

MESSAGE

The Government of Pakistan under the leadership of Prime Minister Nawaz Sharif has successfully passed through the economic challenges that were in June 2013. The national economy is stabilized and country is on to a path of growth if comparison of economic indicators is made with what were by the end of June 2013; therefore, data vividly speaks for timely response by the government in various areas relating to public service. The yearly, gradual change has seen betterment as compared to the statistics of previous financial year.

Economic growth rate (in terms of real GDP growth) has seen an increase up to 5.3% as compared to the growth rate of 4.71% in 2015-16; per capita income, which is one of the most useful and accurate measure of well-beings of the countries, stood at \$ 1629 against \$1561 in 2015-16; and inflation, however, increased to 4.09% as was the rate of 2.82% in 2015-16. The tax to GDP ratio that was 8.5% in 2012-13 increased to 10.5 per cent in 2015-16 and the same ratio is, however, recorded for 2016-17. Fiscal deficit has also registered a decrease. From last year when it was 4.6 percent, the fiscal deficit has been brought down to 4.2 percent, and has a decreasing trend ever since 2012-2013 when it was at a staggering 8.2%. Foreign exchange reserves in 2013 were \$6 Billion now in 2016-17 this is at a convenient level of \$21.6 Billion. Stock Exchange (KSE) index on June 2013 stood at 19,916 has now surged above 36,000.

Balochistan is coming out of trauma. It is moving towards progress and prosperity and people are hopeful of a bright future. A lot of time has been wasted, enough blood has been shed. I myself rendered tremendous sacrifices for attaining peace in the province. I am determined to restore peace, peace for freedom from poverty, hunger and thrust, peace for economic development and progress. Top priorities of this government are peace, health and education to be ensured through working in collaboration with all stakeholders.

I would like to look at the future with optimism, duly remembering the great poet **Henry Wordsworth Longfellow**,

“Look not mournfully in the past, it comes back not again. Wisely improve the present, it is thine. Go forth to meet the shadowy future without fear and with a manly heart.”

Nawab Sanaullah Khan Zehri
Chief Minister

FOREWORD

Government budget is very important because it is the culmination of the political process and contains most of the important decisions. Budget is the most important tool to meet the needs and priorities of a government and its people. Being key stakeholders in the budget making process, people, therefore, should be aware of the budget basics, for example, how the resources are mobilized, for what purposes they are allocated and how they are spent. With this aim, annual White papers are brought out.

White paper is an official document which explains the government policy on budget. It also contains clarification of the key concepts of budget. It explains the rationales behind proposed allocations of resources and provides a valuable comprehension on budgetary and financial status of the Province to the readers to deducing a well-informed opinion about various financial issues of the Government.

The current budget has been formulated on sound principle of equitable distribution of resources among its people and employing various tools of fiscal measures. In this process, guiding principles were: effective and efficient resource allocation, need based expenditure and sound financial control over expenditure.

The current White Paper portrays a comprehensive picture of Government of Balochistan's finances. Almost, all major areas have been covered; however, emphasis has been on current revenue receipts and expenditures, capital receipts and expenditures, development budget, public accounts, local government finances and debit management.

I sincerely thank Mr. Muhammad Ishaque Jamali, Additional Finance Secretary (Budget), Mr. Usman Moazzam, Additional Finance Secretary (Resources), Mr. Wajihullah Kundi, Additional Finance Secretary (Monitoring), Mr. Niaz Ahmed, Additional Finance Secretary (Development) and all others who put in their best endeavor to make the publication possible.

AKBAR DURRANI
FINANCE SECRETARY
BALUCHISTAN

TABLE OF CONTENTS

CHAPTER-1	BALUCHISTAN ECONOMIC CONTEXT	8
CHAPTER 2	ESTIMATES OF RECEIPTS	14
CHAPTER 3	ESTIMATES OF EXPENDITURE	36
CHAPTER 4	PUBLIC SECTOR DEVELOPMENT PROGRAM 2017-18	57
CHAPTER 5	PUBLIC ACCOUNT	65
CHAPTER-6	GOVERNMENT PFM REFORM PROCESS	66
CHAPTER 7	BALUCHISTAN REVENUE AUTHORITY	76
	GLOSSARY	

EXECUTIVE SUMMARY

The people of Balochistan constitute the truest example of democratic function that can be found in a fledgling democracy. As a province with a vast and valuable reserve of natural resources, yet to be utilized, perhaps its greatest resource is its population. A rugged and courageous people embodying the indomitable spirit of the region, they have stood time and again to face the variety of challenges and obstacles in their path. The need of the hour is to have a comprehensive and cohesive plan to deliver the basic amenities of life to every citizen in every corner of the province.

The government's untiring efforts to provide clean water to an immense area speak to the province's invincible nature. In the near future, with Gwadar port becoming operational and the advent of CPEC, Balochistan can expect to see a massive influx of economic activity. The government although is now dedicating its resources to preparing both its infrastructure and its people to absorb this activity, yet much is required with full dedication, enthusiasm and mobilization of resources in true spirit to address the basic problems of people and keep them believe on state apparatus.

In keeping with this movement towards a higher standard of living, Balochistan is attempting to improve the quality and accessibility of its healthcare. This is vital if Pakistan's largest province is ever to become entirely self-sufficient in a manner that would guarantee its inhabitants the same quality of life that other provinces enjoy.

Balochistan has yet to take full advantage of its large mines of gold reserves, a valuable safety net for any economy. With tremendous reserves of coal, gas, and minerals, and the potential to generate solar and wind energy, Balochistan's inherent local wealth is undeniable. It is in the unique position to leverage these resources to cater the needs of its own population and simultaneously, to be able to contribute significantly to Pakistan's economic well being. Additionally, the extensive rangelands found in the province are capable of supporting a tremendous number of livestock, creating the potential for an international market for wool and a thriving local market for dairy and meat.

The Government of Balochistan is also well aware of the inadequacies in the

present transportation system and plans are underway to launch buses as well as begin work on improving the rail transit system. This will help upgrade the system of transport within cities and also provide additional facilities for the movement of cargo.

This is the fateful hour for Balochistan where it is the dire need to avoid confusion and disorder. The aspired way of life distinguished by the guaranteed individual liberty and freedom from destitution stands for bare minimum needs of life, honor, self and customs. In order to avoid growing mistrust and hatred among the people, the hopes for better life should be kept alive. Investment is needed for happiness and living of people struggling against overwhelming odds since long.

Balochistan: An Overview

Area in Sq Km	347190			
	Division	Area	Districts	
	Quetta	64,310	Quetta, Pishin, Killa Abdullah, Chagai, and Nushki	
	Zhob	46,200	Zhob, Musakhail, Killa Saifullah, Loralai, Barkhan, and Sherani.	
	Kalat	140,612	Kalat, Mastung, Khuzdar, Kharan, Washuk, Awaran, and Lasbela.	
	Sibi	27,055	Sibi, Ziarat, Dera Bugti, Kohlu, and Harnai	
	Nasirabad	16,946	Nasirabad, Jaffarabad, Jhal Magsi, Sohbatpur, and Kachi	
Mekran	52,067	Kech, Panjgur, and Gwadar		
Population in Million 1998 Census	6.567 Million			
	Division	Population		
	Quetta	1.700		
	Zhob	1.004		
	Kalat	1.458		
	Sibi	0.495		
	Nasirabad	1.077		
Mekran	0.833			
Male Population	53.37%			
Female Population	46.63%			
Population Density 1998 Census	19 per Sq Km			
Literacy Rate PSLM 2014	44%			
Number of Educational Institutions	Schools			
	Category	Male	Female	Total
	Primary	8080	3087	11167
	Middle	721	512	1233
	High	572	264	836
Higher Sec	26	17	27	
	Colleges			
	Category	Male	Female	Total
	Degree	24	11	35
	Inter	40	22	62
	Cadet & Residential Colleges			
	Cadet colleges		Balochistan Residential Colleges	
	8		3	
	Elementary Colleges			
	Male	Female	Total	
	13		4	
		17		

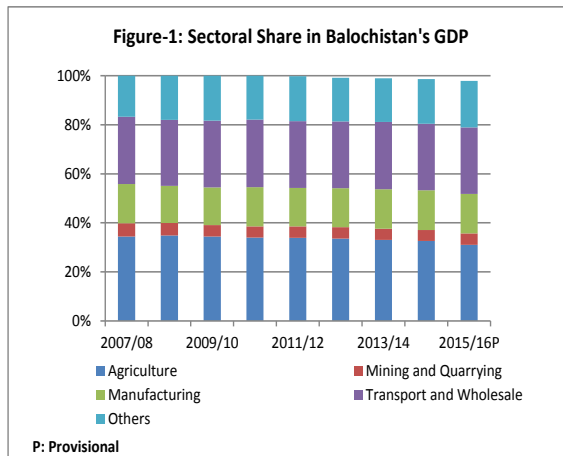
	Universities		
	General	Female	campuses
	5	1	3
Health Facilities	Dispensaries		567
	Basic Health Units		553
	Rural Health Centers		89
	MCH centers		89
	TB clinics		23
	Health Auxiliary		23
	Sub Health centers		11
	Mobile dispensaries		22
	Leprosy centers		13
	Secondary Health Facilities		
	District Headquarter Hospitals		24
	Divisional Headquarter Hospitals		5
	50-bedded Hospitals		
	Tertiary Health Facilities		
	i) Bolan Medical College		
	ii) Post-Graduate Medical Institute, Quetta		
	iii) Bolan Medical Complex Hospital, Quetta		
iv) Sandman Provincial Hospital, Quetta			
v) Fatima Jinnah Chest Hospital Quetta			
vi) Helper High Hospital Quetta			
vii) Balochistan Institute of Nephro-Urology, Quetta (BINUQ)			
viii) Balochistan Institute of Psychiatry and Behavioral Science, Quetta			
	Indicator	National	Balochistan
	MMR	272/ 100,000 live birth	785/ 100,000 live birth
	IMR	74/ 1000 live birth	97/ 1000 live birth
	<5 Mortality	89/ 1000 live birth	111/ 1000 live birth
	Antenatal Coverage	73 %	21 %
	Birth by Skilled Birth Attendant	52 %	18 %
	Birth in Health Facility	48 %	16 %
	Full immunization	54 %	16 %
Hospital Beds 3415 (2354 persons per bed)			

CHAPTER-1 Balochistan Economic Context

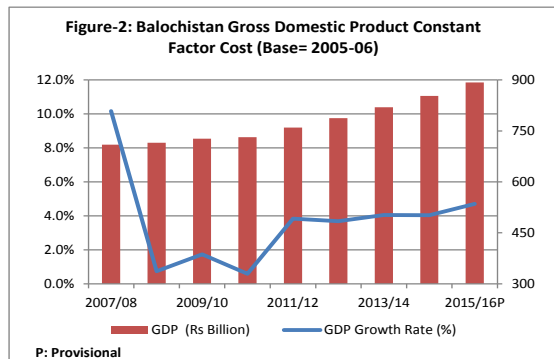
Macroeconomic Background

Balochistan is the largest province of Pakistan, covering an area of 347,190 sq km which represents 43.6% of country’s total land mass. However, it is also the least populated province of the country with only 9.3 million (5 percent of total population) residing in the province. Apart from the urban centers, such as Quetta and Khuzdar, rest of the population of this province is scattered over a large swath of arid and mountainous terrain. These peculiar geographical and population density features, along with the governance structure of the province, create substantial bottlenecks for public service delivery. Consequently, Balochistan is one of the least developed provinces of Pakistan, with weak macroeconomic and social indicators.

Balochistan despite having a key strategic location and rich natural resource base contributes only **8.0** percent to national GDP.¹ Balochistan’s GDP primarily depends upon agriculture, transport & wholesale and manufacturing sector (**Figure-1**). These three sectors contributed on



average 77 percent in Balochistan’s GDP during the last decade. However during this same time period, mining sector’s average contribution in Balochistan’s GDP was 5.5 percent. This contribution is insignificant looking at the endowment minerals that Balochistan is blessed with. The province contains one of the largest deposits of copper in the world – resource that has barely been touched date – and substantial barely-developed deposits of gold, marble, granite, onyx, and other minerals. It underpins the fact that



¹World Bank staff calculations based on Balochistan Needs Assessment (2013).

historically Balochistan's economy has largely underperformed compared to its potential. The underlying facts behind this weak economic performance of the province include volatile political and security environment, and structural bottlenecks.

The structural challenges, such as energy shortages, low public and private investments, and weak financial flows have not only curtailed Pakistan's economic growth, but also had an extreme adverse effect on Balochistan's economic output (**Figure-2**). In the aftermath of global financial crisis of 2007-08, Balochistan's economy was struck hard by the spur in domestic violence and political instability coupled with the macroeconomic imbalances. As a result, provincial economy grew anemically. However, with substantial improvement of macroeconomic indicators and law and order situation at national level, Balochistan's economy has also begun to show signs of positive turnaround. Notwithstanding, the narrow economic base of the province makes it extremely hard for the provincial government to develop buffers, which can safeguard the economic growth of the province against external and internal shocks. The key buffer for the provincial economy is fiscal space, which requires prudent fiscal management at the provincial level.

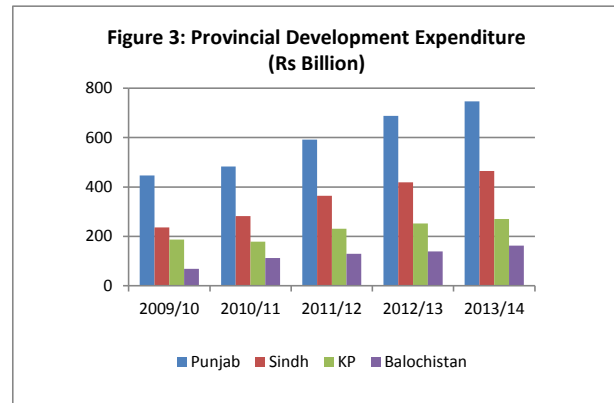
Balochistan like the rest of the country is affected by the on-going energy crisis in Pakistan; however, this problem is magnified in the province due to line losses incurred by QESCO, the leading power supplies DISCO of the province. QESCO is one of the leading losses making DISCOs in the country, and its losses are a direct burden on the provincial exchequer as it is an apprehension that on various occasions, QESCO has been charging the provincial government extra on account of agriculture tube well subsidy and/or under the garb of liabilities of electricity against Government Departments/Offices.

B. Economic Growth in Balochistan and its Key Challenges

In Pakistan, income account is only estimated at the national level. Pakistan Bureau of Statistics conducts this exercise, which is yet to be conducted at the provincial level. Therefore, provincial governments formulate their respective economic policy in absence of this vital information, which has direct and profound impact on its effectiveness. Balochistan is no exception in this regard and its provincial government is faced with this challenge while preparing annual budget.

Given this structural constraint, this section is an attempt to build on the existing work of the World Bank on Balochistan's economy, and identify its major contributing sectors and document and some of the key challenges faced by these sectors². Historically Balochistan's economy has relied on the following sectors: -

- Agriculture (including livestock and fisheries)
- Transport/ Storage and Wholesale
- Manufacturing



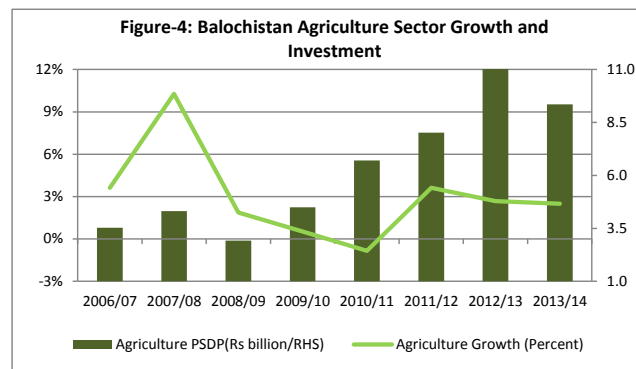
These three sectors contributed approximately 77 percent to Balochistan's economy during FY 2005-06 to FY 2016-17. It is well-recognized fact that Balochistan has large deposits of minerals; however, during the aforementioned time period, mining sector contributed only 5 % on an average to provincial economy. Irrespective of these contributions Balochistan's economic performance during this time period remained volatile. A major part of this volatility is associated with the narrow economic base of the province, which leads to large spikes in growth rates. It also highlights that Balochistan's economy is performing way below its potential and, thus it transpires into poor socio-economic development. It is, therefore, important to understand what is ailing these key sectors of provincial economy.

Increasing investment rate in any economy is a key towards its sustainable economic growth. Historically, Pakistan has failed to achieve that goal and Balochistan is not an exception in this regard. Key worrying feature of this phenomenon is low private investment which becomes more visible in the case of Balochistan because of an extremely small size of the private sector operating in the Province. Therefore, it becomes necessary for government to increase the size of its development budget to bolster investment. Historically, Balochistan government has struggled to achieve this goal due to a continuous resource crunch; however, the 7th NFC award has helped in enhancing the provincial revenue receipts by increasing its

² This existing work includes Balochistan Needs Assessment (2013).

share in federal transfers. Consequently, it has had a positive impact on provincial development expenditure (**Figure-3**). However, compared to other provinces, Baluchistan's development budget still lags behind considerably. The other factor, which must be considered while analyzing this increase, is how it is being allocated to different key segments of the provincial economy.

