PROGRAM EXPENDITURE AND FINANCING ASSESSMENT

A. Expenditure Framework

1. **Macroeconomic context.** With its diverse economy encompassing the agriculture, industry, and services sectors, the province of Punjab plays a crucial role in Pakistan's overall economic landscape. While agriculture remains a vital sector, contributing significantly to gross domestic product, challenges such as water scarcity, outdated practices, and climate change impact productivity. The industry sector, concentrated around urban centers, faces obstacles such as energy shortages and low productivity. However, efforts to improve infrastructure and promote public investment in sectors like IT and health care indicate potential for growth. Despite these challenges, Punjab's strategic location, large consumer market, and ongoing economic reforms offer opportunities for development. Effective governance, investment in human capital, and addressing structural constraints are key to navigating Punjab's macroeconomic landscape towards sustainable growth.

2. The budget preparation and approval processes are laid out in the rules, regulations, manuals and circulars of the Ministry of Finance at the federal level and the finance departments at the provincial level. The federal budget is approved by the federal Cabinet and finally the Parliament (National Assembly of Pakistan). The provincial budget is approved by the respective cabinet and provincial assembly. The budgeting process in Punjab is well-structured and involves (i) preparation of the rolling medium-term budget strategy paper that contains a macro-fiscal framework, projected resource envelope, and key policy priorities; (ii) the budget preparation process, which begins 6 months before the new fiscal year starts; (iii) consultation with the provincial cabinet leading to budget approval and submission, as well as adoption of the budget law by the provincial assembly in June (the last month of the fiscal year); and (iv) preparation of 3-year medium-term budgetary, development, and expenditure frameworks. The budget of Punjab province from fiscal year (FY) 2021 to FY2025 and projections for the next two FYs is given in Table 1.

Table 1: Government of Punjab Budget

(PRs billion)

Item	Actual FY2021	Actual FY2022	Actual FY2023	Actual FY2024	Budget FY2025	Forecast FY2026	Forecast FY2027
Recurrent revenue expenditure (A)	1,257.5	1,380.0	1,667.2	2,037.9	2,633.8	3,143.0	3,756.0
Recurrent capital expenditure (B)	296.6	334.0	792.5	969.5	1,340.2	482.0	497.0
Total recurrent expenditure (C = A+B)	1,554.1	1,714.0	2,459.7	3,007.4	3,974.0	3,625.0	4,253.0
Development expenditure (D)	326.6	583.7	585.8	641.5	842.0	882.0	994.0
Total expenditure (E = C+D)	**1,880.7**	**2,297.7**	**3,045.5**	**3,648.9**	**4,816.0**	**4,507.0**	**5,247.0**

FY = fiscal year.

Note: In Pakistan's public financial management and budgeting context, the recurrent revenue expenditure covers day-to-day operational expenses like salaries, utilities, and maintenance, while the recurrent capital expenditure is related to investments, debt repayment, cash development loans, inter-government transfers, subsidies, and grants. The development budget funds long-term projects, such as infrastructure development, with revenue covering regular expenditures and capital component supporting investments in fixed assets and infrastructure.

Source: Government of Punjab budget books.

3. **Sector context.** The Government of Pakistan spent 1.0% of gross domestic product on health in FY2024 but raised the allocation to 2.5% of gross domestic product in FY2025.[1] This represents the cumulative spending by the federal and provincial governments. Fiscal and political issues as well as constraints on budget because of competing social priorities mean that the government spending on health care is far below the World Health Organization's recommended benchmark of 5%. Chronic underinvestment in health care has resulted in inadequate medical supplies, substandard facilities, and low salaries, causing workforce retention challenges. High out-of-pocket expenses have worsened health disparities, especially for rural low-income families. Economic constraints hinder advancements in nursing education, infrastructure, and faculty development. The lack of financial incentives like scholarships further discourages nursing professionals. Increased health care investment is crucial for addressing these issues and realizing long-term economic benefits, such as improved productivity and lower health care costs.

4. Recognizing the critical impact of human resource shortages on health outcomes, the federal and provincial governments developed the Human Resource Health Vision (2018–30).[2] This initiative aimed to ensure the availability of skilled and motivated health professionals nationwide to achieve universal health coverage. Key priorities included revising human resources for health policies, establishing a national human resource for health registry, implementing accreditation systems for teaching institutions, enhancing patient safety through better training and motivation, and increasing the number of qualified health workers across Pakistan. The newly elected provincial government in February 2024 pledged its commitment to health as a priority sector and aims to finance new initiatives to stabilize the historically below-par expenditure and investment trend in the health sector. Historically, the actual budget utilization has been higher than the originally budgeted amount and almost equal to the revised budget estimation, which is an annual exercise carried out in the middle of the fiscal year to reassess and reallocate budgeted amounts depending on the expenditure trajectory. The share of Specialized Healthcare and Medical Education Department expenditure in government of Punjab's annual provincial budget is in Table 2.

