



White Paper 2021-22



Finance Department
Government of Khyber Pakhtunkhwa



Government of Khyber Pakhtunkhwa

White Paper Fiscal Year 2021-22

F O R E W O R D

As I write this, I can really reflect on three years and say with conviction and a little bit of pride, that a change in financial management approach is helping to transform Khyber Pakhtunkhwa. Having seen the amount of work that goes into budget making, I hope people will not mind if this message is a little bit personal.

From a traditional culture of wanting to stop any kind of spend, to a culture of openness to manage the resources we have in the best way possible, the leaders in the finance department who have made this possible know who they are, and I am grateful to them. Secretary Atif Rehman, Special Secretaries Ayaz Khan and Shah Mahmood, and Additional Secretary Safeer Ahmed, who is the beating heart of the reform culture in the department; you should all be proud of how you have been leading a culture of change in financial management and setting standards for all of Pakistan. There are many more working in the department, too many to name, but the work you do is incredible.

Similarly, our leadership at the Planning and Development department, our new Additional Chief Secretary (ACS) Shahab Ali Shah, Secretary Amir Tareen, Chief Economist Nauman Afridi; kudos on the very rapid transformation of the development budget from a traditional, department focused instrument to a dynamic, project focused instrument. You have built upon the work that outgoing ACS Shakeel Qadir Khan has done, and as a result, we perhaps have the most ambitious and most service delivery oriented Annual Development Programme ever.

The real challenge of course is in implementation. Our joint challenge, for everyone mentioned above and their teams, is really about what lies ahead. Imagine if we put the same heart and soul into implementing this budget, an articulation of our aspirations for what is best for this province, into action. And with the commitment to reform that I know that we have, imagine how much more we can change, just in the two years that lie ahead in this electoral cycle.

About this White Paper; every year we have tried to use this to improve financial reporting in this province; to make this paper simpler to understand, yet more comprehensive and relevant; to make it really reflect the ethos and story of the budget; to make it lead the drive for data transparency; and we continue that trend this year. By making it even more transparent, we may open ourselves to a few more challenging questions, but I firmly believe that we further the cause of good governance in Pakhtunkhwa. This quest continues this year, and I hope this helps you understand our budget, our fundamental challenges, and our reform journey.

Finally, a word about the role of the Chief Minister, Mahmood Khan; it is his openness to reform, and his commitment to follow Prime Minister Imran Khan's vision for this country and province, that has helped us achieve great results, not in one part of Pakhtunkhwa, but in every part of it.

These three years have taught me about truly transformative potential within Pakistan; if we can just get past limited ambition, red tape in government, and really challenge convention. Proud to be part of a team that is doing all of this in Pakhtunkhwa.



Taimur Khan Jhagra
Minister for Finance

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Chapter 1 – Overview

Budget for 2021-22

With the national economy rebounding to show approximately 4% growth, and after successful efforts, both nationally and within the province, to contain and manage the worst global pandemic in over a century, the 2021-22 budget for Khyber Pakhtunkhwa is built around the theme of resurgence.

This budget is Khyber Pakhtunkhwa's most ambitious yet. Here are ten key features:

- 1. The most ambitious development agenda in the history of the province;** a record provincial allocation to the Annual Development Programme (ADP) of Rs. 150 billion, and a total Development Budget size of **Rs. 371 billion**; greater in proportion than either Sindh or Punjab, to fuel economic growth.
- 2. A transformative focus on service delivery;** with a focus for the first time ever on prioritizing service delivery expenditure; enhancing additional investment in productive staff (examples include teachers; doctors, paramedics, nurses and other health staff; rescue and police personnel; field staff in the forest and wildlife departments) and increasing budgets for operational expenditure (to improve and run existing facilities better - hospitals, schools, colleges - in order to raise the standard of government service delivery).
- 3. A long overdue increase in wages;** with almost all employees Grade 19 and below seeing an increase in their gross salary of 25% or more, following similar actions by the Federal and Punjab governments, the wage bill of the province is expected to increase by roughly 72 billion for existing employees; from **Rs. 242 billion to Rs. 314 billion**. Wage structures are being streamlined; and the emphasis on rewarding performance is being introduced.
- 4. A resolve to prioritize social sector investments** with the largest ever budgets for education and health; and signature game-changing investments in each sector; no better example of such investments than Khyber Pakhtunkhwa's pioneering commitment to universal healthcare, for which Rs. 22 billion has been budgeted (Rs. 21 billion for the settled districts, and Rs. 1 billion top up for the merged districts to bring their coverage at par with citizens of settled districts).
- 5. A focus on the poor;** recently, the UNDP's annual Human Development Report lauded Pakhtunkhwa as being the province that has the least income inequality and the highest growth in human development in the last decade; this commitment continues, with the increase of the minimum wage to Rs. 21,000; a record allocation to ensure subsidized atta reaches the poor; and the signature provision of Universal Health Insurance through Sehat Card Plus.
- 6. Unwavering pursuit towards improving Pakhtunkhwa's own source revenue generation;** after two years of record revenue generation, we are further increasing our ambition level by setting a revenue target of Rs. 75 billion; 50% more than last year; to be achieved through broadening the tax-base; pursuing tax cheats; and trying to simplify the provincial taxation regime. It is critical that the importance of this pillar of our government's strategy be recognized. For growth to be sustainable, and for us to support

the popular demand for better salaries in the public sector, we need to match expenditure with a much greater commitment to raising receipts than has traditionally been the case.

- 7. Unleashing the potential of the private sector**, by encouraging public private partnerships; offering incentives for investment; improving infrastructure including connectivity, electricity and gas provision; and a commitment to eliminating red tape, not slowly or gradually, but aggressively. This year not only is further progress going to be made on the flagship Rashakai Special Economic Zone, but through the Bank of Khyber, the government will introduce the largest ever lending programme to entrepreneurs and SMEs, of over Rs. 10 billion across the province.
- 8. Leveraging Pakhtunkhwa's comparative advantage**; through flagship investments in the energy sector, as well as increased investments in tourism and IT, sectors that can create jobs and help the province leapfrog economically.
- 9. Investing in the entire province**; every region; every district; women, minorities and senior citizens.
- 10. A commitment to reform, innovation and improved governance** through implementing long overdue reforms; on pensions; in improving the accountability and rewards of public servants; in exploring new modes of recruitment to leverage private sector expertise in government; in championing e-governance through the introduction of the e-summary, and the many reforms in financial management, through the upcoming Public Financial Management act, described elsewhere in this chapter.

In this context, total expenditure of KP Government is estimated at a record budget of **Rs. 1,118 billion**, including **Rs. 919 billion** in the settled districts, and **Rs. 199 billion** in the Newly Merged Areas (NMAs). Expenditure in the Merged Areas includes a **Rs. 6 billion** grant from the provincial government out of its own resources for Accelerated Implementation Plan (AIP), in line with the decision taken for all provinces to contribute **3%** of the total divisible pool share to the development of merged districts.

This year's total estimated receipts are **Rs. 1,118 billion**. Federal Transfers including Federal Tax Assignment, 1% War on Terror, and Straight Transfers are budgeted at a total of **Rs. 559 billion**. **Rs. 74.7 billion** is estimated against Net Hydrel Profits (NHP). Provincial Own Receipts are projected at **Rs. 75 billion**. Grants from Federal Government for Merged Areas are estimated at **Rs. 187.7 billion**, with a transfer of **Rs. 34.6 billion** from the divisible pool for the NMAs. Finally, Foreign Project Assistance budgeted at **Rs. 89.2 billion**.

Tables 1a, 1b and 1c show a summary of budgeted expenditure and receipts for the fiscal year (FY) 2021-22 for the entire province. Compared to last year, this year's receipts reflect an increase of **21%** over last year's budgeted receipts of **Rs. 923 billion**, and expenditure of **Rs. 1,118 billion** reflects an increase of **21%** of last year's budgeted expenditure of **Rs. 923 billion**.

As in previous years, the Government of Khyber Pakhtunkhwa stands committed to support the Federal Government in attaining the targets of the national programme with the International Monetary Fund.

Table 1a.

Summary: Revenue

Unit: Rs. Bln

Head	REVENUES					
	Actuals 2018-19	Actuals 2019-20	Budget 2020-21	Revised 2020-21	Actuals* 2020-21	Budget 2021-22
Total Revenues	513.9	615.4	923.0	927.4	716.0	1,118.3
Federal Transfers	393.0	401.2	477.5	456.1	395.0	559.3
Federal Tax Assignment	327.9	336.3	404.8	382.5	332.8	475.6
1% for War on Terror	39.4	40.3	48.6	46.0	40.0	57.2
Straight Transfers	25.7	24.6	24.1	27.6	22.2	26.5
Profit from Hydro Electricity (NHP)	20.0	16.0	58.3	58.3	19.0	74.7
Net Hydel Profit (Current Year)	6.9	4.1	21.5	21.5	0.0	29.7
Reconciled Arrears	0.0	0.0	36.8	36.8	19.0	36.9
Unreconciled Arrears (Indexation)	13.1	11.9	0.0	0.0	0.0	8.1
NHP as per AGN Kazi formula (KCM)	-	-	-	-	-	-
Provincial Own Receipts	31.8	42.3	49.2	52.4	46.9	75.0
Provincial Tax Receipts	19.9	25.4	28.1	31.8	28.8	43.2
Sales Tax on Services (KPRA)	10.4	17.2	22.4	20.5	17.3	27.0
Other Provincial Tax Receipts	9.5	8.2	5.7	11.3	11.5	16.2
Provincial Non-Tax Receipts	11.9	16.8	21.1	20.6	18.1	31.8
Other Receipts	21.0	12.3	91.0	154.3	63.9	112.7
Recovery from Designated Accounts	0.0	0.0	0.0	0.0	0.0	4.6
Recovery of Investment & loans	0.1	12.3	0.3	0.3	0.3	0.3
Domestic Loan	0.0	0.0	44.0	0.0	0.0	44.0
Withdrawal of profit from Pension Fund for payment of pensions	0.0	0.0	0.0	6.0	6.0	10.0
Other Revenue Sources	20.9	0.0	0.0	15.0	15.0	43.8
Savings from operational shortfall	0.0	0.0	46.7	88.0	0.0	0.0
Ways & Means Advance Facility from Fed. Govt.	0.0	0.0	0.0	45.0	42.6	10.0
Grants from Federal Govt. (NMAs)	0.0	97.9	161.0	133.8	118.6	187.7
Grants for Current Budget	0.0	60.5	73.0	73.0	71.9	77.0
Additional Financing Demand for Current Budget	0.0	0.4	15.0	10.8	0.0	22.0
Development Grant (ADP + AIP)	0.0	37.0	48.0	48.0	46.7	54.0
Additional Financing Demand for Development Budget			25.0	2.0	0.0	-
3% NFC Share - Punjab						21.0
3% NFC Share - Sindh						10.0
3% NFC Share - Balochistan						3.7
Foreign Project Assistance (FPA)	40.1	33.3	86.0	56.7	56.7	89.2
FPA Settled Districts	40.1	33.3	73.0	49.5	49.5	85.8
FPA NMAs	0.0	0.0	13.0	7.2	7.2	3.3
PSDP allocations for provincially executed projects	7.9	12.4	0.0	15.9	15.9	19.9

*Actuals throughout the document imply 11 months actual & 1 month projected for FY 2020-21

Table 1b.

Summary: Expenditure

Unit: Rs. Bln

Head	EXPENDITURES					
	Actuals 2018-19	Actuals 2019-20	Budget 2020-21	Revised 2020-21	Actuals* 2020-21	Budget 2021-22
Total Expenditure	520.8	635.2	923.0	927.4	730.8	1,118.3
Current Revenue Expenditure	377.8	464.9	605.1	677.4	562.0	747.3
Salary	215.0	278.5	326.3	320.7	285.6	374.0
Settled - Provincial	71.6	77.8	106.6	107.9	79.5	126.8
Settled - Devolved	129.1	145.5	150.0	150.0	145.8	165.0
Medical Teaching Institutions (MTIs)	14.4	14.5	17.7	15.6	17.0	22.2
NMAs - Provincial	0.0	19.1	26.3	21.5	20.2	31.0
NMAs - Devolved	0.0	21.6	25.7	25.7	23.2	29.0
Pension	67.5	70.1	86.0	86.8	83.3	92.1
Pension expenditure funded from taxpayer proceeds	67.5	70.0	86.0	80.2	75.9	82.0
Pension expenditure funded from Pension Fund profit	0.0	0.0	0.0	6.0	6.5	10.0
NMAs	0.0	0.1	0.0	0.6	0.9	0.1
Non-Salary	95.3	116.3	192.8	270.0	193.1	281.2
Settled - Provincial O&M and Contingency	58.9	68.1	86.1	103.2	74.9	140.7
Settled - Devolved	10.2	9.8	17.8	22.8	22.8	24.3
NMAs - Provincial	0.0	13.7	29.6	29.6	11.1	32.5
NMAs - Devolved	0.2	2.8	6.4	6.4	2.4	6.4
Subsidy	2.9	2.9	3.2	12.2	3.2	10.3
Viability Gap Funding	0.0	0.0	0.0	0.0	0.0	5.0
Investment & Committed Contribution	0.0	3.8	0.0	0.0	0.0	3.6
Interest Payments	10.3	1.6	16.5	16.5	20.3	16.0
Grants to Local Councils	4.0	3.5	6.3	6.2	2.8	6.7
COVID-19 Contingency	0.0	0.0	15.0	15.0	2.8	3.5
Pro-Poor Initiatives for Food Support	0.0	0.0	0.0	0.0	0.0	10.0
Capital Expenditure (Debt Principal Repayment)	8.8	10.1	12.0	13.1	6.3	12.3
Repayment of Ways & Means Advance to Fed. Govt.	0.0	0.0	0.0	45.0	46.5	10.0
Development Expenditure	143.0	170.3	317.9	250.0	168.8	371.0
ADP (Provincial - Settled Districts)	83.7	93.1	104.0	115.8	96.8	150.0
ADP (Devolved - Settled Districts)	17.0	3.4	44.6	8.7	7.6	15.0
ADP (Provincial - Merged Districts)	0.0	38.0	24.0	21.0	15.9	24.0
ADP (Devolved - Merged Districts)	0.0	0.0	10.3	1.0	0.0	2.4
Accelerated Implementation Plan (AIP - Funded)	0.0	0.0	49.0	28.0	24.3	36.0
Accelerated Implementation Plan (AIP - Unfunded)	0.0	0.0	0.0	0.0	0.0	34.6
Foreign Project Assistance (FPA)	40.1	22.4	86.0	56.7	13.7	89.2
FPA Settled Districts	40.1	22.3	73.4	49.5	13.2	85.8
FPA Merged Districts	0.0	0.1	12.6	7.2	0.5	3.3
PSDP expenditure for provincially executed projects	2.2	13.4	0.0	18.8	10.5	19.9

Table 1c.

Summary: Expenditure

Rs. Bln

Head	Settled Districts	Merged Districts	Total
Total Expenditure	919.0	199.3	1,118.3
Current Expenditure	648.3	99.0	747.3
Salary	314.0	60.0	374.0
Pension	92.0	0.1	92.1
Subsidy	10.3	0.0	10.3
Investment & Committed Contribution	3.6	0.0	3.6
Interest Payments	16.0	0.0	16.0
Non-Salary	190.1	21.9	212.0
TDP		17.0	17.0
Capital Expenditure (debt principal repayment)	22.3	0.0	22.3
Total Current Expenditure	648.3	99.0	747.3
Development Expenditure	270.7	100.3	371.0
ADP (Provincial)	150.0	24.0	174.0
ADP (Devolved)	15.0	2.4	17.4
AIP - Funded	0.0	36.0	36.0
AIP (Federally Funded)		30.0	30.0
AIP (KP Share)		6.0	6.0
AIP - Unfunded*	0.0	34.6	34.6
AIP (Punjab Share)		21.0	21.0
AIP (Sindh Share)		10.0	10.0
AIP (Balochistan Share)		3.6	3.6
FPA	85.8	3.3	89.2
Provincially Executed PSDP Expenditure	19.9	0.0	19.9
Total Development Expenditure	270.7	100.3	371.0

* Rounding Adjustments

Due to budgeting conventions, budgeted figures in all categories are not always a reflection of actual spend at the end of the year (Figures 1.1 and 1.2). However, the Government of Khyber Pakhtunkhwa has been working on correcting this, by basing salary spend on actual positions filled rather than on sanctioned positions, and by publishing data on actuals, on an annual basis.

Figure 1.1

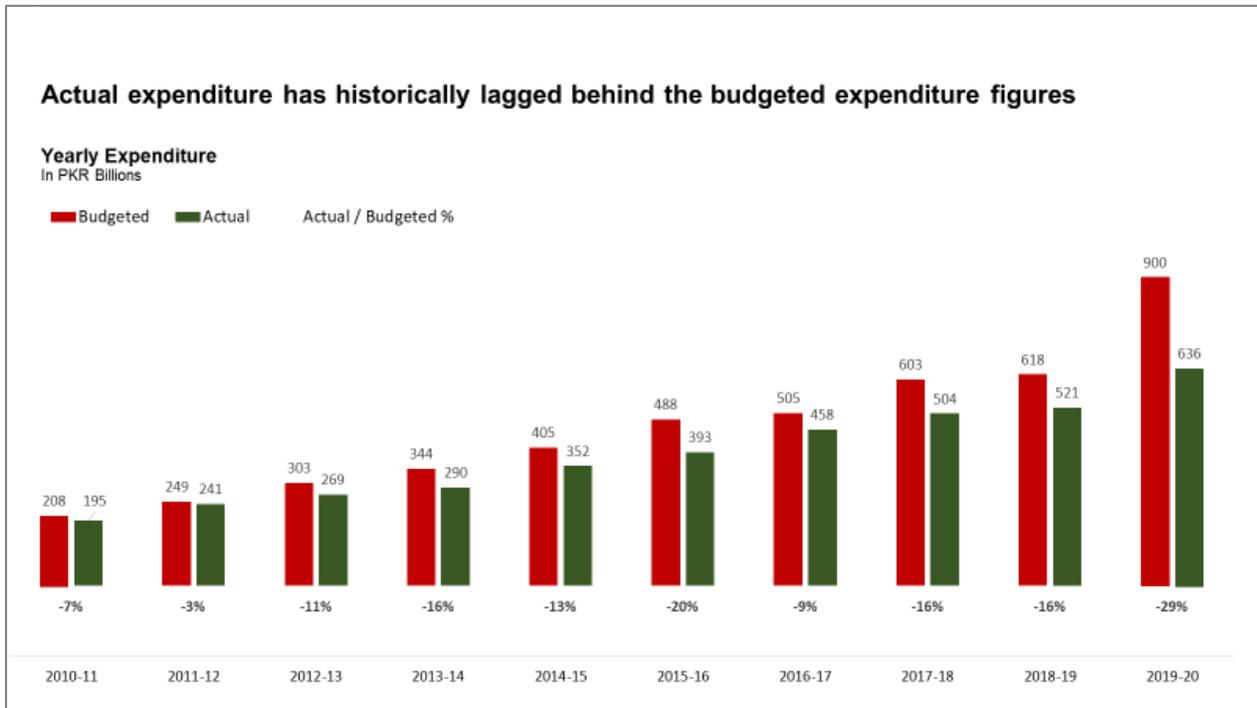


Figure 1.2

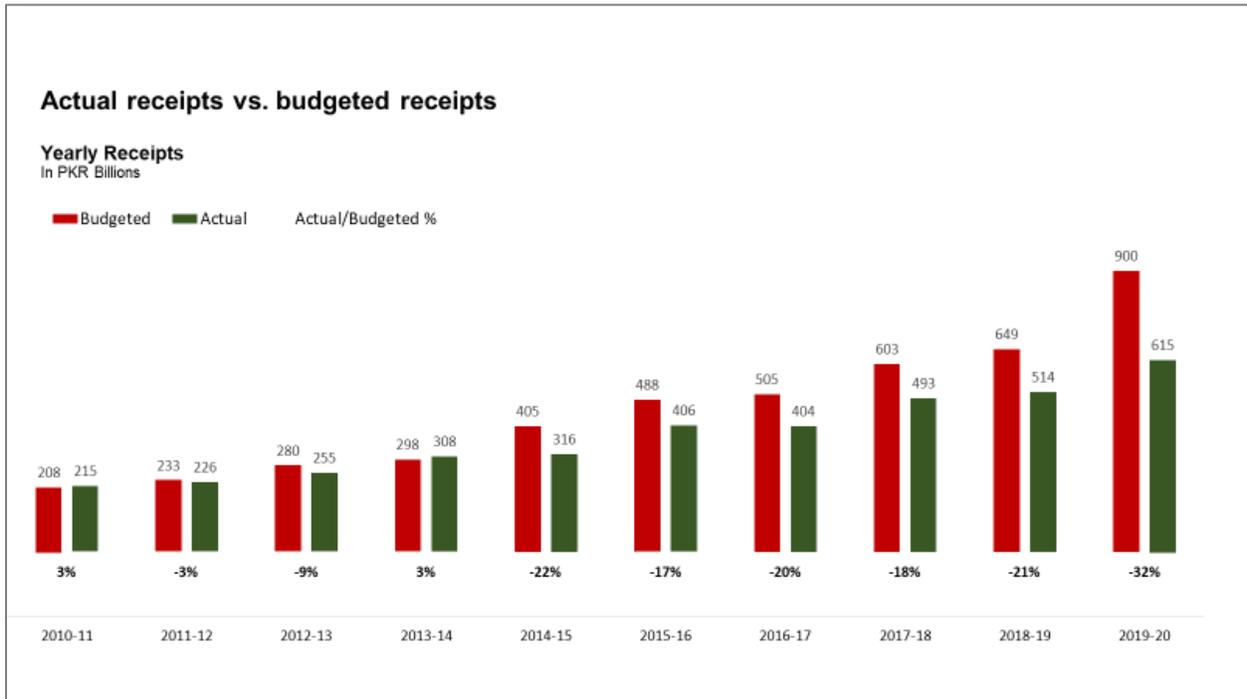


Figure 1.3

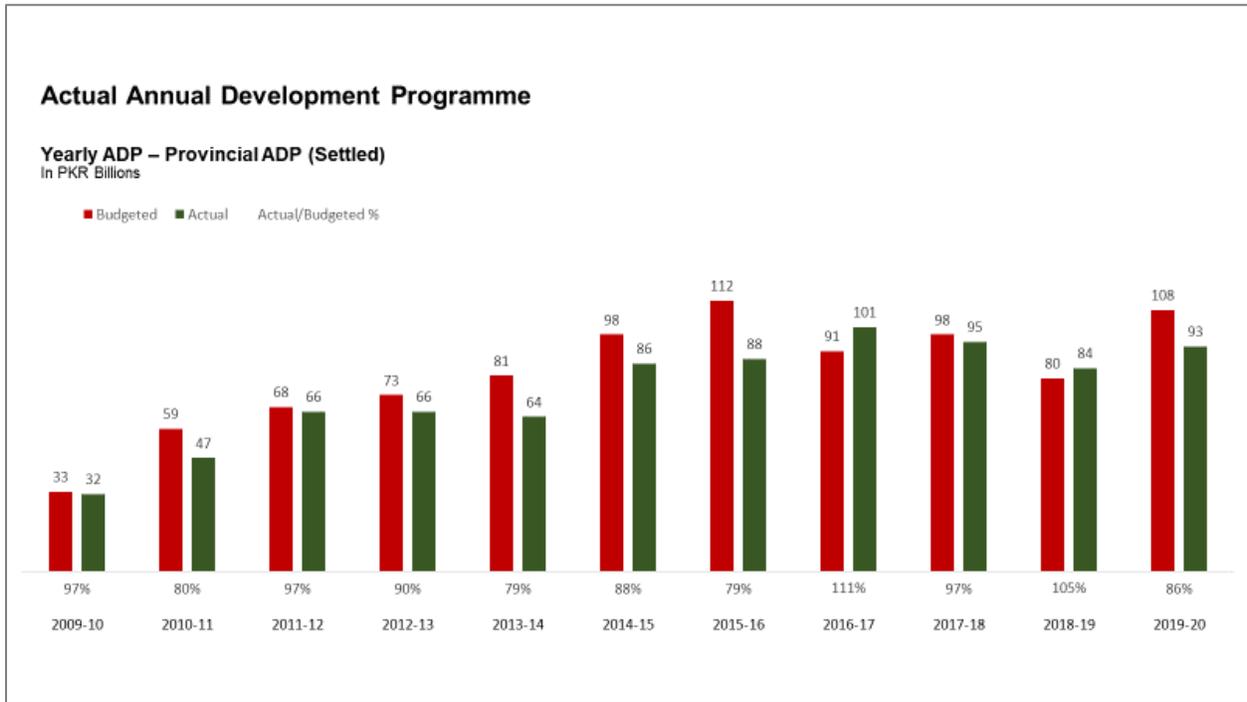
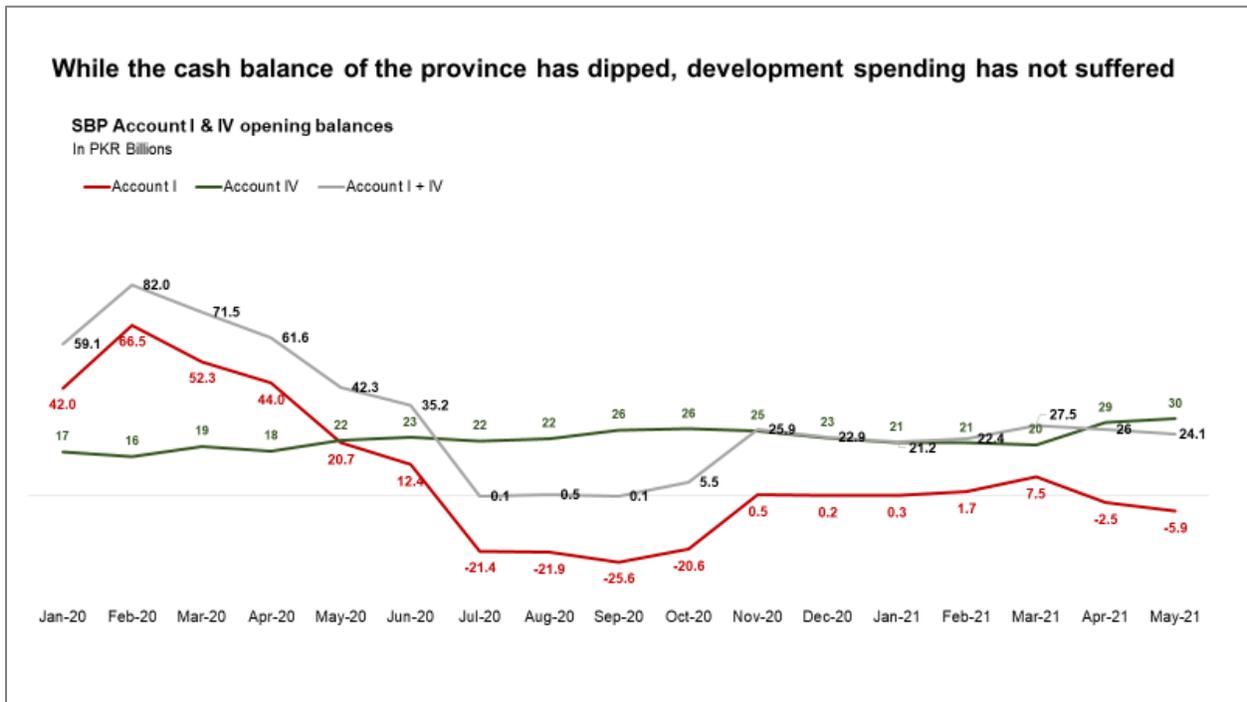


Figure 1.4



Structure of this White Paper

Chapter 2 provides the estimates for revenue receipts in the FY 2021-22. Total estimated revenue is **Rs. 1,118 billion** with the largest share being of Federal Receipts, straight transfers and NHP. Khyber Pakhtunkhwa had a commendable performance this year by increasing own source revenue by around **46%**. Furthermore, to keep following this growth trajectory, targets for this year have been stretched for both non-tax and tax collecting organizations under provincial own source receipts.

Chapter 3 deals with the provincial expenditure. This year's total expenditure is budgeted at **Rs. 1,118 billion** which is **21%** higher than last year's budgeted figures.

Chapter 4 deals with the National Finance Commission (NFC) and the share of Khyber Pakhtunkhwa. The last NFC award i.e. the 7th award was in 2010 with the share of provinces being 57.5% of the divisible pool. After the merger of Khyber Pakhtunkhwa with ex-FATA, the province was supposed to receive 3% of the national divisible pool to bring the historically underfunded Newly Merged Areas (NMAs) at par with the rest of the country. However, this remains an ongoing challenge with other provinces not meeting their commitment. This chapter gives thorough details on the NFC award.

Chapter 5 has detailed description with timelines and proposed solutions for the Net Hydrel Profits and other issues related to hydroelectricity. The revenue inflow and accumulation of arrears in Net Hydrel Profits has been consistently an issue, which needs Federal Government's attention for resolution.

Chapter 6 discusses the narrative of the Government of Khyber Pakhtunkhwa regarding the merger with Ex-FATA districts. The merger since June 1, 2018 has led to a 100% increase in spending in the newly merged districts (NMAs). The total size of budget for Merged Areas is **Rs. 199 billion** and is **9%** higher than last year's budgeted figures. While the development of Merged Areas is a national responsibility, in which the Government of Khyber Pakhtunkhwa has played its' part by contributing its' own share, the commitment of other provinces leaves a lot to be desired.

Chapter 7 provides a comprehensive narrative of the province's strategy to improve management of public finances. This includes the efforts made to improve the budget making process and transforming it from a traditional bottom up process only, to a bottom up and top down strategic prioritization process. This chapter will also shed some light on the reforms on various avenues such as pensions, debt, legislative structure, austerity measures and cost management.

Chapter 8 is a brief summary of the efforts initiated, implemented and proposed by the Government of Khyber Pakhtunkhwa to create a conducive environment for the vulnerable segments of the province.

Chapter 2 – Revenue Estimates

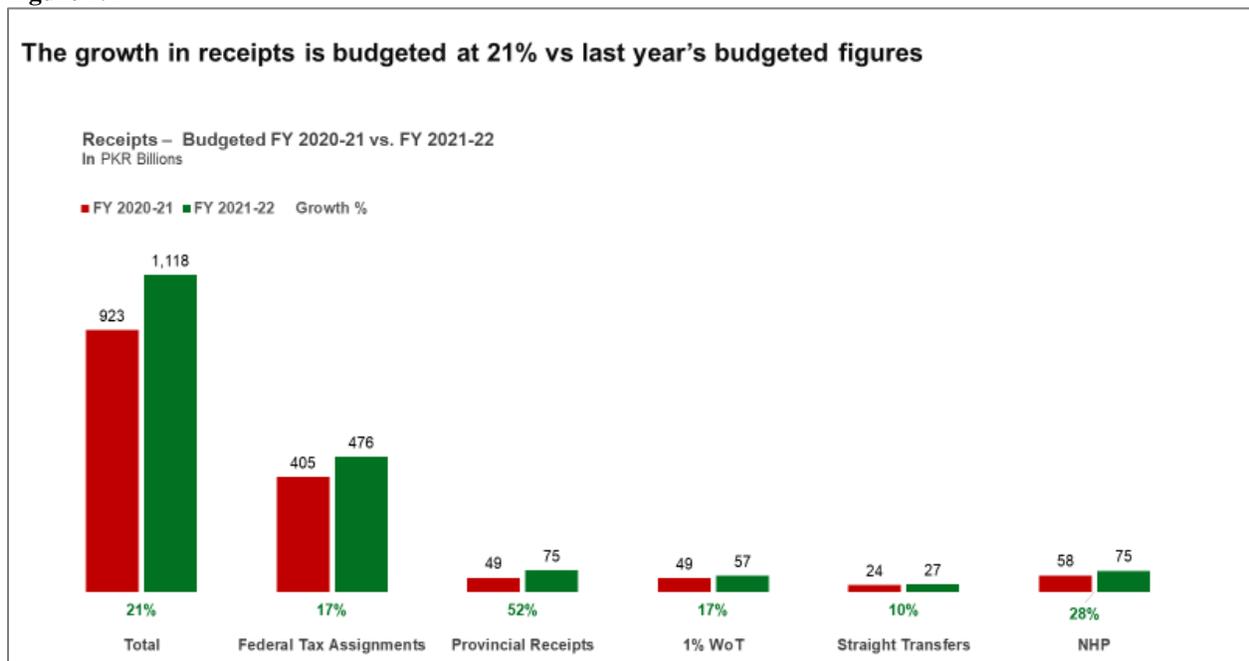
The Receipts, or Revenue of the Province of Khyber Pakhtunkhwa includes three kinds of receipts:

1. General Revenue Receipts
2. Capital Receipts
3. Development Receipts

For FY 2021-22, total receipts are estimated at **Rs. 1,118 billion** for the entire province of Khyber Pakhtunkhwa. This includes **Rs. 559 billion** as Federal Transfers, **Rs. 75 billion** as Provincial Own Revenue Receipts, **Rs. 74.7 billion** as Net Hydrel Profits, **Rs. 112.7 billion** as other receipts and **Rs. 187.7 billion** as grants from the Federal Government (to fund the budget of the Merged Areas, prior to the settlement of the NFC award).

Total budgeted receipts of Rs. 1,118 billion are **21%** higher than last year’s budgeted figure of **Rs. 923 billion**.

Figure 2.1



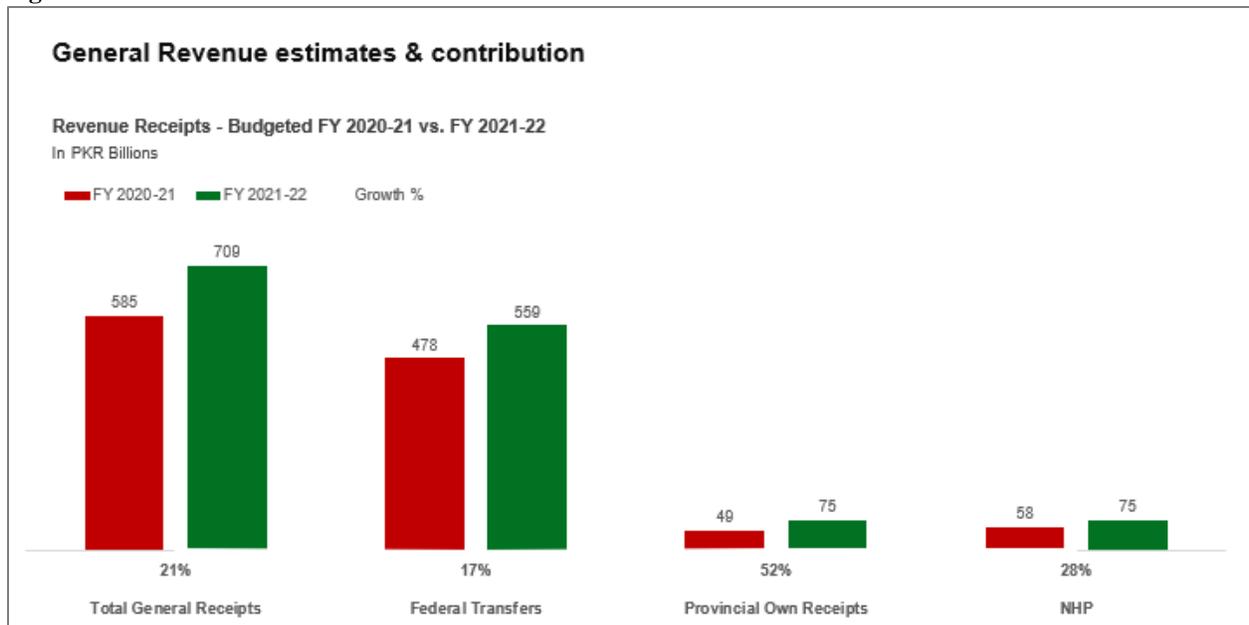
2.1 General Revenue Receipts

The General Revenue Receipts consist of Federal Transfers, Net Hydel Profits (NHP) and Provincial Own Receipts. For fiscal year 2021-22 the General Revenue Receipts are budgeted at **Rs. 709 billion**, compared to **Rs. 585 billion** for 2020-21.

Of the total, federal transfers are budgeted at **Rs. 559 billion**, profits from Net Hydel Profits (NHP) are budgeted at **Rs. 74.7 billion**, and provincial own-source revenue at **Rs. 75 billion**.

However, if straight transfers (including oil and gas duties, surcharges and royalties) of **Rs. 26 billion** are added to the province's direct contribution to General Revenue Receipts, it increases to **Rs. 101 billion**, or **14%** of the total General Revenue Receipts.

