

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

**Semi-annual Progress Report**

**January 2023 - 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
MSRSSF:	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
PSDP:	Public Sector Development Program
PMYBALS:	Prime Minister's Youth Business and Agriculture Loan Scheme
PRs	Pakistan Rupee
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

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## Introduction

### Background

1. The Russian-Ukraine (the War) resulted in the slowdown of global economic growth and the low-income countries like Pakistan were impacted the most. The Government of Pakistan (GOP / the Government) faced significant adverse economic and social impacts from the War. While the GOP efforts were continuing to combat the adverse impacts of COVID, the Russian-Ukraine war escalated the geopolitical tension.

2. The cascading effect of the COVID and war added significant challenges like rising global food and oil prices, disrupted trade, revenue shortfalls, stressed financial sector, and diminishing remittances to a struggling economy. Given its limited fiscal space and international gross reserves, the government explored sources to fund its urgent pro-poor countercyclical measures and expenditures to prevent job losses and improve spending on social protection. 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 sectors<sup>1</sup>,(ii) ADB Strategy 2030<sup>2</sup>, and (iii)ADB's country partnership strategy (2021-2025)<sup>3</sup>.

### Monitoring and Evaluation Framework

4. Under the monitoring and evaluation framework sets reporting requirements for the government to (i) provide semi-annual progress reports, (ii) quarterly progress reports, and (iii) program performance reports that include progress achieved against DMF indicators.

5. The quarterly progress report will cover the following components: (i) updates on the macroeconomic and fiscal performance, (ii) implementation of CDEP, (iii) overall financial progress of CDEP with the comparison of the budgeted expenditures and actual progress, (iv) achievement of poverty, social, and gender targets and, as feasible and based on sex-disaggregated data, the program's gender impact; and (v) compliance with the loan agreement.

6 Semiannual progress reports will cover (i) macroeconomic and fiscal performance, (ii) the implementation of CDEP, (iii) overall financial progress of these expenditures, (iv) the achievement of poverty, social, and ender targets, and based

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<sup>1</sup>Government of Pakistan; Ministry of Planning, Development and Reform; Planning Commission. 2015. Islamabad.

<sup>2</sup> (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>

<sup>3</sup> 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>

on sex-disaggregated data, the program's impact, (v) compliance with the loan agreement, and (vi) budget execution.

## Countercyclical Development Expenditures

7.. 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 below:

**Table 1: Countercyclical Development Expenditures Program (FY 2023)**

	PRs million	USD million
<b>Social Protection<sup>4</sup></b>	<b>369,778</b>	<b>1,687</b>
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
<b>Food Security</b>	<b>71,000</b>	<b>324</b>
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
<b>Support for Businesses</b>	<b>70,000</b>	<b>320</b>
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
<b>Total</b>	<b>510,778</b>	<b>2,331</b>

FY = fiscal year, PASSCO = Pakistan Agricultural Storage & Services Corporation Ltd, PRs = Pakistan Rupee, RLNG = re-gasified liquefied natural gas, USC = Utilities Stores Corporation.  
Source: Government of Pakistan ; Finance Division, Budget Documents

## Semiannual progress report

<sup>4</sup> 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

## 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.16155 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.<sup>5</sup>

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

<b>Indicator</b>	<b>FY 2022</b>	<b>FY 2023</b>
Remittance (USD billion)	31.3	27.0
Exports (USD billion)	32.5	27.9
Imports FOB (USD billion)	71.5	51.8
Current Account Deficit (USD billion)	17.5	2.2
FDI (USD million)	1936	1547
Portfolio Investment (USD million)	-78	-1026.2
Total foreign Investment (USD million)	1,857.8	522.3
Foreign Reserves (SBP) USD billion - end period	9.8	4.4
Exchange Rate (PRs/USD) - end period	204.8	285.9

Source: SBP

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

<b>Indicator</b>	<b>Jan - June 2022</b>	<b>Jan - June 2023</b>
Remittance (USD billion)	15.5	12.9
Exports (USD billion)	17.3	13.7
Imports FOB (USD billion)	36.1	22.2
Current Account Deficit (USD billion)	8.4	-1.4
FDI (USD million)	775.3	908.5
Foreign Reserves (SBP) USD billion - end period	9.8	4.4
Exchange Rate (PRs/USD) - end period	204.8	285.9

Source: SBP

10. Thus, FY2023 witnessed a fiscal deficit of 7.7 percent of GDP (PRs.6,521 billion) against 7.9 percent of GDP (PRs.5,260 billion) during comparative period. Similarly, the primary deficit was restricted to 0.8 percent of GDP in FY 2023 against

<sup>5</sup> Finance Division, Monthly Economic Update and Outlook – August 2023

3.1 percent of GDP recorded in FY 2022 mainly due to limited growth in non-markup spending.<sup>6</sup>