Table 2: Share of Specialized Healthcare and Medical Education Department Expenditure in Government of Punjab's Annual Provincial Budget

(PRs billion)

Item	Actual FY2021	Actual FY2022	Actual FY2023	Actual FY2024	Budget FY2025	Forecast FY2026	Forecast FY2027
Recurrent expenditure	125.9	135.2	148.5	171.3	206.0	238.5	279.9
Development expenditure	22.2	78.7	151.5	88.2	86.0	123.6	139.3
Total expenditure	**148.0**	**213.9**	**300.0**	**259.5**	**292.0**	**362.2**	**419.2**
As a percentage of Government of Punjab budget							
SHC&MED recurrent expenditure (%)	8	8	6	6	5	7	7
SHC&MED development expenditure (%)	7	13	26	14	10	14	14
SHC&MED total expenditure (%)	**8**	**9**	**10**	**7**	**6**	**8**	**8**

FY = fiscal year, SHC&MED = Specialized Healthcare and Medical Education Department Punjab.
Source: Government of the Punjab budget books.

[1] Government of Pakistan. 2024. *Pakistan Economic Survey, 2023–24*.
[2] Government of Pakistan; Ministry of National Health Services, Regulations & Coordination. 2018. *Pakistan: Human Resources for Health Vision (2018–30)*.

5. **Broader government program.** In 2019, the Government of the Punjab launched the Punjab Health Sector Strategy (2019–2028) to improve health outcomes over the next decade by providing a road map for future planning, management, and service delivery. Additionally, the Pakistan Nursing and Midwifery Policy Framework, 2025–34 addresses specific interventions for the nursing profession in the country.[3] A key component of this strategy is addressing the availability of well-trained and motivated human resources for the health sector (Section 7 of the strategy). To meet these requirements, the Specialized Healthcare and Medical Education Department Punjab (SHC&MED) developed a 5-year plan to tackle this critical issue. The Government of Punjab has allocated $981.6 million for the 5-year program to optimize health workforce availability, enhance the quality of human resources for health, and improve the performance of health practitioners across the province (Table 3). Of the total allocation, the largest portion ($628.6 million or 64%) is estimated to be for nursing staff salaries, with the remaining funds directed towards infrastructure development, skill development, system strengthening, and provision of the necessary facilities (both technical and physical) for training and qualification of future human resources for health.

Table 3: Broader Government Program, 2026–2030

Item	Amount (PRs. million)	Amount ($ million)
Nursing staff salaries	176,004	628.6
Nursing student stipends	41,918	149.7
Nursing education budget	26,749	95.5
Long-term solutions to be achieved in future (infrastructure, digitalization, provision of missing facilities, and purchase of land)	18,400	65.7
Skill development (teacher training, updating curriculum, establishing training centers, professional development,)	9,100	32.5
Stop-gap arrangement for immediate implementation needs (rental offices, transport, and provision of basic facilities in nursing colleges)	2,500	8.9
Strengthening of Directorate General of Nursing (database, quality assurance mechanisms, and monitoring systems)	200	0.7
Total	**274,871**	**981.6**

FY = fiscal year, PR = Pakistani rupee.
Source: Government of Punjab, Specialized Healthcare and Medical Education Department Punjab.

6. **RBL program boundary.** The proposed RBL program will support a subsector slice of the Government of Punjab's Health Sector Strategy, 2019–2028 and the Pakistan Nursing and Midwifery Policy Framework, 2025–2034 reforms related to health workforce improvements particularly in the nursing profession, with the broader outcome of ensuring availability of adequately qualified health workers to fulfill the current and emerging health needs of the population in Punjab province. The three outputs of the program are (i) quality of nursing professionals improved, (ii) climate-resilient and gender-sensitive centers of excellence (COEs) for nursing education established, and (iii) governance and management for health workforce strengthened.