Figure 2.2



2.1.1 Federal Transfers

Transfers from Federal Government consist of the following:

1. Khyber Pakhtunkhwa’s share of the National Finance Commission (NFC) Award
2. Profits from hydroelectricity, more commonly known as Net Hydrel Profits (NHP)
3. Revenue from Oil & Gas

Together, these transfers constitute **57%** of the total General Revenue Receipts of the Province.

Figure 2.3

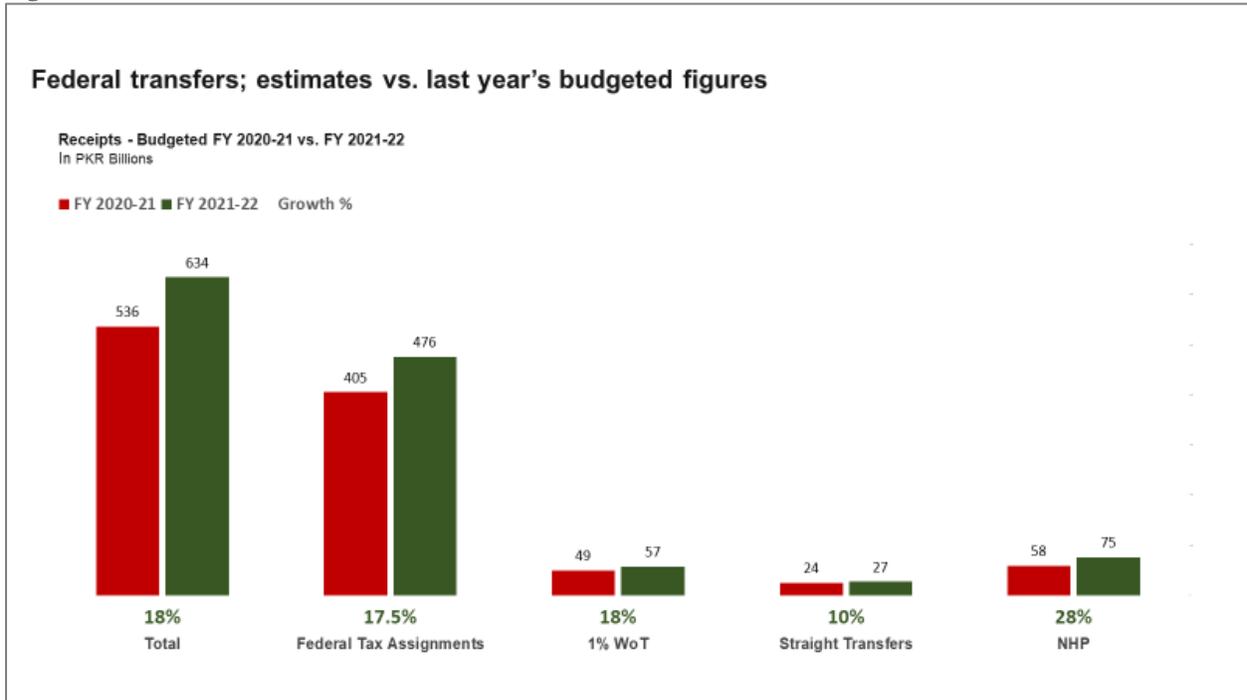


Table 2

Federal Transfers to Khyber Pakhtunkhwa since 2018-19

Unit: Rs. Bln

Head	Actuals 2018-19	Actuals 2019-20	Budget 2020-21	Revised 2020-21	Actuals* 2020-21	Budget 2021-22
Total Federal Transfers	413.0	417.2	535.8	514.4	414.0	634.0
Federal Tax Assignment	327.9	336.3	404.8	382.5	332.8	475.6
Taxes on Income	124.6	129.1	166.1	145.2	121.1	177.1
Custom Duties	56.6	49.2	52.0	56.9	53.3	63.9
Sales Tax	126.4	134.4	157.9	158.6	138.9	206.3
Capital Value Tax (CVT)	0.3	0.3	0.3	0.0	0.0	0.0
Federal Excise	20.0	23.2	28.5	21.8	19.5	28.3
1% of Divisible Pool for WoT	39.4	40.3	48.6	46.0	40.0	57.2
Straight Transfers	25.7	24.6	24.1	27.6	22.2	26.5
Royalty on Crude Oil	16.1	14.0	11.5	10.4	12.2	11.8
Royalty on Natural Gas	7.9	9.2	9.1	9.1	6.1	8.6
Gas Development Surcharge	0.2	0.1	1.4	6.5	2.7	4.2
Excise Duty on Natural Gas	1.5	1.3	2.1	1.6	1.2	1.9
Profits from Hydro-Electricity	20.0	16.0	58.3	58.3	19.0	74.7
Net Hydel Profit (Current Year)	6.9	4.1	21.5	21.5	0.0	29.7
Reconciled Arrears	0.0	0.0	36.8	36.8	19.0	36.9
Unreconciled Arrears (Indexation)	13.1	11.9	0.0	0.0	0.0	8.1
NHP as per AGN Kazi formula (KCM)	-	-	-	-	-	-

2.1.1a The National Finance Commission

The NFC, through which each province is given its share from the overall divisible pool of resources generated federally, is governed by Part-VI Chapter-1 of the Constitution of Pakistan, which provides a framework for distribution of resources between the Federal Government and the provinces. An amount of **Rs. 532.8 billion** is expected to be transferred from the Federal Government to the Government of Khyber Pakhtunkhwa during financial year 2021-22, under the head of the NFC award. The inclusion of Merged Areas in the total divisible pool remains unresolved and will be further explained in chapter 4 of the white paper.

Table 3

Share of Provinces in the Divisible Pool as per 7th NFC Award

Units: Rs Bln

Province	% Share in the 6 th Award	% Share in 7 th NFC Award			Budget Estimate 2021-22
		Horizontal Share	1% for War on terror*	Grant for Compensation on account of OZ&T	
Federal Share	62.5	42.5			
Provinces	37.5	57.5			
Punjab	53.2	51.74			51.74
Sindh	24.96	24.55			24.55
Khyber Pakhtunkhwa	14.78	14.62	1.80		16.42
Baluchistan	7.05	9			9.09

*The grant for war on terror is 1% of the total divisible pool, which is equivalent to 1.8% of the Provincial share in the net proceeds of Provincial Divisible Pool

2.1.2b Net Hydel Profits (NHP)

Total NHP budgeted for FY 2021-22 is **Rs. 74.7 billion**. This is split into 4 categories i.e. collection under Net Hydel Profit, reconciled arrears of Net Hydel Profits, unreconciled Net Hydel Profits and NHP as per the AGN Kazi formula.²

Table 4

Profits from Hydro-Electricity

Unit: Rs. Bln

Head	Actuals 2018-19	Actuals 2019-20	Budget 2020-21	Revised 2020-21	Actuals* 2020-21	Budget 2021-22
Total	20.0	16.0	58.3	58.3	19.0	74.7
Net Hydel Profit (Current Year)	6.9	4.1	21.5	21.5	0.0	29.7
Reconciled Arrears	0.0	0.0	36.8	36.8	19.0	36.9
Unreconciled Arrears (Indexation)	13.1	11.9	0.0	0.0	0.0	8.1
NHP as per AGN Kazi formula (KCM)	-	-	-	-	-	-

A more detailed analysis of the importance of NHP to the province of Khyber Pakhtunkhwa is explained in Chapter 5.

² Article 161 (2) of the Constitution

2.1.1c Revenue from Oil and Gas

In consonance with Article 161 of 1973 Constitution, the Government of Khyber Pakhtunkhwa is entitled to receive revenues on account of the following:

1. Royalty on Oil & Gas³
2. Gas Development Surcharge
3. Excise Duty on Gas
4. Excise Duty on Oil

Status of actual receipts from the Federal Government over the last 3 years and figures budgeted for this year are shown in the table below:

Table 5

Actual Receipts from Federal Government on account of Oil & Gas

Units: Rs. Bln

Head	Actuals 2018-19	Actuals 2019-20	Budget 2020-21	Revised 2020-21	Actuals* 2020-21	Budget 2021-22
Total	25.7	24.6	24.1	27.6	24.2	26.5
Royalty on Crude Oil	16.1	14.0	11.5	10.4	13.3	11.8
Royalty on Natural Gas	7.9	9.2	9.1	9.1	6.7	8.6
Gas Development Surcharge	0.2	0.1	1.4	6.5	2.9	4.2
Excise Duty on Natural Gas	1.5	1.3	2.1	1.6	1.3	1.9

Royalty on Oil and Gas: According to 7th NFC Award, the share of Khyber Pakhtunkhwa, in the net proceeds of total royalties on crude oil in a year, is the proportion of crude oil produced in Khyber Pakhtunkhwa out of the total national production of crude oil in that year. Royalty on Oil and Gas is payable by the exploration and production companies to the Government at the rate of 12.50% of the wellhead value, 2% of which is retained by the Federal Government and the rest is paid to the Provincial Government. It is payable monthly within a period not exceeding 45 days of the end of the month of production in question, which if delayed beyond this stipulated period would attract fine at the rate of the London Inter Bank Offered Rate (LIBOR) plus two percent as may be determined as per Rule 38 (3) of The Pakistan Onshore Petroleum (Exploration & Production) Rules, 2013. The wellhead value is determined by the Government of Pakistan, after every six months.

Gas Development Surcharge: Gas Development Surcharge is the margin available to the Government caused by the difference in the sale price for consumers as determined by OGRA and prescribed price for Gas Companies on the basis of their fixed return, as defined in the Natural Gas (Development Surcharge), Ordinance, 1967. The prescribed price of Sui Northern Gas Pipeline Ltd (SNGPL) and Sui Southern Gas Company Limited (SSGCL) is based on

³ Article 161(1) of the Constitution of Pakistan

wellhead price of gas, excise duty at wellhead, operation and maintenance cost, depreciation and returns of gas company (17.5% SNGPL and 17% SSGCL) on assets.

Royalty and Gas Development Surcharge are inversely proportional to each other. In case, the wellhead value is more, there will be more royalty but less Gas Development Surcharge and vice versa. As per the 7th NFC Award, “each of the provinces shall be paid in each financial year as a share in the net proceeds to be worked out based on average rate per MMBTU of the respective Province. The average rate per MMBTU shall be derived by notionally clubbing both the royalty on Natural Gas and Development Surcharge on Gas. Royalty on Natural Gas shall be distributed in accordance with clause (1) of Article 161 of the Constitution whereas the Development Surcharge on Natural Gas would be distributed by making adjustments based on this average rate”.

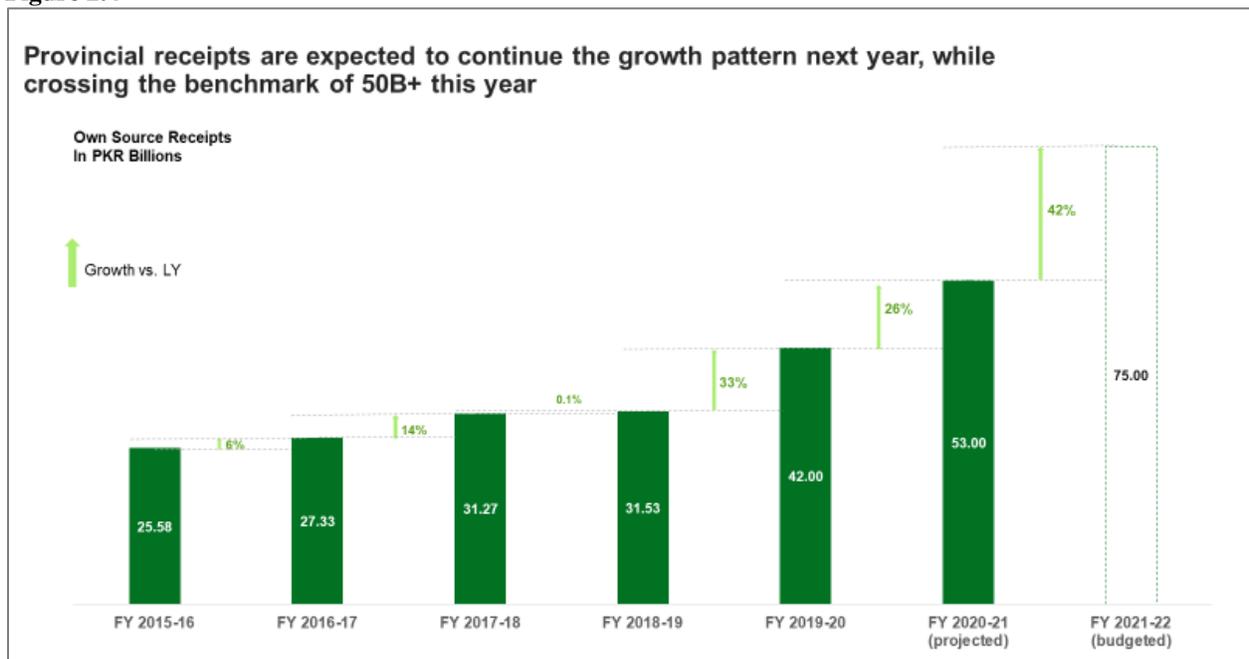
Excise Duty on Gas: Excise Duty on Gas is collected by Federal Board of Revenue, and the proceeds so collected are reported to Finance Division on monthly basis for onward transfer to provinces. Excise Duty on Gas is currently being given at the rate of Rs.10 per MMBTU. Presently there are ten companies working in Khyber Pakhtunkhwa that show promising prospects of oil and gas exploration in the province. Khyber Pakhtunkhwa is the first province to have established a Provincial Oil & Gas Company (KPOGCL) in 2013, under the administrative control of Energy & Power Department for carrying out fast track exploration and production of oil and gas.

Excise Duty on Oil: Excise duty on oil is not paid to the province, as the rate has not been determined yet. Khyber Pakhtunkhwa produces more than 50% of the national oil production which means it absorbs the highest loss from unavailability of this duty.

2.1.2 Provincial Own Receipts

Provincial Own Source Revenue (OSR) consists of a tax component and a non-tax component, which includes all provincial taxes, fees and fines collected by departments, for taxation and regulatory purposes. Government of Khyber Pakhtunkhwa made a concerted effort to augment and revive the overall revenue generation to enhance its own receipts, for FY 2020-21. This has led to an increase of more than **65%** vs. the collection in FY 2018-19. For this year, an even more aggressive target of **Rs. 75 billion** has been set, with the philosophy that stretched target setting will maximize revenue generation and push departments towards better performance. However, the government also conducts periodic third party surveys to make sure there's no coercion in terms of tax collection to achieve targets.

Figure 2.4



Forecast FY 2021-22

Finance Department and its Resource Wing undertook an exhaustive revenue review & analysis exercise to re-map the receipts under the key strategic principles decided for FY 2021-22, further explained in chapter 7. Forecasting was done with the aim to increase revenue via boosting compliance, whilst providing relief to the common man, services and industrial sectors.

The following key steps were taken to align targets after mutual consultations with their respective collecting agencies:

1. A committee was notified for revenue generation and forecasting, with members from finance and taxation departments.
2. Object wise targets for each department were set that are aligned with their actual receipts, trends for the last 5 years and tax reforms and reductions were discussed and agreed upon mutually with the respective departments.
3. Meetings were held with the core 12 departments on a regular basis to understand sectoral and geographical measures to enhance revenue generation, and recommendations for reforms were prepared accordingly.

The Provincial Own Revenue Receipts for the financial year 2021-22 estimated at **Rs. 75 billion**, comprise of:

- Tax Receipts of **Rs. 43.2 billion** (59%) including Sales Tax on Services **Rs. 27.0 billion**, and;
- Non-Tax receipts of **Rs. 31.8 billion** (41%).

Each of these categories is discussed in detail ahead in the relevant sections.

2.1.2a Provincial Tax Receipts

Direct Taxes include taxes on Agriculture Income/Land, Urban Immovable Property (UIP) Tax, Tax on Transfer of Property Registration, Land Revenue & Profession, Trade and Callings etc. The Government of Khyber Pakhtunkhwa has decided to rate Professional tax and Land tax at 0, for FY 2021-22, to stimulate economic growth in the province. Indirect Taxes, a major component of tax receipts, comprises of Sales Tax on Services, Provincial Excise, Motor Vehicle Tax, Stamp Duties, Cess of all types, and Electricity Duty etc.

The budgeted collection for FY 2021-22 is **Rs. 43.2 billion**, which is **54%** higher than last year's budgeted figure. The Provincial Tax Receipts budgeted figures for FY 2021-22 are given in **Table** below.

Table 6
Provincial Tax Collection
Unit: Rs. Bln

Tax Head	Actuals 2018-19	Actuals 2019-20	Budget 2020-21	Revised 2020-21	Actuals* 2020-21	Budget 2021-22
Net Total	20.0	25.1	28.1	31.8	32.8	43.2
Total Direct Taxes	5.3	4.4	5.1	5.7	6.0	7.6
Land Revenue Fee	2.9	2.4	2.8	3.3	3.5	4.4
Property & Wealth Tax	1.3	0.9	2.0	1.6	1.6	3.2
Registration Fee	0.2	0.3	0.3	0.1	0.1	-
CVT Fee	0.5	0.4	0.0	0.1	0.1	-
Agriculture Income Tax	0.1	0.1	0.1	0.1	0.1	-
Professional Tax	0.4	0.3	0.0	0.6	0.6	-
	0.0	0.0	0.0	0.0	0.0	0.0
Total Indirect Taxes	15.0	22.6	24.5	26.1	26.9	35.6
Sale Tax on Services (GST)	10.4	17.0	19.9	19.0	19.1	24.8
Motor Vehicle Tax	1.1	1.1	1.8	1.0	1.1	1.9
Stamp Duties Fee	1.5	1.7	1.6	3.1	3.3	4.6
Electricity Tax	0.5	1.9	0.6	0.9	1.0	1.0
PTA (Route Permit under MVT)	0.6	0.3	0.3	0.4	0.4	0.4
Tobacco Development Cess	0.4	0.4	0.2	0.3	0.3	0.5
Infrastructure Development Cess	0.1	0.2	0.2	1.2	1.4	2.2
Motor Vehicle Fitness (MVT)	0.1	0.1	0.1	0.1	0.1	0.1
Others	0.1	0.1	0.0	0.1	0.1	0.1

2.1.2b Provincial Non-Tax Receipts

Non-Tax revenue consists of major heads such as Receipts from General Administration, Economic Services and Social Services receipts. The total non-tax receipts for FY 2021-22 are estimated at **Rs. 31.8 billion**.

Table 7

Provincial Non-Tax Revenues

Unit: Rs. Bln

Department	Actuals 2018-19	Actuals 2019-20	Budget 2020-21	Revised 2020-21	Actuals* 2020-21	Budget 2021-22
Total	11.9	15.0	21.1	20.6	19.8	31.8
Mines & Minerals	2.4	3.4	3.6	3.4	4.6	6.2
Energy and Power	1.1	2.7	8.4	8.4	2.6	2.6
Police	1.7	1.7	1.9	1.9	1.8	4.0
Finance	0.6	0.9	0.9	0.9	1.2	3.1
Home	0.5	0.5	0.9	0.7	0.9	1.5
Health	0.8	0.8	1.1	1.0	0.8	1.5
Others	4.9	5.0	4.3	4.3	7.9	12.9

Following is the list of exemptions in this set of receipts for FY 2021-22:

1. Elementary and Secondary Education is the right of every citizen and to honor this commitment, Khyber Pakhtunkhwa under the budget FY 2021-22 has exempted **admission fee for both Government Primary and Secondary Education Schools for Girls and Boys**, coupled with **free admissions to Professional Government Art Colleges**.
2. In case of Higher Education Archives & Libraries, multiple fees have been annulled to benefit the students intending to enroll for higher studies in government institutions during FY 2021-22. **Three sub heads** will remain removed to ensure **free hostels are available for Governmental higher education facilities with completely free access to libraries and archives**.
3. Exemption of visit fee collected in museums.

2.2 General Capital Receipts

General Capital Receipts consist of recoveries of investment of Hydel Development Fund, Loans and Advances from Government Servants, SNGPL, Financial Institutions/Non-Financial Institutions & Autonomous/Semi-Autonomous Bodies. Receipts from designated accounts have been added in this with a forecast of **Rs. 4.6 billion**, and details of these accounts are shared in Chapter 7.

Total general capital receipts for FY 2021-22 are **Rs. 112.7 billion**, out of which **Rs. 44 billion** are budgeted from Domestic loan.

Table 8

General Capital Receipts Since 2019-20

Unit: Rs. Bln

Head	Actuals 2018-19	Actuals 2019-20	Budget 2020-21	Revised 2020-21	Actuals* 2020-21	Budget 2021-22
Total	21.0	12.3	91.0	154.3	67.8	112.7
Recovery from Designated Accounts	0.0	0.0	0.0	0.0	0.0	4.6
Recovery of Investment & loans	0.1	12.3	0.3	0.3	0.3	0.3
Domestic Loan	0.0	0.0	44.0	0.0	0.0	44.0
Withdrawal of profit from Pension Fund for payment of pensions	0.0	0.0	0.0	6.0	6.0	10.0
Other Revenue Sources	20.9	0.0	0.0	15.0	15.0	43.8
Savings from operational shortfall	0.0	0.0	46.7	88.0	0.0	0.0
Ways & Means Advance Facility from Fed. Govt.	0.0	0.0	0.0	45.0	46.5	10.0

2.3 Development Receipts

Development Receipts consists of grants received for Newly Merged Areas and Public Sector Development Programme (PSDP).

Amounts received under each head of Development Receipts are depicted in the table below.

Table 9

Development Grants for NMAs & PSDP

Unit: Rs. Bln

Head	Actuals 2018-19	Actuals 2019-20	Budget 2020-21	Revised 2020-21	Actuals* 2020-21	Budget 2021-22
Total Development Grants	7.9	110.3	161.0	149.7	145.3	207.5
Grants from Federal Govt. (NMAs)	0.0	97.9	161.0	133.8	129.4	187.7
Grants for Current Budget	0.0	60.5	73.0	73.0	73.0	77.0
Additional Financing Demand for Current Budget	0.0	0.4	15.0	10.8	0.0	22.0
Development Grant (ADP + AIP)	0.0	37.0	48.0	48.0	48.0	54.0
Additional Financing Demand for Development Budget	0.0	0.0	25.0	2.0	-	-
3% NFC Share - Punjab						21.0
3% NFC Share - Sindh						10.0
3% NFC Share - Balochistan						3.7
PSDP allocations for provincially executed projects	7.9	12.4	-	15.9	15.9	19.9

2.4 State Trading in Food (Account-II)

The state trading of the Provincial Government covers wheat procurement and is kept separate from all other transactions of the Provincial Government. Receipts and expenditure on state trading in wheat is credited and debited respectively to the Food Account of the Provincial Government which is maintained separately with the State Bank of Pakistan.

Funds required for procurement of wheat are normally obtained from commercial banks and guaranteed by the Government. Last three years of budget estimates and actuals are shown below.

Figure 2.5

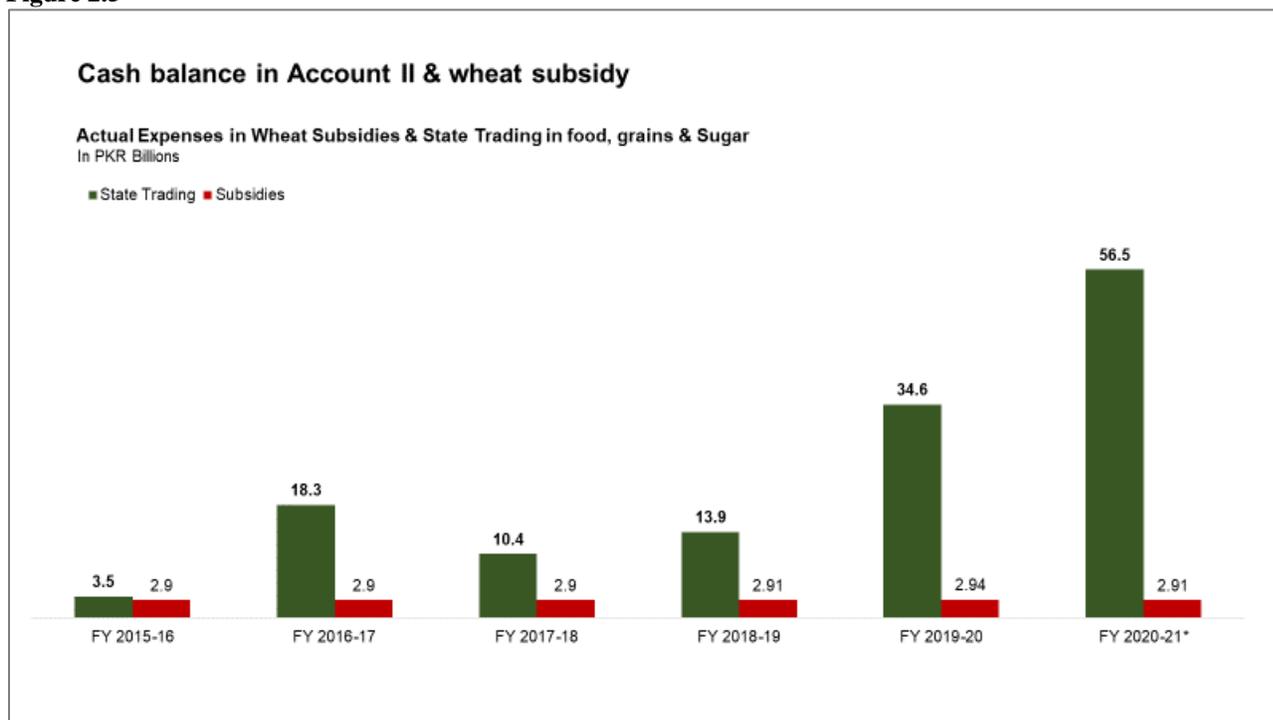


Table 10

Account II (Food)

Unit: Rs. Bln

Head	Actuals 2018-19	Actuals 2019-20	Budget 2020-21	Revised 2020-21	Actuals* 2020-21	Budget 2021-22
Total	13.9	34.6	113.0	74.3	56.3	114.1
State Trading (Account-II)	13.9	34.6	98.0	74.3	56.3	99.1
Cash Credit Accommodation (Floating Debt)	0.0	0.0	15.0	0.0	0.0	15.0

Chapter 3 – Expenditure Estimates

The Expenditure of the Province of Khyber Pakhtunkhwa includes four kinds of expenses:

1. Current Revenue Expenditure
2. Current Capital Expenditure
3. Development Revenue Expenditure
4. Development Capital Expenditure

For FY 2021-22, total expenditure is estimated at **Rs. 1,118 billion** for the entire province of Khyber Pakhtunkhwa. This includes **Rs. 747 billion** as Current Expenditure and **Rs. 371 billion** as the total Development Expenditure.

In Current Expenditure of **Rs. 747 billion**, **Rs. 466 billion** are the pensions and provincial and district salaries.

The total expenditure of **Rs. 1,118 billion** is **21%** greater than last year's budgeted figure of **Rs. 923 billion**. There is a significant increase in salaries this year, and the overall salary bill will rise by **15%**, as compared to last year's budgeted figures, due to an ad-hoc relief for all employees coupled with increase in selected allowances. Similarly, pension bill will increase by **7%**.

Given the public health challenge faced by the country since 2019, **Rs. 3.5 billion** have been set aside as a COVID-19 related contingency in the overall expenditure. In order to drive the economic recovery forward, the Government of Khyber Pakhtunkhwa has allocated record funds for development this year.

The breakdown of provincial expenditure under both current and development heads, is given below.

Table 11

Details of Provincial (Settled) Expenditure

Unit: Rs. Bln

Head	Actuals 2018-19	Actuals 2019-20	Budget 2020-21	Revised 2020-21	Actuals* 2020-21	Budget 2021-22
Total	520.8	635.2	923.0	927.4	730.8	1,118.3
Current Expenditure	377.8	464.9	605.1	677.4	562.0	747.3
Development Expenditure	143.0	170.3	317.9	250.0	168.8	371.0

A worrying trend for the Government of Khyber Pakhtunkhwa is the unsustainable increase in current expenditure, specifically driven by wages and pensions. The growth in salary and pensions is at a pace that is higher than the increase of overall funds available for expenditure. Current expenditure takes up over **67%** of the provincial budget, and the Government of Khyber Pakhtunkhwa has been leading the way on pension reform, explained in detail in chapter 7.

3.1 Current Expenditure

Current expenditure includes both salary and non-salary, as well as debt servicing and pensions payments.

Figure 3.1

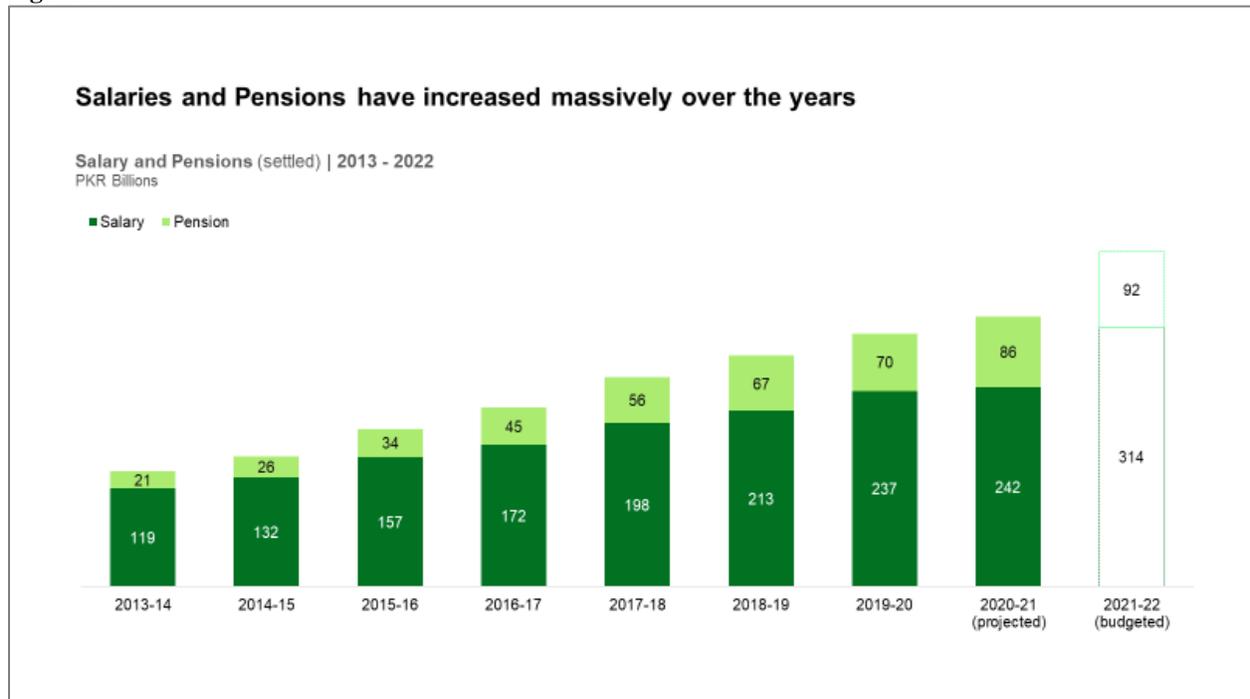


Table below shows the detailed breakdown of current expenditure as well as actual figures for FY 2020-21. The total sanctioned staff strength of the Provincial Government is now **upwards of 622,000⁴**, with total salary bill amounting to **Rs. 374 billion. This is approximately a 74% increase in the salary bill since FY 2018-19.**

The pension bill in FY 21-22 is amounting to **Rs. 92.1 billion**. Together with salary, they form the bulk of the expenditure for the provincial government and the significant rate of increase in these heads comes at the cost of squeezing development budget, as well as non-salary expenditure, which funds infrastructure improvements, text books for children in school and essential medicine for patients.

⁴ May 2021 figures from Finance Department, KP

Table 12
Current Expenditure
Unit: Rs. Bln

Head	Actuals 2018-19	Actuals 2019-20	Budget 2020-21	Revised 2020-21	Actuals* 2020-21	Budget 2021-22
Total	282.5	348.6	412.3	407.5	368.9	466.1
Salary	215.0	278.5	326.3	320.7	285.6	374.0
Settled - Provincial	71.6	77.8	106.6	107.9	79.5	126.8
Settled - Devolved	129.1	145.5	150.0	150.0	145.8	165.0
Medical Teaching Institutions (MTIs)	14.4	14.5	17.7	15.6	17.0	22.2
NMAs - Provincial	0.0	19.1	26.3	21.5	20.2	31.0
NMAs - Devolved	0.0	21.6	25.7	25.7	23.2	29.0
Pension	67.5	70.1	86.0	86.8	83.3	92.1
Pension expenditure funded from taxpayer proceeds	67.5	70.0	86.0	80.2	75.9	82.0
Pension expenditure funded from Pension Fund profit	0.0	0.0	0.0	6.0	6.5	10.0
NMAs	0.0	0.1	0.0	0.6	0.9	0.1

3.1.1 Revenue Transferred to Local Governments

Clause (i) of Article 37 of the Constitution of Islamic Republic of Pakistan 1973 requires decentralization of Government administration to; facilitate expeditious disposal of businesses, bring convenience and meet essential requirements of the public at grass root level. To achieve, local government institutions were established in the province of Khyber Pakhtunkhwa through Local Government Act (LGA), 2013. Later, the Local Government System was established and notified as a result of enforcement of Section 120 of LGA, 2013 on 5th June 2015 (as amended in 2017).

The Provincial Finance Commission in its **12th meeting** held on **June 02, 2020** discussed and determined the allocable share(s) for local governments out of the provincial net divisible pool. The horizontal distribution, as recommended by the Commission, enables local governments to meet their expenditure on account of salary, non-salary, grants to local councils and development expenditure. Based on the recommendations of the said Commission, table 13 shows the proposed budget containing shares/grants to Local Governments for Financial Year 2020-21.

Under current expenditure, local government's share for FY 2021-22 is **Rs 195.9 billion** vs. **Rs. 179.1 billion budgeted** in FY 2020-21. Subcomponents for FY 2021-22 include **Rs. 165 billion** for salary, **Rs. 24.3 billion** for non-salary expenditure and **Rs. 6.7 billion** as grants to local councils.

Table 13
Share of Local Government in Current Expenditure
Unit: Rs. Bln

Head	Actuals 2018-19	Actuals 2019-20	Budget 2020-21	Revised 2020-21	Actuals* 2020-21	Budget 2021-22
Total	144.7	158.8	174.1	179.1	171.3	195.9
Salary	129.1	145.5	150.0	150.0	145.8	165.0
Non Salary	11.6	9.8	17.8	22.8	22.8	24.3
Grant to Local Councils	4.0	3.5	6.3	6.2	2.8	6.7

3.2 Capital Expenditure

The Government of Khyber Pakhtunkhwa (GoKP) aims for prudent debt management to bolster accelerated growth trajectory of the province via focused financing of productive sectors. Pursuant to Article 167 (4) of 1973 Constitution, the borrowing limit for GoKP is fixed at **Rs. 44.0 billion** by the National Economic Council (NEC). The NEC channels external finances through the Economic Affairs Division (EAD) of the Federal Government. The Current Capital Expenditure of GoKP primarily consists of **Rs. 0.4 billion** budgeted as loans and advances to provincial government employees and **Rs. 12 billion** as Capital Expenditure for financial year 2021-22, shown in the table below.

Table 14
Expenditure on Capital Accounts
Unit: Rs. Bln

Head	Actuals 2018-19	Actuals 2019-20	Budget 2020-21	Revised 2020-21	Actuals* 2020-21	Budget 2021-22
Total	8.8	10.1	12.0	13.1	6.3	12.3
Loans & Advances to Provincial Government Employees.	0.2	0.2	0.3	1.4	1.5	0.4
Capital Expenditure (Debt Principal Repayment)	8.6	9.9	11.7	11.7	4.8	12.0

3.2.1 Debt Servicing

As of June 30, 2021, provincial debt consists of **Rs 256.7 billion** of foreign loans only and comprises of **93** loans for different projects. These foreign loans are negotiated via Federal Government - through the Ministry of Economic Affairs previously (Economic Affairs Division), acting as a sovereign borrower. Debt servicing, which includes fees, interest and principal repayment, is borne by the provincial government's budget through source deduction from their monthly revenue share, received through the Federal Government.

Most of these loans are highly concessional with an amortization repayment profile of 30 to 40 years with 5 to 10 years' grace period. Usually, IDA loans are negotiated at fixed interest rates, currently 2%, charged on the disbursed balance and commitment charges of 0.50% charged on the undisbursed amount, while ADB loans are negotiated at market rates-current LIBOR plus fixed spread of 0.5%, currently the LIBOR rates are on the decline which means that ADB loans cost around 0.7% per annum only.

