

Building Resilience with Active Countercyclical Expenditures (BRACE)

Quarterly Progress Report

30 June 2023

Abbreviations

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

Table of Contents

Introduction	3
Background.....	3
Building Resilience with Active Countercyclical Expenditures Program.....	3
Monitoring and Evaluation Framework	4
Countercyclical Development Expenditures	4
‘	5
Second Quarterly Report	5
Third Quarterly Report	6
Fiscal Performance.....	6
Progress on the countercyclical development expenditure program (CDEP)	7
Social Protection	7
Pakistan Bait-ul-Mal.....	7
Benazir Income Support Program	9
National Poverty Graduation Program.....	10
Support for Businesses.....	11
Prime Minister - Kamyab Jawan – Youth Entrepreneurship Scheme.....	12
PM Youth Business Loan Scheme.....	12
Kamyab Jawan Program	12
Energy Sector.....	12
Food Security	14
Pakistan Agricultural Storage and Services Corporation (PASSCO).....	14
Industries and Production Division.....	14
Kissan Package	15
Other components of Kissan Package and implementation Status	17
Inclusion of agro-based SMEs in SME modernization scheme	17
Compliance with loan agreements:.....	18
Persistent Challenges	20
Conclusion	21

Introduction

Background

1. The COVID 19 Pandemic sent shock waves through the world economy and heightened concerns about high private and public sector debt levels. Although the immediate response by the Government of Pakistan (GOP / Government) to the crisis was largely effective at stabilizing output and protecting incomes, it also aggravated some preexisting financial risks to households and the financial sector that pose a threat to an equitable recovery in the longer term. While the GOP efforts were continuing to combat the adverse impacts of COVID, the Russian-Ukraine war escalated the geopolitical tension and triggered a possible energy crunch in the region. 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

3. In order 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). The program was aligned with the (i) Government's strategic priorities and the overarching objectives of promoting social inclusion by strengthening the support provided to poor and vulnerable groups, improving economic resilience, and supporting the trade-related sectors¹,(ii) ADB Strategy 2030², and (iii)ADB's country partnership strategy (2021-2025)³.

¹Government of Pakistan; Ministry of Planning, Development and Reform; Planning Commission. 2015. Islamabad.

² (i) Operational priority (OP) 1: addressing remaining poverty and reducing inequalities, (ii) OP 2: accelerating progress in gender equality, (iii) OP 3: tackling climate change, building climate and disaster resilience and enhancing environmental sustainability, (iv) OP 5: promoting rural development and food security, (v) OP 6: strengthening governance and institutional capacity, and (vi) OP 7: fostering regional cooperation and integration. ADB -2018 <https://www.adb.org/sites/default/files/institutional-document/435391/strategy-2030-main-document.pdf>

³ Reducing economic and social disparities, strengthening economic governance, and supporting private sector development. <https://www.adb.org/sites/default/files/institutional-document/674016/pak-cps-2021-2025.pdf>

Monitoring and Evaluation Framework

4. 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. 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 Program (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

Countercyclical Development Expenditures

6. The government introduced a countercyclical development expenditure program (or CDEP) in the fiscal year (FY) 2023 national budget to (i) increase social protection, (ii) increase food security, and (iii) enhance support for businesses. Detailed information and cost estimates are highlighted in Table 1:

Table 1: Countercyclical Development Expenditures Program (FY 2023)

	PRs million	USD million
Social Protection⁴	369,778	1,687
Benazir Income Support Program	364,078	1,661
Unconditional cash transfer	240,100	1,096
Fuel subsidy scheme	48,000	219
conditional cash transfer for education	35,000	161
national socio-economic registry	1,703	8
undergraduate scholarship	9,270	42
conditional cash transfer for health and nutrition	21,380	98
Employee-related expenses and General Expenses	4,078	16
Direct Cost Cash Transfer	4,547	21
Bait-ul-Mal	3,700	17
National Poverty Graduation Program (NPGP)	2,000	9
Food Security	71,000	324
PASSCO	7,000	32
USC	17,000	78
Fertilizer plant subsidy	15,000	68
subsidy for import of urea or fertilizer	6,000	27
Agriculture relief initiatives	10,000	46
Sales tax exemption on import of seeds and tractors	16,000	73
Support for Businesses	70,000	320
Entrepreneurship and employment schemes	10,000	46
Support for export-oriented industries	60,000	274
Subsidy for electricity	20,000	91
Subsidy for RLNG	40,000	183
Total	510,778	2,331

FY = fiscal year, PASSCO = Pakistan Agricultural Storage & Services Corporation Ltd, PRs = Pakistan Rupee, RLNG = re-gassified liquefied natural gas, USC = Utilities Stores Corporation.

