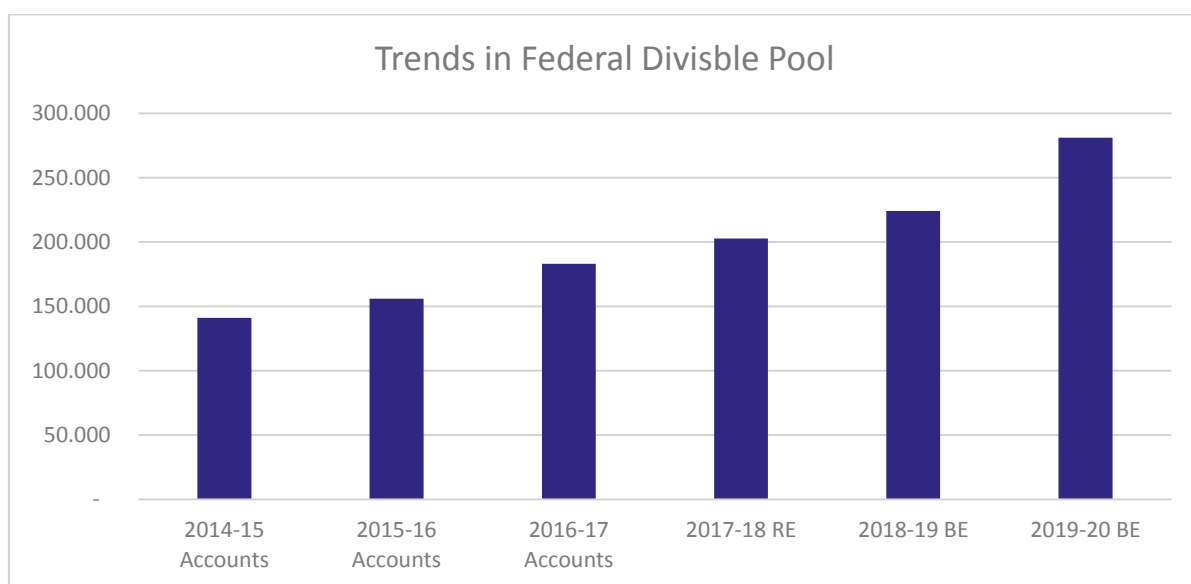
## Estimates of Receipts

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- I. Taxes on income;
- II. Wealth Tax;
- III. Capital Value Tax (CVT);
- IV. Taxes on sales of goods & purchase of goods imported-exported, produced, manufactured and consumed;
- V. Export duties on Cotton;
- VI. Customs duties; and
- VII. Federal Excise Duties excluding the excise duty on gas charged at well heads.

The following is past trend of Federal Divisible Pool in absolute and percentage terms.

Year	Amount (PKR Billion)	Variance as compared to corresponding previous year	
		PKR Billion	Percentage
2014-15 Accounts	141.178	-	-
2015-16 Accounts	155.925	14.747	10.45
2016-17 Accounts	183.098	27.173	17.43
2017-18 RE	202.691	19.593	10.70
2018-19 BE	224.116	21.425	10.57
2019-20 BE	281.230	57.114	25.48



The Federal Divisible Pool has been showing increase over the past 5 years with the highest jump of 25.48% for the year 2019-20 on account of high tax targets of around Rs. 5,500 trillion set for FBR for the next financial year.

### Straight Transfers

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

**I. Net proceeds of the Excise Duty on natural gas:**

## Estimates of Receipts

These included the net receipts from excise duty on natural gas.

### II. Royalty on Natural Gas:

Royalty is calculated @ of 12.5% of the well head production. This falls under “Straight Transfers”. It forms major chunk of gas revenue of Balochistan. Currently there five gas field e.g. Sui, Pir Koh, Lotti, Uch and Zarghoon South. Sui is operated by PPL, Pir Koh, Lotti, Uch are with OGDC and Zarghoon South is with Mari Gas Company.

### III. Gas Development Surcharge (GDS):

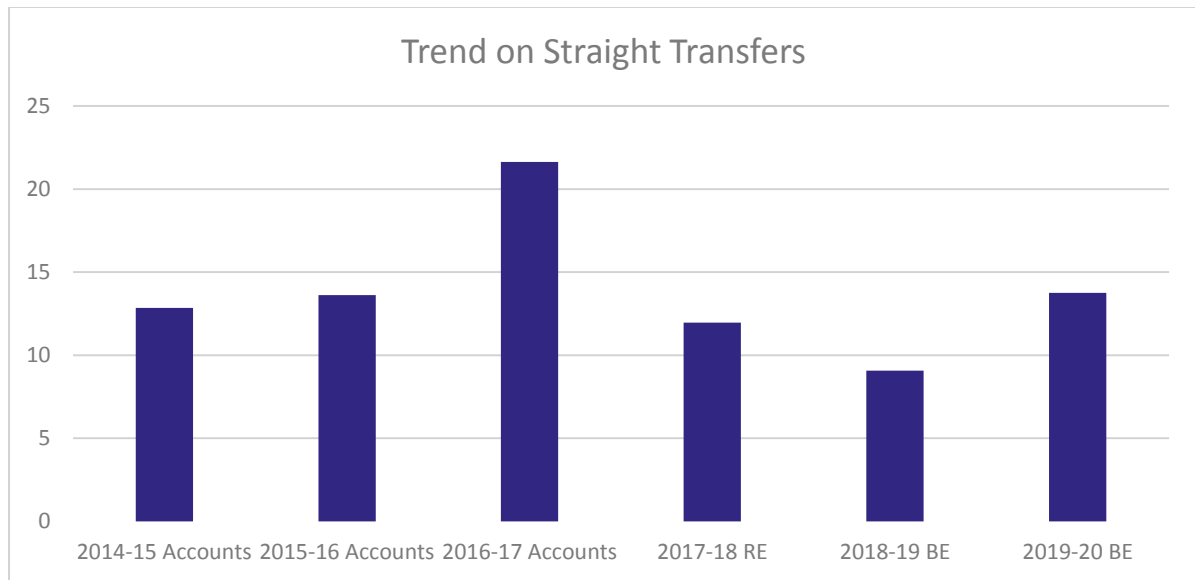
Gas Development Surcharge GDS is the differential between the well head price and the consumer price. Various consumers like household, commercial and energy producing units are supplied gas at different rates.

GDS is being collected by gas companies under Natural Gas (Development Surcharge) Rules, 1996. As recommended by NFC, net proceeds of GDS are being distributed to the provinces in accordance with their percentage share in the total production of gas after deducting 2% collection charges.

The following is past trend of Straight Transfers in absolute and percentage terms.

Year	Amount (PKR Billion)	Variance as compared to corresponding previous year	
		PKR Billion	Percentage
2014-15 Accounts	12.843	-	-
2015-16 Accounts	13.609	0.766	6
2016-17 Accounts	21.625	8.016	59
2017-18 RE	11.953	-9.672	-45
2018-19 BE	9.061	-2.892	-24
2019-20 BE	13.754	4.693	52





The last 5 years shows increasing and then decreasing trend. The recent past two years show decreases of 45% and 24% respectively. The maximum contribution over the last 5 years has been in 2016-17 of PKR 21.6 billion, however, due to the depleting natural gas resources in the province and lower production, this amount has shown negative trends with a probable higher production for the next year.

### Non-development grants

The Federal Government provides various grants for the non-development side mainly in the social sector for supporting various social activities. However, during the 7<sup>TH</sup> NFC award a long outstanding amount as arrears against Gas Development Surcharge was granted to the Government of Balochistan, which was due to paid in tranches of Rs. 10.00 per annum. This grant will be completed by the year 2021-22, which will result in a major setback on the revenues of the province.

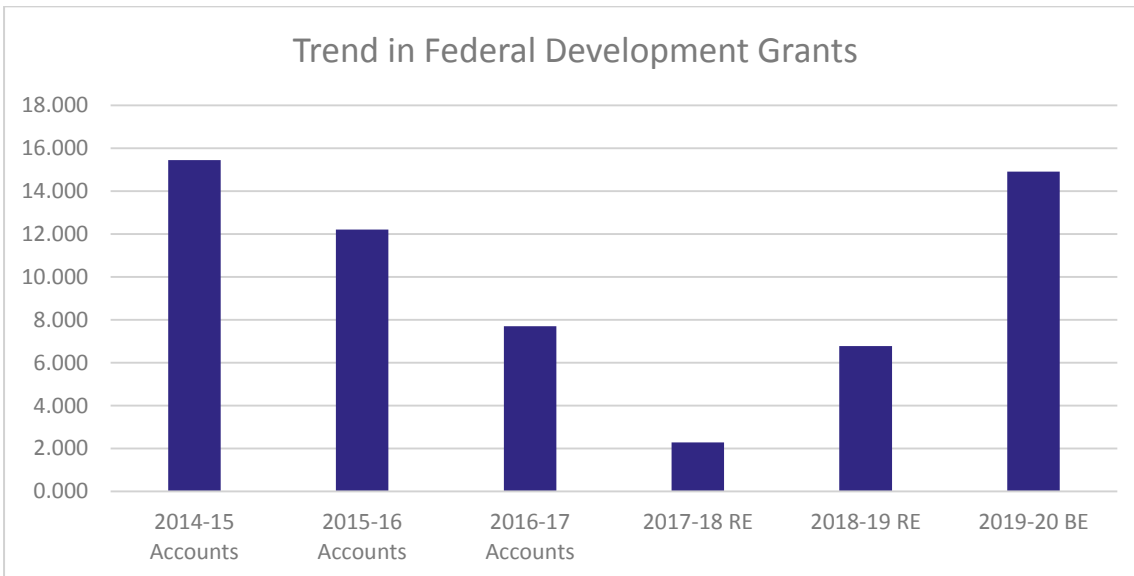
### Development Grants

This includes Development Grants from the Federal Government for execution of federally funded projects provided in the annual Federal Public Sector Development Programme (PSDP), however, the unique nature of such grants is that these are only pass through items meaning that only the bank accounts of Provincial Government are used for routing of funds instead of placing the funds at the disposal of Provincial government. Such grants are released to the executing agencies via Provincial Government's bank accounts as explained earlier.

## Estimates of Receipts

The following is past trend of Development Grants in absolute and percentage terms.