In accordance with Article 167(4) of the Constitution of Pakistan, inserted by 18th Amendment, the National Economic Council (NEC) has allowed the provinces to directly raise domestic debt up to 0.85% of the National Gross Domestic Product (GDP). This overall limit has been distributed among the provinces according to their share in the NFC (National Finance Commission) formula. Thus, domestically Government of Khyber Pakhtunkhwa can provide guarantees or issue subnational bond up to the **limit of Rs. 44 billion**.

Currently, the domestic loan portfolio of KP is zero. However, KP Government has borrowed previously through Cash Development Loans (CDLs), provided by the Federal Government.

KP's total debt servicing during FY 2020-21 stood at **Rs. 11.7 billion** (2.6% of total revenues⁵). Interest payment on total outstanding debt is **Rs. 3 billion** for FY 2020-21. It is evident that annual Debt Servicing is a small proportion of annual revenues which is an indication of strong credit worthiness of the province. The Debt Servicing (Principal & Interest) on foreign debt, revised estimates for FY 2020-21 and Budget Estimates for FY 2021-22 are in table 15.

Table 15

Unit: Rs. Mln

Nomenclature	Budget Estimates 2020-21	Revised Estimates 2020- 21	Budget Estimates 2021- 22
Total	14,700	14,700	14,500
Principal Amount	11,700	11,700	12,000
Interest Amount	3,000	3,000	2,500

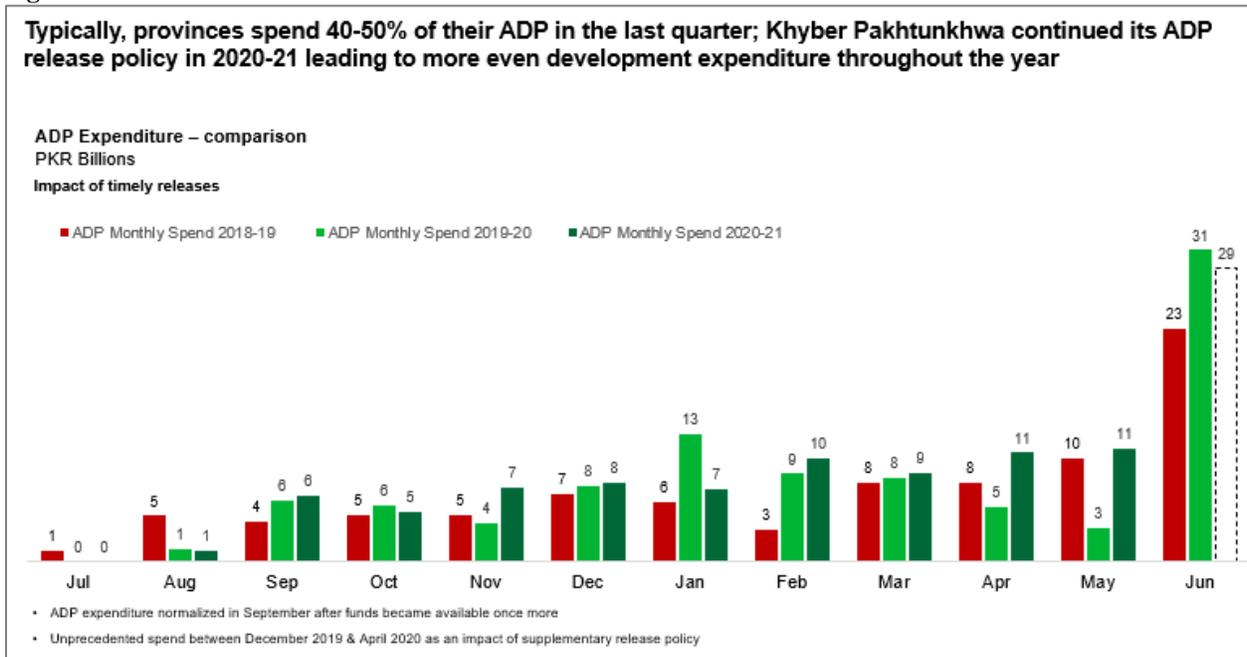
⁵ Total Revenue is Straight Transfers, Federal Tax Assignment; Royalties on Oil and Gas, Net Hydel Profits, KP own receipts (Tax and Non-tax) and others.

3.3 Development Expenditure

Development expenditure is perhaps the most critical component of this government’s budget. The Government of Khyber Pakhtunkhwa is dedicated to not only spend a sizable amount on the development of the province, but also to structure it in a systematic way. Efforts have been made over past two years, to rationalize and augment Annual Development Programme (ADP) allocations. These reforms included multiple initiatives such as introducing a new ADP policy, issuing new ADP guidelines, reducing the throw-forward through ADP rationalization, and issuing a new release policy, that ensured spending was done in a more responsible manner across the year.

Development budget for the FY 2021-22 has been budgeted at a record high Development Expenditure of **Rs. 371 billion**. The core focus in the FY 2021-22 is to accelerate the economic recovery, generate employment, uplift the Human Development Index and prioritize service delivery.

Figure 3.2



Rs. 100.3 billion have been set aside for merged districts’ development that includes Annual Development Programme, FPA and Accelerated Implementation Plan (AIP).

Detailed breakup of the 2021-22 ADP for each sector is shown in table 16, and the department wise details are shown in Table 17.

Table 16

Sectorwise Allocation of Development Expenditure 2021-22 (Excluding PSDP)

Unit: Rs. Bln

S.No.	Sector	KP			MA			AIP	Total	Sector Share (%)
		Local	F.Aid	Total	Local	F.Aid	Total			
Grand Total		165.1	86.1	251.1	26.1	3.1	30.1	71.1	351.1	100.0%
1	Agriculture	6.1	5.1	10.1	1.1	0.1	1.1	2.1	13.1	3.8%
2	Auqaf, Hajj	1.1	0.1	1.1	0.1	0.1	0.1	0.1	1.1	0.3%
3	BOR	1.1	0.1	1.1	0.1	0.1	0.1	0.1	1.1	0.4%
4	Districts ADP	15.1	0.1	15.1	2.1	0.1	2.1	0.1	17.1	5.0%
5	DWSS	6.1	0.1	6.1	1.1	0.1	1.1	2.1	9.1	2.7%
6	E&SE	11.1	2.1	13.1	2.1	1.1	3.1	5.1	21.1	5.9%
7	Energy & Power	2.1	13.1	15.1	1.1	0.1	1.1	1.1	17.1	4.8%
8	Environment	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0%
9	Estab. & Admin.	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1%
10	Excise, Taxation	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1%
11	Finance	0.1	27.1	27.1	0.1	0.1	0.1	0.1	27.1	7.8%
12	Food	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1%
13	Forestry	3.1	0.1	4.1	0.1	0.1	0.1	0.1	4.1	1.1%
14	Health	17.1	2.1	19.1	1.1	0.1	1.1	4.1	24.1	7.0%
15	Higher Education	6.1	0.1	6.1	1.1	0.1	1.1	1.1	7.1	2.0%
16	Home	2.1	0.1	2.1	0.1	0.1	0.1	1.1	3.1	0.8%
17	Housing	1.1	0.1	1.1	0.1	0.1	0.1	0.1	1.1	0.2%
18	Industries	2.1	1.1	3.1	1.1	0.1	1.1	1.1	4.1	1.2%
19	Information	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1%
20	Labour	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1%
21	Law & Justice	2.1	0.1	2.1	0.1	0.1	0.1	1.1	3.1	0.7%
22	Local Government	2.1	4.1	6.1	1.1	0.1	1.1	0.1	7.1	1.9%
23	Mines & Minerals	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1%
24	Multi Sectoral Dev.	28.1	7.1	35.1	4.1	2.1	6.1	2.1	43.1	12.1%
25	Pop. Welfare	1.1	0.1	1.1	0.1	0.1	0.1	0.1	1.1	0.2%
26	Public Private Part.	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1%
27	Relief and Rehab.	2.1	0.1	2.1	0.1	0.1	0.1	2.1	4.1	1.1%
28	Roads	24.1	11.1	35.1	5.1	0.1	5.1	8.1	48.1	13.7%
29	ST&IT	1.1	0.1	2.1	0.1	0.1	0.1	0.1	2.1	0.5%
30	Social Welfare	1.1	0.1	1.1	0.1	0.1	0.1	0.1	1.1	0.3%
31	Sports, Tourism	12.1	3.1	15.1	1.1	0.1	1.1	2.1	18.1	5.0%
32	Transport	0.1	9.1	9.1	0.1	0.1	0.1	0.1	9.1	2.5%
33	Urban Dev.	9.1	1.1	10.1	2.1	0.1	2.1	1.1	13.1	3.6%
34	Water	11.1	1.1	12.1	2.1	0.1	2.1	3.1	17.1	4.9%
35	Unfunded AIP	0.1	0.1	0.1	0.1	0.1	0.1	35.1	35.1	9.9%

Table 17a.

Departmental Estimates of Expenditure

Units: Rs. Mln

Department	BE 2021-22 (Settled)	BE 2021-22 (Merged)	Total BE 2021-22
Agriculture, Livestock & Fisheries	20,896.4	4,625.5	25,522.0
Current	10,603.4	1,727.0	12,330.4
1 Salary	6,669.9	1,408.9	8,078.7
2 Non Salary	3,933.6	318.1	4,251.7
Development	10,293.0	2,898.6	13,191.6
Auqaf, Hajj, Religious & Minority Affairs	3,768.9	271.0	4,039.9
Current	3,039.9	0.0	3,039.9
1 Salary	41.8	0.0	41.8
2 Non Salary	2,998.1	0.0	2,998.1
Development	729.0	271.0	1,000.0
Communication & Works	43,315.2	15,474.7	58,789.8
Current	8,637.1	1,933.3	10,570.4
1 Salary	3,490.1	1,559.8	5,049.9
2 Non Salary	5,147.0	373.5	5,520.5
Development	34,678.1	13,541.3	48,219.5
Debt Servicing	38,000.0	0.0	38,000.0
Current	38,000.0	0.0	38,000.0
1 Salary	0.0		0.0
2 Non Salary	38,000.0		38,000.0
Development	0.0		0.0
District ADP, PSDP and Un-funded AIP	34,868.5	36,988.0	71,856.5
Current	0.0	0.0	0.0
1 Salary	0.0	0.0	0.0
2 Non Salary	0.0	0.0	0.0
Development	34,868.5	36,988.0	71,856.5
Elementary & Secondary Education[2]	175,240.1	30,655.6	205,895.7
Current	162,363.1	22,841.6	185,204.7
1 Salary	138,328.3	21,548.9	159,877.1
2 Non Salary	24,034.8	1,292.7	25,327.5
Development	12,877.0	7,814.1	20,691.1
Energy & Power	15,027.0	2,226.0	17,253.0
Current	356.0	0.0	356.0
1 Salary	137.5	0.0	137.5
2 Non Salary	218.5	0.0	218.5
Development	14,671.0	2,226.0	16,897.0

Table 17b.

Departmental Estimates of Expenditure

Units: Rs. Mln

Department	BE 2021-22 (Settled)	BE 2021-22 (Merged)	Total BE 2021-22
Environment & Forestry (Wildlife)	7,071.3	1,216.7	8,288.0
Current	3,492.3	728.4	4,220.6
1 Salary	2,864.7	679.2	3,543.9
2 Non Salary	627.6	49.2	676.8
Development	3,579.0	488.3	4,067.3
Establishment & Administration	5,214.0	366.6	5,580.6
Current	4,948.0	332.6	5,280.6
1 Salary	2,670.3	85.6	2,755.9
2 Non Salary	2,277.7	247.0	2,524.7
Development	266.0	34.0	300.0
Excise & Taxation	1,714.3	76.5	1,790.8
Current	1,539.3	46.5	1,585.8
1 Salary	849.9	31.7	881.6
2 Non Salary	689.4	14.8	704.1
Development	175.0	30.0	205.0
Finance, Treasuries & Local Fund Audit	33,034.9	9,076.1	42,111.0
Current	5,647.9	9,066.1	14,714.0
1 Salary	1,873.6	781.9	2,655.5
2 Non Salary	3,774.3	8,284.3	12,058.6
Development	27,387.0	10.0	27,397.0
Food	10,300.0	121.8	10,421.8
Current	10,300.0	47.8	10,347.8
1 Salary	0.0	42.3	42.3
2 Non Salary	10,300.0	5.6	10,305.6
Development	0.0	74.0	74.0

Table 17c.

Departmental Estimates of Expenditure

Units: Rs. Mln

Department	BE 2021-22 (Settled)	BE 2021-22 (Merged)	Total BE 2021-22
Government Investment and Committed Contribution	3,600.0	0.0	3,600.0
Current	3,600.0	0.0	3,600.0
1 Salary	0.0		0.0
2 Non Salary	3,600.0		3,600.0
Development	0.0		0.0
Health[3]	125,611.5	16,620.3	142,231.8
Current	107,003.5	10,763.3	117,766.7
1 Salary	54,280.2	7,878.0	62,158.2
2 Non Salary	52,723.3	2,885.3	55,608.5
Development	18,608.0	5,857.0	24,465.0
Higher Education, Archives And Libraries	23,521.0	3,534.9	27,055.8
Current	17,949.0	2,123.8	20,072.7
1 Salary	13,890.2	2,068.6	15,958.8
2 Non Salary	4,058.8	55.2	4,113.9
Development	5,572.0	1,411.1	6,983.1
Home & Tribal Affairs, Police & Jails	67,668.0	24,041.6	91,709.6
Current	65,945.0	22,914.2	88,859.2
1 Salary	53,350.6	20,157.9	73,508.5
2 Non Salary	12,594.4	2,756.3	15,350.7
Development	1,723.0	1,127.4	2,850.4
Housing	706.8	50.0	756.8
Current	156.8	0.0	156.8
1 Salary	43.5	0.0	43.5
2 Non Salary	113.3	0.0	113.3
Development	550.0	50.0	600.0
Industries, Commerce, Stationery & Printing And Technical Education	6,366.8	1,607.9	7,974.7
Current	3,477.8	236.8	3,714.6
1 Salary	2,162.5	214.2	2,376.8
2 Non Salary	1,315.2	22.6	1,337.8
Development	2,889.0	1,371.1	4,260.1

Table 17d.

Departmental Estimates of Expenditure

Units: Rs. Mln

Department	BE 2021-22 (Settled)	BE 2021-22 (Merged)	Total BE 2021-22
Information And Public Relation	1,687.1	97.1	1,784.2
Current	1,407.1	14.1	1,421.2
1 Salary	247.2	14.0	261.2
2 Non Salary	1,159.9	0.1	1,159.9
Development	280.0	83.0	363.0
Inter Provincial Coordination	61.3	0.0	61.3
Current	61.3	0.0	61.3
1 Salary	49.1		49.1
2 Non Salary	12.2		12.2
Development	0.0		
Irrigation	17,501.2	5,082.0	22,583.3
Current	5,284.2	217.7	5,501.9
1 Salary	3,575.0	200.2	3,775.2
2 Non Salary	1,709.2	17.5	1,726.7
Development	12,217.0	4,864.3	17,081.3
Labour	895.7	21.5	917.2
Current	539.7	21.5	561.2
1 Salary	340.7	21.5	362.2
2 Non Salary	199.1	0.0	199.1
Development	356.0	0.0	356.0
Law	10,532.6	2,052.2	12,584.8
Current	8,838.6	1,182.2	10,020.8
1 Salary	7,542.3	852.2	8,394.5
2 Non Salary	1,296.3	330.0	1,626.3
Development	1,694.0	870.0	2,564.0
Local Government And Rural Development	40,452.7	5,005.4	45,458.1
Current	24,968.7	1,023.9	25,992.6
1 Salary	2,871.2	194.4	3,065.6
2 Non Salary	22,097.5	829.5	22,927.0
Development	15,484.0	3,981.5	19,465.5

Table 17e.

Departmental Estimates of Expenditure

Units: Rs. Mln

Department	BE 2021-22 (Settled)	BE 2021-22 (Merged)	Total BE 2021-22
Mines & Mineral Development	1,242.5	139.2	1,381.7
Current	996.5	59.2	1,055.7
1 Salary	469.9	53.5	523.4
2 Non Salary	526.7	5.6	532.3
Development	246.0	80.0	326.0
Pension	92,000.0	76.0	92,076.0
Current	92,000.0	76.0	92,076.0
1 Salary	92,000.0	0.0	92,000.0
2 Non Salary	0.0	76.0	76.0
Development	0.0	0.0	0.0
Planning & Development And Bureau Of Statistics	36,072.1	7,740.4	43,812.6
Current	725.6	76.3	801.9
1 Salary	554.3	64.3	618.6
2 Non Salary	171.3	12.0	183.3
Development	35,346.5	7,664.1	43,010.7
Population Welfare	3,523.0	258.3	3,781.3
Current	2,776.0	136.3	2,912.3
1 Salary	1,877.3	115.6	1,992.9
2 Non Salary	898.7	20.7	919.4
Development	747.0	122.0	869.0
Provincial Assembly	1,699.0	0.0	1,699.0
Current	1,699.0	0.0	1,699.0
1 Salary	1,186.2		1,186.2
2 Non Salary	512.7		512.7
Development	0.0	0.0	0.0
Public Health Engineering	14,854.6	3,948.6	18,803.2
Current	8,546.6	923.3	9,469.9
1 Salary	4,675.8	646.3	5,322.1
2 Non Salary	3,870.8	277.0	4,147.8
Development	6,308.0	3,025.3	9,333.3
Relief Rehabilitation And Settlement	24,131.0	18,830.1	42,961.1
Current	21,489.0	17,189.6	38,678.6
1 Salary	2,929.8	160.7	3,090.5
2 Non Salary	18,559.3	17,028.9	35,588.1
Development	2,642.0	1,640.5	4,282.5

Table 17f.

Departmental Estimates of Expenditure

Units: Rs. Mln

Department	BE 2021-22 (Settled)	BE 2021-22 (Merged)	Total BE 2021-22
Revenue & Estate	16,226.0	5,659.8	21,885.8
Current	15,540.0	5,079.8	20,619.8
1 Salary	4,266.2	1,054.3	5,320.4
2 Non Salary	11,273.8	4,025.5	15,299.4
Development	686.0	580.0	1,266.0
Science & Technology And Information Technology	2,429.2	155.4	2,584.6
Current	906.2	0.0	906.2
1 Salary	87.7	0.0	87.7
2 Non Salary	818.5	0.0	818.5
Development	1,523.0	155.4	1,678.4
Sports, Culture, Tourism, Archaeology & Museums	17,893.0	2,656.6	20,549.7
Current	2,899.0	36.1	2,935.1
1 Salary	776.3	34.6	810.9
2 Non Salary	2,122.7	1.5	2,124.3
Development	14,994.0	2,620.5	17,614.5
Transport & Mass Transit	12,152.2	60.0	12,212.2
Current	3,359.6	0.0	3,359.6
1 Salary	290.5	0.0	290.5
2 Non Salary	3,069.2	0.0	3,069.2
Development	8,792.6	60.0	8,852.6
Viability Gap Fund	5,000.0	0.0	5,000.0
Current	5,000.0	0.0	5,000.0
1 Salary	0.0	0.0	0.0
2 Non Salary	5,000.0	0.0	5,000.0
Development	0.0	0.0	0.0
Zakat, Ushr, Social Welfare, Special Education And Women Empowerment	4,705.8	589.1	5,294.9
Current	4,203.8	202.6	4,406.5
1 Salary	1,607.7	131.4	1,739.1
2 Non Salary	2,596.2	71.2	2,667.4
Development	502.0	386.5	888.5

Chapter 4 – The National Finance Commission

The National Finance Commission finalized the 7th NFC Award on 18th March, 2010, in which the Federal Government reduced the Federal Board of Revenue's collection charges from 5% to 1%, which significantly benefited the provinces. The share of provinces in vertical distribution was also increased from 49% to 56% for 2010-11 and to 57.5% for the remaining years of the 7th Award. Under clause 3(A) of Article 160 of the Constitution of Islamic Republic of Pakistan, inserted through the 18th Constitutional Amendment, the share of the provinces in each future Award of National Finance Commission shall not be less than the share given to the provinces in the previous Award.

The Multiple-Criteria Formula was used for the first time as part of the 7th NFC Award. According to the NFC formula, the following weightages are assigned to each parameter;

1. 82% to population,
2. 10.3% to poverty and backwardness,
3. 5% to revenue collection/generation
4. 2.7% to Inverse Population Density (IPD).

Realizing the central role of Khyber Pakhtunkhwa in the War on Terror, 1% of the Gross Divisible Pool was also assigned to it in addition to its otherwise share. A comparison of horizontal distribution shares of Provinces in 7th NFC Award and the previous NFC Award is given in the table below.

Table 18

Share of Provinces in the Divisible Pool as per 7th NFC Award

Units: Rs Bln

Province	% Share in the 6 th Award	% Share in 7 th NFC Award			Budget Estimate 2021-22
		Horizontal Share	1% for War on terror*	Grant for Compensation on account of OZ&T	
Federal Share	62.5	42.5			
Provinces	37.5	57.5			
Punjab	53.2	51.74			51.74
Sindh	24.96	24.55			24.55
Khyber Pakhtunkhwa	14.78	14.62	1.80		16.42
Baluchistan	7.05	9			9.09

Ever since the 7th NFC Award, there has been a stalemate between the Federal and Provincial Governments over its successor Award. The 8th NFC constituted on 21st July, 2010 and 9th NFC constituted on 24th April, 2015 and reconstituted on 10th January, 2019 ended their respective

five-year terms without making any recommendations. The 7th NFC Award took effect from 1st July, 2010, and it remains in vogue today.

In the inaugural meeting of the 10th NFC held on 18th February, 2021 it was decided to set up seven (7) Sub-Groups including Sub-Group-V & VII assigned to Khyber Pakhtunkhwa. The task of Sub-Group-V is to make recommendations to the Commission for development of erstwhile FATA whereas Sub-Group-VII has been assigned the task of recommendations for funding of pension liabilities of the Federal and Provincial Governments. This group will also deliberate on items (d), (e) and (f) of the terms of reference of the 10th NFC and submit its recommendations to the Commission.

Of paramount importance to the province of Khyber Pakhtunkhwa in a fresh award is:

1. A recalculation of the provincial share on the basis of the 2017 census.
2. The integration of the demographics of the Newly Merged Areas into the province, particularly the 2.4% share of national population as per both the 1998 census and the 2017 census.
3. A permanent settlement of the issue of Net Hydel Profits determination in line with the Constitution under Article 161, and demand for constitutional right for imposition of Federal Excise Duty on Oil as per Article 161 (b) of the Constitution.

This necessitates a recalculation of the horizontal share of Khyber Pakhtunkhwa under any new formula for horizontal distribution to be finalized by the 10th NFC. The Prime Minister of Pakistan has also pledged 3% of the NFC share of Federal Government, Punjab and Khyber Pakhtunkhwa to be given to fund development needs of Newly Merged Areas for the next 10 years, as per the Tribal Decade Strategy. The Government of Khyber Pakhtunkhwa will continue to comprehensively approach the next NFC Award for realization of optimal share of the province inclusive of the Newly Merged Areas, and press upon all other federating units to honour their commitments, in order to ensure that the war-afflicted region enters the mainstream and integrates smoothly with the rest of the province.

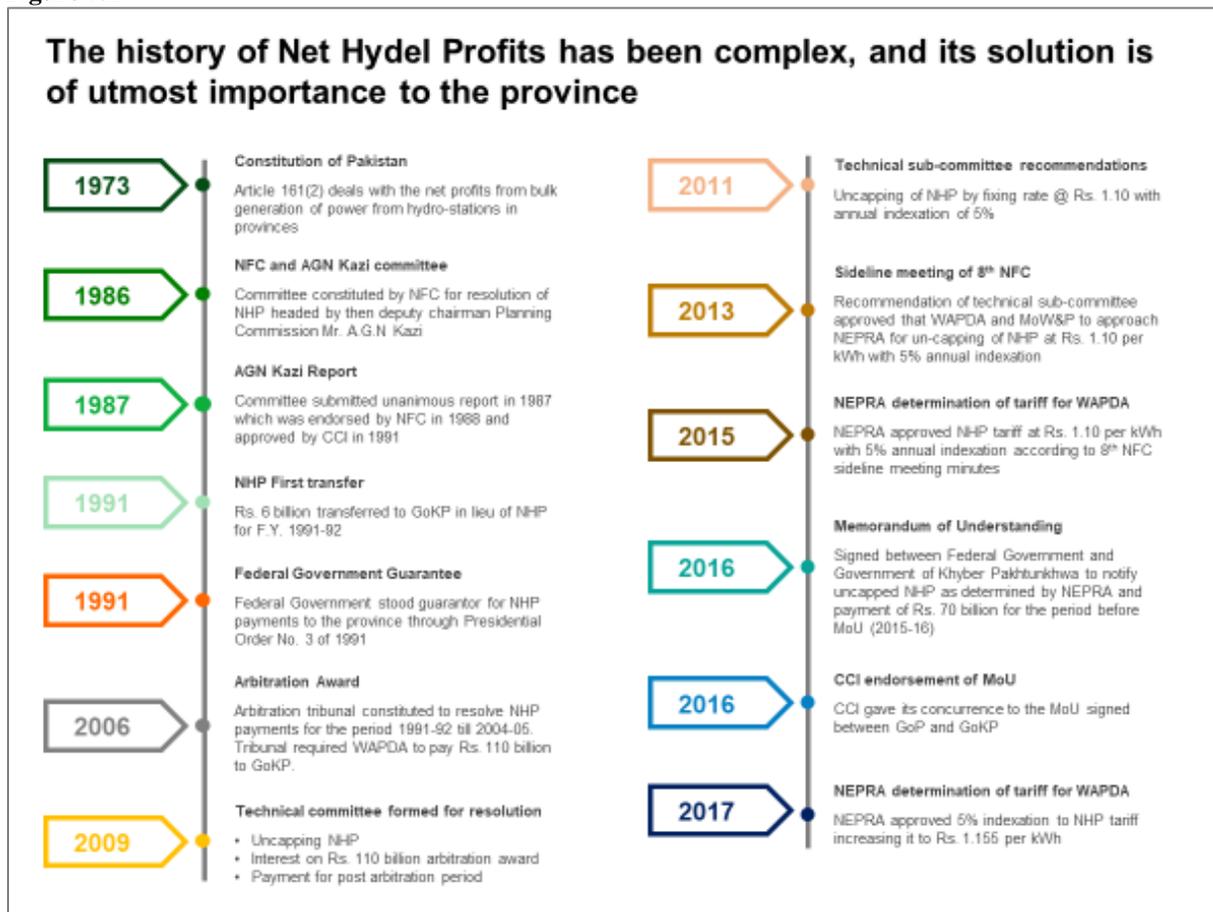
Chapter 5 – Net Hydel Profits

Net Hydel Profits (NHP) are a provision of the 1973 Constitution of the Islamic Republic of Pakistan that safeguard the use of provincial water as a natural resource for power generation. It defines NHP as profits from the bulk generation of power at a hydroelectric station.

This is in line with the international practice and royalty on water is given to affected regions in countries like the United States, China, Brazil, Canada.

Hydro-electric stations are a cheap source of electricity with a major Capex, but very low variable charges and no fuel cost charges. For example, in FY 20, Tarbela generated 11.8 billion units for approximately Rs. 2.8 per kWh while Warsak Dam generated 1.1 billion units for approximately Rs. 3.4 per kWh.

Figure 5.1



Khyber Pakhtunkhwa is in a disadvantageous geographic position due to its land-locked position and proximity to war-torn Afghanistan, and while there remains potential to amplify returns once peace is established in Afghanistan and trade routes open up to Central Asia, it remains a perennial challenge as stability remains elusive. Compared to KP, Punjab has a large population base with fertile agricultural land as well as a strong industrial base, while Sindh and Baluchistan

have port cities promoting trade and commerce. This requires KP to leverage natural resources to its advantage for economic growth and industrial investments.

Despite protection by the constitution to hydro royalties, NHP has been in dispute since 1991. The framework and formula to calculate annual NHP was conceived by a committee headed by the then Deputy Chairman Planning Commission Mr. A.G.N Kazi. The committee submitted a unanimous report which was endorsed by the NFC and approved by the Council of Common Interests in 1991. Khyber Pakhtunkhwa, then NWFP, received NHP for the first time in FY 1992 according to the AGN Kazi formula but got capped at Rs. 6 billion afterwards, despite multiple approvals and guarantees of the Federal Government to implement Kazi formula. NHP finally got uncapped in FY16 after 24 years according to an interim solution proposed by a technical committee and signed off through an MoU between the Government of Pakistan and Government of Khyber Pakhtunkhwa. This MoU was endorsed in the same year by CCI. Both the frameworks were formulated to calculate NHP but did not define any modalities regarding mode of payment, penalties in case of late payment or conflict resolution.

NHP has always been portrayed incorrectly as an additional tax or levy to be paid by the consumers over and above the electricity tariff. However, this is not the case and it is not calculated in this way by the Kazi formula. According to Kazi committee methodology, NHP is the net profit for each hydro-electric station in a province after deduction of transmission cost, distribution cost, generation cost, operator's overhead, and reserves. This makes it based on actual generation and costs and does not charge anything extra on the consumer.

A committee has been constituted by the Federal Government to work out a solution regarding payment mode according to Kazi formula but till then payments will be made in line with the MoU. WAPDA has always paid randomly and minimally to GoKP resulting in huge liabilities. Finance department under its leadership has recently engaged rigorously with the Federal Government, to ensure regular monthly transfers of NHP. The results have been fruitful resulting in Rs. 3 billion transfers every month since November-20. These efforts will continue in order to reduce the current arrears which will pile to **Rs. 36,928 million as on 1st July,2021**.

Khyber Pakhtunkhwa's stance is clear and demands the following:

1. Solution on how to pay NHP to provinces according to AGN Kazi formula.
2. Till then, implementation of 2016 MoU in letter and spirit including annual indexation of 5%.
3. Institutionalizing monthly NHP payments to Khyber Pakhtunkhwa by delinking it with WAPDA.
4. One off payment to settle current liabilities which has been positively committed to by the new Federal Finance Minister.

Other than Net Hydel Profits from WAPDA operated projects, Government of Khyber Pakhtunkhwa operates hydro projects having cumulative capacity of 155 MW while projects having capacity of 220 MW are under construction. With expanding capacity, Khyber Pakhtunkhwa tapped the framework of wheeling last year which proved to be a great success both for the industry and the government. It was the first model of wheeling to be implemented

in the country. 18 MW of capacity from Pehur HPP was agreed with 5 industries through a competitive process. After the pilot success, GoKP launched phase-II of wheeling model by providing capacity of 142.2 MW (81MW Malakand-III, 36.6MW Daral Khwar, 10.2MW Jabori, 11.8MW Karora and 2.6MW Machai) to industries. However, a litigation case has been started on this through a petition by DISCOs. PEDO also faces minimal and slow payment mode from CPPA-G for its operational stations. The **current liabilities** stand at **Rs. 3.8 billion** with a major portion of Rs. 1.3 billion to be paid by PESCO. These hurdles by power SOEs remains a challenge in pushing economic growth further for the province of Khyber Pakhtunkhwa.

Figure 5.2

Almost Rs. 4 Bln are pending with various Federal Government entities for payment to PEDO

HPP	Head	Amount (Rs. Mlns)	Status
Malakand-3	Electricity Sale	505	Verified by CPPA-G
	Late Payment Surcharge	535	Verified by CPPA-G
	Indexation	1,481	NEPRA approved, to be notified by Power Division
	Sub-Total	2,521	
Pehur	Arrears	1,269	To be reconciled by PESCO
	Electricity Sale	51	34.6 mln by PESCO 16.5 mln by CPPA-G
	Sub-Total	1,320	
Grand Total		3,841	

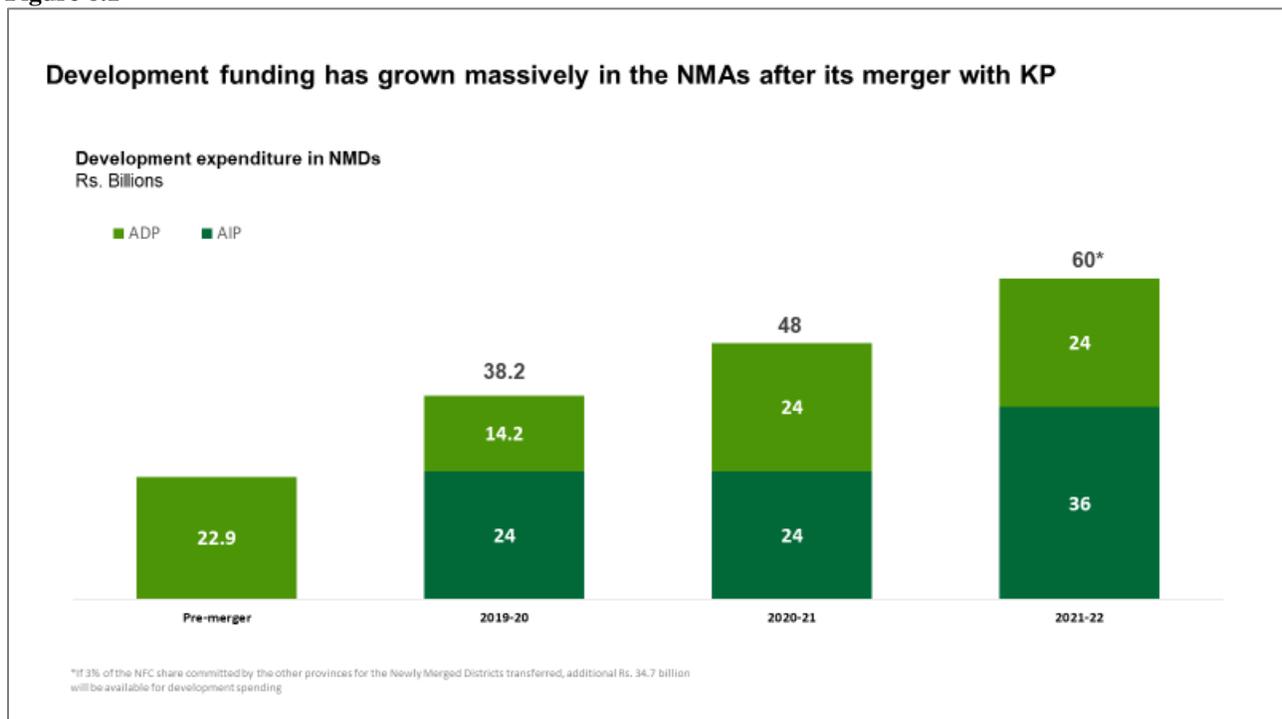
Chapter 6 – Newly Merged Areas

The 25th Constitutional Amendment approved by the President of Pakistan on 31st May, 2018 officially merged the Federally Administered Tribal Areas (FATA) into Khyber Pakhtunkhwa (KP). This essentially meant full political, administrative and fiscal integration and mainstreaming of Merged Areas with KP. Accordingly, the National Assembly unanimously approved the 26th Amendment to the Constitution allowing an increase from 6 to 12 seats in the National Assembly and 16 to 24 in the Khyber Pakhtunkhwa Assembly's seats for the Merged Areas.

The administrative merger was successfully completed during 2018-19 through integration of all Directorates of Merged Areas Civil Secretariat with respective Administrative Departments of KP. Financial Integration was also successfully achieved through presentation of an integrated 2019-20 Budget for all of Khyber Pakhtunkhwa, marking a historic moment in our history.

At the time of the merger, development of FATA was acknowledged as a collective national responsibility, and all provinces promised that a due contribution of 3% from the divisible pool will be diverted towards the growth and prosperity of the Newly Merged Areas (NMAs). This 3% was promised to bring NMAs at par with other regions in terms economic development. However, the commitment of the other provinces failed to materialize, with KP the only province fulfilling its mandate of diverting its own settled district resources to stimulate economic activity in the Newly Merged Areas. As shown in the Figure below, Government of Khyber Pakhtunkhwa has accelerated development spending for NMAs and it has increased by **57%** since FY 2019-20.

Figure 6.1



6.1 Budget Numbers 2021-22 for Merged Areas

The overall current and development expenditure of the newly merged areas is around **Rs. 196 billion (excluding FPA)**. Current expenditure is expected to be around **Rs. 99 billion**, against a budgeted amount of **Rs. 74 billion** from last year. The development expenditure is budgeted at **Rs. 97 billion** which was around **Rs. 76.6 billion** for the last fiscal year.

Table 19a.