Source: Government of Pakistan, Federal Budget Documents – FY 2023

Second Quarterly Report

7. After approval from Steering Committee, Finance Division shared the first quarterly report of the program for the period July 2022 – December

⁴ The targeting and distribution of benefits to low-income households and those affected by the macroeconomic and cost-of-living crises will be done through agencies and channels that have been tried and tested including, most recently, through the 2020 COVID-19 pandemic. Social protection measures will be channeled through the Benazir Income Support 2 Program, Pakistan's flagship social protection program

2022. 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.

The second quarterly report of the program is for the period January 2023 to March 2023. ***(Approval is to be sought from Steering Committee constituted in Finance Division)***

Third Quarterly Report

Fiscal Performance

8. During FY 2023, Federal Board of Revenue (FBR) revenues grew by 16.7 percent to reach PRs 7,169 billion against PRs 6,143 billion in the same period of last year. Non-tax revenue witnessed a growth of 41.8 percent mainly due to higher receipts from petroleum levy, followed by markup (PSEs and others) and royalties on oil and gas.

9. The FY 2023 witnessed a significant rise in total expenditures that grew by 21.5 percent to PRs.16,155 billion against PRs.13,295 billion in FY2022. Higher expenditures were mainly due to a 26.6 percent increase in current spending. In absolute terms, it stood at PRs.14,583 billion in FY2023 against PRs.11,521 billion recorded in FY 2022. The increase in current expenditure is largely attributed to 83.2 percent rise in markup payments. Development expenditure grew by 17.1 percent largely due to a 62.8 percent rise in federal PSDP (Net Excluding Development Grants in Provinces) during FY2023.⁵

**Table 2: Key Economic Indicators (External Sector)
Comparative Review**

Indicator	FY 2022	FY 2023
Remittance (USD billion)	31.3	27.0
Exports (USD billion)	32.5	27.9
Imports FOB (USD billion)	71.5	52.0
Current Account Deficit (USD billion)	17.5	2.6
FDI (USD million)	1936	1547
Portfolio Investment (USD million)	-78	-1026.2
Total foreign Investment (USD million)	1,857.8	522.3

⁵ Finance Division, Monthly Economic Update and Outlook – August 2023

Foreign Reserves (SBP) USD billion	9.8	4.4
Exchange Rate (PRs/USD)	204.84	285.99

Source: Finance Division, Monthly Economic Update, and Outlook – July 2023 and June 2023

10. Thus, FY2023 witnessed a fiscal deficit of 7.7 percent of GDP (PRs.6521 billion) against 7.9 percent of GDP (PRs.5260 billion) during comparative period. Similarly, the primary deficit was restricted to 0.8 percent of GDP in FY2023 against 3.1 percent of GDP recorded in FY2022 mainly due to limited growth in non-markup spending.⁶

**Table 3: Key Economic Indicators (Fiscal Sector)
Comparative Review**

Indicator	PRs (billion)	
	FY 2022	FY 2023
FBR Revenue	6,142.8	7,169
Non-tax Revenue	1,280	1,815
PSDP (Excluding grants to Provinces)	400.4	652
Fiscal Deficit	5,259.9	6,521
Primary Balance	-2,077	-825.5

Source: Finance Division, Monthly Economic Update and Outlook – August 2023

Progress on the countercyclical development expenditure program (CDEP)

11. The countercyclical development 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

12. The detail of quarterly expenditures incurred against the allocated budget of PRs 3.7 to Pakistan Bait ul Mal (PBM) is provided in **Tables 4-6**

⁶ Finance Division, Monthly Economic Update and Outlook – August 2023

**Table 4: Pakistan Bait ul Mal – Budget Vs Actual Expenditures
FY 2023**

Period	Budget	Released	PRs (million)
			Expenses
July 2022 - December 2022		1,480	1,442
January 2023 – March 2023		925	885
April 2023 – June 2023		1,160*	1,238**
Total	3,700	3,565	3,565

Source: Pakistan Bait-ul-Mal

*For the quarter (April – June 2023), total budget released was Rs 1,160 million, out of which an amount of Rs. 1,110 million was regular budget and Rs 50 million as “Supplementary grant” for SOS Children Village.

