



WHITE PAPER ON THE BUDGET 2020-21



**FINANCE DEPARTMENT
GOVERNMENT OF BALOCHISTAN
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**WHITE
PAPER
BALOCHISTAN
2020-21**

MESSAGE FROM THE CHIEF MINISTER



Balochistan's Budget 2020-21, like its people, is a budget of resilience. We are facing an unprecedented challenge – a global pandemic – that is threatening our lives and livelihoods. And yet, we must look at this as impetus for real change through commitment and willingness to adapt on our part to realize this change.

The Government of Balochistan is fully committed to helping its people navigate this change. We are focused on strengthening our health service delivery system, providing social protection to our citizens, creating avenues for economic stabilization and employment generation. We will not forget our resolve to invest in our province's untapped potential. This is reflected in our planned development spending despite scarce financial resources being comparable to last year's Annual Development Programme spending.

My team and I will also ensure that our government also changes in the way it functions to improve governance of the Province through prudent and responsive fiscal management. We are already being extremely prudent in our discretionary current expenditure and have expedited institutional change that will lead to significant cost savings. Doing so will create fiscal space for us to continue spending on critical service delivery and boosting economic growth.

The Balochistan Budget 2020-21 reflects our commitment towards building resilience and setting up the stage to realize our investments in the province's development in the long term. My team and I will work exerting untiring efforts to help us see this pandemic through and then accelerate on the road to reform for improvement in the lives of masses.

Jam Mir Kamal Khan Alyani

MESSAGE FROM THE MINISTER FOR FINANCE



I feel privileged to lead the budget preparation for consecutive second year of the government. While COVID has had negative impact for us all, we must take it as an opportunity to reinvent ourselves. For this to happen, we must not only face this external threat head-on, but also reform our way of working. Before we look to the future, we must appreciate the progress made in the past year. Balochistan Revenue Authority (BRA) has delivered record revenue growth in 2019-20 and we expect that it will continue to perform even better for the coming financial year 2020-21.

However, there is much that needs to be done. To enable our citizens to deal with COVID, we are investing in our healthcare capacity, enhancing our social protection and safety nets & providing economic stabilization incentives through both tax and non-tax reforms.

We are also committed to control the cost of Government. We deploy our best talent, time and effort to control the exponential growth in salary and pensions expenditures. We have identified several opportunities to do so and are in the process of realizing these savings. In parallel, extremely prudent approach is being adopted by our government to control our discretionary current expenditures.

Despite our challenges with current expenditures, we are committed to the development of Balochistan to unleash the potential of this beautiful land and its resilient people.

Mir Zahoor Ahmed Buledi

MESSAGE FROM THE FINANCE SECRETARY



The preparation and presentation of annual budget is a complex process, which needs an in depth analysis and understanding of the financial and social issues of the province. The lion's share of the total revenues of the province is spent on current expenditure. In addition to Education and Health Sectors, a large chunk of current budget is spent on maintenance of law & order. During the last two decades, the disturbed security situation badly impacted private sector growth, reducing job opportunities for unemployed youth, thus adding more pressure on the Public Sector for creation of increasing number of government jobs to accommodate them.

The White paper for the financial year 2020-21 is one of the key source of communication between the Finance Department and other key stakeholders. The Paper portrays a comprehensive picture of the financial activities of the Government of Balochistan with analysis in easy to understand language. The major budget heads have been discussed here with strong emphasis on the Current Expenditure (Revenue and Capital), Development Budget, Public Account, Debt Management, Liabilities, Investment & Returns and all sources of revenues including transfers from the Federal Government being large part of the revenues for the Province. The Government of Balochistan is embarking on series of institutional reforms and activities in consultation with stakeholders within the Government and development partners to broaden and increase the revenue base of the Province to move forward towards the resilient and self-reliant province with increased capacity to generate revenue by itself.

I sincerely thank my team for the devotion and commitment they showed in preparation of the budget for the financial year 2020-21 par excellence.

Noor Ul Haq Baloch



EXECUTIVE SUMMARY

The people of Balochistan, in a province with a vast and valuable reserve of natural resources, yet to be utilized, are perhaps its greatest resource. A rugged and courageous people embodying the indomitable spirit, they have faced number of challenges and stood time and again to continue to face the variety of challenges and obstacles in their path. To have a comprehensive and cohesive plan to deliver the basic amenities of life to every citizen in every corner of the province is the need of the hour.

There are number of areas where people of the Province experience great deal of difficulties have access to basic public services, including safe drinking water and public health services. The government through its untiring, concerted efforts is endeavoring hard to provide clean water, basic health and educational services to the scattered population despite scarce financial resources and socio-political challenges.

Balochistan can expect to see a massive influx of economic activity

with Gwadar Port becoming operational and the advent of CPEC in near future. Although resources are being directed by the Government to prepare both its infrastructure and 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 developing public trust on state institutions. In keeping with this movement towards a higher standard of living, Government of Balochistan is attempting to improve the quality and accessibility of its healthcare. This is vital for Pakistan's largest province to ever become self-sufficient in a manner that would guarantee its inhabitants the same quality of life that the people of other provinces enjoy.

Balochistan has yet to take full advantage of its large mines of gold reserves, a valuable safety net for any economy, and tremendous reserves of coal, gas, and minerals and potential to generate solar and wind energy. It is in the unique position to leverage these resources to cater the needs of not only its own

population, but also contribute significantly to Pakistan's economic well-being. 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 efforts of the new Government started to reap results towards the start of FY 2019-20; however, these efforts of the Government received a major setback in March 2020 when the COVID-19 Pandemic reached Pakistan. The country came to a standstill both in terms of human mobility and economic activity.

COVID-19 resulted in a major adjustment in the fiscal position of the Government of Pakistan and revenue targets set by FBR were less than the last year's estimates (although not realized during the FY 2019-20 owing to a number of reasons with COVID-19 being largest contributory factor). In the Federal Divisible Pool, the share of Provincial Government of Balochistan fell short

of more than Rs.30 billion compared to the Budget of 2019-20. Therefore, major expenditure cuts had to be imposed on Development and current expenditure for the FY 2020-21. Against Rs. 108 Billion in B.E 2020-21 for Development Budget, Revised PSDP/ADP was closed at Rs. 81.82 Billion.

Budget 2020-21 is, thus, being presented in the backdrop of tough economic conditions. The Estimates have been framed under the Macroeconomic assumptions that the real GDP growth will be 2.1%, inflation at 6.5% and FBR revenue at PKR 4,962 billion during next Financial Year. The total Receipts of the Government have been pitched at PKR 367.548 billion. This includes General Revenue Receipts of PKR 325.00 billion, including Federal Divisible Pool transfers of PKR 251.663, Straight Transfers of PKR 13.390 Billion and Provincial Revenues of PKR billion 46.409. The Current Expenditure of the Government has been pitched at PKR 309.032 Billion. The size of Development Expenditure is estimated to be PKR 118.28 billion

(including Provincial PSDP and FPA Loan and Grant) as against PKR 108 Billion in 2019-20.

The Government of Balochistan had also adopted a proactive approach to mitigate the negative impact on livelihoods by announcing exemption of medical professionals, consultants and other service providers in the field from Sales Tax on Service as well as from other tax liabilities worth more than PKR 476 Million in the last quarter of FY 2019-20 along with increased expenditure on healthcare facilities, preventive and curative measures and Social Protection Package to offset the unemployment effect.

Furthermore, since it has been estimated that the negative impact of COVID-19 will continue till at least the first half of FY 2020-21, the Government has adopted a multi-pronged Fiscal Strategy with a focus on striking a balance between i) Revenue Generation through economic growth and broadening of the tax base rather than increasing taxes ii) Relief/economic stimulus for businesses especially the Construction Sector iii) Social Protection by providing relief to the COVID-19 affected sectors of the economy. As an emergency response measure, Government of Balochistan acted swiftly to mitigate

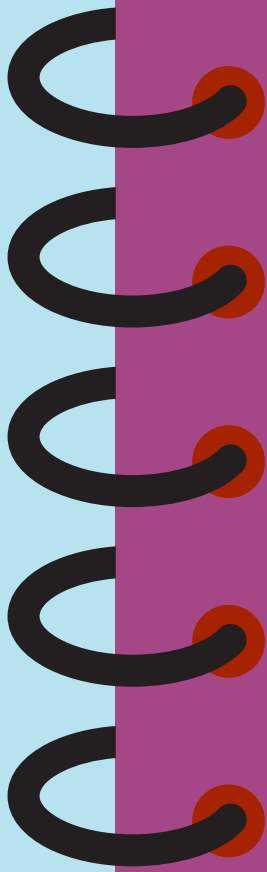
the fallout of locust on farmer's community and allocated PKR 680.00 million for locust control in addition to the budget for disaster relief measures.

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ABBREVIATIONS

GOB	Government of Balochistan
NFC	National Finance Commission
MMBTU	One Million British Thermal Units
PSDP	Public Sector Development Program
PCF	Provincial Consolidated Fund
FBR	Federal Board of Revenue
BRA	Balochistan Revenue Authority
E&T Dept.	Excise and Taxation Department
SBP	State Bank of Pakistan
GST	Gross Sales Tax
GDS	Gas Development Surcharge
BOR	Board of Revenue
COA	Chart of Accounts
CGA	Controller General Accounts
FY	Financial Year
BC	Balochistan Constabulary
TA/DA	Traveling Allowance and Dearness Allowance
POL	Petroleum, oil and lubricant allowance
PDMA	Provincial Disaster Management Authority
NEC	National Economic Council
GDP	Gross Domestic Product
FX	Foreign Exchange
Hubco	Hub Power Company
BEEF	Balochistan Education Endowment Fund



01

Chapter

Macroeconomic Outlook and Challenges

Macroeconomic Outlook and Challenges

1.1: National Economy

The macroeconomic stability is a fundamental pre-requisite for sustained economic growth. Pakistan's economy has experienced frequent boom and bust cycles. Typically, each cycle comprised of 3-4 years of relatively higher growth followed by a macroeconomic crisis which necessitated the stabilization programs. The inability to achieve sustained and rapid economic growth is due to structural issues which require effective monetary and fiscal measures to achieve macroeconomic stability.

During the last couple of years the national economy has been subjected to demand and supply shocks. The outgoing fiscal year 2020 has witnessed a contraction in economic activity. The growth has been primarily consumption led growth. The unplanned state borrowing from different sources increased both private and public consumption resulting in higher debt repayment liabilities, which created

severe macroeconomic imbalances. The investment did not pick up as higher demand was met primarily through imports leading to enormous rise in trade imbalances. Due to low growth in revenues and the unplanned and unproductive expenditures, the fiscal deficit widened. The persistence of large fiscal and current account deficits and associated buildup of public and external debt became the major source of macroeconomic challenges.

According to SBP Second Quarter Report for FY2019-20, in first two quarters the national economy showed signs of recovery and the stabilization efforts yielded significant improvements. However, achieving this year's real GDP growth target of 3.5pc had been unlikely and the provisional growth rate (Revised) for FY 2019-20 is set at negative 0.38% on the basis of 2.67, -2.64 and -0.59 percent growth in agricultural, industrial and services sectors respectively.

If compared with the previous year, the Financial Year (FY) 2018-19 was

an extraordinary year for Pakistan's current account balance when it faced a deficit of \$19.482 Billion. With the aim to curtail the deficit stringent measures were taken and import restrictions were introduced across the board coupled with the exchange rate flexibility improved the current account deficit which narrowed to 1.1 percent of GDP in Jul-March FY 2019-20, amounting to US\$ 2.8 Billion which was 3.7 percent of the GDP amounting to US\$ 18.80 Billion in the same period in FY 2018-9 , but only by reducing imports by 16.9% (all groups of imported items witnessed a decline except petroleum and chemicals groups) and attracting 5.3% additional remittances than a year earlier (i.e., remittances for July-April 2020 remained \$18.80 billion in FY 2019-20). On the other hand, export-driven growth had not been sufficient to compensate for subdued domestic market activity. Exports instead of rising declined by 1.9% in CY2019. There was a minimal increase in the exports of textile and petroleum groups but these were offset by a decline in exports from food and other manufactured groups. This was because no concerted policy effort was made by the government to promote exports. Since the second quarter of FY 2019-20, however, there have been some positive signs of export

growth and a further decline in imports. During the first two months of 2020 both exports and imports increased from the previous year's levels but current account deficit declined more sharply in February 2020. During current financial year the foreign exchange reserves increased noticeably and core inflation lately eased.

Corona Impact on National and Provincial Economy

The Corona epidemic, has transformed into a global crisis with serious implications for economies across the world. For the first time since the Great Depression both advanced economies and developing economies are in recession.

Pakistan is also among the countries hit hard by the pandemic. In March, 2020 Pakistan opted for complete lockdown throughout the country which brought economic activities to a near-halt. The closure of non-essential businesses, markets, production units and domestic supply chain disruptions are having a significant impact on wholesale, retail trade, transport, storage, communication, and on the largest sub-sectors of the services sector. The drop in domestic and global demand is also compounding the

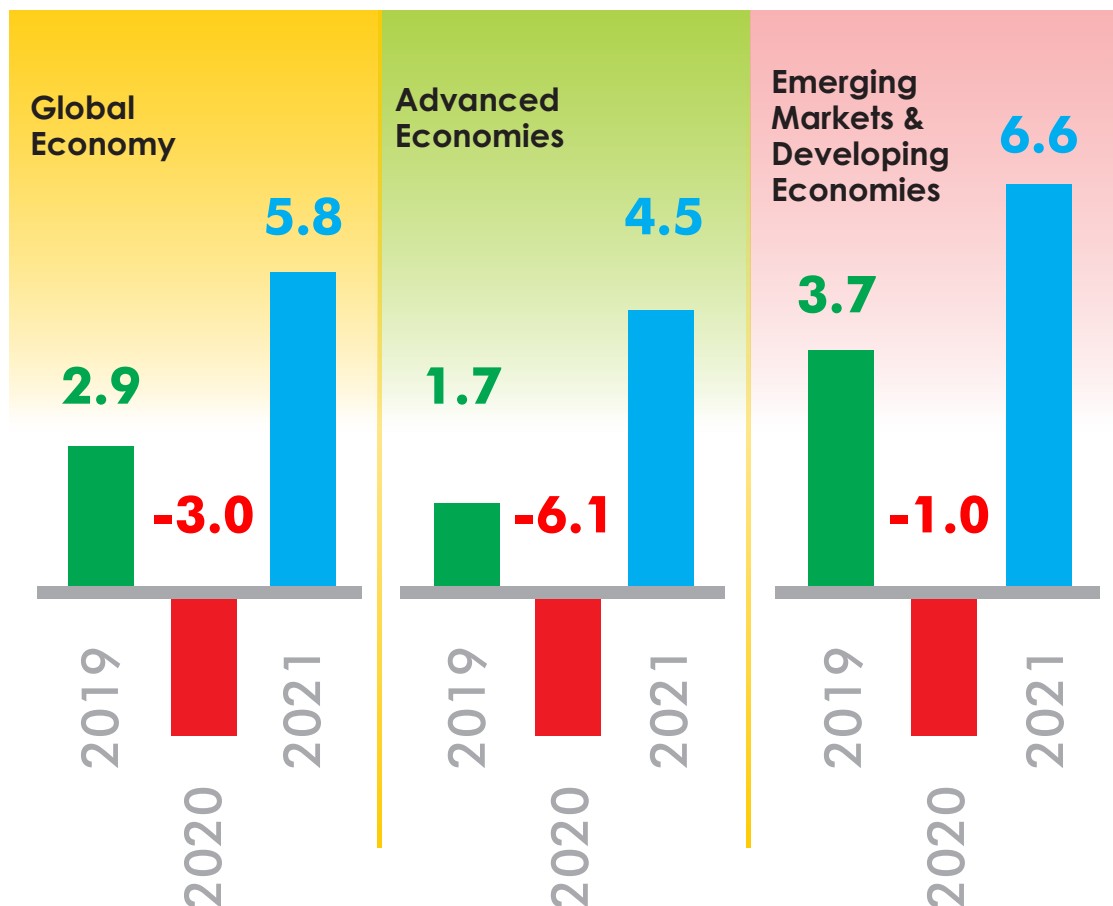
strains on the industrial sector, which is hit by both supply and demand shocks. In addition, the country's main industrial sector – textiles and apparel – is highly exposed to COVID-19-related disruptions due to its labor-intensity. Only, in April, 2020 the exports declined by 54% amid Covid-19 pandemic.

According to Ministry of Finance, the FBR collection target is reduced to Rs. 3.908 trillion from Rs. 5.270 trillion, a reduction of Rs. 1.362 trillion to subside the impact of Covid-19 on the economy. Prior to Coronavirus epidemic, the SBP exercised tight Monetary Policy by keeping the policy rate at 13.25 percent with the

aim to control inflation in the economy. However in March and April 2020, the SBP's monetary policy committee had brought down discount rate by 4.25 percent from 13.25 percent to 9 percent to increase money supply and boost aggregate demand.

The outbreak of COVID-19 will impact growth beyond FY20. Under the baseline scenario, growth will remain muted in FY 2021-22 at 0.9pc (2pc according to IMF) before reaching 3.2 percent in FY 2022-23. Inflation is expected to average 11.8 percent in FY 2020-21 and to gradually decline thereafter.

Growth Projections



The Government of Pakistan is making all out efforts to ensure that the economy and masses may suffer the least, supply of essential items may remain smooth and is also committed to taking strict actions against anti-competitive practices. To pave the way for an economic recovery, Economic Stimulus Package such as Ehsas Emergency Relief Programme, Subsidies to Utility Stores and reduction in petroleum prices, etc., will provide multidimensional positive impacts to all segments of society especially poor families. All these measures helped in contracting the Consumer price index to single digit which fell to 8.5 percent in April 2020. April, 2020 was third successive month showing decline in inflation, whereas it dropped more than 6 percent in last three months.

The government announced the relief package of almost Rs 1.24 trillion. Some of the salient features of the package are:

- A sum of Rs 200 billion has been allocated for labors across the country. To support vulnerable families, Rs 150 billion is reserved for the monthly stipend which has increased from Rs 2000 to Rs 3000 per month for the next four months for 9.2

million families.

- The Panagahs (shelter) for jobless and poor has been extended to provide meals and shelter for unemployed.
- Subsidy of Rs 50 billion to Utility stores to ensure the availability of essential items.
- For wheat procurement, Rs 280 billion has been set aside.
- People will also be able to pay electricity and gas bills in instalments whose electricity consumption is up to 300 units and the gas bill is up to Rs 2000. The facility covered 75 percent of power consumers and 81 percent of gas consumers.
- Other measures include tax relaxation on imports of pulses, duty waive off on import of palm oil, and reduced petroleum levy on POL products.

Like rest of country, COVID-19 had great impact on Balochistan economy. The wide lockdown posed serious threat for the small but vulnerable labor market, ultra poor segment of the society and overall economy of the province which mainly relies on transportation, trade with neighboring countries and

Economic Package for Industries

- A package of Rs.100 billion (\$63 million) will be provided to support small industries and the agriculture sector.
- All ports and customs services will be kept operational
- SBP proactive measures announced in March, 2020 including relaxation in matching amount, Extension in time period to meet performance requirements, Extension in time period to ship goods etc.

wholesale, later both coming from industrial hub of Pakistan located in Sindh and Punjab.

To mitigate the negative impact of Covid-19, the Government of Balochistan also took major initiatives to support the Economy and save the masses from epidemic. During the FY 2019-20, the following relief was provided:

- Rs. 2.22 Billion grant in Aid to PDMA

for relief activities.

- Provision of free ration to needy families worth Rs. 795.00 million.
- Rs. 750.00 for health department to provide medical equipment
- Akhuwat Islamic Microfinance (Interest free)
- Roti distribution project in Quetta

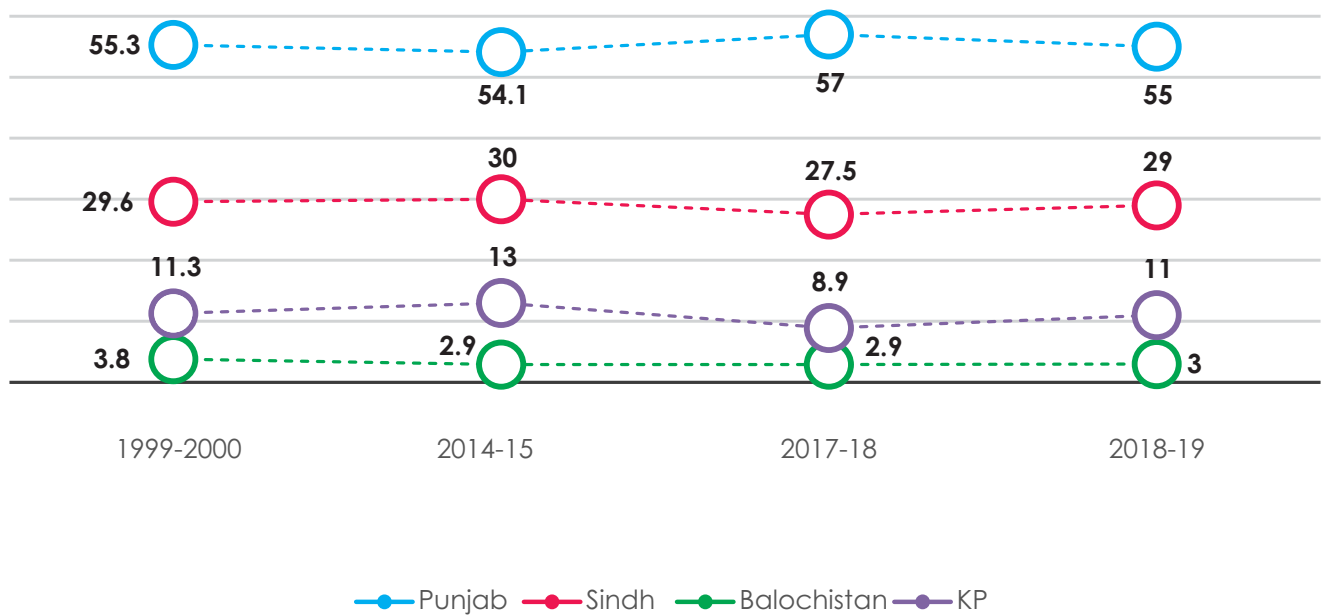
Balochistan's Economic Outlook

Unfortunately, not much is known currently about the size, composition and growth of the Provincial economies. Pakistan, unlike some neighboring countries, does not have tradition of constructing and maintaining Regional Income Accounts so as to estimate and derive the trends in the Provincial Gross Domestic Products (PGDPs). This has rendered it extremely difficult to engage in meaningful

planning at the Provincial level.