Agriculture: Agriculture sector is the leading contributor in Balochistan's GDP. During the last decade its average share in provincial GDP was recorded at 34 percent. It is also one of the



leading employment generation sectors of the provincial economy. Key contributors to this sector are farming, livestock, and fisheries. Balochistan is blessed with a natural geographical landscape, which can be used for orchard farming, and cattle grazing. Furthermore, it has the longest coastline of Pakistan, which provides direct access to deep-sea fishing. Despite these unique features, Balochistan's agriculture sector has struggled to create the impact that is required to spur its economic growth and it has been only able to grow at 2.6 percent during the last decade due to mismanagement of resources (**Figure-4**). Interestingly this growth has shown signs of stability in the post 18th amendment and 7th NFC award scenario, which increased the size of government investment expenditures for this sector.³

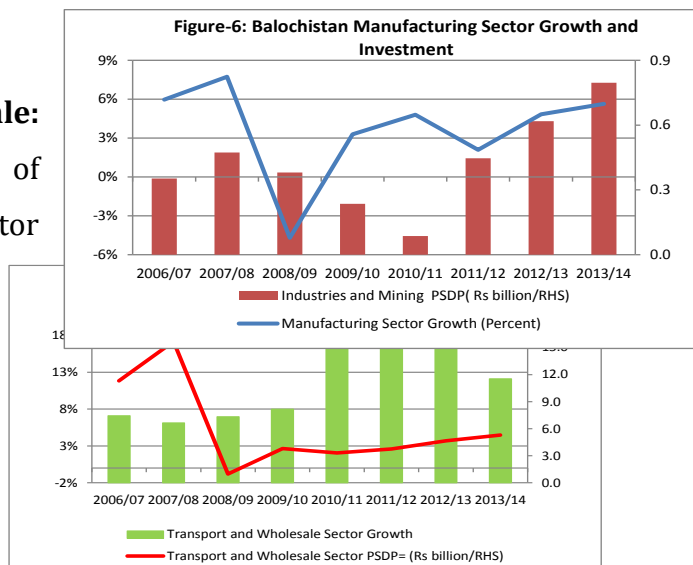
Despite this increase in the development budget for the sector, it is inadequate when compared with the challenges that are curtailing the growth of this sector (**Figure-4**). The key challenges to growth of this sector in Balochistan are water scarcity and lack of a value chain, which can enhance the value addition of this sector. Balochistan geographical location isolates it from the Indus River Irrigation system, and the major area of the province relies on small water storages and ground water. However, in the aftermath of 1998-99 droughts, these water resources have shrank considerably; therefore, it is imperative to enhance

³ Provincial development expenditure for agriculture, irrigation, industries and mineral resource, and highways, Roads & Bridges are used as proxies for government investment in agriculture, mining, manufacturing, and transportation and wholesale sector.

government investment in agriculture irrigation system to jump start sustainable economic growth in the province.

Transport Storage and Wholesale:

It is the second largest sub-sector of Balochistan’s economy. This sector contributed approximately 27 percent on average during the last decade in provincial GDP and during the same time period, this sector grew on average annual rate of 5.16 percent (Figure-5).



According to some estimates, it is the second largest employment generation sector of Balochistan’s economy.⁴

Even though government has increased the size of development budget for this sector in recent years; however, it is insufficient to sustain economic growth in this sector. Better road connectivity is the key for the development of this overall sector. By providing better and shorter connectivity channels, government can enhance the size of this sector substantially; however, province’s large land mass is a great challenge in this regard. China Pakistan Economic Corridor (CPEC) is the key for uplift of this project provided that the rudimentary parameters of connectivity and urban development of areas/cities on the route of CPEC are well taken by the government in the planning and implementation phases. Since provincial government lacks the resource base to construct a physical communication infrastructure on such large swath of land, therefore, the road network that is scheduled to be constructed under CPEC meeting the above criterion of connectivity and urban development can prove an accelerator for this sector to grow.

Manufacturing: It is the third largest segment of Balochistan’s economy, which, on average, has contributed around 16 percent to provincial GDP during last decade. However, compared to the sister provinces, Balochistan’s manufacturing sector is of

⁴ Balochistan Development Issues and Prospects

minimum worth with negligible size. Consequently, it seems to be lower on provincial government's priority list. Development expenditures for this sector have remained below Rs.1.0 billion despite the uptick after the 7th NFC award.

CHAPTER-2

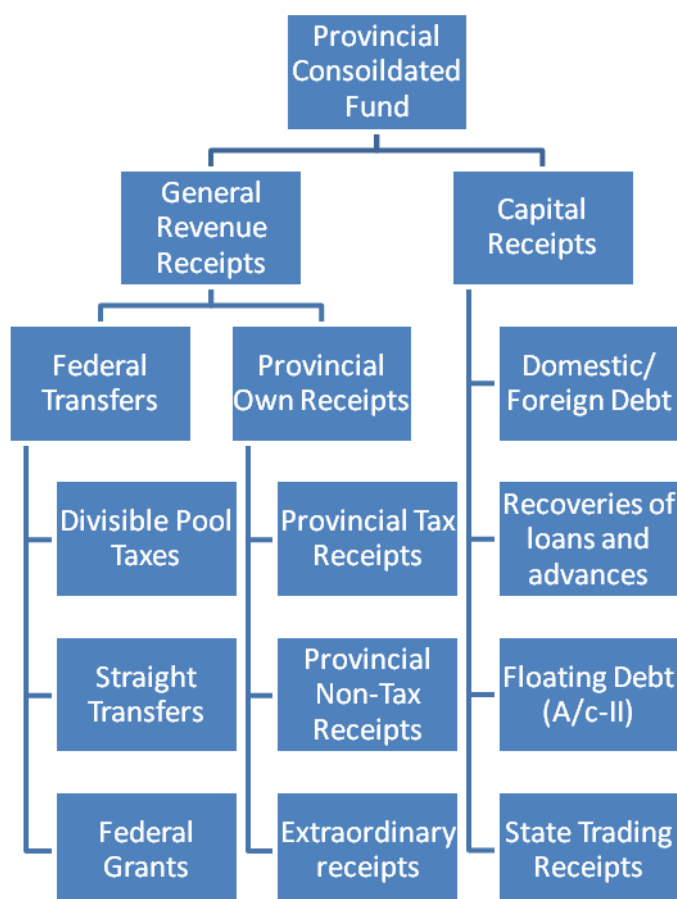
ESTIMATES OF RECEIPTS

Annual budget provides an estimate of receipts and expenditures of the government in a fiscal year. The receipt envelope is indicative of the resources that could be allocated to development as well as current expenditure. This Chapter looks at receipts of the provincial government which accrued in FY 2016-17 and those estimated for the forthcoming FY 2017-18.

Generally, provincial government's receipts are classified into the following two main categories:

- I. General Revenue Receipts
- II. Capital Receipts

The following flow diagram provides different sub-categories of receipts under the two main categories mentioned above:-



In FY 2016-17, total receipts were estimated at Rs.252, 870.87 million against which the revised estimate 2016-17 has been fixed at Rs. 254,965.78 million. For FY 2017-18, total receipts have been estimated at Rs. 276,370.85 million. The increase in the estimates of receipts for FY 2017-18 is mainly attributable to expected increase of 11% in the Federal Divisible Pool.

For the FY 2017-18, Federal Divisible Pool Share has been estimated at Rs. 202,691.37 million on the basis of FBR collection estimates of Rs. 4,013.00 billion whereas this share was budgeted at Rs. 182,604.75 million in FY 2016-17.

Provincial Receipts consist of provincial tax as well as provincial non-tax receipts. For the FY 2017-18, provincial receipts have been estimated at Rs. 12,400.79 million. This includes provincial tax receipts of Rs. 7,345.89 million and provincial non-tax receipts of Rs. 5,054.90 million. It is pertinent to point out that in FY 2016-17, revised provincial receipts were estimated at Rs. 10,598.07 million with provincial tax component at Rs. 6,801.12 million and non-tax component at Rs. 3,796.95 million. Thus, an increase of 36 % has been estimated for BE of all provincial receipts in FY 2017-18 as compared to revised estimates of FY 2016-17.

The Capital Receipts (excluding Food Account II) for FY 2016-17 were estimated at Rs. 17,789.15 million which have been pitched at Rs. 15,040.37 million for FY 2017-18 including foreign project assistance of Rs. 2,627.00 million. The food account receipts have been projected at Rs. 15,571.71 million for FY 2017-18 as against Rs. 18,241.66 million for FY 2016-17. The table below summarizes the estimates of total Provincial Receipts of the Government:

Table 1.1
Total Provincial Receipts (Rs. in Millions)

RECEIPTS	BE 2016-17	RE 2016-17	BE 2017-18
1.General Revenue Receipt	216,840.06	232,655.74	245,758.76
1.A Federal:	206,843.12	218,681.68	229,973.97
<i>1.A.1 Federal Divisible Pool</i>	182,604.75	182,604.75	202,691.37
<i>1.A.2 Straight Transfers</i>	14,238.37	20,988.80	17,282.60
<i>1.A.3 Other Grants - GDS Arrears</i>	10,000.00	10,015.00	10,000.00
<i>1.A.4 Development Grants</i>	-	5,073.13	-
1.B Provincial:	9,120.13	10,598.06	12,400.79
<i>1.B.1 Provincial Taxes</i>	4,798.00	6,801.11	7,345.89
<i>1.B.2 Provincial Non-Tax</i>	4,322.13	3,796.95	5,054.90
1.C Foreign Grants:	876.81	3,376.00	3,384.00
<i>1.C.1 Foreign Projects Assistance</i>	876.81	3,376.00	3,384.00
2. General Capital Receipts	17,789.15	8,424.01	15,040.37
2.A Provincial Capital Receipt:	12,484.05	7,209.01	12,413.37

<i>2.A.1 Recovery of Investment</i>	5,200.00	-	5,200.00
<i>2.A.2 Recovery of loan and Advances</i>	184.05	109.01	113.37
<i>2.A.3 Ways and Means Advances</i>	7,100.00	7,100.00	7,100.00
2.B Foreign Project Assistance:	5,305.10	1,215.00	2,627.00
<i>2.B.1 Foreign Project Assistance - Loan</i>	5,305.10	1,215.00	2,627.00
3. State Trading - Food Account Receipts	18,241.66	13,886.02	15,571.71
<i>3.A State Trading - (A/c. No.II)</i>	7,633.66	5,261.02	6,946.71
<i>3.B Ways and Means Advances- (A/c. No.II)</i>	10,608.00	8,625.00	8,625.00
Total Provincial Consolidated Fund	252,870.87	254,965.78	276,370.85

The following section dwells upon all components of revenue receipts.

1.1 GENERAL REVENUE RECEIPTS

The main elements of General Revenue Receipt as per Annual Budget Statement are as under:

I) Federal Transfers:

- *Share of Federal Divisible Pool of Taxes* as per the 7th National Finance Commission (NFC) Award.
- *Straight Transfers* as per Article 161 of the Constitution and NFC Award with respect to royalties on Crude Oil and Natural Gas, and net proceeds of the Federal Excise Duty on natural gas;
- Federal Development and Non-Development Grants released to executing agencies. These are pass-through items.

II) Provincial Own Receipt:

- Provincial Tax Receipts
- Provincial Non-Tax Receipts

Note: Straight transfers/federal grants, as per classification used in Annual Budget Statement (ABS), are usually included as part of Provincial Non Tax Receipts.

The table below shows the details of Budget Estimates and Revised Estimates for General Revenue Receipts for FY 2016-17 in comparison with anticipated Budget Estimates for FY 2017-18. Federal Grants and Straight Transfers that form part of Provincial Non-Tax Receipts have been shown separately to give a clear picture of the provincial non-tax collection.

Table 1.2

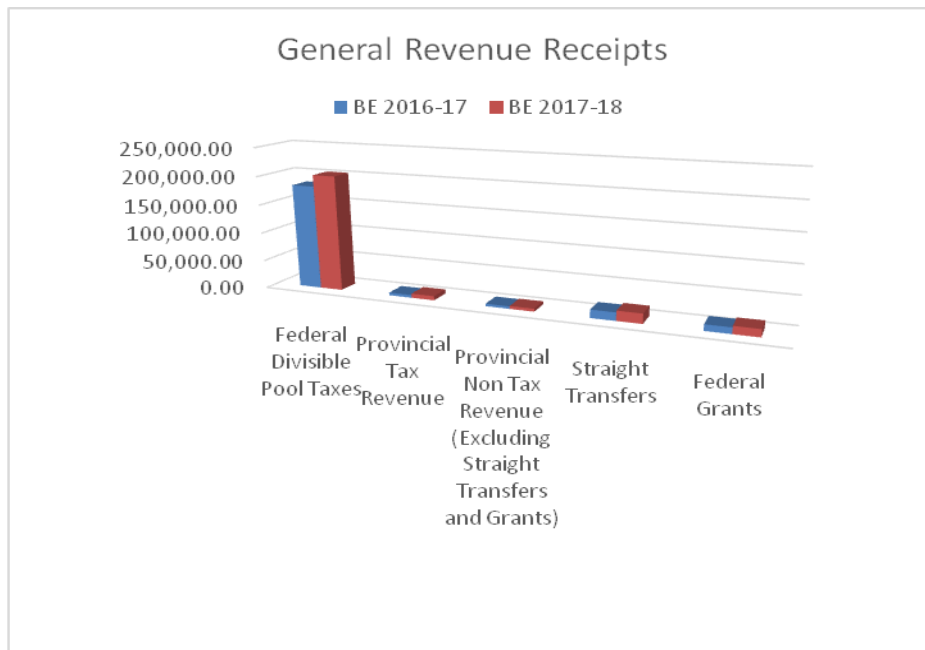
General Revenue Receipts
(Rs. in Millions)

	Components	BE 2016-17	RE 2016-17	BE 2017-18
A	Federal Divisible Pool Taxes	182,604.76	182,604.76	202,691.36
	Tax on Income	78,030.21	78,030.21	79,997.80
	Land Customs	20,859.02	20,859.02	29,436.79
	Sales Tax	73,488.34	73,488.34	82,079.68
	Capital Value Tax	117.67	117.67	139.9
	Federal Excise	10,109.52	10,109.52	11,037.19
B	Provincial Tax Revenue	4,798.01	6,801.12	7,345.89
	Board of Revenue	872.00	835.19	993.71
	Excise & Taxation	1,298.17	1,337.54	1,521.94
	Transport	50	50	50
	Balochistan Revenue Authority	2,500.00	4,500.00	4,700.00
	Energy	77.84	78.39	80.24
C	Provincial Non-Tax Revenue (Excluding Straight Transfers and Grants)	4,322.13	3,796.94	5,054.90
	Income from Property and Enterprise	803.00	361.1	378.50
	Receipts from Civil Administration and Other Functions	564.88	523.00	614.88
	Miscellaneous Receipts	2,954.25	2,912.84	4,061.52
D	Straight Transfers	14,238.37	20,988.79	17,282.60
	Net Proceeds of Royalty on Crude Oil assigned to Provinces	6.40	74.65	2.28
	Net Proceeds of Royalty on Natural Gas assigned to Provinces	5,481.55	5,173.41	5,344.15
	Net proceeds of excise duty on natural gas assigned to provinces	2,313.78	1,962.23	2,203.98
	Surcharge on Natural Gas-share of net proceeds assigned to provinces	6,436.64	13,778.50	9,732.19
E	Federal Grants	10,876.81	18,464.13	13,384.00
	Development Grants	0.00	5,073.13	0
	Other- GDS	10,000.00	10,015.00	10,000.00
	FPA- Grants	876.81	3,376.00	3,384.00
Total General Revenue Receipts		216,840.08	232,655.74	245,758.75

The graph below shows the comparison of Budget Estimates 2016-17& Budget Estimates 2017-18 of different components of General Revenue Receipts:

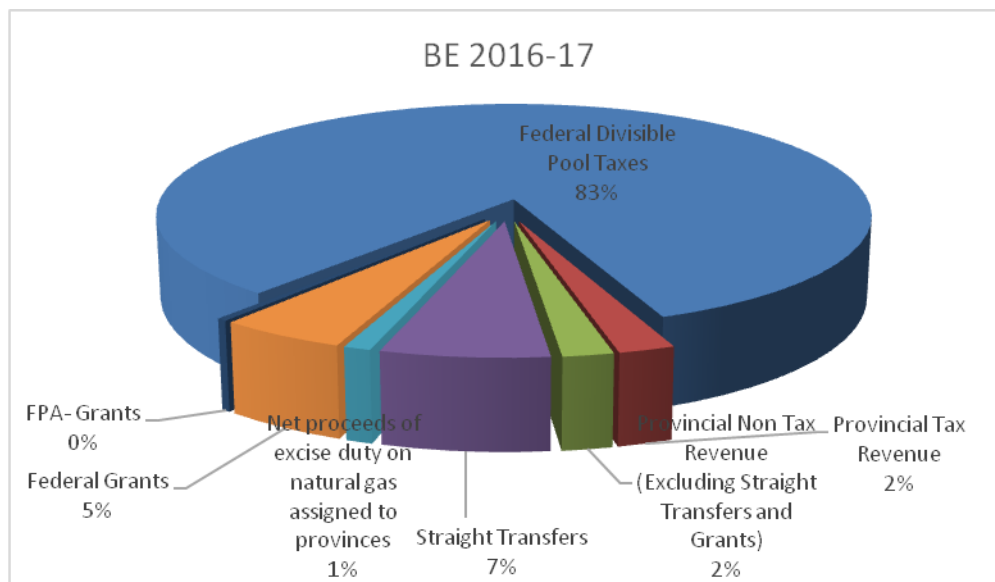
Figure 1.1

General Revenue Receipts BE 2016-17 Vs. BE 2017-18



The pie chart below reflects the share of components of the General Revenue Receipts: the composition of General Revenue Receipts in pie-chart form is given below.

**Figure 1.2
General Revenue Receipts BE 2017-18**



A further detailed analysis of the major components of General Revenue Receipts is presented below: -

1.1.1 FEDERAL TRANSFERS

a) Federal Divisible Pool Taxes

The major source of Revenue for the Provincial Government is the receipts of Federal Divisible Pool share which constitutes 83% 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:

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

Under the 7th NFC Award, vertical flows of the federation and provinces are shown in following table:-

Vertical Distribution of Resources

Federal Share	Provincial Share
42.5%	57.5%

The provincial share i.e. 57.5% is further divided amongst the provinces in the ratio given below:-

Horizontal Distribution of Resources

Punjab	Sindh	KPK	Balochistan
51.74%	24.55%	14.62%	9.09%

As per NFC Award, this distribution of resources was based on multiple criteria including population, inverse population density, revenue and poverty.

b) Straight Transfers

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

- i) The net proceeds of the Federal Excise Duty on natural gas
- ii) Net proceeds of royalty on crude oil and natural gas assigned to the provinces under the Constitution.

Straight Transfers are reflected under the non-tax provincial receipts, yet for the purpose of clarity, the same have been shown separately under the Federal Transfers in this chapter. The Budget Estimates for FY 2017-18 have been pitched at Rs.17,282.60 million as compared to Rs. 14,238.37 for BE 2016-17 and Rs. 20,988.79 for RE 2016-17.

Royalty on Natural Gas

Sui gas field has sustained the energy economy of Pakistan for about 50 years. The field is now fast depleting and its production has declined from 80% to approximately 20%. Earlier, the well-head price of the gas was amongst the lowest in the country. With the efforts of the government, however, the well-head price of the gas was enhanced to Rs.163.13 MMBTU during the year 2009-10 which resulted in increased receipts under this head.