** The expenditure over and above in 4th Quarter (i.e April – June 2023) met out from the balance available for the period July – December 2022 and January – March 2023.

Table 5: Details of Expenditures for FY 2023

Heading	HY 2022	PRs (million)	
		Q3 2023	Q4 2023
Individual Financial Assistance – Medical	551.1	323.6	359.0
Individual Financial Assistance – General	41.5	43.3	29.7
Individual Financial Assistance – Special Friends	30.9	11.5	22.3
Individual Financial Assistance – Education	47.6	56.6	41.0
Schools of Rehabilitation for Child Labour (SRCLs)	128.9	83.5	121.6
Women Empowerment Centres (WECs)	118.7	90.0	151.3
PBM Sweet Homes (PSHs)	243.6	121.8	202.2
PBM Old Home	3.7	3.8	7.6
PBM Shelter Homes	63.9	37.5	48.6
Roti Sab Ke Leay (<i>Bread for all</i>)	15.5	18.8	40.1
Institutional Rehabilitation (NGO's)	24.7	8.8	51.5
Administration	171.8	85.9	163.8
Total	1,441.9	884.9	1,238.2

Source: Pakistan Bait-ul-Mal

**Table 6: Pakistan Bait-ul-Mal
Month-wise Expenditures for FY 2023**

Description	Quarterly Budget	PRs (million)
		Expenses
Jul-22		15.8
Aug-22	629	344.8
Sep-22		267.9
Oct-22		129.4
Nov-22	851	483.4
Dec-22		200.6
Jan-23		126.5
Feb-23	925	165.8
Mar-23		592.6

Apr-23		88.3
May-23	1,160	677.5
Jun-23		472.3
Grand Total	3,565	3,565

Source: Pakistan Bait-ul-Mal

Benazir Income Support Program

13. The budgeted Vs actual expenditures position shows that 97% of budget is utilized during FY 2023 as detailed in **Tables 7 – 8** despite reallocation of fuel subsidy to flood relief activities.

Table 7: BISP - Comparison of Budgeted and Actual Expenditures for FY 2023

Budget Head	Annual Budget (Rs million)	Final Budget	Expenditures (Rs million)			
			July- Dec 2023	Jan- March 2023	April - June 2023	Total
Unconditional cash transfers	240,100	274,096	118,651	72,873	82,572	274,096
Fuel Subsidy Scheme	48,000		-	-	-	0
Conditional cash transfers for education	35,000	40,575	12,849	10,630	17,096	40,575
National Socio-economic Registry (NSER)	1,703	1,651	114	20	1,517	1,651
Undergraduate scholarship	9,270	8,615	8,615	-	0	8,615
Conditional cash transfer for health and nutrition	21,380	20,661	8,830	9,172	2,659	20,661
Direct Cost of Cash Transfer/Other Program	4,547	4,183	1,410	1,044	1,694	4,148
ERE and General expenditures	4,078	3,743	1,572	976	1,170	3,718
Regular Budget	364,078	353,524	152,041	94,715	106,708	353,464
Emergency Flood Relief Cash Assistance	0	50,419	50,419			50,419
Wheat Seed Subsidy (Government of Sindh)	0	8,390		4,645	3,745	8,390
One-Off Total	0	58,809	50,419	4,645	3,745	58,809
Grand Total	364,078	412,333	202,460	99,360	110,453	412,273

Source: Benazir Income Support Program

ARE – Administrative and other expenditures CCT - Conditional Cash Transfer; NSER - National Socio-economic registry;

Note: The Federal Government has repurposed the budget allocation initially meant for Fuel Subsidy Scheme for Emergency Flood Relief Cash Assistance.