During the year 2018-19, against the national GDP of \$ 314.588 Billion, the GDP of Balochistan remained at \$ 9.13 billion, which is merely 3% of national GDP, while the same was 3.8% during the year 1999-2000. The per capita GDP of Balochistan is \$ 739.6 as compared to \$ 1641 (nominal) for Pakistan. For last many years' Balochistan's contribution in National GDP has remained stagnant around 3% as given in table below:

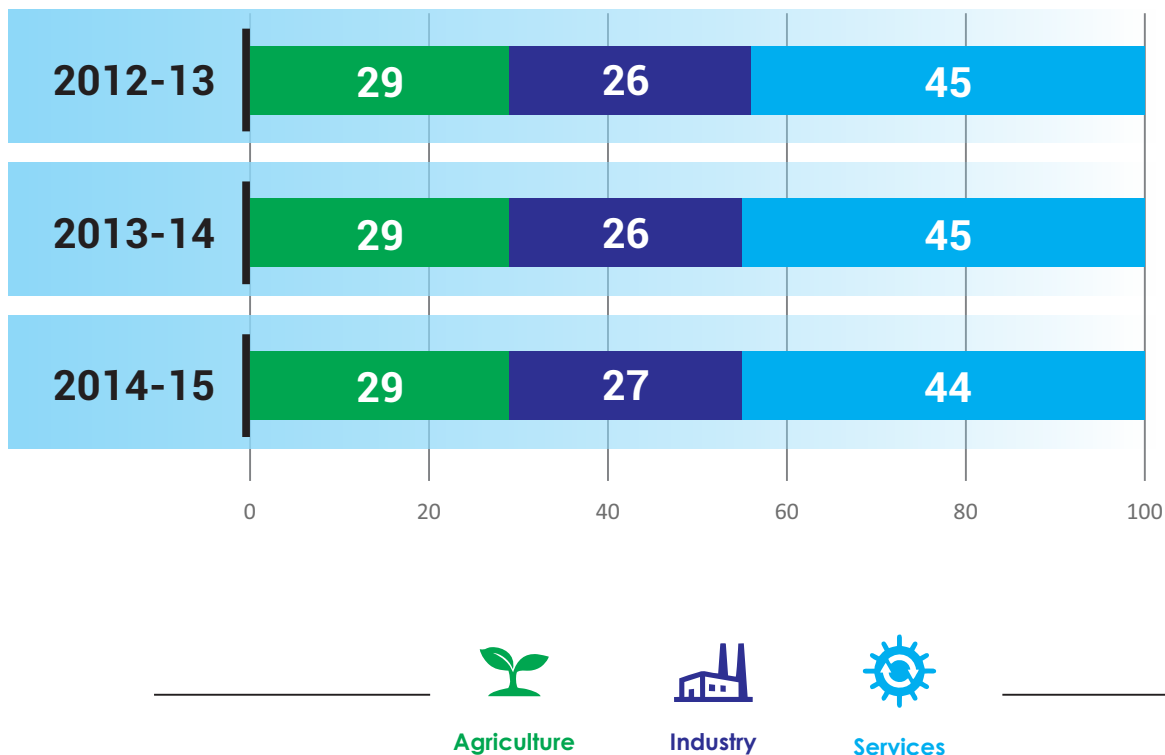
Provincial GDPs (Real)



Balochistan's economy has different dynamics as compared to rest of Pakistan. The major contributors in

provincial GDP comprise of Agriculture, transport, wholesale and industry at last.

PGDP Contributors



Likewise rest of country, Balochistan's economy will incur losses due to outbreak of corona virus. The magnitude of the

economic impact will depend on how the outbreak evolves, which remains highly uncertain.

Macro-Economic Challenges for Balochistan

The macroeconomic challenges of Balochistan province explain the underlying economic and social trends of the province under the wider national fabric.

In terms of socio economic indicators, Balochistan is the most backward province of the federation. Its share in the national gross domestic product (GDP) is estimated at around 3% while its share in the population is around 6%. Due to static contribution in National GDP and increase in population overtime has caused great reduction in per capita income of Balochistan. Other federating units contribute more in national GDP if compared with the population aggregates. Sindh pours-in 30% in GDP while population share is 23%. On the other hand, Punjab is the most populous province with a share in the population of around 53% while it contributes 54% to the national economy. These two provinces account for more than four-fifths of

the national income.

The majority of Balochistan's PGDP is aggregated by services sector which comprise transportation and wholesale etc. By nature the provincial GDP is concentrated in low productivity activities such as retail and wholesale trade, therefore depressing the overall productivity, and poor outcome in education and health, leading to an adverse impact on the quality of human capital, underemployment and lower-than-minimum wage in informal activities. These GDP contributors have less multiplier effect as compared to industrial activities which have greater forward and backward linkages.

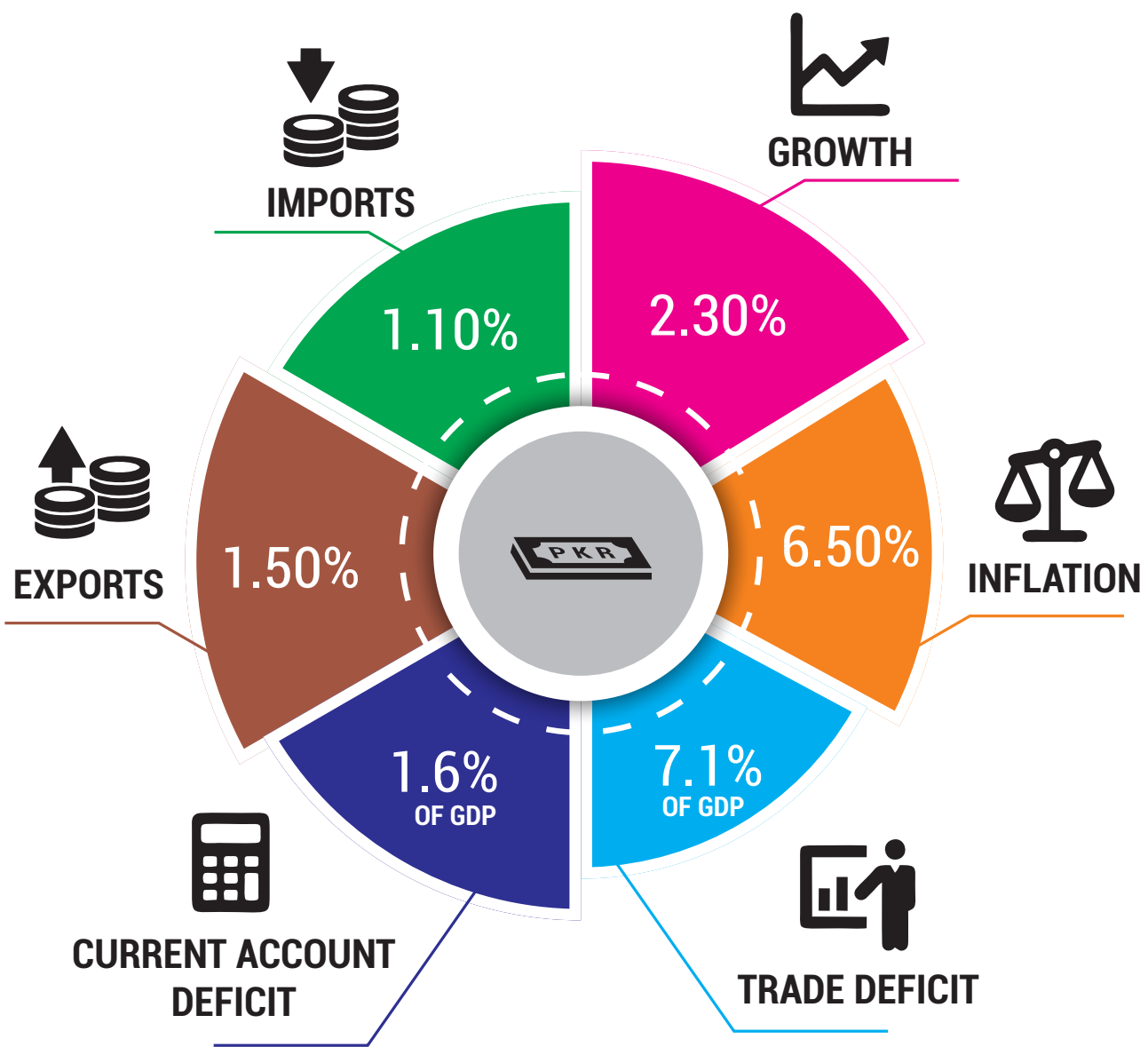
Balochistan's stagnant growth may be attributed to many reasons but a major factor is slow growth in agriculture sector; which turned into negative growth during FY 2014-18. Being the second largest GDP contributor and employment source for almost 40% of the total labour force, its effect is more considerable as this is base for rural economy.

Balochistan is the most water unsecure province. A large

population is very prone to climate change and on nature. Acute water shortages due to mismanagement have hit small farmers, depriving them of adequate and timely availability of water for their crops. The availability has always remained deficient against the demand.

There are multiple factors for water scarcity in Balochistan including geographical location out of Indus Basin, arid & semi-arid region with characteristics of intense heat, dust storms, high evaporation and transpo-evaporation and low rate of precipitation etc.

Key Economic Indicators



The Role of Government in Post COVID-19 Economic Recovery

Government is role to spur the sluggish economic growth owing to Covid-19:

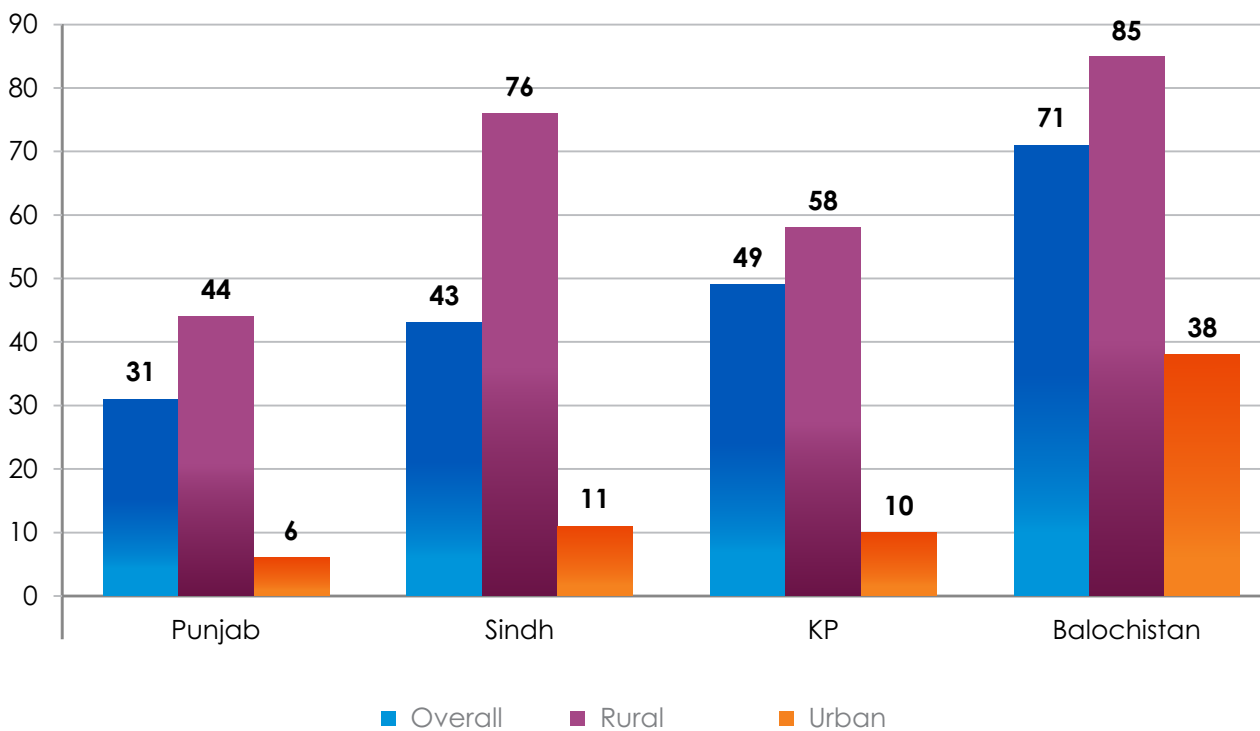
- The Provincial Government will have to increase their tax revenues without burdening existing taxpayers by covering and tapping the potential sectors
- Grants especially the financial support provided to the public sector enterprises shall be reduced gradually.
- Unnecessary tax expenditures will have to be rationalized
- Taxation structure must be made more progressive in this period to reduce dependency on Federal Divisible pool.
- Concrete measures need to be taken to reduce deficits of Public Sector Authorities.
- Promotion and establishment of local industries has to be the key theme of our policies in near future.
- The government must strengthen the market mechanism and ensure reasonable price for agriculture products of farmers.
- Sustainable Social Protection initiative need to be taken to reduce portion of poor segment in the society.
- Public Sector must support projects that create employment opportunities for youth entering the job market.
- Owing to large quantum of labor force, capital intensive technologies may be discouraged and projects may be designed as labor intensive
- Government must safeguard development expenditure to provide stimulus for economic growth, however, we should also continuously monitor growth of non-development expenditure.
- To create more jobs market expansion strategies may be adopted and new centers of economic activities may be established
- Technical and skilled labour may force may be prepared foreseeing greater demand in CPEC.

1.2. Social Outlook

Social well being is not solely a matter of monetary income but also a function of access to other critical variables such as education, health, housing, nutrition, recreation and status.

Balochistan is the least developed province among four federating units of Pakistan in terms of socio-economic indicators. According to United Nations Development

Program (2014-15) 71.2% of total population fall in poor category. Human Development Index (HDI) Report 2017 declares that out of 28 mapped districts of Balochistan, 12 districts fall under the category of 'very low HDI' and are ranked the 'lowest HDI' districts in Pakistan. The health, education, clean drinking water and other social indicators in the province are also far below the standard or intra-provincial indicators.

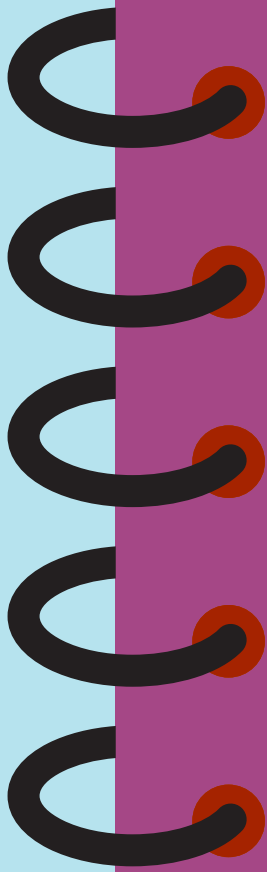


Source: Multidimensional Poverty in Pakistan 2015-16, Planning Commission, 2016.

The causes of social and economic disparities are multivariant ranging from natural to imitation.

The disparity between rural and urban areas is also visible and the

gap is very alarming. In urban areas the MP is 38 while in rural areas it is 85 the highest in overall Pakistan.



02

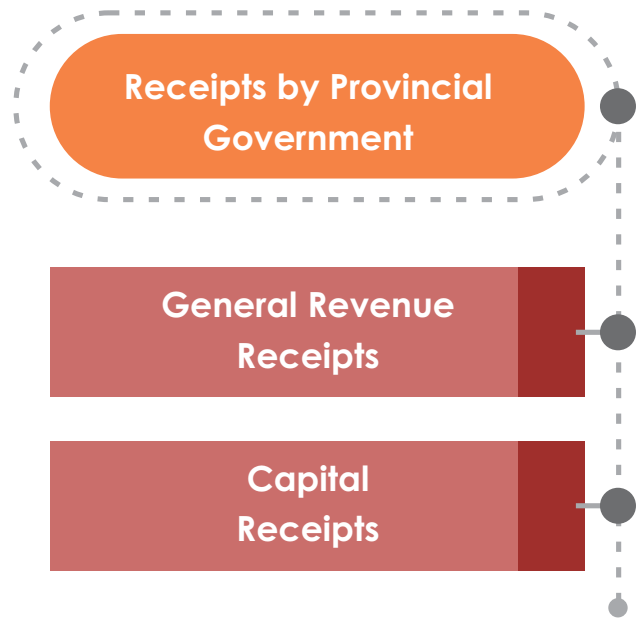
Chapter

Estimates of Receipts

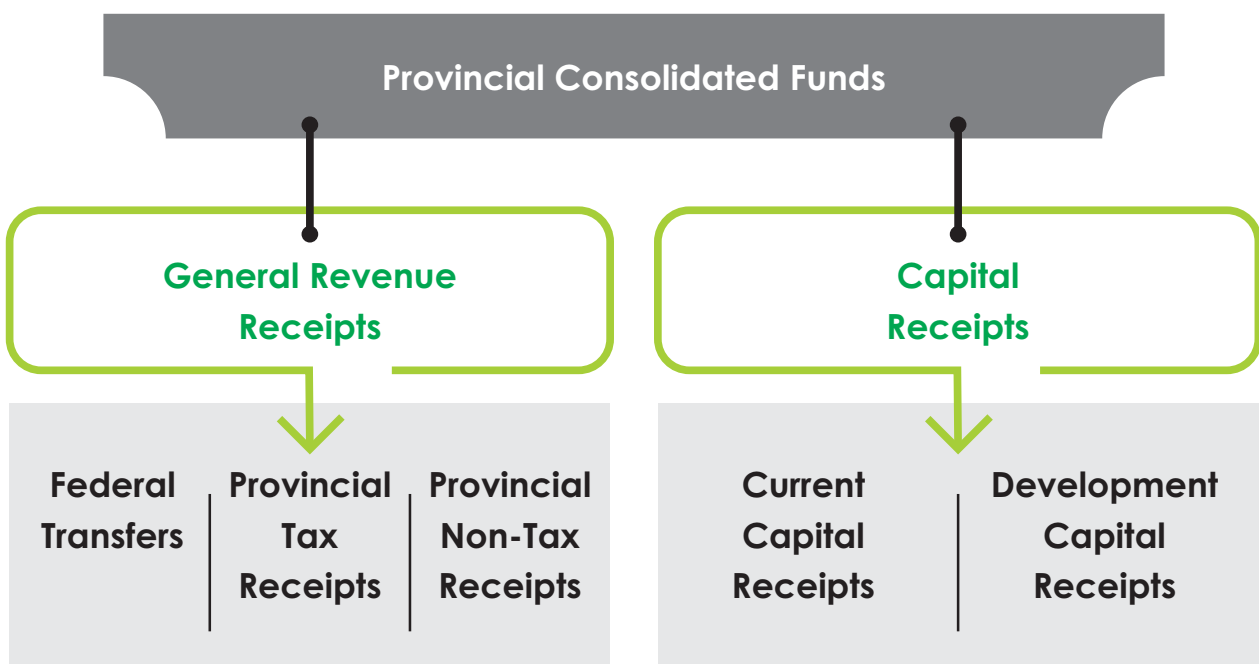
Estimates of Receipts

Annual Budget is regarded as the manifestation of service delivery plans of a government, which, for the administrative purposes, is reflected in terms of estimates of receipts and expenditures of a fiscal year. Budgetary framework of the Provincial Governments is regulated under Articles 120 to 124 of the Constitution. The budgetary framework broadly represents the total receipts of Provincial Government, which comprise of Federal Transfers and Provincial Own Receipts, and the total Expenditure. This chapter provides a comprehensive analysis of the receipts of Provincial Government of Balochistan for financial year 2019-20 and projected for FY 2020-21.

2.1: Classification of Receipts by the Provincial Government



Receipts of the Provincial Government are classified into two main categories: 'General Revenue Receipts' and 'Capital Receipts'.



General Revenue Receipts

Main elements/sub-categories of the General Revenue Receipts are described as under:

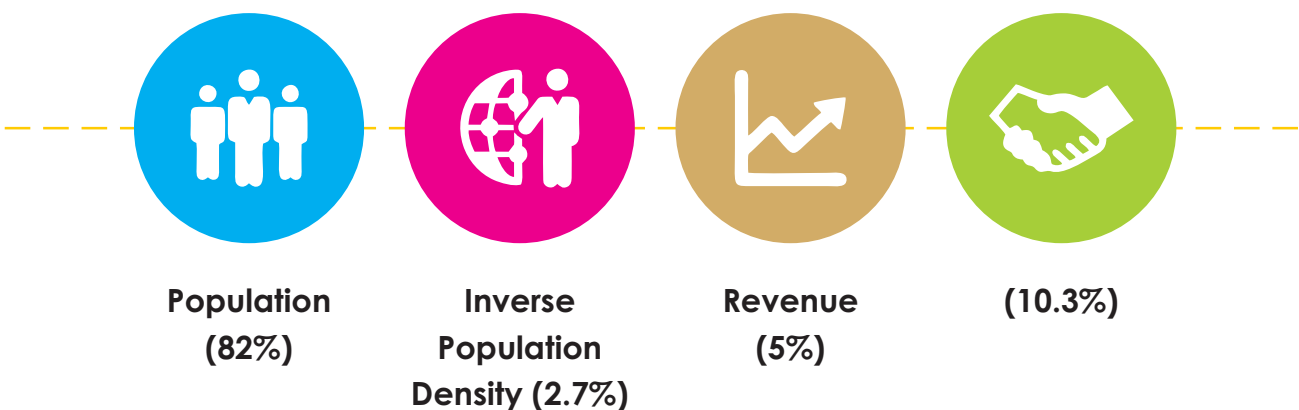
Federal Transfers

a) Share of Federal Divisible Pool of Taxes as per the 7th National Finance Commission (NFC) Award, which include the Taxes on income, Capital Value Tax, Wealth Tax, Customs duty, Excise duty excluding excise duty on natural gas at well-heads, Taxes on sale and purchase of imported-exported, manufactured, produced and consumed goods

Federal Divisible Tax collected by FBR as per 7th NFC Award:

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

Distribution of resources on multiple criteria under NFC Award

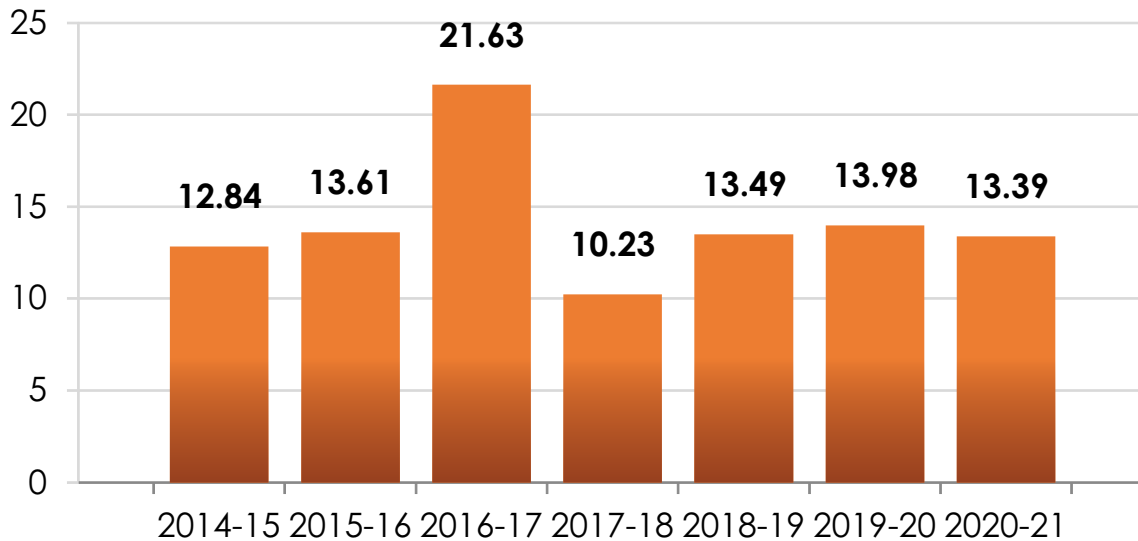


b) Straight Transfers as per Article 161 of the Constitution and NFC Award with respect to royalties on Crude Oil and Natural Gas, and net proceeds of the Federal Excise Duty on natural gas and Gas Development Surcharge (difference between well-head price and consumer prices) collected by Gas Companies and distributed to the provinces in accordance with their percentage share in the total production of gas after deduction of 2% collection charges. Straight transfers are reflected under the Non-Tax receipts, yet for the purpose of clarity shown separately under the federal receipts/transfers.