Expenditure of Merged Areas

Units: Rs. Bln

HEAD	B.E 2021-22
Total Expenditure	199.4
Current Expenditure	99.0
Salary	60.0
Non-Salary - O & M and Contingenci	39.0
Development Expenditure	100.4
ADP (Provincial - Merged Districts)	24.0
ADP (Devolved - Merged Districts)	2.4
Accelerated Implementation Plan (AIP - Funded)	36.0
Accelerated Implementation Plan (AIP - Unfunded)	34.6
FPA	3.3

Table 19b.

Department Wise Current Budget Estimates 2020-21 (Rs. in Billions)

Units: Rs. Mln

D.No	Departments	BE	RE	Posts	BE 2021-22		
		2020-21	2020-21		Salary	Non Salary	Total
Total		88,000.0	83,805.8	52,781	31,000.0	68,000.0	99,000.0
61	NC21075 GENERAL ADMINISTRATION	501.9	490.8	187.0	85.6	247.0	332.6
61	NC21076 TREASURIES	77.5	78.2	110.0	80.9	9.7	90.5
61	NC21077 FINANCE DEPARTMENT	9,222.5	6,525.1	75.0	698.3	8,274.6	8,972.9
61	NC21079 PLANNING & DEVELOPMENT DEPARTMENT	60.6	48.8	67.0	56.9	11.0	67.9
61	NC21080 BUREAU OF STATISTICS	9.2	2.8	10.0	7.4	1.0	8.4
61	NC21082 REVENUE & ESTATE DEPARTMENT	10.0	3.0	0.0	0.0	3.0	3.0
61	NC21083 EXCISE AND TAXATION DEPARTMENT	0.0	23.9	105.0	31.7	14.8	46.5
61	NC21084 HOME DEPARTMENT	195.1	410.6	249.0	216.4	1,729.5	1,945.9
61	NC21085 JAILS & CONVICTS SETTLEMENT	176.2	151.2	401.0	249.0	19.9	268.9
61	NC21087 ADMINISTRATION OF JUSTICE	1,042.1	988.8	1,118.0	852.2	330.0	1,182.2
61	NC21088 HIGHER EDUCATION, ARCHIVES & LIBRARIES	2,333.6	1,251.6	2,202.0	2,068.6	55.2	2,123.8
61	NC21089 HEALTH	1,680.0	1,633.4	2,897.0	2,192.7	1,975.4	4,168.1
61	NC21090 COMMUNICATION AND WORKS DEPARTMENT	1,385.7	1,278.0	2,982.0	1,559.8	61.0	1,620.8
61	NC21091 ROADS HIGHWAYS & BRIDGES (REPAIR)	181.9	181.9	0.0	0.0	181.9	181.9
61	NC21092 BUILDING & STRUCTURE (REPAIR)	130.6	131.2	0.0	0.0	130.6	130.6
61	NC21093 PUBLIC HEALTH ENGINEERING	1,020.7	1,002.9	2,149.0	646.3	277.0	923.3
61	NC21094 LOCAL GOVERNMENT DEPARTMENT	34.3	128.8	59.0	49.4	26.6	76.0
61	NC21095 AGRICULTURE	168.1	129.1	266.0	169.1	14.3	183.4
61	NC21096 ANIMAL HUSBANDRY	122.2	166.7	126.0	58.8	197.4	256.2
61	NC21098 FORESTRY (WILDLIFE)	578.9	455.6	1,608.0	679.2	49.2	728.4
61	NC21099 FISHERIES	22.2	24.2	43.0	24.2	2.8	27.0
61	NC21100 IRRIGATION	191.1	187.4	279.0	200.2	17.5	217.7
61	NC21101 INDUSTRIES	12.6	12.1	42.0	11.7	2.6	14.2
61	NC21102 MINERAL DEVELOPMENT AND INSPECTORATE OF	70.5	46.4	123.0	53.5	5.6	59.2
61	NC21104 POPULATION WELFARE	10.5	9.5	15.0	10.0	1.0	11.0
61	NC21105 TECHNICAL EDUCATION AND MANPOWER	217.1	161.4	397.0	202.6	20.0	222.6
61	NC21106 LABOUR	0.0	0.0	70.0	21.5	0.0	21.5
61	NC21107 INFORMATION & PUBLIC RELATIONS	14.8	22.6	12.0	14.0	0.1	14.1
61	NC21108 SOCIAL WELFARE, SPECIAL EDUCATION	83.3	79.7	100.0	69.4	20.0	89.4
61	NC21109 ZAKAT & USHER DEPARTMENT	4.6	9.5	23.0	4.1	4.5	8.6
61	NC21111 SPORTS, CULTURE, TOURISM & MUSEUMS	25.8	12.7	42.0	26.6	1.0	27.6
61	NC21116 ELEMENTARY AND SECONDARY EDUCATION	203.3	659.9	280.0	762.6	61.5	824.1
61	NC21117 RELIEF REHABILITATION AND SETTLEMENT	17,107.4	17,131.0	234.0	162.6	17,028.9	17,191.5
61	NC21118 DISTRICT SALARY	25,658.6	25,658.6	0.0	0.0	29,000.0	29,000.0
61	NC21119 DISTRICT NON SALARY	6,370.7	6,370.7	0.0	0.0	6,419.3	6,419.3
61	NC21120 POLICE	18,336.8	16,966.8	36,431.0	19,692.6	1,006.9	20,699.4
61	NC21122 GRANT TO LOCAL COUNCILS	717.6	717.6	0.0	0.0	717.6	717.6
61	NC21123 PENSION	3.9	639.6	0.0	0.0	76.0	76.0
61	NC11058 STATE TRADING IN FOOD GRAINS & SUGAR	18.2	13.4	79.0	42.3	5.6	47.8

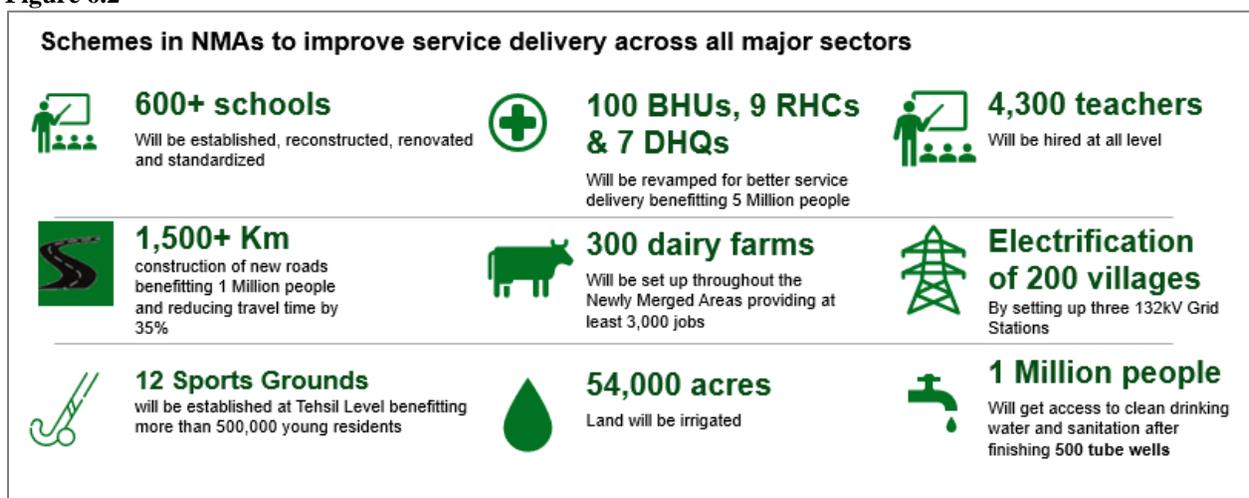
6.2 Key principles for utilising Merged Areas Development Plan funds in the Budget

The Government of Khyber Pakhtunkhwa realizes the special status for Merged Areas for not just the province but all of Pakistan which is why it has set itself the following principles for utilizing funds earmarked for Merged Areas.

1. Funds to be outside of the annual development plan, so they can be used flexibly
2. Spend with a direct impact on people to be prioritized; as opposed to procuring land, building offices etc.
3. The primary focus of year 1-3 to be spend in the social sector; health; education; jobs; wealth creation – and on programs that have rapid impact.
4. A second focus to be on improving infrastructure for Merged Areas, and on projects with economic impact; roads; electricity infrastructure.
5. Planning to consider that Merged Areas is now an integrated part of Pakhtunkhwa; implications are significant; for example, East West connectivity more important than North South connectivity.
6. One Fund concept; assuming Merged Areas business as usual funding is protected until the new NFC decision, and adequate funding is guaranteed, the money can be used on projects that may be federal in nature – e.g. building the electricity grid; Torkham Railway line etc.

As a result of this strenuous exercise to prioritize service and economic development in the region, the government of Khyber Pakhtunkhwa will be enabling and improving the developmental landscape of NMAs in FY 2021-22 by adding; 600+ schools, 1,500+ KM of new roads, , 4,300 teachers, 300 dairy farms, irrigating 54,000 acres and will be facilitating the population of NMAs by provisioning 12 sports grounds and 500 tube wells creating access to clean water for 1 million people.

Figure 6.2



Chapter 7 - Public Financial Management Reforms

Public Financial Management (PFM) underlies all government operations and is amongst the most important components of an effective governance system. It encompasses an annual cycle of policy and planning, budget preparation, budget execution, accounting and reporting, performance monitoring and audit. The Government of Khyber Pakhtunkhwa aims to achieve three important objectives with its PFM practices i.e., aggregate fiscal discipline, operational and allocative efficiency with rigorous revenue enhancement coupled with rationalized and early development releases.

This chapter presents key strategic interventions undertaken by the Government of Khyber Pakhtunkhwa as part of its PFM reforms agenda for an inclusive, transparent, and accountable Government.

7.1 A Dynamic Approach to Financial Management

This chapter outlines the practices undertaken for transformation of financial management in Khyber Pakhtunkhwa. Traditionally, Finance was seen as a department that deters spending which has now changed. By improving financial management, we have tried to maximize its impact. This has been done through more top-down decision making, strategic management, and usage of tools such as forecasting and transparency. The process of revamping financial management has been rigorous and includes the following key dimensions:

1. **Enhancing transparency:** This was done by introducing a first of its kind document in Pakistan, the annual ‘Actual Revenue and Expenditure Report’, the second edition of which has recently been published for the financial year 2019-20. At the same time significant improvements were made to the citizen’s budget, and white paper in terms of quality of content and information for the public
2. **Strategically driven budget making process:** The process was transformed from a bottom-up approach to a combination of bottom up and top-down approach, dovetailed with strategic vision of the Government of Khyber Pakhtunkhwa, resulting in a strategically driven and scientifically forecasted budget exercise.
3. **SNE analysis:** Finance department streamlined and improved the overall SNE approval process through conducting regular SNE Committee sessions and scrutinizing the positions at a granular level. This resulted in an increased focus on creating service delivery positions. Furthermore, consultative sessions were held with the departments regularly to rationalize the SNE demands leading to an overall saving of around Rs. 4 billion in the FY 20-21.
4. **Development spending:** The Government had taken an unprecedented step in FY 2018-19 to clear out as many low-quality projects as possible to create space for the new and better projects allowing consolidation of the high service delivery portfolios. This exercise reduced the throw forward by 203B from 469B to 266B, allowing more space for better and new projects. Sectors of utmost importance were scrutinized to ensure that low impact projects are cleared across the portfolios. Health projects with a throw forward of 35B were rationalized and restricted and where necessary, completed at low cost in health sector to allow for better space utilization of the portfolio.
5. **Service delivery:** With on point development spending, analysis of SNEs and careful analysis of cash flow, the department was able to divert resources towards high priority projects which will result in uplifting the economy and also help augment selected service delivery streams in the province.
6. **Pre-Budgetary Discussions:** Relevant stakeholders also held a pre-budget consultation with chambers of commerce to solicit their views and recommendation on gender responsive budgeting in the province. The forum recommended, among others, improvement gender responsive social development allocations and localization of SDGs agenda through budget allocations.

7.2 Surplus or deficit budgets: Budgeting in Pakistan, & how KP is leading change

There is a perpetual confusion regarding provincial budgets being either in a surplus or deficit. This confusion exists because traditionally budget reporting in KP, and across Pakistan, is based on budget estimates, followed by mid-year revised estimates. Budget data is not compared with actual spending. KP is the first province in Pakistan to publish actuals data, through the annual ‘Actual Revenue and Expenditure Report’, the second edition of which has been recently published for the FY 2019-20. In practice provinces tend to budget all potential receipts in order to not lose their claim on them. But then roughly they spend what they get. In other words, actual spend is adjusted in line with the actual receipts and provinces typically run balanced budgets or close to balanced budgets.

Table 20

Variations in Receipts & Expenditure 2004-05 to 2019-20 - Actuals vs. Budget

Units: In Bln

Year	Budgeted Receipts			Actual Expenditure			Actual Expenditure/Receipts %
	Budgeted Receipts Rs. Bln	Actual Receipts Rs. Bln	Actual / Budget %	Budgeted Expenditure Rs. Bln	Actual Expenditure Rs. Bln	Actual / Budget %	
Total	5,136.9	4,300.1	84%	5,209.4	4,437.4	85%	103%
2004-05	64.4	53.7	83%	67.3	61.8	92%	115%
2005-06	75.7	81.5	108%	77.9	79.1	102%	97%
2006-07	81.5	82.7	101%	85.3	84.8	99%	103%
2007-08	102.3	89.8	88%	107.7	96.0	89%	107%
2008-09	113.7	98.0	86%	113.7	106.9	94%	109%
2009-10	131.4	140.3	107%	134.4	150.7	112%	107%
2010-11	208.3	215.0	103%	208.3	194.7	93%	91%
2011-12	232.8	226.4	97%	249.2	241.0	97%	106%
2012-13	279.5	255.2	91%	303.0	269.1	89%	105%
2013-14	298.0	307.7	103%	344.0	289.6	84%	94%
2014-15	404.8	316.3	78%	404.8	352.1	87%	111%
2015-16	487.9	406.4	83%	487.9	392.7	80%	97%
2016-17	505.0	404.2	80%	505.0	458.2	91%	113%
2017-18	603.0	493.2	82%	603.0	504.3	84%	102%
2018-19	648.7	514.2	79%	618.0	520.8	84%	101%
2019-20	900.0	615.4	68%	900.0	635.7	71%	103%

KP has been leading the way in addressing this issue. For the first time in FY 2019-20, salaries, which had historically been budgeted against all sanctioned positions (filled and vacant), were budgeted on actual projected expenditure on account of employees drawing salaries. Similarly, cuts were introduced in many lines of non-salary expenditure for reappropriation in accordance with actual spending pattern, resulting in budgetary provisions based on actual expected expenditure rather than full year allocations.

The emphasis on actuals’ data means more optimal allocation decisions, increased transparency, greater accountability, and improved understanding of budget utilization, particularly when it comes to development spend, where criticism is directed based on budget estimates, rather than actuals. KP is trying to set standards in transparency and openness, with the hope of meaningful debate, leading to more thought through decision making, creating more impact on the citizens of this province.

7.3 Legislation in the pipeline

1. Khyber Pakhtunkhwa Public Financial Management Act (Draft) 2021

In light of Article 119 of the Constitution of Pakistan regarding custody etc. of Provincial Consolidated Fund and Public Accounts to be regulated under an Act of Provincial Assembly, the Government of Khyber Pakhtunkhwa (KP) has already taken initiative to formulate draft KP Public Financial Management (PFM) Law 2021. This will be presented before the Provincial Assembly for legislation. This signifies Government's firm commitment to continue with PFM reform implementation and also to provide legal back up to current reforms initiatives as well as those already successfully implemented on ground during the last couple of years. In this regard, the Sub-National Governance program has been providing technical support to the Government.

The draft KP PFM Law aims to establish appropriate primary regulatory setup and processes for public finance management as this would enable Government to manage public finances in an efficient and effective manner. The draft Law would also ensure that all revenue, expenditure, assets, and liabilities of government are managed well for better public service delivery. With this perspective, the law aims to set out key areas of PFM reform, including fiscal policy & discipline, aligning development and recurrent spending, performance-oriented budgeting and execution, financing of state-owned entities and ensuring transparency and accountability in public finances.

It is also important to underscore that the draft KP PFM Law has been developed keeping in view national and global experiences including Federal PFM Act with amendments, draft laws prepared by other provincial governments and PFM law adopted by other countries.

2. Fiscal Responsibility and Debt Management Act

Finance Department, Government of KP has drafted the Fiscal Responsibility and Debt Management Act 2021 (bill) to provide legal framework for prudent fiscal and sound debt management by the Government and to ensure a balance in fiscal operations and debt management of the province in disciplined and sustainable manner.

The draft Act (bill) has been finalized in line with the Fiscal Responsibility and Debt Limitation act 2005 (revised in 2017) of the Federal Government with technical inputs from the World Bank team.

The subject bill will be presented before the provincial Cabinet and Assembly and once implemented will serve as the foundation for prudent management of fiscal and debt operations by the Provincial Government.

3. Amendments in KPPRA Act

To provide for legal and regulatory framework for public procurement in KP, the Government promulgated KPPRA Act in 2012. Finance department later on framed Procurement Rules in the year 2014 and established Khyber Pakhtunkhwa Public Procurement Regulatory Authority (KPPRA) in pursuance of section 04 of the Act *ibid* as a regulator for procurement regime of KP.

As anywhere else, public sector remains a major procurement player even more so in KP. Some key Government departments of KP conduct an average of 224 procurements during a year resulting in around 500 contracts awarded each month. The 6,600 procuring entities of KP

Government combined to undertake procurement to the tune of RS. 70 billion in 2019-20 spread across goods, services, and works.

With such huge volumes and frequency of transactions, KP Government has strived to provide those enabling mechanisms which would help achieve the following procurement related objectives:

- Increasing transparency
- Encouraging competition
- Increasing quality procurement
- Decreasing overall cost of procurements
- Decreasing the time to carry such procurements

Realizing that the regulatory regime would need to be fine-tuned to have the greatest impact on achieving the above-mentioned goals of efficient procurement, the Government set upon the path of revitalizing its regulatory frameworks to make these more in sync with the requirements of modern markets dynamics and efficient public procurements.

In this regard and after exploring various avenues of consultations and deliberations, the Government is now in a position to implement certain amendments in KPPRA Act which would among others, help achieve the following:

Providing Framework Agreements as Alternate solution: Framework agreements have been recommended as an alternative mechanism for catering to the needs of procuring entities whose nature of work warrants indefinite delivery of indefinite quantity of goods, works and non-consulting services. The proposed amendments would help with the procurements of:

- Off the shelf procurement of “Goods” which are used commonly with standard specifications
- “Services” which are routine in nature including both consulting & non-consulting services, and
- Small value contracts for “Works” for emergency operations.

Enhancement of financial ceilings: KPPRA Act provides for certain financial ceilings for procurement of Goods, Works & Services, on the basis of single-quotation. It has however been observed that the low financial ceilings have rendered these avenues relatively unutilized. This phenomenon is even more pronounced for autonomous/ semi-autonomous entities whose very nature requires quick decision making and effective service delivery. The proposed amendments would increase these financial ceilings which allow the procuring entities the required freedom of procuring urgently needed goods.

Provision of LC based procurements: Letter of credits is an important instrument used quite frequently in international commerce and financial transactions. The fact that the current KPPRA Act did not provide an enabling provision had affected access to a wider array of goods and services with likely economies of scale at play. The proposed amendments would allow for LCs and hence would directly benefit those procuring entities, which requires complex natured goods and services.

Supply chain management definition added: The addition of definition would allow legal cover to the entire landscape of supply chain including purchasing, logistics, transportation, warehousing, storage, stock control, contract administration and disposal etc.

Other key amendments: These include areas such as increasing scope/applicability so that direct procurements with credible multilateral agencies are allowed, providing for procurement planning of procuring entities and finally providing new modes of procurement through PPP arrangements and e- procurement.

4. Khyber Pakhtunkhwa Revenue Authority's new legislative instruments

The Khyber Pakhtunkhwa Finance Act, 2013 is a composite legislation which covers three different tax imposition and administration regimes. The Act provided ground and legal cover for establishment of Khyber Pakhtunkhwa Revenue Authority (KPRA) imposition of sales tax on services and levying of Infrastructure Development Cess (IDC). While the Act provides broad coverage of institutional and operational dimensions of KPRA and administrative framework of sales tax on services, it only provides enabling provision for IDC without referring to framework for its collection and management.

While KPRA was already working on revamping its law as a long felt institutional need, the Peshawar High Court during various appearances of KPRA's officials in court, also informally suggested to trifurcate the KP Finance Act, 2013 into three different statutes each for the following three domains as has been done by other provincial authorities, namely:

- **KP IDC Act**
- **KPRA Act**
- **KP Sales Tax on Services Act**

Broad contours of IDC Act

Infrastructure Development Cess (IDC) was historically collected by the Excise, Taxation and Narcotics control department in Khyber Pakhtunkhwa. In FY 2019-20, the collection and target for this cess was transferred to the Khyber Pakhtunkhwa Revenue Authority (KPRA). To enhance efficacy of the collection process, KPRA decided to utilize existing customs' offices as collecting points for this cess.

IDC is in its expansionary stages and hence, to formally address the main contours of this cess the IDC act was drafted in a comprehensive manner covering all important dimensions. The core issues addressed in this document include:

- Imposition of IDC
- Scope of IDC & fixation of IDC rates by the Government
- Collection mechanism & collection entrustment
- Matters related to adjudication, audit, enforcement, recovery, default surcharge and penalties for non-payment and other violations, treatment of contravening goods and vehicles, establishment of check-posts, empowerment of customs authorities, appeal system, rules making powers and savings.

Broad contours of KPRA Act

The main features of the draft KPRA Act revolve around the principles of autonomy-based management of organizations responsible to collect and administer taxes on behalf of the government.

These core principles addressed in this Act include the following:

- **Organizational efficacy:** This act will simplify the structure of the organization to a leaner version coupled with open opportunities for talented prospective employees across the province.
- **Structural precision:** The act summarizes the organizational structure in a way that it facilitates tax collection and tax policy making, by strengthening the existing organizational structure and streamlining processes from top to bottom.
- **Optimal operational freedom:** shall also be ensured for KPRA, within the boundaries of a tax organization. This will further smoothen approvals of policy related matters, adjudication, and overall uplift performance of the collectorates.
- **Participation of private sector:** This act ensures presence of the private sector members in the organization, under the overarching operational policy guidance through a body represented by members. This will add multi-dimensional professional and technical backgrounds, which will ensure escalation in institutional efficiency.
- **Taxpayers' facilitation** through transparent interactive tax management will also be ensured in this act.
- **Skilled Human Resource:** This act also deals with the aspects of refining avenues of hiring high quality requisite resources based on defined Terms of Reference (TORs). From appointment to laying down the principles of human resource development, this act will overall augment the quality of capacity building in the organization.

Broad contours of KP Sales Tax on Services act

The first draft of the main body of the KP Sales Tax on Services Act is also complete. Pakistan is fast moving towards the adoption of ideal-type principles of VAT (value added tax). Both components of the draft relating to design and machinery have been constructed carefully keeping in view the experience gained at national level and the lessons learnt from international best practices.

It covers all thematic regimes like imposition and scope of tax (contours of tax obligation), accrual, assessment, payment, determination and realization of tax liability, cognizance and adjudication of non-late-short payments (including non-late-short filings), controlling competencies of KPRA as a supervisory authority of the tax administration per se, distribution of

powers amongst varied designations of KPRA's functionaries, invoicing, record keeping, audit, investigation, prosecution, default surcharge (preventive penal taxation), penalties, adjudication, multi-layer appeal mechanism, principal compliance and implementation procedures, removal of difficulties (including tax dispensations and condonations of both time limitations and outstanding completion of actions) and saving of previous decisions and actions etc.

In the context of KP sales tax statute, an attempt will be made to bookend three schedules, the first schedule containing description (with codification/classification) of services as a minimum list (efforts will be made to further harmonize the descriptions with international usages), second schedule for reduced rates (mostly for SMEs and infant service sector businesses) and third schedule for negative list (this will be a new approach for statutory exemptions to cater for the specific economic development and social welfare needs of the province). The services not covered under the second and third schedule will be ipso facto be liable to standard rate of tax unless any higher rate has been specified for any specific category of service or services (captive tax bases treatment neutral to consumption generally resulting from surplus income expenditure).

However, keeping in view the ongoing multi-jurisdictional efforts under the auspices of National Tax Council to accelerate the process of GST harmonization in the country, finalization work on the KP Sales Tax on Services Act has been for the time being held in abeyance. It will be undertaken afresh once the consensual decisions on the GST harmonization are complete enabling KPRA to make necessary adjustments in the new law.

It is understood that with the above three new legislations in the field, several positive beneficial outcomes will accrue to KPRA, the KP Government and the KP Province. The reformed legislative system of taxes collected by KPRA will drastically further increase the public image of KPRA as a leading tax organization of the province, transparency and convenient compliance features of the new legislative frameworks (prudently mixed with carrot and stick approach) will promote tax culture in the province through rapid confidence building in the business community, increase in the efficiency of KPRA will bring new revenue fruits to the province and will pave way for more modern rather ultra-modern adjustments in the KP sales tax system in time to come.

7.4 The Cost – Revenue balance

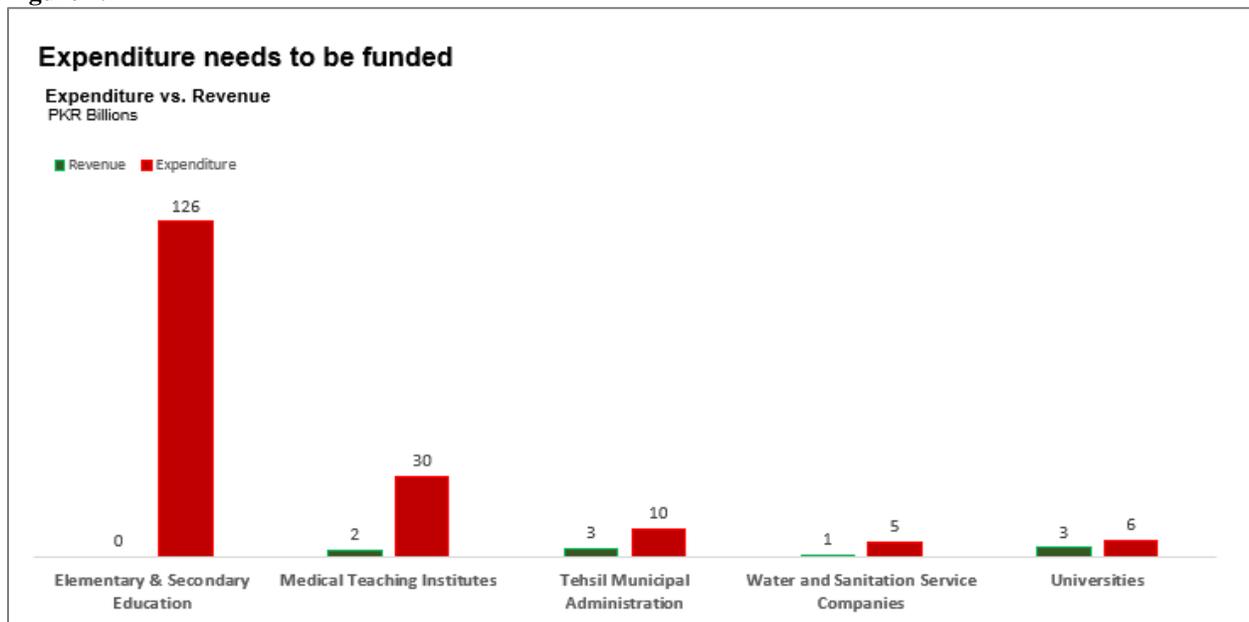
There exists a perpetual cycle of Government expenditure outweighing its revenues, not just in Khyber Pakhtunkhwa but across the country. As an example, some of the high expenditure Government departments and accompanied revenue generated through the same departments, as depicted below shows the wide disproportion between the two. This increased expenditure usually stems from the propensity of the Government to improve service delivery.

Measure taken or proposed by departments for increased expenditure are generally looked upon favorably across the strata and streams of the society. Most of the time, these expenditures are warranted due to the strategic goals to be achieved through these. The same is generally appreciated by the relevant quarters and masses of the province.

However, one has to realize that every expense needs funding which in this case has to be provided by the same Government utilizing a limited number of avenues available to it. Primary amongst such avenues, is the reliance on taxation to raise the required revenue for funding the growing expenditure. While the society and community as a whole appreciates the enhanced expenditure as is reflected in increased service delivery, the same sort of appreciation is not forthcoming when measures are taken to provide for the same expenditures.

Every Government usually has two options, either to curtail expenditures at the expense of development and improved service delivery or raising adequate resources to fund this expenditure. Being a government of the people, the present regime highly values the service delivery impact of increased expenditure and hence would never curtail such. However, to fund this expenditure the Government has and will continue to take steps aimed at streamlining the revenue generation actors of the economy so that an efficient and sustainable balance is created between government expenditure and funding.

Figure 7.1



7.5 A new budget making process

The first and foremost reform introduced in the Finance Department, Government of Khyber Pakhtunkhwa was to revamp the traditionally convoluted budgeting process. The goal here was to prioritize strategic goals for the Government and then align spending and revenue with the goals while keeping the actual figures as a comparison point.

The existing process was primarily a bottom-up approach, where the budget finalization was drafted by the respective departments, coordinated, and compiled by the Administrative department and the final version submitted to the Finance Department. There was no or very little room for rationalization, prioritization, or intervention in the process.

However, in FY 2019-20, the budgeting process was revamped and transformed from a bottom-up transactional approach to a more top down and bottom up, strategic and thoroughly analytical approach. The intervention started at the very beginning, where instead of calling for budgetary proposals, the departmental budget was categorized based on three critical strategic priorities i.e. the ability to stimulate economic activity, benefit to the common citizen and lastly, the capacity to generate revenue. Based on this rationalization exercise the department's current and forecasted budgetary needs were discussed with key stakeholders from respective departments. Furthermore, after the departmental reviews, the Minister for Finance, Secretary P&D and Secretary Finance integrated the budgetary needs based on any interventions to benefit the citizen of the province and/or service delivery enhancement needs of the department.

Once the forecast and projected figures were rationalized, the Government also decided to incorporate the common citizen's feedback in the overall budgetary exercise. Through Khyber Pakhtunkhwa outreach program, the Minister for Finance, Minister for Excise and Taxation and various other relevant stakeholders, interacted and engaged with members from the Chambers of Commerce and citizens to collect their valuable propositions for the budget FY 2021-22. Lastly, based on the multi-dimensional feedback, the budgetary ceilings for each department were finalized and presented to the Provincial Assembly in the form of the Money Bill. Once approved, the budget was announced and circulated for everyone's consumption through soft copies on the Department's website.

Figure 7.2

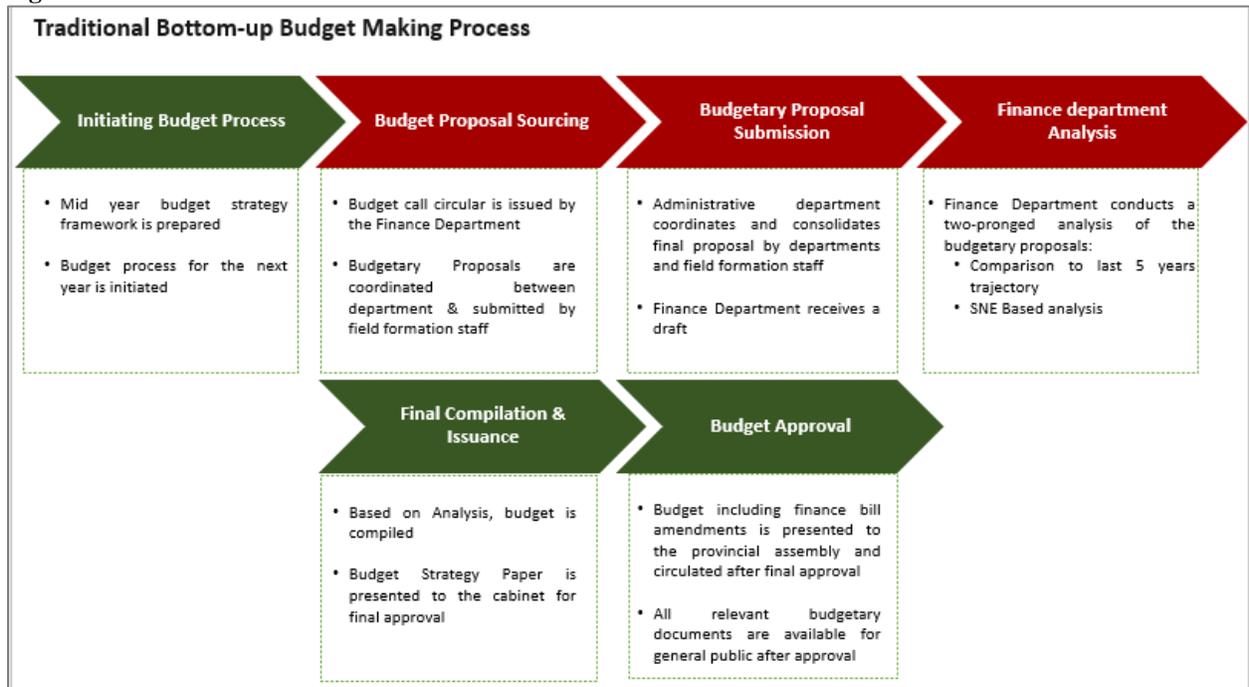
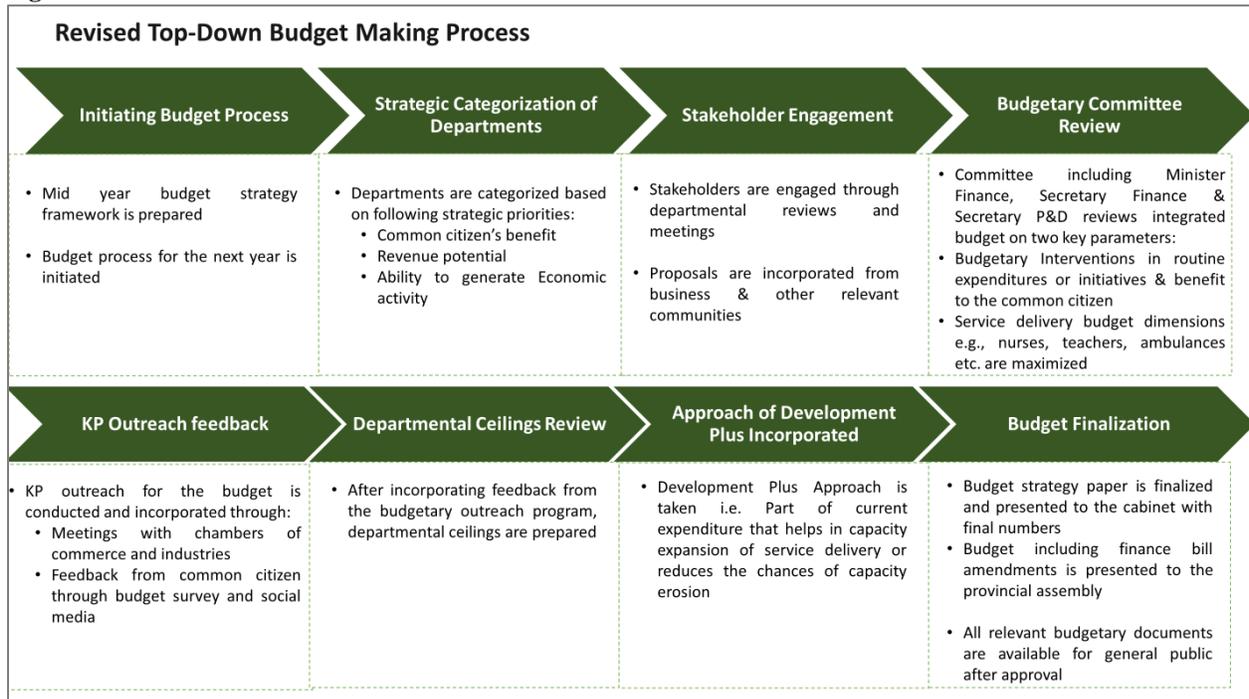


Figure 7.3



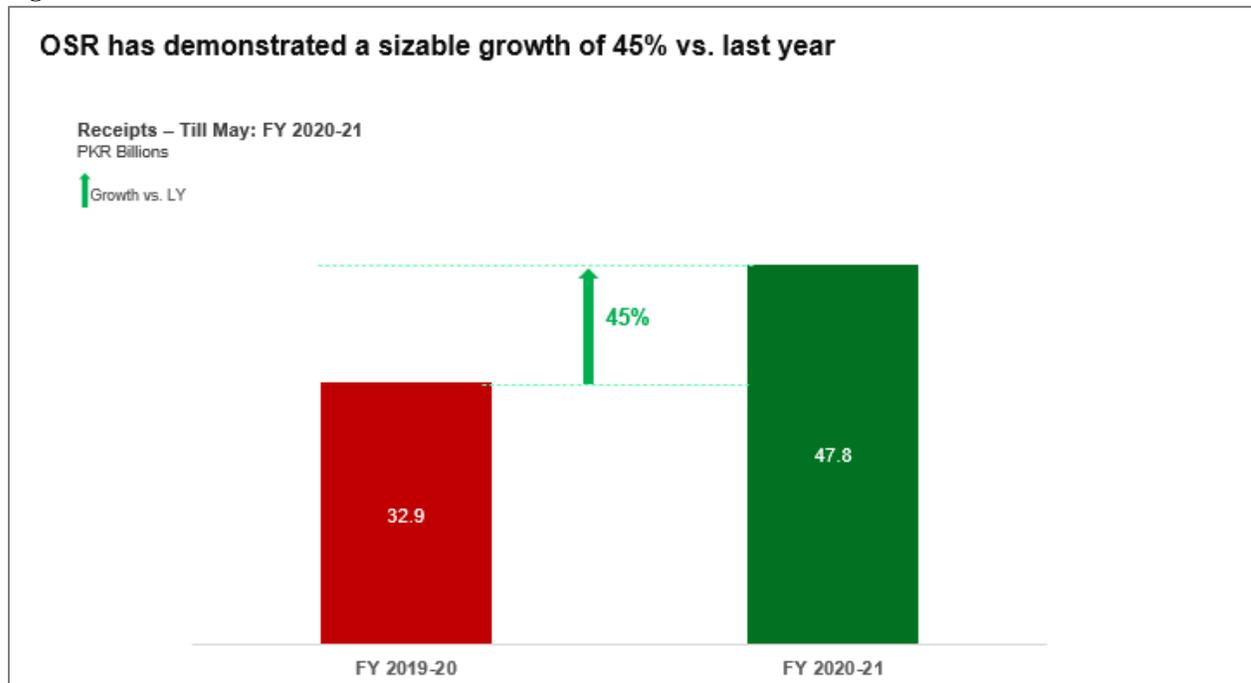
7.6 In Year Budget Management

Since the inception of this Government, an acute need was felt to depart from traditional budgeting practices and upgrade and improve in-year financial management in order to become better informed, more dynamic, make timely interventions and create maximum impact. In order to achieve this, the Finance Department developed an integrated cash flow model through which the department tracks monthly receipts and expenditure, as well as project future receipts, expenditure and cashflow, bringing predictability to the Province's revenue, thus improving management of expenditure for impact.