Table 8: BISP - Quarterly expenditures for FY 2023

Budget Head	PRs (million)				
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
Unconditional cash transfers	59,752	58,899	72,873	82,572	274,096
Fuel Subsidy Scheme	-	-	-	-	0
CCT for education		12,849	10,630	17,096	40,575
NSER project	1	113	20	1,517	1,651

Undergraduate scholarship program	2,242	6,373	-	-	8,615
CCT for health and nutrition	8,273	557	9,172	2,659	20,661
Direct Cost of Cash Transfer	198	1,212	1,044	1,694	4,148
ERE and General Expenses	766	806	976	1,170	3,718
Total	71,232	80,809	94,715	106,708	353,464

Source: Benazir Income Support Program

14. In addition to that, BISP disbursed an amount of PRs 50.420 billion on account of Emergency Flood Relief Cash Assistance i.e. PRs 50.188 billion in 1st Quarter and PRs 0.232 billion in 2nd Quarter as per directions of the Federal Government.

National Poverty Graduation Program

15. The budgeted allocation and expenditures incurred by National Poverty Graduation Program (NPGP) are explained in **Table 9-10**

**Table 9: Budget Vs Expenditures Status for NPGP
For FY 2023**

		PRs (million)	
Budget	Expenditures	Variance	
5,244*	5,036	208	

Source: National Poverty Graduation Program

* Budget include supplementary Grant of Rs. 3,244 million

**Table 10: Budget Vs Expenditures Allocations for NPGP
Monthly Expenditures for FY 2023**

				PRs (million)
Month	Poverty Graduation	Social Mobilization	Program Management	Total
Jul-02	0.0	0.0	8.5	8.5
Aug-22	0.0	0.0	6.9	6.9
Sep-22	40.7	3.6	10.5	54.9
Oct-22	213.9	22.3	27.6	263.8
Nov-22	1,314.5	127.3	113.0	1,554.9
Dec-22	0.5	0.0	4.4	4.9
Jan-23	0.0	0.0	11.2	11.2
Feb-23	15.0	3.4	26.0	44.3
Mar-23	0.0	0.0	22.6	22.6
April -23			16.2	16.2
May -23			7.8	7.8
June -23	2,514.9	256.3	268.3	3,039.3
Total	4,099.5	412.9	523.1	5,035.6

Source: Ministry of poverty alleviation and social safety Division

Support for Businesses

16. Expenditures paid under on entrepreneurs and employment schemes during FY 2022-2023 under different schemes are as follows:

Table 11: Quarterly Utilization of Entrepreneur Schemes

Program	PRs (million)				
	Q1	Q2	Q3	Q4	Total
PM's Youth business loan scheme	0.0	148.3	150.9	147.0	446.2
Kamyab Pakistan Program	0.0	9.0*	7.7	2,099.4	2,116.1
PM Youth Business and Agriculture Loan	0.0	0.0	0.0	0.0	0.0
PM's Kamyab Jawan Youth Entrepreneurship	0.0	787.4	1,426.6	1,638.5	3,852.5
Total	0.0	944.7	1,585.3	3,884.9	6,414.9

Source: Finance Division (IF wing) and State Bank of Pakistan

Note: Figures are updated based on information shared by IF wing

* Payment was made to National Telecommunication Corporation which counted as administrative expense.

17. SBP issued instructions to banks vide SBP circular No 12 dated 12 December 2022 for implementation of PM's Youth Business and Agriculture Loan Scheme (PMYBALS). The scheme is accessible at SBP website⁷

18. Under this scheme, the target of Rs 30 billion has been assigned to 15 banks to facilitate small and medium enterprises (SME) and agricultural sector.⁸ The allocation of loan by banks is detailed in **Table 12** below:

Table 12: Disbursement Details and Borrowers List under Prime Minister Youth Business and Agriculture Loan Scheme

Period	Total Disbursement	Borrowers (No's)	Disbursement (Female)	PRs (million)
				Female borrowers (No's)
3 rd Quarter – FY 2023	6,965	15,502	456	1,444
4 th Quarter – FY 2023	23,035	46,185	2,012	4,581
Total	30,000	61,687	2,468	6,025

Source: State Bank of Pakistan

19. Under PM's Youth Business and Agriculture Loan Scheme (PMYB&ALS), a budgetary allocation of PRs 9 billion was made in Federal Budget for FY 2024. Later, the ECC in its decision approved an additional Budget of Rs 10 billion making it a total allocation of PRs 19 billion. An amount of PRs 12,320,884 has been released on 15 September 2023.