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

Indicator	PRs (billion)	
	FY 2022	FY 2023
FBR Revenue	6,142.8	7,169.1
Non-tax Revenue	1,280.2	1,814.8
PSDP (Excluding grants to Provinces)	400.4	652
Fiscal Deficit	5,259.9	6,521.4
Primary Balance	2,077.5	825.5

Source: Finance Division (Fiscal Operations)

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

Indicator	PRs (billion)	
	Jan - June 2022	Jan - June 2023
FBR Revenue	3,223	3,740
Non-tax Revenue	515.3	847.7
PSDP (Excluding grants to Provinces)	200.8	515.6
Fiscal Deficit	3,888.01	4,838
Primary Deficit	2,159	1,715

Source: Finance Division (Fiscal Operations)

#### 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 semi-annual expenditures on quarterly bases against the allocated budget of PRs 3.7 to Pakistan Bait ul Mal (PBM) is provided in **Tables 4-6**

**Table 4: Pakistan Bait ul Mal – Budget Vs Actual Expenditures  
For the period January - June 2023**

Period	PRs (million)		
	Budget	Released	Expenses
January 2023 – March 2023		925	885
April 2023 – June 2023		1,160*	1,238**
<b>Total</b>	<b>3,700</b>	<b>2,085</b>	<b>2,123</b>

Source: Pakistan Bait-ul-Mal

<sup>6</sup> Finance Division, Monthly Economic Update and Outlook – August 2023

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 Children Village.

The expenditures over and above in 4<sup>th</sup> quarter (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 the period January – June 2023**

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

Source: Pakistan Bait-ul-Mal

**Table 6: Pakistan Bait-ul-Mal  
Table 5: Details of Expenditures  
For the period January - June 2023**

Description	Quarterly Budget	PRs (million)
		Expenses
Jan-23		126.5
Feb-23	925	165.8
Mar-23		592.6
Apr-23		88.3
May-23	1,160	677.5
June-23		472.3
<b>Grand Total</b>	<b>2,085</b>	<b>2,123</b>

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 despite reallocation of fuel subsidy to flood relief activities.

**Table 7: BISP - Comparison of Budgeted and Actual Expenditures  
For the period January - June 2023**

Budget Head	Annual Budget (Rs million)	Expenditures (PRs million)		
		Jan-March 2023	April - June 2023	Total Jan-June 2023
Unconditional cash transfers	240,100	72,873	82,572	155,445
Fuel Subsidy Scheme	48,000	-	-	-
Benazir Taleemi Wazaif (CCT) for education	35,000	10,630	17,096	27,726
NSER	1,703	20	1,517	1,537



Undergraduate scholarship	9,270	0	0	0
Benazir Nashonuma Nutritional Program (CCT)	21,380	9,172	2,659	11,831
ERE and General Expenses	4078	976	1,170	2146
Direct Cost of Cash Transfers/ Other Programs	4547	1044	1694	2738
<b>Total</b>	<b>364,078</b>	<b>94,715</b>	<b>106,708</b>	<b>201,423</b>

Source: Benazir Income Support Program

ARE – Administrative and other program 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.

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

#### National Poverty Graduation Program

15. The budgeted allocation and expenditures incurred by National Poverty Graduation Program (NPGP) are explained in **Table 8-9**

**Table 8: Budget Vs Expenditures Status for NPGP  
For FY 2023**

Budget	Expenditures	Variance	PRs (million)
5,244*	5,038	208	

Source: National Poverty Graduation Program

- Budget include supplementary grant of Rs. 3,244 million

**Table 9: Monthly Expenditures for NPGP  
For the period January - June 2023**

Month	Poverty Graduation	Social Mobilization	Program Management	Total	PRs (million)
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	0.0	0.0	16.2	16.2	
May – 23	0.0	0.0	7.8	7.8	
June – 23	2,514	256.3	268.3	3,039	
<b>Total</b>	<b>2,529.6</b>	<b>259.7</b>	<b>352.1</b>	<b>3,141.8</b>	

Source: Ministry of poverty alleviation and social safety Division

#### Support for Businesses

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

**Table 10: Quarterly Utilization of Funds under Entrepreneur Schemes**

**For the period January - June 2023**

	PRs (million)		
<b>Program / Scheme</b>	<b>Jan- March 2023</b>	<b>April – June 2023</b>	<b>Total</b>
PM's Youth business loan	151	147	298
Kamyab Pakistan	7.7	2,099	2,107
Youth Business & Agricult	0	0	0
PM's Kamyab Jawan	1,426	1,638	3,064
<b>Total</b>	<b>1,585</b>	<b>3684</b>	<b>5,469</b>