- **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.

Straight Transfer over the years (Rs. in Billions)



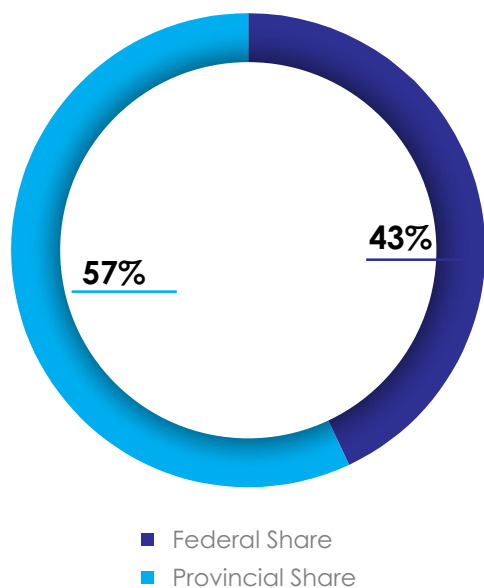
c) Federal Development Grants under the Public Sector Development Programs (PSDP) grants from federal government and budget support grants received from foreign development partners accumulatively form the Federal Grants. However, the federal PSDP grants are only pass-through items, released to executing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

d) GDS arrears prior to 1991 claims of the Government of Balochistan realized as Rs. 120,000.000 Million in total under the Aghaz-e-Haq Balochistan Package (AHBP), to be paid annually @ Rs. 10,000.000 Million by the Federal Government to Government of Balochistan.

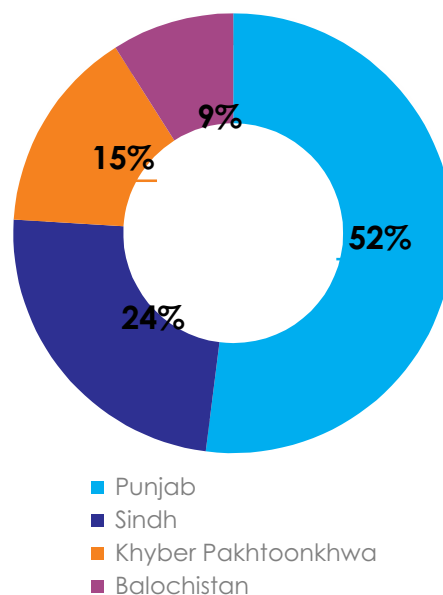
The following presentation gives an account of the distribution of resources between Federal and Provincial Governments (vertical distribution) and the distribution

among provinces (horizontal distribution) with multiple criterion for allocation/distribution of resources.

Vertical Distribution of Federal Divisible share



Horizontal Distribution of Federal Divisible pool share among provinces



Provincial Receipts

Balochistan Revenue Authority (BRA), Excise & Taxation Department, Board of Revenue and Transport Department are charged with the responsibility to collect majority share of Provincial Tax Receipts.

Provincial Tax Receipts

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

Provincial Non-Tax Receipts

- Income from public owned property and enterprises
- Receipts from civil administration and other functionaries
- Miscellaneous Receipts from toll, fee, cess and levies etc. collected by the provincial departments.

Current Capital Receipts

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 programs of multilaterals, recoveries of principal amount of loans advanced by the Government to its employees and autonomous bodies are credited to Account No. I, whereas the receipts from sale of wheat and financing for procurement of wheat accrue to Account No: II.

Food Account, 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.

Current Capital Receipts of Government of Balochistan

- Proceeds of wheat sale
- Permanent Debt-Foreign received from Federal Government for various projects.
- Recoveries of investment, loans and advances from Government Servants and from financial and non-financial institutions

Development Capital Receipts

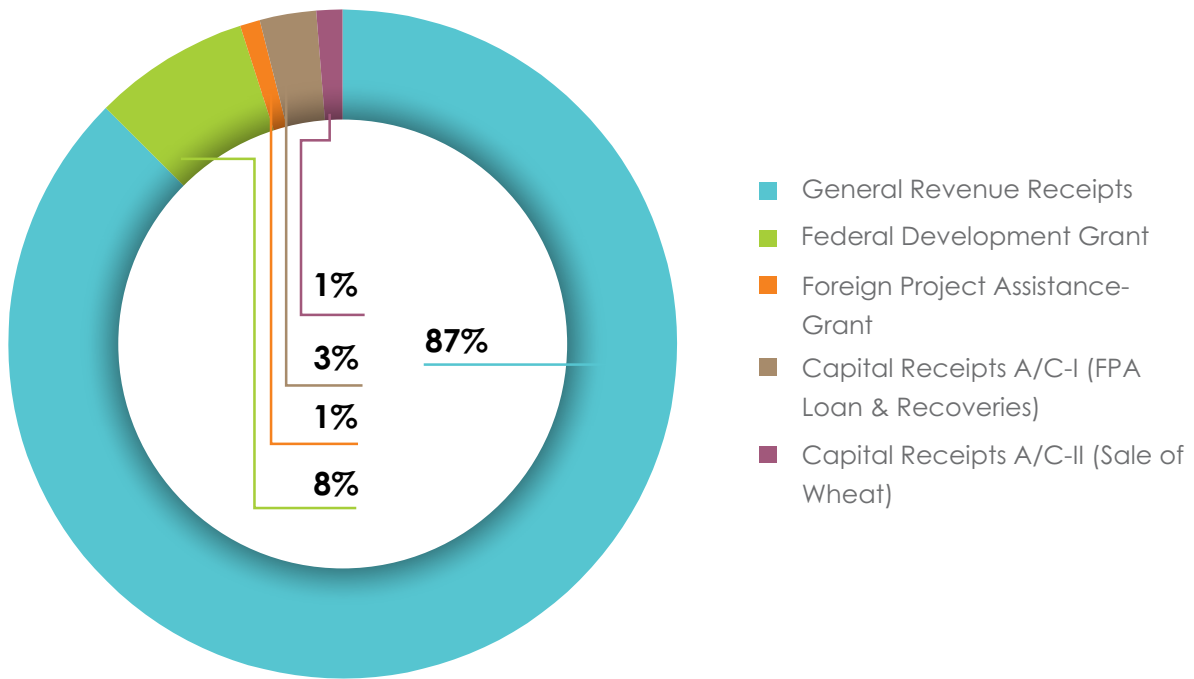
The loans borrowed from multilateral donor agencies through the Federal Government for specific foreign-assisted development projects are termed as Development Capital Receipts or foreign project assistance. Combined with the

Development Revenue Receipts and surpluses from the General Revenue Account and Capital Account, Development Capital Receipts finance the Annual Development Programme of the province. (PKR Million).

2.2. Receipts of Provincial Government for the FY 2020-21

The Table-1 below summarizes the estimates of total Provincial Receipts of the Government of Balochistan (in PKR Million).

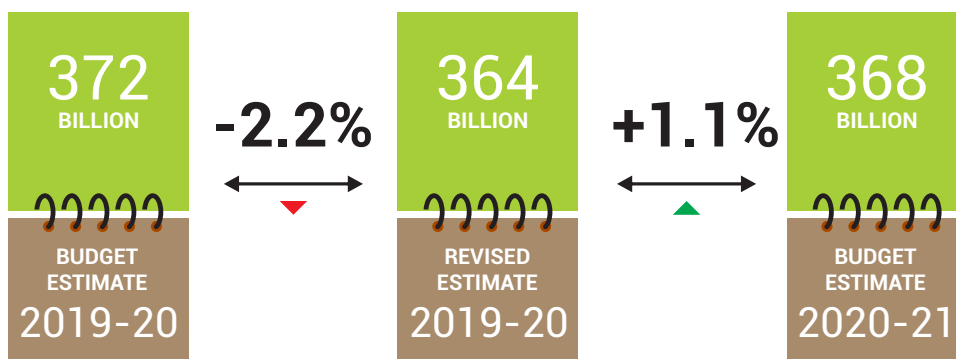
Description	B.E 2019-20	R.E 2019-20	B.E 2020-21
General Revenue Receipts	339,165.645	331,125.494	321,463.614
Federal Transfers/Receipts	304,983.403	306,051.314	275,054.040
Provincial Tax Receipts	14,756.173	19,010.455	20,926.067
Provincial Non-Tax Receipts	19,426.069	6,063.725	25,483.507
Federal Development Grant	14,906.005	20,436.175	27,850.424
Foreign Project Assistance-Grant	4,672.000	6,465.378	3,538.105
Capital Receipts A/C-I	10,652.200	3,033.380	10,047.925
Current Capital Receipts FPA Loan	3,388.000	2,906.280	8,662.500
Recovery of Loan & Ways and Means	7,264.200	127.100	1,385.425
Capital Receipts A/C-II	2,817.380	2,816.000	4,648.150
Food Receipts – Sale of wheat	2,817.380	2,816.000	4,648.150
Total (a + b + c + d + e)	372,213.230	363,876.427	367,548.218
Cash Carry Over (Federal and Foreign Funded Projects amount)		-	10,366.000



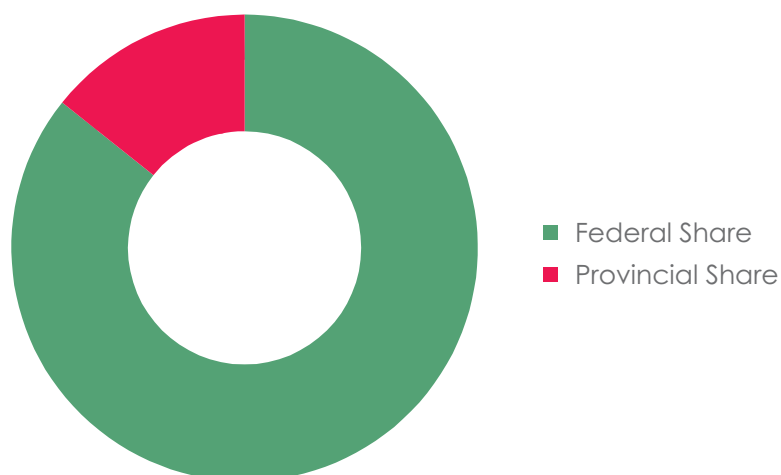
As it is evident from the table above, Rs. 372. 213 Billion was the total revenue estimates for the Balochistan and Rs. 363.876 Billion pitched in R.E 2019-20 due to less collection of receipts in some of the Provincial Receipts. Despite considerable amount of reduction in FBR collection for FY 2020-21 and, thus reduction of share of the

Province under Federal Divisible Pool, total revenue estimates (including federal transfers and Provincial Tax & Non-Tax Receipts) for Budget 2020-21 are Rs. 367.548 Billion which shows negative growth in the estimates -2.20% for FY 2020-21 but a positive growth of 1.1% in the estimates if compared with R.E 2019-20.

Growth of Total Provincial Receipts



Out of the total revenue estimates of Rs. 367.548 Billion, the share of Federal Transfers for Balochistan is Rs. 315.104 Billion which comes out to be 85.7% whereas, Rs. 52.442 Billion are the Provincial Receipts, constitutes 14.3%).



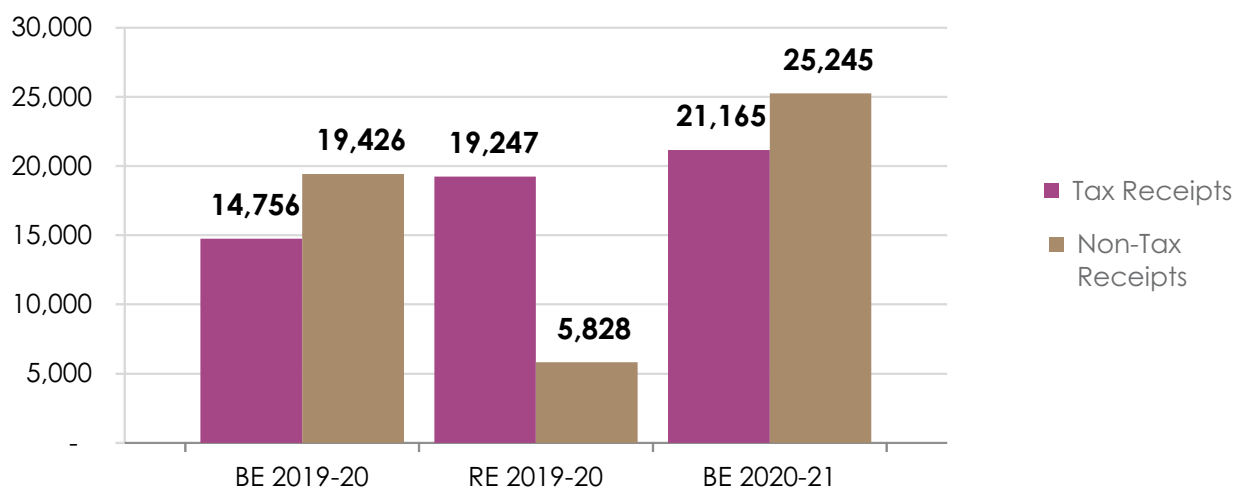
The following tables provide a snapshot of total Direct and Indirect Taxes estimates (Federal and Provincial) targets in R.E 2019-20 and B.E 2021.

Description	R.E 2019-20	B.E 2020-21
Direct Taxes	106,717.043	105,084.442
Indirect Taxes	195,364.553	169,701.449

Direct Taxes estimates shown in the table above does not include Capital Receipts (Debt/External Loan) and Recoveries of Investment and Loans. The table below gives a brief of total Tax and Non-Tax

Receipts (Federal and Provincial) targets in R.E 2019-20 and B.E 2021 (excluding External Loan, Recoveries of Loan and Investments):

Description	B.E 2019-20	R.E 2019-20	B.E 2020-21
Tax Receipts	14,756	19,247	21,165
Non-tax Receipts	19,426	5,828	25,245

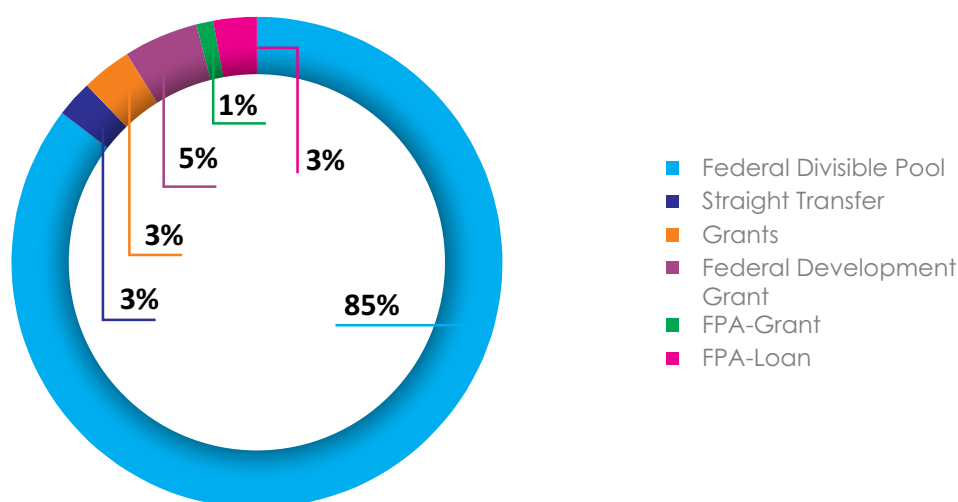


Federal Receipts for 2020-21

The federal receipt forming part of General Revenue Receipts for the FY 2020-21 are shown in the Table-2 below with break-up (in PKR Million).

Federal Transfers/Receipts	B.E 2019-20	R.E 2019-20	B.E 2020-21
i. Federal Divisible Pool	281,229.722	281,229.722	251,663.644
Taxes on Income	105,121.681	105,121.681	103,283.548
Capital Value Tax	199.531	199.531	155.782
Sales Tax (excluding GST on Services)	107,737.935	107,737.935	98,166.971
Federal Excise (Excl: Excise Duty on N/Gas)	17,845.620	17,845.620	17,723.494
Customs (Excl: Export Dev: Surcharge)	50,324.955	50,324.955	32,333.849
ii. Straight Transfer	13,753.681	13,984.592	13,390.396
Gas Development Surcharge	--	935.432	0.000
Royalty on Natural Gas	10,834.027	11,203.585	11,189.669
Royalty on Crude Oil		4.155	4.547
Excise Duty on Natural Gas	2,919.654	1,841.420	2,196.180
iii. Grants	10,000.000	10,837.000	10,000.000
Grants to Balochistan (GDS Areas-AHBP)	10,000.000	10,837.000	10,000.000
iv. Federal Development Grant	14,906.005	20,436.175	27,850.424
v. FPA-Grant	4,672.000	6,465.378	3,538.108
vi. FPA-Loan	3,388.000	2,906.280	8,662.500
Total (i + ii + iii + iv + v)	327,949.408	336,794.579	315,105.072

The following pie-charts/diagrams below show the percentage share of each sub-category under Federal Transfers/Receipts during FY 2020-21 exclusively.



Past financial years had seen a healthy growth in revenues of the Province (which includes Federal Transfers and Provincial Tax and Non-Tax Revenues). Balochistan Province has remained beneficiary of resource distribution under 7th NFC Award as the share of Balochistan under the Award is protected, meaning thereby federal transfer under Federal Divisible Pool shall be made to the Province on the basis of revenue estimates not based on actual collection.

The FY 2019-20, revenue targets were set on higher side; therefore, no cut on the share of Balochistan Province under Federal Divisible Pool was made. Total revenue estimates as discussed above were set to be Rs. 372. 213 Billion for the FY 2019-20; however, R.E 2019-20 was closed @ Rs. 363.876 Billion, due to

the reason that some of the Provincial Receipts targets were not met, details will be mentioned separately under the respective Section of the Chapter.

FBR tax collection was showing a growth of over 13% in the first 09 months of the Financial Year 2019-20. Similarly, the Non-Tax collection by the Federal Government was showing a very healthy growth trend compared to last FY. Balochistan Government's fiscal situation had a positive outlook with the Provincial Own Source Revenue exhibiting a healthy growth rate upto February 2020. Post February 2020 the onslaught of the Coronavirus Pandemic caused the economic situation to deteriorate.

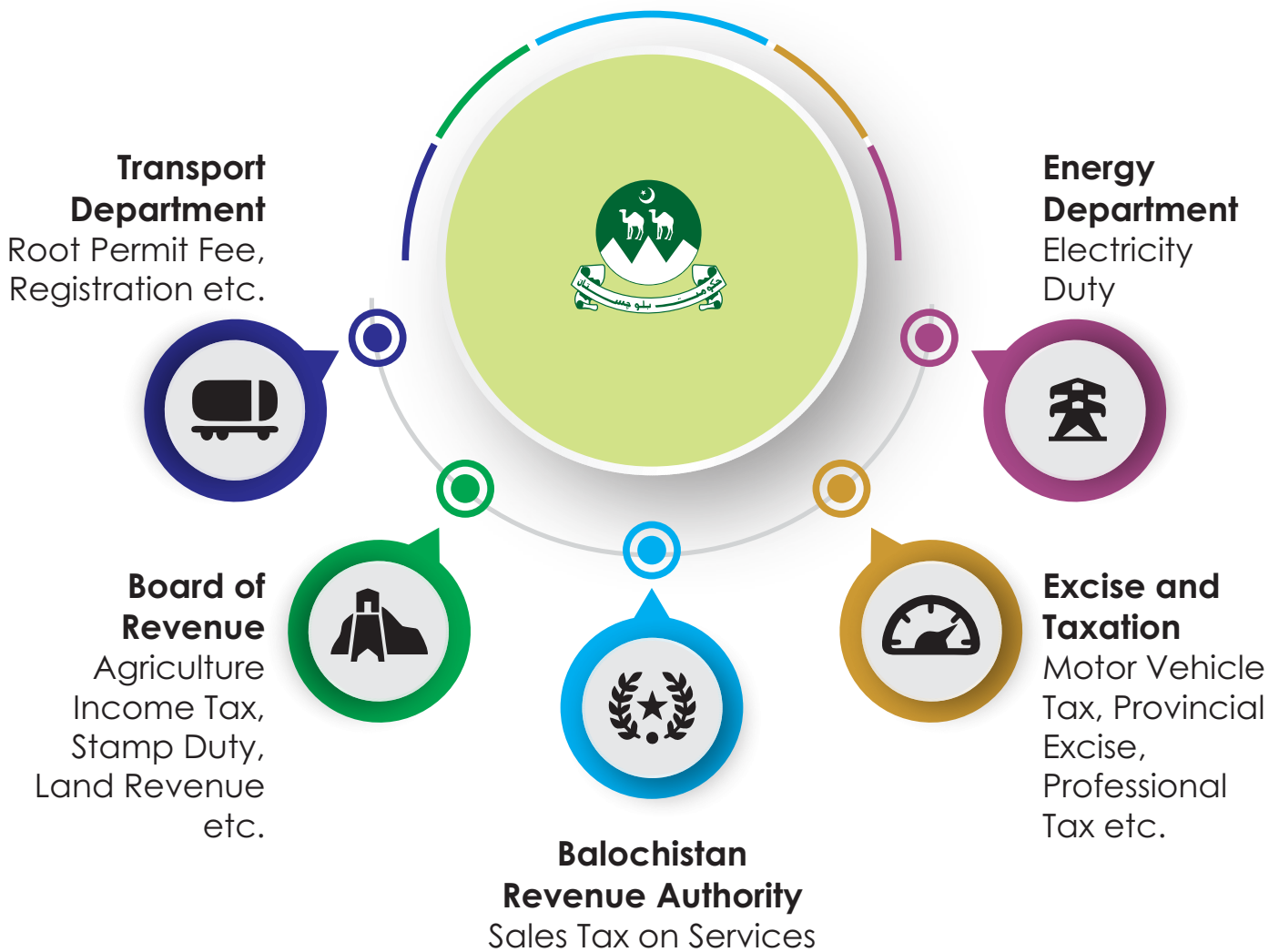
Due to the less collection of receipts by FBR and reduced revenue targets for the budget 2020-21,

considerable amount in the share of Balochistan Province under Federal Divisible Pool is reduced which is compensated, however, owing to the enhanced share allocation of the Province in Federal Development Grants (Rs. 27.850 Billion for FY 2020-21 against B.E 2019-

20 amounting to Rs. 14. 906 Billion) and FPA-Loan (Rs. 8.662 allocated for FY 2020-21 against Rs. 3.388 Billion in B.E 201-19).

