

**Building Resilience with Active Countercyclical Expenditures (BRACE)**

**Quarterly Progress Report**

**31 December 2023**

Finance Division (External Finance)  
Government of Pakistan

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## **Abbreviations**

|                    |   |
|--------------------|---|
| <b>ADB</b>         | <b>Asian Development Bank</b>   |
| <b>BISP</b>        | <b>Benazir Income Support Programme</b>                                   |
| <b>BRACE</b>       | <b>Building Resilience with Active Countercyclical Expenditures</b>       |
| <b>CDEP</b>        | <b>Countercyclical Development Expenditure Program</b>                    |
| <b>COVID</b>       | <b>Corona virus pandemic</b>  |
| <b>DMF</b>         | <b>Design and Monitoring Framework</b>                                    |
| <b>EA</b>          | <b>Executing Agency</b>   |
| <b>EAD</b>         | <b>Economic Affairs Division</b>  |
| <b>ECC</b>         | <b>Economic Coordination Committee</b>                                    |
| <b>FY</b>          | <b>Current Financial Year</b>   |
| <b>GOP</b>         | <b>Government of Pakistan</b>   |
| <b>GMSS</b>        | <b>Government Markup Subsidy Scheme</b>                                   |
| <b>IA</b>          | <b>Implementing Agency</b>  |
| <b>IF&amp;RSLF</b> | <b>Interest-free loan to landless farmers in the flood affected areas</b> |
| <b>MMBtu</b>       | <b>Metric Million British thermal unit</b>                                |
| <b>MSRSSF</b>      | <b>Mark-up subsidy and Risk sharing scheme for Farm Mechanization</b>     |
| <b>NPGP</b>        | <b>National Poverty Graduation Program</b>                                |
| <b>NSER</b>        | <b>National Socio-Economic Registry</b>                                   |
| <b>PASSCO</b>      | <b>Pakistan Agricultural Storage and Services Corporation</b>             |
| <b>PRs</b>         | <b>Pakistan Rupee</b>   |
| <b>PSDP</b>        | <b>Public Sector Development Program</b>                                  |
| <b>PMYBALS</b>     | <b>Prime Minister's Youth Business and Agriculture Loan Scheme</b>        |
| <b>RLNG</b>        | <b>Re-gasified liquefied natural gas</b>                                  |
| <b>SBP</b>         | <b>State Bank of Pakistan</b>   |
| <b>SME</b>         | <b>Small and Medium Enterprises</b>                                       |
| <b>SNGPL</b>       | <b>Sui Northern Gas Pipeline Limited</b>                                  |
| <b>USD</b>         | <b>United States Dollar</b>   |

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## Introduction

### Background

1. The Pandemic (COVID) sent shock waves through the world economy which was further aggravated by Russian-Ukraine war. The cascading effect of COVID and the war resulted in income and job losses and demanded massive GOP spending on social protection to protect the most vulnerable population and promote economic recovery. GOP used digital tools to manage the massive amounts of administrative data needed to monitor the welfare of households and individuals and to design better-targeted programs.

### Building Resilience with Active Countercyclical Expenditures Program

2. To support the government's efforts to provide immediate relief to the people of Pakistan, Asian Development Bank (ADB) approved a Countercyclical Support Facility Loan with a size of USD 1.5 billion on 21 October 2022-Building Resilience with Active Countercyclical Expenditures Program (BRACE).

### Monitoring and Evaluation Framework

3. The monitoring and evaluation framework (framework) of the BRACE program builds on ADB's CARES program and is primarily based on the recommendations made by the Auditor General of Pakistan (AGP) in its audit report on expenditures incurred for the government's corona virus disease (COVID-19) pandemic response.

4. The objective of the framework is to (i) ensure regular and systematic reporting on the countercyclical development expenditure program (CDEP) announced in the fiscal year (FY) 2023 national budget, with a particular focus on the priority expenditure items outlined in the BRACE Program Design and Monitoring Framework (DMF), (ii) provide a platform for coordinated and informed discussions between the government and development partners on the implementation of the CDEP, and (iii) continue the ongoing policy dialogue with the government on its program to address longstanding structural constraints.