Year	Amount (PKR Billion)	Variance as compared to corresponding previous year	
		PKR Billion	Percentage
2014-15 Accounts	15.451	-	-
2015-16 Accounts	12.211	-3.240	-21
2016-17 Accounts	7.702	-4.509	-37
2017-18 RE	2.282	-5.421	-70
2018-19 RE	6.777	-2.282	197
2019-20 BE	14.906	8.129	120



## Provincial Receipts

	Provincial Receipts by Type	Rupees in Million		
		BE 2018-19	RE 2018-19	BE 2019-20
<b>A</b>	<b>Tax</b>	<b>10,211.060</b>	<b>8,437.530</b>	<b>14,756.173</b>
	<b>Direct Taxes</b>			
	Tax on Income (Agriculture Income Tax)	25.000	17.287	37.400
	Property and Wealth Tax	220.000	200.716	453.000
	Land Revenue	311.610	316.529	304.386
	Taxes on Profession Trade and Callings	3.500	2.213	15.000
	Capital Value Tax on Immovable Property	125.000	68.318	47.081
	Other Direct Taxes	4.000	0.000	0.000
	<b>Indirect Taxes</b>			
	Sales Tax on Services	7,000.000	6,145.813	10,000.000
	Provincial Excise	628.260	522.415	764.075
	Stamp Duty	459.200	320.278	470.145
	Motor Vehicles	1,348.000	829.475	1,500.931
	Other Indirect Taxes	86.490	14.484	1,164.155
<b>B</b>	<b>Non-Tax</b>	<b>5,197.817</b>	<b>4,629.977</b>	<b>19,426.069</b>
	Interest on Loans and Advances to Financial Institutions	300.000	0.000	0.000
	Dividends	28.500	201.004	203.500
	General Administration Receipts - Organs of State	30.000	31.996	32.000
	General Administration Receipts - Fiscal Administration	10.000	24.850	25.000

## Estimates of Receipts

	Provincial Receipts by Type	Rupees in Million		
		BE 2018-19	RE 2018-19	BE 2019-20
	General Administration Receipts - Economic Regulation	12.000	10.312	16.300
	Law and Order Receipts	444.238	276.259	471.377
	Community Services Receipts	140.005	52.682	156.640
	Social Services Receipts	179.761	204.541	265.571
	Social Services Receipts Miscellaneous	3.550	122.017	4.941
	Economic Services Receipts - Food and Agriculture	498.877	99.649	872.152
	Economic Services Receipts - Fisheries and Animal	108.901	86.365	135.135
	Economic Services Receipts - Forest	57.900	160.130	198.930
	Economic Services Receipts - Cooperation, Irrigation	73.000	64.931	88.965
	Economic Services Receipts - Others	496.770	304.492	272.300
	Extra Ordinary Receipts	200.005	96.468	13,540.821
	Others	404.310	648.120	441.488
	Development Surcharge and Royalties	2,210.000	2,246.161	2,700.950
<b>C</b>	<b>Capital</b>	<b>284.982</b>	<b>136.480</b>	<b>164.200</b>
	Investment Receipts	200.000	66.600	88.800
	From Government Servants	84.982	69.880	75.400

## Tax Revenue

The Tax Revenue/ Receipts include the following;

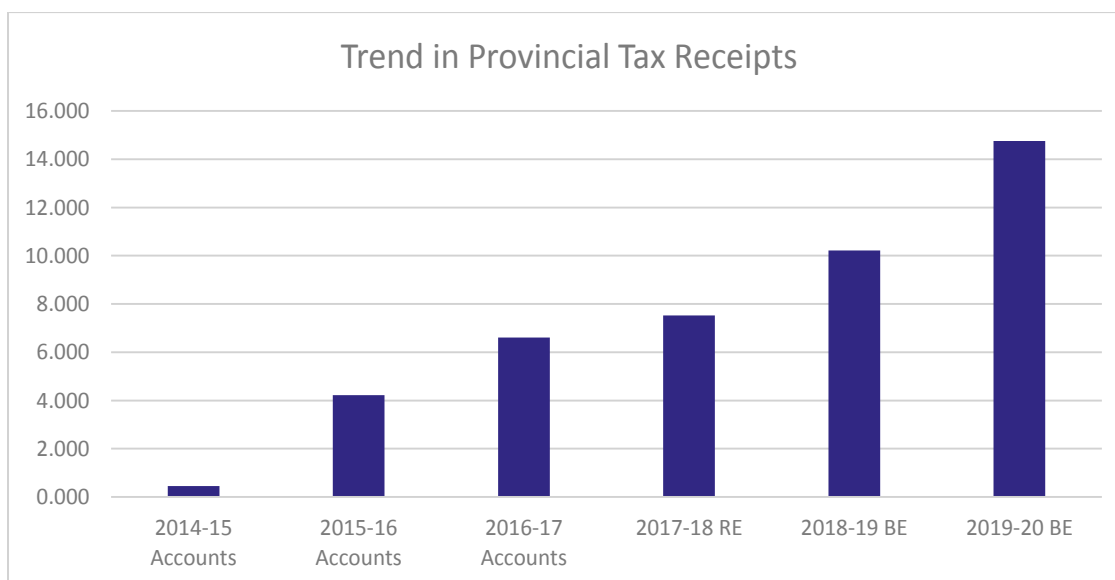
- I. Receipts from Direct Taxes (Agricultural Income Tax, Property Tax, Land Revenue, Professional Tax, Capital Value Tax etc.); and
- II. Receipts from Indirect Taxes (Sales Tax on Services, Provincial Excise, Stamp Duties, Motor Vehicle Taxes, and Electricity Duty etc.).

The responsibility for collection of the Provincial Tax Receipts has been assigned to the following departments:

- Balochistan Revenue Authority (BRA);
- Board of Revenue;
- Excise & Taxation Department;
- Energy Department;
- Transport Department.

## Estimates of Receipts

The following is past trend of Tax Revenue in absolute and percentage terms.



Year	Amount (PKR Billion)	Variance as compared to corresponding previous year	
		PKR Billion	Percentage
2014-15 Accounts	0.459	-	-
2015-16 Accounts	4.219	3.761	820
2016-17 Accounts	6.606	2.387	57
2017-18 RE	7.518	0.912	14
2018-19 BE	10.211	2.693	36
2019-20 BE	14.756	4.545	45

The last 5 years have witnessed increases ranging from 14% to 820%. The increase of 820% in 2015-16 is attributable to BRA which alone contributed around PKR 2.4 billion. Previously provincial sales tax on services was collected at the federal level and the last such collection was PKR 870 million whereas after the establishment of provincial sales tax on services authority BRA there has been an unbelievable rise in this revenue. The major contribution to the services tax was received from the Telecommunication sector, which, due to Supreme Court's verdict on discontinuation of taxes on mobile cards, the revenue on services tax decreased by a huge amount.

The Supreme Court of Pakistan restored taxes on mobile prepaid cards earlier in the last week of April 2019. This restoration and the increasing tax coverage of the BRA shows potential growth in

the revenue on services tax is expected to increase to Rs. 10.00 billion during the coming financial year. Moreover, the Government of Balochistan promulgated Balochistan Infrastructure Development Cess Act 2018 which is expected to generate a revenue of Rs. 1.00 billion during the financial year 2019-20. The amount is shown under other indirect taxes in the above table.

Apart from the above, taxes on property tax is expected to increase by 106%, Motor Vehicle Taxes by 11% and other indirect taxes by Provincial Excise Department by 22%. This may have further impact after the approval of proposed Finance Bill 2019-20.

## Non-tax Revenue

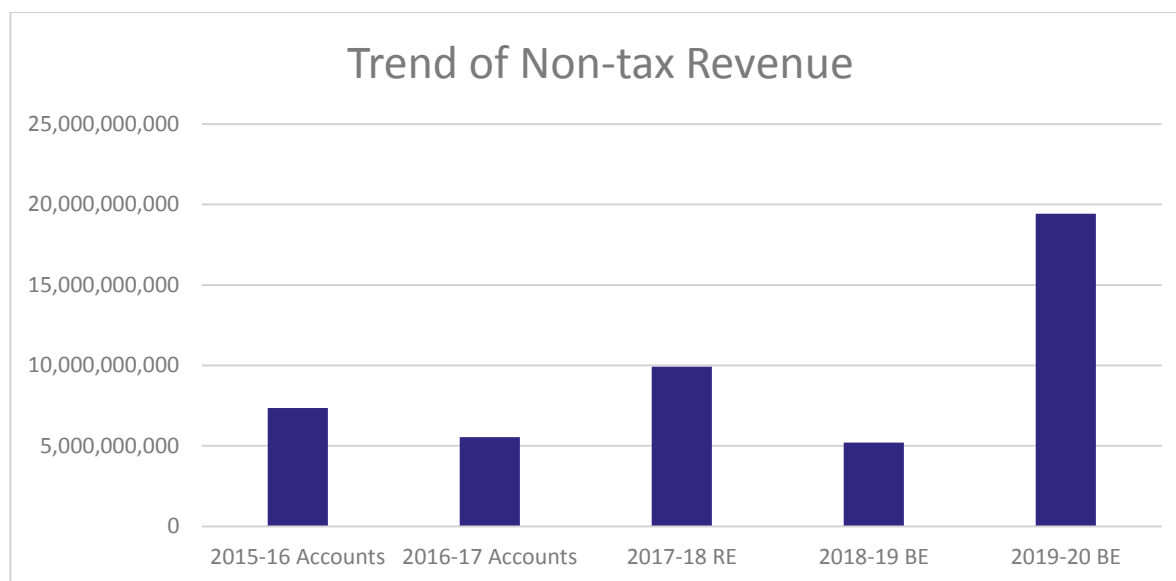
The Non-tax Revenue/ Receipts include the following;

- I. Income from public owned property and enterprises;
- II. Receipts from civil administration and other functionaries; and
- III. Miscellaneous Receipts from toll, fee, cess and levies etc. collected by provincial departments including Mines and Mineral Department.

## Estimates of Receipts

The following is past trend of Non-tax Revenue in absolute and percentage terms.

Year	Amount (PKR Billion)	Variance as compared to corresponding previous year	
		PKR	Percentage
2015-16 Accounts	7.353	-	-
2016-17 Accounts	5.535	-1.818	-25
2017-18 RE	9.924	4.389	79
2018-19 BE	5.198	-4.725	-48
2019-20 BE	19.426	14.228	274%



The unusual hike in the estimated receipts for 2019-20 is due to a one time receipt of Rs. 13.00 billion for Sui Lease extension bonus from Pakistan Petroleum Limited. Other than this amount, the non-tax revenue is expected to raise to Rs. 6.395 billion as compared to Rs. 5.198 for 2018-19 which is an expected increase of 23% from last year.