7. Although the expenditure framework for the broader government program and the ADB-supported RBL program should ideally be reflected in the government's medium-term budgetary framework and the annual budget, the budgetary allocation is yet to be made in the Government of Punjab's Annual Development Plan (ADP) for fiscal year (FY) 2026 and the 3-year medium-term budget projections. Nevertheless, the SHC&MED has committed that a blocked budget allocation shall be provisioned with concurrence from the provincial Finance Department in the upcoming ADP budget for FY2026, with the indication that the government aims to complete the

[3] Government of Pakistan; Ministry of National Health Services, Regulations & Coordination. 2025. *Pakistan Nursing & Midwifery Policy Framework (2025–34).*

proposed program by 2030, which is the completion year of the ADB-financed RBL program. The program's budget structure shall follow the classifications of the provincial government's existing chart of accounts. The budget commitment shall be tagged to the executing agency, e.g., the SHC&MED as a development budget allocation. The government has committed to ensuring sufficient recurrent budget allocations for salaries of project implementation unit (PIU) staff, educators, and technicians, and for consumables, utilities, and other operation and maintenance expenditure to ensure sustainability after program completion.

8. **Effectiveness.** The major expenditures under the program expenditure framework are for constructing and equipping climate-resilient and gender-sensitive COEs for nursing education. The COEs will be furnished with relevant and modern equipment, digital infrastructure, and software and provided with modern labs, equipment, and software. Three COEs will be established—in Multan, Lahore, and Rawalpindi, representing south, central, and north Punjab. These COEs will include advanced simulation labs, digital libraries, and smart classrooms. They will feature climate-resilient designs with solar energy systems, natural ventilation, and disaster-resistant structures. Additionally, secure student hostels with gender-sensitive amenities will be provided.

9. The program outputs also entail the following: (i) faculty capacity will be strengthened through recruitment, training, and professional development; (ii) curriculum standards will be updated to incorporate evidence-based practices, digital skills, and climate-related health issues; (iii) minimum standards for nursing education facilities will be revised to ensure uniformity across institutions; (iv) continuing professional development programs will be established for practicing nurses to address skill gaps and align with global standards; (v) a digital health workforce management system will be developed for evidence-based decision-making in recruitment, deployment, and retention; (vi) legislation and policies will be introduced to enhance the governance framework in line with international best practices; and (vii) a specialized governance unit within the SHC&MED will manage workforce planning, oversight, and quality assurance.

10. For effective program implementation, the SHC&MED will establish a separate and dedicated PIU for this ADB-financed RBL program. The PIU shall act as both the liaison and project management secretariat for donor-funded components and will be domestically financed from the provincial government's own resources under the ADP. The PIU serves three major roles: (i) providing decision-making support to the SHC&MED; (ii) carrying out financial management, safeguards, and monitoring functions with its trained staff; and (iii) being the focal point for liaison with COEs and the Directorate General of Nursing, providing a bridge of communication and coordination between the geographically dispersed COEs and the centralized SHC&MED. The staff hired in the PIU shall be trained in bid evaluation, contract management, internal controls, audit, and financial management. However, the SHC&MED, with its newly formed PIU, has limited recent experience of implementing donor-funded projects and programs, thus the executing and implementing agencies will require training on donor compliance requirements.

11. **Efficiency.** This intervention addresses critical gaps in health care by enhancing the nursing workforce, developing modern infrastructure, and improving governance. Guided by the Punjab Nursing Education Reform and Capacity Building Policy, 2025–2030, it provides a structured plan for expanding nursing education, strengthening faculty, and implementing reforms through COEs in nursing education. By aligning with the Punjab Health Sector Strategy, 2019–2028 and global health objectives, the program aims to optimize the health workforce's availability, quality, and performance, contributing to universal health coverage and Sustainable Development Goals (SDGs), particularly SDG 3 (good health and well-being) and SDG 5 (gender equality). The

government also plans to use climate-resilient and energy-efficient design in the construction of COEs.

12. The RBL program costs are based on the engineer's estimation for the construction of greenfield COEs including land acquisition costs where applicable, the cost of the equipment (e.g., lab equipment, hardware, software, and learning materials for nursing education), and other costs (e.g., project management, incremental administrative costs, capacity building, and taxes). The technical assistance experts funded by ADB during program appraisal, in consultation with the SHC&MED, estimated the program cost in accordance with internationally accepted good practice and experience with other ongoing programs and projects of the Government of Punjab. ADB considers the program expenditure to be realistic in terms of prioritization and coverage. The allocation of program budget in the ADP is critical to provide assurance to ADB that the requisite funds will be available for the program implementation. The optimal modality of budget allocation discussed with the SHC&MED discerns that a budget allocation with the title of the program may be made by the SHC&MED in the upcoming ADP budget equivalent to the Pakistan rupee equivalent of $270 million, which is the program expenditure estimate including both ADB financing linked to disbursement-linked indicators (DLIs) and core government contribution which is not reimbursable by ADB. During the program implementation period, subprojects shall be approved for each component, such as four different Planning Commission-I forms for each of the three COEs civil works including procurement of goods and equipment, trainings and capacity building, PIU cost, and each activity would be charged to the SHC&MED development budget. At present, the government can fund the program from its own resources, making public–private partnerships unnecessary at this point.