Provincial Tax Receipts for 2020-21

The second component of the General Revenue Receipts is termed as Provincial Tax Revenue. The tax revenue is collected by the following departments/authorities of the Government.



The detail of provincial tax receipts budgeted for 2020-21 along with the information for FY 2019-20 (Budget and Revised Estimates) is provided below (PKR in Million):

Tax Receipts	BE 2019-20	RE 2019-20	BE 2020-21
BOARD OF REVENUE & ADMINISTRATION	1,065.712	1,684.706	1,906.522
B011-TAXES ON INCOME	37.400	18.046	40.050
B013-PROPERTY TAX	206.700	649.399	702.850
B014-LAND REVENUE	304.386	427.291	490.892
B017-CAPITAL VALUE TAX ON IMMOVEABLE PROPERTY	47.081	144.236	157.120
B027-STAMP DUTY	470.145	445.735	515.610
Balochistan Revenue Authority	11,000.000	15,400.000	16,500.100
B023-SALES TAX	10,000.000	12,500.000	13,500.100
B030-OTHER INDIRECT TAXES	1,000.000	2,900.000	3,000.000
ENERGY DEPARTMENT	151.065	132.605	164.405
B030-OTHER INDIRECT TAXES	151.065	132.605	164.405
PROVINCIAL EXCISE	2,437.135	1,691.153	2,247.470
B013-PROPERTY TAX	246.300	151.288	221.500
B016-TAX ON PROFESSION, TRADES AND CALLINGS	15.000	5.573	32.700
B026-PROVINCIAL EXCISE	764.075	719.911	893.360
B028-MOTOR VEHICLES	1,398.950	803.425	1,088.010
B030-OTHER INDIRECT TAXES	12.810	10.957	11.900
TRANSPORT DEPARTMENT	101.981	101.991	107.570
B028-MOTOR VEHICLES	101.981	101.991	107.570
Grand Total	14,755.893	19,010.455	20,926.067

The above table shows that tax collection by the Government during FY 2020-21 is estimated at PKR 20.926 Billion, as compared to RE 2019-20 of PKR 19.01 Billion. It is pertinent to mention here that originally the target of Tax Revenue was set to be Rs. 14.755 Billion for FY 2019-20; however, Board of Revenue and Balochistan Revenue Authority has performed well and surpassed the collection targets (Rs. 19.01 Billion against the target of Rs. 14.755

Billion) which is a healthy sign for the struggling Provincial economy. The percentage increase in the tax collection during FY 2019-20 against estimated collection during that FY is 29%; therefore, on the basis of performance of tax collection agencies during 2019-20, Provincial Government has increased the Tax Revenue targets to Rs. 20.926 Billion (with 42% increase against the targets of FY 2019-20).

Balochistan Revenue Authority (BRA):

BRA was assigned a revenue collection target of Rs. 11.000 billion for FY 2019-20 (Rs. 10.00 Billion as Sales Tax on Services and Rs. 1.00 Billion as Infrastructure Development Cess). Against the target, BRA collected revenue of Rs. 15.400 Billion – Rs. 12.50 Billion collected for Sales Tax on Services from different service providers such as Telecommunications, banking/insurance, contractual execution, and Rs. 2.90 Billion as Infrastructure Development Cess Services. The percentile increase in the tax collection by BRA is 40%.

In future, the Government intends to expand the base of sales tax on services further, identify new taxpayers and create further ease in payment of tax collection. Organization development of BRA would be a critical reform to implement the vision for BRA.

Board of Revenue:

Board of Revenue (BOR) is responsible for collection of Agriculture Income Tax, Property Tax, Land Revenue, Capital Value Tax on Immoveable Property and Stamp Duty. BOR's collection is estimated to increase from Rs. 1.065

Billion during FY 2019-20 to Rs. 1.906 Billion in FY 2020-21, registering an increase of 79 % against the target estimates. Like BRA, the Board of Revenue also performed well during FY 2019-20 and collected revenue by recording an increase of 58% against B.E 2019-20. Majority of the revenue of Board of Revenue (BOR) comes through Sale of Stamps/Stamps Duty, Land Revenue (Mutation fee/charges etc.), Capital Value Tax and Property Tax. However, Agricultural Income Tax continues to pose challenges due to undocumented nature of agrarian economy and practical difficulties of implementing assessment-based taxation regime.

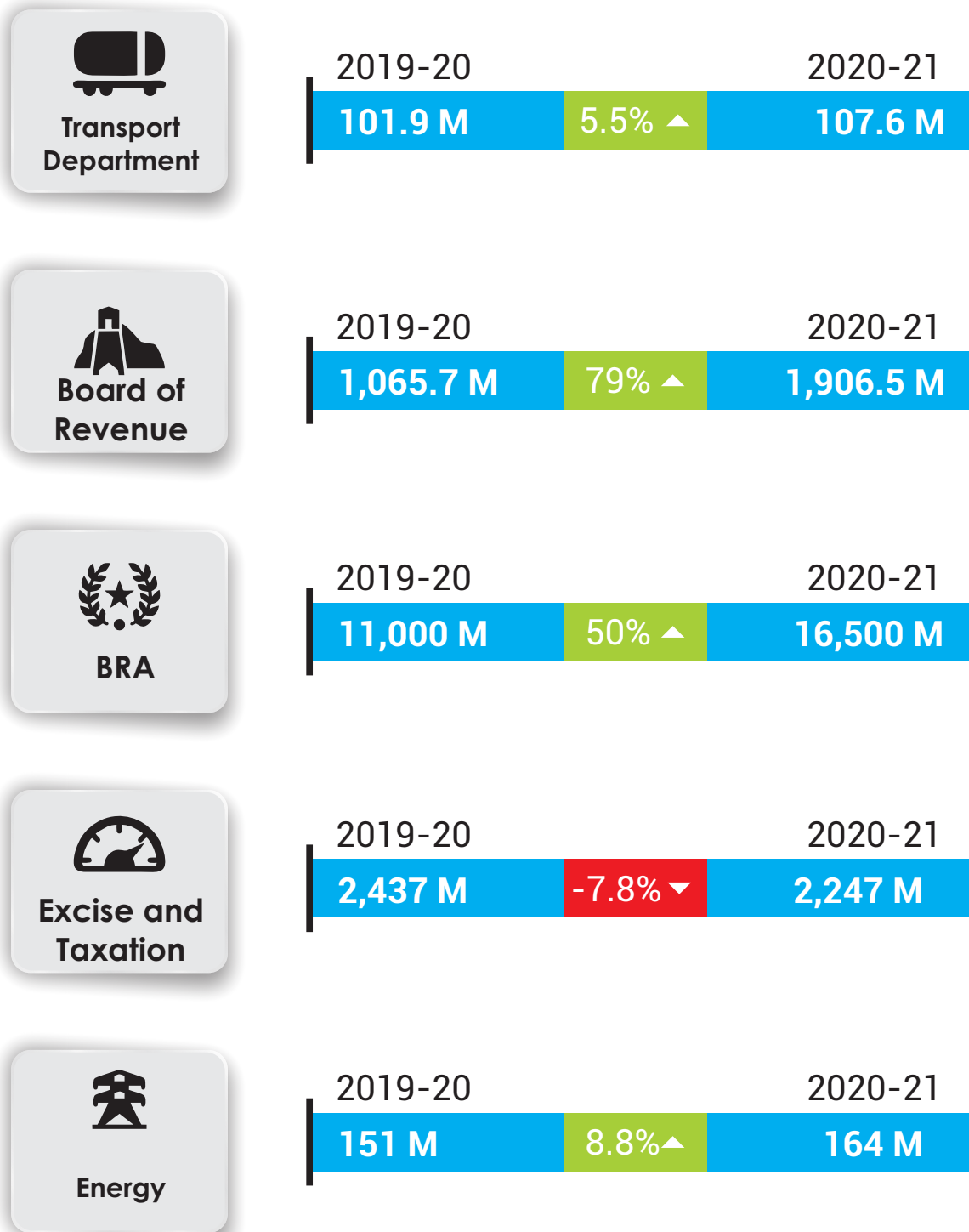
Excise and Taxation:

Excise & Taxation Department provides services for collection of levies/taxes such as professional tax, receipts under motor vehicles, provincial excise and other indirect taxes. The department aims to promote automation of its functions to optimize service delivery through reduced interface between public and government officials. The collection by E&T Department for the FY 2019-20 was estimated to Rs. 2.437 Billion but actual collection made by the Department was recorded 30% less than the estimates in FY 2019-20; therefore, in budget

2020-21, the target of collection is set to be Rs. 2,247 Billion with negative growth (-7%) compared with the last FY budget estimates.

In addition to the above, the Provincial Government, through

effective implementation and tax reform measures, aims to achieve the higher targets set for collection of Electricity Duty and Root Permit fee, as shown in the table above.



Provincial Non-Tax Receipts for 2020-21

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, thus not made part of Provincial Non-Tax Revenue.

Provincial Non -Tax Receipts are categorized into the following: -

- Income from publicly owned property and enterprises Receipts from civil administration and other functions
- Extraordinary Receipts
- Miscellaneous Receipts from toll, fee, cess etc. collected by provincial departments (excluding Federal Grants and Development Surcharges and Royalties)

Major breakthrough in the Non-Tax Receipts has been the recovery/collection of Provincial Government of Balochistan's lease extension bonus amounting to Rs. 13.030 Billion, which is although one-time collection proposed to be made during FY 2020-21. The stagnating Provincial Non-Tax Receipts will see major boom and contribute significantly in the struggling financial health of the Province upon collection of this amount.

Traditionally, Mines and Mineral Development Department had been the largest contributor in

Provincial Non-Tax Receipt through collection of mineral royalties from Sandak, Dudder and Chamalang fields. In FY 2019-20, the target of Rs. 2.903 Billion was set for the Department but the Department collected Rs. 3.042 Billion i.e. almost 5% higher than the collection targets. Therefore, with an increase of 9.13%, the collection targets for the Mines and Mineral Development Department have been set to Rs. 3.320 Billion for FY 2020-21. It requires effective management practices to be put in place to not only achieve the assigned target, but also increase it according to the revenue generation potential of the Province

in this sector.

Apart from the collection of Mines and Mineral Receipts, higher targets of collection of non-tax revenue are although set for the Agriculture and

Board of Revenue, the prudent management of the affairs would help realize the targets and pave the way for

The table below summarize the RE for FY 2019-20 and the budget estimates for FY 2020-21.

Object-wise summary of Provincial Non-Tax Receipts)

Description	R.E 2019-20	B.E 2020-21
C01-INCOME FROM PROPERTY AND ENTERPRISE	205.531	205.574
FINANCE DEPARTMENT	203.500	203.500
POPULATION WELFARE	2.031	2.074
C02-RECEIPTS FROM CIVIL ADMIN. AND OTHER FUNC	952.735	1,185.029
ADMINISTRATION OF JUSTICE	84.750	95.500
ANIMAL HUSBANDRY	3.919	0.000
ARCHAEOLOGY, MUSEUMS & LIBRARIES	0.775	0.873
BALUCHISTAN CONSTABULARY	23.378	16.520
BOARD OF REVENUE & ADMINISTRATION	0.204	0.000
CIVIL DEFENCE	0.090	0.090
CIVIL WORKS (INCLUDING ESTT: CHARGES)	78.790	79.390
FINANCE DEPARTMENT	25.000	25.000
GENERAL ADMINISTRATION	18.860	32.725
HEALTH	107.796	183.653
HIGHER EDUCATION	29.765	31.548
HOME DEPARTMENT	0.400	1.000
JAILS & DETENTION PLACES	15.488	18.728
LEVIES	0.041	0.041
MANPOWER & LABOUR MANAGEMENT	6.689	18.099
MEDICAL EDUCATION	6.230	5.831
PENSIONS	158.738	166.940
POLICE	272.039	338.001
PUBLIC HEALTH ENGINEERING	39.333	43.903
SECONDARY EDUCATION	77.133	123.170
SOCIAL SECURITY & SOCIAL WELFARE	3.318	4.017

Description	R.E 2019-20	B.E 2020-21
C03-MISCELLANEOUS RECEIPTS	4,905.459	24,092.904
ADMINISTRATION OF JUSTICE	0.060	1.360
ADMN. SPORTS & RECREATION FACILITIES	2.646	3.106
AGRICULTURE	409.879	457.870
ANIMAL HUSBANDRY	77.366	118.268
ARCHAEOLOGY, MUSEUMS & LIBRARIES	0.281	0.420
BALUCHISTAN CONSTABULARY	3.300	0.550
BOARD OF REVENUE & ADMINISTRATION	761.136	559.610
CHIEF MINISTER SECRETARIAT	1.730	12.300
CHIEF MINISTER'S INSPECTION TEAM	0.825	0.875
CIVIL DEFENCE	0.150	0.210
CIVIL WORKS (INCLUDING ESTT: CHARGES)	0.150	0.150
COOPERATIVE	0.000	0.120
CULTURE SERVICES	7.582	7.385
ENERGY DEPARTMENT	0.000	19,000.950
ENVIRONMENT CONTROL DEPARTMENT	21.300	23.690
FINANCE DEPARTMENT	7.706	10.309
FISHERIES	20.835	22.695
FOOD	0.779	1.839
FORESTRY	138.456	214.555
GENERAL ADMINISTRATION	95.430	85.390
GOVERNOR'S SECRETARIAT (VOTED)	0.281	0.290
GOVERNOR SECRETARIAT (CHARGED)	0.059	0.095
HEALTH	21.999	14.684
HIGHER EDUCATION	0.600	1.200
HOME DEPARTMENT	25.700	27.450
INDUSTRIES	42.952	47.835
INFORMATION DEPARTMENT	0.356	0.656
INFORMATION TECHNOLOGY DEPARTMENT	0.980	0.839
INTER PROVINCIAL COORDINATION DEPARTMENT	0.007	0.080
IRRIGATION	71.003	98.195
LAND REVENUE	0.099	0.081
LEGAL SERVICES & LAW AFFAIRS	0.263	0.301
LEVIES	1.179	3.229
LOCAL GOVT. & RURAL DEVELOPMENT	0.030	0.245
MANPOWER & LABOUR MANAGEMENT	1.097	0.295
MEDICAL EDUCATION	0.724	0.800
MINERAL RESOURCES (SCIENTIFIC DEPTT)	3,042.825	3,320.875
MINORITIES AFFAIRS DEPARTMENT	0.006	0.050
PLANNING & DEVELOPMENT DEPARTMENT	67.195	0.470
POLICE	0.000	0.080
POPULATION WELFARE	0.626	0.728
PROSECUTION DEPARTMENT	0.140	0.401
PROVINCIAL ASSEMBLY (CHARGED)	4.520	0.620
PROVINCIAL ASSEMBLY (VOTED)	4.220	4.220
PROVINCIAL EXCISE	0.000	0.018
PROVINCIAL OMBUDSMAN	0.240	0.450
PUBLIC HEALTH ENGINEERING	0.425	0.425
RELIGIOUS AFFAIRS DEPARTMENT	0.426	1.050
SECONDARY EDUCATION	28.795	6.225
SOCIAL SECURITY & SOCIAL WELFARE	1.877	1.215
STAMPS	0.000	0.050
STATIONERY & PRINTING	23.100	23.492
TRANSPORT DEPARTMENT	0.070	0.070
URBAN PLANNING & DEVELOPMENT DEPARTMENT	13.860	14.280
WOMEN DEVELOPMENT DEPARTMENT	0.195	0.258

Capital Receipts for 2020-21

Current Capital Receipts of the Province include all the new loans borrowed or raised by the Provincial Government (except loans for specific Development projects) and recoveries of loans granted to provincial entities/authorities/financial institutions and/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.

The following table presents the details of Provincial Current Capital Receipts for A/C-I (Non-Food) and A/C-II (Food Account) for the FY 2020-21 in comparison with BE 2019-20 and RE 2019-20 (PKR in Million):

RECEIPTS	BE 2019-20	RE 2019-20	BE 2020-21
I. Capital Receipts A/C-I	75.4	127.100	1,385.425
Recoveries of loans/advances from Govt Servants and Investments	75.4	127.100	1,385.425
II. A/C-II (Food Account) Receipts	2,817.380	2,816.00	4,648.150
State Trading – Sale of Wheat & Provincial Subsidy on Wheat	2,817.380	2,816.00	4,648.150
Total Capital Receipts (I + II)	2,892.780	2,943.100	6,033.575

Account No. II-Public Debt (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.

The limit of Cash Credit Accommodation set by the Federal Government for raising loans from Bank Consortia has been withdrawn

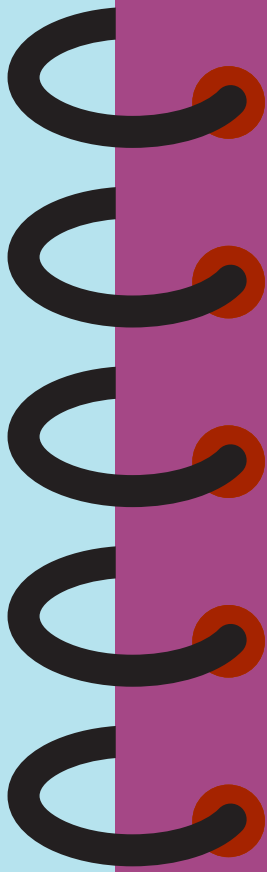
by the Federal Government; therefore, the same is not taken in the Capital Receipt Budget Estimates 2020-21, which was used to be taken in previous financial years. This limit of Cash Credit Accommodation set by the Federal Government allowed the Provincial Government to raise loans through consortia of banks for food commodity operations.

During FY 2020-21, an amount of PKR 4,648 billion is estimated to be received for commodity operations

compared to the amount of Rs. 2.816 billion realized during FY 2019-20. Current Capital Receipts has seen some breakthrough in the

estimates for next FY, i.e. 2020-21 by estimation of recoveries of investment and from employees etc. the amount of Rs. 1.385 Billion -





03

Chapter

Estimates of Expenditures

Estimates of Expenditures

Pursuant to the Article 118 of the Constitution of Pakistan, overall expenditures of the government are classified under Provincial Consolidated Fund and Public Account of the province. Article 121 of the Constitution relates to Expenditure incurred under Provincial Consolidated Fund, which can either be Development Expenditure or Current/Non-Development Expenditure. Current Expenditure is further classified into: Current Revenue Expenditure and Current Capital Expenditure, to be discussed in detail hereafter. After accommodating the demands of current revenue expenditure and current capital expenditure, the net surplus is available for financing the Development Expenditure.

The budgetary allocations tend to strike a balance between the competing demands of current and development expenditures. The balancing is done with the aim to maximize public welfare as per the priorities set by the Government. Without compromising on essential

areas of current and capital expenditure, the provincial budget is required to ensure maximum surplus for Development Expenditure.

Welfare of public is the primary objective underlying all public expenditures with special emphasis on providing all citizens equal opportunity to grow and to have access of the essential social services such as health, education, housing and public safety.

Major components of Government expenditure

- Current Expenditure – enables the government to maintain current level of service delivery;
- Development Expenditure – enhances capacity of the government to provide services to citizens; and
- Capital Expenditure – consisting of loans made, loans repaid, and contribution made to separate fund for meeting long-term liabilities.



- **1.** All revenues received by the Provincial Government, all
- Loans raised by that Government, and all moneys received by it in
- Repayment of any loan, shall form part of a consolidated fund, to be known
- As the Provincial Consolidated Fund.
- **2.** All other moneys—
- (a) received by or on behalf of the Provincial Government; or
- (b) received by or deposited with the High Court or any other
- Court established under the authority of the Province;
- Shall be credited to the Public Account of the Province.

3.1: Current Expenditure

As discussed above Current Expenditure is further classified into 'Current Revenue Expenditure' and 'Current Capital Expenditure', explained as under: -

Current Revenue Expenditure

Current Revenue Expenditure includes the expenditures on the

regulatory functions of the government and provision of social and economic services, based on functional classification of the expenditure as per Chart of Accounts (COAs) prepared and promulgated by Controller-General of Accounts (CGA) throughout the Country.

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 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 through Food Department in food grains, especially the procurement of wheat and repayment of loans taken from banks for state trading operations.

3.2: Development Expenditure

The funds allocated to meet the expenditure of development nature, such as infrastructure development, creation of new assets or enhancement of the life of existing ones to improve their capacity, human resource development program etc., included in Public Sector Development Program / Annual Development Program, financed out of the receipts of Provincial Government, Foreign Project Assistance (Loan and Grant) or federal grants is known as the 'Development Expenditure'.