Gas Development Surcharge (GDS)

Gas Development Surcharge GDS is the difference between consumer price and prescribed price. While consumer price is paid by the end-user, prescribed price comprises elements including cost of gas, Excise Duty of Rs. 5.09 per MMBTU, transmission and distribution expenditure, depreciation on fixed assets and minimum return to gas companies etc.

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.

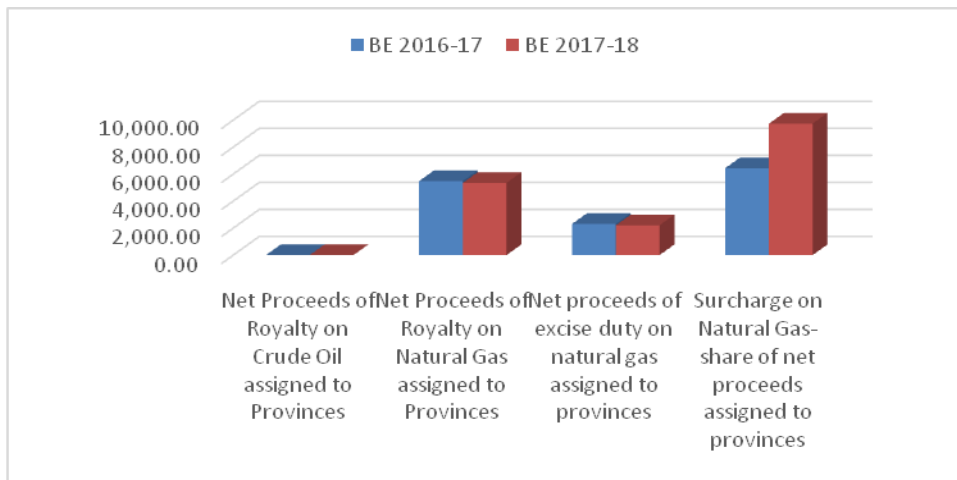
Table 1.3
Straight Transfers

(Rs. in Million)

Component	BE 2016-17	RE 2016-17	BE 2017-18
Net Proceeds of Royalty on Crude Oil assigned to Provinces	6.40	74.65	2.28
Net Proceeds of Royalty on Natural Gas assigned to Provinces	5,481.55	5,173.41	5,344.15
Net proceeds of excise duty on natural gas assigned to provinces	2,313.78	1,962.23	2,203.98
Surcharge on Natural Gas-share of net proceeds assigned to provinces	6,436.64	13,778.50	9,732.19
Total	14,238.37	20,988.79	17,282.60

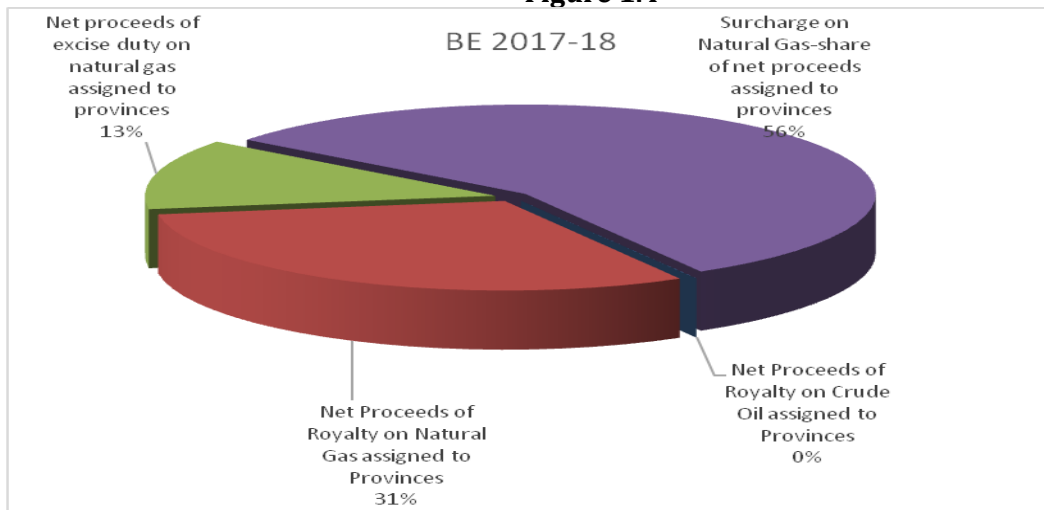
The graph below shows the comparison of Budget Estimates 2016-17 & Budget Estimates 2017-18 of different components of Straight Transfers

Figure 1.3
Straight Transfers BE 2016-17 vs. BE 2017-18



The composition of straight transfers in a pie-chart form is given below.

Figure 1.4



C) Federal Grants

The Public Sector Development Programs (PSDP) grants from federal government and budget support grants received from foreign development partners accumulatively form the Federal Grants. However, the federal PSDP grants are only pass-through items. These grants are released to executing agencies for implementation of Federal Development Projects.

Table 1.4
Federal Grants

(Rs. in Millions)

Components	BE 2016-17	RE 2016-17	BE 2017-18
Development projects, Gwadar district	487.50	1,050.00	0.00
Development projects, Gwadar district	10.55	0.00	0.00
Sustainable Land Management Project	0.00	74.00	106.00

Sustainable Development Goals	0.00	105.00	105.00
Enhanced nutrition for mother and children	378.75	257.00	389.00
Governance and Policy Reform Programme	0.00	210.00	420.00
Global Partnership for Education	0.00	1,050.00	1,524.00
National Immunization Support Programme	0.00	630.00	840.00
Total	876.80	3,376.00	3,384.00

1.1.2 PROVINCIAL OWN RECEIPTS

The second component of the General Revenue Receipts is termed as Provincial Own Receipt including:

- a) Tax Receipts
 - i. Receipts from Direct Taxes (Agricultural Income Tax, Property Tax, Land Revenue, Professional Tax, Capital Value Tax etc.)
 - ii. Receipts from Indirect Taxes (Sales Tax on Services, Provincial Excise, Stamp Duties, Motor Vehicle Taxes, Electricity Duty etc.)
- b) Non-Tax Receipts
 - i) Income from public owned property and enterprises
 - ii) Receipts from civil administration and other functions
 - iii) Miscellaneous Receipts from toll, fee, cess etc. collected by provincial departments (excluding Federal Grants, Development Surcharges and Royalties)

The estimates of Provincial Own Receipts are provided in table below:

Table 1.5
Provincial Own Receipts

<i>(Rs. in Million)</i>			
RECEIPTS	BE 2016-17	RE 2016-17	BE 2017-18
a) Tax Receipts	4,798.00	6,801.12	7,345.89
i. Direct Taxes	618.20	546.84	678.95
ii. Indirect Taxes	4,179.80	6,254.28	6,666.94
b) Non-Tax Receipts	4,322.13	3,796.95	5,054.90
i. Income from Property and Enterprises	803.00	361.1	378.50
ii. Receipts from Civil Administration and other Functions	564.88	523.00	614.88
iii. Miscellaneous Receipts	2,954.25	2,912.84	4,061.52
Total Provincial own Receipts	9,120.13	10,598.07	12,400.79

I. Tax Receipts

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

- 1) Balochistan Revenue Authority (BRA)
- 2) Board of Revenue
- 3) Excise & Taxation Department
- 4) Energy Department
- 5) Transport Department

The details of taxes collected during FY 2016-17 and the BE for 2017-18 are provided below:

Table 1.6
Provincial Tax Receipts
(Rs. in Millions)

TAX RECEIPTS	BE 2016-17	RE 2016-17	BE 2017-18
Balochistan Revenue Authority	2,500.00	4,500.00	4,700.00
Sales Tax on Services	2,500.00	4,500.00	4,700.00
Board of Revenue	872.00	835.19	993.71
Agricultural Income Tax	10.00	12.00	13.00
Property and Wealth Tax- Registration	95.00	60.00	100.00
Land Revenue	287.00	281.84	319.15
Capital Value Tax	130.00	120.00	150.00
Stamps	350.00	361.35	411.56
Excise & Taxation	1,298.17	1,337.54	1,521.94
Tax on Professions, Trades and Callings	2.70	3.00	3.30
Receipts under Motor Vehicles	751.50	824.40	920.00
Other Direct Taxes- Capital Gains tax	3.50	-	3.50
Property and Wealth Tax	90.00	70.00	90.00
Provincial Excise	445.72	437.32	498.92
Other Indirect Taxes	4.75	2.82	6.22
Energy	77.84	78.39	80.24
Electricity Duty	77.84	78.39	80.24
Transport	50.00	50.00	50.00
Route Permit fee	50.00	50.00	50.00
Total Provincial Tax Revenue	4,798.01	6,801.12	7,345.89

The above table shows that tax collection by the Government during FY 2017-18 is estimated at Rs.7,345.89million, as compared to RE 2016-17 of Rs.6,801.12million. In this way, the Government expects to increase its tax collection by 8.01% above the Revised Estimates. In

order to increase the taxes, various proposals are under consideration such as expansion in the scope of different taxes, improving collection efficiency, identification of new tax payers by conducting surveys, plugging of revenue leakages through introduction of technology and implementing other administrative measures.

A. Balochistan Revenue Authority

Balochistan Revenue Authority (PRA) is responsible for collection of Sales Tax on Services. The Government levied GST on the following services w.e.f.01.07.2010 as the right of provinces to collect GST on Services was recognized by the Federal Government during deliberations on the 7th NFC Award:-

- Telecommunication
- Banking
- Shipping Agents
- Insurance and other financial services
- Stockbrokers
- Advertisement son Cable TV and similar services

Collection of General Sales Tax on Services in FY 2011-12 was assigned to the Federal Board of Revenue in line with Record Note signed between the Federal Government and Provincial Governments. Earlier, the Federal Government was collecting GST on behalf of the Provincial Government, but the Provincial Government decided to establish its own Balochistan Revenue Authority through legislation in the FY 2013-14 to collect the tax. For FY 2017-18, the tax target for PRA has been fixed at Rs.4, 700.00million which shows an increase of 80% over revised estimates of FY 2016-17. The details regarding PRA and its revenue collection are dealt with in a separate chapter.

B. Board of Revenue

Board of Revenue is responsible for collection of Agriculture Income Tax, Registration Duty, Land Revenue, Capital Value Tax and Stamp Duty. BOR's collection is estimated to increase from Rs.872.00million during FY 2016-17 to Rs.993.71million in FY 2017-18 registering an increase of 13.96%.

The major tax heads under BOR's purview are elaborated for the purpose of clarity:

a) Agricultural Income Tax

Agricultural Income Tax (AIT) is envisaged as a tax on income from agricultural activities. All income from agriculture exceeding Rs.80,000 per year is subject to tax. AIT is levied on land holdings of above 12½ or 25 acres for irrigated or non-irrigated cultivated land respectively. The target for the next financial year 2017-18 for AIT has been pitched at Rs.13.00

million. The tax holds a lot of potential but its assessment and collection pose some serious challenges.

b) Land revenue

Land revenue is a broad category and includes a number of receipts related to land revenue functions. Mutation is a major component of this receipt. This category of Provincial Tax Receipts has a lot of potential and it is expected to contribute Rs 319.15million to the provincial exchequer during FY 2017-18.

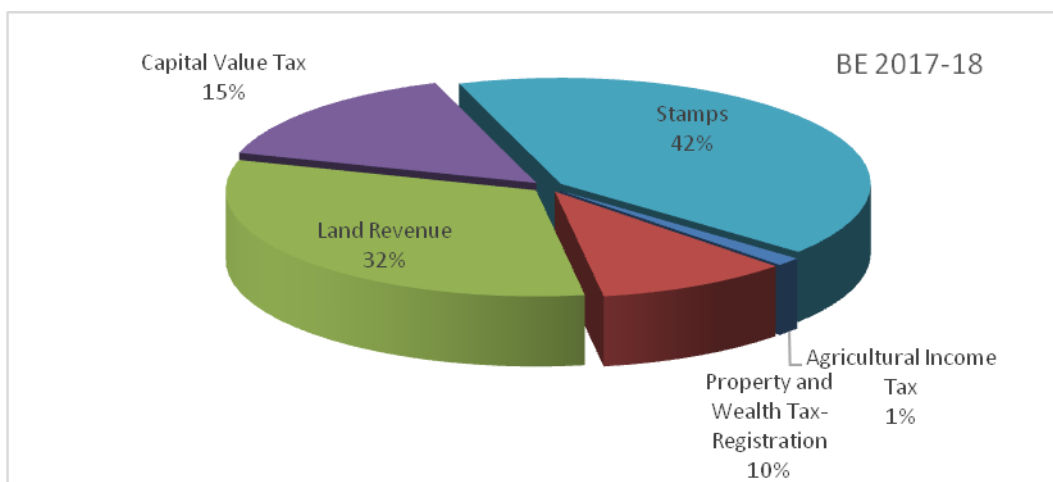
c) Stamp Duty

Budget Estimates of Stamp Duty for FY 2017-18 have been pitched at Rs.411.56 million. Overall, this reflects an increase of 11.2%over BE 2016-17 of Rs. 350.00 million.

The following pie chart shows the composition of taxes to be collected by the Board of Revenue as estimated for FY 2017-18.

Figure 1.5

Board of Revenue Taxes BE 2017-18



C. Excise and Taxation Department

Excise & Taxation Department provides services for collection of levies/taxes such as

professional tax, receipts under motor vehicles, capital gains tax and provincial excise. The department aims to promote automation of its functions to optimize service delivery through reduced interface between public and government officials.

The major tax heads under the purview of Excise & Taxation Department are elaborated for the purpose of clarity:

a) Professional Tax

The B.E for FY 2017-18 with respect to Professional Tax has been pitched at Rs.3.30 million against the Revised Estimates for FY 2016-17 to the tune of Rs.3.00 million.

b) Receipts under Motor Vehicles

The receipts under this head are projected to increase from Rs. 751.50 million in FY 2016-17 to Rs. 920 million in FY 2017-18 showing a growth of 22.42%.

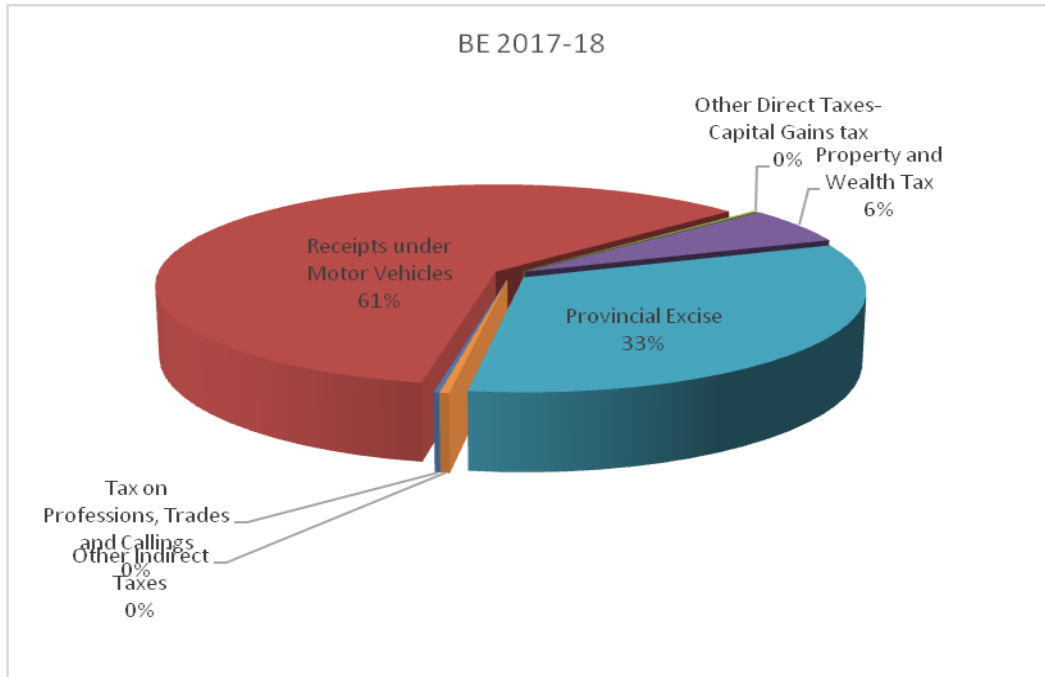
c) Receipts under Provincial Excise

The receipts under this head are projected to increase from Rs. 445.72 million in FY 2016-17 to Rs. 498.92 million in FY 2017-18 showing a growth of 11.94%.

The following pie-chart shows the composition of taxes to be collected by Excise & Taxation Department as estimated for FY 2017-18.

Figure 1.6

Excise & Taxation Taxes BE 2017-18



III. Non-Tax Revenue

The regulatory functions performed by the Provincial Government; and rates and fees charged for the provision of certain social and economic services, constitute the non-tax revenue. However, for the purpose of this chapter, grants received from Federal Government & multilateral partners and Development surcharges on Gas and Royalties on Oil and Gas are shown separately. The next table summarizes the Revised Estimates for FY 2016-17 against the BE for FY 2016-17. The budget estimates for FY 2017-18 have been estimated at Rs. 5,054.90 million.