⁷ <http://www.sbp.org.pk/smfed/circulars/2022/circulars/202/C12.htm>

⁸ The target include 50% loans to be made to agriculture sector

Prime Minister - Kamyab Jawan – Youth Entrepreneurship Scheme

20. Total estimated expenditure of PRs 1.5 billion have been incurred in quarter 4 of FY 2023 related to GoP markup subsidy and credit loss subsidy. The scheme was discontinued since 1 July 2022; however, mark-up and credit line losses claims are being processed for the loans already disbursed.⁹

PM Youth Business Loan Scheme

21. Total estimated expenditures of PRs 150 million have been incurred in quarter 4 of FY 2022-related to GoP markup subsidy and credit losses subsidy. The scheme was discontinued since 1 July 2022; however, mark-up and credit line losses claims are being processed for the loans already disbursed

Kamyab Jawan Program

22. Total estimated expenditures of PRs 575.13 million has been incurred in quarter 4 of FY 2023 (from 1 April 2023 – 30 June 2023) related to GoP markup subsidy and credit losses subsidy.

Energy Sector

23. The government is providing gas / re-gassified liquefied natural gas (RLNG) at concessionary rates of USD 9 per MMBtu all-inclusive to five export-oriented industries across Pakistan. For this purpose, a subsidy amounting to PRs 40 billion has been budgeted for the five export-oriented sectors during FY 2023. Out of the total subsidy, PRs 3.5 billion has been earmarked for the export-oriented consumers of Sui Southern Gas Company Limited's system while the remaining amount is allocated for similar consumers on Sui Northern Pipeline Limited's network.

⁹ Under all these case, the amount incurred does not necessarily mean that the amount was paid in the same quarter. For instance, if the subsidy claims for Q4 of FY 2023 become due on June 30, 2023, it is taken as expenditure incurred on this case, however, it usually takes at least 3 months for completing the payment process of claims which include the submission of claims by banks, verification of claims at SBP, submission of claims of ministry of finance and then processing of those claims at MoF for final payment advise of SBP by AGPR. Therefore, final payment may likely be made somewhere in 2nd quarter of FY 2024 in this case. Amounts which have been mentioned in the above table include the actual amounts paid to the FIs regardless of period/quarter for which these amounts have been paid

24. The Economic Coordination Committee (ECC) deferred the electricity bills for domestic consumers in flood-affected areas for September 2022 until the next billing cycle and waived off electricity bills for non-Time of Use domestic consumers who consume less than 300 units for August and September 2022. An additional supplementary grant of PRs 10.34bn was approved to cover the waiver of electricity bills in flood-affected areas.

25. The detail of GOP zero rated industrial rebated claims verified in FY 2023 for K-Electric, and Discos is as under:

**Table 13: Discos - Zero Rated Industrial Claims
For FY 2023**

Month	Discos	K-Electric	PRs (million)
			Total
Dec-22	6,219	437	6,656
Jan-23	7,372	387	7,760
Feb-23	5,975	95	6,071
Mar-23	0	258	258
Total	19,567	1,178	20,744

Source: Ministry of Energy

The Federal Cabinet vide decision taken on 28 February 2023 had approved discontinuation of the concessional tariff being provided at PRs 19.99 per kWh (all-inclusive) to the five export oriented sectors effective 1 March 2023 and later no budgetary allocation was made.

26. Till December 2022, a subsidy amounting to PRs 14.03 billion has been given to the five export-oriented industries in gas / RLNG supply tariff on the Sui Northern Gas Pipeline (SNGPL's) network out of which PRs 4.55 billion has been released to SNGPL against the tariff differential whereas PRs 9.47 billion subsidy is estimated to be required for the export-oriented sectors. Further, the month-wise subsidy claims details by SNGPL till December 2022 are as under:'

**Table 14: Subsidy claim from SNGPL
From July 2022 – December 2022**

Month	Subsidy	PRs (million)
		Subsidy (SSGC)
Jul-22	2,351	144
Aug-22	2,328	228

Sep-22	2,232	311
Oct-22	1,231	229
Nov-22	1,048	205
Dec-22	4,849	198
Total	14,039	1,315

Source: Ministry of Energy

27. Subsidy provided for RLNG to the five export-oriented sectors in 4th quarter of FY 2023 on SNGPL and SSGL's network with monthly bifurcation is hereunder:

**Table 15: Subsidy provided for RLNG to export oriented sectors
From January 2023 – June 2023**

Month	PRs (million)		
	SNGPL	SSGC	Total
Jan-23	4,528	182	4,710
Feb-23	3,154	165	3,319
Mar-23	6,511	211	6,722
Apr-23	278	110	491
May-23	525	239	764
Jun-23	404	213	513
Total	15,400	1,120	16,520

Source: Ministry of Energy

Food Security

28. The food security component consists of support provided through (i) PASSCO, (ii) Utility Stores Corporation, (iii) Fertilizer plant subsidy, (iv) subsidy for import of urea or fertilizers, (v) agriculture relief initiatives, and (vi) sales tax exemption on import of seeds and tractors.