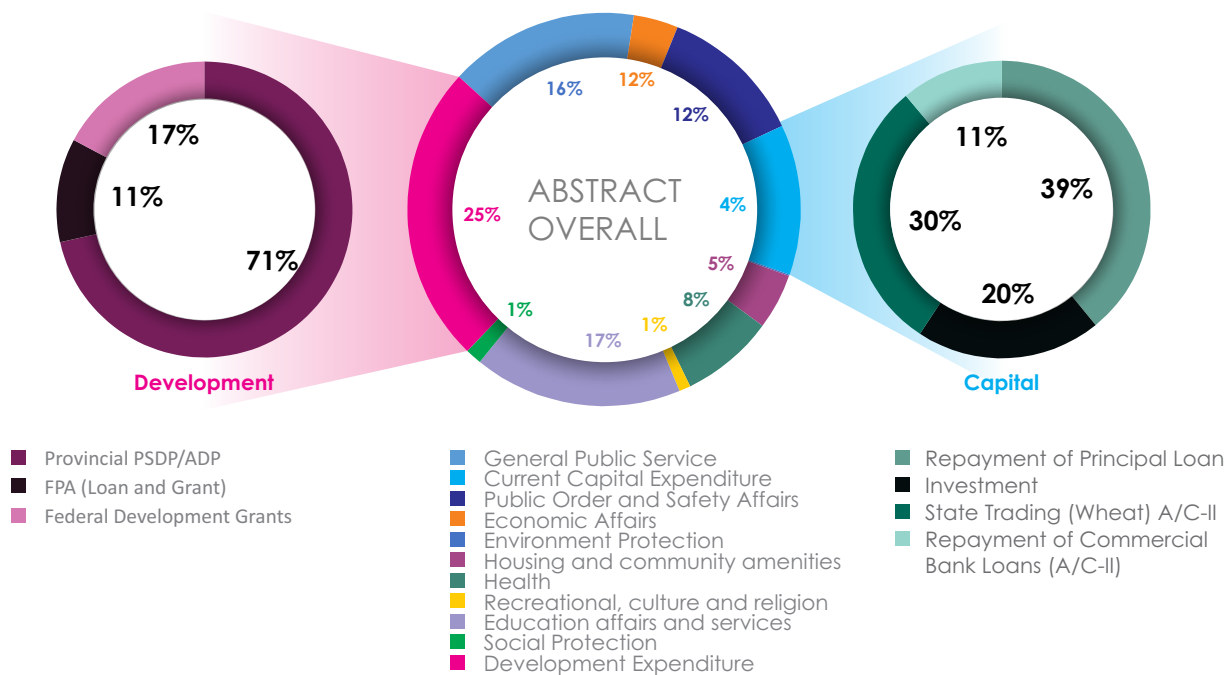
3.3: Expenditure Budget Estimates 2020-21

The following table gives an overview of the estimates of expenditure of Government of Balochistan for the FY 2020-21 compared with Budget and Revised Estimates 2019-20 (PKR in Millions)

Abstract of Expenditure for Budget 2020-21

(PKR In Millions)

Classification	B.E 2019-20	RE 2019-20	BE 2020-21
A. Current Revenue Expenditure			
General Public Service	4,9511.955	53,387.150	63,834.487
Public Order and Safety	44,692.019	41,402.669	48,571.008
Economic Affairs	52,144.262	43,713.410	51,815.863
Environment Protection	463.726	336.864	450.542
Housing and Community Affairs	18,328.815	18,362.715	18,754.724
Health Affairs	22,382.430	23,981.659	31,405.363
Recreational, Culture and Religion	3,418.966	3,825.966	3,761.543
Education Affairs and Services	62,312.598	57,968.086	70,063.442
Social Protection	4,180.547	6,629.599	5,466.698
B. Current Capital Expenditure			
Repayment of Principal Loan	7,239.766	7,737.244	5,835.843
Ways & Means Advances A/C-I	7,100.000	0.000	0.000
Investment	15,500.000	11,500.000	3,000.000
State Trading (Wheat) A/C-II	3,804.500	4,605.367	4,409.500
Repayment of Commercial Bank Loans (A/C-II)	2,500.000	2,700.000	1,663.125
C. Development Expenditure			
Provincial PSDP/ADP	100,572.192	74,642.297	106,079.465
FPA (Loan and Grant)	7,561.451	9,277.434	12,177.455
Federal Development Grants	18,209.696	20,436.175	38,215.927

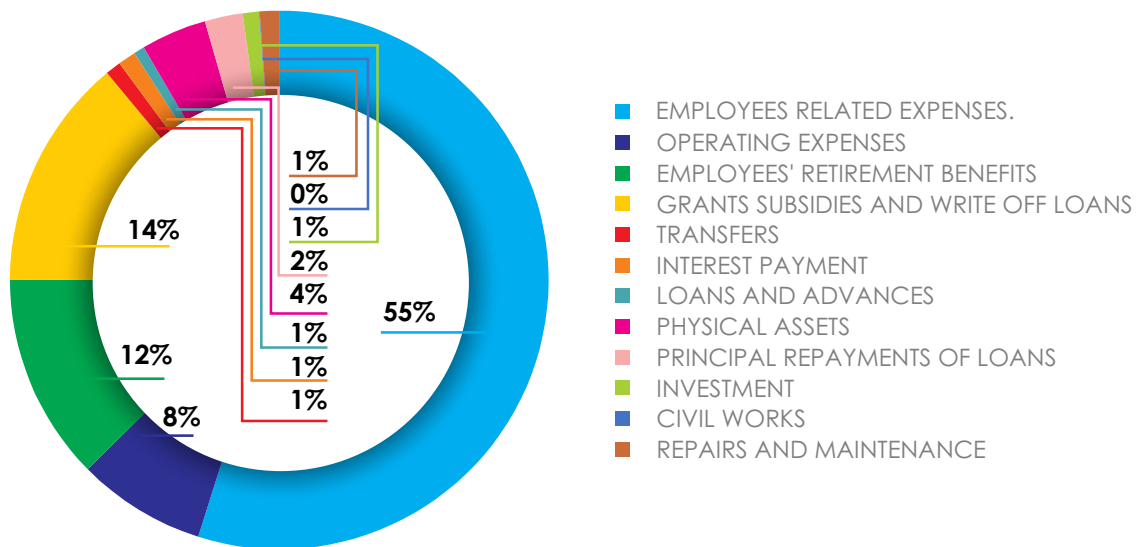


Budget allocation under Major Objects

Expenditure allocation under Major Objects for Current Expenditure for FY 2019-20 Revised Expenditure FY 2019-20 and Budget Estimate FY 2020-21 are given below (PKR in Millions):-

S#	Major Object (Description)	BE 2019-20	RE 2019-20	BE 2020-21
1.	Employee Related Expenses (Salary)	153,301.941	136,710.601	168,750.263
2.	Operating Expenses (Utilities, TA/DA, Stationary, Feeding Charges etc.)	17,462.747	20,405.985	23,804.197
3.	Employee Retirement Benefits (Pension, Gratuity)	33,785.995	33,616.540	38,174.344
4.	Grants, Subsidies, Write-off loans	43,283.069	37,628.865	44,335.509
5.	Transfers (Scholarships, Cash Award, Entertainments etc)	850.015	1,540.997	2,843.065
6.	Interest Payment (Interest on demotic and foreign debt)	3,268.934	3,468.932	33,30.154
7.	Loans and Advances	0000	3,235.000	2,000.000
8.	Acquiring of Physical Assets (Purchases)	6,761.395	12,837.176	12,069.635
9.	Principal repayment of loans (domestic and foreign)	16,339.766	9,737.244	7,048.968
10.	Investment, including ways and Means A/C-II	15,500.000	11,500.000	3,000.000
11.	Civil Works	107.282	252.995	104.282
12.	Repair and Maintenance	2,918.440	5,216.394	3,571.723
	Total	264.037	276,150.730	309,032.139

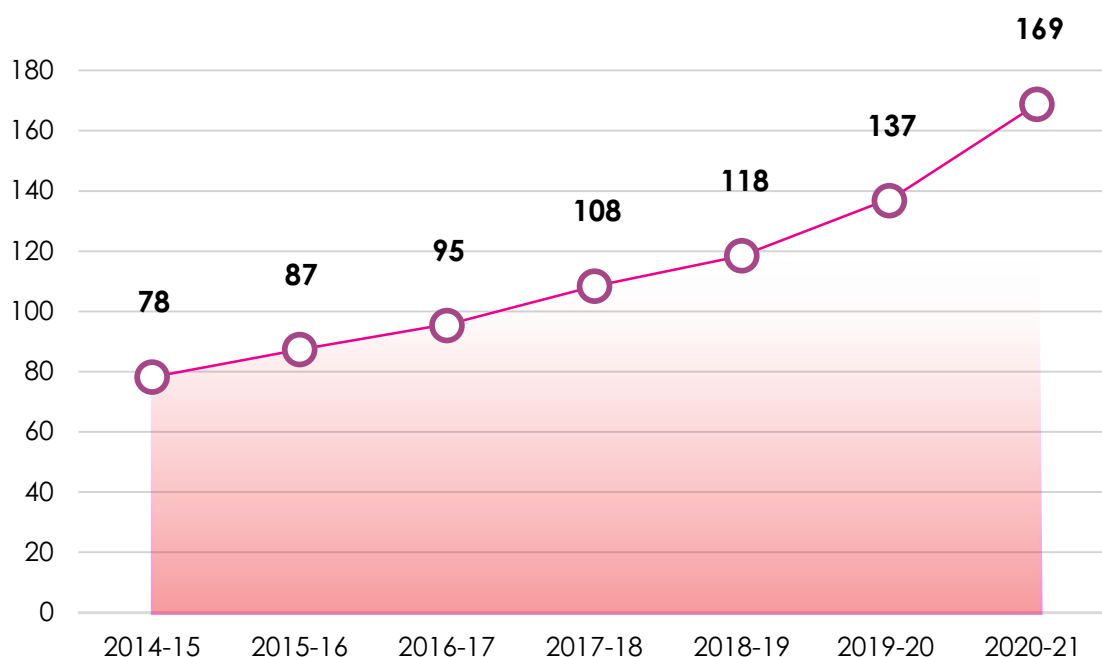
Following pie chart explains the percentage allocation of funds under the above-mentioned head/major objects of Current Expenditure.



Object-wise salient features of the Budget 2020-21 are as under: -

Pay and Allowances form large part of the Current Revenue Expenditure, which constitutes 55% of the total Current or Non-Development estimated budget. The expenditure under this Head is estimated to increase by 10% for FY 2020-21 as compared with the B.E 2019-20. It is

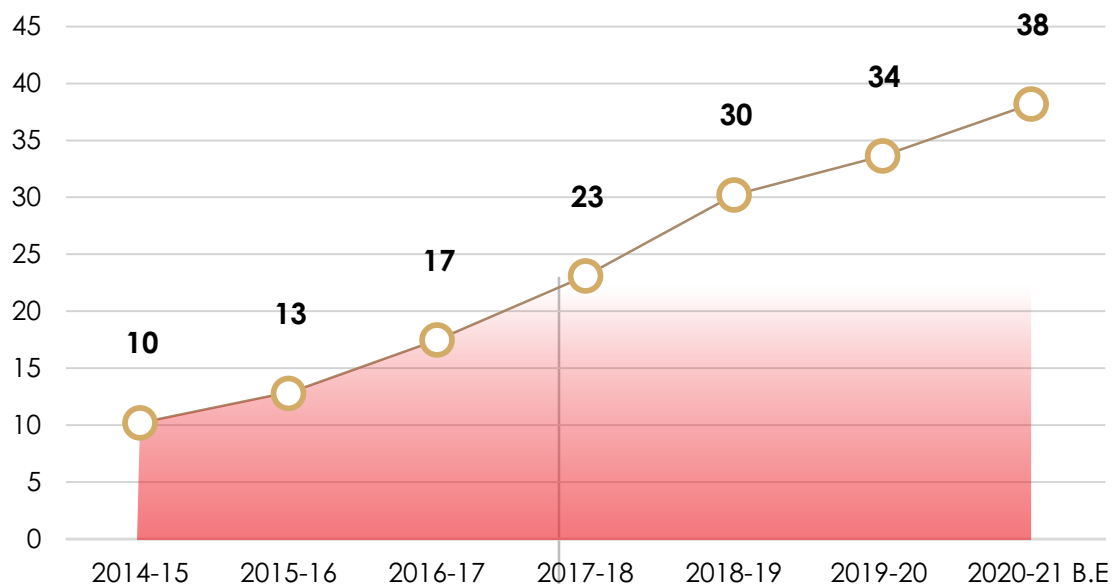
largely due to the creation of large number of vacancies over the previous financial years, grant of different Allowances to various categories of employees, upgradation of posts at mass level, and time scale benefits. Expenditure trend on pay and allowances for past few years is explained in the figure below.



Operating expenses is also on increase, but it constitutes only 7.73% % of the total Non-development or current expenditure for FY 2020-21, whereas it was estimated with 6% increase for FY 2019-20. For FY 2020-21, 36% increase in expenditure under 'Operating Expenses' is estimated as compared with B.E 2019-20.

Pension expenditure expenditure, for past few years, has been observed with uncontrolled increase, which is a major concern for the government. For previous FYs, estimates of Pension Expenditure had been made without taking into account the actual expenditure trends, which gave rise to the problems of estimation and budget

credibility under this Head remained a question. For FY 2019-20, Pension expenditure was estimated to be Rs. 33.785 Billion whereas, R.E 2019-20 pitched up to Rs. 33.616 Billion, i.e. close to the Budget Estimates. Pension Expenditure has grown in past financial years exponentially – the highest growth rate of the expenditure in last five years was @ 37% and lowest @ 12%. Therefore, while preparing budget estimates for Pension for FY 2020-21, Rs. 38.174 Billion have been allocated which is 13% increase of the Expenditure as compared to B.E 2019-20. The figure shows the Pension expenditure trend for the past few years showing exorbitant increase, requiring immediate attention of the Government to address the issue.



Grants and Subsidies expenditure has also seen exponential growth in recent past years. For FY 2020-21, an amount of Rs. 42.895 Billion has been

allocated against Rs. 37.628 Billion for R.E 2019-20, which shows the increase @ 14% under this Head. The major portion of the Grant comprise

of the expenditure on Agriculture Tubewells Subsidy amounting to Rs. 6.000 Billion, grant-in-aid of Rs. 11.42 Billion to Local Councils, amount allocated in the regular budget for financial assistance/death compensation to the bereaved families of deceased public servants, grants to various Public Sector Universities and autonomous bodies/authorities.

Principal Repayment of Loan (External Loans) and Interest Payment expenditure has seen on rise during FY 2019-20 and for FY 2020-21 as well owing to the devaluation of Pak Rupee against foreign currencies. For FY 2020-21, the budget for repayment of loans (external) is estimated to be Rs. 5.835 Billion, whereas the amount of Rs. 7.737 Billion was pitched for R.E 2019-20. Effective treasury management has to play role in this scenario and Government is required to act in more prudent manner to manage the impact of currency fluctuation over the current expenditure estimates.

No allocation of funds was made in B.E 2019-20 for **“Loan to Financial Institutions”** and to carry out commodity operations and keep the food stock in balance, avoiding shortage in the wake of Corona Pandemic and Locust crises, an

amount of Rs. 3.235 Billion were released as additional funds and pitched in R.E 2019-20 as interest-free loan from the Account-I (Non-Food) to Food Department under Account-II (Food). This was also aimed to avoid high interest and mark-up rates of consortia of banks who lent money as loan to the Food Department for commodity operations (Wheat procurement). In addition, an amount of Rs. 1.31 Billion was released to clear commodity liabilities of Food Account-II under the Head 'Subsidies'. For the FY 2020-21, an amount of Rs. 2.3 Billion has been allocated for extending loaning facility to the Account-II (Food) from Account-I (Non-Food) and clearance of commodity liabilities of Food Department.

Acquiring of Physical Assets (Purchases) expenditure has seen an unforeseen increase during FY 2019-20 as originally the amount of Rs. 6.76 Billion in B.E 2019-20 but due to number of COVID-19 related initiatives, revamping of Provincial Levies Force, land acquisition, purchase of arms & ammunition and commodity operations, the R.E 2019-20 has been doubled, amounting to Rs. 12. 837 Billion. For FY 2020-21, the same budgetary trend has been followed and an amount of Rs. 12. 069 Billion has been proposed under

this Head for public procurement.

Investment for different purposes was made during FY 2019-20 and an amount of Rs. 15.500 Billion was originally allocated in the Budget 2019-20, while the amount of Rs. 11.50 Billion was invested during the FY 2019-20, such as: -

- Rs. 500.00 Million were invested for 'Rehabilitation of Offenders and their Social Integration'
- Rs. 3.00 Billion were invested in Pension Fund established by the Government of Balochistan.
- Rs. 2.00 Billion investment for 'Disaster Management' was made.
- Rs. 2.00 Billion invested for 'Capacity Building of Provincial Officers'.
- Rs. 1.00 Billion investment was made in 'Balochistan Awami Endowment Fund'.
- Rs. 1.00 Billion invested in 'Viability Gap Fund'.
- o Rs. 1.00 Billion invested 'Project Development Fund'.
- Rs. 1.00 Billion invested for 'CM COVID Emergency Fund'

Repair & Maintenance expenditure for FY 2019-20 has also been

increased as against original budgeted amount of Rs. 2.918 in B.E 2019-20, the amount of Rs. 5.216 Billion was released and pitched under R.E 2019-20 which is the growth of more than 78% in the original budget. Large portion of the amount was released funds to Communication, Works & Physical Planning Department for repair of buildings & roads, Levies Station and repair & renovation of health facilities and machinery. For FY 2020-21, the amount of Rs. 3.57 Billion is the proposed allocation under this head.

Capital Expenditure A/C-II (Food Account) is mainly for the purchase of wheat through raising loan money from Bank Consortia arranged, to be credited into Government A/C-II (Food Account) and retiring of the loan after sale of wheat. For FY 2018-19, although the amount of Rs. 3.714 Billion was allocated for procurement of wheat and other commodities, revised estimates of the year show that expenditure could not be made during the FY 2018-19. For Budget 2019-20, the amount of Rs. 3.805 Billion has been allocated for the purpose and Rs. 2.500 Billion for repayment of the loan of Commercial Banks against the figure of Rs. 2.516 Billion from A/C-II.

Demand for Grant-wise Budget Allocations for FY 2020-21

Under Article-122, Clause-2 of the Constitution of Islamic Republic of Pakistan, Expenditure Budget is laid down before the Provincial Assembly in the form of 'Demand for Grant' for authentication of the Schedule of Authorized Expenditure. Each Demand, after authentication of the Schedule of Expenditure, becomes a 'Grant' under the charge of a Principal Accounting

Officer who is responsible for propriety and regularity of the expenditure so authorized by the Assembly under his respective Grant.

Article 122, Clause-2



- (1) So much of the Annual Budget Statement as relates to expenditure charged upon the Provincial Consolidated Fund may be discussed in, but shall not be submitted to the vote of the Provincial Assembly.
- (2) So much of the Annual Budget Statement as relates to other expenditure shall be submitted to the Provincial Assembly in the form of demands for grants, and that Assembly shall have power to assent to, or to refuse to assent to, any demand, or to assent to any demand subject to a reduction of the amount specified therein:
- (3) No demand for a grant shall be made except on the recommendation of the Provincial Government.

Given below is the Demand/Grant-wise detail of Current Expenditure falling under various Major Functions

as discussed above for the FY 2019-20 against BE and RE of 2018-19

Public Order and Safety

(PKR In Millions)

Description of Grant/Department	BE 2019-20	RE 2019-20	BE 2020-21
GENERAL ADMINISTRATION	174.456	189.848	206.885
ADMINISTRATION OF JUSTICE	2,003.287	2,483.426	2,514.877
POLICE	21,180.809	17,492.263	22,177.604
LEVIES	11,648.943	10,681.003	12,453.743
JAILS & DETENTION PLACES	972.821	990.437	1,473.639
CIVIL DEFENCE	144.982	135.882	170.846
PROSECUTION DEPARTMENT	335.419	276.409	387.298
LEGAL SERVICES & LAW AFFAIRS	454.111	531.527	535.111
BALUCHISTAN CONSTABULARY	4,895.041	4,521.040	5,239.018
PROVINCIAL OMBUDSMAN	194.049	220.475	230.657
HOME DEPARTMENT	1,643.460	2,827.319	2,067.630
ADMINISTRATION OF JUSTICE	1,044.641	1,053.041	1,113.700

Expenditure for various Departments/Demand for Grants under the Major Function 'Public Order and Safety' for FY 2020-21 depicts the following salient features:-

- Total No. of posts proposed to be created for all Departments/Grants under the Function 'Public Order and Safety' for FY 2020-21 are 532 in all categories.
- 483 new posts of various categories have been proposed for Balochistan Police Levies Force out of the total 532 proposed new creation under 'Public Order and Safety'.
- The Balochistan Police, Balochistan Constabulary (BC)

and Levies Force are the major Departments under this Functional Head – out of Rs. 48.57 Billion allocated under this Function, the amount proposed for Police, Levies and BC is Rs. 39.87 Billion which constitutes 82% of the total estimated budget of 'Public Order and Safety'.

- Although in terms of financial implications, the budget of Prisons (Jails & Detention) Department has been proposed to be increased by Rs. 500.82 Million for the FY 2020-21 but in terms of percentile increase, this Department's budget is proposed to be increased by 51% as compared to the B.E 2019-20 for the Department.

- An amount of Rs. 1.00 Billion is also proposed for revamping and strengthening of the Levies Forces to help control

law and order in the respective territorial jurisdiction.

GENERAL PUBLIC SERVICE

(PKR In Millions)

Description of Grant/Department	BE 2019-20	RE 2019-20	BE 2020-21
INVESTMENT	15,500.000	11,500.000	3,000.000
PUBLIC DEBT (DISCHARGED)	14,339.766	7,737.244	5,835.843
GENERAL ADMINISTRATION	1,897.827	2,688.609	2,808.594
PROVINCIAL EXCISE	889.496	938.632	1,110.502
STAMPS	44.363	44.363	53.519
PENSIONS	33,783.827	33,614.410	38,169.292
STATIONERY & PRINTING	128.982	91.769	184.255
CHIEF MINISTER SECRETARIAT	781.021	1,186.290	698.682
BOARD OF REVENUE & ADMINISTRATION	3,356.280	5,871.733	4,795.627
FINANCE DEPARTMENT	2,936.981	2,290.082	8,896.066
URBAN PLANNING & DEVELOPMENT DEPARTMENT	246.324	236.789	291.564
PLANNING & DEVELOPMENT DEPARTMENT	752.364	1,621.631	1,285.337
INTER PROVINCIAL COORDINATION DEPARTMENT	55.563	54.115	70.016
CHIEF MINISTER'S INSPECTION TEAM	111.918	241.165	145.142
GOVERNOR'S SECRETARIAT (VOTED)	42.169	48.594	49.183
PROVINCIAL ASSEMBLY (VOTED)	140.576	130.774	171.779
DEBT SERVICING & OTHER OBLIGATIONS	2,768.934	2,768.932	2,880.154
GOVERNOR SECRETARIAT (CHARGED)	212.782	266.819	256.647
PROVINCIAL ASSEMBLY (CHARGED)	1,362.547	1,292.442	1,968.129

Pension Expenditure is the largest component under Major Function 'General Public Service' in terms of budgetary allocation as compared to other Demands/Budgetary Grants. For FY 2020-21, an amount of

Rs. 38.174 Billion have been proposed which is 51% of the total proposed expenditure under 'General Public Service'.

An amount of Rs. 8.896 Billion has

been proposed under the Demand of 'Finance Department' for FY 2020-21 which exhibits an increase of 203% in the expenditure as compared to last FY budget (i.e. Rs. 2.936 Billion for FY 2019-20). This increase is because of the allocations for following purposes as new initiatives of the Government:

- Rs. 1.00 Billion has been allocated providing interest-free micro-financing loan for low cost housing schemes in the Province.
- Rs. 2.00 Billion has been allocated for providing interest-free loan to small scale business.
- Rs. 3.00 Billion are proposed for undertaking socio-economic initiatives to help mitigate

effects of COVID-19.

- Rs. 1.00 Billion have been proposed for health insurance scheme for Balochistan civil employees

The overall proposed expenditure under 'General Public Service' for FY 2020-21 is Rs. 72.67 Billion which shows the 8% negative growth in the proposed budget allocation as compared to the budget amounting to Rs. 79.35 Billion under this functional head for FY 2019-20. This is mainly because of the less allocation for Investment – an amount of Rs. 3.00 Billion has been allocated for investment for FY 2020-21 against Rs. 15.500 Billion allocation for investment during FY 2019-20.