Table 1.7

Provincial Non Tax Revenue (Collected by Provincial Departments) (Rs. in Millions)

Departments	BE 2016-17	RE 2016-17	BE 2017-18
Agriculture Department	414.20	558.56	471.59
Board of Revenue	115.00	116.00	150.00
Communication and Works Department	45.36	45.68	56.71
Culture and Tourism Department	5.35	5.46	5.64
Energy Department	.25	.00	.00
Energy Department	4.80	7.00	7.50
Finance Department	977.75	646.80	698.05
Fisheries Department	15.29	15.66	11.03
Food Department	.10	.20	.30
Forest Department	51.77	51.77	56.00
Health Department	99.23	74.38	102.36
High Court of Balochistan Quetta	104.90	112.40	117.90
Higher Education Department	25.23	14.37	18.46
Home & Tribal Affairs Department / Provincial Police Officer	197.01	173.82	206.64
Industries & Commerce Department	43.25	37.15	46.57
Irrigation & Power Department	62.60	66.11	71.55
Labour Department	9.00	9.00	9.90
Labour Welfare	1.45	.73	1.50
Livestock & Dairy Development Department	75.13	73.69	85.70
Local Government Department	.25	.21	.51
Mines & Mineral Department	1,981.54	1,678.80	2,805.00
Provincial Assembly	3.10	3.20	3.50
Public Health Engineering Department	33.10	31.10	35.00
Public Service Commission	25.00	25.00	28.00
Religious Affairs Department	.40	.30	.41
Secondary Education	2.82	29.71	33.25
Services and General Admn Department	25.23	17.02	29.08
Social Welfare Department	2.70	2.34	2.10
Sports Department	.18	.35	.40
Urban P&D Department	.15	.17	.27
Grand Total	4,322.13	3,796.95	5,054.90

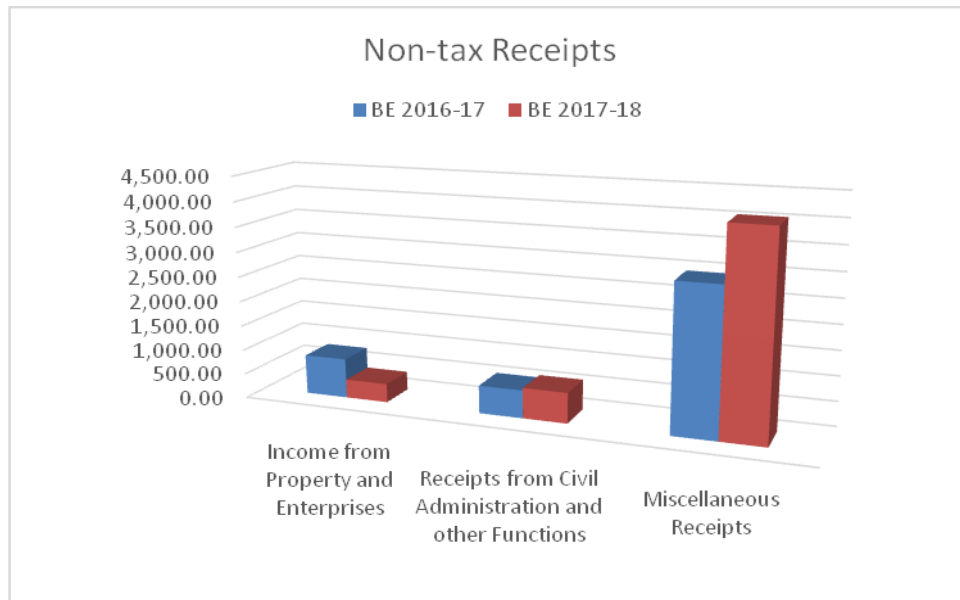
The following table presents the object-wise classification of provincial non-tax revenue:

Table 1.8
Provincial Non Tax Revenue (Rs. in Millions)

NON-TAX REVENUE	BE 2016-17	RE 2016-17	BE 2017-18
Income from Property and Enterprises	803.00	361.10	378.50
Dividends	553.00	28.41	28.50
Interest on loans and advances to financial institutions	250.00	332.69	350.00
Civil Administration and other Functions	564.88	523.00	614.88
Communication and Works Department	45.36	45.68	56.71
Culture and Tourism Department	-	0.04	0.05
Finance Department	24.75	9.69	19.55
Health Department	99.23	74.38	102.36
High court of Balochistan Quetta	104.90	112.40	117.90
Higher Education Department	25.23	14.37	18.46
Home & Tribal Affairs Department / Provincial Police Officer	191.50	168.40	190.14
Labour Department	9.00	9.00	9.90
Labour Welfare	1.15	0.73	1.20
Public Health Engineering Department	33.10	31.10	35.00
Public Service Commission	25.00	25.00	28.00
Secondary Education	2.82	29.71	33.25
Social Welfare Department	2.70	2.34	2.10
Urban P&D department	0.15	0.17	0.27
Miscellaneous Receipts	2,954.25	2,912.84	4,061.52
Agriculture Department	414.20	558.56	471.59
Board of Revenue	115.00	116.00	150.00
Culture and Tourism Department	5.35	5.42	5.59
Energy Department	0.25	-	-
Environment Department	4.80	7.00	7.50
Finance Department	150.00	276.00	300.00
Fisheries Department	15.29	15.66	11.03
Food Department	0.10	0.20	0.30
Forest Department	51.77	51.77	56.00
Home & Tribal Affairs Department / Provincial Police Officer	5.51	5.42	16.50
Industries & Commerce Department	43.25	37.15	46.57
Irrigation & Power Department	62.60	66.11	71.55
Labour Welfare	0.30	-	0.30
Livestock & Dairy Development Department	75.13	73.69	85.70
Local Government Department	0.25	0.21	0.51
Mines & Minerals Department	1,981.54	1,678.80	2,805.00
Provincial Assembly	3.10	3.20	3.50
Religious Affairs Department	0.40	0.30	0.41
Services and General Admn Department	25.23	17.02	29.08
Sports Department	0.18	0.35	0.40
TOTAL NON-TAX RECEIPTS	4,322.13	3,796.95	5,054.90

The table shows the comparison of Budget Estimates 2016-17 and Budget Estimates 2017-18 of different components of Non-Tax Revenue.

Figure 1.7
Non-Tax Receipts



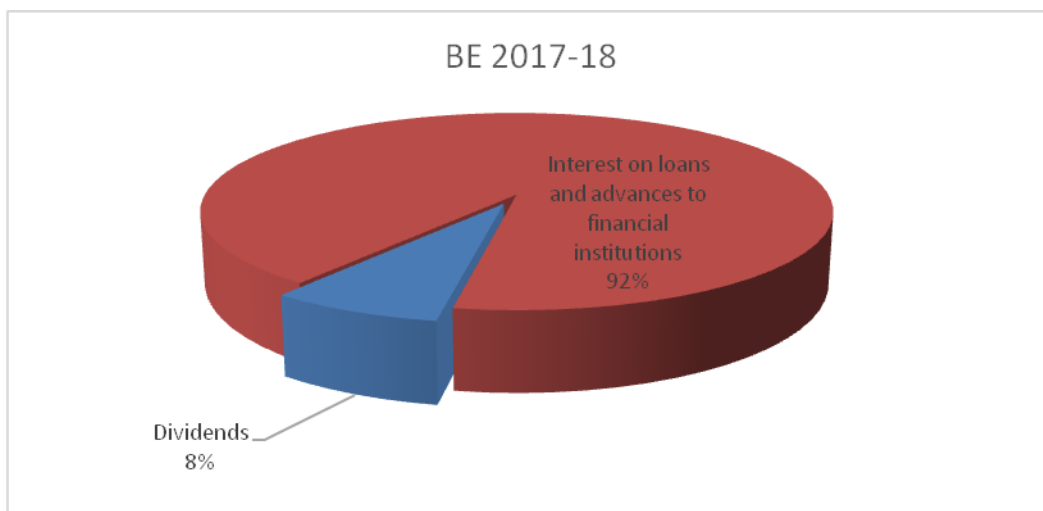
A. Non-Tax Revenue – Income from Property and Enterprises

A brief description of major components of non-tax revenue is given below.

A. Non-Tax Revenue – Income from Property and Enterprises

This component of non-tax revenue comprises income from interest on loans advanced to financial institutions, autonomous bodies and government servants and dividends accruing from equity investments of the provincial government.

Figure 1.8
Income from Property and Enterprises BE 2017-18



a. Interest on loans and advances to financial institutions

Loans are extended to financial institutions and autonomous bodies to meet their current and development expenditure. The interest from these loans is another important part of receipts of “Income from Property and Enterprises”. The Government of Balochistan has invested Rs. 5 billion in the T-bills. The income from this investment is also reflected under this head. Interest income amounting to Rs.250.00 million was received during FY 2016-17 while that for FY 2017-18 has been targeted at Rs.350.00 million.

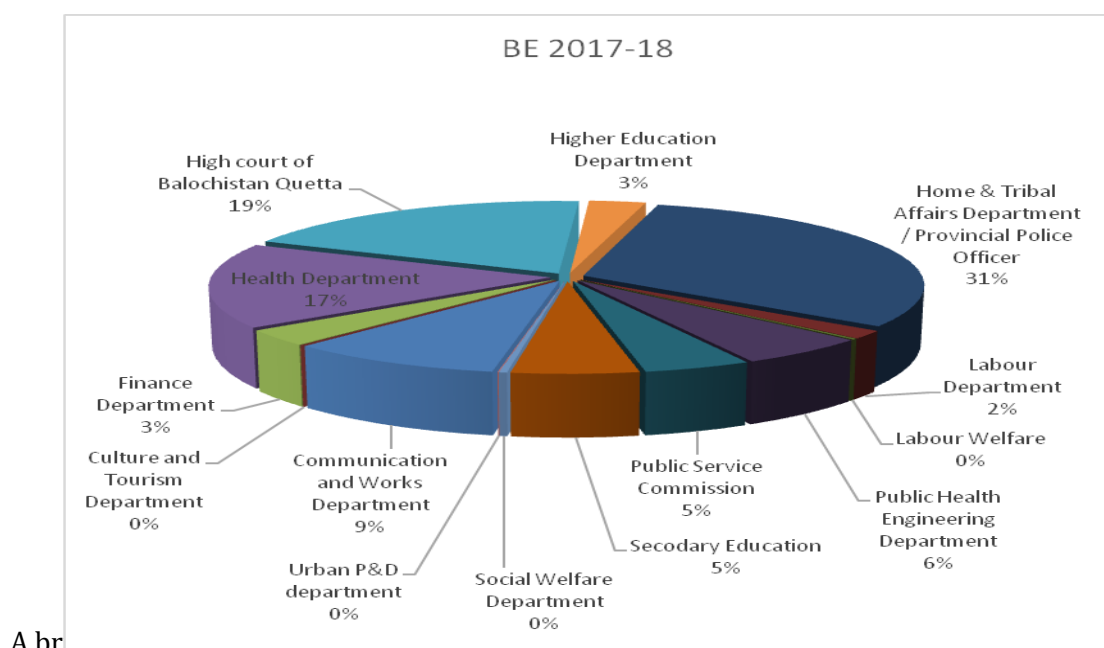
b. Dividends

The Government of Balochistan had made equity investment in financial and non-financial institutions including Balochistan Cooperative Bank Limited, IDBP, Federal Bank of Cooperatives, Charsadda Sugar Mills, Bolan Mining Enterprise and Hub Power Company. The dividend accrued is being reflected under this head.

B. Civil Administration and other functions

Receipts from civil administration and other functions accrue mainly on account of regulatory functions performed by the Provincial Government and rates and fees charged for the provision of certain social and economic services. Government is expected to collect Rs.614.88million during FY 2017-18 from these sources. A break-up of these receipts is graphically shown below:

**Figure 1.9
Receipts from Civil Administration and Other Functions 2017-18**



a) Law and Order

There are three main components of law & order receipts:

- 1) Receipts collected by Law Department from *sale proceeds of unclaimed and escheated property, court fees realized in cash, General Fee, fines & forfeitures, receipt of official record room & recoveries of over-payments, etc.*
- 2) Receipts collected by Home Department include *sale proceeds of articles manufactured in jail, fines, overpayments on services rendered including supplies made by factory department to maintenance department in jail.*
- 3) Receipts collected by Police Department on account of *police personnel deputed at the strength of Railways, Federal Government, public departments, fees, fines, forfeiture, motor driving license fee, traffic fines, police land receipts and recoveries of overpayments.*

b) Community Services

The receipts accumulated from toll collection on provincial roads and bridges and through rent of government buildings are the major source of income in this category.

c) Social Services

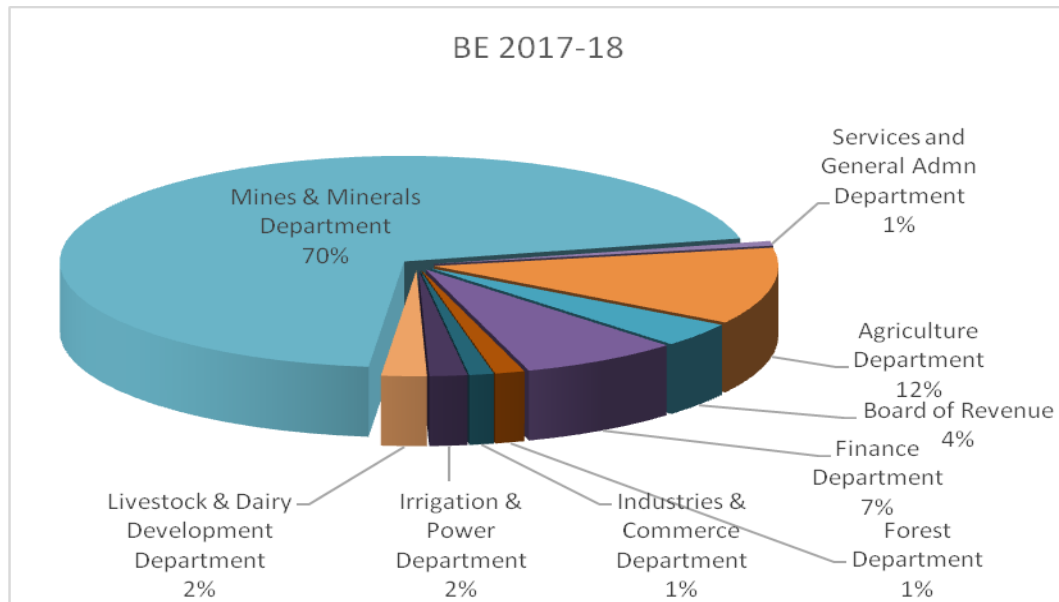
These receipts pertain to different social services like Health and Education etc. The BE for health department for FY 2017-18 has been set at Rs.102.36 million which is 3.15 % higher than BE 2016-17.

B. Miscellaneous Receipts

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

The budgetary estimates for FY 2017-18 have been pitched at Rs. 4,061.25 million. The composition of various receipts is given in the pie-chart below.

Figure 1.11
Miscellaneous Receipts BE 2017-18



1.2 GENERAL CAPITAL RECEIPT

Current Capital Receipts of the province include all the new loans borrowed or raised by the Provincial Government and recoveries of loans which are granted to provincial entities/authorities/financial institutions or provincial employees. Current Capital Receipts may be credited either to the Provincial Government’s Account No. I (Non-Food Account) or Account No. II (Food Account), depending on the nature of the receipt. Money raised through loans, budgetary-support programmes of multilaterals, recoveries of principal amount of loans advanced by the Government to its employees and autonomous bodies are credited to Current Capital Receipts (Account No.I). On the other hand, receipts from sale of wheat and financing for procurement of wheat accrue to Account No: II.

The table below presents the Current Capital Receipts figures for FY 2016-17 and FY 2017-18:

Table 1.9
Current Capital Receipts

(Rs. in Millions)

RECEIPTS	BE 2016-17	RE 2016-17	BE 2017-18
a) Loans & Advances/Recoveries of Loans and Advances	184.05	109.01	113.37
From Government Servants	184.05	109.01	113.37
b) Debt	12,405.10	8,315.00	9,727.00
Ways and Means (Floating Debt)	7,100.00	7,100.00	7,100.00
Permanent Debt-Foreign	5,305.10	1,215.00	2,627.00
c) Recoveries of investment	5,200.00	0.00	5,200.00
T-bills	5,000.00	0.00	5,000.00
Non-financial- M/S Allahoo	200.00	0.00	200.00
Account No. I (a) + (b) + (c)	17,789.15	8,424.01	15,040.37
State Trading Schemes- food	7,633.66	5,261.02	6,946.71
Ways and Means Advances	10,608.00	8,625.00	8,625.00
Account No. II	18,241.66	13,886.02	15,571.71
Total Current Capital Receipts (I & II)	36,030.81	22,310.03	30,612.08

a) Recoveries of Loans and Advances

In this category Rs 113.37 million are estimated to be received during FY 2017-18.

b) Permanent Debt - Account No. I

Domestic and foreign loans borrowed directly or through the Federal Government comprise the permanent debt of the provincial government. The B.E. 2017-18 for the permanent debt (foreign) has been estimated at Rs. 2,627.00 million against the B.E. 2016-17 of Rs5, 305.10 million.

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

Food Account of the province commonly known as Account No: II is also maintained with the State Bank of Pakistan like Account No: I. However, the former account is meant exclusively for transactions relating to state trading in food commodities by the Food Department. Finances for food commodity purchases are raised through 'Cash Credit Accommodation'. Consortia of banks have been organized to carry out this process. Under this arrangement, wheat grain is procured directly from farmers by the Food Department, and financed by banking consortia. Receipts from the sale of wheat are then deposited in Account No. II, from where they are utilized to retire the consortia loans. Noticeably, the RE 2016-17 of

'Recoveries of Investment-State Trading Schemes' was Rs. 5,261.02million compared to BE 2016-17 of Rs. 7,633.66 million on account of less sale of targeted sale of wheat during the financial year. Moreover, the recoveries from Sale of Wheat for the FY 2017-18are estimated at Rs6, 946.71 million.

Development Capital Receipts

The loans borrowed from multilateral donor agencies through the Federal Government for specific foreign-assisted development projects are termed as Development Capital Receipts or foreign project assistance. Combined with the Development Revenue Receipts and surpluses from the General Revenue Account and Capital Account, Development Capital Receipts finance the Annual Development Programme of the province. The Budget Estimates for FY 2017-18 for Foreign Project Assistance are pitched at Rs. 2,627.00 million compared to Budget Estimates 2016-17 of Rs.5, 305.10 million and RE 2016-17 of Rs.1, 215.00 million.

The above-mentioned Development Capital Receipt is to be utilized for a number of development projects as listed below:

Table 1.10
Detail of Foreign Aid

(Rs. in million)

Component	BE 2016-17	RE 2016-17	BE 2017-18
Balochistan Integrated Water Resources Management and Development Project	5,284.00	375.00	2,094.00
Gwadar Lasbella Livelihood Support	0.00	840.00	533.00
Water Resource Management Project	10.55	0.00	-
Korean Assistance for Agriculture Development	10.55	0.00	0
Total	5,305.10	1,215.00	2,627.00

CHAPTER 3**ESTIMATES OF EXPENDITURE**

Article 118 to the Constitution of Islamic Republic of Pakistan 1973 enumerates that *all revenues received by the Provincial Government, all loans raised by that Government, and all moneys received by it in repayment of any loan, shall form part of a consolidated fund, to be known as the Provincial Consolidated Fund. Whereas, all other moneys received by or on behalf of the provincial government; or received by or deposited with the High Court or any other court established under the authority of the province is known as Public Account.* Overall expenditure of the provincial government in relation to all kinds of public services is met from the consolidated fund account.