5. Under the monitoring and evaluation framework, the executing agency (EA) i.e. Ministry of Finance is required to conduct quarterly meetings with the implementing agencies (IAs), that is, Ministries of Economic Affairs (EAD), Industries and Production, Food Security and Research, and Benazir Income Support Programme (BISP) and other related agencies to review the progress of the implementation of the CDEP

6. The framework sets reporting requirements for the government to (i) provide semi-annual progress reports, (ii) quarterly progress reports, and program performance reports that include progress achieved against DMF indicators with reasonable details for variation of the target

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## Quarterly Reports

7. After approval from Steering Committee, Finance Division shared the quarterly reports for the following period: (a) July 2022 – December 2022, (b) 1 January 2023 – 31 March 2023, and (c) 1 April 2023 – 30 June 2023. The report (i) summarizes the fiscal performance of country, (ii) the status of actual expenditures, (iii) comparative review of actual against budgeted figures and (iv) status of compliance with loan covenants.<sup>1</sup>

## Semi-annual Report

8. After approval from Steering Committee, Finance Division shared the semi-annual report for the period 1 January 2023 - 30 June 2023. The report (i) summarizes the fiscal performance of country, (ii) the status of half yearly actual expenditures, (iii) comparative review of actual against budgeted figures and (iv) status of compliance with loan covenants.

## Fourth Quarterly Report

9. The report titled as "*Fourth Quarterly Report*" cover the period from 1 July 2023 – 30 September 2023. The report provides details about the fiscal performance, details of first quarter expenditures, status of compliance with loan covenants, detail of expenditures on flood relief package, kissan package and different financing schemes.

## Fifth Quarterly Report

10. The report titled as "*Fifth Quarterly Report*" will provide updated expenditures for the period 1 October 2023 – 31 December 2023.

## Fiscal Performance

10. The During the first half of FY 2024, Federal Board of Revenue (FBR) revenues grew by 30 percent to reach PRs 4,469 billion against PRs 3,429 billion in the same period of last year. Non-tax revenue witnessed a growth of 108.8 percent.

11. On the fiscal front, despite encouraging revenue performance, the expenditure side is under pressure attributed to higher markup payments. However, government measures to control non-mark up spending helped in improving the primary surplus during the first six months of FY2024. The overall fiscal deficit has been widened by 2.3 percent of GDP, while the primary surplus improved by 1.7 percent of GDP during Jul-Dec FY2024.

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<sup>1</sup> Reports are uploaded on Finance Division website at [www.finance.gov.pk](http://www.finance.gov.pk)

**Table 1: Key Economic Indicators (External Sector)**  
**Comparative Review**  
**First Half of FY 2023 and FY 2024**

| Indicator                              | FY 2023<br>(H1) | FY 2024<br>(H1) |
|--|-----------------|-----------------|
| Remittance (USD billion)               | 14.4            | 13.4            |
| Exports (USD billion)                  | 14.2            | 15.3            |
| Imports FOB (USD billion)              | 29.8            | 25.4            |
| Current Account Deficit (USD billion)  | 3.6             | 0.9             |
| FDI (USD million)                      | 686.7           | 877.9           |
| Portfolio Investment (USD million)     | (1,033)         | 71.9            |
| Total foreign Investment (USD million) | (347)           | 949             |
| Foreign Reserves (SBP) USD billion*    | 5.6             | 8.2             |
| Exchange Rate (PRs/USD) *              | 226.3           | 281.75          |

Source: Finance Division, Economic Advisor Wing - \* End period

**Table 2: Key Economic Indicators (Fiscal Sector)**  
**Comparative Review**  
**First Half of FY 2023 and FY 2024**

| Indicator       | FY 2023<br>(H1) | FY 2024<br>(H1) |
|-----------------|-----------------|-----------------|
| FBR Revenue     | 3,429           | 4,469           |
| Non-tax Revenue | 967             | 2,020           |
| PSDP (Federal)  | 162             | 152             |
| Fiscal Deficit  | 1,683           | 2,408           |
| Primary Balance | 890             | 1,812           |

Source: Finance Division, Economic Advisor Wing

#### Status of expenditures

12. The expenditures consist of three major components under (i) social protection, (ii) food security, and (iii) support for businesses. Progress will be discussed in this part of the report by (i) comparing the budgeted and actual expenditures, and (ii) measures taken by the government to implement CDEP.