ECONOMIC AFFAIRS

(PKR In Millions)

Description of Grant/Department	BE 2019-20	RE 2019-20	BE 2020-21
STATE TRADING (VOTED)	3,804.500	4,605.367	4,409.500
STATE TRADING (CHARGED)	2,500.000	2,700.000	1,663.125
CIVIL WORKS (INCLUDING ESTT: CHARGES)	9,904.941	10,771.408	11,397.810
MANPOWER & LABOUR MANAGEMENT	2,276.958	1,978.607	2,258.751
FOOD	697.782	707.231	743.578
AGRICULTURE	9,461.573	9,002.064	11,071.965
LAND REVENUE	257.580	250.717	293.270
ANIMAL HUSBANDRY	4,027.906	3,368.538	4,592.076
FORESTRY	1,421.107	1,136.229	1,605.081

FISHERIES	1,466.724	1,591.022	1,232.531
COOPERATIVE	145.238	148.580	207.044
IRRIGATION	2,676.491	2,527.778	3,723.867
INDUSTRIES	1,376.293	1,350.119	1,762.658
MINERAL RESOURCES (SCIENTIFIC DEPTT)	2,267.147	2,406.967	3,624.067
LOANS & SUBSIDIES	1,310.000	4,545.000	2,300.000
TRANSPORT DEPARTMENT	149.298	90.259	149.771
ENERGY DEPARTMENT	14,704.000	3,837.064	6,851.800
BOARD OF REVENUE & ADMINISTRATION	1.225	1.829	1.595

The overall proposed expenditure under 'Economic Affairs' for FY 2020-21 is Rs. 56.45 Billion against Rs. 58.45 Billion for FY 2019-20 which shows the 3% negative growth in the proposed budget allocation. This is mainly because of the less allocation of the amount for "Agriculture Tubewells Subsidy – an amount of Rs. 6.00 Billion has been proposed for the said purpose for FY 2020-21, whereas it used to be Rs. 13.81 Billion in previous Fys.

Rs. 4.4 Billion has been allocated for

State Trading (Wheat Procurement) for FY 2020-21 against the last FY budget of Rs. 3.8 Billion, whereas Rs. 1.6 Billion proposed for State Trading (Charged) for FY 2020-21 against Rs. 2.5 Billion during FY 2019-20, which is basically the repayment of loans to consortia of commercial banks obtained for the purpose of commodity operations.

Creation of 1289 new posts of various categories have been proposed in the budget 2020-21 under this Functional Head.

ENVIRONMENT PROTECTION

(PKR In Millions)

Description of Grant/Department	BE 2019-20	RE 2019-20	BE 2020-21
ENVIRONMENT CONTROL DEPARTMENT	463.726	336.864	450.542

Under the Major Function of "Environment Protection", only the demand of Environment Control Department is reflected, the budget of which sees normal increase for FY 2020-21. Total 132 new posts of

various categories have been approved for the Department for the purpose of generating employment and strengthening of the department through adequate human resource.

HOUSING AND COMMUNITY AFFAIRS

(PKR In Millions)

Description of Grant/Department	BE 2019-20	RE 2019-20	BE 2020-21
PUBLIC HEALTH ENGINEERING	4,300.753	4,197.027	4,553.700
WORKS URBAN - B-WASA	1,205.344	1,534.548	1,205.344
LOCAL GOVT. & RURAL DEVELOPMENT	12,822.718	12,631.140	12,995.680

The demand for grant of "Rural Development" contains an amount of Rs. 11.42 Billion as grant-in-aid for local councils of Balochistan for FY 2020-21. The amount is reflected under the DDO code of Local Government Department (Secretary, Local Government) to be released to local councils in their bank accounts under the provisions of Balochistan Local Government Act, 2010.

The Budget of Local Government Department, under the above-said

Demand, amounting to Rs. 12.995 Billion constitutes 69% of the total budget expenditure under the Function 'Housing and Community Affairs' (Rs. 18.74 Billion under the said Function).

Total No. of posts proposed to be created during FY 2020-21 under the said Function are '201' in all categories (104 posts for Rural Development and 95 for PHE Department).

HEALTH AFFAIRS

(PKR In Millions)

Description of Grant/Department	BE 2019-20	RE 2019-20	BE 2020-21
Health	22,382.430	23,981.659	31,405.363

Exorbitant increase has been observed in the budget of this function for FY 2020-21: the amount of Rs. Rs. 31.392 Billion has been allocated in the budget against Rs. 22.38 Billion allocated for FY 2019-20, which exhibits 40% increase in the allocation. The salient feature of the

budgetary allocations for "Health" in the Budget 2020-21 are as under: -

- The amount of Rs. 2.50 billion was allocated during FY 2019-20 for purchase of medicines, which could not be spent and surrendered; therefore, the same

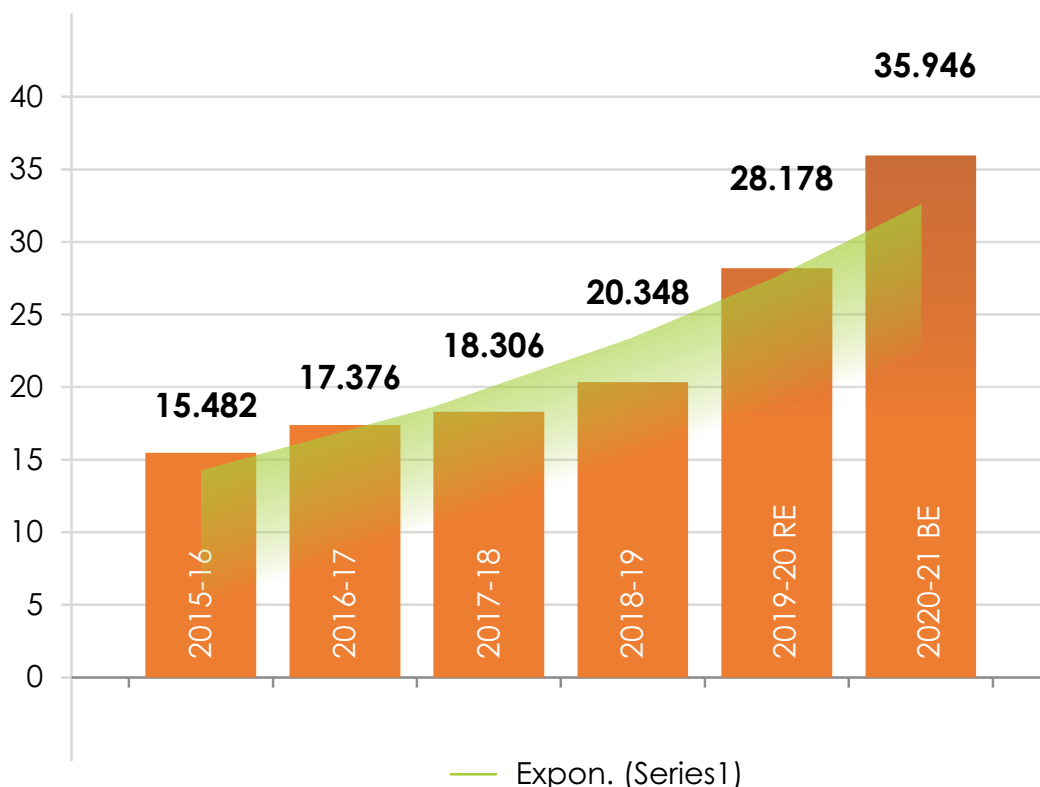
amount has been reallocated in the budget 2020-21. As a regular feature of the budget, an amount of Rs. 2.70 Billion for purchase of medicines has been allocated for FY 2020-21. Therefore, the funds allocation for purchase of drugs and medicines cumulatively makes an amount of Rs. 5.200 Billion for the FY 2020-21, for provision of free medicine in a transparent manner.

- Purchase of Air Ambulance is planned during FY 2020-21; therefore, an amount of Rs. 2.50 Billion has been allocated in the budget 2020-21.
- Allocation of Rs. 1.00 Billion for COVID-19 Emergency has been made in the budget 2020-21 which is a new item and initiative of the Government keeping in

view the global pandemic emergency situation.

- Grant of Rs. 50.00 Million in lieu of performance for doctors and staff have been approved.
- Creation of 1735 technical posts for doctors and para-medical qualified personnel have been approved for the budget 2020-21.
- Grant-in-aid amounting to Rs. 350.00 Million has been approved for teaching hospitals in the budget 2020-21.
- An increase of Rs. 2.869 Billion has been proposed in pay and allowance which is 15% increase in the expenditure against budget allocation during 2019-20.

Analysis of past years budget of Health Department is shown in the charts below.



RECREATIONAL, CULTURE AND RELIGION

(PKR In Millions)

Description of Grant/Department	BE 2019-20	RE 2019-20	BE 2020-21
ADMN. SPORTS & RECREATION FACILITIES	995.079	1,173.099	1,041.785
RELIGIOUS AFFAIRS DEPARTMENT	1,025.145	1,032.256	915.069
CULTURE SERVICES	478.948	429.926	465.846
INFORMATION TECHNOLOGY DEPARTMENT	325.169	568.855	398.023
INFORMATION DEPARTMENT	594.625	621.829	656.903
MINORITIES AFFAIRS DEPARTMENT	0.000	0.000	283.918

Salient features of the Budget 2020-21 under the Major Function "Recreational, Culture and Religion" are as under: -

- Religious Affairs Department has been bifurcated in two Grants i.e. Religious Affairs and Minority Affairs Departments.
- The increase pattern in budget 2020-21 with respect to Function 'Recreational, Culture and Religion' is nominal. The allocation in B.E 2020-21 is Rs.

3.76 Billion against Rs. 3.42 Billion for the budget 2019-20.

- The major contributory in the expenditure under this Functional Head is 'Sports and Recreation Department' which is Rs. 1.04 Billion that comes out to be 28% of overall budget allocation under this Function.
- More than 281 posts have been approved for creation during 2020-21, out of which 176 posts are created for Sport Department.

EDUCATION AFFAIRS AND SERVICES

(PKR In Millions)

Description of Grant/Department	BE 2019-20	RE 2019-20	BE 2020-21
HIGHER EDUCATION	10,130.798	9,601.797	11,783.080
ARCHAEOLOGY, MUSEUMS & LIBRARIES	393.509	226.790	424.749
SECONDARY EDUCATION	48,012.025	44,806.102	51,873.183
MEDICAL EDUCATION	3,776.266	3,333.397	5,982.430

The budget of Education Affairs and Services for the FY 2020-21 is estimated at Rs. 70.05 Billion against

Rs. 62.31 Billion during 2019-20, which exhibits an overall increase of 12%. The following main and important

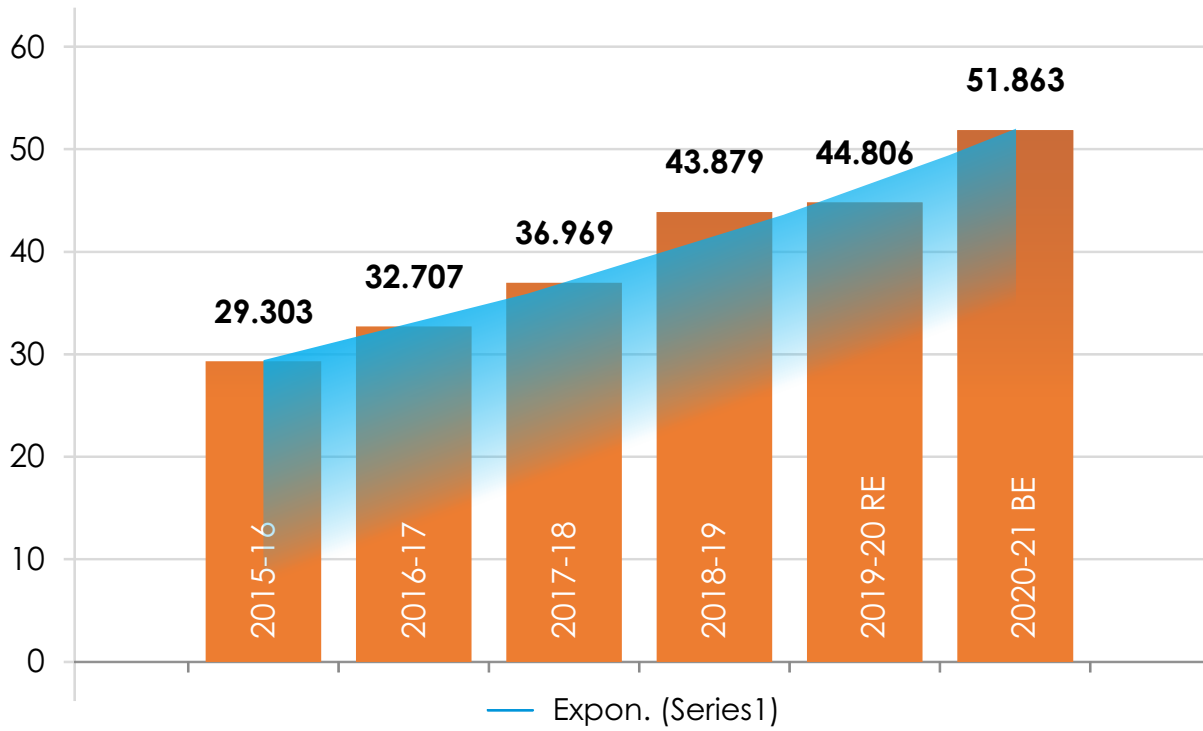
features include:-

- The budget for Secondary Education Department constitute 74% of the total Budget under the Function of 'Education Affairs and Services' costing Rs. 51.863 Billion for FY 2020-21 against the budget 2019-20 of Rs. 48.012 Billion for the Department.
- Though the increase in budget of Secondary Education is normal @8%, major portion of this increase is on pay and allowances side which is Rs. 46.90 Billion against previous year allocation of Rs. 43.03 Billion.
- 1974 posts of different categories (teaching and non-teaching) are approved for creation in the FY 2020-21 under the Function 'Education Affairs & Service', out of which 1486 new creation of posts is meant for Secondary Education Department only.
- High increase has been observed under the budget of Medical Education which is 58% higher from the previous year budget. For FY 2019-20, budget allocation for the Demand 'Medical Education'

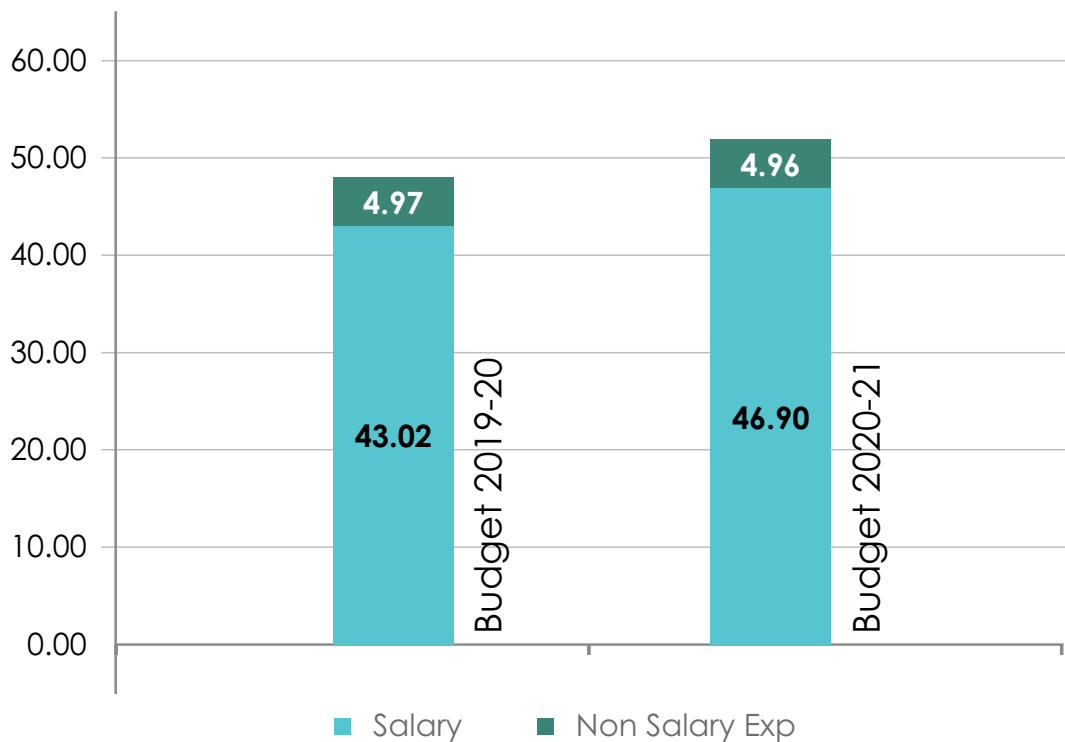
was Rs. 3.776 Billion, whereas the funds amounting to Rs. 5.982 Billion are proposed in the budget 2020-21.

- Multiple criterion, such as student enrollment, number of schools in cluster etc. have been rationalized and priority is given to each parameter in terms of allocation of funds on rational basis.
- Formula-based, rational allocation of budget for science/lab equipment, repair of college buildings, purchases etc. to the colleges was made in the budget for FY 2019-20 first time and the same practice is continued for the budget 2020-21.
- Deletion of lump-sum TA/DA allocation, POL and remuneration budget from Directorate of Colleges and college-wise rationalized budget provision was made during FY 2019-20 and continued for the budget 2020-21.

The following charts explain the expenditure trends of past years for **Secondary Education Department**.



Similarly, the following pictures explain the expenditure of past years on Higher Education side in the Province.



SOCIAL PROTECTION

(PKR In Millions)

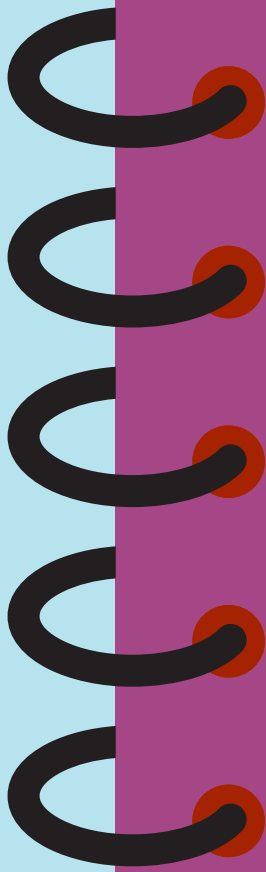
Description of Grant/Department	BE 2019-20	RE 2019-20	BE 2020-21
POPULATION WELFARE	1,091.278	946.678	1,191.624
SOCIAL SECURITY & SOCIAL WELFARE	1,560.152	2,118.919	2,268.178
PROV: DISASTER MANAG: AUTHORIITY (PDMA)	1,400.000	3,415.192	1,670.000
WOMEN DEVELOPMENT DEPARTMENT	129.117	148.810	336.896

Salient features of the Budget 2020-21 under the Major Function "Social Protection" are as under:-

- An increase of 31% in the overall budget for 2020-21 has been estimated against budget allocation for FY 2019-20.
- Creation of new 593 new posts in different categories have been approved under the said Functional Head, out of which 417 new posts have been approved for creation for Social Welfare Department.
- The funds amounting to Rs. 1.40 Billion were allocated for PDMA under 'Natural Calamities and Other Disasters' Demand; however, due to Corona Pandemic relief operations, anti-locust activities, and other Rescue,

Relief and Rehabilitation activities 2019-20, R.E 2019-20 was pitched up to Rs. 3.42 Billion which is about 150% increase in the expenditure against budget estimation. Budget allocation for PDMA under the said Demand has been proposed to be Rs. 1.67 Billion.

- Although in terms of money, increase in the budget 2020-21 for Women Development Department amounts to Rs. 207 Million, thus the total budget allocation for the Department during FY 2020-21 is pitched to Rs. 336.80 Million against Rs. 129.1 Million in 2019-20, which exhibits 161% increase in the departmental budget.



04

Chapter

Public Sector Development Program

Public Sector Development Program

4.1 National Development Outlay 2020-21:

National development outlay amounting to Rs. 1, 324 billion has been agreed for next budget 2020-21, which is lower by Rs. 287 billion as compared to the original allocation of Rs. 1610 Billion for the outgoing fiscal year. Out of total national development outlay, the Federal Public Sector Development Program has set at Rs. 650.00 billion and provincial development outlays at Rs 674 billion in the next budget for 2020-21. The National development outlay is 18% less than the outgoing fiscal year's original allocation.

The major strategy for PSDP 2020-21 is to focus on completion of ongoing projects, Covid-19 responsive development programme, more funds for social sector compared to infrastructure and funding of only approved projects as per provision of Public Finance Management Act 2019.

4.2 Overview of PSDP 2019-20

During last five years the Government of Balochistan has done its best for compilation of accurate and public friendly 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 with special focus to trigger the production sector of the economy.

Keeping in view 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 goals of model development in the province.

FUNDS DISTRIBUTION TO SCHEMES

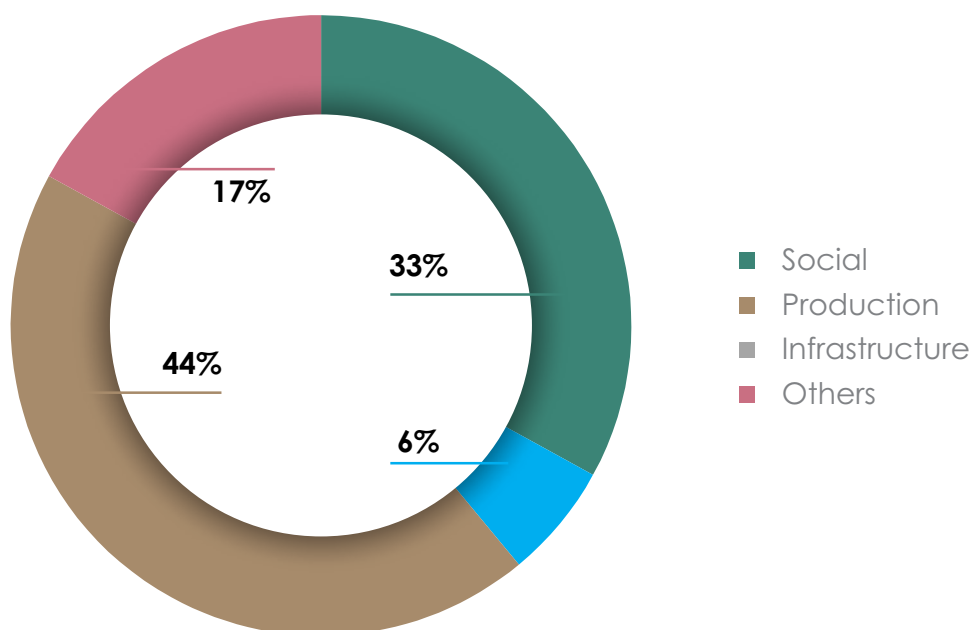
Funds distribution to development schemes requires careful consideration of size of the scheme, annual financial phasing in PC-I, total number of schemes in PSDP, number of schemes in a particular sector, relative importance of schemes, percentage of allocation fixed for various sectors/sub-sectors etc.