Transactions on receipt and expenditure sides not being part of the Provincial Consolidated Fund are explained separately in the Chapter of the White Paper on Public Account.

As regards the expenditures from the Provincial Consolidated Fund, the same are classified into following categories:

a) CURRENT

- I. Current Revenue Expenditure
- II. Current Capital Expenditure

b) DEVELOPMENT

- I. Revenue Expenditure
- II. Capital Expenditure.

a) CURRENT EXPENDITURE**I. Current Revenue Expenditure**

Current Revenue Expenditure includes the expenditures on the regulatory functions of the government and provision of social and economic services. Since the introduction of the Chart of Accounts (COAs) under the New Accounting Model (NAM) adopted through PIFRA – a World Bank’s funded project – by the Controller-General of Accounts (CGA) and Auditor-General of Pakistan, computerized budgetary disbursement has become a reality in all districts of Balochistan. Following are the

main Functional Heads of expenditure in Current Revenue Expenditure: -

- Public Order and Safety Affairs
- Economic Affairs
- Environment Protection
- Housing and Community Amenities
- Health Affairs & Services
- Recreational, Culture and Religion
- Education Affairs and Services
- Social Protection

II. Current Capital Expenditure

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

- Principal Repayment of Domestic and Foreign and Market Debt. Expenditure on repayment on account of Ways and Means Advances availed by the Government of the Balochistan, if any on need basis and owing to the poor affairs of Account-I, from the State Bank of Pakistan is also included in this category;
- Loans and advances to corporate bodies of the Government of Balochistan or associated with the Government of Balochistan.

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

III. Development Revenue Expenditure

The expenditure under this grant pertains to most of the expenses other than the brick and mortar expense, i.e. expenditure other than civil works items. Employees related expense for employees appointed or to be appointed under the provisions of PC-I of the Schemes/Projects/Programs for the project life or earlier, purchase of transport, machinery and equipment, operating expenses, research and

development, training etc. provided under the projects during the execution of the projects are all part of the development revenue expenditures. As stated above, provisions must be included in the approved PC-I of the Program/Project for all such activities.

IV. Development Capital Expenditure

Development capital expenditure is the capital investment under the development programs for roads, buildings, irrigation sectors etc.

OVERVIEW OF EXPENDITURE

For Financial Year 2017-18, total financial outlay of the government has been estimated at Rs. 328.500 Billion. Size of the Provincial Development Budget (Annual Development Program) has been pitched at Rs. 86.00 Billion including Provincial PSDP of Rs. 80.00 Billion and Foreign Project Assistance Loan of Rs. 6.00 Billion. An allocation of Rs. 242.49 Billion has been proposed for current expenditure in FY 2017-18, against revised budget estimates 2016-17 of Rs. 213.46 Billion, representing an increase of 13.60%. Statistics show that the budget of 2016-17 against the revised budget of 2015-16 had seen the growth of 20% in current expenditure; however, the strategy to adopt austerity measures to control the unnecessary expenditure and avoid over estimation in the budget estimates for 2017-18 has led the government to plan its financial outlay with an increase of only 13.60% in comparison with revised budget estimates of 2016-17. Therefore, an encouraging trend has been seen by decreasing the growth in current expenditure estimation by the Government of Balochistan, Finance Department.

Despite persistent in factionary trends, Increase in salaries, allowances and pensions of employees of the government, allocations of development expenditure have been protected by adopting a considerable increase in development budget. This is in conformity with the development vision of the incumbent government where allocations for development budget are protected through austerity measures, curbing wasteful expenditure, improving budgetary efficiency, monitoring outcomes against budgetary allocations and bringing efficiency, effectiveness and economy in government operations.

Table 2.1 reflects the allocations for Current Revenue Expenditure and Development Expenditure of Balochistan Government for the year 2016-17 and 2017-18.

Table: 2.1–Current & Development Expenditure (*Rs. in Millions*)

Classification		B.E 2016-17	R.E 2016-17	B.E 2017-18
A. Current	General Administration	28,296.244	31,095.249	78,186.495
	Law & Order	30,255.726	29,826.601	34,828.489
	Community Services	12,414.834	14,520.811	14,990.604
	Social Services	67,007.357	61,010.226	70,425.069
	Economic Services	45,581.077	41,819.079	42,250.904
	Debt Servicing	1,205.271	1,499.067	1,809.864
B. Development	PSDP	65,001.000	62,255.000	80,000.170
	Foreign Project Assistance Loans/Grants	6,181.910	5,722.000	6,011.000
Total Expenditures A+ B		289,355.770	233,727.357	328,502.595

Increase in the current expenditure of the Heads mentioned above is mainly due to increase in salary expenditure. Federal Government, in Budget 2017-18, has merged the Ad-hoc Relief Allowance (50% of the Basic pay) into Basic Pay, thus new Pay Scale 2017 would be adopted and then 10% increase as Ad-hoc Relief Allowance 2017 on the basis of pay scale 2017; therefore, large portion of the growth in expenditure is because of the enhancement of the salary of employees as the same would be adopted by the Government of Balochistan.

Moreover, Secondary Education Department is the largest employment Department of Provincial Government of Balochistan, the salary budget of which is greatest of all other Departments/Sectors. The problems of actual data and number of employees surfaced in 2016-17 at a greater ratio, due to which the abnormal increase in salary expenditure was seen in revised budget 2016-17 of the Department, thus estimation for FY 2017-18 has been made accordingly to cover the expenses to be incurred on salary budget during next financial year. Further, the impact of time-scale

given to the teaching staff, which contributes a greater portion for enhancement of the salary budget, cannot be denied as a factor to enhanced current expenditure for 2017-18.

CURRENT REVENUE EXPENDITURE

Table 2.2 summarizes the Budget Estimates and Revised Estimates of Current Revenue Expenditure for FY2016-17 along with Budget Estimates for FY 2017-18.

Table: 2.2–Current Revenue Expenditure (Rs in Million)

CLASSIFICATION	BE 2016-17	RE 2016-17	BE 2017-18
A. Current			
General Administration	28,296.244	31,095.249	31,145.952
Law & Order	30,255.726	28,826.601	33,252.186
Community Services	12,414.834	14,520.811	13,616.363
Social Services	67,007.357	61,010.226	71,940.688
Economic Services	45,581.077	41,819.079	48,541.875
B. DEVELOPMENT	65,001.000	62,255.000	80,000.000

SALIENT FEATURE OF THE ALLOCATIONS FOR DIFFERENT DEPARTMENTS/FUNCTIONS FOR FY2017-18

Outlay of current expenditure for FY 2017-18 is estimated at Rs 242.491 Billion against Revised Budget Estimates of Rs. 213.461 Billion for FY 2016-17 representing an increase of 13.60%. The allocations in the current budget have been made on the parameters of “incremental formula” under contingent expenditures of “permanent budget 2016-17” in view of inflation rate and requirements of the Departments as well on the basis of Indicative Budget Ceiling (IBC) to ten major Departments.

For first time in the history, Finance Department adopted the approach of inclusiveness in budget-making process and following ten (10) Departments were provided in January 2017 the Indicative Budget Ceiling (IBC) in order for increasing the departmental ownership in budget-making and budgetary allocations to the respective offices/DDOs by themselves on need basis, instead of adopting the stereo-type approach of finalization of allocation to each DDO by Finance Department at its own: -

- i. BC21008 – Police
- ii. BC21009 – Levies
- iii. BC21047 – Balochistan Constabulary
- iv. BC21041 – Secondary Education
- v. BC21016 – Higher Education
- vi. BC21026 – Agriculture
- vii. BC21018 – Health
- viii. BC21032 – Irrigation
- ix. BC21013 – Civil Works (C&W Department)
- x. BC21036 – Mines & Mineral Development

Exhaustive sessions were held by the Finance Department with authorities of the above-named Departments/Offices on IBC and, therefore, in most cases, this exercise on pilot-basis has proved to be productive in that the allocations for Police, Levies, Secondary Education, Higher Education, Health and other Departments for the next FY 2017-18 has been made on realistic basis, i.e.

forecasting on actual basis in most cases.

Owing to persistent inflationary trends, prices of POL and Utilities like electricity etc. have been revised upwards frequently in last two years. To absorb this increase, allocations in FY 2017-18 have been made commensurate with this increase, as per following details: -

- Total operating expenses are estimated to Rs. 14.442 billion which shows an increase of 22% as compared to B.E 2016-17.
- 27% of the total operating expenditure have been made for POL with an increase of 21% as compared to allocation for FY 2016-17.
- An amount of Rs. 2.66 Billion (18.4% of total operating expenses) has been made for Utilities which includes electricity, gas, water, telephone & telex etc., which shows an increase of 4.33% as compared to FY 2016-17 allocation.

Pertinent to pin point is that the budget 2017-18 avoids unnecessary over estimation on account of lump-sum provision for increase in salary expenditure and lump-sum provision for new expenditure i.e. on account of creation of new posts with the detailed account given under the relevant functional heads.

FUNCTION-WISE ALLOCATION IN BUDGET ESTIMATES 2017-18

1) PUBLIC ORDER AND SAFETY AFFAIRS

Under this Head, expenditures included are:

- Administration of Justice (charged & voted),
- Provincial Ombudsman
- Law Affairs and Legal Services
- Police,
- Levies,
- Balochistan Constabulary,
- Prisons, Prosecution and
- Civil Defense

Table 2.3 below gives the break-up of these allocations for different departments classified under public order and safety affairs.

Table: 2.3–Public Order & Safety Affairs (Rs.in Millions)

Public Order & Safety Affairs	B.E 2016-17	R.E 2016-17	B.E 2017-18
Administration of Justice (Charged)	969.60	999.57	889.93
Administration of Justice (Voted)	1,659.28	1,473.46	1609.00
Prosecution	233.187	211.873	288.541
Police	15,342.57	15,910.14	16,389.75
Balochistan Constabulary	4,308.29	3,997.78	4,555.38
Levies	6,826.58	6,419.18	8,079.05
Jails & Detention	812.79	724.58	833.81
Civil Defense	103.43	90.01	112.88
Provincial Ombudsman	132.884	116.350	148.921
Total:-	30,388.607	30,242.94	32,907.26

ANALYSIS

Total increase in allocation for next financial year is mainly due to the increase in salaries and operational budget as stated above; however, for Police Department under the Functional Head of Public Order and Safety Affairs, the impact of purchase of assets i.e. purchase of arms and ammunitions, vehicles etc. for strengthening of Counter Terrorism Force (CTF) as per National Action Plan and creation of 2000 posts in three consecutive financial years for the Force has contributed the major chunk in increase of Police's current budget.

In the month of August 2016, the province had to experience one of the worst types of carnage when fifty six (56) top lawyers and advocates embarrassed martyrdom in a suicide attack, leaving the province with a huge gap of competent lawyers and affecting the administration of justice poorly. As a policy of the Government, a huge additional amount was released and families of martyred advocates were granted death compensation and financial assistance @ Rs. 10.00 Million for each family. Therefore, the revised estimates show an abnormal increase

in the expenditure trend in 2016-17 as compared to previous financial years under head “financial assistance” and “death compensation”.

Moreover, the increase of current expenditure under Public Order and Safety Affairs is due to the enhanced budgetary allocation for Levies Force. In order to strengthen the Levies Force, 10 Armor Personnel Carrier (APCs) were procured and provided to the Force during financial year 2016-17. An amount of Rs. 600 Million for procurements of arms & ammunition, vehicles etc. including APCs has been included in the Budget Estimates 2017-18 to further the capacities of levies force to meet the law and order challenges of the day. Besides, additional posts 2101 have also been proposed to be created for Levies in Balochistan on need basis.

It may not be out of context to mention that out of the 2100 posts to be created, 924 posts are proposed for creation to resolve the issue of missing posts of levies consequent upon revival of levies in 2010. Initially, upon conversion of ‘B’ Area into ‘A’ area, all posts along with incumbents of levies force were shifted to Balochistan Police. They were granted promotions in higher grade in Police during their stay. With the decision of revival of ‘B’ area and restoration of levies force, it was principally decided that the employees of levies force who were absorbed in Police may be shifted back along with their posts to levies. The problem in fact surfaced when the original posts held by the incumbents at the time of shifting to police were revived and shifted back to levies without giving regard to the fact that those employees got promotion in higher grade and should have been back to levies with the upgraded post. Resultantly, levies personnel continued to face problems in drawl of salaries as the posts of incumbents in levies force after revival never reflected in the budget book. Therefore, a series of meetings held with levies authorities and it was decided in principle to reflect the missing 924 posts in various graded in Volume-VIII (New expenditure) 2017-18 to address the problem and improve the financial management for disbursement of salaries as per strength. However, such creation of posts is subject to joint scrutiny of all required documents by the levies administration and Finance Department then administrative approval will be issued.

2) ECONOMIC AFFAIRS

Expenditures on sectors/departments contributing in economic development of the province viz. Food, Agriculture, Land Revenue, Animal

Husbandry, Forestry, Fisheries, Cooperative, Irrigation, Rural Development, Industries, Printing, Mineral Resources, Transport, Energy, Information Technology and Environment etc. are included under this classification. Current Revenue Expenditure in these sectors also includes allocations for research, extension and field services to farmers, maintenance and repair of the agriculture and irrigation networks. All major economic infrastructure departments and departments involved primarily in activities relating to economic affairs are included under this functional classification.

Table: 2.4–Economic Affairs
(Rs .in Millions)

Economic Services	BE 2016-17	RE 2016-17	BE 2017-18
Food	422.431	368.129	427.500
Agriculture	7,428.693	6558.071	8288.577
Land Revenue	174.450	169.343	334.250
Animal Husbandry	3,105.399	2300.907	3888.659
Forestry	1,086.253	894.353	1117.085
Fisheries	839.706	791.525	885.115
Cooperation	125.043	105.448	126.885
Irrigation	1,822.554	2209.192	2535.061
Industries	1,186.251	865.524	1213.943
Stationery & Printing	104.944	67.722	109.544
Mineral resources (Scientific Deptt	1,635.845	1279.291	1773.448
Civil Works including Establishment Charges	8,503.900	8,455.99	8,705.61
Transport Department	67.588	64.370	81.232
Energy Department	14,345.894	13294.255	14362.673
Information Technology Department	300.252	208.711	282.535
Total:-	41,149.203	37,632.831	44,132.117

ANALYSIS

Under the function of Economic Affairs, major expenditures relate to the following: -

- Rs. 13.81 Billion have been earmarked for providing tube well subsidy to agriculture farmers and growers of the province as a support to meet the electricity dues and expenses of QESCO providing electricity on agriculture tube wells. However, issues need to be addressed for proper utilization of this money are to ascertain the actual number of legal and/illegal tube well connections, functional and/or non-functional tube wells and metered billing of tube wells which the QESCO has failed to do so on one or other pretext. The Energy Department need to build capacity to address these problems as huge money is spent on account of subsidy, which although is a controversial subject in development economics.

- Second big chunk under the Head of Economic Affairs is allocated for grant-in-aid to local councils established under the Balochistan Local Government Act, 2010. An amount of Rs. 12.42 Billion as earmarked in FY 2016-17 has been allocated for FY 2017-18 as well as grant-in-aid to local councils to meet the salary, non-salary and development needs of local councils. However, local government finance and transparency and accountability in local councils grant has remained a challenge for the government not only during previous financial years, but also in current financial year 2016-17. Despite all efforts, an effective mechanism of disbursement which meets the requirements of fiscal transparency and accountability is yet to be developed. Efforts are required to be made in this regard to devise an effective mechanism of pre-audit of bills under local councils grant, framing of rules to carry out the purpose of Balochistan Local Government Act, 2010 in letter and spirit so that this province may not see another episode of mega corruption scandal in local government finance which was unfortunately experienced in May 2016.

- To strengthen the Environment Control Department keeping in view past events and requirements of the day, sufficient allocation for purchases for the Department to establish laboratories has been made and new tier of Green Motivators in the human resource strength of the Department has been proposed to be introduced.

3) HOUSING AND COMMUNITY AMENITIES

This head comprises of civil works, PHE and Q - WASA. Details of expenditure on Housing and Community Amenities are provided in Table below:

Table: 2.5– Housing & Community Services
(Rs. In Million)

Housing & Community Services	BE 2016-17	RE 2016-17	BE 2017-18
Rural Development	12, 571.082	12380.234	12578.973
Public Health Engineering	3,095.590	4,535.473	3,705.411
Works Urban B-WASA	815.344	1,529.344	1,205.344
Total	16,482.016	18,445.051	17,489.728

ANALYSIS

Big chunk under the Head of Housing and Community Amenities is allocated for grant-in-aid to local councils established under the Balochistan Local Government Act, 2010. An amount of Rs. 12.42 Billion as earmarked in FY 2016-17 has been allocated for FY 2017-18 as well as grant-in-aid to local councils to meet the salary, non-salary and development needs of local councils. However, local government finance and transparency and accountability in local councils grant have remained a challenge for the government not only during previous financial years, but also in current financial year 2016-17. Despite all efforts, an effective mechanism of disbursement which meets the requirements of fiscal transparency and accountability is yet to be developed. Efforts are required to be made in this regard to devise an effective mechanism of pre-audit of bills under local councils grant, framing of rules to carry out the purpose of Balochistan Local Government Act, 2010 in letter and spirit so that this province may not see another episode of mega corruption scandal in local government finance which was unfortunately experienced in May 2016.

Public Health Engineering Department also caused supplementary budget under its demand due to the water crises in Gwadar. Supply of water to the inhabitants

of District Gwadar was ensured through private tankers; therefore, burden on public exchequer was created additionally. Therefore, for budget of FY 2017-18, allocation has been kept/proposed for provision of water to the masses in District Gwadar as well so as to avoid excessive supplementary grant in next financial year. However, concrete steps are required to be taken by the Government through effective planning by PHE Department to find sustainable solution to the problem.

Moreover, electricity dues of Rs. 1000 Millions for community run tube wells paid as additional grant during current financial year 2016-17 caused another heavy burden on public exchequer, which the Government was not supposed to provide rather it was the responsibility of the community to manage community water supply schemes.

4) HEALTH SERVICES

Expenditures on Health Services relate to the government's commitment towards provision of primary, secondary and tertiary health care services to the masses through various types of health facilities, such Basic Health Units, Rural Health Centers, and Civil Hospitals, District and Divisional Headquarter Hospitals and Tertiary hospitals. Current Revenue Expenditure in this sector also includes allocations for provision of medicine, purchase of machinery (which could not be made during last two financial years despite a handsome allocation for the purpose) and running of the preventive programs.