As a result of this, the following key interventions were made creating wide impact across the Government:

1. **Ambitious revenue targets** were set and through constant reviews were tracked. In addition to constant reviews with KPRA the exercise was also extended to other own source revenue generating departments. As a result, over the last couple of years, the Province has grown its own source revenue faster than any other province in the country. The department is constantly striving to continue the upward trajectory and growth.

Figure 7.4



2. **Monthly Statements** replaced the traditional practice of tracking day to day cash balance, and as such monthly expenditure across individual heads of accounts such as salaries, non-salaries, pensions, unbudgeted expenditure etc. were tracked, with timely adjustments accordingly.
3. **Monthly Receipts from Federal Government** were tracked against FBR collection and targets to ensure that KP receives its due share. In addition, the Federal Government was

engaged and convinced to make smaller but regular NHP payments instead of a singular large tranche randomly in the financial year against NHP. This helped improve predictability of Provincial finances.

4. **Early Releases** were made possible in both the current and development side as a result of tracking cash cover, projected receipts and spending patterns. During the COVID-19 pandemic, MTIs were released 3rd quarter budgets well within the 2nd quarter, so that these have the necessary liquidity when needed. Similarly, early releases in the ADP transformed decades old trend of spending pattern, where sluggish expenditure during the year would be followed by a surge in the final quarter, resulting in wastages in pursuit of consuming the full budget. Through early releases, the spending evened out across months resulting in better quality of expenditure.
5. **Actual Monthly Expenditure Reports** were sent to departments, equipping the respective principal accounting officers with the tools to make informed financial decisions which would help in improving department's efficiency and service delivery.

7.7 Improving approach to austerity

The following austerity measures and guiding principles were approved by the Cabinet and followed in FY 2020-21 as measures to scale up savings in the province:

1. Salary budgeting has been done for actual filled positions. As a result, hiring against vacant positions was subjected to budgetary ceiling fixed in the Integrated Budget Call Circular FY 2020-21.
2. New creation of seats was processed through Finance Department and was against the budgetary provisions up to the limit as mentioned in the Lumpsum amount at disposal of Administrative Departments.
3. A committee headed by Secretary Finance, Secretary Administration, Secretary P&D and Secretary of the concerned Department as members accorded approval to purchase of vehicles other than notified vehicles (e.g., ambulances, prisoner vans etc.)
4. There was complete ban on participation in workshops/seminars and training abroad involving provincial funds and treatment abroad at provincial government's expense.
5. All administrative Secretaries and heads of Autonomous/Semi-autonomous bodies, being principal accounting officers, were under obligation to regularly conduct meetings of Departmental Accounts Committees, so as to ensure internal audit of their respective departments/organizations.
6. Contingent paid staff were engaged during the course of the financial year, only after approval from the finance department.
7. No appointment was made against vacant posts (except appointment by promotion) without obtaining NOC from the concerned surplus pool.
8. Principal accounting officers made sure that no appointment was made against vacant posts of dying cadre and would also initiate disciplinary action if such appointments were made.
9. Expenditure was restricted to funds released. Administrative departments didn't incur expenditure in anticipation of additional or supplementary grants.
10. For development schemes, prior clearance from Finance department was required for creation of posts, purchase of vehicles, machinery & equipment and furniture.
11. No funds were utilized on account of annual and special repair of such Roads and Buildings (AOM&R) which were repaired /rehabilitated during the last three years except floods and earthquakes affected Government infrastructure. To ensure the scope and standard of such works, Director General (Monitoring and Evaluation), P&D Department inspected the sites periodically and provided a quarterly report to P&D and Finance Department.
12. The advertisement charges under Current Revenue Expenditure were utilized only on current side.

13. Finance department had the flexibility and mandate of abolishing all those posts which were lying vacant for the last three years, unless justified by the concerned administrative department.
14. Finance department undertook next phase of the expenditure review to realize further savings as a part of an integrated sectoral review process.
15. All autonomous and semi-autonomous bodies, MTIs, other institutions and authorities under Provincial Government were expected to adopt the measures within their respective organizations with the approval of their competent forums.
16. Keeping in view the financial crunch on account of COVID-19, Finance department carried out monthly receipts and expenditure review and adjusted releases under various heads including development.
17. ADP budget for approved schemes were released 100 percent upfront (in first quarter). However, quarterly review of financial situation shall be carried out to have adjustments if needed.
18. Principal Accounting Officers reviewed the Departmental overall budgets and ensured judicious spending of various entities. Any intra departmental adjustments/ re-appropriations was done at level of Principal Accounting Officers to bridge budgetary gaps.

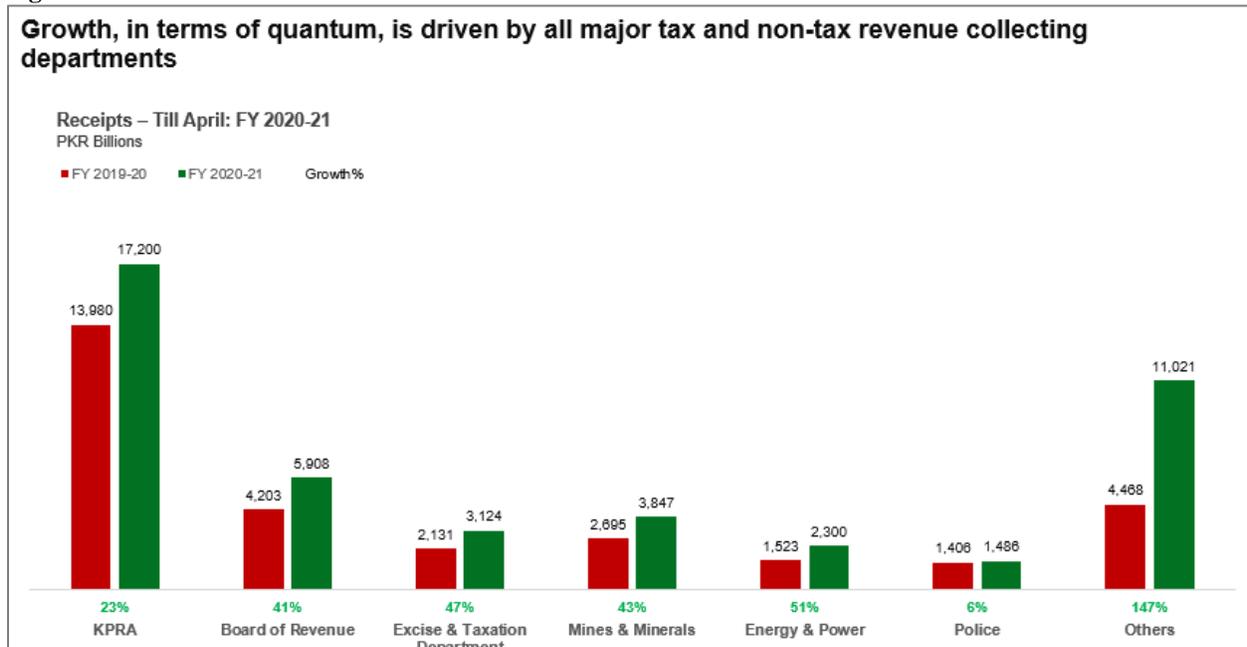
7.8 Khyber Pakhtunkhwa revenue generation

The overall own source revenue of the Province has increased by a sizable growth of 51% during the first 10 months of the fiscal year. Despite accelerating pressure on the overall economic growth, the province managed to grow its own source revenue by focusing on the key levers for augmenting taxpayer compliance. Growth trickled in due to reduced rates coupled with taxpayer friendly initiatives such as removal of redundant taxes, digitization of data and enhancement in ease of doing business for other regulatory and non-tax revenue generating entities.

Ongoing performance & reforms

At the beginning of this fiscal year, a thorough resource mobilization strategy was introduced for both tax and non-tax receipts; which revolved around institutional reforms, effective communication strategy, data analytics and internal processes analysis, resulting in growth across all major tax and non-tax departments.

Figure 7.5

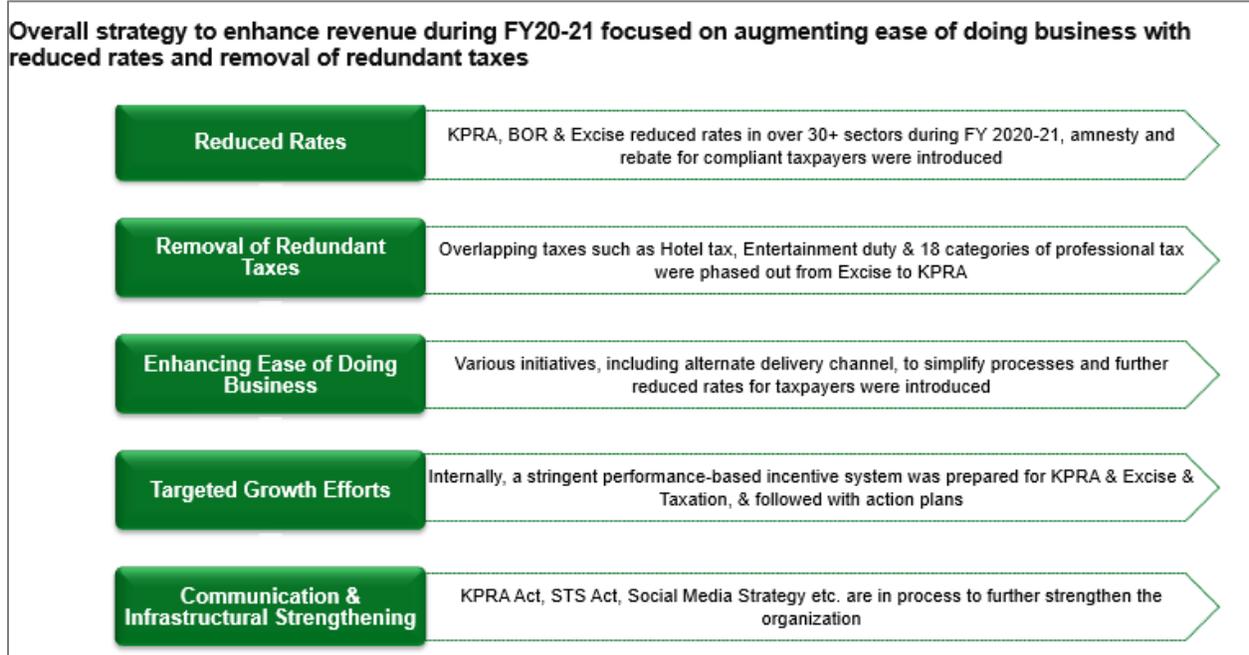


For the budget preparation and forecast of FY 2020-21, every tax head across the Province was analyzed and scrutinized by the key principles stated above. After mutual discussions and consultations, the following tax reforms were institutionalized:

1. **Sales tax on services (STS) reduced for 26 categories.** This was an all-encompassing reduction for sectors where economic activity had dampened directly impacting cash flow and liquidity.
2. **Removal of Duplication of Taxes:**
 - a. **Entertainment and Hotel Tax was removed** from Excise and Taxation department's portfolio, to encourage recreation and entertainment.

- b. **Professional Tax** was phased out to Khyber Pakhtunkhwa Revenue Authority dovetailed with **tax breaks and concessions for a year** to remove duplicity of taxes.
- 3. Rates for the **Urban Immovable Property Tax (UIPT)** were rationalized, and compliant taxpayers were offered a rebate of 35%.
- 4. Board of Revenue **reduced both Capital Value Tax and Stamp duty for the construction sector**, under the Federal Amnesty Scheme.

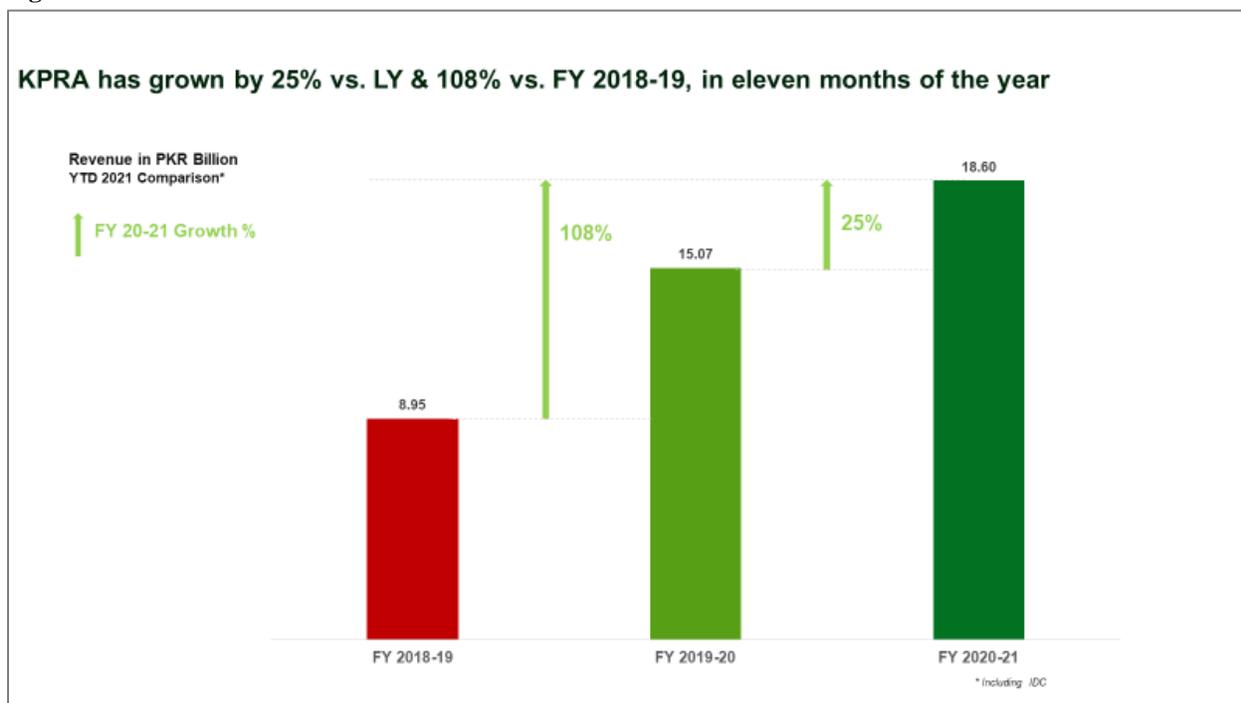
Figure 7.6



Khyber Pakhtunkhwa Revenue Authority's success story

Khyber Pakhtunkhwa Revenue Authority contributes around 40% of the total revenue collected in the province and has outperformed all other tax collecting authorities in the past 2 years both within the province and across Pakistan. For the first 11 months of the current fiscal year, the revenue has grown by more than 100% as compared to FY 2018-19 over the same period of time. At current pace the revenue is expected to cross the benchmark of **Rs. 20 billion** this year.

Figure 7.7

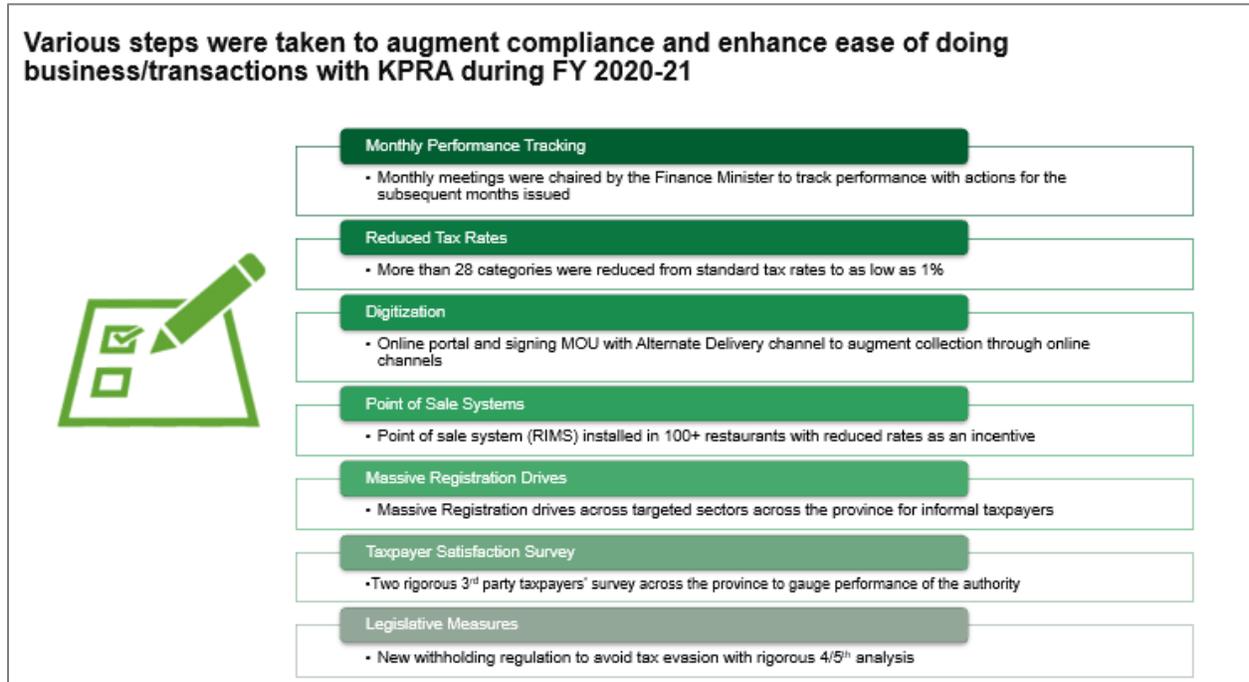


Among other reasons for KPRA's substantial growth, performance tracking and management both at the organizational and departmental level has been instrumental. Some of the key features of this performance enhancement strategy include:

1. **Monthly performance evaluation** chaired by the Finance Minister with evolving action plans defined for the entire department.
2. **Inculcating the province's first performance based incentive system** along dimensions including both revenue targets and non-revenue capacity enhancement and process simplification goals.
3. **Massive registration drives** dovetailed with process simplification and reduced rates augmented voluntary compliance throughout the province, resulting in a **31%** increase in overall registration.
4. 3rd party conducted taxpayer satisfaction surveys showed massive improvement in the current fiscal year.
5. Revenue & Non-Revenue Interventions also involved deep data analytics to highlight growth pockets within the province.

6. **Point of sale systems** installed in more than 100 restaurants and hotels across the province also helped in increasing revenue as well as streamline taxation matters of an important revenue sector

Figure 7.8



Key Principles & Reforms adopted for FY 2021-22

The coming year is definitive for Khyber Pakhtunkhwa's economy, as it recovers and comes out of the impact of a global pandemic, rejuvenating its manufacturing and services sector, coupled with development plans to augment the agricultural output and overall living standard of the citizen of the province.

Keeping in view the overarching goal of economic growth in the context, the revenue mobilization strategy this year is to aggressively enhance revenue spread across three key dimensions i.e. enhancing registration, maintaining reduced rates or introducing further reduction for pro-poor segments & lastly amalgamating technological advancement with registration drives to boost ease of doing business:

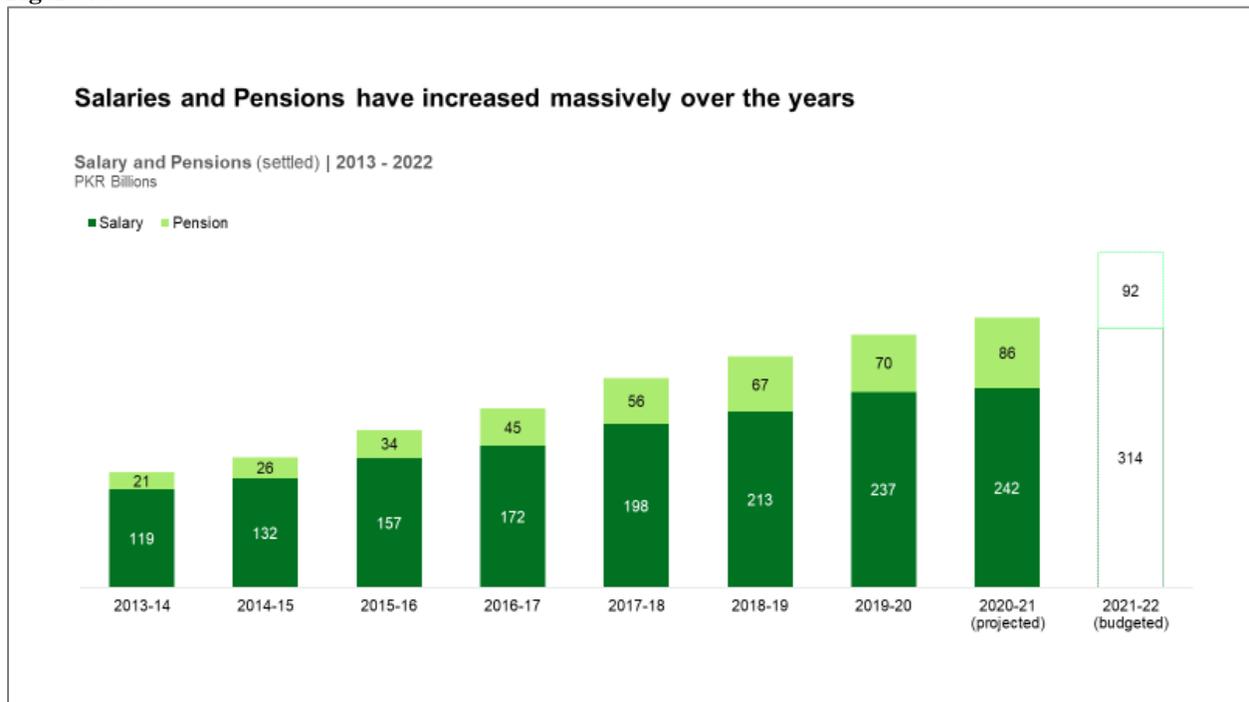
1. **Khyber Pakhtunkhwa Revenue Authority:** KPRA in principle will offer reduced rates for the next year for the relief of the common man during the pandemic, dovetailed with extensive registration drive to augment compliance. A total of 27 sectors and sub sectors will now be taxed at lower than standard rates to support pro-poor segments. Specific reductions shall include:
 - a. This includes continuation of the Prime Minister's Amnesty scheme for the **construction sector**, at a reduced rate of 2% by KPRA i.e. lowest across the country.
 - b. 10 sectors will now be charged just 1% sales tax on services (annexure).
 - c. IT & e-commerce are at an infancy stage with potential to generate employment opportunities in the province. Hence, **IT related services** including online marketplace will now be charged at **2%**.
 - d. In addition to lower rates for hotels and restaurants, **clubs** will also be now charged at a lower rate of 8%.
 - e. **Agriculture Sector** will be given relief by reducing rates for cold storage and warehouses dedicated to the sector.
 - f. **Reduction of 2%** for authorized automobile dealers and launderers, across AOP and individual registrations.
 - g. **Print Media** has played a significant role in driving the pandemic related information drive for public, hence the rate for all print media advertisement has been reduced to **1% from 5%**.
 - h. Activities with potential to further support & stimulate economic growth such as cinematographic services, under writer and auctioneers will now be charged a mere rate of **1%** on the services provided.
2. **Board of revenue:**
 - a. **Construction Sector** will be relieved this year as well by extending **exemption on CVT & Reductions in Registration fee**.
 - b. **Land tax will be zero** for the coming fiscal year, to divert energies towards digitizing land data and relieve farmers during this year of revival.

3. **Excise, Taxation & Narcotics Control:**
 - a. **Professional tax** shall be **zero for 2021-22**.
 - b. To encourage voluntary compliance in the province, a **35% rebate in Urban Immovable Property Tax** for compliant taxpayers will be continued this year as well.
 - c. **Motor vehicle registration** will be revamped and for this year it will be reduced to Re. 1 for all vehicles up to 2500CC.
4. **Non-Tax Reforms** will include increase in rates to create deterrence such as traffic fines and arms license fee.
5. **Enhancing Compliance & Ease of Doing Business:** Stringent measures for voluntary compliance shall be taken such as introduction of **alternate delivery channel** which will ease the cost of doing business for all service providing agencies in the province.
6. **E-Payment** option for filing and payment of 10+ tax and regulatory frameworks will be introduced in the province.
7. Furthermore, **quarterly, and advance filing** for local taxpayers coupled with mobile apps with easy user interface shall be introduced for majority of the taxes within the province.
8. **Digitization:** All tax authorities and non-tax revenue collecting agencies shall focus on simplification and digitization of tax processes to enhance ease of doing business and promote industrial cooperation.

7.9 Government salaries & pensions

For the financial year 2021-22, the salary expenditure is estimated at **Rs. 374 billion** including both provincial and district salaries. Moreover, **Rs. 99 billion** has also been earmarked for meeting the current side expenditure of the Merged Areas. Salaries and Pensions cumulatively has grown from Rs. 140 billion in FY 2013-14 to Rs. 328 billion in FY 2020-21 showing an average annual growth of 13%. Moreover, leave preparatory to retirement (LPR), being a component of wage bill, is included in the non-salary head resulting in understating the overall wage bill.

Figure 7.9



Furthermore, government employees' salaries on average for the BPS 1-14, 70% of the total government employees, are greater than the private sector employees. Even at the senior level, benefits are not fully accounted for in calculating the actual spend on their remuneration.

Figure 7.10

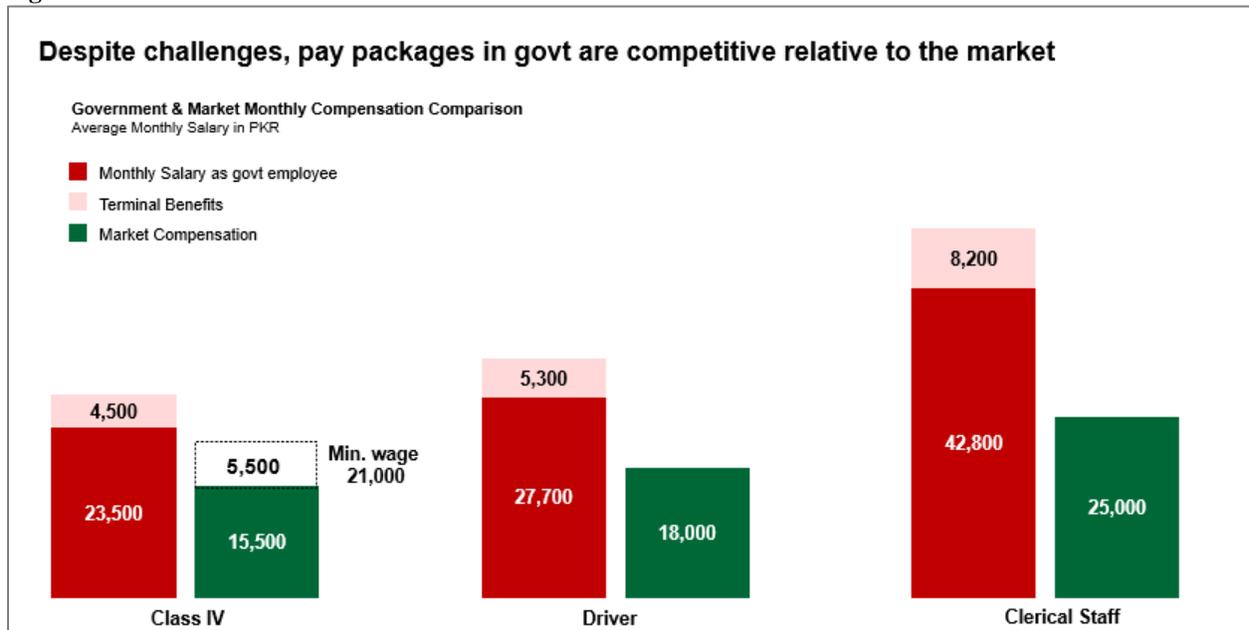
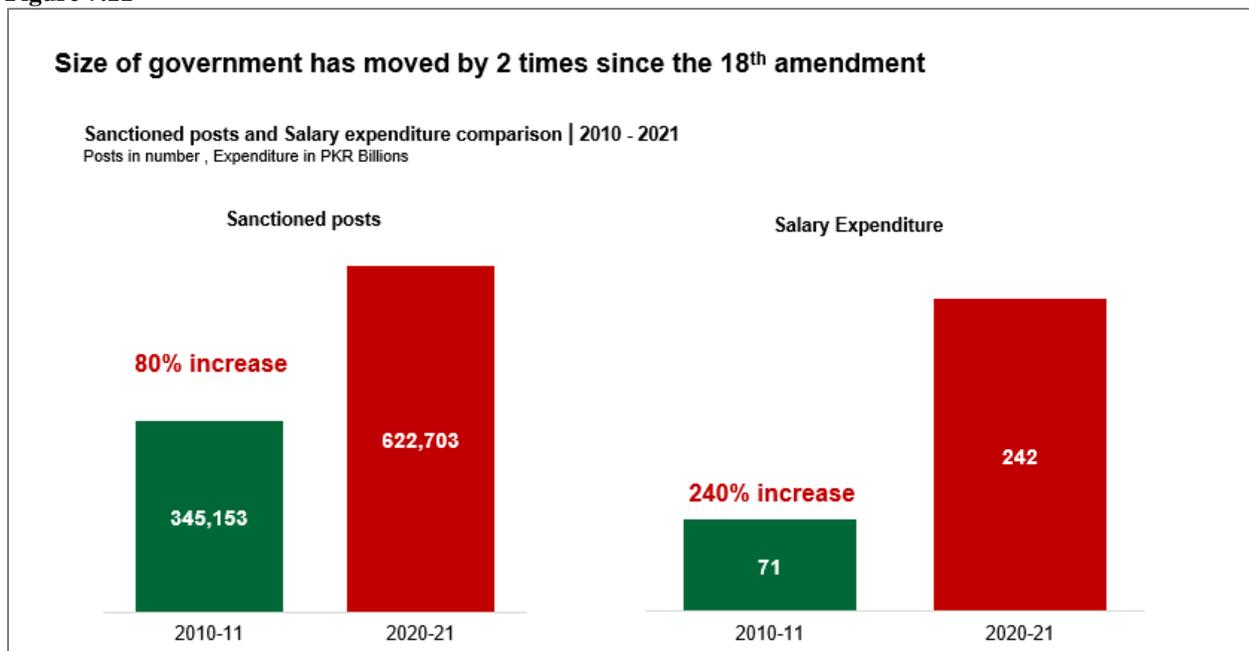


Figure 7.11



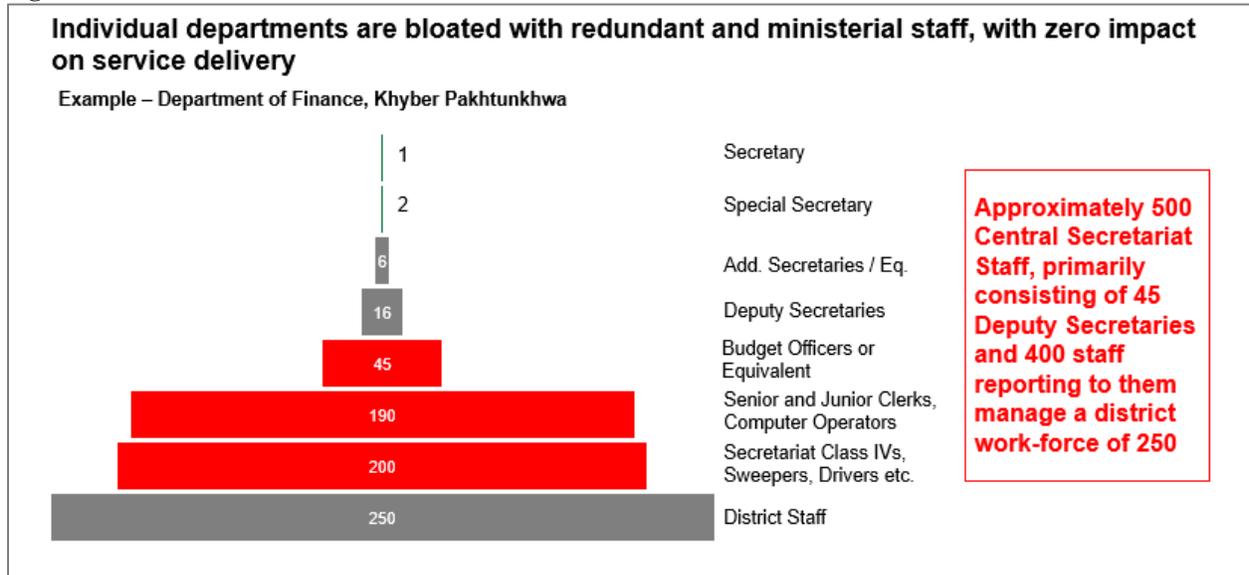
There are around 105 allowances for different functions and grades which accounts for more than 50% of the salary per employee.

The government over the last two years have initiated reforms to streamline the salaries and pensions for better financial management, which are the following:

1. It started budgeting the salaries on actual filled positions rather than sanctioned positions to give a clear picture of the budgetary requirements.
2. Moreover, Finance department streamlined and improved the overall SNE approval process through conducting regular SNE Committee sessions and scrutinizing the positions at a granular level. This resulted in an increased focus on creating service delivery positions. Furthermore, consultative sessions were held with the departments regularly to rationalize the SNE demands leading to an overall savings of around **Rs. 4 billion** in the FY 20-21.
3. Government of KP introduced a new performance-based incentives scheme (PBIS) in KPRA with KPIs attached to the individual and overall targets of the organization. PBIS contributed massively towards the KPRA stellar performance resulting in more than 100% growth over the last two years. Similar model will be extended for Internal Monitoring Unit (IMU) and health management.
4. Government of Khyber Pakhtunkhwa is planning to introduce a new favorable opt-in medical plan for government employees. The plan will provide access to employees in both public and private hospitals including cashless OPD at hospitals in all over Pakistan. It will cover employees, their spouses, parents, and children. Furthermore, the benefits of this plan will cover the employees significantly greater than their current medical allowance as well as Sehat Card insurance. Once opted-in, the medical allowance of the employee will be diverted towards this plan.
5. The Government of KP is aiming to remove all anomalies in the current housing policy. At present, house rent allowance is frozen on initial basic pay of 2008, with employees posted in the provincial capital Peshawar getting house rent allowance at 45% of initial basic pay, while at 30% in the rest of the province. Furthermore, a house subsidy is paid by the provincial government to employees in Peshawar and Abbottabad who have their own accommodation, and the amount of house subsidy is much higher, often double, than house rent allowance paid to an employee in the equivalent grade.
To eliminate this disparity, the new housing policy will match the house rent allowance with the house subsidy amount in Peshawar over a period of two years. Further, it will also raise the house rent allowance for employees posted in other districts of the province by 50%. These changes in the policy will enable the employees, both in Peshawar and rest of province, to manage increasing rental costs.