#### Social Protection

##### Pakistan Bait-ul-Mal

13. The detail of quarterly expenditures incurred against the allocated budget of PRs 864 million to Pakistan Bait ul Mal (PBM) is provided in Tables 3-5

**Table 3: Pakistan Bait ul Mal**  
**Budget Vs Actual Expenditures**  
**For the period 1 July 2023 - 31 December 2023**

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| Period                    | Released | PRs (million)<br>Expenses |
|---------------------------|----------|---------------------------|
| July 2023 - December 2023 | 1,944    | 1,507                     |

Source: Pakistan Bait-ul-Mal

**Table 4: Pakistan Bait-ul-Mal  
Details of Expenditures  
For the period 1 July 2023 – 31 December 2023**

| Heading   | PRs (million)<br>H1<br>2024 |
|---|-----------------------------|
| Individual Financial Assistance – Medical         | 423.5                       |
| Individual Financial Assistance – General         | 55.2                        |
| Individual Financial Assistance - Special Friends | 6.8                         |
| Individual Financial Assistance – Education       | 75.9                        |
| Cochlear Implant                                  | 178.0                       |
| Schools of Rehabilitation for Child Labour        | 223.6                       |
| Women Empowerment Centres (WECs)                  | 132.8                       |
| PBM Sweet Homes (PSHs)                            | 288.5                       |
| PBM Old Home                                      | 4.6                         |
| Orphan Widow Support Program                      | 11.3                        |
| PBM Shelter Homes                                 | 72.0                        |
| Roti Sab Ke Leay ( <i>Bread for all</i> )         | 13.2                        |
| Institutional Rehabilitation (NGO's)              | 20.18                       |
| <b>Total</b>                                      | <b>1,506.7</b>              |

Source: Pakistan Bait-ul-Mal

**Table 5: Pakistan Bait-ul-Mal  
Month-wise Expenditures  
For the period 1 July 2023 – 31 December 2023**

| Description        | Quarterly Budget | PRs (million)<br>Expenses |
|--------------------|------------------|---------------------------|
| July 23            |                  | 7.3                       |
| August 23          | 864              | 426.6                     |
| September 23       |                  | 326.1                     |
| October 2023       |                  | 124.3                     |
| November 2023      | 1,080            | 199.8                     |
| December 2023      |                  | 422.5                     |
| <b>Grand Total</b> | <b>1,944</b>     | <b>1,507</b>              |

Source: Pakistan Bait-ul-Mal

Benazir Income Support Programme

14. The budgeted Vs actual expenditures position shows that 19% of annual allocated budget is utilized during the first quarter of FY 2024 as detailed in Tables 6.

**Table 6: Benazir Income Support Programme  
Comparison of Budgeted and Actual Expenditures  
For the period 1 July 2023 - 31 December 2023 (Half 1)**

| Head                                    | Annual<br>Budget | Actual<br>(HY 2023) | Actual<br>(HY 2024) |
|---|------------------|---------------------|---------------------|
| Benazir Kafaalat – UCTs                 | 361,500          | 81,605              | 75,750              |
| PM Ramadan Package                      | 1,827            | 0                   | 0                   |
| Benazir Taleemi Wazaif (CCT)            | 55,423           | 0                   | 12,745              |
| Benazir Nashonuma (CCT-HN)              | 32,268           | 5,521               | 5,738               |
| Benazir Scholarship for undergraduate   | 5,928            | 0                   | 0                   |
| National Socio-economic registry (NSER) | 2,260            | 561                 | 19                  |
| Direct Cost of Cash Transfer            | 6,794            | 1,004               | 856                 |
| ERE and General Expenses                | 5,683            | 1,061               | 1,231               |
| <b>Total</b>                            | <b>471,683</b>   | <b>89,752</b>       | <b>96,339</b>       |

Source: Benazir Income Support Programme

**Table 7: Benazir Income Support Programme  
Quantitative Indicators - Comparison of Targets and Achievement  
For the period 1 July 2023 to 31 December 2023**

| Indicators                  | Unit                                  | 1 July 2023 to 30<br>September 2023 |                             | 1 October 2023 to 31<br>December 2023 |         |
|-----------------------------|---------------------------------------|-------------------------------------|-----------------------------|---------------------------------------|---------|
|                             |                                       | Target                              | Actual                      | Target                                | Actual  |
| Unconditional Cash Transfer | Female heads of poor families         |                                     |                             |                                       | 9,572   |
| Conditional Cash Transfer   | New Children (Note 2)                 | 744,000                             | 760,113                     | 701,000                               | 740,085 |
| Undergraduate Scholarship   |                                       |                                     | No new student was enrolled |                                       |         |
| CCT Health and Nutrition    | Additional Districts                  | 1                                   | 1                           | 0                                     | 1       |
| *Note 3                     | Mothers Children under 2 years of age | 1,769,000*                          | 185,276                     | 1,769,000*                            | 173,710 |
|                             |                                       |                                     | 160,928                     |                                       | 199,053 |