An amount of Rs. 18,306. 590 Million stands proposed for FY 2017-18 against the budget estimates 2016-17 of Rs. 17, 367.697 Million, whereas the revised budget figures for 2016-17 stand at Rs. 15,862.370 Million.

ANALYSIS

Since Rs. 1000 Million allocated for purchase of machinery and equipments for the hospitals and other health facilities could not be utilized during current financial year 2016-17 and surrendered for next financial year 2017-18, revised budget gave the government a hefty amount in saving taken into the heads "surrender and withdrawal". Further, a large number of vacancies are

available/unfilled, for which amount is required to be kept in budget estimates; therefore, it also caused saving while preparing revised budget estimates for the Sector.

Increased in current expenditure estimation for the Department is mainly due to the following factors: -

- Government has increased the Health Professional Allowance for doctors which would cause an impact of Rs. 1.75 Billion annually. The rates of Health Professional Allowance vary as per place/district of posting of doctors and grade of the doctors with an aim to attract doctors to work in periphery and fulfill the human resource needs of the hospitals where posts are lying vacant and general public suffers.
- Rs. 1000 Million has been allocated for purchase of machinery by Government Medical Store Depot (MSD). It may not be context to mention that Health Department has been provided this amount of Rs. 1000 Million for procurement of necessary machinery and equipments but due to the non-availability of Bio-Medical Engineer, the task could not be accomplished. As the appointment of Bio-Medical Engineers have been made; therefore, in next financial year's budget also reflect the proposal of the same amount for the purpose of plant and machinery.
- Substantial increase in the budget for purchase of medicines for hospitals and health facilities and other bedding-clothing items, X-Ray films have been made for the next financial year.

5) **RECREATION, CULTURE & RELIGION**

Functional Head of "Recreation, Culture and Religion" comprise of the Departments/Sectors of "Auqaf & Religious Affairs", "Culture" and "Administration of Sports and Recreational Facilities". Table 2.6 shows the breakup of different services under this functional classification and their allocations for FY 2017-18 along with budget & revised estimates 2016-17.

Table: 2.6-RECREATION, CULTURE & RELIGION (Rs. in Million)

Departments/Sector	BE 2016-17	RE 2016-17	BE 2017- 18
Admin: Sport & Recreation Facilities	361.881	835.052	739.274
Culture Services	123.366	139.159	178.225
Religious & Minorities Affairs	632.560	523.451	662.450
Natural Calamities & Other Disasters	3,065.00	1,087.500	3,095.00
Total:-	4,182.807	2,585.162	5337.399

ANALYSIS

The impact of enhancement in salaries and new expenditures (creation of new posts) has been included beside with the exponential increase in contingencies and operational expenses which resulted in general increase in the current expenditure in respect of the function "Recreation, Culture & Religion" for next FY 2017-18.

For Sports & Recreation facilities, current financial year 2016-17 has to bear the shock of expenses on account of 14th August and 23rd March celebrations, for which no prior allocation was made for FY 2016-17; therefore, Government had to resort to additional budget grant. Keeping in view the expenditure trends of previous financial years for the expenses of 14th August and 23rd March celebrations, an allocation of Rs. 300.00 Million has been proposed for next FY 2017-18 in order to avoid or minimize the supplementary grant, strictly in accordance with the principles of good financial management.

6) EDUCATION AFFAIRS AND SERVICES

Education sector has been the most favored sector for last three financial years. This sector is divided into Secondary Education, Higher & Technical Education and Achieves, Libraries and Museum, and Medical Education. Medical Education is the new entry for next financial year 2017-18 as the medical teaching institutes under the administrative control of Health Department placed under Fund's Head "BC-21042-Medical Education" are:

- i. Bolan Medical Colleges, Quetta
- ii. Post-Graduate Medical Institute, Quetta

- iii. Institute of Public Health, Quetta
- iv. Balochistan Institute of Nephro-Urology, Quetta (BINUQ)
- v. Balochistan Institute of Psychiatry and Behavioral Sciences, Quetta
- vi. Medical College, Khuzdar
- vii. Medical College, Kech at Turbat
- viii. Medical College, Loralai

For next financial year 2017-18, current expenditure for Education Affairs & Services are pitched at Rs. **45,853.992** Millions against the budget estimates 2016-17 of Rs. **42,674.667** Millions and revised budget 2016-17 of Rs. **40,106.171** Millions, representing an increase of 7.45% in the current expenditure under the functional head.

Table: 2.7- Education Affairs & Services (Rs. in Million)

Education Affairs & Services	BE 2016-17	RE 2016-17	BE 2017-18
Education (Colleges Side) Higher Edu:	13,701.931	8,406.716	7,779.565
Education (Secondary)	28,932.218	31,683.337	35,070.641
Archives, Libraries & Museum	40.518	16.118	226.198
Medical Education	--	--	2,777.588
Total	42,674.667	40,106.171	45,853.992

ANALYSIS

The impact of enhancement in salaries and new expenditures (creation of new posts) has been included beside with the exponential increase in contingencies and operational expenses which resulted in general increase in the current expenditure in respect of the function "Education Affairs" for next FY 2017-18.

Table given above although show that the budget of Higher Education has been decreased considerably; however, estimation has been made on actual basis and due to the following factors: -

- i.** As it is clear that against the allocation of Rs. 13,701.931 during current financial year 2016-1, revised budget 2016-17 was finalized at Rs. 8,406.716, i.e. Giving more than Rs. 5.20 in savings which was taken under sub-heads “surrender and withdrawal”. However, the budget estimates 2016-17 reflect an over estimated amount of Rs. 5.30 Billions as lump-sum amount for increase in salaries and meeting new expenditures (creation of posts in FY 2016-17) as well huge amount for unforeseen expenditure, which was unrealistic and flawed budgeting in the sector and led the Government to park the amount which can never be spent. Therefore, realizing the expenditure trends and impact of salaries to be increased @ 10% of basic pay after merging Adhoc Relief Allowance-2010 (50% of basic pay), lump-sum provision for meeting demand for new expenditure and impact on salaries’ enhancement has been proposed to be Rs. 1.5 Billion only and Rs. 300.00 Millions for Financial Assistance to families of civil servants of the Department, thus over estimation of Rs. 3.50 Billions have been avoided showing the decreasing trend in current expenditure for Higher & Technical Education Sector.
- ii.** To meet the department’s requirements in terms of human resource to introduce four-years Bachelor Degree Program in various colleges and to cater for the need of teaching faculty of various colleges in various disciplines/subjects, creation of posts of Professor, Associate Professor, Assistant Professors and Lecturers along with necessary staff in teaching laboratories have been proposed up to the number of more than three hundred.
- iii.** From the budget of Higher & Technical Education, an amount of Rs. 200.00 Million would be spent for enhancing the capacity of Army-run schools and colleges imparting education to civilians and military personnel on the request of Headquarter, Southern Command. Further, from the allocation, adequate number of qualified students will be sent abroad for doing higher studies – M.S/M.Phil & PhD in various disciplines. This initiative of sending the students abroad for higher

studies was long awaited keeping in view the various modern day challenges to the country and the province, in particular. This is the first time in the history that Government of Balochistan has planned a program of sending students abroad for higher studies from Provincial Government finances.

- iv. In the aftermath of Sandeman Provincial Hospital's carnage of August 2016, the Province suffered a lot as a result of martyrdom of top leadership of senior advocates and lawyers, thus the activities relating to administration of justice suffered considerably due to the capacity issues. In order to bridge the gap, Government of Balochistan will provide an amount of Rs. 250 Millions to send the lawyers of this province abroad, particularly United Kingdom (UK) for Bar-at-Law, L.L.M and higher studies in the field of Law, in consultation with the Balochistan High Court and Bar Councils.
- v. Secondary Education's budget is hit with the inaccurate data on number of teaching posts and actual number of teaching staff; therefore, estimation of amount in budget estimates always remained a problem. This fact is evident of revised budget 2016-17 of Rs. 31,683.337 against the budgetary allocation of Rs. 28,932.218 in budget estimates 2016-17, thus a huge burden of more than Rs. 2.50 Billions as supplementary grant. This is mainly because of the increase in expenditure on pay related expenses.
- vi. Keeping in view the expenditure trends of previous financial years, especially on account of salary item, budget estimates 2017-18 for Secondary Education has been pitched at Rs. 35,070.641.

7) GENERAL PUBLIC SERVICES

Under the Function "General Public Services", the demands/funds' head include General Administration (Charged), General Administration (Voted), Population Welfare, Stamps and expenditure on Pensions, Debt Servicing, Public Debt Discharged and investments. However, the portion of Pensions, Debt Servicing, Public Debt Discharged and investments will be discussed separately in next sections and

chapter(s).

Table given below represents the allocation for General Public Service during current financial year, revised budget for 2016-17 and budget estimates proposed for FY 2017-18

Table: 2.8 GENERAL PUBLIC SERVICES (Rs. in Millions)

General Public Services	BE 2016-17	RE 2016-17	BE 2017-18
General Administration (Charged)	1,367.594	1,171.145	1,241.282
General Administration (voted)	13,471.534	11,299.419	14,053.614
Population Welfare	832.163	687.73	858.931
Stamps	32.653	52.079	44.093
Debt Servicing	1,205.272	1,499.067	1,809.864
Pension	12,690.884	17,913.144	15.000
Total	29,600.101	32,622.027	33,007.334

ANALYSIS

The impact of enhancement in salaries and new expenditures (creation of new posts) has been included beside with the exponential increase in contingencies and operational expenses which resulted in general increase in the current expenditure in respect of the function "General Public Services" for next FY 2017-18. However, an attempt has been made to forecast the expenditures for civil administration at district and divisional level on the basis of their requirements to make the budgetary allocation more realistic.

However, the budget estimates 2016-17 reflect an over estimated amount of Rs. 6.70 Billions as lump-sum amount for increase in salaries and meeting new expenditures (creation of posts in FY 2016-17) as well huge amount for unforeseen expenditure, which was unrealistic and flawed budgeting in the sector and led the Government to park the amount which can never be spent. Therefore,

realizing the expenditure trends and impact of salaries to be increased @ 10% of basic pay after merging Adhoc Relief Allowance-2010 (50% of basic pay), lump-sum provision for meeting demand for new expenditure and impact on salaries' enhancement and other requirements has been proposed to be Rs. 5.20 Billion only, thus decreasing the current budget under General Administration (Voted) to the tune of Rs. 1.50 Billions.

Further, the purchase of Helicopter and expenses on law and order to call armed forces and civil armed forces in aid of civil power met from the current expenditure allocation.

Abnormal increase in pension bill and expenditure is worrisome for the provincial government. Although an amount of Rs. 3000.00 Million was invested in Pension Fund during current financial year and another Rs. 3000.00 Million is estimated to be invested in the pension fund during next financial year, yet the expenses on this account are uncontrolled and require the Government to take concrete measures in terms of huge investment in the said funds or budget support initiatives etc.

8) Social Protection

Under the functional head of Social Protection, following departments/sectors lie within: -

- i. Labour & Manpower
- ii. Social Security and Social Services
- iii. Population Welfare
- iv. Women Development Department
- v. Environment Control Department

Table 2.9 gives an account of budget estimates 2016-17, revised budget 2016-17 and budget estimates 2017 for the above-named Departments.

Table: 2.9 Social Protections (Rs. in Millions)

SOCIAL PROTECTION	BE 2016-17	RE 2016-17	BE 2017-18
Labour Manpower	1057.373	981.015	1,263.967
Social Security and Social Services	892.650	788.333	982.260
Population Welfare	832.163	687.73	858.931
Women Development	104.396	64.511	111.657
Environment Control	260.020	197.493	424.738
Total	3,146.602	2,719.082	3,641.553

ANALYSIS

The impact of enhancement in salaries and new expenditures (creation of new posts) has been included beside with the exponential increase in contingencies and operational expenses which resulted in general increase in the current expenditure in respect of the function "Social Protection" for next FY 2017-18. However, an attempt has been made to forecast the expenditures for civil administration at district and divisional level on the basis of their requirements to make the budgetary allocation more realistic.

Budgetary allocation for FY 2017-18 in respect of Environment Control (Environment Protection Agency) has been enhanced due to proposed allocation for purchase of assets to establish scientific laboratories and other assets etc.

Chapter 4

Public Sector Development Program (PSDP)

Overview of PSDP 2016-17

During last five years the Government of Balochistan has done its best for compilation of fiscal budgets. The preparation of error free Public Sector Development Program (PSDP) has been taken up as a challenge during this period. The Government remained cautious of wastage of funds and tried to launch small, medium and long term projects/ schemes for effective utilization of development funds for the betterment of masses according to their needs.

Keeping in view the importance of the region and emerging opportunities under the China-Pak Economic Corridor (CPEC), the Government along with its Development Partners, Private Sector and Academia is trying to achieve synergies through the best practices experienced across the region for efficient utilization of financial resources and obtaining model development in the province.

Mainly, the Development budget comprises development receipts and expenditures, which form a part of the Provincial Consolidated Fund in Account No. 1 (Non-Food). These are further divided in to categories of—Revenue and—capital—as follows:

- Development Revenue Receipts
- Development Capital Receipts
- Development Revenue Expenditure.
- Development Capital Expenditure

For all development activities in Balochistan, the provincial government spends annual allocations of funds as reflected in provincial PSDP, gets financial resources in the shape of provincial share from federal government according to National Financial Commission (NFC) Award, development grants (both from federal and donor agencies) and the loans, if any. The issued amount from federal government is received in non-monitory form and is transferred in the Non-food No.1 account of Government of Balochistan on the approval and direction of the President of Pakistan for further implementation of the development schemes/ projects.

FUNDS DISTRIBUTION TO SCHEMES

Funds distribution to development schemes requires careful consideration of size of the scheme, annual financial phasing in PC-I, total number of schemes in PSDP, number of schemes in a particular sector, relative importance of schemes, percentage of allocation fixed for

various sectors/sub-sectors etc.

Keeping in view the financial constants of development budget and importance of development sector during financial year 2016-17 the PSDP was planned with the distribution as local component equaling Rs. 65.249 billion and foreign project assistance (FPA) amounting to Rs. 6.181; by summing up both components the total size of PSDP remained Rs. 71.182 consisting of 2293 development schemes.

ANNUAL SECTOR ALLOCATIONS:

During financial year 2016-17 sectors were grouped into the three main categories;

a. **SOCIAL** (35 % of total size of PSDP 2016-17)

- a. Education
- b. Health
- c. Social Welfare
- d. Water Supply & Sewerage
- e. Labor & Manpower
- f. Culture
- g. Sports, Tourism & Youth
- h. Information Technology
- i. Women Development

PRODUCTIVE ((30 % of total size of PSDP 2016-17)

- a. Agriculture
- b. Forestry
- c. Fisheries
- d. Livestock & Dairy Development
- e. Industries & Commerce
- f. Minerals

b. **INFRASTRUCTURE** (35 % of total size of PSDP 2016-17)

- a) Transport & Communication
- b) Energy (fuel & power)
- c) PP&H
- d) Irrigation
- e) Local Government
- f) UP&D

During financial year 2016-17 the total number of schemes in sectors and sub-sectors were divided into two parts i.e. on-going projects and new schemes. In the PSDP total number of ongoing projects remained 1258 whereas total number of new schemes was 1035.

INCLUSION OF NEW DEVELOPMENT SCHEMES IN PSDP 2016-17

The government of Balochistan at the start of financial year 2016-17 faced a great challenge of accommodating huge number of on-going development schemes but still managed to include a large number of new development schemes. Few of the mega projects of PSDP 2016-17 which remained milestone in the composition of the PSDP were as follows:

Table-1.

S#	Project Name	Estimated Cost	Allocation 2016-17
1.	Chief Minister Program for Construction of Thirty Dams in Balochistan	2.50	1.636
2.	Chief Minister Program for Provision of Drinking Water and Toilets in Schools	1.00	1.00
3.	Transport of Indus River Water from Pat Feeder to Quetta	40.00	10.00
4.	Mass Transit System for Quetta City	2.00	2.00
5.	Green Bus Service for Quetta City (100 Buses)	1.00	1.00
6.	Chief Minister Program for Improvement of Civic & Urban Infrastructure at Divisional HQ	3.50	3.50
7.	Chief Minister Program for Improving Urban & Civic Infrastructure in Quetta City	5.00	4.00
8.	Chief Minister District Development Program	5.20	5.20
Total		60.20	28.336

During financial year 2016-17 the government of Balochistan collaborated with the development partners/international donor agencies as well. Various development projects were initiated with the financial/ technical assistance from foreign funding/ implementing agencies and where required the government of Balochistan duly contributed its share for execution of these schemes for rapid results. A list of various foreign funded mega projects is given in following table.