Source: Finance Division and State Bank of Pakistan

**PM's Youth Business and Agriculture Loan Scheme (PMYBALS)**

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 website<sup>7</sup>

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.<sup>8</sup> The allocation of loan by banks is detailed in **Table 11** below:

**Table 11: Disbursement Details and Borrowers List under Prime Minister Youth Business and Agriculture Loan Scheme**

	PRs (million)			
<b>Period (FY 2023)</b>	<b>Total Disbursement</b>	<b>Borrowers (No's)</b>	<b>Disbursement (Female)</b>	<b>Female borrowers (No's)</b>
Jan – March 2023	6,965	15,502	456	1,444
April – June 2023	23,035	46,185	2,012	4,581
<b>Total</b>	<b>30,000</b>	<b>61,687</b>	<b>2,468</b>	<b>6,025</b>

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 PRs 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.

**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.

**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

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

<sup>8</sup> The target include 50% loans to be made to agriculture sector

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 related to GoP markup subsidy and credit losses subsidy.

#### Energy Sector

23. The government is providing gas / re-gasified 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 Rs 40 billion has been budgeted for the five export-oriented sectors during FY 2023. Out of the total subsidy, Rs 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.

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 PRs10.34bn was approved to cover the waiver of electricity bills in flood-affected areas.

25. The details of GOP zero rated industrial rebated claims verified from 1 January 2023 – 30 June 2023 for K-Electric, and Discos are as under:

**Table 12: Discos - Zero Rated Industrial Claims  
For the period January - June 2023**

Month	PRs (million)		
	Discos	K-Electric	Total
Mar-23	0	258	258
Apr-23*			
May-23			
Jun-23			
<b>Total</b>	<b>0</b>	<b>258</b>	<b>258</b>

Source: Ministry of Energy

\* The Federal Cabinet vide decision taken on 2 February 2023 has approved discontinuance of the concessional tariff being provided at PRs 19.99 per Kwh (all inclusive) to the five export oriented sector effective from 1 March 2023 and later no budgetary allocation was made.

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

**Table 13: Subsidy provided for RLNG to export oriented sectors  
For the period January - 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	213	491

May-23	525	239	764
Jun-23	404	110	513
<b>Total</b>	<b>15,400</b>	<b>1,120</b>	<b>16,520</b>

Source: Ministry of Energy

### Food Security

27. 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)

28. For the 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 14: Food Security Expenditures  
Comparison of budgeted and actual expenditures  
For the period January - June 2023**

Description	Budget	PRs (million)	
		Q3	Q4
Fertilizer plant subsidy	15,000	-	-
Subsidy for import of urea	6,000	-	-
Utility Store Corporation **	17,000	14,427	9,892

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 (PRs 9.430 million).

### Kissan Package

29. 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.

30. 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 15: Prime Minister Kissan package**

PM's Kissan Package Schemes Components	Implementation Status
Waiver of mark-up on outstanding loans for	Upon receipt of the Finance Division letter dated 19 December 2022 regarding the approval of the scheme, SBP

<p>subsistence farmers in the flood affected areas.</p>	<p>has issued AC&amp;MFD circular No 03 of 2022 dated 21 December 2022 to all banks / MFBs for implementation<sup>9</sup>.</p> <p>Banks submitted claims of PRs.2.96 billion out of which PRs 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>
<p>Provision of subsidy for interest-free loans for subsistence farmers in the flood affected areas.</p>	<p>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 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. For quarter ended on 30 June 2023 and banks have submitted markup subsidy claims of PRs 353.2 million.</p>
<p>Mark-up subsidy &amp; 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&amp;MFD circular No 04 of 2022 dated 21 December 2022 to all banks/Islamic banks for implementation.<sup>10</sup> 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, PRs 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 Rs 29 million.</p>
<p>Interest-free loans to landless farmers in the flood affected areas. (IF&amp;RSLF)</p>	<p>Upon receipt of Finance Division letter dated 19 December 2022 regarding the approval of the scheme, SBP has issued AC&amp;MFD circular No 03 of 2022 dated 21 December 2022 to all banks/MFBs for implementation.<sup>11</sup> 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.<sup>12</sup> 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, PRs 3,911 million have been disbursed under the scheme.</p> <p>For quarter ended on 30 June 2023, banks / MFBs have submitted markup subsidy claims of PRs 179.2 million.</p>

Source: Finance Division and State Bank of Pakistan

<sup>9</sup>The scheme may be accessed at: <http://www.sbp.org.pk/acd/2022/C3.htm>

<sup>10</sup>The scheme may be accessed at: <http://www.sbp.org.pk/acd/2022/C4.htm>

<sup>11</sup>The scheme may be accessed at <http://www.sbp.org.pk/acd/2022/C3.htm>

<sup>12</sup> <http://www.sbp.org.pk/acd/2022/C3.htm>

## Other components of Kissan Package and implementation Status

31. SBP has allocated an indicative agriculture credit disbursement target of PRs 1,819 billion for FY 2023, which is 28% higher than last year's disbursement of Rs 1,419 billion. The agriculture credit target includes PRs 400 billion recently announced under the PM Kissan package. During 01 July 2022 to 30 June 2023 (FY 2022-2023), agriculture lending banks have disbursed PRs 1,776 billion which is around 97.6 of the overall annual target FY 2023.