In the future, Government plans to revisit the current staffing requirements to create a leaner structure with a focus on service delivery positions. Currently, for one officer level post there are around 6 to 7 ministerial and supporting posts which is increasing the government size with an alarming rate without any service delivery.

Figure 7.12

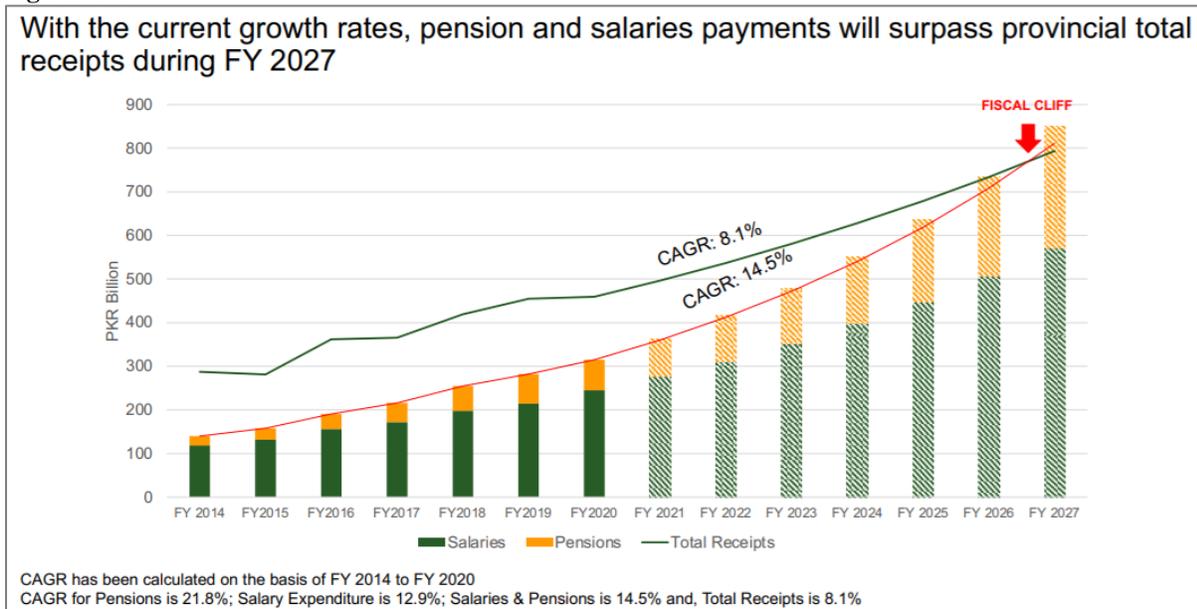


To avoid the government structure from further bloating, Government of Khyber Pakhtunkhwa plans to increase hiring through contracts with better performance frameworks as well outsource the supporting roles such as sweepers, security guards and drivers etc. to private companies. This will allow the government to avoid creating permanent liabilities and better manage performances of the employees.

7.10 Pension bill

The pension bill for FY 21-22 is estimated to be **Rs. 92.1 billion** with number of pensioners increasing to around 169,358. Over the last years salaries and pensions have been growing at compounded annual rate of around 22% and 14.5% respectively while in the same period the receipts grew by 8.1% only. With this trend continuing, salaries and pensions will surpass the provincial receipts. Pension is one of the major expenditures for the provincial government and the significant rate of increase comes at the cost of squeezing development budget, as well as non-salary expenditure, which funds infrastructure improvements, textbooks for children in school and essential medicine for patients.

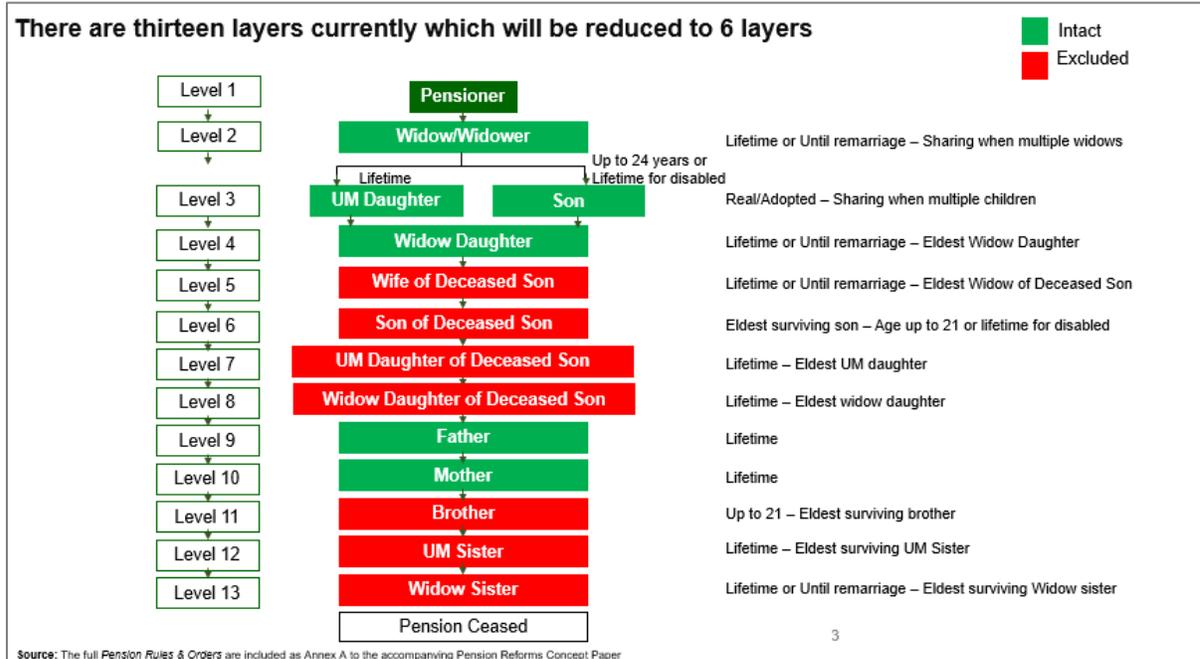
Figure 7.13



Khyber Pakhtunkhwa is leading the pension reforms in the country. To mitigate the increasing pension burden, during this tenure, Government of Khyber Pakhtunkhwa adopted a Pension reform strategy that covers short term measures and long-term measures as follows:

- The Government increased the of minimum voluntary retirement age to 55 years which will help the government save an estimated **Rs. 12 billion** annually
- The Provincial Cabinet has approved amendments in the Khyber Pakhtunkhwa Civil Servants Pension Rules & Orders 2006, to rationalize pension beneficiaries to direct dependents and parents while also limiting each beneficiary to obtaining only a single pension whether self or family person. In addition, active employees will no longer be eligible to draw family pension. All these amendments will disallow multiple pensioners and therefore reduce the province’s pension burden. These changes in the family pension rules and restrictions on the dual pensioners will save the government an estimated **Rs. 12 billion** in the coming 10 years as well as streamline beneficiary’s hierarchy and pensioner’s outflow vs inflow ratio.

Figure 7.14



- The family pension will be increased from 75% of the deceased pensioner’s pension to 100% to support widows and dependents.
- Furthermore, the Provincial Cabinet has approved for Khyber Pakhtunkhwa Civil Servants Act to be amended so that new employees appointed on or after 1st July, 2021 will participate in contributory pension programme.
- The current approach of utilizing the pension fund for pension payments is futile as presently the pensions grow at around 22% which is double the rate of pension fund growth at 10%. At this rate, for the pension fund to pay the liabilities, it needs to have a size of almost Rs. 1 trillion. Consequently, the government decided to utilize the pension fund’s annual profits for paying part of the pension bill on yearly basis. This will allow the government not to rely solely on the taxes but also manage the pension fund using modern financial techniques for improved returns.
- The Cabinet of Government of Khyber Pakhtunkhwa also decided to remove professional tax from all grades of employees, however, a nominal contribution from the BPS 17 to BPS 22 employees will be deducted for contribution to pensions.

7.11 Improving procurement

Public procurement reform if designed and implemented well, can become an enabling tool for overall Governance reforms and better public sector performance. Public procurement is usually at the core of translating public policy into tangible results for citizens, delivering essential services, and implementing projects and programs. With the aim of minimizing red-tapism, increasing efficiencies, introducing economies of scale and standardizing procurement processes, the Government embarked on an ambitious procurement reforms' agenda broadly covering the following three main areas:

1. **Comprehensive legal framework:** the existing legal and regulatory regime of procurement needed to provide an enabling environment for achieving best practices of efficiency, transparency and enabling environment. Keeping this in view, a thorough analysis of the current regulatory procurement regime of KP was carried out to identify potential gaps. Before proposing amendments, an inclusive process was carried out consisting of review of existing clauses of KPPRA Act and Rules, comparative analysis of procurement regimes of national and international entities, deliberations with major procurement stakeholders and a thorough spend analysis of large Government procurements over the years. All of this resulted in creating a set of proposed amendments which it is hoped would create the necessary environment for achieving efficiencies and economies in public procurement.
2. **Improving processes:** To simplify and improve procurement processes, some key steps were launched which include the following:
 - a. Launching provincial capacity building program targeted both at operational level officials as well as policy level executives. Some of the related initiatives included launching of diploma programs with the aim of preparing a cohort of procurement specialists who if eligible, would likely be placed at the helm of public procurement of Government departments
 - b. **Ensuring publication of Annual Procurement Plans:** KPPRA through its capacity building wing has started the process of helping procuring entities prepare their Annual Procurement Plans (APP). This tool would likely give an indication to market forces well in advance as well as help the procuring entities manage its yearly procurements in a systematic manner.
 - c. **Revamping Grievance Redressal Mechanism:** Section 35 of KPPRA Act 2012 provides for an efficient two-tier grievance redressal mechanism. The Government however is continuously striving to bring further improvements in the mechanism so as to make these as efficient and public friendly as possible.
3. **Ease of doing business:** The Govt of KP realizes that reforms are as meaningful, sustainable, and impactful as the related institutional arrangements allow. With this view the government has started the process of establishing the first of its kind procurement Center of Excellence (COE) aimed at helping the procuring entities to plan, implement, monitor, and execute their procurements in an efficient and cost-effective manner.
The proposed COE would specifically help in areas such as managing innovative & complex procurement functions, leveraging scales for quality procurements with minimum cost, introducing supply chain and predictive procurement analytics, use of IT based solutions and ensuring integration of cross organizational functions at a central point of action.

Some of the specific proposed objectives of the proposed COE includes the following:

- a. Standardization of specifications
- b. Developing and introducing Framework agreements in public procuring entities
- c. Piloting e-procurement
- d. Guiding and streamlining strategic procurement
- e. Carrying out routine predictive analytics in public procurement
- f. Establishing and overseeing a supplier performance management regime
- g. Act as a research and knowledge repository of Govt of KP

As a first step towards establishing the COE and ensuring a smooth transition, KP Government has hired the services of an internationally recognized firm which is known across the world for its expertise in managing and supporting procurement related reforms. The goal is to provide needed advisory, analytical and strategic support to the Government to fill immediate gaps before similar services are provided through the proposed CoE. The firm has been providing support in the following main areas

- a. Standardization of specifications for routine goods for bulk and consistent procurement.
- b. Initiate framework agreements based on standardized specifications for goods
- c. Conduct analysis on common spend areas to highlight gaps and recommend improvements.
- d. Develop procurement strategy for main categories of goods and services.
- e. Develop common procurement vocabulary to be used across the government.
- f. On demand support to procuring entities to help smoothen their procurement reforms.

As an example of the work that the firm is doing, it has carried out a detailed spend analysis across 9 major categories with the following key highlights:

Figure 7.15

Volume of Transactions:	Spending Levels:	Spending Units:
<ul style="list-style-type: none"> ▪ Data collected for 12,085 procurement transactions. ▪ On average, 504 Procurement contracts awarded every month. 	<ul style="list-style-type: none"> ▪ Study focused on 09 categories with PKR 26 bn spent in FY 18-19 and FY 19-20 	<ul style="list-style-type: none"> ▪ 30 spending units covered under the activity. ▪ 22 Departments and 08 Autonomous Bodies were covered.
Procurement Method:	Vendor Type:	Contracting Procedures:
<ul style="list-style-type: none"> ▪ Contracts were awarded through open competitive bidding method under KPPRA. 	<ul style="list-style-type: none"> ▪ More than 2,000 vendors provided goods, works or services. 	<ul style="list-style-type: none"> ▪ Pharmaceuticals and medical devices is major area where framework agreement mechanism is in use currently.

With improved procurement through the initiatives highlighted above the Government expects to save **Rs. 5 billion** annually.

7.12 Improving non-salary spend

Traditionally the current revenue portion of the budget is allocated in a skewed manner favoring the salary side component. This leaves little to spend on the operational side of budget, which is actually what matters as far as effective service delivery or bringing meaningful improvements are concerned.

Nothing illustrates it better than the fact that only Rs. 30 M are available as operational budget for repair and maintenance of 1,200 plus health facilities across the province. These facilities include Cat C and D type hospitals as well as BHUs and RHCs which are generally the first point of healthcare service delivery. The repair and maintenance funds come out to be a mere Rs. 25,000 per year per facility. With these funds it is hard to imagine the flexibility and resources at the disposal of in charges of these facilities to actually bring operational improvements in service delivery.

Considering the disparity of operational budget in comparison with salary spend and the impact that operational budget would have on direct service delivery, the Government has tried to provide adequate funds and relative flexibility to spending units to improve service delivery. A new concept of development plus budget has been introduced to cater for some of the operational requirements with direct bearing on service delivery across sectors. Some of such initiatives include:

1. Rs. 22 billion earmarked for Sehat Card Plus.
2. Rs. 1 billion earmarked as operational budget top ups for MTIs, provincial hospitals and health facilities.
3. Rs. 3.5 billion earmarked as medicines top up.
4. Rs. 3 billion earmarked for provision of missing furniture in schools.
5. Rs. 3 billion earmarked as scholarships with a majority of it going to girls.
6. Rs. 0.8 billion earmarked for providing ambulatory services for expectant mothers.
7. Rs. 2 billion provided as operational budget top to universities.
8. Additional grants of Rs. 6 billion provided to TMAs for local development.

With the above initiatives and some more, the Government is aiming to provide necessary resources and flexibility to spend on improving service delivery.

7.13 Debt reforms

The province of Khyber Pakhtunkhwa's total debt portfolio amounts up to a total of **Rs. 256.7 billion** of foreign loans only, and comprises of **93** loans for different projects, as of June 30, 2021. Total Gross Domestic Product of Khyber Pakhtunkhwa currently is around **\$28 billion (Rs. 4.5 trillion)** i.e. 10.5% of the total GDP of Pakistan. According to this the debt to GDP ratio of the province is as low as **5%**.

However, the total amount of loans of **Rs. 256.7 billion** is picked up for opinion making in negative connotation, without taking into account that 'debt' is a key instrument when it comes to financial management strategy. When it comes to debt viability, that is determined through debt repayment and in case of Khyber Pakhtunkhwa the total principal repayment during FY 2020-21 stood at **Rs. 11.7 billion** (2.6% of total revenues⁶). Interest payment on total outstanding debt was **Rs. 3 billion** for FY 2020-21. It is evident that annual Debt Servicing is a small proportion of annual revenues which is an indication of strong credit worthiness of the province. Additionally, multiple factors work positively in our stride and are indicative of the fact that a lot of thought has been put into debt management and its viability:

- There is no local debt.
- None of the debt is acquired on high interest rates.
- Debt servicing stands at less than **5%** of total revenue of the province
- Own Source Revenue strategy is streamlined and has led to an increase of 45% this year and will further decrease debt to revenue ratio in coming years.

Debt management reforms

Debt management reforms include consistent debt tracking, mapping future redemption profile, securing low risk debts and also keeping a track of risk indicators. Government of KP has taken following measures to keep debt management strenuous, rigorous, and impactful.

1. The Finance Department has started issuing a debt statistical bulletin which provides detailed information about the stock of the debt portfolio, lender and currency wise classification, cost & risk indicators, redemption profile of loans, ratio analysis with previous years and forecast position of loans. The bulletin is a public document which is available on the KP finance department website.
2. The Government of KP, Finance department has drafted the Fiscal Responsibility and Debt Management Act (bill) 2021 to provide legal framework for prudent fiscal and sound debt management by the Government and to ensure balance in fiscal operations and debt management of the province in a disciplined and sustainable manner.
3. Going forward, the following high-priority reforms initiatives are planned:
 - i. Development of Medium-Term Debt Management Strategy (MTDS).
 - ii. Conducting regular Debt Suitability Analysis (DSA).
 - iii. Preparation of Medium-Term Fiscal Framework (MTFF).

⁶ Total Revenue is Straight Transfers, Federal Tax Assignment; Royalties on Oil and Gas, Net Hydel Profits, KP own receipts (Tax and Non-tax) and others.

- iv. Conducting Sub-National Debt Management Performance Assessment (Sn-DeMPA).
- v. Development of Debt Management Procedural Manual.
- vi. Development of Statement of Fiscal Risk.
- vii. Draft preparation, launching and issuance of sub-national bond subject to approval (depending on authorizing environment).
- viii. Periodic development and publishing of Debt Statistical bulletin.
- ix. Automation of loan database.
- x. Active debt management.

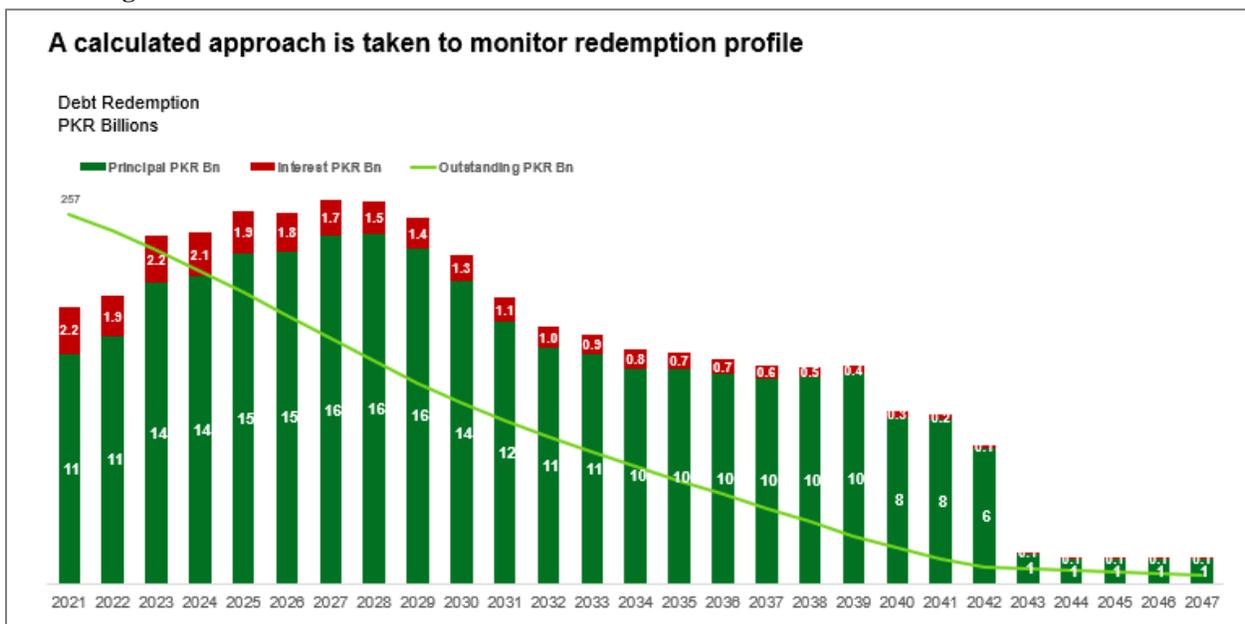
4. A matrix for risk indicators is tabulated, updated, and reviewed on a regular basis to closely monitor debt thresholds, as shown in the table below:

Table 21
Unit: In %

Risk Indicators		As at 30 th June 2021
Outstanding Loan Stock to KP Revenues		53.8%
Debt Service as % KP Revenues		2.57%
Cost of Debt Refinancing Risk	Weighted Average Interest Rate (Range)	1.0%-2.0%
	ATM (Years)	10.3
	Loan Maturing in 1 Year as % of total debt	9.62%
Interest Rate Risk	ATR (years)	5.67
	Loan refixing in 1 Year (as % of total loan)	5.03%
	Fixed rate loan (as % of total loan)	50%
Foreign Exchange Risks	Foreign exchange loan (as a % of total loan)	98.3%

5. Redemption profile of the province is monitored and shared with the higher authorities on a semi-annual basis.

Figure 7.16



7.14 Development Strategy

Development space has remained fragmented in KP with at least 4 sources of funding:

1. Provincial ADP
2. Districts ADP
3. Foreign Project Assistance
4. PSDP (provincially executed component).

Moreover, post-merger of ex-Fata, 3 additional sources of funding for Merged Areas were introduced to the development portfolio of KP:

1. Merged Areas ADP
2. Merged Areas District ADP
3. Accelerated implementation plan (AIP)

Having multiple sources of funding is positive, however, management of these sources remained a major issue. Resource utilization was inefficient, funds release was slow, tunnel vision within sectors with no focus on developing a sectoral outlook, fragmented view of projects across streams, little to no support to PPP projects and minimal focus on including projects that complemented foreign projects and PSDP projects.

Keeping these issues in view an overarching policy (ADP 2019-23) was designed to address these issues.

FY 2021-22 & ADP policy

During the course of last two years, ADP allocation and spend was rationalized. FY 2021-22 is the year to build further upon this rationalization and fine tune allocations. The allocations will now be based on the project's alignment with the strategic goals of the Government of Khyber Pakhtunkhwa i.e. stimulating economic growth and augmenting service delivery in the province.

Salient features of ADP

- ADP to develop provincial economy, for the prosperity of the people, in line with Govt. Policies.
- Provincial ADP must consider a multi-year view.
- ADP to compliment Foreign Project Assistance, PSDP and other private sector investments.
- Spending would be focused on service delivery sectors and productive direct service delivery staff (teachers, doctors, nurses, rescue staff etc.)
- In-year ADP management and making spending decisions with accountability and oversight.
- ADP to take a sectoral view & Sectors/ departments should not expect that their budgets are protected.
- Sectoral shares to be determined on the basis of Overall fiscal constraints, Government policy, strategic importance of sector, quality of plans, actual expenditure, and performance of sector.

- Spending in the social sector will be prioritized with greater emphasis on improving quality of core function service delivery rather than unnecessary infrastructure expansion.

Khyber Pakhtunkhwa has once again focused itself on developing innovative solutions to local problems, by engaging stakeholders from across the streams to ensure maximum service delivery. This has also been complemented with introduction of projects that are sustainable and have an exit strategy in place to ensure continuity e.g., transfer of vertical projects of health sector to current side, providing funding for Sehat card plus on the current side, providing additional medicine top-ups, girl's stipend program to increase gender equality, free textbooks are being provided to elevate the less fortunate and increase equality, grants to PTCs.

In order to further promote PPPs in the province, new legal framework has been enacted by replacing KP PPP Act, 2014 with new law KP PPP Act 2020. The KP PPP Act 2020, has expanded the scope to include social sector projects (in addition to capital expansion), setting up of Risk Management Unit for improved due diligence, dedicated Project Implementation Unit for better execution. Similarly, in order to ensure better project quality and long-term investments, duration of project has been uncapped and the compensation models include annuity payments, user payment models, co-sharing of revenues etc.

7.15 Funds management

Government of Khyber Pakhtunkhwa (GoKP) currently has four funds for employees' benefits and development. These funds were developed to ensure that there will be enough money to cover the committed future expenditures for pensions and development (in case of hydel development fund). These funds have been enacted through separate acts/ordinance of Khyber Pakhtunkhwa (KP) legislative assembly, namely:

- The Khyber Pakhtunkhwa Pension Fund Act, 1999
- The Khyber Pakhtunkhwa General Provident Investment Fund Act, 1999
- The Khyber Pakhtunkhwa Hydel Development Fund Ordinance, 2001
- The Khyber Pakhtunkhwa Retirement Benefit and Death Compensation Act, 2014

These funds are separate pools of monies, sponsored by GoKP, legally owned by the trust (the four legal bodies), and controlled by their respective Boards for the welfare of its member beneficiaries. The fund accounts are required to be audited through Director General (commercial) audit and optionally through reputed chartered accountants' firms.

Khyber Pakhtunkhwa Fund Management (KPFM) is a group of specialist and support staff, within Finance department, responsible for efficiently managing the province's pension and development funds.

Objective & strategy

The funds strive to achieve a long-term rate of return (LTRR) at a prudent level of risk. The LTRR should exceed risk free rate and where a benchmark is specified, should meet or exceed such benchmark. To achieve this, the KPFM aims at investing primarily in longer duration assets across diversified asset classes.

Asset allocation

Currently, KPFM invests entirely in fixed income space; primarily in Government of Pakistan Treasury-Bills (T-Bills), Pakistan Investment Bonds (PIBs), Bank Deposits, and National Savings Schemes (NSS). With time, and with more capacity and skill, KPFM would move towards greater diversification among asset classes.

Following is a brief on each fund:

1. General Provident Investment Fund (GPIF):

GoKP had established GPIF in the year 1991-92 with initial allocation of Rs. 200 million as equity. Now, total Fund size is Rs.81,907 million out of which Rs.28,428 million contributed by the Government of Khyber Pakhtunkhwa. The fund is governed by an Act and Rules made thereunder for running the affairs of the Fund.

GPIF is controlled by a Board, which, currently is composed of seven members. The Board is dominated by five ex-officio members; out of which, four come from GoKP; namely Secretary Finance, Secretary Administration, representative of subscribers, and the Chief Secretary as chairman. Three members are from private sector; namely Chief Manager State Bank of Pakistan Peshawar, and two representatives from corporate sector/financial institutions, and stock market/academia.

Moreover, the Board operates through various committees, out of which the prominent one is the Investment Committee. This committee is chaired by the Finance Secretary and is mandated to work out investments and recommend such to the Board. The fund receives injections from the GoKP in addition to the fund returns. Although provident contributions are deducted from the provincial government employees, such are transferred only in varying amounts to GPIF. GoKP is deemed as the sole sponsor and liable for the funded status of this fund. The GPIF size has grown over time and the following table presents an overall position:

Table 22

GP Fund

Units: Rs. Bln

Year	Opening Balance	Government Equity	Profit Earned	Closing Balance
Till 30.06.2013	18.5	6.9	2.2	27.7
2013-14	27.7	5.5	3.0	36.2
2014-15	36.2	0.0	4.3	40.5
2015-16	40.5	2.0	4.5	47.0
2016-17	47.0	3.0	3.7	53.7
2017-18	53.7	4.2	3.7	61.6
2018-19	61.6	0.0	5.8	67.4
2019-20	67.4	0.8	8.5	76.7
2020-21 (est.)	76.7	0.0	5.9	82.6

Summary of the Funds exposure to different investment types, detail of investments terms, Return on Assets comparison with Average Policy Rate of State Bank of Pakistan and expenditure incurred is placed at the annexure.

2. Pension Fund (PF):

GoKP had established PF in the year 1997-98 with initial allocation of Rs. 150 million as equity. Now, total Fund size is Rs.59,503 million (approximately) out of which Rs.22,847 million contributed by the Government of Khyber Pakhtunkhwa. The fund is governed by an Act and Rules made there under for running the affairs of the fund.

PF is controlled by a Board, which is similar to GPIF Board except for the difference of one member. Instead of representative of subscribers, the PF's Board has a representative of Peshawar High Court (PHC) nominated by the Chief Justice, PHC. Moreover, similar to GPIF, the Board operates through various committees, out of which the prominent one is the Investment Committee, which again is chaired by the Finance Secretary and is mandated to work out investments and recommend such to the Board.

Despite promised pension benefits, GoKP does not deduct contributions from the provincial government employee's salaries and hence is the sole contributor to the PF. As such GoKP becomes exclusively liable for the funded status of this fund, too. The PF size has also grown over time and the following table presents an overall position:

Table 23

Pension Fund

Units: Rs. Bln

Year	Opening Balance	Government Equity	Profit Earned	Closing Balance
Till 30.06.2013	13.0	2.0	1.6	16.6
2013-14	16.6	3.0	1.9	21.5
2014-15	21.5	2.5	2.6	26.5
2015-16	26.5	2.0	2.7	31.1
2016-17	31.1	3.0	2.3	36.4
2017-18	36.4	3.5	2.6	42.5
2018-19	42.5	0.0	3.8	46.4
2019-20	46.4	3.0	5.9	55.2
2020-21 (est.)	55.2	0.0	5.1	60.3

Summary of the Funds exposure to different investment types, detail of investments terms, Return on Assets comparison with Average Policy Rate of State Bank of Pakistan and expenditure incurred is placed in the annexure as well.

3. Hydel Development Fund (HDF):

GoKP had established HDF in 1992 with an initial allocation of Rs. 50 million. The fund is governed by an Act and Rules made there under for running the affairs of the fund.

Unlike, GPIF and PF, which are meant to fund GoKP's burgeoning pension liabilities, HDF has a different mandate. The objective of HDF is to develop hydel electricity generation capacity of the Khyber Pakhtunkhwa province, which it primarily does through funding projects executed by Pakhtunkhwa Energy Development Organization (PEDO).

HDF is controlled by a Board, which, currently is composed of ten members. The Board is dominated by nine ex-officio members; out of which, eight come from GoKP. Two members are from private sector; namely Managing Director Bank of Khyber, and one provincial chief of public sector bank or development financial institution, stationed at Peshawar. The Chief Minister Khyber Pakhtunkhwa is the chairman of the Board. Similar to GPIF and PF, the HDF also has an investment committee, but headed by the Chief Secretary, Khyber Pakhtunkhwa. The HDF is funded from the GoKP's own resources and as such the fund do not receive automatic deductions / tax receipts. Its size, inflows, and outflows over time are presented in the table below:

Table 24

HDF

Units: Rs. Bln

Year	Opening Balance	Government Equity	Profit Earned	Fund Utilized	Closing Balance
Till 30.06.2013	20.2	3.0	2.3	2.0	23.6
2013-14	23.6	3.0	2.3	5.3	23.6
2014-15	23.6	3.0	2.4	2.8	26.2
2015-16	26.2	10.2	2.0	15.0	23.3
2016-17	23.3	16.5	2.3	27.7	14.4
2017-18	14.4	15.0	0.9	7.3	23.0
2018-19	23.0	0.0	2.2	8.7	16.4
2019-20	16.4	0.0	2.0	9.2	9.3
2020-21 (est.)	9.3	2.0	1.6	9.6	3.3

4. Retirement Benefit and Death Compensation Fund (RBDC):

Initially, RBDC fund was managed in project-mode with close cooperation of KPFB, however, with subsequent regularization of RBDC project employees through enactment of the Khyber Pakhtunkhwa Employees (Regularization of Services) Act, 2018, this fund is now managed by a separate wing within the Finance Department.

RBDC scheme offers another layer of social protection and enhances benefits from only death compensation to both death and retirement compensation for employees of the GoKP. The fund is governed by the Khyber Pakhtunkhwa Civil Servants Retirement Benefits and Death Compensation Act, 2014 and Rules made thereunder for running the affairs of the fund. Unlike other three funds, which are funded by the GoKP on behalf of subscribers, here in RBDC similar to benevolent fund, contributions from the provincial government employees are deducted and directly deposited. Such deposits have started from October 2016.

Here again, the Board controls overall affairs and is headed by the Chief Secretary. The Board is the largest of all-four fund Boards, comprising of 12 members; out of which 10 are ex-officio members and two are representatives of the civil servants. There is also a management committee, chaired by the Secretary Finance, for speedy disposal of the benefit claims.

Table 25

Retirement Benefit and Death Compensation

Units: Rs. Bln

Year	Opening Balance	Released during the year	Total	Profit Earned	Fund Utilized	Cumulative Total
2016-17						
2017-18	0.0	3.4	3.4	0.1	1.3	2.2
2018-19	2.2	6.2	8.4	0.3	2.5	6.3
2019-20	6.3	3.6	9.9	0.8	1.3	9.4
2020-21 (est.)	9.4	3.0	12.4	0.7	2.5	10.6

Summary of the Funds' exposure to different investment types, detail of investments terms, Return on Assets comparison with Average Policy Rate of State Bank of Pakistan and expenditure incurred is placed in the annexure.

7.16 Autonomous bodies & authorities

The GoKP has established over 168 entities (list attached as Annexure) including Public Sector Companies (PSCs) & Autonomous Bodies (ABs) functioning under various administrative departments to increase efficiency, reduce costs and improve effectiveness of public service delivery across its various sectors. These entities have a direct budgetary support aggregating to ~ RS. 60 billion in addition to off-budget support in terms of development loans entered for development projects. Department-wise details of the entities are as under and the list is in the annexure:

Table 26
Units: In Numbers

S.No.	Department	No. of Entities
Total		168
1.	Health	36
2.	Elementary and Secondary Education	39
3.	Higher Education	34
4.	Local Government	21
5.	Others	38

However, despite getting huge budgetary support, the entities are not performing optimally, mandating reform. Among the commonly faced issues by the entities are lack of good governance practices relevant to the Board, financial management, human resource, and performance management.

Against the backdrop of varying practices and non-compliance of corporate governance practices, with the help of the World Bank, a Corporate Governance Unit (CGU) was formally formed in the Finance Department. This unit has been working on proposing key policy frameworks to these entities, considering best practices and relevant rules & laws. The focus of reforms agenda for the entities during current and upcoming year has been and will be in following areas:

- 1. Selection of Chief Executive Officer (CEO):** Aspects relating to the hiring process of CEO, terms and conditions, and remuneration etc. have been covered.
- 2. Board of Directors (BoD):** Recommendations provided on the size, structure, and composition of the BoD along with its responsibilities, process of Board nomination & appointment, meeting frequency and remuneration if any, Board committees and performance evaluation.
- 3. Human Resource (HR) Management:** The framework broadly covers manpower planning, recruitment & selection, employees' benefit policy & performance management, training, and development etc.

4. **Finance and Accounting:** Critical finance related areas have been covered in the framework including recommendation to prepare finance manuals, delegation of authority matrix, planning & budgeting, financial reporting, and asset management etc.
5. **Risk Management:** The framework broadly covers the key principles pertaining to risk management including responsibilities relevant to the function, its objectives, and the authority on it.
6. **Internal Audit:** Areas covered include objectives of the function, its composition, authority and independence, roles, and responsibilities vis-à-vis internal audit, use of experts and reporting to the committee, among others.
7. **Information technology (IT):** Guidelines on topics of IT related procurements, use of hardware/software, security policy, access rights and website policy have been addressed.

Another major reform initiative that is in the pipeline is the procurement of a financial reporting and consolidation software for the entities. The motivation behind this initiative is the lack of visibility on the financial performance of these entities. The implementation of such a software in the entities will enable and enhance periodic financial reporting and resultantly, the variance analysis with respect to budget versus actual figures and reporting on Key Performance Indicators (KPIs).

7.17 Service Delivery & Development Plus Spending

Development Plus⁺

The belief has always been that any good that happens is driven through the development budget. However, what is not realized is the fact that a lot of good spending in the form of initiative is carried out on the current side as well.

Development Plus⁺ is defined as part of current expenditure that helps in *capacity expansion* of service delivery or *reduces the chances of capacity erosion*.

Development budget remains the prime driver of initiatives but consolidation of those initiatives and sustainability is delivered from the current budget. It is only that once an initiative has secured funding on the current side that longevity and continuity is ensured.