## Foreign Project Assistance (FPA)

FPA consist of the following;

1. Grants
2. Loan



Currently the following projects are under way with foreign funded grants and loans:

Project Name	PKR (Millions) Allocation 2019-20
<b>Grants</b>	
Water Resource Management Project	25
Piloting High Value Agriculture in Balochistan	50
Balochistan Education Support	1,032
Strengthening of Expanded Program on Immunization	171
Balochistan Water Resources Project	100
Enhancement Nutrition for Mother & Children	94
Governance and policy reform program	755
Global Partnership For Education	300
Balochistan Livelihood & Entrepreneurship Project	50
Small Development Project in District Gawadar	1,545
Reconstruction of Permanent Houses in Awaran, Balochistan	500
Construction of Govt. Buildings in Awaran, Balochistan	25
Livelihood Restoration in Balochistan	25
	<b>4,672</b>
<b>Loan</b>	
Water Resource Management Project	400
Balochistan Integrated Water Resource Project	2,094
Gawadar Lasbella Livelihood Project	894
<b>Total Foreign Loan</b>	<b>3,388</b>

### Capital Receipts

These receipts consist of recoveries of loans and advances paid to the government employees against House Building or Car advance. No new disbursements have been made in this respect since 2012 and currently recoveries of the previous loans are deducted from the monthly salaries of the employees. Other than this, an unsettled amount of Rs. 200 million had been outstanding against investment in M/s Allahoo for a long time, which matter has now been settled between the parties and an amount of Rs. 66 million was received during 2018-19. A further installment of Rs. 88.8 million is agreed to be paid to the Government of Balochistan.

Moreover, other capital receipts include sale of wheat by food department, which is expected to be Rs. 2.8 billion during the FY 2019-20.

## Chapter IV:

# Estimates of Current Expenditure

The current budget has been analyzed in terms of expenditure by type (object) followed by a brief on the functions among which the government system is distributed. The current expenditure is one of the bifurcation of the nature of expenditure incurred by the government, that is, the overall expenditure can broadly be distributed among:

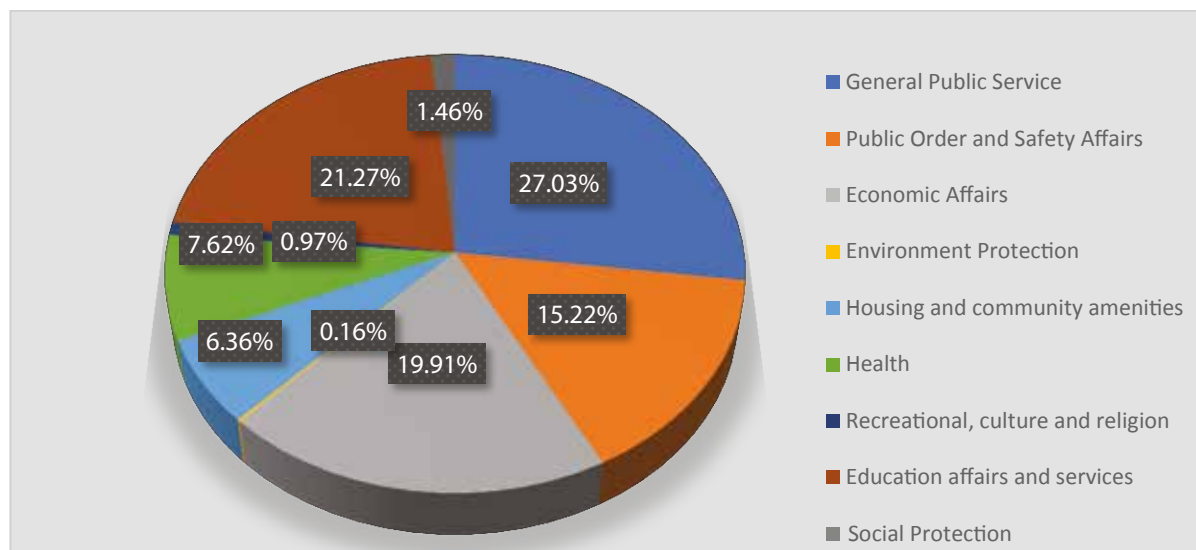
- Current Revenue Expenditure:** for meeting the day to day operations including meeting the establishment charges and maintaining obligations directly or indirectly involved in achieving service delivery for the welfare of the general public;
- Development Expenditure:** is incurred in order to promote production sector, develop infrastructure to support economic development and improvement of services in the social sector
- Capital Expenditure:** The expenditure is incurred to meet budgetary requirement in case of shortfall in revenue resources or for making long term investments for future strengthening of the financial resources or provision of support for specific purpose

The government departments come under various functions and in each function different type of expenditure is incurred, as shown in the table below:

Head of Account	Accounts	Amount PKR Billion		
		Budget Esti-	Revised Esti-	Budget Esti-
		mates	mates	mates
	2017-18	2018-19	2018-19	2019-20
General Public Service	56.060	81.595	82.391	79.352
Public Order and Safety Affairs	30.793	38.093	37.307	44.692
Economic Affairs	30.737	55.705	50.346	58.449
Environment Protection	0.236	0.374	0.275	0.464
Housing & Community Amenities	8.078	6.309	8.744	18.684
Health	16.364	19.419	23.608	22.382
Recreational, Culture and Religion	2.167	2.028	2.716	2.844
Education Affairs and Services	45.741	56.541	51.510	62.431
Social Protection	1.984	3.972	1.978	4.282

## Estimates of Current Expenditure

<b>Total Current Expenditure</b>	<b>192.161</b>	<b>264.038</b>	<b>258.874</b>	<b>293.580</b>
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**General Public Services:** It has the highest share with 79 billion allocation constituting 27% of the total current expenditure to be incurred during the year 2019-20. The major areas and departments fall under this function are as follows;

**Pension:** It has the highest allocation with in the function. Earlier, it was very much under estimated as compared to the actual trends resulting in supplementary budget every year, however, the amount has now been allocated according to the past trend and has been increased to Rs. 33.00 for 2019-20 as compared to Rs. 20.00 billion for 2018-19 and Rs. 29.00 billion revised estimates 2018-19.

Apart from the above, the government, with the assistance of Multi Donor Trust Fund (MDTF), has commissioned the preparation of an actuary report to gauge the expected liabilities on account of pension payments. On the other hand, to meet the expenditure more efficiently and to reduce burden on the Consolidated Fund Account, the Government has been allocating regular amount for investment. A break up of proposed investment is presented in the following paragraph and the existing position of investments and returns is shown in the fund management section as a separate chapter.

**Investments:** As discussed earlier, keeping in view the growing need for strengthening the pension investment fund and for making funds available in the capacity development, social welfare and social protection areas, the Government of Balochistan has been allocating funds for investments on regular basis. The allocation for the following financial year is proposed to increase by 55% as compared to the previous year. These funds will be invested, in secured investments, with the

highest expected annual returns. A comparison of investments made during 2018-19 and amounts proposed for investment in the following financial years is as follows;

Investment	BE 2018-19	RE 2018-19	BE 2019-20
<i>Rupees in Million</i>			
Balochistan Pension Fund	10,000	7,000	5,000
Hiring Services of Consultancy Firm (Pension)	10	-	-
Balochistan Awami Endowment Fund	-	3,000	1,000
Provincial Disaster Management Fund	-	-	2,000
Compensation to Victims of Terrorism Fund	-	-	1,000
Professional Development Fund of Provincial Officers	-	-	2,000
Offenders Rehab and Social Integration Fund	-	-	500
Social Protection Fund	-	-	2,000
Viability Gap Fund	-	-	1,000
Project Development Fund	-	-	1,000
	<b>10,010</b>	<b>10,000</b>	<b>15,500</b>

Other departments and expenditures covered in this function are:

- Board of revenue (which includes district administration) Rs. 3.3 billion
- Finance Department Rs. 2.9 billion\*
- General administration Rs. 1.9 billion
- Principal repayments and interest on domestic and foreign debts Rs. 17.1 billion (2018-19: 15.5 billion)
- Provincial Assembly Rs. 1.4 billion

## Estimates of Current Expenditure

*\*For the budget 2019-20, for the purpose of more compatible reporting, many new demands were created, due to which the comparative figures of many departments could not be worked out at the time of developing this paper. However, such comparison is possible.*

### Public Order and Safety:

Due to increasing and keeping track with the challenging demand for security measures, quick and smooth provision of justice to the public, welfare of prisoners and responding to the emergencies and checking terrorism act in time, the government has been allocating regular and enhanced funds to the sector. The proposed budget of Rs. 44.7 billion is an increase of 17.3% as compared to Rs. 38.1 billion for FY 2018-19.

The departments covered under this function include

- Administration of Justice Rs. 3.1 billion (2018-19: Rs. 2.7 billion)
- Police and Balochistan Constabulary Rs. 26 billion (2018-19: Rs. 23 billion)
- Provincial Levies Rs. 11.7 billion (2018-19: Rs. 8.9 billion)
- Home Department Rs. 1.6 billion (2018-19: Rs. 1.5 billion)
- Jails and Detention places Rs. 1.0 billion (2018-19: Rs. 0.8 billion)

### Economic Affairs:

All the departments mandated for production and economic development come under this function. The proposed budget in the sector is increased by 4.9% from Rs. 55.7 billion in 2018-19 to Rs. 58.5 billion for the year 2019-20. The major departments with allocation for the year 2019-20 are;

- **Communication and Works**, Rs. 10.00 billion. This includes establishment charges and provision for repair and maintenance of government buildings, (2018-19: Rs. 9.0 billion).
- **Energy department**, Rs. 14.7 billion which includes Rs. 13.8 billion for subsidy on agriculture purpose tube wells to the farmers (2018-19: Rs. 14.5 billion)
- Rs. 9.5 billion for **Agriculture** (2018-19: Rs. 8.7 billion), Rs. 4.0 billion for **Live Stock** (2018-19: 3.9 billion), Rs. 1.4 billion (2018-19: Rs. 1.1 billion) and Rs. 1.5 billion (2018-19: Rs. 0.9 billion) for **Forestry and Fisheries** department respectively.
- Rs. 2.3 for **Minerals Development** (2018-19: Rs. 2.0 billion) and Rs. 1.4 for **Industries** (2018-19: Rs. 1.2 billion).

- **Food** department will be provided with Rs. 5.1 billion which includes Rs. 1.3 billion for outstanding liability on subsidy on flour. Earlier, during 2018-19 an amount of Rs. 1.67 billion was released subsidy on wheat.