### Inclusion of agro-based SMEs in SME modernization scheme

32. 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.<sup>13</sup>

33. During the period January 2023 to March 2023, no import of seeds was made, however, the impact of sales tax exemptions granted on import of tractors during the period January 2023 to March 2023 is given in **Table 16**. The import of seeds was made during the period April to June 2023 as explained in Table 16A.

### Tax Exemptions on Imports

**Table 16: Impact of Sales Tax Exemption**

Period	Items	HS Code	PRs (million)	
			Imports	Sales Tax
Jan-23	Tractor	8701	97	17
Feb-23	Tractor	8701	-	0
Mar-23	Tractor	8701	575	104
<b>Total</b>			<b>672</b>	<b>121</b>

Source: Federal Board of Revenue

**Table 16A: Impact of Sales Tax Exemption**

Period	PRs (million)				Total
	Tractor		Seeds		
	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
<b>Total</b>	<b>217</b>	<b>18</b>	<b>365</b>	<b>1,237</b>	<b>1,837</b>

Source: Federal Board of Revenue

34. **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 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

<sup>13</sup>The scheme is accessible at <http://www.sbp.org.pk/Incen-others/sme-1.asp>

toward companies owned by women. This will mitigate the loss of income for companies led by women, as well as help maintain employment.<sup>14</sup>

**Compliance with loan agreements:**

35. The status of compliance with the covenants laid down in loan agreements<sup>15</sup> is explained in Table 17-19.

**Table 17: Article III - Use of proceeds of the loan**

<b>Covenant</b>	<b>Status of Compliance</b>
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 18: Article IV- Particular Covenants**

<b>Covenant</b>	<b>Status of Compliance</b>
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 19: Schedule 4: Program Implementation and other matters**

<b>Covenant</b>	<b>Status of Compliance</b>
<b>Implementation arrangements:</b> 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.	Being complied with
<b>Policy Dialogue:</b> 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.  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.	Not applicable at this stage as there are no issued being faced currently.  ADB is being informed of the outcome of discussions between GOP and IMF.

<sup>14</sup> Report and Recommendation of the President to the Board- PAK BRACE Program

<sup>15</sup>Loan Number (i) 4235 - PAK (COL), and Loan Number (ii) 4234 - PAK

<p><b>Use of counterpart funds:</b> 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> 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>	Being complied with
<p><b>Monitoring, Review and Reporting:</b> 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  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.  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 sex, 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><b>Complied with</b>—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

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. It not only reduced 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% of the budget, under social protection, is utilized but also the overall utilization including food security and support for business shows the achievement of 97%.

**Table 20: Countercyclical development expenditure program  
Comparison of Budgeted and Actual Expenditures  
For FY 2023**

	PRs (million)	
	<b>Budgeted</b>	<b>Actual</b>
<b>Social Protection</b>	<b>369,778</b>	<b>362,064</b>
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
Conditional Cash Transfer: Health and Nutrition	21,380	20,661
Employee-related expenses	4,078	3,718
Direct Cost Cash Transfer	4,547	4,148
Pakistan Bait-ul-Mal	3,700	3,565
National Poverty Graduation Program	2,000	5,035
<b>Food Security</b>	<b>71,000</b>	<b>58,608</b>
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
<b>Support for Businesses</b>	<b>70,000</b>	<b>59,033</b>
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
<b>Total</b>	<b>510,778</b>	<b>479,705</b>

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.

**Table 21: Countercyclical development expenditure program  
Quantitative Indicators - Comparison of Targets and Achievement  
For FY 2023**

Indicators	Unit	Target	(No's)	
			Target	Actual
<b>Indicators</b>				
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	159		110
	Mothers			
	Children under 2 years of age			
<b>Support for Businesses</b>				
Entrepreneurship and employment schemes	Total Beneficiaries			61,687
	Female Beneficiaries	15%		6,025
Support for export-oriented industries	Number of Units			
<b>Total</b>				

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
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
<b>Total</b>	<b>3,491,294</b>	<b>2,627,225</b>	<b>783,457</b>	<b>80,612</b>

**Note 3: Number of Additional Districts**

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

\*\*\*\*