Some of the interventions that are expected to be carried out in 2021-22 are:

Figure 7.17

Key interventions being carried out across the departments through Development Plus ⁺		
Sector	Intervention	Allocation (M)
 Health	Sehat Card Plus	22,000
	Provision of Sehat Card plus for merged districts	1,000
	Capacity Expansion /operational budget top-up for MTIs, Provincial Hospitals & other HFs	7,000
	Medicines Top-up	3,600
	Maintenance & repair through PCMCs/HMCs	1,325
	Operational budget top-up to secondary hospitals	1,000
	Outsourcing of services	1,000
 E&SE	Additional teachers	11,821
	Innovative approaches & other initiatives	4,390
	Provision of missing furniture	3,000
	Scholarships & Stipends with 80% + for girls	3,006
	Free textbooks	2,500
	School PTCs	2,000
	Teacher's trainings	1,650
 Relief	Ambulatory service for patient transfer	1,500
	Ambulatory service for expecting mothers (across KP)	800
	Enhancement of outreach of 1122 to Tehsil level	800
	Handing of fire service to 1122	500

Figure 7.18

Key interventions being carried out across the departments through Development Plus+

Sector	Intervention	Allocation (M)
 Sports & tourism	Grant to special purpose authorities	800
	Grant to tourism police	300
	Conservation of Historical sites & improvement of museums	200
 Higher education	Operational Budget Top-up to universities	2,000
	Provision for furniture & missing facilities	1,000
 Local Government	Grants to grass root authorities	3,600
	Outsourcing of janitorial Services	2,000
	Service Delivery Improvements	1,186
 Other Departments	Improving access to food	10,000
	Pro Poor Initiatives	10,000
	Viability Gap Funding for Service delivery	6,000
	Funding to combat Covid 19	3,600
	Urban Mobility Grant	3,000
	Improvement of police stations & investigation services	2,000

Service Delivery Budget:

Another important aspect of current side budget is the service delivery that it drives by providing the funds in the right places.

Service delivery: Part of current expenditure that directly translates into provision of key services to citizens; like salaries of doctors/ nurses & teachers, medicines dispensed in hospitals, fuel for 1122 ambulances, or provision of goods & services that complement the service delivery.

It is necessary to understand the two aspects of service delivery budget:

1. Salary of service delivery staff
2. Essential operational budget to help the HR deliver service

One key distinction between Service Delivery and Development Plus⁺ needs to be recognized. Whereas Development Plus⁺ focuses on providing top-ups to the actual budget with the aim that this would eventually become part of the actual budget once the intervention has been successfully rolled out, **Service Delivery** focuses on current operational budget that helps in provision of service delivery.

Almost 70% of the spend that is carried out on the current side translates into direct service delivery, in the form of salaries of Rescue workers, Doctors, Nurses etc., and indirect service delivery in the form of operational budget.

7.18 Designated Bank Accounts

As part of the Government's initiative to identify designated bank accounts, PWC was engaged by the Finance department to carry out the exercise. The purpose of doing so is to have clarity with respect to the designated bank accounts of departments and their attached entities and to identify any surplus amounts that can be channeled into the provincial revenue stream to increase cash at the disposal of the GoKP for necessary utilization.

In addition, it is also desired that the dormant accounts identified be made part of the provincial Account-1 balance to improve spending efficiency of the exchequer's cash.

Table 40 below shows the number of bank accounts, balances, number of dormant accounts and the dormant account balances belonging to the respective administrative departments.

The Finance department has further proposed a set of financial management recommendations pertaining to bank accounts in order to streamline the handling of designated bank accounts by all administrative departments and their attached entities. The highlights are as follows:

Bank account opening practices:

- The confirmation of opening any new bank account shall be intimated to the Finance department.
- A single sanction should be provided for setting up of a single bank account.
- All new accounts should be set up as saving accounts.
- Bank account title shall be devised following a set mechanism. For instance, the department name and whether it belongs to an ADP scheme shall be identifiable from the account title.
- A framework should be defined for attached offices to govern the placement of funds in the Term Deposit Receipts.

Reporting Process:

- Devolved departments should ensure that consolidated information is collected on monthly basis, in a manner that quarterly consolidation is made easy for onward reporting to the Finance department.
- Consider automation of bank accounts reporting process as the quantum of information is huge.

Table 27
Unit: In Mln

Departments	Number of Bank Accounts	Balance as of 31.07.2020 (RS. Million)	Number of Dormant Accounts	Dormant Account Balance 31.07.2020 (RS. Millions)
Total	1,154	108,331	84	3,892
Elementary & Secondary Education	177	15,594	9	620
Local Government, Elections & Rural Development	221	15,393	14	444
Board of Revenue	96	11,091	18	634
Communication & Works	36	10,384	1	23
Health	134	10,353	14	154
Higher Education	230	10,277	4	881
Relief, Rehabilitation & Settlement	6	10,218		
Industries	48	6,377		
Environment	27	3,545	3	40
Sport	27	3,095	2	162
Home	28	2,736	6	266
Transport	5	2,316		
Law	25	2,213	9	603
Housing	23	2,075		
Labour	24	1,044	1	24
Zakat	9	464	1	11
Agriculture	10	437	1	20
Unascertained	8	204		
Food	2	125		
Auqaf	2	91		
Science	2	64		
Establishment	3	51		
Benevolent Fund Cell	1	50		
Administration	1	48		
Public Health Engineering	1	41		
Mines	2	19	1	10
Energy & Power	2	13		
Khud Kifalat Scheme	4	13		

Chapter 8: Supporting Vulnerable Segments of the Society

The province of Khyber Pakhtunkhwa focuses on promoting equality in the province by providing adequate resources to the vulnerable segments of the province's population. This is aligned with the Sustainable Development Goal (SDG) of reducing inequality within and among countries. This SDG calls for reducing inequalities in income as well as those based on age, sex, disability, race, ethnicity, origin, religion or economic or other status within a country or region. As per this goal, there are 4 major categories where resources and development spending are focused by the Government of Khyber Pakhtunkhwa, and these include the following:

1. Women

The province of Khyber Pakhtunkhwa firmly believes that with initiatives to capacitate women of the province, especially focusing on building their intellectual caliber coupled with technological awareness, we can grow and progress towards a socially equitable and harmonious region. Development of an integrated and comprehensive social protection system for the women of Khyber Pakhtunkhwa, coupled with human resource building and focusing on education, is one of the main focus areas in this budget as well.

The department of social welfare, to legally strengthen and protect women's rights, recently passed the Domestic Violence Against Women (Prevention & Protection) Act in 2021. To further uplift the economic standing of women in the province, a 25% quota in *Akhuwat* has been allocated for women in Rs. 1 billion fund to be disbursed by *Akhuwat* SIDB.

The province also believes that education remains one of the core pillars to empower women and female headed households. Hence, special focus and allocations have been diverted towards female education centric projects, some examples in this regard are; Girls' cadet college in Mardan has been allocated a total of Rs 2.5 billion out of which Rs. 1.25 billion has already been spent, Girls stipend allocation worth Rs. 2.4 billion through Elementary and Secondary Education department, functionalization of 'Girls Community Schools' through elementary and secondary education funds with a total allocation of Rs. 800 million and functionalization of the 105 Dastakari Centers in Khyber Pakhtunkhwa is currently in progress.

2. Senior Citizens

In order to protect rights of senior citizens of the society, Khyber Pakhtunkhwa has pioneered enactment of KP Senior Citizens Act in year 2014. However, same could not be implemented. The Government of Khyber Pakhtunkhwa is committed to enactment of this act and requisite resource have been diverted towards this. The citizen act includes:

The senior citizens shall be allowed the following privileges on the basis of senior citizen card:

- free of charge entry to public museums, libraries, parks and recreation facilities;
- Financial supports to deserving senior citizens;
- separate counters for senior citizens in hospitals;
- concession in medical and medicine charges;
- separate medical wards; and
- membership of organization of senior citizens corps.
- free of charge entry to public museums, libraries, parks and recreation facilities;

- Financial supports to deserving senior citizens;
- separate counters for senior citizens in hospitals;
- concession in medical and medicine charges;
- separate medical wards; and
- membership of organization of senior citizens corps.

3. Minorities

In accordance with the mandate to support vulnerable population, KP is also committed to protect all religious minorities and their rights to practice the religion freely. The following projects will be undertaken to protect minorities:

- Hindu Samadhi in Kalash
- Ancient Kalash graveyard protection
- Rs. 50 million for minorities to establish enterprises and startups
- Provision of land for minority graveyards and Shamshan ghats
- Renovation and improvement of worship places (Gurudwara, Church, Jestakhan, Mandir)
- Rs. 450 million (Rs. 50 million) for mainstreaming of minorities
- Rs. 30 million (Rs. 20 million) for skills development of minorities

4. Persons with special needs

Integrated with initiatives for development of women and minorities is the development plan for persons with special needs in the province. Following are some of the key initiatives taken to support this segment of our society:

- Balance Work of Women Vocational Centre at Matta, District Swat has been completed.
- Schools for Deaf & Dumb Children (female) in Districts Mardan & Kohat have been established.
- Upgradation of Blind School for Girls at Nanakpura and Deaf & Dumb School for Boys at Gulbahar Peshawar up to Secondary levels is in process.
- Support to Widows / Orphans and Special Persons in all NMAs is at the top priority in funds allocated to NMAs.

Annexures

HISTORICAL ANNEXURES

1- Annual Development Programme Since 1973/74

Unit: in Rs Mln

Year	Size of ADP	Revised Size of ADP
1974-75	400.0	500.0
1975-76	576.7	601.4
1976-77	546.8	640.9
1977-78	617.0	687.6
1978-79	669.0	720.6
1979-80	767.0	702.9
1980-81	818.0	838.4
1981-82	980.9	1,002.3
1982-83	1,228.0	1,174.3
1983-84	1,176.5	1,191.5
1984-85	1,244.7	1,245.4
1985-86	1,697.0	1,912.8
1986-87	2,131.3	2,131.3
1987-88	2,472.3	2,471.1
1988-89	2,164.2	2,164.2
1989-90	2,197.6	2,198.6
1990-91	2,506.2	2,851.4
1991-92	4,813.7	4,881.6
1992-93	6,575.4	5,002.9
1993-94	4,959.0	4,764.6
1994-95	6,964.0	7,349.2
1995-96	7,665.6	8,081.9
1996-97	8,711.5	5,659.1
1997-98	4,884.7	5,498.2
1998-99	6,072.4	7,771.7
1999-00	5,745.2	8,057.5
2000-01	9,212.5	7,272.1
2001-02	7,986.2	8,710.1
2002-03	13,673.3	11,289.2
2003-04	14,696.0	12,883.0

2004-05	16,195.0	15,365.2
2005-06	21,000.0	24,397.4
2006-07	26,630.4	26,542.1
2007-08	39,462.4	32,913.9
2008-09	41,544.9	39,000.6
2009-10	51,157.0	46,330.5
2010-11	69,283.7	64,977.5
2011-12	85,141.0	84,473.6
2012-13	97,458.0	88,130.6
2013-14	118,000.0	104,847.6
2014-15	139,805.0	134,737.3
2015-16	174,884.0	135,098.6
2016-17	161,000.0	172,096.4
2017-18	208,000.0	150,158.8
2018-19	180,000.0	175,599.558
2019-20	319,000.0	*220,130.7
2020-21	317,857.0	* 249,992.0
2021-22	370,856.0	

(*Includes PSDP of Rs. 17,602.7 million)

2. Growth in Revenue Receipts & Current Revenue Budget Since 1975/76 (In Million)

Unit: In Rs. Mln

Year	Provinci al Tax Receipts	Provinci al Others Receipts	Total Provincial Own Receipts	Net Capita l Recep ts	Federal Tax Assignment	Net Profits	Grants from Federal Govt.	Total Provincial Receipts	Current Revenue Expenditur e	Deficit/Sur plus Revenue Account	Non- Obligat ory Grant	Receiva ble as per Arbitrati on Award
75-76 B.E	51.6	104.9	156.5	7.1	305.3	---	110.7	579.6	699.5	(-) 119.9	---	119.9
R.E	72.2	113.1	185.3	7.9	329.3	---	151.3	673.8	705.4	(-) 31.6	31.6	---
76-77 B.E	74.5	120.1	194.6	6.9	367.7	---	104.8	674.0	862.2	(-) 188.2	138.2	50.0
R.E	83.7	93.1	176.8	2.2	373.6	---	123.3	675.9	955.9	(-) 280.0	223.6	56.4
77-78 B.E	88.7	127.2	215.9	(-) 6.8	401.1	---	104.8	715.0	1,149.1	(-) 434.1	398.7	35.4
R.E	93.4	119.4	212.8	14.8	426.9	---	107.6	762.1	1,137.0	(-) 374.9	352.6	22.3
78-79 B.E	96.8	135.5	232.3	12.7	461.8	---	104.8	811.6	1,314.3	(-) 502.7	456.8	45.9
R.E	96.6	201.3	297.9	(-)10.8	512.3	---	108.5	907.9	1,391.2	(-) 483.3	468.4	14.9
79-80 B.E	101.3	162.8	264.1	11.2	562.8	---	104.8	942.9	1,557.1	(-) 614.2	566.9	47.3
R.E	123.0	209.9	332.9	14.8	736.9	---	104.8	1,189.4	1,674.8	(-) 485.4	475.0	10.4
80-81 B.E	127.4	250.0	377.4	12.3	881.3	---	104.8	1,375.8	1,877.6	(-) 501.8	445.8	56.0
R.E	143.2	260.7	403.9	13.2	1,060.4	---	107.3	1,584.8	2,031.8	(-) 447.0	447.0	---
81-82 B.E	154.4	276.6	431.0	12.3	1,203.1	---	104.7	1,751.1	2,292.9	(-)541.8	531.6	10.2
R.E	174.7	282.6	457.3	37.0	1,132.6	---	106.4	1,733.3	2,538.9	(-) 805.6	805.6	---
82-83 B.E	188.7	296.2	484.9	16.6	1,223.6	---	104.8	1,829.9	2,714.7	(-) 884.8	874.8	10.0
R.E	212.0	308.0	520.0	24.8	1,223.6	---	105.4	1,873.8	2,989.7	(-) 1115.9	1,115.9	---
83-84 B.E	212.0	340.2	552.2	16.0	1,364.3	---	104.8	2,037.3	3,454.3	(-) 1417.0	1,396.0	21.0
R.E	238.3	374.6	612.9	50.7	1,374.6	---	116.6	2,154.8	3,705.2	(-) 1550.4	1,550.4	---
84-85 B.E	257.5	375.4	632.9	66.8	1,537.4	---	104.8	2,341.9	4,334.7	(-)1992.8	1,992.8	---

R.E	264.3	395.9	660.2	70.1	1,457.0	---	119.3	2,306.6	4,512.1	(-) 2205.5	2,205.5	---
85-86 B.E	288.9	412.3	701.2	75.0	1,622.0	---	104.7	2,502.9	5,201.0	(-) 2698.1	2,698.1	---
R.E	284.1	414.1	698.2	51.8	1,622.0	---	130.7	2,502.7	5,453.7	(-) 2951.0	2,951.0	---
86-87 B.E	307.2	430.2	737.4	52.8	1,622.0	---	104.8	2,517.0	6,466.3	(-) 3949.3	3,949.3	---
R.E	303.6	434.5	738.1	34.6	1,615.6	---	130.3	2,518.6	6,811.8	(-) 4293.2	4,293.2	---
87-88 B.E	309.3	466.1	775.4	34.6	1,831.3	---	104.7	2,746.0	7,382.9	(-) 4636.9	4,636.9	---
R.E	338.6	619.5	958.1	72.5	1,988.6	---	111.4	3,130.6	7,997.1	(-) 4866.5	4,866.5	---
88-89 B.E	369.2	531.1	900.3	74.6	2,204.5	---	104.8	3,284.2	8,685.1	(-) 5400.9	5,400.9	---
R.E	374.7	556.3	931.0	174.8	3,030.5	---	136.9	4,273.2	8,607.4	(-) 4334.2	4,022.6	311.6
89-90 B.E	369.3	581.8	951.1	159.6	3,330.2	---	104.8	4,545.7	9,291.2	(-) 4745.5	3,735.8	1,009.7
R.E	405.6	714.5	1,120.1	197.4	3,934.0	---	134.8	5,386.3	9,385.6	(-) 3999.3	3,574.7	424.6
90-91 B.E	391.6	691.6	1,083.2	202.4	4,356.0	---	104.8	5,746.4	10,558.7	(-) 4812.3	3,475.6	1,336.7
R.E	430.5	759.8	1,190.3	72.8	4,301.6	---	132.0	5,696.7	10,281.7	(-) 4585.0	4,029.7	555.3
91-92 B.E	440.3	799.7	1,240.0	25.4	6,582.4	5,987.5	204.8	14,040.1	12,732.3	(+) 1307.8	---	---
R.E	435.7	864.3	1,300.0	20.7	6,444.1	5,999.9	402.5	14,154.8	12,737.3	(+) 1417.5	---	926.4
92-93 B.E	527.2	972.8	1,500.0	19.6	7,304.0	6,800.0	204.8	15,828.4	14,370.8	(+) 1457.6	---	---
R.E	688.8	958.8	1,647.6	19.7	7,366.0	5,680.0	205.2	16,038.5	14,579.0	(+) 1459.5	---	1,938.9
93-94 B.E	639.0	1,031.0	1,670.0	9.3	8,277.2	7,500.0	204.8	17,661.3	16,511.3	(+) 1150.0	---	---
R.E	634.2	1,040.8	1,675.0	9.3	9,392.1	5,482.0	209.5	17,785.9	16,635.9	(+) 1150.0	---	2,898.8
94-95 B.E	686.4	1,128.0	1,814.4	11.7	11,139.0	7,800.0	4.8	20,769.9	19,189.9	(+) 1580.0	---	---
R.E	724.3	1,272.7	1,997.0	17.6	11,454.7	6,500.0	10.0	21,279.3	19,404.5	(+) 1874.8	---	2,718.9
95-96 B.E	875.8	1,236.0	2,111.8	12.8	13,873.1	7,970.0	4.7	23,972.4	21,972.4	(+) 2000.0	---	---
R.E	810.2	1,487.3	2,297.5	13.9	14,345.1	6,000.0	4.8	24,631.3	23,564.0	(+) 1067.3	---	4,140.8
96-97 B.E	803.3	1,596.3	2,399.6	15.2	16,226.7	8,500.0	4.8	27,146.3	26,862.0	(+) 284.3	---	---
R.E	1,006.7	1,754.1	2,760.8	629.1	16,134.5	6,000.0	4.8	28,029.1	25,800.0	(+) 2229.1	---	5,154.9
97-98 B.E	1,407.9	1,867.1	3,275.0	(-) 775.0	15,064.0	9,423.0	3,310.0	30,297.0	30,058.5	(+) 238.5	---	---

R.E	1,167.7	1,714.1	2,881.8	(-)	14,086.4	6,000.0	3,327.6	29,337.0	29,451.0	(-) 114.0	---	6,270.4
98-99 B.E	1,472.8	2,124.9	3,597.7	(-)	16,018.6	10,466.0	3,674.0	33,004.0	33,004.0	---	---	---
R.E	1,389.3	2,262.8	3,652.1	(-)	14,579.5	6,000.0	3,675.3	31,726.3	32,004.0	(-) 277.7	---	7,497.4
99-2000 B.E	1,705.4	2,336.5	4,041.9	(-)	16,867.7	11,624.0	4,078.0	35,781.4	35,493.0	(+) 288.4	---	---
R.E	1,592.7	2,336.0	3,928.7	(-)	16,613.6	6,000.0	4,057.3	35,395.7	35,263.5	(+) 132.2	---	8,847.2
2000-01 B.E	1,740.9	2,509.1	4,250.0	(-)	21,227.5	12,899.0	4,310.7	41,732.2	39,132.2	(+) 2600.0		
R.E	1,381.8	2,207.7	3,589.5	(-)	19,217.8	6,000.0	3,827.6	31,986.7	33,673.3	(-) 1038.4	---	10,331.9
2001-02 B.E	1,862.3	2,096.1	3,958.4	(-)	21,552.2	14,328.0	4,258.6	44,067.3	45,040.4	(-) 973.13		
R.E	2,020.1	1,943.4	3,963.5	(-)	19,411.8	6,000.0	3,898.0	32,323.2	34,623.0	(-) 559.845	398.5	1,195.1
2002-03 B.E	1,987.9	2,089.9	4,077.9	(-)	22,728.3	15,904.0	3,898.0	46,767.1	48,564.0	(-) 1796.9	159.0	
R.E	2,140.4	2,103.4	4,243.8	1,047.	22,872.2	6,000.0	3,898.0	37,039.3	36,171.6	(+) 867.7	221.0	13,761.6
2003-04 B.E	2,148.5	2,009.8	4,158.3	1,788.	25,750.4	17,653.0	3,898.0	51,459.7	47,114.7	(+) 4345.1		
R.E	2,019.1	1,999.8	4,018.9	3,125.	25,660.3	6,000.0	3,898.0	39,577.2	38,400.0	(+) 1177.2	---	15,737.7
2004-05 B.E	2,278.7	2,149.4	4,428.1	3,132.	29,344.1	8,000.0	4,500.0	46,272.2	42,650.0	(+) 3622.2	---	
R.E	2,339.8	2,210.7	4,550.5	---	30,215.0	6,000.0	45,000.0	45,265.5	42,650.0	(+) 2615.5	---	17,911.5
2005-06 B.E	2,528.5	2,365.5	4,894.0	3,132.	35,458.2	8,000.0	10,000.0	58,352.2	51,062.0	(+) 7290.2	---	
R.E	2,633.9	2,555.2	5,189.1	---	36,805.1	6,000.0	5,000.0	65,462.8	60,693.0	(-) 8799.6	12,473.	20,302.6
2006-07 B.E	3,053.6	2,741.4	5,795.0	---	44,034.5	8,000.0	9,712.5	67,542.0	54,500.0	(+) 13042.0	---	
R.E	3,049.5	2,682.3	5,731.8	---	44,645.1	6,000.0	9,765.3	66,142.2	55,173.6	(+) 10968.5	---	22,932.9
2007-08 B.E	3,809.1	3,172.7	6,981.8	---	55,690.1	6,000.0	11,907.8	80,579.7	61,000.0	(+) 19579.7		
R.E	3,904.6	3,075.2	6,979.8	---	55,954.2	6,000.0	11,349.1	80,283.1	61,450.0	(+) 18833.1	0.5	25,826.2
2008-09 B.E	4,737.3	3,473.4	8,210.7	---	71,445.8	6,000.0	14,432.2	100,088.7	67,300.0	(+) 32788.7		
R.E	3,749.2	3,425.5	7,174.7	---	69,965.7	6,000.0	13,183.3	96,323.7	75,600.0	(+) 20723.7	1,682.0	29,008.8
2009-10 B.E	5,991.9	3,655.7	9,647.6	---	83,218.5	6,000.0	14,822.5	113,688.6	80,000.0	(+) 33688.6		

R.E 2010-11 B.E	3,497.0	4,711.8	8,208.8	---	93,998.7	16,000.0	15,207.4	133,414.9	109,000.0	(+) 24414.9	11,506. 6	32,509.0
R.E 2011-12 B.E	4,135.6	5,583.2	9,718.8	182,29 4.2	155,939.5	31,000.0	4,047.0	200,705.3	139,500.0	(+) 61205.3	---	---
R.E 2012-13 B.E	4,529.2	6,014.4	10,543.6	---	191,245.0	31,000.0	---	232,788.3	149,000.0	(+) 83788.3	---	---
R.E 2013-14 B.E	12,571.5	6,345.7	18,917.2	---	189,058.4	31,000.0	2,264.3	241,239.9	161,000.0	(+) 80239.9	---	---
R.E 2014-15 B.E	13,862.5	6,238.5	20,101.0	---	228,391.0	31,000.0	---	279,492.0	191,600.0	(+) 87892.0	---	---
R.E 2015-16 B.E	8,164.9	6,235.3	14,400.2	---	231,525.4	31,000.0	---	245,925.6	195,000.0	(+) 50925.6	---	---
R.E 2016-17 B.E	10,287.6	6,632.9	16,920.5	---	250,065.6	31,000.0	---	297,986.1	211,000.0	(+) 86986.1	---	---
R.E 2017-18 B.E	12,637.8	8,007.5	20,645.3	---	243,076.1	31,000.0	---	294,721.4	222,000.0	(+) 72721.4	---	---
R.E 2018-19 B.E	19,452.8	9,327.9	28,780.7	---	284,152.0	44,272.3	---	357,205.0	250,000.0	(+) 107205.0	---	---
R.E 2019-20 B.E	19,832.0	10,573.0	30,405.0	---	264,548.1	9,400.0	3,021.6	307,374.7	255,000.0	(+) 52374.7	---	---
R.E 2020-21 B.E	22,594.5	31,830.3	54,424.8	---	315,452.2	68,873.0	2,000.0	425,750.0	298,000.0	(+) 127750.0	---	---
R.E 2021-22 B.E	14,319.9	11,161.1	25,481.0	---	301,262.2	34,000.0	7,401.7	368,144.9	280,903.8	(+) 87241.2	---	---
R.E 2022-23 B.E	18,171.1	31,335.9	49,507.0	---	346,183.8	33,704.0	300.0	429,694.8	333,000.0	(+) 96694.8	---	---
R.E 2023-24 B.E	18,204.3	14,263.7	32,468.0	---	343,547.2	33,704.0	50.0	409,769.2	338,601.0	(+) 71168.2	---	---
R.E 2024-25 B.E	22,306.9	22,908.1	45,215.0	---	389,854.5	35,785.0	---	470,854.5	388,000.0	(+) 82854.5	---	---
R.E 2025-26 B.E	19,405.0	14,852.0	34,257.0	---	381,031.9	63,050.9	---	478,339.8	389,000.0	(+) 89339.8	---	---
R.E 2026-27 B.E	23,823.0	17,439.0	41,262.0	---	426,095.5	65,277.9	---	532,635.3	430,000.0	(+)102635. 3	---	---
R.E 2027-28 B.E	19,765.0	14,875.0	34,640.0	---	403,958.6	54,491.8	---	493,090.4	410,000.0	(+) 83,090.4	---	---
R.E 2028-29 B.E	33,022.6	20,381.5	53,404.1	---	533,261.5	55,674.8	79,000.0	721,340.4	526,300.0	(+) 195,040.4	---	---
R.E 2029-30 B.E	27,583	19,238	46,821	---	379,097.3	512,70	66,000	543,188.3	532,550	(+) 10,638.3	---	---
R.E 2030-31 B.E	28,147	21,087	49,234.0	---	477,518.6	58,288.4	88,000.0	673,019.0	593,129	(+) 79,890	---	----
R.E 2031-32 B.E	31,779	20,623	52,402	---	456,129	58,266	83,800	650,597	619,345	(+) 31,252	----	----
R.E 2032-33 B.E	43,779	31,811	75,000	---	559,257	74,701	99,000	807,958	725,000	(+) 82,958	----	----

CURRENT YEAR's ANNEXURES

1. General Revenue Receipts

Unit: Rs. Mln

Description	BE 20-21	RE 20-21	BE-21-22
I-PROVINCAL TAX RECEIPTS	28,147	31,779	43,189
GST on Services	19,850	19,061	24,800
Agriculture Income Tax	89	89	0
Urban Immoveable Property Tax (net)	460	580	3,200
Registration (Transfer of Property)	305	74	0
Land Revenue	2,753	3,485	4,400
Tax on Professions	0	596	0
Provincial Excise	0	35	55
Stamp Duties	1,600	3,344	4,600
Receipts under Motor Vehicles Acts, Route Permit & Finesses	2,138	1,613	2,420
Tobacco Development Cess	200	306	456
Infrastructure Development Cess	150	1,434	2,200
Electricity Duty	598	1,008	1,008
Fee for Real Estate Deals	0	18	44
Electronic Media	4	13	6
Hotel Tax	0	25	0

Urban Capital Value Tax	0	98	0
II- NON-TAX RECEIPTS	21,087	20,623	31,811
Income from Property & Enterprises	8,903	4,340	4,568
Interest	61	627	855
Dividends with BOK	397	1,070	1,070
Return on Assets Transferred to WAPDA	3	3	3
Hydel Power Own Generation	8,442	2,640	2,640
RECEIPTS FROM CIVIL ADMINISTRATION & LAW AND ORDER	3,615	3,680	7,138
Fees from Public Service Commission	100	90	110
Receipt in aid of Superannuation	250	461	800
Weights and Measures	60	58	120
Local Fund Audit	100	96	250
Administration of Justice	281	287	358
Jails and Convict Settlement	38	35	47
Police & Others	2,786	2,653	5,453
Receipts from Community Services	735	676	840
Buildings and Communications	465	451	540
Public Health Engineering	250	225	300
Local Government	20	0	0

Receipts from Social Services	2,052	1,553	2,761
Higher Education Archives & Libraries	654	621	707
Elementary & Secondary Education	44	61	74
Technical Education	15	16	22
Health	1,100	763	1,503
Museums and Tourist Deptt.	57	13	54
Stationery and Printing	182	79	401
Receipts from Economic Services	4,950	5,467	7,683
Agriculture	188	194	268
Fisheries	80	123	163
Wildlife	75	100	155
Animal Husbandry	143	181	334
Forestry	346	50	110
Irrigation	462	95	210
Manpower Management	0	1	1
Industries	55	55	83
Mines & Minerals Development	3,602	4,617	6,239
Transport	0	51	120
Miscellaneous Receipts	833	4,907	8,820
Provincial Receipts (I + II)	49,234	52,402	75,000

III-FEDERAL TAX ASSIGNMENT	404,766	382,540	475,638
Taxes on Income	166,117	145,170	177,135
Custom Duties	52,004	56,938	63,852
Sales Tax	157,888	158,590	206,260
Capital Value Tax (CVT)	251	41	46
Central Excise	28,506	21,799	28,345
IV-Straight Transfers	24,117	27,625	26,468
Royalty on Crude Oil	11,452	10,407	11,838
Royalty on Natural Gas	9,120	9,053	8,588
Gas Dev: Surcharge	1,431	6,524	4,157
Excise Duty on Natural Gas	2,114	1,641	1,885
V- 1% of Divisible Pool for War on Terror	48,636	45,965	57,151
VI-Net Hydel Profit	21,495	21,495	29,674
VII-(Arrears 2015-16, 2016-17 & 2017-18)	36,771	36,771	36,928
VII-Gramt frp, Federal Govt for NMAs	88,000	83,800	99,000
VIII-NHP as par AGN Qazi formula	-		
Total General Revenue Receipt (I to X)	673,019	650,598	799,859

2. General Revenue Expenditure

Unit: Rs Mln

Classification	BE 2020-21	RE 2020-21	BE 2021-22
General Public Service	334,088	341,615	390,071
Executive and Legislative Organs, Financial and Fiscal Affairs (Voted)	104,568	107,004	125,553
Executive and Legislative Organs, Financial and Fiscal Affairs (Charged)	17,707	17,813	17,616
Transfers	208,319	212,860	241,659
General Services	3,299	3,769	5,024
General Public Services not elsewhere defined	196	170	219
Civil Defence	167	268	249
Public Order and Safety Affairs	78,958	85,800	99,396
Law Courts (Voted)	5,989	6,960	6,854
Law Courts (Charged)	1,310	1,668	1,717
Police	66,392	71,216	81,591
Prison Administration and Operation	3,108	3,730	3,996
Administration of Public Order	2,160	2,226	5,239
Economic Affairs	24,957	39,849	43,123
General Economic, Commercial and Labour Affairs	941	849	922
Agriculture, Food, Irrigation, Forestry and Fishing	14,016	25,695	26,265
Fuel and Energy	156	219	506
Mining and Manufacturing	1,059	1,050	1,348
Construction and Transport (Voted)	8,690	11,918	13,920
Construction and Transport (Charged)	2	10	10
Other Industries	92	108	151
Environment Protection	98	136	152
Housing and Community Amenities	14,895	11,967	20,722
Housing Development	337	347	157
Community Development	5,970	2,353	11,095
Water Supply	8,588	9,267	9,470
Health	58,063	58,456	86,306
Medical Product, Appliances & Equipment	79	83	81
Hospital Services	51,003	45,348	52,044
Public Health Services	48	880	2,368
Health Administration	6,933	12,146	31,814
Recreation, Culture and Religion	3,095	2,752	7,083
Recreation and Sporting Services	155	181	207

Cultural services	2,040	1,653	2,057
Broad Casting and Publishing	223	253	301
Religious Affairs	400	416	3,398
Administration of Information, Recreation and Culture	277	249	1,121
Education Affairs and Services	35,817	37,710	46,695
Pre-primary and Primary Education Affairs and Services	359	432	450
Secondary Education Affairs and Services	286	373	458
Tertiary Education Affairs and Services	27,053	27,333	33,314
Education Services not definable by level	0	0	313
Subsidiary Services to Education	314	374	397
Administration	7,806	9,198	11,762
Social Protection	42,991	40,792	31,204
Administration	41,997	39,370	28,767
Other	993	1,422	2,437
Total Current Revenue Expenditure	593,129	619,345	725,001

3. Development Budget by Sector for the Year 2020-21 & 2021-22

Unit: In Mln

DEVELOPMENT PROGRAMME	2020 -21		Budget Estimates 2021-22		
	Budget Estimates	Revised Estimates	ADP	FPA	Total
ANNUAL DEVELOPMENT PROGRAMME					
Agriculture	10,123.000	9,494.798	5,656.000	4,637.000	10,293.000
Auqaf, Hajj & Minority Affairs	372.000	393.496	729.000	0.00	729.000
Board of Revenue	507.000	650.500	686.000	0.00	686.000
Building	-----				
CPEC/Chinese Investment Project	-----				
Drinking Water & Sanitation	3,558.000	4,540.000	5,908.000	400.000	6,308.000
Elementary & Secondary Education	18,687.000	12,763.632	10,877.000	2,000.000	12,877.000
Energy and Power	8,738.000	14,271.045	2,071.000	12,600.000	14,671.000
Environment	30.000	18.858	40.000	0.00	40.000
Establishment & Administration	239.000	171.702	266.000	0.00	266.000
Excise, Taxation & Narcotics	150.000	99.378	175.000	0.00	175.000
Finance	3,435.000	27,430.000	137.000	27,250.000	27,387.000
Food	449.000	375.437	329.000	0.00	329.000
Forestry	2,500.000	2,571.585	3,239.000	300.000	3,539.000
Health	13,770.000	14,858.986	16,620.000	1,988.000	18,608.000
Higher Education	6,523.000	8,010.500	5,572.000	0.00	5,572.000
Home	2,175.000	1,754.250	1,732.000	0.00	1,723.000
Housing	200.000	175.000	550.000	0.00	550.000
Industries	2,944.000	2,998.652	1,889.000	1,000.000	2,889.000
Information	144.000	92.100	280.000	0.00	280.000
Labour	235.000	104.775	306.000	50.000	356.000
Law & Justice	990.000	1,843.737	1,694.000	0.00	1,694.000
Local Government	7,630.000	7,256.829	2,144.000	3,525.000	5,669.000
Mines and Mineral	230.000	189.248	246.000	0.00	246.000
Multi Sectoral Development	21,736.000	26,395.855	27,979.000	6,984.000	34,963.000
Population Welfare	799.000	149.853	747.000	0.00	747.000
Pro-poor initiatives	4,565.000				
Public Private Partnership	0.00	0.00	384.000	0.00	384.000
Relief & Rehabilitation	3,000.000	2,011.529	2,313.000	0.00	2,313.000

Roads	26,480.000	32,134.290	23,935.000	10,743.000	34,678.205
Social Welfare	750.000	381.226	502.000	0.00	502.000
Sports, Tourism, Archaeology & Youth Affairs	4,086.000	7,201.000	11,874.000	3,120.000	14,994.000
ST & IT	528.000	391.004	1,241.000	282.000	1,523.000
Transport	11,817.000	9,172.050	114.000	8,679.000	8,793.000
Urban Development	8,057.000	5,137.057	8,978.000	837.000	9,815.000
Water	11,907.000	11,928.598	10,796.000	1,421.000	12,217.000
Total Provincial ADP (Incl: FPA)	177,354.000	172,499.353	150,000.000	89,152.205	239,152.205
DISTRICTS ADP	44,571.000	8,700.000	15,000.000	0.00	15,000.000
Total ADP (Provincial and Districts)	221,925.000	181,199.353			