### Housing and Community Amenities:

The budget position of departments under this function with comparative is as under:

	PKR (Billion)		
	BE 2018-19	RE 2018-19	BE 2019-20
Water and Sanitation Services	5.296	7.792	5.861
Local Government and Rural Development	1.014	0.952	12.823
	<b>6.309</b>	<b>8.744</b>	<b>18.684</b>
Grants to Local Governments	11.543	11.495	

\*Grants to local governments were earlier classified in the general public services, which has now been corrected, and has been reproduced here for comparison purpose

### Health:

One of the major breakthroughs in the budgeting for health institutions was the decentralization of budgeting for 47 Rural Health Centers from the provincial level to the RHCs level. This will help the RHCs to manage their finances and utilize funds in a better and more efficient manner. The overall budget of the department was increased by 15.25% with the following further classification;

	PKR (Billion)		
	BE 2018-19	RE 2018-19	BE 2019-20
Hospital Services	13.981	19.567	9.634
Public Health Services	0.440	0.502	0.875
Health Administration	4.998	3.539	11.873
Total	19.419	23.608	22.382

*Note: Any variation in comparatives is solely due to cleansing of budget master data during 2018-19 for making comparison and reporting more compatible.*

## Estimates of Current Expenditure

### Education:

The education services include primary education, secondary education, higher education including universities and medical and other professional education, libraries and education for special students. This function comes under Secondary and Higher Education Departments, Department for Archives and Libraries, Social Welfare Department and Health Department. A broader sub-classification is as under;

	PKR (Billion)		
	BE 2018-19	RE 2018-19	BE 2019-20
Pre and Primary Education	19.405	20.295	21.294
Secondary Education	18.921	19.888	20.549
Tertiary Education	8.934	7.951	13.208
Other education services	2.457	2.899	2.284
Administration	6.823	0.477	5.095
	56.541	51.510	62.431

A lump sum amount is allocated each year in the administration for meeting the ever increasing burden of time scale affect allowed to the teaching staff and is re-appropriated during the year. Apart from this, the education function has seen an increase of 10.4% in budgetary allocation, as compared to the last year, in which the largest increase of more than 4.00 billion can be seen in the Tertiary Education where the Universities' grants were increased from Rs. 0.5 billion to Rs. 2.1 billion for the year 2019-20.

### Social Protection:

The total budget of the sector has been proposed at Rs. 4.3 billion plus a special investment fund for disaster risk management is also proposed to be established for ready availability of funds in case of any mishaps. Further, Rs. 500 million have been allocated under Special Children Program.

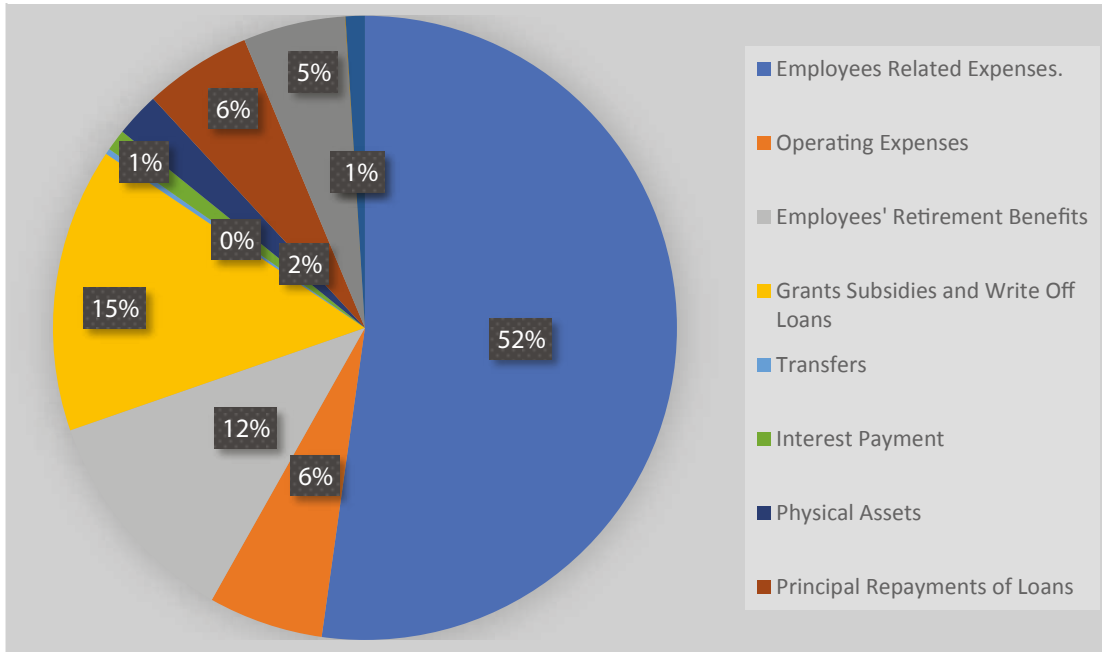


## Overview of Expenditure by Type

A break of expenditure by type is as follows:

Head of Account	PKR (Billion)			
	Accounts	Budget Estimates	Revised Estimates	Budget Estimates
	2017-18	2018-19	2018-19	2019-20
Employees Related Expenses.	109.288	141.853	128.245	153.302
Operating Expenses	14.205	16.064	18.078	17.463
Employees' Retirement Benefits	22.867	20.002	29.762	33.786
Grants Subsidies and Write Off Loans	24.452	36.040	41.623	43.283
Transfers (scholarships, cash awards)	1.382	0.870	1.222	0.850
Interest Payment	2.015	2.726	3.005	3.269
Physical Assets	3.229	6.709	6.698	6.761
Principal Repayments of Loans	5.629	17.943	16.377	16.340
Investment	5.000	18.635	10.000	15.500
Civil Works	0.685	0.515	0.276	0.107
Repairs and Maintenance	3.409	2.681	3.590	2.918
<b>Total</b>	<b>192.161</b>	<b>264.037</b>	<b>258.874</b>	<b>293.580</b>

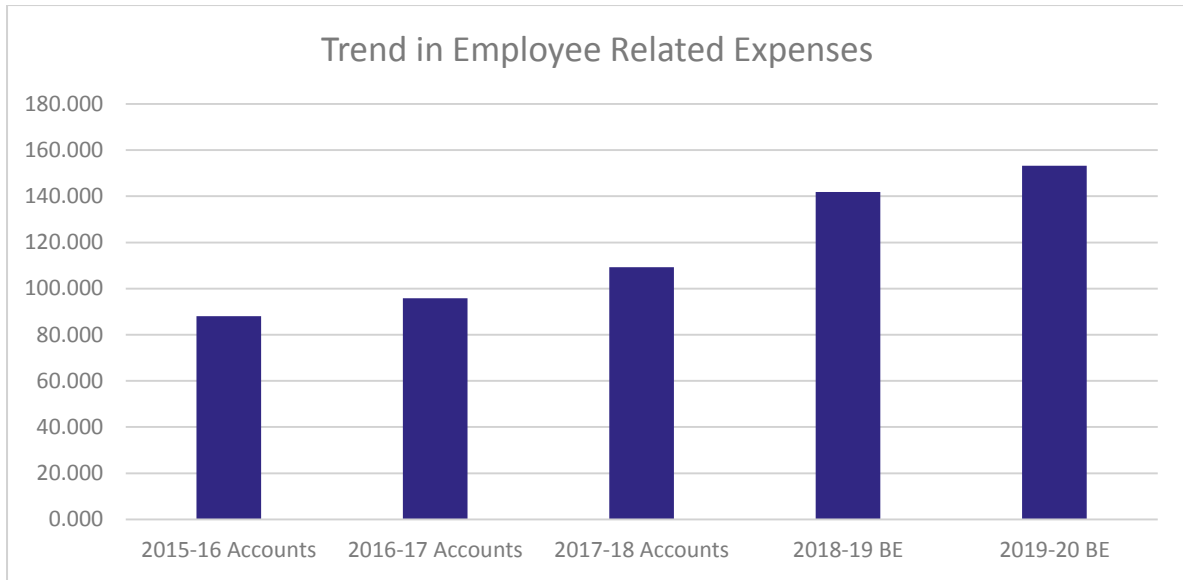
## Estimates of Current Expenditure



### Employees Related Expenses

These expenses include the Basic Pay and Allowances paid to the employees. Following is the trend over the past 5 years.

Year	Amount (PKR Billion)	Variance as compared to corresponding previous year	
		PKR Billion	Percentage
2015-16 Accounts	88.011		12
2016-17 Accounts	95.765	7.755	9
2017-18 Accounts	109.288	17.989	19
2018-19 BE	141.853	28.098	25
2019-20 BE	153.302	11.449	8



As is evident from the above 5-year data that the expenditure incurred on Employees related expenses is continuously rising. The increase in percentage terms over the last 2 years has been 25% and 8%. More than half of current budget goes to meet the establishment charges. A very meager portion is left with the Government for meeting debt liabilities and other operational expenditure. An obvious reason for this is the absence of private sector, government emerges to be the lone employer. This leaves very little for carrying out the much-needed developmental activities in the province.

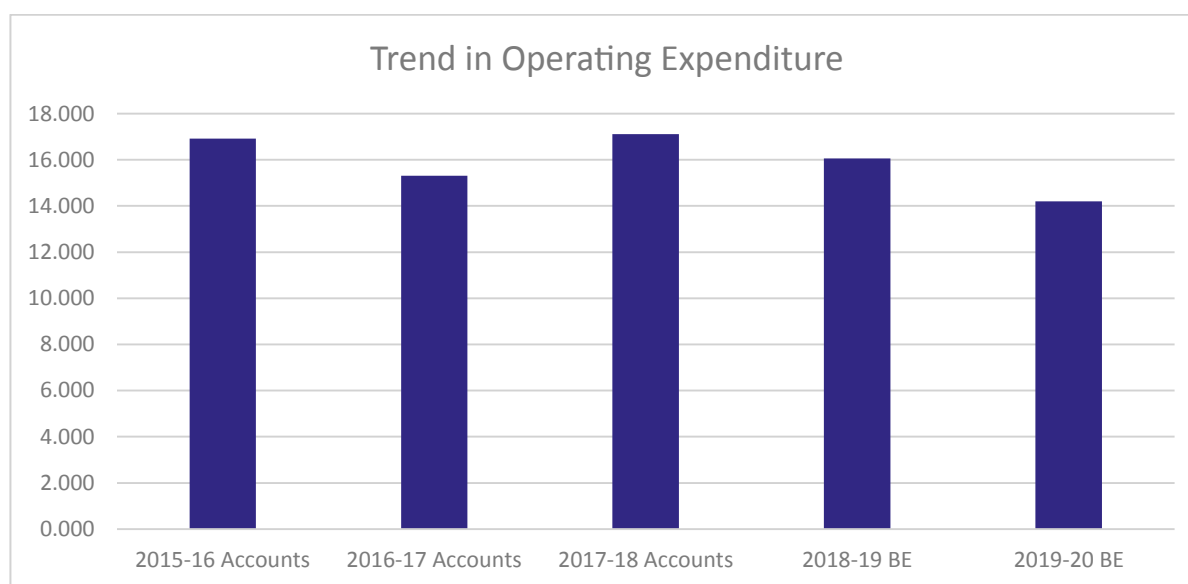
The decision makers should evolve a policy of creating private sector which could absorb the growing work force in the province because the government has reached a saturation point and generating more employment would only compromise the productivity which is already lowest in the country.