13. **Adequacy.** ADB believes that the expenditure required to implement the program is sufficient to achieve the planned results. The program expenditure framework was developed based on the FY2025 budget of the SHC&MED and considers the incremental cost of the planned activities for the nursing and health workforce reform program. The actual cost of ongoing projects in Punjab were considered in the cost calculation of the RBL program with a provision of premium to account for inflation and to bring it in line with the existing market rates, which ensures the RBL program's cost estimates are realistic and that the planned results can be achieved within the resource envelope. The SHC&MED has adequate implementation capacity to absorb the incremental funds required for the program in its annual budget. Concurrently, there is limited resource stress on the provincial government's fiscal resources for this program as it can easily allocate additional funds or reallocate budget from slow-moving projects for this priority program.

14. In consultation with the government of Punjab's SHC&MED, detailed budgets were estimated at the time of appraisal and cost assessments were carried out for each cost category. However, deviation from planned budget is expected during program execution primarily because of uncertainty about (i) the variability in the soft components such as trainings and capacity building interventions, (ii) the effectiveness of innovative interventions proposed under the program such as an upgraded curriculum of the nursing industry, (iii) efficiency in public expenditure rendered for the construction of COEs, and (iv) inflationary pressures arising from foreign currency and interest rate fluctuation. These uncertainties are accommodated to some extent in the budget contingencies. Nevertheless, there may be a situation where cost overruns will have to be remediated with either scope reductions in program interventions or the additional cost being borne by the Government of Punjab. The expenditure framework with amounts allocated across the envisaged program categories and activities is given in Table 4.

Table 4: Summary of Program Expenditure Framework, 2026–2030
(2025 prices)

Item	$ million
A. Capital expenditure	
1. Construction of COEs (civil works and hostels)	99.41
2. Equipment, digital infrastructure, and furnishings	29.93
B. Recurrent costs	
3. Operating cost for nursing colleges	95.00
4. Program management, monitoring, curriculum development, digitalization	18.00
5. Verification, quality assurance, scholarships, and institutional strengthening	12.66
Total program expenditure	**255.00**

COE = center of excellence.
Sources: Asian Development Bank and Government of Punjab estimates.

15. The total RBL envelope amounts to $255 million. Of this, budget codes for the recurrent cost component—specifically the operating costs for nursing colleges—have been identified as A06102 and LQ4160. The remaining $160 million relates to Annual Development Plan (ADP)-funded components (selected Planning Commission Form-1 [PC-1s] only) from the government.[4] Within this amount, the PC-1 for PIU project management cost, totaling $1.63 million, has been approved with budget code LO24000521. The other four PC-1s—three for civil works (Rawalpindi, Lahore, and Multan) including associated equipment, and one for capacity building for nursing—are yet to be approved, and their budget codes are therefore not available at this stage. To address this gap, it is proposed to include in the program action plan the following action: "Budget codes for each PC-1 will be incorporated into the PID [{write out}] within 1 month of their respective approvals." Compliance with this action will be monitored during program implementation.

B. Financing Plan

16. **Sources of financing.** The total RBL program financing is estimated to be $255 million. The Government of Punjab has requested a loan of $150 million from ADB's concessional ordinary capital resources lending to help finance the program. The loan will have a 25-year term, including a grace period of 5 years; an interest rate of 2.0% annually during the grace period and thereafter; and such other terms and conditions set forth in the signed loan agreement. The government is expected to bear expenditures estimated to be around $105 million for the SHC&MED budgets for nursing education including salaries of faculty and staff; increased number of educators; utilities; non-salary expenses; and capacity building of the SHC&MED including establishment charge of the newly formed PIU, furniture, fixtures, consulting services, training, purchase of necessary equipment, curriculum design, modification and upgrade, and costs related to audit and independent verification agency.