Table-2

Project Name	Cost (Rs. In million)
Balochistan Integrated Water Resource Management Project (WB funded)	20.00
Balochistan Education Project (GPE)	6.721
Balochistan Nutrition Program For Mother & Children	1.492
Strengthening of Expanded Program on Immunization (GAVI).	10.028
Gwadar-Lasbella Livelihood Support Project (IFAD).	3.371
Rehabilitation of Pasni Harbour	0.850
Balochistan Sustainable Development Goals Projects	0.500
Governance & Policy Program (GPP)	10.049
Sustainable Land Management Program (Phase II).	0.411
Balochistan Community Development Project (BCDP).	7.000
Enforcement Of Rule Of Law In Balochistan.	1.098
Total	61.52

FORMULATION OF PUBLIC SECTOR DEVELOPMENT PROGRAMME 2017-18

After closure of financial year 2016-17 with various experiences and consequences faced in the implementation of the development schemes, the Government of Balochistan decided to adopt a comprehensive framework in identification of development schemes for current financial year i.e. 2017-18. In this regard government of Balochistan has decided to prepare its development plan keeping in view following studies/ reports;

- Vision 2025
- Balochistan Development Need Assessment
- Balochistan Comprehensive Development Strategy
- Sustainable Development Goals
- Multidimensional Poverty Index
- Sector Plans and departmental strategies

Based on the planned framework for development activities, the Government of Balochistan relies on the following criteria for identification of development schemes for financial year 2017-18;

- Alignment of PSDP with development frameworks
- Repair / purchase schemes shall be avoided

- Block allocation schemes be avoided up to maximum level
- No institutions other than public sector be considered
- Schemes size shall not be less than Rs. 5.00 million
- Individual nature schemes shall be avoided

Further the government has decided to allocate the total financial resources as under:

Table-3

On Going Development Schemes	New Departmental Schemes	New Community Schemes
60%	20%	20%

The proposed resource allocation strategy may also be understood as per sectoral allocations for financial year 2017-18 as under:

Table-4

Social Sector	Infra Structure Sector	Productive Sector
35%	35%	30%

The Government of Balochistan has taken various initiatives for optimization of Planning and Development process and ensuring accountability and transparency during compilation of error free development budget for 2017-18, some of which are as under:

- Delegation of powers to Departmental Sub-Committees for the approval of development schemes enhanced from Rs. 10.00 million to Rs.100.00 million.
- Announcement of Public Finance Management Reforms (World Bank & EU funded)
- Automation of PSDP
- Strengthening of Monitoring & Evaluation Wing (World Bank funded)
- Establishment of Performance Management Cell (for real time service delivery monitoring)
- Strengthening of Ombudsman and Anti Corruption establishment

Another achievement in preparation of development budget for financial year 2017-18 is introduction of development budget calendar. The main purpose of the calendar is timely utilization of funds and implementation of projects/ schemes within stipulated time frame. In this regard, various rounds of meetings with all stakeholders were held and it was mutually decided to adhere to following development budget calendar for achieving best utilization of development recourses:

Table-5

Tasks	Proposed Dates
Authorization of ongoing schemes as per policy	July-August, 2017
PDWP meetings of new schemes in P&D Department	August-December, 2017
DDWP meeting of new schemes	-do-
DSC meetings of new schemes	-do
Mid Year Progress Review Meetings	01 st January-31 st January, 2018
Submission of proposals for next year's PSDP	01 st Feb-20 th Feb, 2018
Excess & Surrender Meetings in P&D Department	15 th March to 15 th April, 2018
Finalization of Revised PSDP 2017-18 by P&DD	1 st Week of May, 2018
Preparation & finalization of next year's PSDP	10 th May to 31 st May, 2018

OVERVIEW OF PSDP 2017-18

Table 6: Size of Provincial PSDP 2017-18 (Rs. In Millions)

PSDP	Local Component	FPA	Total
Provincial	80000.170	6011.000	86011.170

Table 7: Number of Schemes in Provincial PSDP 2017-18

PSDP	Total
New Schemes	1549
On-going Schemes	1211

Table 8: Share of Priority Sectors in Provincial PSDP 2017-18

Priority Investment Sector	%age
Communication	19.69
Water	8.53
Public Health Engineering	7.87
Education	10.65
Power	2.39
Health	7.10
Others	17.75
PP & H	7.21
Production sector	7.67

Table 9: Sectoral Allocation

S#	Sector	Composition	%age
1	Production	Agriculture Livestock Forestry Fisheries Industries Minerals	7.67
2	Social Sector	Sports Culture Information Technology Education PHE Health Manpower Environment Social Welfare Women Development	30.46
3	Infrastructure Sector	PP&H Communication Water Energy Local Government UP &D	43.80

Chapter 5

PUBLIC ACCOUNT OF THE PROVINCE

5.1 INTRODUCTION

The Constitution of the Islamic Republic of Pakistan lays down two types of accounts for Government money operations i.e Provincial Consolidated Fund and the Public Account.

Article 118 of the constitution defines Public Account as all monies which do not form the part of Provincial Consolidated Fund (PCF) but are

- (a) Received by or on behalf of the Provincial Government; or
- (b) Received by or deposited with the High Court or any other Court established under the authority of the Province.

Public Account consists of those monies for which the Provincial Government has a statutory or other such obligation. These are in the form of trust monies for which the Government has a fiduciary responsibility. These are categorized as:

- a) Unfunded Debt (deferred liabilities);
- b) Deposits and reserves;
- c) Remittances.

Public Account consists of series of accounts, each of which is separately governed under specific rules framed for the said purpose. Main elements of the Public Account in the Annual Budget Statement are summarized as follows:

- a) Assets
 - Cash and Bank Balances
 - Receivable
- b) Deposits and Reserves / Liabilities
 - Control Account
 - Trust Account-Fund
 - Trust Accounts-Others
 - Special Deposit-Investments
 - Special Deposit Fund

Table: 3.1- PUBLIC ACCOUNTS PROVINCE UNFUNDED FUND (RECEIPTS & PAYMENTS)
(Rs. In Millions)

PUBLIC ACCOUNTS OF THE PROVINCE UNFUNDED FUND (ESTIMATES OF RECEIPTS AND PAYMENTS)	Estimates for the year 2016-	
	Receipts	Payments

Trust Account Fund

G06103	State Provident Funds	3,176	1,950
G06214	Balochistan Government Servants Benevolent Fund	1,429	1,339
G06308	Staff Welfare Fund - Balochistan Police	52	50
G06408	Provincial Govt. Employees Group Insurance Fund	815	788

Trust Account Others

G10107	Deposits of Department of Mineral Development	5	5
G10113	Public Works/Pakistan PWD Deposits	3,185	2,967
G10304	Zakat Fund	301	301

Special Deposits

G11216	Civil and Criminal Courts Deposits	178	114
G11238	Security Deposits of Supply Cell	148	143
G12224	Balochistan Police Foundation Fund	5	4
Total Receipts and Payments		9,294	7,661

5.2 RECEIPTS

5.2.1 ASSETS

Assets as Public Account Receipts consist of Cash and bank balances, Investments, Loans and advances, Imprest monies, Advances to employees, Returns from investments and loans etc.

5.2.2 DEPOSITS AND RESERVES

Major part of receipts of the public account consists of deposits and reserves. These include Intergovernmental adjustments, Remittances, Suspense funds, Special deposit fund, Welfare fund, Development fund, Education & training fund, Income Tax deductions from salaries, Personal Ledger Accounts (PLAs) and Trust Account Fund comprising of Provident, Benevolent and Group Insurance Fund.

A large number of items of miscellaneous receipts and expenditure are also part of the deposits and reserves. But these do not follow any particular pattern, especially receipts and expenditures relating to PLAs, which are kept with government treasuries, of autonomous and local bodies of the provincial government. The same is true in the cases of suspense accounts. Whether net receipts from Suspense will be positive or negative depends entirely on if misclassification in respect of receipts has been more than in respect of expenditure and vice versa. The net effect of such receipts and expenditure for the purposes of budgeting is assumed to be nil due to the reason that equal size of receipts and disbursement is reflected on both sides of the said accounts.

5.3 DISBURSEMENTS

5.3.1 CURRENT ASSETS

Cash, bank balances and receivable are included under the category of current assets.

5.3.2 LIABILITY

Liabilities are indicated as disbursements to be made from deposits and reserves and are also shown as contra item to the deposits and the reserves.

Chapter-6

Government PFM Reform Process

Public Financial Management (PFM) is a process by which governments translate public resources into public services. The rise in demand for public services has not been proportional to the increase in resources which has highlighted the importance of Public Financial Management for Governments.

This chapter outlines the Government of Balochistan's overall approach to Public Financial Management (PFM) reform and describes recent and on-going reform initiatives to improve PFM performance. This will help to explain the institutional factors that support the process, and provide a forward-looking perspective on the factors that are likely to affect future reform planning, implementation and monitoring.

Approach to PFM Reforms

PFM reforms in Balochistan have been initiated under the umbrella of the federal Project to Improve Financial Reporting and Auditing (PIFRA). The key outcomes of PIFRA are implementation of the Government Financial Management Information System (GFMIS) across the province, updating of accounting and reporting framework, and attaining efficiency in financial reporting.

Based on the results of thus PEFA assessment, the Government has prepared a 10 years PFM Reform Strategy that is likely to be approved by the provincial cabinet by soon. Based on the strategy, an action plan has also been prepared which has started being implemented. The overall vision is to have robust and sustainable PFM systems for effective and efficient use of public resources and service delivery. To cope with this wide span of PFM, the strategy is based on the following 5 Pillars; i) Enhanced Revenue; ii) Strengthened Fiscal Management; iii) Planning, Budgeting and Monitoring; iv) Reformed Development Budget System; and, v) Improved Management of Funds in Local Government. In addition, the strategy includes 4 crosscutting themes addressing respectively the regulatory framework, the use of technology in support of PFM, transparency and accountability and an integrated approach to capacity development in support of PFM reform. The following spells out the broad parameters of the PFM Reform Strategy:

Table: GoB PFM Reform Strategy – Pillars, Cross-Cutting Themes and Result Areas

Pillars		Result Areas	Timeframe (Years)		
			1-2	3-5	6-10
1.	Enhanced Revenues	1.Strengthened policy and administrative framework for own sourced revenues (Tax and Non-Tax)	•	•	•
		2.Strengthened system for management of self-generated revenues of autonomous organizations		•	
2.	Strengthened Fiscal Management	3.Fiscal Policy Framework drives budget	•	•	
		4.Expenditures are controlled within a realistic budget	•	•	•
		5.Debts, guarantees and fiscal risks are monitored and managed		•	
3.	Strengthened Planning, Budgeting and Monitoring	6.Planning establish the basis for sound budgeting across recurrent and development budgets		•	•
		7.Budget Execution closely reflects the original approved budget		•	•
		8.Budgets and results are monitored effectively		•	•
		9.Management in line departments is better oriented towards achieving targeted results			•
4.	Reformed Development Budget System	10.Comprehensive planning process includes sector strategies as the basis for identification of projects / schemes	•	•	
		11.Strengthened compliance with existing planning procedures		•	•
		12.Effective project monitoring systems inform management		•	•
		13.Procurements are managed efficiently and transparently	•	•	
		14.Development of appropriate opportunities and subsequent management of PPP	•	•	
5.	Improved Management of funds in Local Governments	15.Transfers to local governments are made under a well-defined financial allocation system	•	•	•
		16.Strengthened PFM systems exist in local governments		•	
Cross-cutting themes		Result Areas	Timeframe (Years)		
			1-2	3-5	6-10
1.	Legal and regulatory framework	1.A PFM law defines overarching system of PFM management for Balochistan	•	•	•
		2.A comprehensive and consistent set of regulations underpin sound public financial management	•	•	
		3.Updated budgeting and planning manuals provide a sound basis for management of budget cycle	•		
2.	Capacity Enhancement	4.Strengthened systems of PFM trainings including pre and in-service trainings	•	•	
		5.Stakeholder institutions have the capacity to establish and maintain PFM systems		•	•

Pillars		Result Areas	Timeframe (Years)		
			1-2	3-5	6-10
3.	Technology	6. Technology enables timely reporting and supports better management of public finances	•	•	•
4.	Transparency and Accountability	7. A high level of confidence that public funds are administered in a transparent and an accountable manner		•	•

Recent and On-going Reforms Actions

Although the PFM Reform strategy provides a road map for a long term reform, considering the urgent necessity of such interventions, the Finance Department has embarked on implementation of the reform process based on an action plan. To this effect, the World Bank funded \$16M Governance and Policy Project (GPP) and the EU funded Public Financial Management Support Programme for Pakistan are supporting the GoB to implement PFM reforms. The European Union Support is for a three year period purely focussed on Public Financial Management whereas the World Bank Project is of four year duration and covers interventions in PFM beyond the Finance Department also.

Restructuring of Finance Department

As a first step to implement the reform agenda, a review of the existing structure of the Finance Department has been carried out and apart from reviewing the existing nomenclature and responsibilities, certain new functional units has also been formed. This will lead to functional alignment resulting in enhanced efficiency and improved service delivery.

Creation of Four New Units

As a part of the above mentioned restructuring, four new units have been created in the Finance Department and notified accordingly. These include Tax Policy and Reform Unit, Debt Management Unit, Internal Audit Unit and the Risk Assessment and Investment Management Unit. The Tax Policy and Reform unit will develop a comprehensive Tax Policy/Revenue Mobilization Plan for the entire province, assist the concerned Departments for review of the existing Tax Governance and Collection mechanisms and suggest reforms for rationalization of taxes and automation of tax collection mechanisms at all levels. Debt Management Unit (DMU) will manage the debt portfolio of the GoB including debt evaluation, financial negotiation, debt settlement and periodic reporting. DMU will frame policies for domestic and foreign debt, operate a debt management information system, conduct financial analysis and annually publish the GoB's public debt statistics reports. The prime responsibility of the Risk Assessment

and Investment Management Unit will be Risk assessment and finding ventures for self-sufficiency of various funds, review of existing mechanisms for Fund Investments and management and making short term and long term strategies under various funds. The Internal Audit Unit, Finance Department, Government of Balochistan shall determine whether the governance processes, internal controls and risk management systems, in the Government of Balochistan (Education, Irrigation, and Health sectors to start with) and field offices as designed and represented by the management, are adequate and functioning in a manner to ensure that the application of risk management procedures and methodologies (including risk identification and management) and the functioning of internal control system is effective, significant and financial, managerial, and operating information is accurate, reliable, and timely, employees' actions are in compliance with the internal control policies, standards, procedures and applicable laws and regulations.

Revenue Mobilization

Revenue/Receipts have been a neglected area considering that over 90% of the Revenue of the Provincial Government is received from the Federal Government. However, realising the importance of own source revenue, FD has established the office of Additional Secretary (Resources) to review revenue target of all the GoB tax collecting agencies and conducting quarterly reviews to assess revenue collection performance against budget. To broaden the base of Sales tax on services which constitutes more than 50 percent of the own source revenue, FD is initiating an assessment of revenue potential and diagnostic studies for tax administration and revenue collection. A diagnostic review of existing Receipts mechanism has been carried out for nine major revenue generating departments with focus on reliable receipt estimation and rectification of misclassification of receipts booked. Recognizing the potential of General Sales Tax on Services for enhancing own source revenues, focus is being laid on strengthening the Balochistan Revenue Authority (BRA)

Budgeting Reforms

For the fiscal year 2017-18, FD is preparing a budget strategy paper to be approved by the provincial cabinet. Based on the overall resource availability, FD has communicated indicative budget ceilings to major spending departments to facilitate budget preparation for the fiscal year 2017-18. A new Budget Call Circular is also being designed to integrate current and development budget containing full set of forms and detailed guidance for the line departments. To evaluate and improve the efficiency of public investment management system, with the support of the World Bank, the P&D Department is conducting a Public Investment Management Assessment. For timely approval of development schemes, the P&D

Department has significantly devolved the project approval powers to the line departments.

Besides, the following initiatives were undertaken during current financial year to reform the budgetary process and improve the budget documents: -

1. Office of the Advocate-General and its establishment was wrongly being reflected under the Fund's Head "Administration of Charges (Charged)" as Advocate General is an Attached Department of Law Department; therefore, its expenditure cannot be attributed to be the "Charged Expenditure". Accordingly, budget of the Advocate-General was deleted and shifted from Administration of Justice (Charged).
2. Similarly, the budget for the offices of District Attorneys was being reflected under the Head "Administration of Justice (Voted), whereas such offices provide legal services for the Government and public; therefore, it was considered appropriate to delete and shift the budget of District Attorneys from "Administration of Justice (Voted).
3. The Budget of Law Department was under the "General Administration (Voted), which was deleted and shifted therefrom.
4. In order to reflect the budget of Law Department, office of the Advocate-General and District Attorneys, a separate Fund's Head/Demand with the title of "Legal Services and Law Affairs" has been created for next financial year 2017-18 where the budget of all these departments/offices stands reflected now under "Legal Services & Law Affairs".
5. Budget of the Medical Colleges and Health educational institutions was being reflected under the funds' head "Higher Education"; therefore, generating computerized reporting through SAP separately for Higher Education Department's colleges and medical education institutes remained problematic in terms of tracking the expenditure of all such institutes. Moreover, the administrative control of medical teaching institutes rests with the Health Department; therefore, it was inappropriate to incorporate these institutions under the demand of Higher Education. Accordingly, a new demand titled "Medical Education" has been created for reflection of the budget of Bolan Medical College, Postgraduate Medical Institute, new Medical Colleges at Loralai, Khuzdar and Kech at Turbat, Balochistan Institute of Nephro-Urology, and Institute of Public Health, Quetta etc.

6. Budget of the Provincial Ombudsman, being a quasi-judicial office, has been removed from the demand of “General Administration (Voted)” and a new demand “Provincial Ombudsman” stand created for next financial year 2017-18.
7. Budget of “Weights & Measures” being wrongly reflected under the demand of “General Administration (Voted)” has been removed from it and stands reflected under the Demand of “Labour & Manpower” which is already working under the administrative control of Labour and Manpower Department.
8. Budget of Balochistan Board of Revenue and Balochistan Revenue Academy has been omitted from the Demand of “General Administration (Voted)” and reflected under the Demand “Land Revenue” due to the reason that Land Revenue contained the budget of Settlement Offices which are under the control of Board of Revenue, Balochistan.

Procurement Reforms

BPPRA is moving forward to establish a complaint redressal system and two tier grievance redressal system. This will allow the aggrieved party access to the administrative appellate authority. In addition, BPPRA has initiated the process to revise procurement legislation and rules allowing it the authority to penalize any government official for wilful default in complying with procurement rules.

Accounting and Payroll Reforms

With the efforts of FD and AG Office, significant old reconciliation issues have been addressed and the remaining un-reconciled amounts are being investigated. Payroll of the all provincial employees have being shifted to the HR modules of FMIS and payroll of all government employees is now processed electronically. Pensioners in the province are also under the process of being shifted on the automated system.

PFM Professional Accreditation Program

For sustainable capacity building, the GoB in collaboration with Auditor General of Pakistan (AGP) and Association of Chartered Certified Accountants (ACCA) is developing a PFM Professional Accreditation Program based on government needs and international standards. The program is expected to be developed by December 2017 to be made a part of induction and regular in service training of civil servants.

Institutional Considerations

The PFM Reform Strategy is led and owned by the GoB which set out clear goals for improving the PFM system. FD and P&D Department are leading the reforms process as evident by initiation of priority reforms before formal approval of the strategy by the provincial cabinet. It is clear from the PFM Reform Strategy that the GoB recognizes that PFM-related capacity building is important to support the reforms. Initially, the GoB will rely on donor support but with the roll-out of PFM Professional Accreditation Program, the GoB aims to build the skill set to sustainably implement the envisaged PFM reforms.

The payroll of six districts e.g. Kohlu, Dera Bugti, Chaghai, Awaran, Washuk and Turbat has been computerized. Manual salaries have been stopped. All salaries are being paid through bank accounts.