## Estimates of Current Expenditure

### Operating Expenses

These include various expenditures in the nature of consumables such as Rents, Utilities, stock and stores, medicines, POL, TA/DA, etc.

Year	Amount (PKR Billion)	Variance as compared to corresponding previous year	
		PKR Billion	Percentage
2015-16 Accounts	16.914	-	39
2016-17 Accounts	15.313	-1.601	-9
2017-18 Accounts	17.118	1.805	12
2018-19 BE	16.064	-1.054	-6
2019-20 BE	14.205	-1.859	-12



An up and down trend is evidenced over the last 5 years with increase in one year being followed by decrease in the next. This is more due to better budgeting based on actual trends rather than the traditional incremental budgeting. The Finance Department has been issuing Indicative Budget Ceilings to the Departments and urging them to prepare their budget at spending level, based on the actual requirements and trends in the past expenditure.

## Employees' Retirement Benefits

This includes the expenditure incurred on Post-Retirement Benefits of employees such as pension payments. Following is the trend over the past 5 years.

Year	Amount (PKR Billion)	Variance as compared to corresponding previous year	
		PKR Billion	Percentage
2015-16 Accounts	12.630	-	24
2016-17 Accounts	17.311	4.681	37
2017-18 Accounts	23.233	5.922	34
2018-19 BE	20.002	-3.231	-14
2019-20 BE	33.786	13.784	69

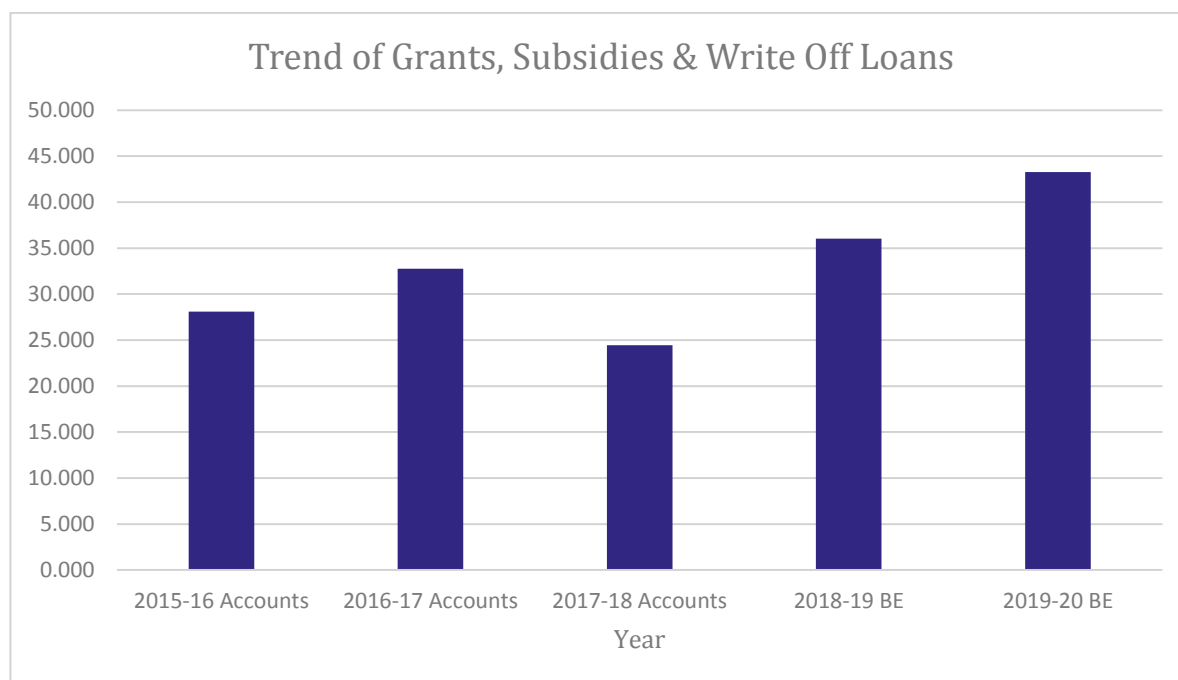
The trend for 2019-20 as compared to 2018-19 is a little misleading in that, earlier it was much under estimated. However, the amount has been corrected based on the previous trends and revised estimates for 2018-19, which closed at Rs. 29 billion. There has been a continuous rise over the past 5 years except for BE 2018-19.

Further, the pension expenditure is expected to accelerate with greater pace due corresponding increase in hiring during each passing year. As discussed earlier, the government is planning to coup with the situation and has awarded an assignment to an Acutary Valuer for determining liabilities on pension.

## Grants Subsidies and Write-off Loans

Year	Amount (PKR Billion)	Variance as compared to corresponding previous year	
		PKR Billion	Percentage
2015-16 Accounts	28.078	3.818	16
2016-17 Accounts	32.756	4.678	17
2017-18 Accounts	24.452	6.873	21
2018-19 BE	36.040	-3.589	-9
2019-20 BE	43.283	7.243	20

## Estimates of Current Expenditure

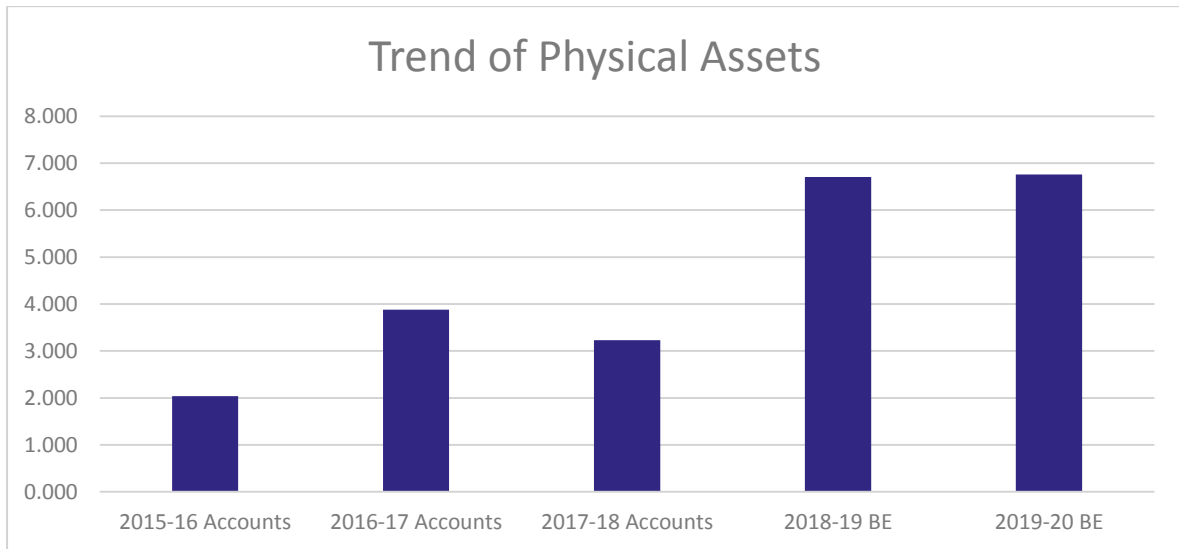


The account on grants and subsidies varies from situation to situation. However, the major amount of disbursements in grants include grant on tube well subsidy for agriculture, amounting to Rs. 14 billion, Local Government Rs. 11.5 billion, educational institutes and universities Rs. 4.8 billion, wheat subsidy Rs. 1.3 billion, Financial assistance to families of government servants Rs. 1.3 billion and other grants for the welfare of society and general public.

## Physical Assets

This includes the expenditure incurred on purchase of durable goods such as Machinery & Equipment, Transport & Furniture etc.

Year	Amount (PKR Billion)	Variance as compared to corresponding previous year	
		PKR Billion	Percentage
2015-16 Accounts	2.038		-
2016-17 Accounts	3.880	1.841	90
2017-18 Accounts	3.229	-0.651	(17)
2018-19 BE	6.709	3.481	108
2019-20 BE	6.761	0.052	1



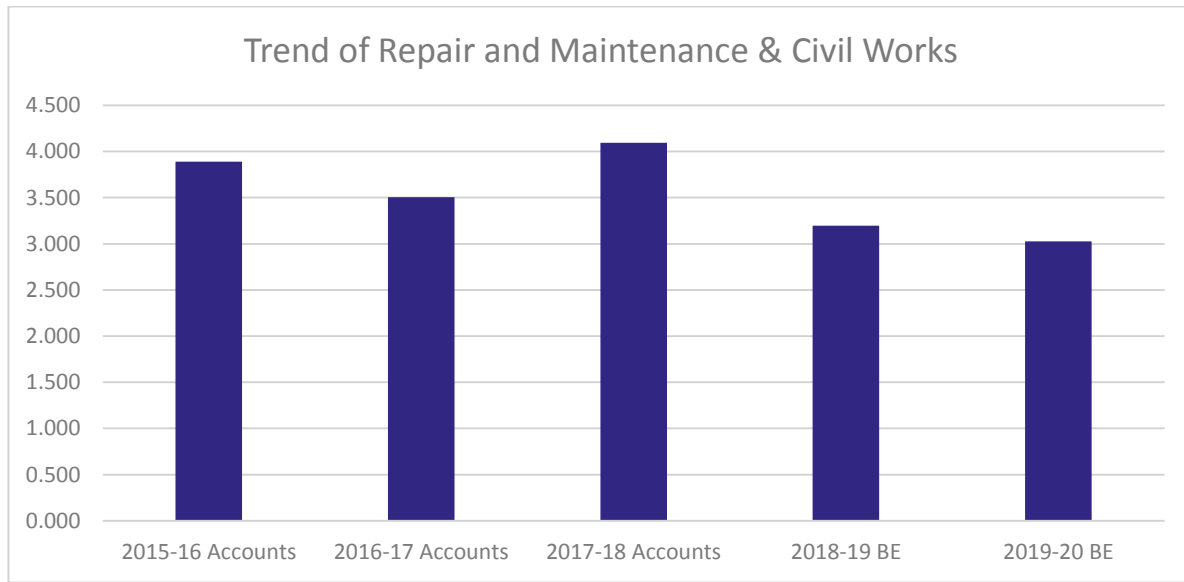
The variation in expenditure on physical assets is attributed to the non-utilization of full amount of budget due particularly in the state trading which had been over budgeted during the previous years. The budget for purchase of wheat stock is now being calculated on per sack cost basis and anticipated purchases during the coming financial year. Major area of spending includes, cost of state trading Rs. 3.2 billion, purchase of plant and machinery Rs. 1.2 billion, Furniture Rs. 0.7 billion and transport Rs. 0.7 billion.