Pakistan Agricultural Storage and Services Corporation (PASSCO)

29. For FY 2023, the government made an allocation of PRs 7 billion and full amount has been utilized during FY 2023.

Industries and Production Division

**Table 16: Food Security Expenditures
Comparison of budgeted and actual expenditures for FY 2023**

Description	Budget	PRs (million)				
		Q1	Q2	Q3	Q4	Total
Fertilizer plant subsidy	15,000	6,703	8,297	-	-	15,000
Subsidy for import of urea	6,000	-	-	-	-	-
Utility Store Corporation **	17,000	6,000	2,851	14,427	9,892	33,170

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. **This includes subsidy to utility stores corporation for Ramzan Package (Rs 4,997.02 million), and Prime Minister Package to Utility Store Corporation (Rs 9.430 million).

Kissan Package

30. The Economic Coordination Committee of Cabinet, in its meeting held on 14 November 2022, approved a summary titled “*Kissan Package*” and its decision was ratified by the cabinet on 28 November 2022. The decision of ECC duly ratified by the Cabinet was forwarded by *M/o NFS&R to Finance Division on 7 December 2022.

31. Accordingly, upon the direction of the Finance Division, the State Bank of Pakistan (SBP) issued instructions to concerned banks for the implementation of schemes vide circulars dated 21 December 2022. The detail of the estimated fiscal outlay / budgetary requirement for FY 2023 and FY 2024 of the following four schemes is as under:

Table 17: Prime Minister Kissan package

PM's Kissan Package Schemes Components	Implementation Status
Waiver of mark-up on outstanding loans for subsistence farmers in the flood affected areas.	<p>Upon receipt of the Finance Division letter dated 19 December 2022 regarding the approval of the scheme, SBP has issued AC&MFD circular No 03 of 2022 dated 21 December 2022 to all banks / MFBs for implementation¹⁰.</p> <p>Banks submitted claims of Rs.2.96 billion out of which Rs 1.48 billion will be borne by the Government of Pakistan under markup waiver scheme. The amount of Rs 1.48 billion has been received as per sanction by Finance Division F-4(2) IF-1/6/2023 dated 14 June 2023 and has been disbursed to the respective banks accordingly on 24 June 2023.</p>
Provision of subsidy for interest-free loans for subsistence farmers in the flood affected areas.	The scheme has been extended till 31 December 2023. SBP has assigned limits to banks for financing to subsistence farmers in flood affected districts. Banks are advertising the scheme and are reporting financing under the scheme. As of

¹⁰The scheme may be accessed at: <http://www.sbp.org.pk/acd/2022/C3.htm>

	<p>30 June 2023, PRs 8,089.5 million have been disbursed under this scheme.</p> <p>Markup subsidy claims of PRs 52.2 million for quarter ended on 31 March 2023 were submitted to Finance Division. Banks have submitted claims of Rs 353.2 million for the quarter ended 30 June 2023.</p>
<p>Mark-up subsidy & risk sharing scheme for farm mechanization (MSRSSFM)</p>	<p>Upon receipt of the Finance Division letter dated 20 December 2022 regarding the approval of the scheme, SBP has issued AC&MFD circular No 04 of 2022 dated 21 December 2022 to all banks/Islamic banks for implementation.¹¹ The scheme has been extended till 31 December 2023 by GoP.</p> <p>Based on the GoP allocations under Markup subsidy and risk sharing scheme for farm mechanization, SBP has allocated limits to banks in line with the already allocated targets for farm mechanization (tractor, thresher, combined harvester, planter, mobile grain dryer, tube well etc). As of 30 June 2023, Rs 2,536 million have been disbursed under this scheme.</p> <p>For quarter ended on June 30, 2023, banks have submitted markup subsidy claims of PRs 29 million.</p>
<p>Interest-free loans to landless farmers in the flood affected areas. (IF&RSLF)</p>	<p>Upon receipt of Finance Division letter dated 19 December 2022 regarding the approval of the scheme, SBP has issued AC&MFD circular No 03 of 2022 dated 21 December 2022 to all banks/MFBs for implementation.¹² The scheme was designed while merging interest free loans and risk sharing scheme for landless farmers into an ongoing scheme credit guarantee for small and marginalized farmers (CGSMF) as both were meant for landless farmers. The scheme may be accessed at SBP website.¹³ The scheme was initially for 6 months but has now been extended till 31 December 2023.</p> <p>SBP has assigned indicative targets to banks for financing and as of 30 June 2023, Rs 3,911 million have been disbursed under the scheme.</p> <p>For quarter ended on 30 June 2023, banks /</p>