Keeping in view the financial constraints of development budget and importance of development sector during financial year 2019-20

the PSDP was planned with the distribution as local component equalling Rs. 100.57 billion and foreign project assistance (FPA) amounting to Rs. 7.56 billion; by summing up both components the total size of PSDP remained Rs. 108.133 Billion consisting of 2649 development schemes.

Majority of funds almost 44% of total were allocated to infrastructure sector within the sector the communication and transport subsector was the leading shareholder of almost half of the sectoral allocation. The second leading sector was social sector with 33% allocation.

ANNUAL SECTORAL ALLOCATIONS PSDP 2019-20

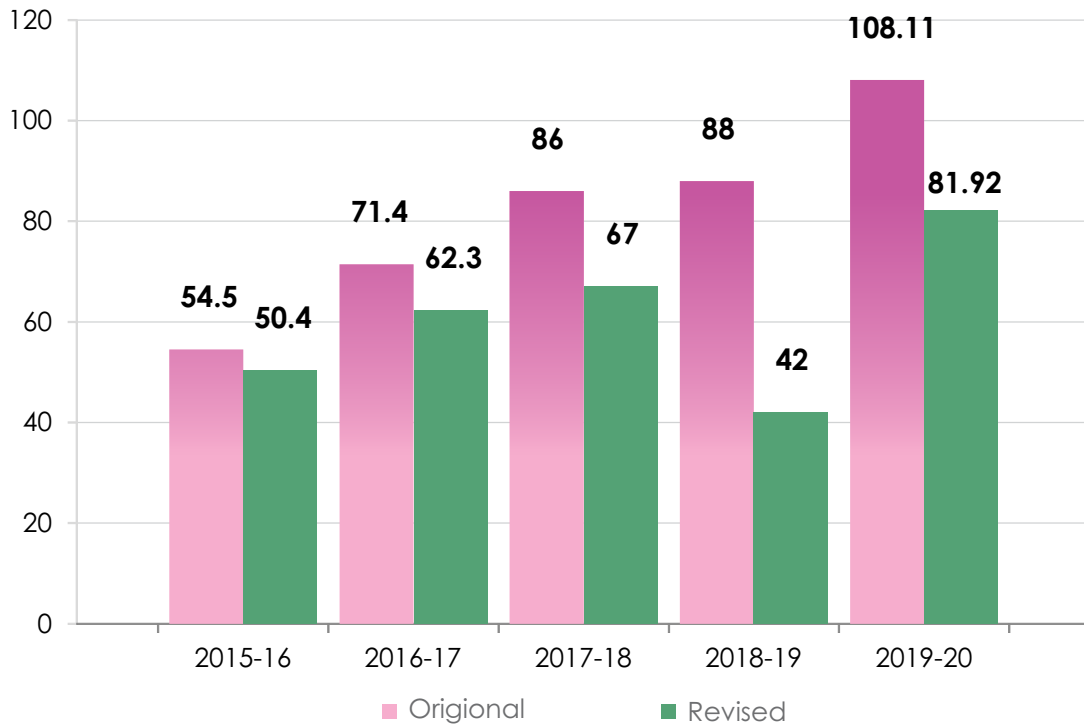


4.3 Trends in Public Sector Development Program:

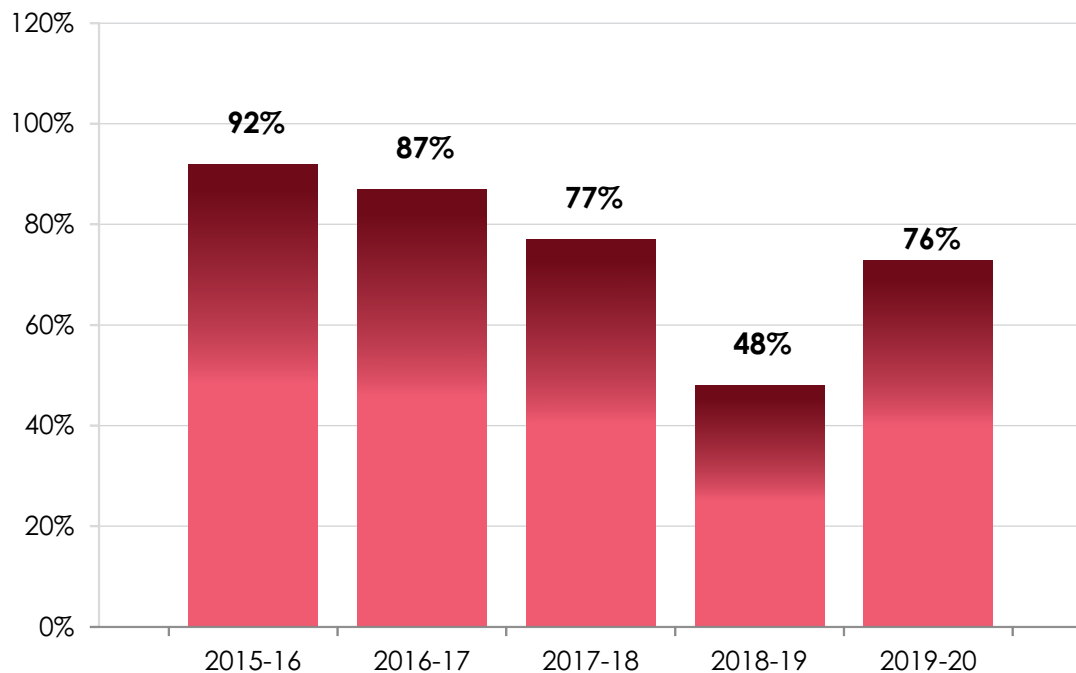
Post 7th NFC the overall size of Provincial PSDP has increased tremendously. The chart A below

shows that over the five years the overall size of trend in PSDP allocation is upward and it is almost doubled, however, the revised PSDP has remained quiescent and over the period and showed downward trend.

Trends in original and revised PSDPs



Revised as percentage of Original Budget



4.5 Major Milestones Achieved during 2019-20:

The P&D Department has implemented the PSDP 2019-20 with great success setting new trends in approval and release mechanism. Till end of 3rd quarter FY 2019-2020 around 98% of new projects were approved in number of PDWP and DSC meeting. Despite of financial crunch and suspension of development activities caused by Corona epidemic, around 73% of total allocation for ongoing and new projects had been released out of which most of the funds were release in first and second quarter giving ample time and enabling executing agencies to implement the projects. 68% of targeted projects will be completed during 2019-20.

The P&D Department has fostered the legal and regulatory framework for development of the province and number of initiatives have been taken. It is internationally acknowledged fact that evidence based data and scientifically designed plans are necessary for formulation of development plans. Keeping in view the principle, the Planning and Development, Government of Balochistan is gradually moving towards medium

and long term planning. In this connection draft Balochistan Comprehensive Development Strategy (BCDS) has been finalized, which will help in resource allocation and target setting in the development planning. Besides this the P&D Department is playing lead role in sector planning. The Sector Plan for education has been finalized, while for Industries, Mines, Agriculture, Livestock, Local Government, Women Development and Energy sectors plans are in process. The Health Department and Mines & Minerals Department have already developed provincial policies and strategies, which will be used in preparation of the annual development plan. The SDGs Framework has also been finalized, which will also be a guideline for prioritization of sectors to have alignment with the global SDGs. The P&D Department has developed Balochistan Planning and Development Manual in order to have a proper policy guideline for implementation of the PSDP. The Monitoring and Evaluation framework has also been drafted and will be finalized at the earliest.



SOME ACHIEVEMENTS IN 2019-20

- 1.** PSDP 2019-20 was implemented with great success despite of natural calamities. Around 98% new projects were approved by end of March 2020.
- 2.** 68% of projects completed during 2019-20
- 3.** Automation of PSDP: System requirement specification has been completed; preparation of a specification of hardware for the software is in process. PSDP automation will serve a great purpose in development planning.
- 4.** Provincial SDGs Framework: draft is ready for presentation to Honorable CM, Balochistan
- 5.** Multiple Indicator Cluster Survey: the P&D Department has successfully conducted MICS Survey. Around 80% work has been completed. The survey will provide internationally comparable statistically rigorous Data on 140 indicators concerning education, health, water and sanitation with focus on children and women.
- 6.** Update of Balochistan Comprehensive Development and Growth Strategy: comprehensive draft has been completed and is ready for presentation to Honorable CM, Balochistan.
- 7.** Provincial SDGs Framework: draft is ready for presentation to Honorable CM, Balochistan
- 8.** Monitoring and Evaluation policy framework: draft has been prepared and under discussion with the stakeholders
- 9.** Balochistan Planning and Project Manual: draft finalized after discussion with the stakeholders and submitted to the Chief Minister Balochistan
- 10.** Preparation of the medium term sector plans: the sectoral plans/ strategies are key documents for development planning wherein vision of the Government for public service delivery / Key Performance Indicators



SOME ACHIEVEMENTS IN 2019-20

(KPIs) of the department concerned are translated into broadly defined goals and objectives and a sequence of steps is adopted to achieve them over the medium term period of time including mapping of required financial and human resources to attain the goals and objectives. The P&DD initiated preparation of medium term sector plans.

- I. Agriculture sector plan (draft submitted to agriculture Department for review),
- ii. Mines and Minerals sector plan (draft submitted to M&M Department for review),
- iii. Industries sector plan (draft are being finalized),
- iv. ToRs agreed for Energy Sector Plan
- v. ToRs agreed Women Development Sector Plan

11. Providing guidance and support Government Innovation Lab for preparatory work on Quetta Smart City project

12. SDGs district localized plans: plan for pilot district Killah Abdullah and Noshki ready for presentation

13. Development of Green building standards and certification of Green buildings: terms of reference prepared and consultant hired

14. MoU with Information Technology University (ITU) Lahore for technological solutions to accelerate progress on SDGs

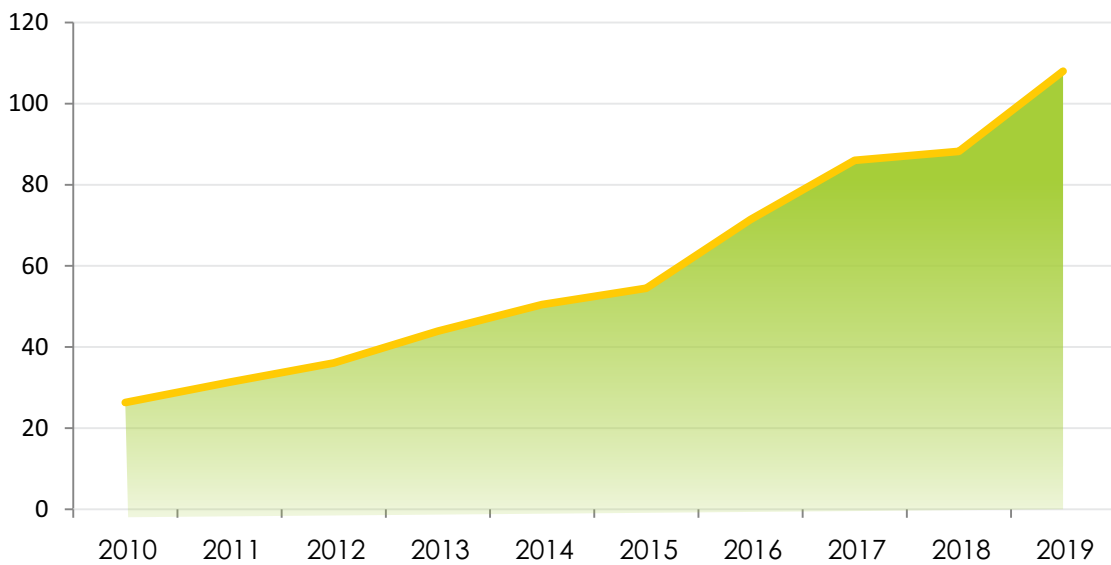
15. Public private partnership setup been established in

4.6 Analysis of PSDP 2019-20 and PSDP 2020-21

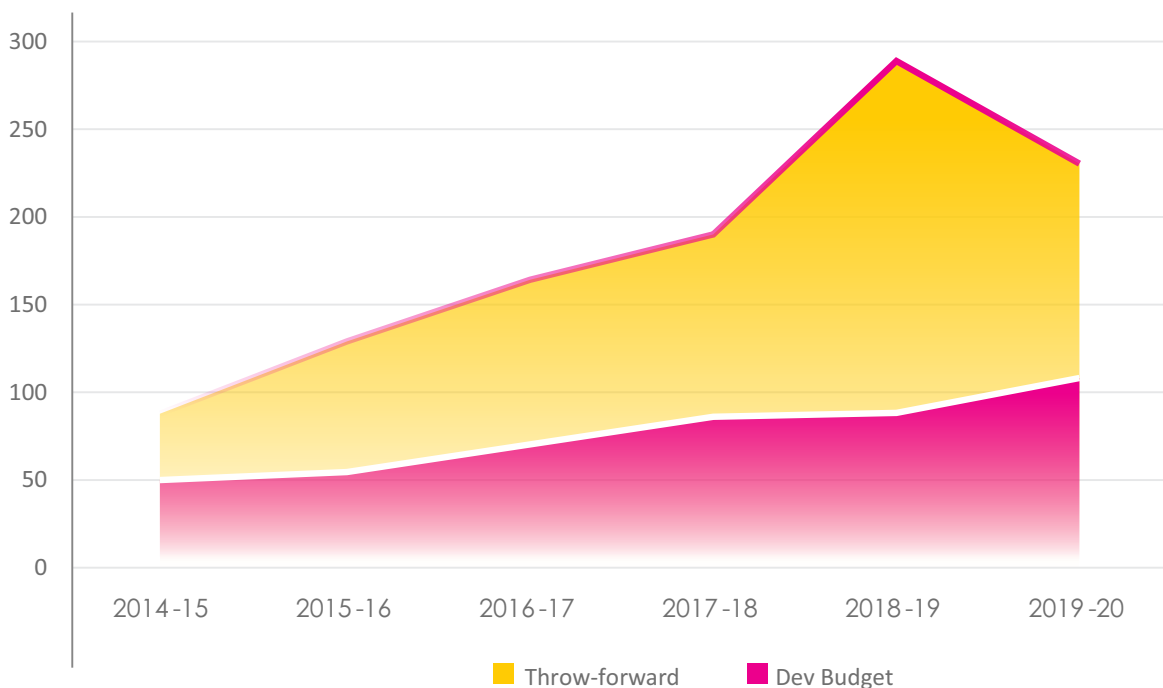
The Development budget for the year 2019-20 was amounting to Rs. 108.13 Billion including FPA amounting to Rs. 7.561 Billion. The

amount of PSDP was 18.38% higher as compared to the previous. The year-wise allocation for development budget (PSDP) from 2010-11 to 2019-20 is given below:

PSDP Size



Throw-forward of PSDP over the years



The PSDP 2019-20 comprised of 2461 number of total projects, out of which 1796 were new projects with an allocation of Rs. 64612.6 million and 665 were ongoing project which were carried forward from previous years as per their financial

plan, for ongoing project an amount of Rs. 43502.26 million was allocated. Communication Sector was given preference with 23% allocation followed by Education, PHE and Water (Irrigation) sector with 11.7%, 11.3% and 8.4% respectively.

S. No	Financial Year	Allocation	% increase	Throw-forward
1	2009-10	18536.25		
2	2010-11	26329.05	42%	
3	2011-12	31352.35	19%	30,852
4	2012-13	36077.11	15%	61,680
5	2013-14	43913.03	21%	66,770
6	2014-15	50471.68	15%	87,791
7	2015-16	54505.37	7%	1,28,986
8	2016-17	71431.41	31%	1,64,175
9	2017-18	86011.17	20%	1,86,241
10	2018-19	88249.28	3%	2,88,921
11	2019-20	108133.6	18%	2,30,377

S.No	Name of Sector	Allocation	Number of Projects	% Total
1	Agriculture	3518.2	39	3.3%
2	Livestock	722.0	22	0.7%
3	Forestry	727.9	20	0.7%
4	Fisheries	838.9	14	0.8%
5	Food	170.0	2	0.2%
6	Population Welfare	200.0	2	0.7%
7	Industries	862.1	16	0.8%
8	Minerals	223.5	7	0.2%
9	Manpower	309.0	6	0.3%
10	Sports	2195.0	56	2%
11	Culture	442.9	17	0.4%
12	Tourism	318.0	6	0.3%
13	PP&H	5765.003	111	5.3%
14	Communication	24610.750	581	23%
15	Water	9097.702	256	8.4%
16	Information Technology	1867.787	16	1.7%
17	Education	12678.456	284	11.7%
18	Health	8201.893	113	7.6%
19	Public Health Engineering	12213.867	574	11.3%
20	Social Welfare	1632.858	34	1.5%
21	Environment	100.000	1	0.1%
22	Local Govt	2164.169	114	2.0%
23	Women Development	240.000	5	0.2%
24	Urban Planning &Development	3662.600	70	3.4%
25	Power	2609.330	79	2.4%
26	Other Schemes	12742.487	16	11.8%
	Total			

Due to larger reforms in development budget during the year 2018-19 and 2019-20 the number on ongoing projects which were 1515 during 2018-19 have been brought to 665 and the throw-forward of PSDP which stood at Rs. 288.921 billion during the year 2018-19 have been brought down to Rs. 230.377 Billion thus leaving more space for inclusion of new projects for welfare of the masses and also enabled the ongoing projects to get reasonable allocations for early completion. Further, while preparing the PSDP 2019-20, the vision of the Provincial Government to prioritize the production sector and the sectors possessing potential to trigger growth and development were given due weightage in terms of project inclusion and resource allocation.

Moreover, the sectors, having been neglected for the last many years, have been given due importance in resource allocation such as total allocated amount accumulated for four years (FY 2015-16 to 2018-19) in fisheries sector was Rs. 1,244.13, while in budget 2019-20 an amount of Rs 838.91 Million was allocated. Similarly, for industries sector the allocation was Rs. 862.15 in 2019-20 as compared to accumulated amount of Rs. 763.80 for the four

years (FY 2015-16 to 2018-19).

Against the original PSDP 2019-20, the revised PSDP was closed at Rs. 81924.52 million, the local component remained as Rs. 74463 million while the FPA was Rs. 7361.451 million. The overall size of PSDP is 24% lower as compared to the original estimate for the PSDP 2019-20. Against the allocation of Rs. 43502.26 million for ongoing project the revised allocation has been Rs. 30742.36 million while the allocation for new projects was revised as Rs. 51182.166 million which was originally Rs. 64612.58 million, a decline of 21%. The share of communication sector which was 22% in original PSDP further raised to 30% of PSDP. The share of agriculture, water and PHE also raised while other sectors remained with same proportion or the share declined as compare to original PSDP 2019-20.

The decline is due to the Covid-19 Pandemic which like other areas also hit hard Balochistan causing loss of lives and economy. The Government of Balochistan had to put lot of efforts and provided the requisite financial and physical requirements which affected finances available for development funds.

While selection of new projects for PSDP 2019-20 the concept of collective nature, specifically aiming at growth and sustainable development in the province has been prime motto of the present government and in this regard some high potentials projects include establishment of commercial market at nine places along with the Pak – Iran and Pak- Afghan border, Establishment of Marble city at Lorlai, Dalbandin & Khuzdar, Tourism Development by developing Ziarat and Shaban valley as major tourist site, Tunnel Farm Agriculture promotion, Promotion of Pistachio in Balochistan, Promotion and development of Safron Culture and Promotion & development of Olive Crop in Balochistan etc.

The P&D Department has fostered the legal and regulatory framework for development of the province and number of initiatives have been taken. It is internationally acknowledged fact that evidence based data and scientifically designed plans are necessary for formulation of development plans. Keeping in view the principle, the Planning and Development, Government of Balochistan is gradually moving towards medium and long term planning. In this connection draft Balochistan Comprehensive Development

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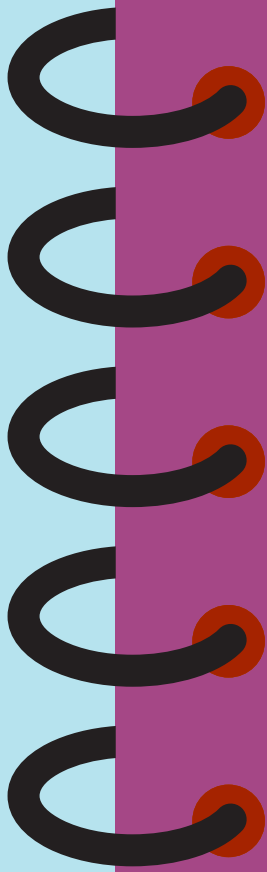
PSDP 2020-21:

The PSDP amounting to Rs. 118256.920 million has been presented for the financial year 2020-21 including FPA amounting to Rs. 12177.455 million. The PSDP comprises of 2568 number of projects out of which 934 projects

are ongoing with an allocation of Rs. 60875.162 million and 1634 are new projects with an allocation of Rs. 57381.758 million. Volume of the

PSDP has observed an increase of Rs. 8 billion which is %9 higher as compared to previous year.

S.NO	Sector	Allocation 2020-21	No. of Projects	% total
1.	Agriculture	4121.360	40	3.49%
2.	Livestock	949.361	32	0.80%
3.	Forestry	321.585	11	0.27%
4.	Fisheries	827	11	0.70%
5.	Food	382.945	5	0.32%
6.	Pop: Welfare	20	1	0.02%
7.	Industries	524.379	15	0.44%
8.	Minerals	534.500	12	0.45%
9.	Manpower	61.000	4	0.05%
10.	Sports	5340.848	84	4.52%
11.	Culture	591.000	20	0.50%
12.	Tourism	350.000	8	0.30%
13.	PP&H	6211.699	118	5.25%
14.	Communication	27662.135	642	23.39%
15.	Water	15006.786	203	12.69%
16.	IT	869.784	14	0.74%
17.	Education	9107.451	284	7.70%
18.	Health	7050.053	156	5.96%
19.	Public Health Eng:	9011.165	535	7.62%
20.	Social Welfare	1004.53	38	0.85%
21.	Environment	200.000	2	0.17%
22.	Local Govt.	4184.272	179	3.54%
23.	Women Development	420.00	8	0.36%
24.	UP&D	1434.249	13	1.21%
25.	Power	2518.200	80	2.13%
26.	Other Schemes	6955.105	12	5.88%
27.	Federal Co-Funding	7271.647	18	6.15%
28.	Foreign Aid	5325.866	22	4.50%
Total		118256.92	2568	



05

Chapter

Public Account of the Province

Public Account of the Province

The Provincial Consolidated Fund (PCF) has been established under Article 118 (1) of the Constitution of Islamic Republic of Pakistan, 1973. The Constitution requires that all revenues of the Government, all loans raised by it and all moneys received by it in repayment of loans shall form part of the Provincial Consolidated Fund. Article 118 (2) further provides that all other moneys received by or on behalf of the Government or received by or deposited with the High Court or any other court established under the authority of the Province shall be credited to the Public Account of the Province.