\* Annual Target

**Note 2**

Conditional Cash Transfer - New Children

| Period                       | Total            | Primary          | Secondary      | Higher        |
|------------------------------|------------------|------------------|----------------|---------------|
| 1 July 2023 - 30 Sept 2023   | 760,113          | 581,692          | 159,191        | 19,230        |
| 1 October 2023 - 31 Dec 2023 | 740,085          | 578,643          | 145,670        | 15,772        |
| <b>Total</b>                 | <b>1,500,198</b> | <b>1,160,335</b> | <b>304,861</b> | <b>35,002</b> |

National Poverty Graduation Program

15. The budgeted allocation and expenditures incurred by National Poverty Graduation Program (NPGP) are explained in Table 8

**Table 8: Budget Vs Expenditures Status for NPGP  
For the period 1 July 2023 – 31 December 2023**

PRs (million)



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| Budget | Expenditures | Variance |
|--------|--------------|----------|
| 1,500* | 69.5         | 1,430.5  |

Source: National Poverty Graduation Program \* Annual Budget (IB 5152)  
Support for Businesses

16. Details of payments made to Financial Institutions during July - December 2023 under the Government subsidy schemes payments.

**Table 9: Quarterly Utilization of Entrepreneur Schemes**

| Program                                  | PRs (million)  |
|--|----------------|
|  | Total          |
| PM's Youth business loan scheme          | -              |
| Kamyab Pakistan Program                  | 575.1          |
| PM Youth Business and Agriculture Loan   | 12.3           |
| PM's Kamyab Jawan Youth Entrepreneurship | 1,511.0        |
| <b>Total</b>                             | <b>2,098.4</b> |

Source: State Bank of Pakistan

Note: Expenditure incurred pertains to actual outflows of funds (payments made to FI's) in that quarter.

Energy Sector

Petroleum Sector

17. No subsidy has been budgeted for providing subsidized gas to export oriented Industries. Henceforth, no subsidy has been released during the first quarter of FY 2023-2024. Pending claims of Sui Northern Gas Pipeline (SNGPL) and Sui Southern Gas Company Limited (SSGC) amounting to Rs 730 million for providing subsidized RLNG to export sector during FY 2022-2023 are yet to be cleared. This amount has been re-appropriated from the budgeted subsidy for "RLNG Diversion to Domestic Sector" and henceforth the pending have been cleared as follows:

**Table 10: Export Sector Subsidy  
Ministry of Petroleum**

| Utility                            | Month  | PRs (Million) |
|------------------------------------|--------|---------------|
| Sui Northern Gas Pipelines Limited | May-23 | 277,959,500   |
| Sui Southern Gas Pipeline Limited  | May-23 | 238,727,440   |
| Sui Southern Gas Pipeline Limited  | Jun-23 | 213,403,685   |

Source: Ministry of Petroleum

Food Security

18. No program or project was assigned to Pakistan Agricultural Storage and Services Corporation (PASSCO) under ADB funded BRACE program so no allocation was made during FY 2024. Regarding the rest of implementing agencies, the expenditures are reported as follows:

**Table 11: Food Security Expenditures  
Expenditures for the period 1 July 2023 to 31 December 2023**

PRs (million)

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| Description  | Total   |
|--|---------|
| Fertilizer plant subsidy   | 10,000  |
| Subsidy for import of urea   | -       |
| Utility Store Corporation  | -       |
| Subsidy to Utility Stores Corporation for Ramadan Package            | -       |
| Prime Minister Package to Utility Stores Corporation (USC) – Subsidy | 8,029.4 |

Source: Ministry of Industries and Production

Note: \* The budget for "subsidy for import of urea of fertilizer" has been allocated under Grant No 45-FC21G01-Grants, Subsidies and Miscellaneous Expenditure being dealt by Finance Division