¹¹The scheme may be accessed at: <http://www.sbp.org.pk/acd/2022/C4.htm>

¹²The scheme may be accessed at <http://www.sbp.org.pk/acd/2022/C3.htm>

¹³ <http://www.sbp.org.pk/acd/2022/C3.htm>

	MFBs have submitted mark-up subsidy claims of PRs 179.2 million.
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Source: Finance Division and State Bank of Pakistan

Other components of Kissan Package and implementation Status

32. SBP has allocated an indicative agriculture credit disbursement target of PRs 1,819 billion for FY 2022-23, which is 28% higher than last year's disbursement of PRs 1,419 billion. The agriculture credit target includes Rs 400 billion recently announced under the PM Kissan package. During FY 2023, agriculture lending banks have disbursed PRs 1,776 billion which is around 97.6% of the overall annual target FY 2022-2023.

Inclusion of agro-based SMEs in SME modernization scheme

33. SBP has shared details with the implementation committee vide email dated 27 December 2022. As of 30 June 2023, Rs 5,414 billion have been disbursed under SBP's refinancing facility for modernization of SME's, of which Rs. 2,953 have been availed by Agro-based SME's.¹⁴

Tax Exemptions on Imports

34. During the period, the impact of exemptions granted on import of seed is given in **Table 18** below:

Table 18: Impact of Sales Tax Exemption

PRs (million)

Period	Tractor		Seeds		Total
	Normal	Additional	Normal	Additional	
April -23	217	0	105	197	519
May - 23	0	4	168	594	766
June -23	0	14	92	446	552
Total	217	18	365	1,237	1,837

Source: Federal Board of Revenue

35. **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

¹⁴The scheme is accessible at <http://www.sbp.org.pk/Incen-others/sme-1.asp>

distribution of fuel subsidies to the poor, with at least 20% of the targeted population being female. The program also supports the 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.¹⁵

Compliance with loan agreements:

36. The status of compliance with the covenants laid down in loan agreements¹⁶ is explained in Table 19 -21

Table 19: 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 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.	Complied with

Table 20: Article IV- Particular Covenants

Covenant	Status of Compliance
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.	Being complied with
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.	Being complied with

Table 21: Schedule 4: Program Implementation and other matters

Covenant	Status of Compliance
Implementation arrangements:	

¹⁵ Report and Recommendation of the President to the Board- PAK BRACE Program

¹⁶Loan Number (i) 4235 - PAK (COL), and Loan Number (ii) 4234 - PAK

<p>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>	<p>Being complied with</p>
<p>Policy Dialogue: 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.</p> <p>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>Use of counterpart funds: 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>	<p>Complied with</p>
<p>Governance and Anticorruption: 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>Monitoring, Review and Reporting: 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</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</p>

<p>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>Development Expenditure Program (CDEP).</p> <p>Being complied with</p> <p>Complied with – First quarterly report submitted to ADB</p>
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Persistent Challenges

36. **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.

37. **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.

38. **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 Programs (the existing transfer payment program) can further increase the existing high fiscal deficits

39. **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.

40. **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.

41. For the next FY, the government has announced budget 2023-24 with a focus on business and consumer-friendly economic policies, aiming at economic recovery, price stabilization, fiscal and external sector sustainability. However, the economy is facing some downside risks, which require the continuation of prudent fiscal and external sector policies for an inclusive growth path in the coming years. higher markup payments will continue to pose significant challenges for fiscal consolidation efforts.