Three-tiered committees have been constituted at the provincial, departmental and district levels for detection/ verification of bogus employees and reconciliation of their sanctioned strength with payroll strength. Lists of suspect employees compiled after detailed inspection of various treasuries have been shared with departments for verification. The Education Department has issued show cause notices to the employees of district Kachi. Meetings of high-powered committee have been held with Education, C&W, Health and Agriculture Departments.

NADRA has been approached for validation of CNICs of 295,457 provincial employees. The report of NADRA has been received according to which CNICs of around 45,000 employees could not be validated. Lists have been shared with all departments for rectifying CNICs of their employees within a month. The process will unearth many ghost employees.

Recruitment process for 353 employees of Directorate of Treasuries has been initiated through National Testing Service (NTS). Written exams and skills tests followed by interviews have been conducted. The process is expected to be completed before June 2017. The process once completed will address the severe human resource shortage in the Directorate.

Punching powers in the Finance Department have been decentralized and distributed among 12 budget officers. This has broken the monopoly of erstwhile MIS cell. All budget-related matters are being handled in the sections now.

The process for procurement of computers, printers, scanners and furniture has

been initiated. Bids have been received. Technical and financial bids will be opened shortly. The measure will improve the work environment in the Finance Department.

The spadework for introducing OM Module in the Finance Department has been initiated which will lead to harmonization between the servers of FD and AG and allow comparison of working strength with sanctioned strength giving Finance Department greater control over budget and resolving, in a large measure, the problem of ghost employees. Designations and grades are currently being matched.

The proposal for restructuring of District Account Officers is under serious consideration. Meetings have been held with Accountant General Office to bring about improvement in the working of district treasuries and improve service delivery by devolving important functions like pension/ GP fund payment, service verification and pay fixation to the districts.

Work is in progress to delegate pre-audit functions to Local Fund Audit and strengthen the organization to introduce better financial management in local councils.

Chapter 7

Balochistan Revenue Authority

The 18th amendment to the Constitution of the Islamic Republic of Pakistan followed by the 7th National Finance Commission (NFC) Award proved a hall mark in the history of Pakistan in terms of redefining the Fiscal relationship between the Federal and Provincial Governments. Whereas the eighteenth amendment resulted in fulfilling a long standing demand of the provinces of greater self-sufficiency, it also entailed greater responsibility in terms of spending. This was catered for in the 7th NFC Award announced in 2010-11 whereby the share of provinces from the Federal Divisible pool was enhanced on one side and at the same time, the prerogative of collection of Sales on Services (STS) was devolved to the provinces and consequently every province put in place its own Revenue Authority for the collection of Sales Tax on Services.

Balochistan Revenue Authority was established after the promulgation of the Balochistan Revenue Authority Act on 1 July, 2015. The Balochistan Sales Tax on Service Act was also promulgated on the same day. Balochistan Revenue Authority is completing only its second financial year and hence is at a relatively nascent stage as compared to other provinces sister authorities that were established earlier.

Before the delegation of the Collection of Sales Tax on Services to the provinces the Federal Board of Revenue collected this tax on behalf of the provinces. The collection of Balochistan in the year 2303-14 by FBR was only Rs840 Million.

Application of Uniform Tax Rate: - Balochistan Revenue Authority has levied a uniform rate of Sales Tax @ 15% except for telecom sector where the rate of taxation is 19.5%. More than one hundred different taxable services are enlisted in the Second Schedule of the Balochistan Sales Tax on Services Act, 2015 and in order to broaden the tax base, more categories are being included through amendment in the law. As a result of persistent efforts, the number of registered tax payers has also increased drastically from 273 (2015-16) to 1355 (2016-17) which has also contributed towards enhanced revenue generation. Further, no exemption whatsoever has been provided to any tax-payer/entity.

Registration of Tax Payers: -
Table - 1
Yearly Registration Details

S.No	Year	Association of Persons	Company	Business Industry	Total (added)
1.	2015-16	205	13	55	273
2.	2016-17	204	79	799	1082
Total Registered		409	92	854	1355

*(Till 10 June 2017)

Revenue Generation: The overall Revenue generation of BRA is depicted in the following table:

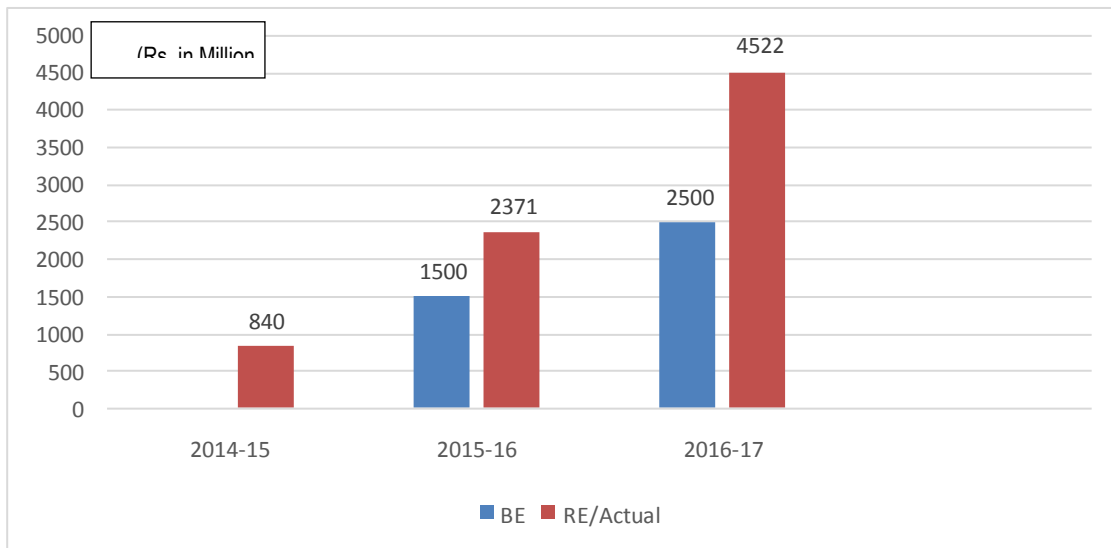
Year	Budget Estimates Rs Billion	Revised Estimates/Actual Collection Rs Billion	Collecting Agency
2014-15		840	FBR
2015-16	1.5	2.371	BRA
2016-17	2.5	4.522*	BRA
2017-18	4.7	-	BRA

(* Figure as of 10 June, 2017)

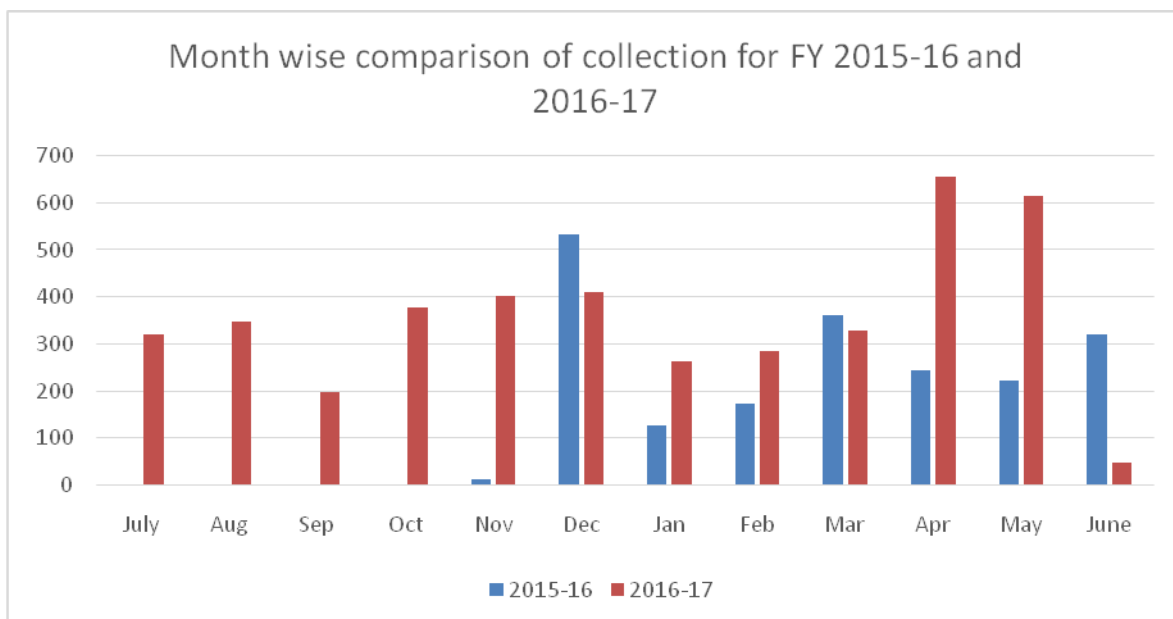
Considering the available resources, BRA has performed admirably with a collection of Rs 4.522 billion till 10 June, 2017 during the current financial year as against total collection of Rs 1.769 billion for the same period of the previous financial year which marks a phenomenal increase of 151%. There is no yard stick currently available to gauge the actual potential of GSTS in Balochistan, however a Tax Policy Unit is being formed under the umbrella of the Finance Department and one of the tasks of the Tax Policy Unit will be to assess the potential of Sales Tax on Services in Balochistan by conducting survey. Consequently, in the coming years, it is hoped that targets will be fixed and linked to actual potential, and revenue collection is likely to increase manifold.

Following is the comparative graphical representation of the receipt collection in FY 2014-15 and FY 2015-16.

Figure: 1
Receipt Collection for FY 2015-16 and FY 2016-17 (uptoMay, 2017)



Figures of BE for FY 2014-15 not available



Telecom and Non-Telecom Revenue collection comparison: -BRA’s collections mainly consist of the revenues from the telecom sector. During the year 2016-17, an amount of Rs 1657.516 Million was collected from telecom companies whereas Rs2865 Million was collected from all other sectors combined. In percentage terms, the contribution of Telecom sector is 36.64%. However, over the time revenue from said sector is decreasing which has been a cause of concern for all the Revenue Authorities and a plan is being chalked out to carry out Forensic Audit of Telecom companies so that actual reasons of this decrease may be ascertained.

Taxpayers' education: - BRA is cognizant of the need to educate tax payers for developing a culture of tax payment generally, and Sales tax in particular as this is the first time that such a tax is being collected at the local level. Few seminars and workshops have been conducted during the year in the office of Director General Treasuries (withholding tax), Quetta Chamber of Commerce and Industry, and Director General Audit (Tax audit). Also separately media campaign in the print and social media was also conducted. Under the World Bank-financed Governance and Policy Project (GPP), Communication expert is being engaged to chalk out and implement a comprehensive and structured communication strategy.

IT Developments: - BRA is currently availing paid IT services of PRAL for the purposes of collection of Punjab sales tax. Due to effective negotiations, agreement with PRAL was reinked in the FY 2016-17 at a reduced cost of Rs 17 Million. In this regard, BRA is in the process of setting up its own IT Wing as a strategic objective so that effective IT-based solutions resulting in lesser human involvement could be introduced. The IT Wing will also become the custodian of BRA's own Databank

GLOSSARY

Ad Valorem Taxes	Taxes levied as a percentage of the price of a good or service.
Bridge Financing	It is a method of financing used to maintain liquidity while waiting for an anticipated in flow of cash.
Budget	A financial statement of government's estimated revenues and expenditures for the fiscal year.
Budget Outlay	Total estimate of receipts and expenditures from the sources and for the purposes indicated in the budget.
Budget Deficit	Excess of government expenditures over revenues raised by taxes, fees and charges levied by governmental authorities.
Cash Development Loans	The CDLs were raised by the Federal Government to cover its foreign currency deficits on very high mark-up rates in most of the cases and transferred to provincial governments from time to time.
Capital Gains	Increases in the value of assets over a given accounting period.
Current Capital Expenditure	<p>Current Capital Expenditure like current capital receipt figures both in the Account No.I and Account No.II of the Provincial Government maintained with the State Bank of Pakistan. The expenditures under this head in Account No.I consist of the following:</p> <p>I. Principal Repayment of Domestic, Foreign and Market Debt. It also includes payment on account of Ways and Means Advances availed by the Government of the Punjab from the State Bank of Pakistan during the financial year.</p> <p>II. Loans and advances to corporate bodies of the Government of Punjab or associated with the Government of Punjab.</p> <p>Expenditures in Account No. II are mainly incurred on state trading operations of the government in food grains especially procurement of wheat and repayment of loans taken from the commercial banks for trading operations of Food Department.</p>
Current Revenue Expenditure	Current Revenue Expenditure includes expenditures on government's regulatory, administrative and other such functions including provision of social and economic services.
Debt Finance	Use of borrowed funds to finance government expenditures.
Development Expenditure	<p>As per the classification in the Annual Budget Statement, development expenditure is divided into two distinct parts:</p> <p>a) Revenue Expenditure) Capital Expenditure</p> <p>Development revenue expenditure is classified under grant PC 22036 (036) –Development–Revenue. The expenditure under this grant pertains</p>

	to most of the expenses other than the brick and mortar expense. Employees related expense, purchase of transport, machinery and equipment, operating expenses, research and development, training etc. provided under the projects during the execution of the projects are all part of the development revenue expenditures. Development capital expenditure is the capital investment under the development programs in roads, buildings, irrigation sectors etc.
Direct Tax	Direct tax is a tax the burden of which is born entirely by the individual or the entity that pays it and it cannot be passed elsewhere; for example corporate tax, income tax etc.
Dividends	Direct payments by a corporation to its share-holders.
Domestic Debt	Deb to wed to the creditors residing in the same country as the debtor
Entity	The organizational unit within the government responsible for management and control of particular resources. In a budgetary framework, each entity shall receive an allocation of funds and the entity mangers would be responsible for the expenditure incurred.
External Debt	Portion of a government's debt owed to the foreigners / external governments and institutions
Extraordinary Receipts	Extraordinary receipts were previously reflected as a part of capital receipt but now are classified as General Revenue Receipts. A significant portion of these receipts accrue from privatization/disinvestment of government owned assets, and sale of land etc.
Federal Divisible Pool	The biggest source of revenue for the Provincial Government is its share from the Federal Divisible Pool of Taxes. The Divisible Pool comprises of taxes on income, wealth tax, capital value tax, taxes on sales and purchases, export duty on cotton, customs duties, GST (CE Mode) and federal excise duties excluding the excise duty on gas charged at well-head, and any other tax which may be levied by the Federal Government. With the exception of federal excise duty on gas, the taxes mentioned above are distributed between the Provinces and the Federal Government.
Federal Transfers	A payment made by the Federal Government to the province either out of the Federal Divisible Pool or for other social benefit programs.
Fiscal Capacity	Fiscal capacity is a measure of the ability of a jurisdiction/government to finance government services.
Fiscal Equalization	Use of grants to adjust for differences in the capacity to finance basic government services amongst states/ governments
Fiscal Federalism	Division of taxing and expenditure functions amongst different levels of government.

Foreign Debt	The money one country owes to another country as a result of loan and / or a negative balance of trade.
Function	The economic function relating to provision of a particular service, activity or a program
Fund	The pool of money from where the budget allocation is made e.g. consolidated fund.
General Revenue Receipt	<p>General Revenue Receipts include the following:</p> <p>I) Federal Transfers:</p> <ul style="list-style-type: none"> • Share of Federal Divisible Pool of Taxes under the NFC Award,2009 • Straight Transfers on account of constitutional provisions, royalties on oil and gas • Federal Grants <p>II) Provincial Own Revenue:</p> <ul style="list-style-type: none"> • Provincial Tax Revenue including Provincial GST on Services collected by the Federal Board of Revenue • Provincial Non-Tax Revenue (As per the classification used in ABS, the Provincial Non-Tax Revenue includes Federal Grants and Straight Transfers) • Extraordinary Receipts
Incremental Budgeting	Budgetary approach that uses the previous period's budget or actual performance as a base with incremental amounts added for the new period.
Inflation	In economic terms, inflation is a
Indirect Tax	A charge levied by the state on consumption, expenditure, privilege or right but not on income or property. Custom duties levied on imports, excise duties on production, sales tax or value added tax at some stage in production – distribution process are few examples of Indirect Tax.
Historical Cost	Acquisition price of the asset general increase in prices and fall in the purchasing value of money.
Land Revenue	Land Revenue means all sums and payments in money received or legally Claimable by or on behalf of the Government from any per son on account of any form of land.
Matching Grants	Grants containing the requirement that the recipient government/jurisdiction will match the money through its own revenues.
MTBF	Medium Term Budgetary Frame work (MTBF)is a multiyear approach to budgeting which links the spending plans of the government to its policy objectives in medium term (usually three years).

Nominal Value	Nominal value refers to a value expressed in money of the day (year etc.) as opposed to real value which adjusts for the effect to inflation on the nominal value.
Object	Accounting classification describing the it me of expenditure, receipt, asset or liability.
Overdraft	An overdraft is a state where the withdrawals exceed the available balance.
Property Tax	A government levy based on the market value as assessed by assessing agency or based on certain formulas/parameters. It is a capital tax on property calculated on the estimated value of the property.
Provincial Consolidated Fund	The Fund which comprises all revenues received and all and raised by the provincial averment and all monies received by it in repayment of any loan.
Public Account	Public Account consists of those moneys for which the Provincial Government has a statutory or other such obligation to account for but these are not available for appropriation for the general operations of the Government
Public Debt	Public Debt is the total liability arising from the borrowings of the government including both domestic loans and foreign (or external) loans.
Public Finance	Field of economics that studies government activities, alternative means of financing government expenditures and their effects up on the economies in general.
State Trading	State Trading operations of the provincial government relate to procurement and sale of food grains especially wheat. Transactions pertaining to state trading are kept separately and their receipts and expenditures are credited and debited to the provincial government's food account i.e. Account No. II with the State Bank of Pakistan. It is carried out with the borrowing from commercial banks as per cash credit facility extended by these banks
Straight Transfers	The expression Straight Transfers used in the White Paper means the transfers on account of surcharge and royalties on oil and gas made by the Federal Government in pursuance of the relevant constitutional provisions.
Tax Revenue	It is a compulsory financial contribution imposed by the Government to raise revenue. It is levied on a specified rate on income or property, prices of goods and services etc.
Transfer Payments	Government expenditures that redistribute purchasing power amongst citizens.
Unconditional Grants	Sharing revenues among governments with no string attached to the use.