## Civil Works and Repairs and Maintenance

This represents the current expenditure incurred on annual repairs and maintenance required for office buildings, employees' and officers' residential buildings, repair of transport and machinery and maintenance of canals for irrigation.

Year	Amount (PKR Billion)	Variance as compared to corresponding previous year	
		PKR Billion	Percentage
2015-16 Accounts	3.890	-	-
2016-17 Accounts	3.507	-0.383	-10
2017-18 Accounts	4.094	0.587	17
2018-19 BE	3.196	-0.898	-22
2019-20 BE	3.026	-0.170	-5

## Estimates of Current Expenditure



Major portion of expenditure amounting to Rs. 1.2 billion (2018-19: Rs. 1.2 billion), Transport Rs. 0.7 billion (2018-19: Rs. 0.6 billion), machinery Rs. 0.5 billion (2018-19: Rs. 0.48 billion) and Rs. 0.3 billion on repairs of roads.



## Chapter V:

## Estimates of Development Expenditure

Development expenditure can broadly be distributed among development expenditure met from revenue resources, expenditure met from loans or grants from foreign donor and lending agencies and development grant provided by Federal Government for federal funded projects. The break-up of expenditure is as follows, presented in billion Rupees:

Sector	No. of Schemes	Amount in (PKR Billion)					
		Allocation (Provincial)	Allocation (Foreign)	No. of Schemes	Allocation (Provincial)	Allocation (Foreign)	%Share in total PSDP
Agriculture	283	5.065	-	116	5.859	0.120	5.53
Communication	925	20.193	-	661	24.592	0.026	22.77
Culture	9	0.091	-	11	0.342	-	0.32
Education	655	10.699	1.758	308	11.430	1.251	11.73
Environment	5	0.113	-	1	0.100	-	0.09
Foreign Aid	33	0.862	5.939	-	-	-	-
Health	272	6.631	0.789	127	7.074	1.129	7.59
Industries & Commerce	21	0.354	-	25	1.086	-	1.00
Information Technology	17	1.249	-	17	1.868	-	1.73
Irrigation	362	6.227	2.594	268	8.103	0.996	8.41
Labour & Manpower	14	0.214	-	7	0.309	-	0.29
Local Govt & Rural Development	217	2.267	-	119	2.165	-	2.00
Other Schemes	17	1.210	0.010	17	10.320	2.603	11.95
Others	6	0.224	-	1	0.020	-	0.02
Physical Planning & Housing	304	5.873	-	117	4.749	1.017	5.33
Power	269	2.732	-	86	2.610	-	2.41
Public Health Engineering	1,009	8.649	-	579	11.845	0.370	11.30
Social Welfare	26	0.166	-	15	0.270	-	0.25
Social Welfare & Women Dev:	99	1.305	-	19	1.193	0.050	1.15
Social Welfare & Women Development	6	0.067	-	5	0.240	-	0.22
Sports	-	0.000	-	50	1.965	-	1.83

## Estimates of Development Expenditure

Sector	No. of Schemes	Amount in (PKR Billion)					
		Allocation (Provincial)	Allocation (Foreign)	No. of Schemes	Allocation (Provincial)	Allocation (Foreign)	%Share in total PSDP
Sports, Culture, Tourism & Youth Affairs	131	1.816	-	17	0.569	-	0.53
Tourism & Youth Affairs	-	-	-	3	0.200	-	0.18
Urban Planning & Development	48	1.152	-	80	3.664	-	3.39
<b>Grand Total</b>	<b>4,728</b>	<b>77.160</b>	<b>11,089.68</b>	<b>2,649</b>	<b>100,572.19</b>	<b>7,561.45</b>	
<b>Total Amount of PSDP (Provincial and Foreign)</b>		<b>88,249.28</b>			<b>108,133.64</b>		

The above table shows that Communication sector has the highest share in PSDP both for the FY 2019-20 and 2018-19. This sector is subdivided into Road sub-sectors, that is, roads executed by the Communication and Works Department and those executed by the Balochistan Development Authority. The second largest share is allocated to Education Sector, though, in amount and percentage terms Others Schemes have the second largest share. However, the schemes included in this sector cannot be attributed to a specific sector, for example, Balochistan Awami District Development Program 2019-20: Rs. 5.3 billion, or Chief Minister's Programme for improving urban and civic infrastructure in Quetta and Other Divisional Head Quarters for Rs. 3.4 billion.

The sections below show sector wise analysis of various key sectors including allocations during the previous four years. Any major projects and new initiatives are further highlighted under each sector. Further, each sector is distributed into certain sub-sectors, for example, the Agriculture Sector is sub-divided into its attached departments, Live Stock, Fisheries, Forestry and Food departments.

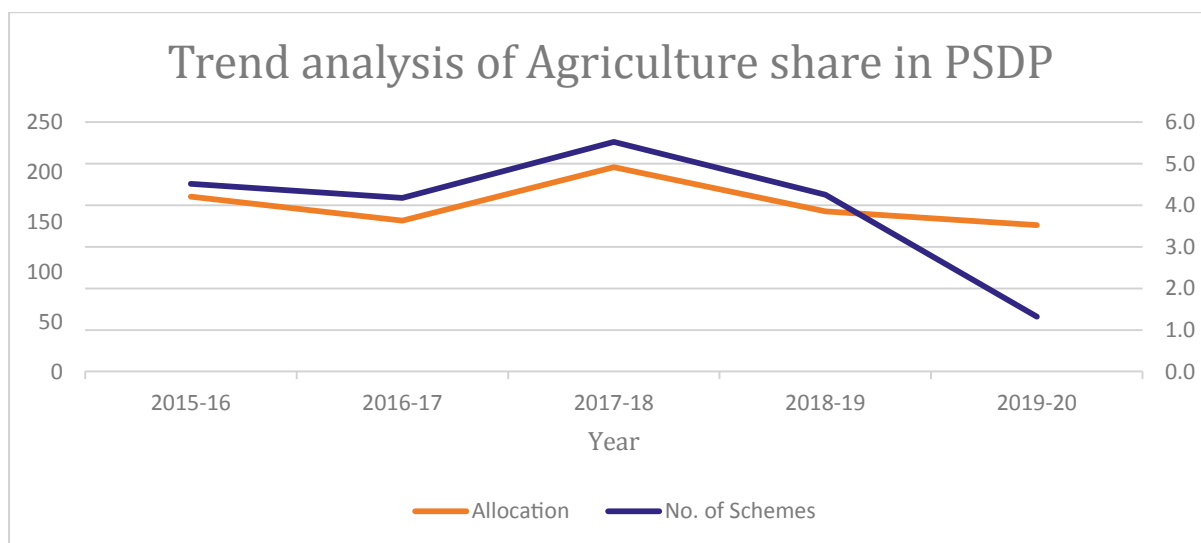
### Sector Wise Analysis

Following is an analysis of Chapter wise allocation in Balochistan's PSDP over the period of 5 years. This analysis shows the trend in allocation of various sectors included in the PSDP of 2019-20 over the period of 5 years.

#### Agriculture

Year	Allocation PKR (Billion)	No. of Schemes
------	-----------------------------	----------------

2015-16	4.2	188
2016-17	3.6	174
2017-18	4.9	230
2018-19	3.8	177
2019-20	3.5	55



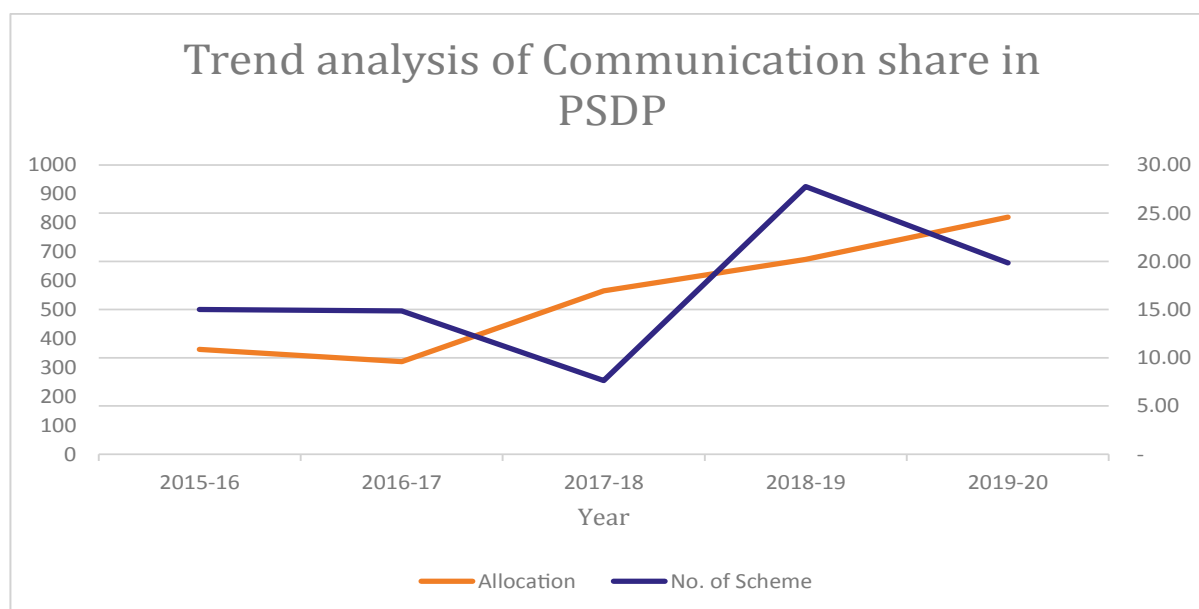
An amount of Rs. 2.2 billion has been allocated for 37 ongoing schemes in the sector along with Rs. 1.3 billion for 18 new schemes have been allocated. Major projects include:

Project Name	Allocation (PKR Million)
On Farm Water Management and Efficiency Enhancement Program (New)	300
Balochistan Green Tractor Programme (New)	250
Kachi Canal Command Area (Ongoing)	400
Upgrading of Agriculture College Quetta in to University (Ongoing)	400
National Programme for Improving of Water Courses and Water Storage (New)	200