17. **Adequacy, sustainability, and predictability.** The expected allocation in the Government of Punjab's ADP for the RBL program is deemed to be adequate to cover the program's financing needs. Furthermore, in the SHC&MED there has historically been negligible differences between revised approved budget allocations, budget releases, and actual expenditures for both current and development budgets, indicating the soundness of budget estimates and data-driven decision-making. The RBL program financing plan is in Table 5.

[4] PC-1 is a standard document used by the government of Pakistan to propose or approve all development projects.

Table 5: Program Financing Plan

Source	Amount ($ million)	Share of Total (%)
Government	105.00	41.2
Development partners		
Asian Development Bank		
Ordinary capital resources (concessional loan)	150.00	58.8
Total	**255.00**	**100.0**

Sources: Asian Development Bank and Government of Punjab estimates.

18. The program was evaluated to assess the net impact on the provincial government's fiscal resources. The program is estimated to commit a maximum of 0.4% to the provincial government's total annual budget during the implementation period. However, it would be a significant share of the development budget needs of the SHC&MED, as up to approximately 5% of its budget would need be allocated to the program. Although this is a high share, there is precedence available that high expenditure allocations have been made to the SHC&MED in the past to finance major development needs.[5] The budget related to sustaining program activities after program completion is estimated to be less than 0.6% of the SHC&MED's budget. The sustainability analysis is presented in Table 6.

Table 6: Program Sustainability Analysis
(PRs billion)

	Program Duration					Post Completion	
Item	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**
Without program							
Government of Punjab total budget	4,507.0	5,247.0	5,771.7	6,348.9	6,983.8	7,682.1	8,450.3
SHC&MED budget	362.2	419.2	461.1	507.2	557.9	613.7	675.1
With program							
Program expenditure	15.1	22.7	22.7	15.1	3.8	3.8	3.8
Government of Punjab total budget	4,522.1	5,269.7	5,794.4	6,364.0	6,987.5	7,685.9	8,454.1
SHC&MED budget	377.3	441.9	483.8	522.3	561.7	617.5	678.9
Incremental contribution of program							
Government of Punjab total budget (%)	0.3	0.4	0.4	0.2	0.1	0.0	0.0
SHC&MED budget (%)	4.0	5.1	4.7	2.9	0.7	0.6	0.6

SHC&MED = Specialized Healthcare and Medical Education Department Punjab.
Notes: (i) assuming 10% increment in government of Punjab total budget and SHC&MED's development budget from 2028 onwards on 2027 baseline; (ii) $255 million envelope of the program converted to Pakistan rupees using the exchange rate of PRs280 = $1; (iii) financial phasing assumed to be 20%, 30%, 30%, and 20% across the program implementation period; and (iv) beyond completion, 5% of total program cost assumed to be incurred as annual operation and maintenance cost every year.
Sources: Asian Development Bank and Government of Punjab estimates.

C. Managing Risks and Improving Capacity

19. The financing plan and the provincial government's commitment to the SHC&MED's financing plan is assessed by ADB to be sustainable. However, the annual budget allocation is

[5] The Implementation of Universal Health Coverage under Health Insurance Program in Punjab was provisioned under SHC&MED ADP FY2023 amounting to PRs125 billion.

subject to prevailing and variable macroeconomic conditions. The inclusion of the annual allocation and 3-year medium-term budget projections for the SHC&MED in the upcoming ADP budget in FY2026 will ensure that the required budget funding will remain steady and fiscal resources shall be made available for the foreseeable future.

20. Any failure of the SHC&MED to meet the DLI targets or nonperformance would result in ADB holding back financing until the verifications for DLIs are completed. However, the SHC&MED's operations would continue to be funded from the provincial budget allocation, which has steadily increased, although they remain less than the actual demand from the department because of fiscal rationalization.

21. The only major financing risk arises from stagflation in Pakistan, which is a major concern for the government. With the increasing fiscal deficit and pressure of external payments mounting, the government often needs to adjust allocations based on the available fiscal resources, prioritizing what it considers critical areas. This may result in restricted funds releases to the SHC&MED for the implementation of the program. Historically unprecedented inflation and exchange rate fluctuation in Pakistan remains a challenge to the predictability of expenditure. To mitigate this risk, ADB recommends SHC&MED to continuously monitor the program progress and coordinate closely with the provincial Finance Department to ensure budget is allocated and released without any delay, thereby ensuring that the program delivery remains on track in terms of scope, cost, time, and quality.

22. No significant risks related to the expenditure and financing aspects have been identified other than the program not being allocated in the Government of Punjab's budget books at the time of program appraisal, which can be mitigated since it is a precondition of loan approval.