The moneys received in Provincial Consolidated Fund and Public Account are deposited to the Government Treasury, cash of which is placed in a bank account maintained by the State Bank of Pakistan, under an agreement between the Provincial Government and State Bank of Pakistan, titled "Account Number – I (Non-Food)". This account reflects a common cash balance of both PCF and the

Public Account. However, separate sets of books of accounts for receipts and expenditure of Provincial Consolidated Fund and Public Account of the province are maintained by the Accountant General / District Accounts Offices. It may also be worthwhile to add that the Government is authorized to open more than one bank account to run the system of the Government in a smooth manner. All such accounts would, however, form part of the Provincial Consolidated Fund or the Public Account of the Provinces depending upon the type of money. For example, Government of the Balochistan has opened Provincial Account No. II (Food Account) with the State Bank of Pakistan for its commodity operations. This account is part of the Provincial Consolidated Fund and cash balance of the Government. However, the account is used only for the purpose of commodity operation in the province.

The Government, as a custodian of all moneys placed in the Public

Account, has a fiduciary responsibility to receive and disburse these moneys but not at liberty to appropriate for the general service of the Government. The form and manner for disbursement of moneys from the Public Account is regulated under the Treasury & Subsidiary Treasury Rules and the General Financial Rules of the Federal Government and adopted by Provincial Government of Balochistan. As the disbursement of moneys credited to the Public Account is not subject to the vote of the Provincial Assembly, therefore, the balances thereof, if any, are carried forward on year-to-year basis maximum for three financial years. Therefore, such money can be refunded within a span of three financial years. During the completion of life of three financial

years, the unpaid credits lapse and shifted to the Provincial Consolidated Fund as Miscellaneous receipts under Object code C03801- Unclaimed Deposits. Any claim arising thereafter is refunded from provincial receipt of "unclaimed deposits". The moneys tendered to the Public Account and its disbursement are generally governed by the agreement(s) / law / court orders etc. So far as the maintenance of accounts of Public Account is concerned, various codes with nomenclature have been allotted at Major, Minor and Detailed levels in the Chart of Accounts (CoA). The credits and debits / the sum of monthly/annual transactions in Public Account are categorized in following three categories:-



Cash and Bank Balance, Receivable Loans & Advances, Physical Assets and Investment.



Liabilities, Loans, deferred liabilities, Trust Accounts, Special deposits Accounts etc.



Equities and Investments by Government.

Main elements of Public Account in the Annual Budget Statement are: -

Assets: include cash of the Government with Bank and receivables.

- Deposits and Reserves/Liabilities which include Control Account, Trust Account -Fund, Special Deposit-investments, Special deposit Funds
- Receipts: Assets as Public Account receipts consist of cash and bank balances, investments, loans & advances, Imprest monies, advances to employees, Returns from investments and loans etc.
- Deposits and Reserves: Larger 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 Fund comprising of Provident, Benevolent and Group Insurance fund.

Various items of misclassified receipts and expenditure are also part of deposits and reserves but

don't follow any particular pattern, specially receipts deposited or disbursed under court orders and expenditures relating to PLAs of autonomous bodies and local councils are kept with the government treasuries. The same is also true in the case of suspense accounts. Whether the net receipts from suspense are negative or positive, depends entirely on financial transactions or court decisions/orders and misclassification in respect of receipts. While cash available is automatically consumed for discharging liabilities, the balance (net effect of receipts and expenditure is not assumed to be resource available to the provincial government.

Current Assets are Cash, bank balances and receivables included under the category Current Assets.

Liability. Major part of the liabilities is indicated as deferred liabilities to be made from the deposits & reserves and is also shown as contra item to the deposits & reserves.

Tables below shows the receipts and payments into Public Account of the Province under different Heads (PKR Billion)

G01-Current Liabilities

Description		B.E 2019-20		B.E 2020-21	
		Receipts	Payments	Receipts	Payments
G011-Cheque Clearing Account	Cheque Payment Clearing Account (Non-Food Account) SBP	105.316	91.777	114.117	85.463
	Cheque Payment Clearing Account (Non-Food Account) NBP	113.080	106.402	118.707	108.204
	Assignment Account Cheques	11.307	11.555	19.630	19.630
	Works Cheques	29.744	25.271	37.480	26.735
G012-Others	Outstanding Commitments	218.915	219.012	232.624	232.688

G05-Control Account

Description		B.E 2019-20		B.E 2020-21	
		Receipts	Payments	Receipts	Payments
G051-Misc:	Wage Clearing Account	149.913	149.673	158.644	158.259
	State Bank Suspense	5.286	6.909	--	0.542

G06-Trust Account-Fund

Description		B.E 2019-20		B.E 2020-21	
		Receipts	Payments	Receipts	Payments
G061-Provident Fund	General Provident Fund (Civil)	4.782	3.167	4.782	3.083
G062-Benevolent Fund	Provincial Govt. Employees Benevolent Fund	2.166	1.926	2.146	2.146
G063- Miscellaneous Welfare Funds	Staff Welfare Fund Balochistan Police	0.051	0.045	0.052	0.040
G064-Insurance Fund	Provincial Govt. Employees Group Insurance Fund	1.776	1.584	1.776	1.776

G10-Trust Account-Other

Description		B.E 2019-20		B.E 2020-21	
		Receipts	Payments	Receipts	Payments
G101-Accounts of Other Departments	Deposits of Department of Mineral Development	0.191	00	0.113	00
	Public Works/Pak PWD Deposits	0.403	0.121	0.462	0.192
G103- Other Deposits and Reserves	Zakat Collection Account	0.671	0.006	0.906	-0.034

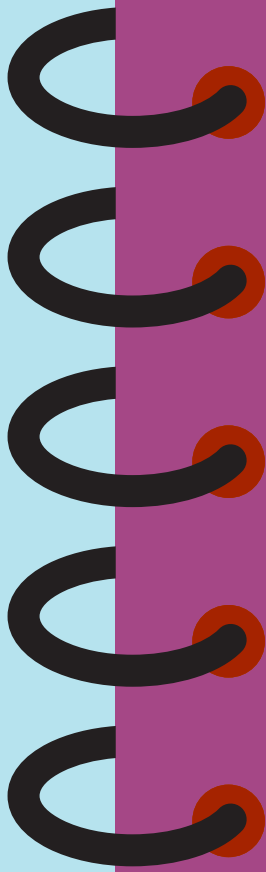
G11-Special Deposit Investment

Description		B.E 2019-20		B.E 2020-21	
		Receipts	Payments	Receipts	Payments
G112- Other Deposit Account	Civil and Criminal Court Deposit	0.380	0.272	0.378	0.318
	Security Deposit of Supply Cell	0.081	0.175	0.062	-0.176
	Security Deposit from Contractors/Supplier	3.407	3.667	3.662	2.930

G12-Special Deposit Fund

Description		B.E 2019-20		B.E 2020-21	
		Receipts	Payments	Receipts	Payments
G122-Welfare Fund	Balochistan Police Foundation Fund	0.050	0.045	0.051	0.040
G127-Other Funds	Income Tax Deduction from Salaries	1.489	1.270	2.460	2.021
	Income Tax Deduction from Contractors	2.307	1.930	2.747	2.202
	Sales Tax	0.180	0.225	0.017	0.130





06

Chapter

Debt Management and Liabilities

Debt Management and Liabilities

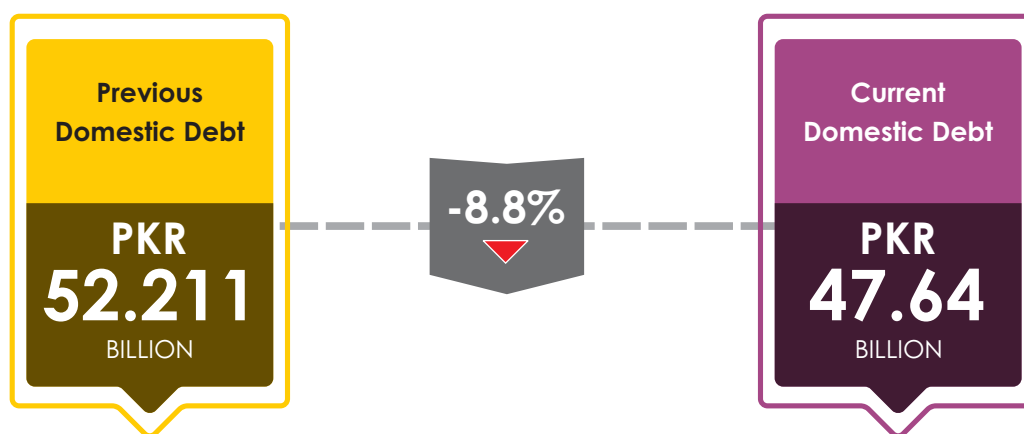
Article 167 of the Constitution of Pakistan 1973 (the Constitution) deals with the subject of provincial borrowing. Until the introduction of 18th Amendment to the Constitution, almost all provincial borrowing consisted of loans obtained directly from Federal Government or obtained by Federal Government and on-lent to the Provincial Government. In accordance with Article 167(4) of the Constitution, inserted by 18th Amendment, the National Economic Council (NEC) has allowed the provinces to directly raise domestic debt up to 0.85% of the national GDP. This overall limit has been distributed among the provinces according to their horizontal share in the 7th NFC (National Finance Commission) Award. However, except Punjab,

none of the Provincial Governments has raised debt or issued Guarantees so far.

Balochistan's debt consists entirely of long-term foreign loans obtained on concessional terms from international institutions by the Federal Government and on-lent to Government of the Balochistan. At the end of the financial year 2019-20 (as of 30th June 2020), Balochistan's total debt stood at PKR 47.640 billion which works out to be 3.56% of its total revenue. Managing its debt operations to finance large and growing development needs without impairing its capacity to repay the debt is one of the major challenges for the Provincial Government. Bifurcation of Balochistan's total debt is as under:-

Balochistan Total Debt Stock as on June 30, 2020 (PKR Billion)

Type of Loan	Outstanding as at June 2019	Outstanding as at June 2020	Growth
Domestic Debt	--	--	--
External Loan	52.211	47.640	



Debt stock of the Provincial Government as of June 2020 shows a negative growth of 8.75 % (i.e. PKR 4.571 billion) with respect to debt stock of June 2019 despite Pak Rupee devaluation against foreign currencies due to the reason that Government of Balochistan did not raise any new loan during the FY 2020-21 and disbursements against already obtained loans. However, it may not be out of context to mention that at the time of budget preparation for the FY 2019-20, repayment of loan was estimated to be Rs. 7.239 Billion but revised













budget 2019-20 under the Grant “Public Debt (Discharged)-BC 1600C” for repayment of foreign debt was pitched at Rs. 7.737 Billion owing to the devaluation of Pak Rupee. This is evident for the budget estimates for FY 2020-21 as well that despite repayment of an amount of Rs. 7.737 Billion during FY 2019-20 out of the Debt Stock of Rs. 52.2.11 Billion as of 30th June 2019, the total outstanding debt as on 30th June 2020 is calculated to be Rs. 47.640. That is to say the total currency devalued difference during the FY 2019-20 amounts to Rs. 3.166 Billion.

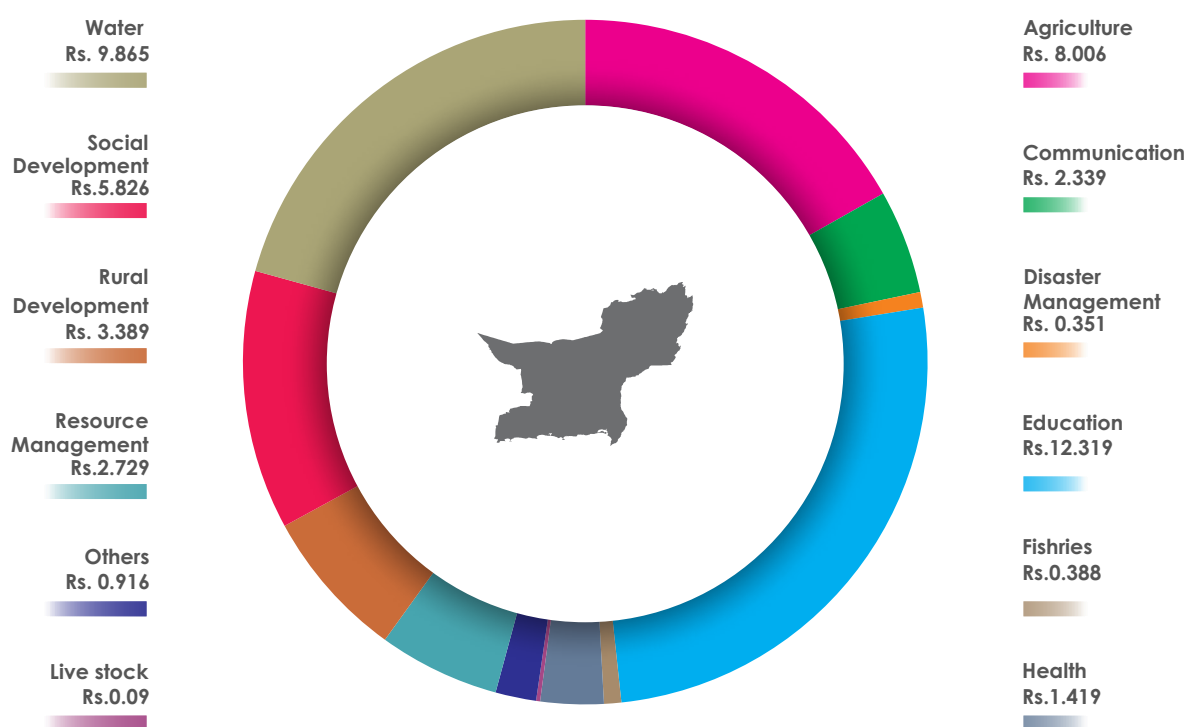
Sector-Wise composition of Debt Stock

Government of Balochistan obtained multilateral loans from international financial institutions and a few bilateral loans to support the development needs of the province. The focus of external

financing remains in the areas of irrigation, Education, Agriculture, Health, Livestock, Fisheries, Industries, Rural Development and Empowerment, Disaster Management, etc. The sector-wise distribution of total outstanding debt is shown below:

Sector-Wise composition of Debt Stock

Sector	Outstanding Balance 30.6.2020 (PKR Billion)	% of Total	
Agriculture	8.006		16.80%
Communication	2.339		4.90%
Disaster Management	0.351		0.73%
Education	12.319		25.86%
Fisheries	0.388		0.81%
Health	1.419		2.98%
Livestock	0.090		0.18%
Other	0.916		1.92%
Resource Management	2.729		5.72%
Rural Development	3.389		7.11%
Social Development	5.826		12.22%
Water	9.865		20.72%



Domestic Debt

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

Foreign Debt

All of Balochistan's foreign debt has been obtained by the Federal Government and on-lent to Government of the Balochistan. Balochistan's foreign debt portfolio is

concessionary with an average maturity of ten years as of June 2020.

Balochistan's foreign/external debt is heavily denominated in USD which is 71.76 % of the total foreign loans followed by Japanese Yen (JPY) with a share of 18.40%. Figure below explains the composition of the foreign debt stock by currency as of end of June 2020.

Balochistan Total Debt Stock as on June 30, 2020 (PKR Billion)

Currency	Exchange Rate	Outstanding as of June 30, 2020	% of Total
US Dollar \$	156.00	34.175	71.76
Japanese Yen (JPY)	1.5531	8.765	18.40
SDR	228.3274	3.773	7.92
Deustch Mark	93.295	0.899	1.89
Canadian Dollar	119.967	0.016	0.03

Major lenders/donors to the Government of Balochistan in terms of the loan amount are World Bank, Asian Development Bank (ADB), Japan International Cooperation Agency (JICA), Canadian

International Development Agency (CIDA), IFAD German Bank. The Agency/lender-wise details of Debt Stock/Loans for the Government of Balochistan is as under: -

Agency-wise Balochistan Total Debt Stock as on June 30, 2020 (PKR Billion)

Agency/Lender	No. of Loans	Outstanding Balances as of 30th June 2020
Asian Development Bank (ADB)	32	20.153
World Bank (including IBRD and IDA)	33	20.607
International Fund for Agriculture Development (IFAD)	2	3.796
Japan International Cooperation Agency (JICA)	1	2.077
German Bank	1	0.899
Canadian Int'l Development Agency (CIDA)	1	0.016

The Asian Development Bank and World Bank are the major creditors of Government of Balochistan with 85.55% joint share of total debt stock of the Province.

Debt Servicing

Balochistan' estimated Debt Servicing for FY 2020-21 is relatively a small liability when compared to the size of average annual General Revenue Receipts for last five years. The amount of Debt Servicing (Interest Payment) for the FY 2020-21 is estimated to be Rs. 0.500 Billion against revised estimates 2019-20 amounting to Rs. 0.555 Billion. It that indicates that the province is self-sufficient to honor its obligations on account of debt servicing.

Risk Analysis of Balochistan's Debt

A number of indicators are used to monitor and control risks associated with government's debt. Risk indicators act as a guideline to devise future borrowing strategies. A few risk indicators are explained in below given paragraphs.

Refinancing / Rollover Risk

Refinancing/Rollover risk refers to the risk of refinancing retired portion of

the debt at a higher interest rate. It is measured by two indicators - debt maturing in a year and Average Time to Maturity (ATM). ATM shows the average time-to-retirement of the entire debt stock. High proportion of debt maturing in a year and shorter ATM imply higher risk exposure, as a large proportion of the existing loans will need to be replaced with new loans over a shorter period of time.

Interest Rate Risk

Interest Rate Risk refers to the exposure of debt portfolio to changes in interest rate. Proportion of Fixed Rate Debt, Average Time to Re-fixing (ATR) and share of debt stock exposed to interest rate re-fixing in one year are the key indicators.

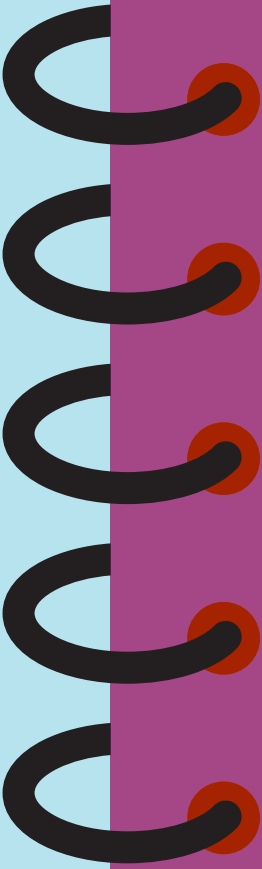
Fixed rate debt is considered less risky as it is not exposed to interest rate fluctuations during its life. ATR indicates the average time after which the interest rate on the entire debt portfolio is reset. Low ATR and high proportion of debt re-fixing in one year indicate high interest rate risk and imply that debt stock is significantly exposed to rate reset over a relatively shorter period of time.

Foreign Exchange (FX) Risk

Foreign exchange (FX) risk refers to the exposure of the debt portfolio to changes in exchange rate.

Government of Balochistan's debt is highly exposed to FX Risk as 100% of the total outstanding debt stock is in foreign currency.





07

Chapter

Investments and Returns 2019-20

Investments and Returns 2019-20

Under the provisions of Balochistan Government Rules of Business, 2012 (Schedule-I to the Rules), Finance Department is entrusted with the responsibility to manage the investable fund, i.e. making investments out of public money is in the domain of Finance Department. The Finance Department manages investments made under Balochistan Investment Fund, Balochistan Pension Investment Fund, various Trust Funds and investments in stocks, joint ventures and subsidiary entities of the Government of Balochistan. The trust funds include General Provident Fund, Balochistan Employees Benevolent Fund and Balochistan Employees Group Insurance Fund. The investments in stocks include shares in Hub Power Company (HubCo), joint venture with Pakistan Petroleum Limited in Bolan Mining Enterprises (BME) and in the subsidiary Balochistan Education Endowment Fund (BEEF).

In addition to the above, there are number of funds established during FY 2019-20 and huge amount of

money have been established. These are:-

- 1) Rs. 500.00 Million were invested for 'Rehabilitation of Offenders and their Social Integration'
- 2) Rs. 3.00 Billion were invested in Pension Fund established by the Government of Balochistan.
- 3) Rs. 2.00 Billion investment for 'Disaster Management' was made.
- 4) Rs. 2.00 Billion invested for 'Capacity Building of Provincial Officers'.
- 5) Rs. 1.00 Billion investment was made in 'Balochistan Awami Endowment Fund'.
- 6) Rs. 1.00 Billion invested in 'Viability Gap Fund'.
- 7) Rs. 1.00 Billion invested 'Project Development Fund'.
- 8) Rs. 1.00 Billion invested for 'CM COVID Emergency Fund'

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

BME.

Investments in financial institutions were earlier made at annual profit rates ranging between 6.20% and 11.00%. However, with the increase in State Bank Policy Rate during the

2018-19, an analysis was carried out to assess the impact of early withdrawal and reinvestment of long-term deposits on latest offered rates. The existing position of investments with returns is as follows (PKR Billion):

S#	Title of Fund/Investment	Capital Investment	Profit Earned during 2019-20
1	Balochistan Employees Pension Fund	15.000	2.609
2	Balochistan Employees G.I. Fund	0.80	0.179
3	Balochistan Employees G.P. Fund	18.000	4.077
4	Balochistan Employees B.F. Fund	12.000	1.000
5	Balochistan Education Endowment Fund	8.000	0.930
6	Balochistan Awwami Endowment Fund	4.000	0.458
7	Balochistan Disaster Management Fund	2.000	0.142
8	PDP Fund for Capacity Building of Officers	2.000	0.143
9	Offenders Rehabilitation & Social Integration Fund	0.500	0.018
10	Artists Welfare Fund	0.200	0.026
11	Hawkers Welfare Fund	0.022	0.0015
12	Viability Gap Fund	1.000	0.038
13	Project Development Fund	1.000	0.038
Total	64.522		9.655

Investment in Balochistan Pension Fund, Balochistan Education Endowment Fund, General Provident Fund, Employees Benevolent Fund and Group Insurance Fund are being made since FY 2014-15 and returns are earned with the details as discussed in above table. In Budget 2020-21,

an amount of Rs. 2.00 Billion has been allocated for investment in Balochistan Pension Fund, thus the total investment under this Fund will become Rs. 17.00 Billion in 2020-21. The Government, despite severe fiscal constraints, has been giving due consideration to capitalization of the fund.