## Estimates of Development Expenditure

### Communication

Year	PKR (Billion)	No. of Schemes
2015-16	10.85	500
2016-17	9.61	495
2017-18	16.93	254
2018-19	20.19	925
2019-20	24.59	661

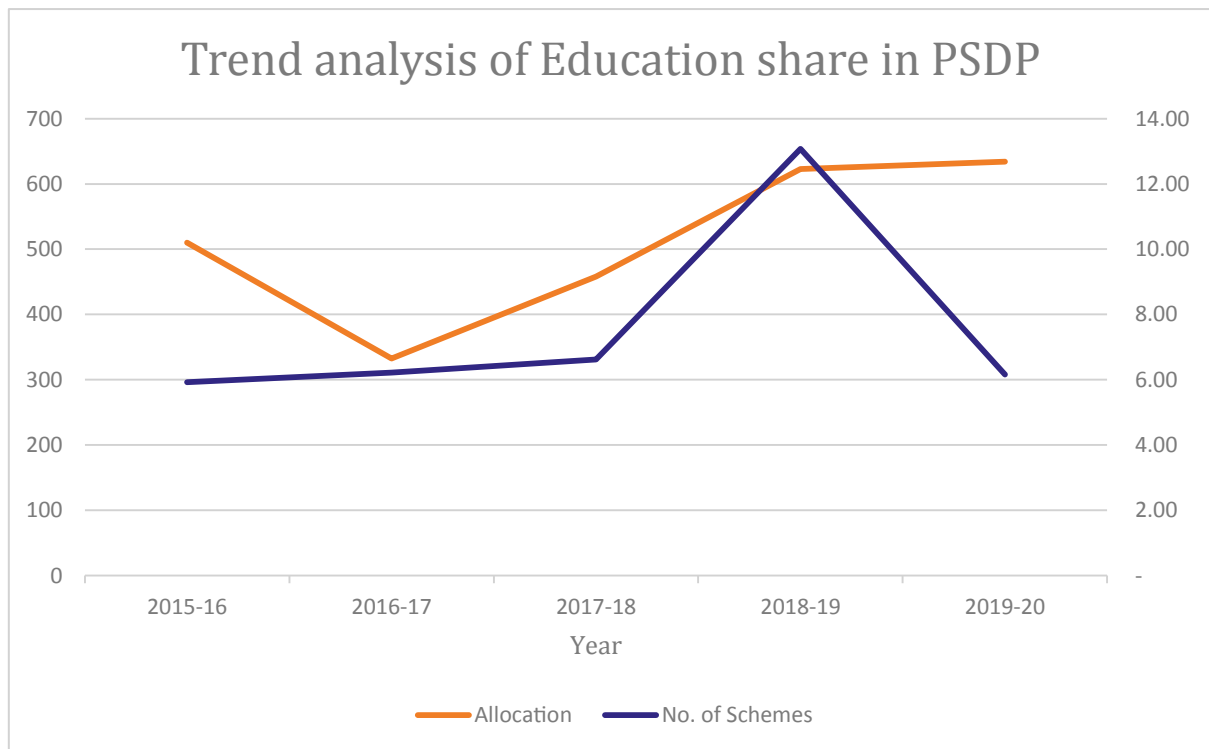


Major new and ongoing projects include:

Project Name	Allocation (PKR Million)
Construction / improvement of Turbat - Buleda Road (Ongoing)	250
Durgai - Shabozai Raod (GoB share) (Ongoing)	500
Kharan City Roads/Sewerage (New)	200
Improvement and widening of Sariab Road (New)	700
Zhob Meer Ali Khail Road	1,250

## Education

Year	Allocation PKR (Billion)	No. of Schemes
2015-16	10.20	296
2016-17	6.65	311
2017-18	9.16	331
2018-19	12.45	654
2019-20	12.68	308



A consistent allocation is provided in the sector except a decrease during 2016-17. Total number of 181 new schemes are introduced in the sector spread over various subsectors. The subsectors included in the sector consist of Primary, Middle, Secondary, College and University Education. Major new and ongoing projects are as follows:

## Estimates of Development Expenditure

Project Name	Allocation (PKR Million)
Chief Minister's School Infrastructure & Improvement Development Program for 100 High Schools In Balochistan (Ongoing)	983
Chief Minister School Improvement Development Programme For 200 Middle Schools (Ongoing)	1,000
Balochistan Education Project (BEP) - Foreign Project	1,252
Buses For Girls Colleges (Phase I) (New)	200
Up-gradation of High Schools to Higher Secondary Schools (New)	200

## Health

Year	Allocation PKR (Billion)	No. of Schemes
2015-16	3.84	131
2016-17	3.62	124
2017-18	6.11	147
2018-19	7.42	272
2019-20	8.20	127

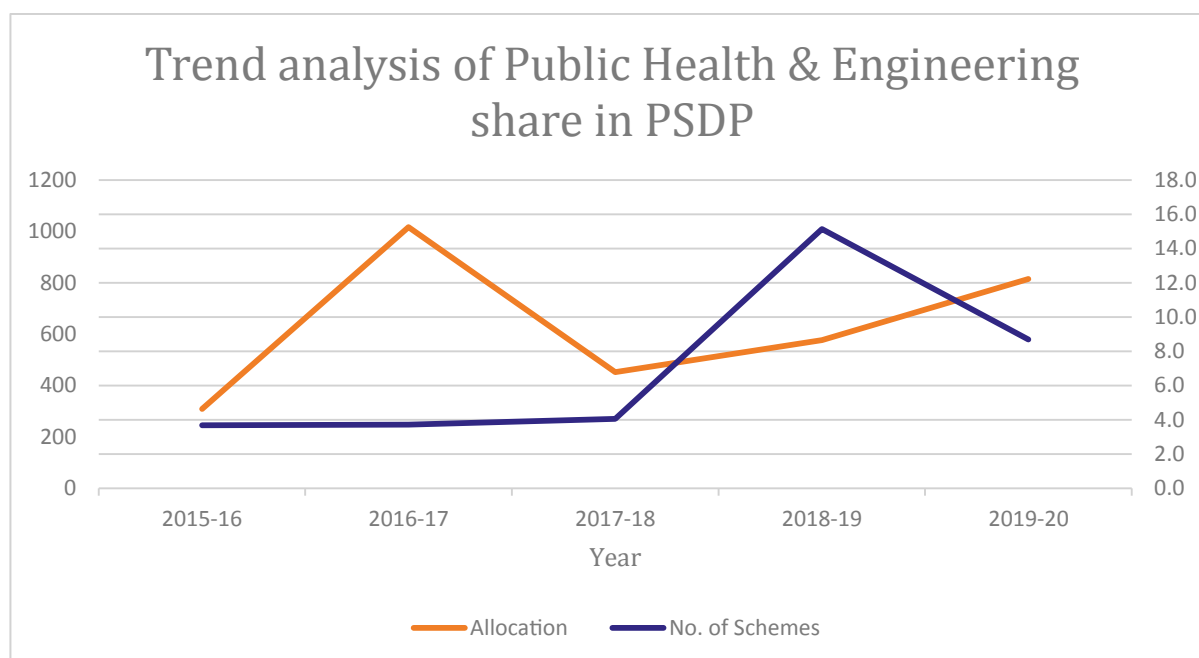
The development budget in Health Sector was almost double during 2017-18 as compared to 2016-17, and afterwards the expenditure has been consistently increased over the following two years. A total number of 62 new schemes have been introduced in the PSDP 2019-20, spread over all the sub-sectors of health, namely Primary Health, Curative Health and General Health. Few projects introduced with allocation and allocation for ongoing schemes are as follows:

Project Name	Allocation (PKR Million)
Establishment Of Emergency Centers On Main Highways Of Balochistan (PPHI) (Ongoing)	427
Construction Of 30 Bedded ( Bacha Khan Hospital) Hospital At Nawa Killi Quetta. (New)	340
Construction of One New BHU/RHC in each Tehsil Of Balochistan (Exc: Div: & District Hq) (New)	200
Equipment For Trauma Centers Khuzdar, BMCH & Sheikh Zayed Hospital (New)	180
Strengthening Of 16 Potentials Dhqs50 Bedded Hospital (Seed Money For Investment/ Self Sustainability/Out Sourcing.	200

## Public Health Engineering

Year	Allocation PKR (Billion)	No. of Schemes
2015-16	4.6	245
2016-17	15.3	248
2017-18	6.8	270
2018-19	8.6	1,009
2019-20	12.2	579

## Estimates of Development Expenditure



516 new schemes have been proposed for the FY 2019-20 with a total allocation of Rs. 9.13 billion. The table above shows that after a fall in allocation during 2017-18, the allocation has been increased over the last year with a further of Rs. 3.6 billion to Rs. 12.2 billion for FY 2019-20. Major projects are as follows:

Project Name	Allocation (PKR Million)
Construction Of Mangi Dam, Quetta. (Federal 50% Balochistan 50%) (Ongoing)	1,200
05 Mgd Ro Sea Water De-Salination Plant At Gwadar (CPEC) 33% GoB Share Total Cost 5071.43 (Ongoing)	400
Kachhi Plain Water Supply Scheme Phase-Ii (Ongoing)	250
Small Water Supply Schemes 124- Nos (Per Cost 2.00 Million) (New)	248
Water Supply Scheme Sui Town (Source Gopat) (DBDP) (E.Cost 893.40, Fed. Exp. 333.333/Gob Share 560.067) (Ongoing)	200
Solarization Of Existing Water Supply Schemes (250 Schemes) (New)	200
Completion Of Quetta Water Supply And Environment Project (QWESIP) (New)	200



## Development Schemes Reflected in other Sectors

Project Name	Allocation (PKR Million)
Balochistan Awami District Development Programme (BADDP) (New)	5,300
CM Program For Improving Urban & Civic Infra:& Services In Quetta City (On-going)	3,000
Quetta Safe City Project.	800
Enforcement Of Rule Of Law In Balochistan (New)	700
Establishment Of Social Protection & Poverty Alleviation Authority (New)	700
Rehabilitation Of Public Institutions Damaged By Natural Disasters (New)	500
Construction Of Provincial Dams In Balochistan (Ongoing)	500
Construction Of Garuk Storage Dam Dist. Kharan (Ongoing)	500
Turbat City Development Project / Master Plan (Ongoing)	500
Implementation Of Gwadar Smart Port City Master Plan (New)	500
Roshan Balochistan Through Solarization As Off Grid Solution (Phase I) (New)	500
CM District Development Plan (Rs 200 Million Each District HQ Excluding Div: HQ) (Ongoing)	500



## Chapter VI:

## Debt Management

Article 167 of the Constitution of Pakistan 1973 deals with the subject of provincial borrowing. Until the introduction of 18th amendment to the constitution, almost all provincial borrowings consisted of loans obtained directly by Federal Government and on-lent to the provincial government. In accordance with article 167 (4) of the Constitution, inserted by the 18th amendment, the National Economic Council (NEC) has allowed the provinces to directly raise domestic debt up to 0.85 percent of the national GDP. This overall limit has been distributed among the provinces according to their share in the NFC formula.