Conclusion

42. The quarterly progress report (end 30 June 2023) shows that the financial progress achieved till 30 June 2023 on CDEP is satisfactory as not only 97.9% of the budget, under social protection, is utilized but also the overall utilization including food security and support for business shows the achievement of 93.9%.

**Table 22: Countercyclical development expenditure program
Comparison of Budgeted and Actual Expenditures
For FY 2023**

	PRs(million)	
	Budgeted	Actual
Social Protection	369,778***	362,064
Benazir Income Support Program:	364,078	353,464
Unconditional cash transfer	240,100	274,096
Fuel subsidy scheme*	48,000	0
Conditional cash transfer for education	35,000	40,575
National socio-economic registry	1,703	1,651
Undergraduate scholarship	9,270	8,615
CCT Health and Nutrition	21,380	20,661
Employee-related expenses	4,078	3,718
Direct Cost of Cash Transfer	4,547	4,148
Pakistan Bait-ul-Mal	3,700	3,565
National Poverty Graduation Program	2,000	5,035
Food Security	71,000	58,608
Pakistan Agriculture Storage and Service Corporation	7,000	7,000
Utility Stores Corporation	17,000	33,170
Fertilizer plant subsidy	15,000	15,000
subsidy for import of urea or fertilizer	6,000	0
Agriculture relief initiatives**	10,000	1,480
Sales tax exemption on import of seeds and tractors	16,000	1,958
Support for Businesses	70,000	59,033
Entrepreneurship and employment schemes	10,000	6,415
Support for export-oriented industries:		
Subsidy for electricity	20,000	20,744
Subsidy for Re-gasified Liquefied Natural Gas	40,000	31,874
Total	510,778	479,705

Source: Finance Division, BISP, Pakistan Bait ul Mal, State Bank of Pakistan, Ministry of Industries, Federal Board of Revenue, National Poverty Graduation Program, Ministry of Energy.

*The Federal Government has repurposed the budget allocation initially meant for Fuel Subsidy Scheme for emergency flood relief cash assistance. BISP has disbursed an amount of PRs 50,420 million on account of emergency flood relief cash assistance and PRs 8,390 million on account of wheat seed subsidy funded by the Government of Sindh.

** The ECC of Cabinet in its meeting held on 14 November 2022 approved a summary titled "*Kissan Package*" and its decision was ratified by the cabinet on 28 November 2022. The program has been extended till 31 December 2023; therefore, expenditures will be incurred during FY 2024.

***Budget for BISP and National Poverty Graduation Program were enhanced. The expenditures are reported in actual; however, the allocation for CDEP is presented in Table 22 as per original allocation. **BISP**: Budget enhanced to Rs 412.3 billion from Rs 364.1 million; **NPGP**: Budget enhanced to Rs 5.3 billion from Rs 2.0 billion.

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**Table 23: Countercyclical development expenditure program
Quantitative Indicators - Comparison of Targets and Achievement
For FY 2023**

Indicators	Unit	Target	(No's)
			Actual
Benazir Income Support Program:			
Unconditional cash transfer (Note 1)	female heads of poor families	1,000,000	1,185,158
Conditional cash transfer for education (Note 2)	New Children	2,000,000	3,491,294
Undergraduate scholarship	Total students	10,000	NIL
	Female Students	5,000	
CCT: Health and Nutrition (Note 3)	Additional Districts Mothers Children under 2 years of age	159	110
Support for Businesses			
Entrepreneurship and employment schemes	Total Beneficiaries		61,687
	Female Beneficiaries	10%	6,025
Support for export-oriented industries	Number of Units		
Total			

Source: BRACE Program – Design and Monetary Framework; State Bank of Pakistan

Note 1: Unconditional Cash Transfer

Period	No of female Beneficiaries
July - September 2022	7,792,377
October - December 2022	7,746,887
January - March 2023	8,834,969
April - June 2023	8,977,535

Note 2: Conditional Cash Transfers for Education

Period	Total	Primary	Secondary	Higher
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July - September 2022	801,811	594,118	191,724	15,969
October - December 2022	934,230	686,754	222,478	24,998
January - March 2023	1,022,323	778,541	219,042	24,740
April - June 2023	732,930	567,812	150,213	14,905
Total	3,491,294	2,627,225	783,457	80,612

Note 3: Number of Additional Districts

Period	Districts
July - September 2022	15
October - December 2022	67
January - March 2023	28
April - June 2023	-
Total	110