Kissan Package

19. The details of expenses incurred under Kissan package and other schemes pertaining to SBP are as follows:

**Table 12: Details of Expenditures incurred  
Under different schemes of Kissan Package  
For the period 1 July 2023 – 31 December 2023**

| Scheme   | Details   |
|--|---|
| <b>Provision of subsidy for interest-free loans to subsistence farmers in flood affected areas</b> | <ul style="list-style-type: none"> <li>SBP issued the scheme vide AC&amp;MFD Circular No. 03 of 2022 dated 21 December 2022 to all banks/ MFBs for implementation. The scheme was initially valid for 6 months but was extended till 31 December 2023 by GoP.</li> <li>Markup subsidy claims of Rs 277.8 million for quarter ended on 31 December 2023 were received from banks which have been sanctioned by Finance Division, GoP and subsequently reimbursed to banks</li> </ul> |
| <b>Markup Subsidy &amp; Risk Sharing Scheme for Farm Mechanization (MSRSSFM)</b>                   | <ul style="list-style-type: none"> <li>SBP issued the scheme vide AC&amp;MFD Circular No. 04 of 2022 dated 21 December 2022 to all banks/ Islamic banks for implementation. The scheme was initially valid for 1 year but it was extended till 30 June 2024 by GoP</li> <li>Markup subsidy claims of Rs 1,270.3 million for quarter ended on 31 December 2023 were</li> </ul>   |

|  |   |
|--|---|
|  | received from banks, which have been sanctioned by Finance Division, GoP and subsequently reimbursed to banks.  |
| <b>Interest free loans to landless Farmers in flood affected areas</b> | <ul style="list-style-type: none"> <li>• SBP issued the scheme vide AC&amp;MFD Circular No. 03 of 2022 dated 21 December 2022 to all banks/ MFBs for implementation. The scheme was initially valid for 6 months but was extended till 31 December 2023 by GoP.</li> <li>• Markup subsidy claims of Rs 218.4 million for quarter ended on 31 December 2023 were received from banks, which have been sanctioned by Finance Division, GoP and subsequently reimbursed to banks.</li> </ul> |
| <b>Other Schemes</b>   | <ul style="list-style-type: none"> <li>• Total payment of Rs 12.32 million has been made to banks from 01 July 2023 till September 30, 2023 while Rs 2.086 billion has been paid from Oct 01, 2023 till Dec 31, 2023 to Financial Institutions (FIs) related to subsidy claims under various Government Schemes. (PMYB&amp;ALS, PMKJ YES, PMYBL &amp; KPP).</li> </ul>  |

**Kissan Package Releases**

**Table 13: Financing Schemes under Kissan Package  
Funds Released by Finance Division  
For the period 1 July 2023 - 31 December 2023**

| <b>Scheme</b>   | <b>PRs<br/>(Million)</b> |
|---|--------------------------|
| Provision of subsidy for interest free loans to subsistence farmers in flood affected areas | -                        |
| Interest free loans to landless farmers in flood affected areas                             | -                        |
| Markup subsidy and risk sharing schemes for farm mechanization                              | -                        |

Source: State Bank of Pakistan

Note: The subsidy incurred under the schemes for quarter ending on Dec 2023 were sanctioned by Finance Division during April-Jun 2024 quarter. Hence funds released during Quarter ending on Dec 2023 is NIL.

**Flood Relief Package**

16/04

20. BISP disbursed PRs 69,222 million to 2.769 million flood affectees families @ PRs 25,000 per family across Pakistan during FY 2022-2023. To meet this budget requirement from within the approved allocation of BISP for FY 2022-2023, an amount of PRs 50,419 million was re-allocated under the head of "Emergency Flood Relief Cash Assistance" as given in table below. Remaining amount was charged to the head "unconditional cash transfer".

**Table 14: Benazir Income Support Programme  
Flood Relief Package  
Trend in Expenditures**

| Financial Year 2022-2023        |                                   |                                |                             | Financial Year 2023-2024        |                                   |
|---------------------------------|-----------------------------------|--------------------------------|-----------------------------|---------------------------------|-----------------------------------|
| 1 July 2022 - 30 September 2022 | 1 October 2022 - 31 December 2022 | 1 January 2023 - 31 March 2023 | 1 April 2023 - 30 June 2023 | 1 July 2023 - 30 September 2023 | 1 October 2023 - 31 December 2023 |
| 50,188                          |                                   |                                | 231                         |                                 |                                   |

21. **Gender Mainstreaming:** The program is categorized as effective gender mainstreaming and focuses on mitigating negative effects of crises caused by macroeconomic vulnerabilities coupled with cumulative exogenous shocks on women and girls through the CDEP. The program supports:

- Distribution of unconditional cash transfers to female heads of poor families.
- Provision of cheaper financing to women through the government's entrepreneurship and employment schemes, as at least 15% of the borrowers under these schemes are targeted toward companies owned by women. This will mitigate the loss of income for companies led by women, as well as help maintain employment.<sup>2</sup>
- Health and nutrition facilities to mothers and children under 2 years of age

**Compliance with loan agreements:**

22. The status of compliance with the covenants laid down in loan agreements<sup>3</sup> is explained in Table 12 -13

**Table 15: Article III - Use of proceeds of the loan**

| Covenant  | Status of Compliance |
|---|----------------------|
| Section 3.01: The borrower shall cause the proceeds of the loan to be applied to the financing of expenditures on the program in accordance with the provisions of this loan agreement. | Complied with        |
| Section 3.02: The proceeds of the loan shall be   | Complied with        |

<sup>2</sup> Report and Recommendation of the President to the Board- PAK BRACE Program

<sup>3</sup> Loan Number (i) 4235 - PAK (COL), and Loan Number (ii) 4234 - PAK

|   |  |
|---|--|
| <p>withdrawn in accordance with the provisions of schedule 3 of this loan agreement, as such schedule may be amended from time to time by agreement between the Borrower and ADB.</p> |  |
|---|--|

**Table 16: Article IV- Particular Covenants**

| <b>Covenant</b>   | <b>Status of Compliance</b> |
|---|-----------------------------|
| <p>Section 4.01: In the carrying out of the program, the borrower shall perform, or cause to be performed, all obligations set forth in schedule 4 of this loan agreement.</p>  | Being complied with         |
| <p>Section 4.02: As part of the reports and information referred to in sections 6.01 and 6.05 of the loan regulations, the borrower shall furnish, or cause to be furnished, to counterpart funds and the use thereof; and (b) the implementation of the program, including the accomplishment of the objectives, policies and action set out in the policy letter.</p> | Being complied with         |

**Table 17: Schedule 4: Program Implementation and other matters**

| <b>Covenant</b>  | <b>Status of Compliance</b>   |
|--|---|
| <p><b>Implementation arrangements:</b><br/>1) The borrower, through the program executing agency, shall be responsible for the implementation of the program, including monitoring or and reporting on the implementation of the program.</p>  | Being complied with   |
| <p><b>Policy Dialogue:</b><br/>2) The borrower, through the program executing agency, shall (a) promptly inform ADB about any issues and constraints encountered during the implementation of the program; and (b) proactively engage with ADB to adopt appropriate measures to address and mitigate such issues and constraints.<br/><br/>3) The Borrower, through the program executing agency, shall keep informed of policy discussions with other multilateral and bilateral and agencies that may have implications for the implementation of the program and shall provide ADB with an opportunity to comment on any resulting policy proposals. The Borrower, through the program executing agency, shall take into account ADB's view before finalizing and implementing any such proposal.</p> | <p>Not applicable at this stage as there are no issued being faced currently.</p> <p>ADB is being informed of the outcome of discussions between GOP and IMF.</p> |
| <p><b>Use of counterpart funds:</b><br/>4) The Borrower shall ensure that the counterpart funds are used to finance the implementation of certain programs and activities consistent with the objectives of the program.</p>   | Complied with   |
| <p><b>Governance and Anticorruption:</b></p>   |   |

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|   |  |
|---|--|
| <p>5) The Borrower and the program executing agency shall (a) comply with ADB's anticorruption policy (1998, as amended to date) and acknowledge that ADB reserves the right to investigate directly, or through its agents, any alleged corrupt, fraudulent, collusive or coercive proactive relating to the program; and (b) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation.</p>   | <p>Being complied with</p>   |
| <p><b>Monitoring, Review and Reporting:</b></p> <p>6) The Borrower, through the program executive agency, shall ensure that a structured platform for policy dialogue with key stakeholders and implementation support is in place on the CDEP to (a) engage with such stakeholders in the design and implementation of the CDEP, and (b) respond to implementation bottlenecks, if any</p> <p>7) The Borrower shall (a) monitor, evaluate and provide quarterly reports to ADB in accordance with MRF; and (b) ensure that adequate budgetary and human resources are made available to fully implement the MRF.</p> <p>8) The Borrower shall, in particular, monitor, evaluate and report to ADB on areas including (a) developments in its macroeconomic and fiscal conditions, including the CDEP, (b) impacts of its CDEP on poor and vulnerable groups, disaggregated by gender, including the number of beneficiaries of cash transfer schemes and other social assistance programs; and (c) implementation of its crisis's response plan.</p> | <p>Complied with - With the approval of Finance Minister, Finance Division (FD) vide notification No 3(2) ADB/2022 dated 5 December 2022 constitute a steering committee and working group to monitor the progress achieved on the countercyclical Development Expenditure Program (CDEP).</p> <p>Being complied with</p> <p>Complied with - First quarterly report submitted to ADB</p> |