Balochistan has authority to raise debt up to its authorized limit. These newly granted domestic borrowing powers have given more options and flexibility to the province to accelerate its development agenda.

Balochistan's debt levels are currently quite low when measured as percentage of its annual revenue. Going forward, the major challenges of the province is to manage its debt operations to finance its large and growing development needs without impairing its capacity to repay the debt.

Balochistan's debt consists entirely of long-term foreign loans obtained on concessional terms from international institutions by the Federal Government and on-lent to Government of the Balochistan. At the end of the financial year 2018-19, Balochistan's total debt stood at PKR 41.214 billion which works out to be 14% of its total revenue. The ratio reflects less gearing of the provincial economy.

Bifurcation of Balochistan's total debts:

*(Amount PKR Billion)*

Type of Loan	Outstanding as at June 2019	% Growth	Annual Repayment
Domestic loans	-	-	-
External Loans	41.214		7.929
<b>Total</b>	<b>41.214</b>		<b>7.929</b>

## Debt Management

### Sector wise debt stock.

Government of Balochistan has obtained debt to support development and improvement in education, agriculture, transport, urban development and governance related sectors.

### Domestic debt.

Government of Balochistan has not raised any type of domestic debt.

### Foreign debt.

All of Balochistan's foreign debt has been obtained by the Federal Government and on-lent to Government of the Balochistan. Balochistan's foreign debt portfolio is highly concessionary with an average maturity of ten years as of June, 2109.

Foreign debt stock also includes bilateral loans from China.

In terms of currency wise composition, US Dollar denominated debt accounts for 81% of the total foreign debt followed by Japanese Yen (JPY) with a share of 18%. Below table explains the currency wise composition of the debt stock. It is pertinent to highlight that the decisions regarding the currency of loans are ultimately made by the Federal Government. Foreign debt currency composition as of June 30, 2019 is tabulated below.

Currency	Original Amount of Loan Foreign Currency	Outstanding in Foreign Currency	Outstanding in PKR (in Millions)	% of total debt
USD	609,811,673	271,007,173	33,211.300	81.00%
Canadian Dollar	1,100,000	165,000	15.258	0.04%
DM	30,000,000	10,305,916	593.158	1.00%
JPY	23,445.102	6,896,774	7,395.225	18.00%

### Debt servicing.

Balochistan's total debt servicing (interest payments) in financial year 2018-19 stood at PKR 0.535 Billion. It is evident that annual debt service is a small proportion of annual revenues which is an indication of strong creditworthiness of the province and less reliance on debt.

### Risk analysis of Baluchistan's Debt:

A number of indicators are used to monitor and control risks associated with government debt. The challenges are to achieve a debt structure that balances the cost with an appropriate level of risk. Risk indicators measure the exposure of debt stock to maturity. Interest rate and currency risk act as a guideline to devise future borrowing strategies. Key risk indicators with reference to Baluchistan's debt portfolio are enumerated below.

- i. Refinancing / roll over risk,
- ii. Interest rate risk,
- iii. Foreign exchange risk.

### Debt management reforms and initiatives:

The Government has been working on various initiatives to improve its debt management practices. Finance department is going to establish its Debt Management Unit (DMU) along with hiring of services of the debt management consultant with the purpose to advise and assist the department in professionally managing the provincial debt operations.

In near future Finance department will also initiate working on developing a medium- term debt management strategy for Government of Baluchistan so that the government's borrowing operations are carried out in a manner that is efficient, sustainable and supportive of economic growth. Moreover, Government is also planning to devise a comprehensive fiscal responsibility and debt management framework in near future.



## Chapter VII:

**Investments and Returns- 2018-19**

The Finance Department manages investments made under Balochistan Investment Fund, Balochistan Pension Investment Fund, various Trust Funds and investments in stocks, joint ventures and subsidiary entities of the Government of Balochistan. The trust funds include General Provident Fund, Balochistan Employees Benevolent Fund and Balochistan Employees Group Insurance Fund. The investments in stocks include shares in Hub Power Company (Hubco), joint venture with Pakistan Petroleum Limited in Bolan Mining Enterprises (BME) and in the subsidiary Balochistan Education Endowment Fund (BEEF).

Majority of the investments are made in short- and long-term deposits with financial institutions including National Savings Corporation and commercial banks, except the shares held with HubCo and the fifty percent stake in BME.

Investments in financial institutions were earlier made at annual profit rates ranging between 6.20% and 11.00%. However, with the increase in state bank policy rate during the last year, an analysis was carried out to assess the impact of early withdrawal and reinvestment of long-term deposits on latest offered rates. The outcome of the exercise shown that, instead of continuing with existing investments, early withdrawal and reinvestments at the enhanced rate of returns will be more beneficial with an expected profit differential of around Rs. 16.00 billion for the remaining period. The existing position of investments with returns is as follows:

Description	Investments	Return during the year
<b>Amount PKR Million</b>		
Group Insurance Fund	802.651	71.680
General Provident Fund	16,745.000	1,966.473
Pension Fund	10,173.000	634.513
Benevolent Fund	12,000.000	942.684
Balochistan Education Endowment Fund	8,000.000	531.547
Hub Power Company Limited	3.586	3.500
Bolan Mining Enterprises	4.000	200.000

## Investments and Returns- 2018-19

### Balochistan Pension Fund:

As discussed earlier, investments in pension fund was earlier at a slower pace. However, during 2018-19 an amount of Rs. 5.00 billion was further injected in the fund with a further allocation of Rs. 7.00 billion proposed for the ensuing period of 2019-20. Investment in this fund for the last five years is as follows:

Year	Investment	Amount PKR Million
		Profit Earned
2014-15	1,190.000	292.899
2015-16	1,900.000	148.984
2016-17	5,025.000	109.282
2017-18	5,073.000	64.432
2018-19	10,173.000	634.513

### Balochistan Education Endowment Fund (BEEF)

The Fund was established in 2014 with a seed money of 5.00 billion rupees with the objective of providing scholarships to talented and needy students for pursuing quality education. The fund was subsequently increased by further injections through the Consolidated Fund Account and now stands at Rs. 8.00 investments as follows:

Year	Investment	Amount PKR Million
		Profit Earned
2014-15	5,000.000	421.450
2015-16	5,000.000	345.000
2016-17	6,000.000	283.337
2017-18	8,000.000	473.242
2018-19	8,000.000	531.547



## Trust Funds:

*General Provident Fund*

Subscription of General Provident Fund is deducted from the salaries of the provincial government employees on monthly basis based on the pay scale of each employee. The amount deducted is kept in trust for the employees and is repayable on demand either with profit or without profit with the option of the employee. Since this is a liability over the Provincial Government to repay amount with profit, as demanded, and if not invested in a profitable venture, increases the burden on cash management. That is why, the government established a General Provident Investment Fund to further strengthen the fund. Similarly, as in the case of pension payment, the Fund needs to be strengthened to a level where the employees' liabilities may be paid from the fund to reduce burden on cash from the consolidated fund account. The investment and performance of the fund for the previous five years is as follows:

Year	Investment	Amount PKR Million
		Profit Earned
2014-15	11,759.574	1,254.752
2015-16	12,359.574	1,280.058
2016-17	14,635.450	1,705.753
2017-18	15,745.000	866.273
2018-19	16,745.000	1,966.473

## Employees Benevolent Fund

Investment in Benevolent Fund currently stands as the second largest investment after the General Provident Fund. This fund is mostly invested in the National Savings Scheme with profit return of 22.4% per annum on 10 years' investments.

Year	Investment	Amount PKR Million
		Profit Earned
2014-15	4,000.000	552.758
2015-16	6,300.000	657.895
2016-17	7,300.000	782.161
2017-18	8,500.000	830.380
2018-19	12,000.000	942.684

## Investments and Returns- 2018-19

### Group Insurance Fund

The Balochistan Employees' Group Insurance Policy is unique in that the employees are paid a specific amount, based on substantive pay scale of the employee, at the time of retirement or death before retirement. The amounts of sum assured were upward revised during the year 2018-19. A similar proposal is in pipe line for payment of a specific amount against the subscriptions in the Benevolent Fund by the employees. This proposal is being developed in the backdrop of the Balochistan Government Employees Benevolent Fund Act, 2018 which specifies that a lump sum amount shall be paid to the employees at the time of retirement, death or shahadat of the employees.

Since majority of the amount is paid to the pensioners against the amount of sum assured, that is why, the fund cannot accumulate as compared to the other trust funds as discussed above. The existing position of the fund and its five years' performance is as follows;

Year	Investment	Amount PKR Million
		Profit Earned
2014-15	750.000	161.352
2015-16	750.000	128.629
2016-17	750.000	109.452
2017-18	804.113	107.514
2018-19	802.651	71.680

Stocks and Investments in Joint Ventures□The Government of Balochistan, apart from the above funds and investments, also has investments in shares and stocks. Currently, dividends are received from HubCo and BME only, as shown in Table above. The break of investments in shares and joint ventures is as follows:

<b>Financial Institutions</b>	<b>No. of Shares</b>	<b>Par value</b>	<b>Amount PKR million</b>
ADBP 1974-75 Converted to ZTBL	37,875	10	<b>0.379</b>
Balochistan Cooperative Bank Limited	26,500	200	<b>5.300</b>
IDBP	606	100	<b>0.061</b>
<b>Non-financial Institutions</b>			
Bolan Mining Enterprise (Joint Venture)	50%		<b>4.000</b>
Unilever Pakistan Limited	16,482	50	-
Charsada Sugar Mills	575	100	<b>0.058</b>
Hub Power Company Limited	358,607	10	<b>3.586</b>
<b>Total Consolidated Fund Investment</b>			<b>13.384</b>

In addition to the above, Government of Balochistan, Finance Department with the assistance of World Bank, under Governance Policy Program (GPP), has initiated process for computerization of overall funds management and disbursement mechanism under various funds. The automation of funds management and disbursement will not only help in improving efficiency in disbursing funds but also help in bringing transparency to the allocation of funds for various benefits to the concerned employees.