**Persistent Challenges**

23. **Fuel Prices:** Overall, the impact of Russian-Ukraine war on the economy of Pakistan is significant, mainly due to high fuel prices. Fuel prices have relatively high multiplier effects and high fuel prices can cause reduction in economic activity across different sectors. High fuel prices not only reduce the direct consumption of petroleum products but also shrink other sectors such as electricity production, industrial demand, goods transportation, travelling, mining, construction, and many others.

24. **Edible Oil:** After fuel, edible oil has the most impact on the GDP and household consumption, but it is almost double for the poor. Due to the relatively higher elasticity of oil with its price, demand shock is greater than wheat and almost double in poor households. As Pakistan remains largely dependent on imported palm oil (all from Malaysia and Indonesia), it remains highly prone to any upward shock in prices and can also cause deterioration in the healthy diet structure of children.

25. **Poverty:** The Russian-Ukraine war crisis has a serious impact on poverty that can increase the burden on the already tightened fiscal space. Post-Disaster Needs Assessment Report of the 2022 floods, released by Ministry of Planning, Development & Special Initiatives stated that the national Poverty rate may increase by 3.7-4.0 percent by pushing 8.4-9.1 million more people into poverty due to devastating calamity. Any potential cash handouts or expansion of Benazir Income Support Programmes (the existing transfer payment program) can further increase the existing high fiscal deficits

26. **Inflation:** Rising inflation, particularly food inflation (highest in the history of Pakistan), increase in administered prices of petroleum products, electricity, and gas and continuous depreciation of the country's currency have a negative impact on household consumption which will lead to greater poverty, particularly in rural areas.

27. **Floods:** While the global crisis, because of the Russian-Ukraine War, was expected to result in slowing down the economic growth in Pakistan, its adverse impact on poverty, food insecurity and deteriorated diet quality are likely to be more pronounced. However, the cataclysmic floods in 2022 in Pakistan affecting 33 million people and 1.8 million hectares of cropland across the country; damaging cotton and rice crops, perishing to 1.16 million as per the NDMA Post-Disaster Needs Assessment Report of 2022 floods and major damages to public infrastructure and private properties will lead to lower economic growth in FY2023, higher poverty and food insecurity, and worsened diet quality, especially in rural areas.

### Summary of Expenditures

**Table 18: Summary of the Expenditures**  
For the period 1 July 2023 - 31 December 2023

| Heading                            | PRs<br>(Million)<br>HY (2024) | PRs<br>(Million)<br>HY (2023) | %<br>Change |
|------------------------------------|-------------------------------|-------------------------------|-------------|
| Benazir Income Support Programme   | 186,091                       | 152,041                       | 22%         |
| Bait ul Mal                        | 1,507                         | 1,442                         | 5%          |
| National Poverty Grauation Program | 70                            | 1,823                         | -96%        |
| <b>Social Safety</b>               | <b>187,668</b>                | <b>155,306</b>                | <b>21%</b>  |
| Fertilizer Plant Subsidy           | 10,000                        | 15,000                        | -33%        |
| Utility Stores Corporation         | 8,029                         | 8,851                         | -9%         |
| <b>Food Security</b>               | <b>18,029</b>                 | <b>23,851</b>                 | <b>-24%</b> |
| *Kissan Package                    | 468.6                         | 1,766.50                      | -73%        |
| Employment Schemes                 | 2,098                         | 5,469                         | -62%        |

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|                                    |                |                |             |
|------------------------------------|----------------|----------------|-------------|
| Support on export oriented sectors | 0              | 14,038         | -100%       |
| <b>Business Support</b>            | <b>2,567</b>   | <b>21,274</b>  | <b>-88%</b> |
| <b>Total Expenditures</b>          | <b>208,263</b> | <b>200,431</b> | <b>4%</b>   |

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\*Kissan Package was introduced on December 21,2022 therefore subsidy claims for period of July-December 2022 is NIL.