4. Foreign Project Assistance

Development Budget (Foreign Project Assistance) Year 2020-21 & 2021-22

PARTICULARS	BE 2020-21	RE 2020-21	BE 2021-22
A-EXTERNAL RESOURCES			
I-FOREIGN LOANS PKR Millions			
ADB	31,111	26,690	32,400
Khyber Pakhtunkhwa Rural Roads Dev Project KP-RRDP	500	0	643
Land fill and STP sites for KPCIP WSSCs	3,000		
Construction of Balakot HPP 300 MW	2,500	9,500	5,000
F/S & Dualization of Mardan-Swabi Road including Swabi bypass	4,000	4,000	5,000
KP Cities Improvement Project (ADB Assisted)	0	0	50
KP Cities Improvement Project (ADB Assisted)	250	254	787
Detailed Design and Construction of Pehur High level	2,354	77	1,421
Detailed Engineering Design PDA of Peshawar	322	50	0
Provincial Roads Rehabilitation Project	5,220	5,220	5,000
Access to Energy - construction of MHP on Rivers and Tributaries	1,700	176	5,820
Access to Energy - construction of MHP on Canals	700		0
Access to Energy - Solarization of schools and BHUs	896	896	0
KP Cities Improvement Project (ADB Assisted)	0	0	0
Construction of Peshawar Mass Transit System (Bus Rapid Transit)	9,669	6,517	8,679
IDA	11,630	11,590	38,187
Preparation Advance Facility of World Bank proposed KP Hydro Power Dev Project	250	300	
KP-spending efficiently for enhanced development (speed) IDA assisted	0	0	24,000
KP Human Investment Project			1,500
PC-II for Hiring of Planning, Management Support Consultants & other Consultancies required for Energy Sector Development & Institutional Strengthening - under WB Assisted KP Hydro Power & RE Dev. Prog. Project Cost Rs 3.875 Bn (HDF/IDA Assisted).	0	0	0
KP Revenue Mobilization and Resource Management Program	3,255	3,146	3,250
Khyber Pakhtunkhwa Cities Digital Transformation Centers	0		
Khyber Pakhtunkhwa Human Capital Investment Project	1,435		2,000
KP Refugees and Host Communities under IDA-18	1,840	0	
KP Integrated Tourism Area Dev Programme	1,050	2,712	3,000
KP Hydro Dev porj Patrak -Shringal HPP Dir Upper 22 MW	0	1,632	
Rural investment and institutional support project, KP	0	0	400
KP Irrigated Agriculture improvement project	3,800	3,800	4,037

USA/World Bank	2,010	60	1,780
Construction of 88 MW Gabral-Kalam Hhydro Power Project, District Swat-under the WB	800	30	0
Consturction of 157 MW Madian Hydro Power Project District Swat	600	30	1,280
Feasibility Study & Detail Design for Installation of Solar PV on Hydro Power Project	300		
PC-II for Hiring of Planning, Manag: support Consultants	300		500
Solarization of PHE Department existing scheme under CPEC	10	0	
JAPANESE / JICA	1,109	57	0
Khyber Pakhtunkhwa Rural Roads Improvement and Rehabilitation Project	1,000	0	0
Emergency Rural Road Rehabilitation Project	109	57	0
MDTF / Italian Debt	120	0	120
Establishment of heritage field schools in KP	120		120
SFD	0	0	200
Construction of Gravity Based water supply scheme and rehabilitation of existing infrastructure for tehsil matta to guza bandai and tehsil khwaza kheal to charbagh district swat	0	0	100
Gravity Flow Water Supply Scheme, District Mansehra	0	0	100
IFAD			1,000
rural economic transformation project RETP			1,000
DFID	712	2,131	0
Improvement of low performance public schools through Education Sector Budget Support Progam PPP	300	790	
Standardization of Higher Secondary Schools in KP	0	1,342	
Provision for alternative Model for High Quality Edu at Secondary & Higher Secondary levein kin KP	200		
Provison for innovative solutions to improve quality and access to edu in KP	200		
Continuation of PMU for Provison of stipends to Secondary school Girls students of KP	12		
I-Foreign Loans	46,692	40,529	73,687
II-FOREIGN GRANTS			
ADB	963	0	0
Block Provision for schemes to be funded from NDRMF	464		
Construction of Flood Embankment on Right Side of Kabul River Reach No.3	0		
Flood and Erosion Protection arrngement of villages/abadies of Moza Shah Nawaz	0		
Construction of Flood Embankment of Kabul River Upper side of Motorway interchange district Nowshera	0		

Provision of Advance Hydrological Equipment and Capacity Building on Real Time Flow Monitoring and Advnace Measurement	0	0	
Construction of Flood Embankment from Kheskhi village Reach-1	0		
Construction of Flood protection embankment kheskhi Reach-2	0		
Construction of Protection Structures on R/S of Kabul River U/S and D/S Nowsher Mardan Road Bridge	499		
Construction of Flood Structures along jabba daudzai and zangal koroona areas along kabul and shah alam rivers Nowshera	0		
UNDP	677	431	50
Strengthening Rule of Law Project	238	107	0
SDG Unit in KP	50	8	50
Desertification and Land Degradation in KP (SLMP)	16	6	
Scaling-up of Glacial Lake Outburst Flood risk reduction in Norhtern PK	350	310	
Kamyab Jawan Youth Empowerment Programme	23		
Establishment of Forensic Science Laboratory (FSL) at Peshawar	0		
SDC/Dutch/KOICA	139	0	100
Gravity bases safe drinking water supply system in Havelian, Abbottabad	0	0	100
Market and Employability for Peace and Stability	139		
INL	304	204	200
Torghar Integrated Area Development Project	0		200
Additional Works in Joint Police Training Center at nowshera	0	204	
Promotion of Olive in Khyber Pakhtunkhwa	100	0	
Joint police training centre (phase-II) at Hakim Abad nowshera	204		
JICA / JAPAN ASSISTED.	400	0	200
Livelihood Improvement through Livestock Dev in Hazara Division	0	0	
Gravity Flow Water Supply Scheme, District Haripur	0	0	100
Rehabilitation of Flood Damages Rural Roads under counter	400		100
UK/DFID/GAVI/	5,838	649	0
Sustainable Energy & Economic Development Program	477		
Development of Play Area in Primary schools of KP	218		
Delivering accelerated family planning in Pakistan(FCDO)	649	649	
Standardization of Higher Secondary Schools in KP	3,300		
AAWAZ Voice and Accountability Program	360		
Continuous Capacity Development of Parent Teachers Councils	55		
Capacitating 500 ECE Rooms in Govt Primary Schools in KP	350		
Sub-National Governance Programme-II in KP	429		

MDTF	1,970	1,314	4,452
Governance and Policy Reforms Programme	520	180	1,192
Digital Jobs for Khyber Pakhtunkhwa	289	198	282
Economic Revitalization in Khyber Pakhtunkhwa	1,161	936	1,000
CASA CSP -1000 (MDTF)	0	0	1,978
USAID	3,845	2,926	2,525
schools supplies for KP reconstruction Programme	0		400
Gomal Zam Dam Command Area Development and On- Farm Water Management for high value and high efficiency Agriculture Project	1,457	531	600
KP reconstruction Programme (KPRP)	363	1,423	
Women's Economic and Social Empowerment	500		
Municipal Service Delivery Project	1,525	972	1,525
China / FCDO / TBC	910	0	0
Construction of PMU for provision of stipends to secondary school girls students of kp (SBSE)	0	0	0
Provision of 2000 ECE facilities and dev of 2000 play areas in primary schools in KP	0	0	0
F/S design and construction of Gandhara Digital Complexes at Peshawar and Swat	0	0	0
IT Labs Program in KP (MOFCOM Assisted)	910		
UNICEF/UN/WFP	5,287	178	583
KP SPRING		120	
Strengthening Govt. Efforts to Combat Child Labour	54	58	50
Khyber Pakhtunkhwa Stunting Prevention and Rehabilitation Integrated Nutrition Gain	500	0	533
Multiple Initiative under one UN Programme	4,733		
KFW	1,464	672	1,238
resilient resource management: with a participatory approach in Mansehra	300	0	300
Infrastructure Support to Khyber Pakhtunkhwa	450	525	450
Establishment of Safe Blood Transfusion project phase-II	185	136	166
Social Health Protection Initiative for Khyber Pakhtunkhwa	529	11	322
EUROPEAN UNION	3,320	1,000	2,000
KP District Governance & Community Dev. Programme	3,124	1,000	2,000
Programme for economic advancement and community empowerment	165		
Land and water development project implemented through Helvitas	31		
UNOPS	536	555	0
improving quality of learning through provision of sustainable renewable energy solutions in primary schools in southern districts of kp	536	555	
SFD	955	1,054	480
Market and Employability for Peace and Stability	0	100	
Saudi Fund for Development Projects	955	954	480
GIZ			300
Billion Tree Afforestation Project-Germany	0	0	300

AUS AID	53	17	0
Provision of Life Saving Maternal and Reproductive Health, Protection support services for Women and Giroks in KP	53	17	
II-Foreign Grants	26,662	9,000	12,128
A-Total External Resources (I + II)	73,354	49,529	85,815
Foregin Grant NMAs (B-I)			
Foregin Grant NMAs (B-I)			
ADB	0		0
INL	480	330	300
Khyber Area Dev Project Phase 2	280	228	100
Mohmand Area Dev Project	100	50	100
Bajaur Area Dev Project	100	52	100
USAID	3,727	4,145	0
Community Resilience activity –north USAID Assisted	915		
UNICEF multiyear work plan (UNICEF) Phase-2	0	2,127	
Women Economic Empowerment (UN Women)	0	331	
FATA Infrastructure Project	2,560	1,643	
The Horticultural advancement activity (THAZA)	252	44	
European Union	915	540	0
Aid to Uprooted People of Pakistan (AUP 2018-212 through SRSP)	915	540	
JICA	229	102	0
Restoration of livelihoods in KP Tribal Districts	229	102	
UNDP	536	0	0
FATA Transition and recovery program / stabilization and dev program	536		
WFP/UNICEF/UN/UNESCO	4,227	0	0
World Food Programme Country Strategic Plan (2018-22) Impl: by BISP and NGO	2,100		
UNICEF multiyear work plan (UNICEF) Phase-2	2,127		
KFW / PATRIP	335	365	0
Reintegration & Rehabilitation for TDPs (RRTP 2017-2019 though SRSP)	197	286	
PATRIP – Renovation and Expansion of Health and Edu facilities 2017- Dec 2018 through SRSP	61	34	
PATRIP – Sports Complex 2017-Nov 2019 through SRSP	35	28	
PATRIP – Establishment of Communal Market Bajaur (2017- Nov 2019) Phase-2 through SRSP	42	17	
China	1,110	100	1,110
FATA Schools Project (Reconstruction/Rehabilitation a fully damaged schools)	1,110	100	1,110
DFID			
MDTF	285	588	285
Pakistan community support project CSP	0	271	
Governance & Policy Reforms Program	285	317	285
Total Foregin Grant NMAs (B-I)	11,843	6,170	1,695
B-II ADB Loan / world Bank/IDA			

Khyber Pass Econmic corridor project (KPEC)		112	358
Command Area Dev Woks of KAITU WEIR Irrigation and Power projec of Kurram Tangi Dam Project satage 1	257	0	257
FATA water resource dev project (GOP component)	546	850	1,027
Rural Livelihood & Community Intrastructure Project	0		
SWISS			
Land and Water Development Project Implemented through Helvitas	0	24	
Total Foreign Loan NMAs (B-II)	803	985	1,642
Total B-I + BII	12,646	7,155	3,337
Grant Total FPA and NMAs	86,000	56,685	89,152

5. Bank of Khyber

The Bank of Khyber ('BOK' or 'the Bank'), established in 1991 through an Act of the Provincial Assembly of Khyber Pakhtunkhwa (formerly N.W.F.P.), is not only fulfilling the banking needs of the people of the province of KPK but also of the Country. The Bank started its commercial operations in November 1991 and became a scheduled Bank with the State Bank of Pakistan in 1994. Some of the key highlights in the BoK timeline include:

- The Bank got listed on the Pakistan Stock Exchange Limited (formerly known as Karachi Stock Exchange) in 2006.
- As a mainstream commercial bank, the Bank is providing both Islamic as well as Conventional banking services. As of December 31, 2020, the Bank was operating with
- 179 branches (in addition to 11 sub-branches) throughout the country out of which 91 branches were functioning as dedicated Islamic Banking Branches. During FY 2020, the Bank has opened 10 new branches.
- Being the Bank of the province, 121 branches are providing banking services in the province of Khyber Pakhtunkhwa (KPK). Apart from its presence in all the four provinces and Islamabad Capital Territory, the Bank also provides banking services in Gilgit Baltistan and Azad Jammu & Kashmir.
- The Bank has established a network of correspondent banking relationships in over 60 countries.
- The Board of Directors of the Bank of Khyber comprises of seasoned professionals both from the Government and private sector.
- The management of the Bank comprises of professional bankers having diversified experience in respective areas.
- Throughout its journey, the Bank of Khyber continued its momentum of growth and achievements. The Bank has achieved exceptional results during FY-2020 and therefore paid cash dividend of Rs. 1.50 per share (15%) in addition to bonus shares issue of Rs. 0.5 per share (5%) to the shareholders for the year ended December 31, 2020.
- Since the listing of the Bank on the Stock Exchange, the Bank has paid cash dividend to its shareholders six times aggregating to Rs. 7.25 billion out of which Rs 5.09 billion has been distributed to the Government of Khyber Pakhtunkhwa. This is in addition to the bonus dividend issued from time to time to strengthen the capital base of the Bank. The Bank is currently serving its customers by offering the following major products:
 - Commercial Lending
 - Agricultural Finance
 - Islamic Finance
 - Consumer Finance (Car Finance, Housing Loans, Salary Loan Schemes etc.)
 - Micro Finance business development program: The Bank's capital base is strong, and mainly comprises of Tier-1 capital which signifies its high quality. The Bank duly complies with the minimum capital requirements stipulated by the SBP.

Technological Trends

In line with the market trends, the Bank is making continuous progress towards use of technology for better customer experience and efficient processes. The Bank has started

implementation of its new state of the art core banking software during FY 2020 and targets to fully implement the same within FY 2021.

Moreover, as part of its digital banking initiatives, the Bank has recently launched its mobile app, which aims for better service and convenience to the customer.

Summary of Bank's Performance during Last Five Financial Years

Units: Rs. Mln

Description	2016	2017	2018	2019	2020	Growth/(Decline) over 2019
1 Deposits	157,020	159,247	171,168	182,168	203,072	11%
2 Advance (net)	31,644	83,369	95,012	109,742	129,063	18%
3 Investments (net)	141,602	140,474	94,233	146,911	113,479	(23%)
4 Total Assets	206,400	245,132	223,095	306,305	288,300	(6%)
5 Profit Before Tax	3,240	2,795	707	2,261	3,806	68%
6 Profit After Tax	2,020	1,789	466	1,306	2,152	65%

Performance Review For The Year 2020

Despite challenging environment during FY-2020, the Bank registered remarkable performance. The main drivers behind the profitability were the management's focus on prudently improving the quality and net yield of the Bank's earning portfolio keeping in view the available opportunities.

- During FY 2020, the Bank reported profit before tax amounting to Rs. 3,806 million as against profit of Rs. 2,261 million in the corresponding year thereby registering a growth of 68%. Profit after tax for the same year increased by 65% and stood at Rs. 2,152 million which was Rs. 1,306 million in the corresponding year. This translated into earnings per share of Rs.2.15 for FY 2020 as against Rs. 1.31 in FY 2019.
- During FY-2020, the Bank managed to increase both net markup and non-markup income. Net mark-up income increased to Rs 6,762 million (2019: Rs 4,766 million) while non- markup income increased to Rs 2,878 million as against Rs 1,112 million in FY 2019. Increase in non-markup income included the gain on sale of securities amounting to Rs 1,735 million (2019: Rs 290 million) wherein the Bank prudently took advantage of the opportunities that were available in the market due to decline in the interest rates.

Dividends

The Bank has achieved exceptional results during FY-2020 and therefore paid cash dividend of Rs. 1.50 per share (15%) in addition to bonus shares issue of Rs 0.5 per share (5%) to the shareholders for the year ended December 31, 2020.

Key Performance Indicators

- As of December 31, 2020, the total asset base of the Bank stood at Rs. 288,300 million as compared to December 2019 asset base of Rs. 306,305 million.

- The shareholders' equity (net assets) registered a healthy increase of 25% as against December 2019 and stood at Rs. 17,772 million.
- On the liability side, the deposits as of December 31, 2020 increased to Rs 203,072 million from Rs. 182,167 million as at December 31, 2019. This growth was based on new customer acquisitions and deepening of the existing portfolio base.
- Advances(net) of the Bank showed increase of 18% and stood at Rs. 129,063 million as compared to Rs. 109,742 million of the year 2019.
- During FY-2020, a decrease of 23% has been witnessed in the size of investments (net) which was done for effective portfolio management in view of the movement in market interest rates with corresponding reduction in borrowings.
- The improvement of Bank's performance is reflective of effective management of cost of deposits, improvement in operational efficiencies and improving the asset quality and net yield thereon. The Return on Assets (ROA) and Return on Equity (ROE) stood at 0.72% and 13.46% respectively.
- Both the credit rating companies operating in Pakistan i.e. PACRA & VIS Credit Rating Company Ltd have reaffirmed short term entity ratings at A1 (A one) and long term entity ratings at A(Single A).
- The growth in all the key areas reflects resilience of the Bank in a persistently challenging environment and the confidence of stakeholders for its vital role being played for socio- economic uplift of the province of Khyber Pakhtunkhwa as well as the Country as a whole.

Islamic Banking

As of December 31, 2020, the Bank was operating with 91 Islamic banking branches across the country. The BOK's management is committed to further promote Islamic banking business of the Bank. The Bank plans to open new 20 Islamic banking branches in FY 2021.

Agriculture Financing

Agriculture financing has been one of the important areas of the Bank. Over the years, agriculture financing portfolio of the bank has witnessed remarkable growth. During FY 2020, the Bank disbursed an amount aggregating to Rs. 11,244 million.

- The Bank's vision is to expand Agriculture financing under both Conventional and Islamic Banking modes through development of innovative product line and low cost financing modes.
- The Bank has financed projects like Solar Energy Tube Wells, Land Reclamation, Water Reservoirs and Rain Water Harvest etc. and is reliable partner of State Bank of Pakistan in various Refinance Schemes and Farmers' Awareness Programs.
- The Bank has extended finances to lady dairy farmers at concessional rates, for the purchase of Dairy Animals which will empower rural women and will create job opportunities for them.
- The Bank introduced an innovative product of "Mushroom culturing" in some areas of KPK where Tobacco is the main crop and farmers have idle barns during the period of November to May. The Bank educated the farmers, provided them expertise on Mushroom Farming and extended agriculture finance to the farmers for Mushroom Farming and provided an alternate source of revenue during their off peak season.

- Throughout the country, especially in Khyber Pakhtunkhwa, the Bank is committed to help farmer community in a better and efficient way.

Networks, Consumer & SME Financing

- The Bank is providing efficient financial services to the general public, enabling them to meet their domestic and small business needs in an effective way.
- The main consumer financing products of the Bank include BOK Salary Sahara Loan; BOK Foree Car Loan; BOK Suhana Ghar Finance; Honda Motorcycle scheme for Government employees and BOK Roshan Ghar Finance. Further working is underway on other financial products for SME sector to facilitate small and medium enterprise business community of the Pakistan and of KPK in particular.
- The Bank will continue to focus on meeting the financing needs of Small & Medium Enterprises. The priority sectors will be Traders, Marble Tile manufacturers, SME Industrial units in different Industrial Estates in KPK.
- The Bank remained an active partner in implementation of the Government Initiative schemes and successfully disbursed loans amounting to Rs 1,032 million and Rs 238 million during FY 2020 under Insaf Rozgar and Kamyab Jawan Schemes respectively.
- As of December 31, 2020, the Bank was operating with 179 branches (in addition to 11 sub-branches) out of which 88 branches were functioning as Conventional Banking Branches and 91 as Islamic banking branches. Through this network, the Bank is able to offer wide range of products and services to its valued customers.
- The Bank plans to open new 41 new branches including 20 new Islamic banking branches in FY 2021.

Future Outlook In 2021

During FY 2020, Pakistan as well as global economies suffered due to the impacts COVID-19. Pakistan is currently going through the third wave of COVID-19. SBP has taken several steps to dampen the effects of COVID-19 which are expected to help in stabilizing the business environment and generating business activity in the country.

Being cognizant of the complex business environment, the Bank stands committed to its strategy of steady growth and is focused on continuously improving the competitive market position. Its prime focus is to further augment human resource and improve systems and controls for which necessary measures are being taken. The Bank emphasis is to build and maintain good quality of portfolio and to further improve and diversify its deposit base by increasing the share of private and corporate sector. More emphasis is being placed on increasing advances in the corporate sector to improve the Bank's profitability.

The Bank will further strengthen and improve its technological platform and complete the implementation process of new core banking software as per the targeted timeline. Moreover, the Bank will further improve the digital banking platform for convenience of its customers. Despite challenges, the Bank will make its best effort for achieving the goals and targets and will further expand by opening new branches.

6. List of Administrative Departments Responsible for Tax Collection

Tax Revenues Collecting Administrative Departments	Non-tax Revenues Collecting Administrative Departments
<p>Excise Taxation & Narcotics Control (Urban Immovable Property Tax, Motor Vehicle Excise, Infrastructure Development Cess, Tobacco Development Cess)</p> <ol style="list-style-type: none"> 1. Khyber Pakhtunkhwa Revenue Authority (KPRA) under Finance Act 2013 (Sales Tax on 91 Services) 2. Revenue & Estate (Board of Revenue) [Mutation, Agricultural Income Tax, Stamp duties, Registration fees, Land Revenue, urban Capital Value Tax] 3. Energy & Power (Tariffs on Hydel Power Projects by PEDO & Electricity duty by Electric inspectorate) 4. Transport & Mass Transit (Adda License fee, Transport fares, Goods and Forwarding Agencies, Route Permits fee, Motor Vehicle Fitness/Examiners) 5. Information & Public Relations (Print and electronic media, printing press of DGPR, Advertisements on Pakhtunkhwa FM Radio, Registration/renewal of Newspapers & Advertising Agencies) 	<ol style="list-style-type: none"> 1. Administration (KP Service Tribunal, KP Public Service Commission, Anti-Corruption, Transport Auctions, Estate Office), 2. Home (Arms License, Security Companies & IG Prisons), Irrigation (Abiana) 3. Police (Traffic Fines, Driving license, Supernumerary), 4. Labour (Weights & Measures, Labour Courts, Shops & Settlements), Finance (Local Fund Audit) 5. Public Health Engineering (Water rates, Water meters, Water Connections), 6. Works & Services (C&W), Local Government 7. Forestry, Environment, Wildlife & Environmental Protection Agency (EPA), 8. Mines & Minerals Development (Cement Industry) 9. Sports, Culture, Tourism (Tourist services), Archaeology/Museums and Youth Affairs 10. Elementary & Secondary Education, Higher Education, 11. Law (Peshawar High Court), Food (Sugarcane Development Cess) 12. Agriculture, Livestock, Dairy Development & Fisheries 13. Industries, Manpower & Technical Education (TEVTA)

7. List of Autonomous Bodies

S.No.	Public Sector Company / Autonomous Body	Department Name
1	Pakhtunkhwa Highway Authority	Communication & Works
2	KP Text Book Board	Elementary & Secondary Education
3	Board of Intermediate & Secondary Education Peshawar	Elementary & Secondary Education
4	Board of Intermediate & Secondary Education Mardan	Elementary & Secondary Education
5	Board of Intermediate & Secondary Education Bannu	Elementary & Secondary Education
6	Board of Intermediate & Secondary Education Kohat	Elementary & Secondary Education
7	Board of Intermediate & Secondary Education DI Khan	Elementary & Secondary Education
8	Board of Intermediate & Secondary Education Swat	Elementary & Secondary Education
9	Board of Intermediate & Secondary Education Abbottabad	Elementary & Secondary Education
10	Board of Intermediate & Secondary Education Malakand	Elementary & Secondary Education
11	Elementary & Secondary Education Foundation (ESEF)	Elementary & Secondary Education
12	Abbottabad Public School, Abbottabad (APS)	Elementary & Secondary Education
13	Akram Khan Durrani Model School, Bannu	Elementary & Secondary Education
14	Bacha Khan Model School, Buner	Elementary & Secondary Education
15	Bacha Khan Model School, Swat	Elementary & Secondary Education
16	Jandool Model School, Dir Lower	Elementary & Secondary Education
17	Swabi Model School Swabi	Elementary & Secondary Education
18	Mufti Mehmood Public School, DI Khan	Elementary & Secondary Education
19	Mansehra Model School, Mansehra	Elementary & Secondary Education
20	Peshawar public School & College (Boys), Peshawar	Elementary & Secondary Education
21	Peshawar public School & College (Girls), Peshawar	Elementary & Secondary Education
22	Langlands School & College, Chitral	Elementary & Secondary Education
23	Excelsier College, Swat	Elementary & Secondary Education
24	Fazl e Haq College Mardan	Elementary & Secondary Education
25	Residential Girls Primary-cum-Secondary Model School (Ecol Fatima Al Fehri), Mardan	Elementary & Secondary Education
26	Cadet College Kohat	Elementary & Secondary Education
27	Garrison Cadet College, Kohat	Elementary & Secondary Education
28	Cadet College Swat	Elementary & Secondary Education
29	Kernal Sher Khan Cadet College Swabi	Elementary & Secondary Education
30	Girls Cadet College , Mardan	Elementary & Secondary Education
31	Cadet College Razmak, North Waziristan	Elementary & Secondary Education
32	Wapda Cadet College, Terbel	Elementary & Secondary Education
33	Pakistan Scouts Cadet College Batrasi, Mansehra	Elementary & Secondary Education
34	Manjanbazam Cadet College, Terbel	Elementary & Secondary Education
35	Manjanbazam Cadet College, Cherat	Elementary & Secondary Education
36	KP Public Private Schools Regulatory Authority, Peshawar	Elementary & Secondary Education
37	KP Education Monitoring Authority, Peshawar	Elementary & Secondary Education
38	Cadet College Warsak, Peshawar	Elementary & Secondary Education

39	Provincial Institute for Teachers' Education, Peshawar	Elementary & Secondary Education
40	Bacha Khan Model School	Elementary & Secondary Education
41	Pakhtunkhwa Energy Development Organization (PEDO)	Energy & Power
42	KP OGCL, Peshawar	Energy & Power
43	KP Provincial Services Academy (KP-PSA)	Establishment & Administration
44	Right to Public Services Commission (KP-RTS)	Establishment & Administration
45	KP Right to Information Commission	Establishment & Administration
46	KPPRA	Finance
47	KPRA	Finance
48	The Bank of Khyber (BoK)	Finance
49	Forest Development Corporation (FDC)	Forestry, Environment & Wildlife
50	Environmental Protection Agency, Peshawar	Forestry, Environment & Wildlife
51	KP Food Safety & Halal Food Authority, Peshawar	Health
52	KMC, Peshawar	Health
53	Khyber College of Dentistry (KCD), Peshawar	Health
54	Khyber Girls Medical College, Peshawar	Health
55	Gomal Medical College DI Khan	Health
56	Nowshehra Medical College, Nowshehra	Health
57	Bacha Khan Medical College, Mardan	Health
58	Ayub Medical College Abbottabad	Health
59	Bannu Medical College, Bannu	Health
60	Post Graduate Medical Institute Peshawar	Health
61	LRH, Peshawar	Health
62	KTH, Peshawar	Health
63	HMC, Peshawar	Health
64	Ayub Teaching Hospital, Abbottabad (ATH)	Health
65	Mardan Medical Complex, Mardan	Health
66	Qazi Hussain Ahmad Medical Complex, Nowshera	Health
67	Bacha Khan Medical Complex, Swabi	Health
68	Khalifa Gul Nawaz Teaching Hospital, Bannu	Health
69	Mufti Mehmood Memorial Teaching Hospital, DIKhan	Health
70	Bashir Bilour Memorial Children Hospital, Peshawar	Health
71	Women & Children Hospital, Bannu	Health
72	Institute of Kidney Diseases, Peshawar	Health
73	Pakistan Institute of Community Ophthalmology, Peshawar	Health
74	Pakistan Institute of Prosthetic & Orthotic Sciences, Peshawar	Health
75	Paraplegic Centre, Peshawar	Health
76	Khyber Institute of Child Health, Peshawar	Health
77	KP Health Care Commission	Health
78	Khyber Medical University	Health
79	Institute of Medical Sciences (KIMS), Kohat	Health

80	Saidu Medical College, Swat	Health
81	Gajju Khan Medical College, Swabi	Health
82	Timergara Medical College, Dir Lower	Health
83	KP Medical Transplantation Regulatory Authority, Peshawar	Health
84	KP Health Foundation, Peshawar	Health
85	Faculty of Paramedical & Allied Health Sciences, Peshawar	Health
86	KP Public Health (Surveillance & Response) Peshawar	Health
87	University of Peshawar	Higher Education, Archives and Library
88	Gomal University, DI Khan	Higher Education, Archives and Library
89	University of Engineering & Technology Peshawar	Higher Education, Archives and Library
90	Agriculture University, Peshawar	Higher Education, Archives and Library
91	Kohat University of Science & Technology, Kohat	Higher Education, Archives and Library
92	University of Malakand, Malakand	Higher Education, Archives and Library
93	Hazara University, Mansehra	Higher Education, Archives and Library
94	Shaheed Benazir Bhutto Women University, Peshawar	Higher Education, Archives and Library
95	University of Science & Technology, Bannu	Higher Education, Archives and Library
96	Islamia College University, Peshawar	Higher Education, Archives and Library
97	Abdul Wali Khan University, Mardan	Higher Education, Archives and Library
98	Shaheed Benazir Bhutto University Sheringal, Dir Upper	Higher Education, Archives and Library
99	University of Swat	Higher Education, Archives and Library
100	Bacha Khan University, Charsadda	Higher Education, Archives and Library
101	Khushal Khan Khattak University, Karak	Higher Education, Archives and Library
102	University of Haripur	Higher Education, Archives and Library
103	University of Swabi, Swabi	Higher Education, Archives and Library
104	Abbottabad University of Science & Technology	Higher Education, Archives and Library
105	Women University, Mardan	Higher Education, Archives and Library
106	Women University, Swabi	Higher Education, Archives and Library
107	University of Technology, Nowshera	Higher Education, Archives and Library
108	University of Buner	Higher Education, Archives and Library
109	University of Chitral	Higher Education, Archives and Library
110	University of Engineering & Technology, Mardan	Higher Education, Archives and Library
111	University of Agriculture, DI Khan	Higher Education, Archives and Library
112	University of Science & Technology, Lakki Marwat	Higher Education, Archives and Library
113	Higher Education Regulatory Authority (HERA)	Higher Education, Archives and Library
114	Frontier Education Foundation	Higher Education, Archives and Library
115	Edwards College Peshawar	Higher Education, Archives and Library
116	Employees Education Foundation	Higher Education, Archives and Library
117	Educational Testing and Evaluation Agency (ETE), Peshawar	Higher Education, Archives and Library
118	IMS Sciences, Peshawar	Higher Education, Archives and Library
119	Higher Education Teacher Training Academy, Peshawar	Higher Education, Archives and Library
120	KP Higher Education Scholarship Endowment Fund, Peshawar	Higher Education, Archives and Library

121	KP Public Safety Commission, Peshawar	Home & Tribal Affairs
122	Provincial Housing Authority	Housing
123	KP-EZDMC	Industries, Commerce, Technical Education
124	KP-Board of Investment & Trade	Industries, Commerce, Technical Education
125	KP Special Economic Zones Authority, Peshawar	Industries, Commerce, Technical Education
126	Trade Testing Board KP, Peshawar	Industries, Commerce, Technical Education
127	KP Board of Technical Education	Industries, Commerce, Technical Education
128	Technical Educational & Vocational Training Authority	Industries, Commerce, Technical Education
129	Mines Labor Welfare Board	Labor
130	Workers Children Education Board	Labor
131	Workers Welfare Board, Peshawar	Labor
132	KP Child Protection & Welfare Commission, Peshawar	Labor
133	KP Judicial Academy	Law, Parliamentary Affairs & Human Affairs
134	Water Supply & Sanitation Services Company Peshawar (WSSP)	Local Government, Elections and Rural Development
135	Peshawar Development Authority (PDA)	Local Government, Elections and Rural Development
136	Provincial Delimitation Authority, Peshawar	Local Government, Elections and Rural Development
137	Local Council Board, Peshawar	Local Government, Elections and Rural Development
138	WSSC, Mardan	Local Government, Elections and Rural Development
139	WSSC, Swat	Local Government, Elections and Rural Development
140	WSSC, Kohat	Local Government, Elections and Rural Development
141	WSSC, DI Khan	Local Government, Elections and Rural Development
142	WSSC, Abbottabad	Local Government, Elections and Rural Development
143	Galiyat Development Authority	Local Government, Elections and Rural Development
144	Bannu Development Authority (BDA)	Local Government, Elections and Rural Development
145	Kohat Development Authority (KDA)	Local Government, Elections and Rural Development
146	Dera Development Authority (DDA)	Local Government, Elections and Rural Development
147	Swat District Development Authority (SDDA)	Local Government, Elections and Rural Development
148	Kaghan Development Authority (KGDA)	Local Government, Elections and Rural Development
149	Abbottabad Development Authority (ADA)	Local Government, Elections and Rural Development
150	Mansehra Development Authority (MDA)	Local Government, Elections and Rural Development
151	Mardan Development Authority (MDA)	Local Government, Elections and Rural Development

152	Swabi Development Authority (SDA)	Local Government, Elections and Rural Development
153	Karak Development Authority (KDA)	Local Government, Elections and Rural Development
154	Mineral Investment Facilitation Authority KP	Minerals Development
155	Provincial Disaster Management Authority	Relief & Rehabilitation Department
156	Provincial Earthquake Reconstruction & Rehabilitation Agency, Peshawar	Relief & Rehabilitation Department
157	KP Information Technology Board, Peshawar	Science & Technology and Information Technology
158	Tourism Corporation KP, Peshawar	Sports, Culture, Tourism and Youth Affairs
159	Road Transport Board	Transport and Mass Transit
160	KP Urban Mobility Authority, Peshawar	Transport and Mass Transit
161	Trans Peshawar Company (TPC)	Transport and Mass Transit
162	KP Commission on the Status of Women	Zakat, Usher, Social Welfare & Women Development
163	Employees Social Security Institution	Zakat, Usher, Social Welfare & Women Development
164	Provincial Council for Social Welfare	Zakat, Usher, Social Welfare & Women Development
165	Provincial Council for Rehabilitation & Disabled Persons, Peshawar	Zakat, Usher, Social Welfare & Women Development
166	KP Lissaail-e-Wal Mahroom Foundation, Peshawar	Zakat, Usher, Social Welfare & Women Development
167	WSSC, Bannu	Local Government, Elections and Rural Development
168	Sarhad Mineral Pvt Ltd	Industries, Commerce, Technical Education

8. Tax Reductions - KPRA

1% Sales Tax on Services	Reduced rate for 10 pro-poor segments
	Print Media
	Agriculture Cold Storage & Warehouse
	Industrial Workshops
	Quality Assurance & Inspection
	Cinematographic Services
	Car Wash Services
	Auctioneers
	Property Dealers
	Installation & Commissioning
Under Writers	

Retaining Reduced Rates in 17 Categories	Extending reduced rates
	2% on Construction
	2% on Digital & IT Based Services
	2% on Online Marketplace
	2% on Ride Hailing services
	2% on Cable TV Operators
	5% on Beauty Parlours
	5% on Restaurants with POS installed
	5% on Hostels
	5% on Manpower
	5% on Fashion Designers
	5% on Amusement & entertainment services
	8% on Marriage Halls
	8% on Tour Operators
	8% on Exhibitions
	8% on Freight Forwarding Services
	8% on Stockbrokers
10% on Caterers	

PROJECTIONS ANNEXURES

1. Medium Term Fiscal Framework 2021-24 (Rs. in million)

Unit : In Mln

EXPENDITURES (In Millions)

Head	Budget 2021-22	Forecast 2022-23	Forecast 2023-24
Current Expenditure	747,300	801,950	883,805
Salary	374,000	400,180	440,198
Settled - Provincial	126,800	135,676	149,244
Settled - Devolved	165,000	176,550	194,205
Medical Teaching Institutions (MTIs)	22,200	23,754	26,129
NMAs - Provincial	31,000	33,170	36,487
NMAs - Devolved	29,000	31,030	34,133
Pension	92,076	100,284	113,826
Pension expenditure funded from taxpayer proceeds	82,000	90,200	103,730
Pension expenditure funded from Pension Fund profit	10,000	10,000	10,000
NMAs pension - estimated KP share	76	84	96
Non-Salary	281,224	301,487	329,781
Settled - Provincial (O&M and Contingency)	140,678	157,559	176,466
Settled - Devolved (O&M and Contingency)	24,260	27,171	30,432
NMAs - Provincial (O&M and Contingency)	32,505	36,405	40,774
NMAs - Devolved (O&M and Contingency)	6,419	7,190	8,052
Subsidy	10,300	10,300	10,300
Viability Gap Funding	5,000	0	0
Investment & Committed Contribution	3,600	3,600	3,600
Interest Payments	16,000	16,000	16,000
Grants to Local Councils	6,662	7,462	8,357
COVID-19 contingency	3,500	3,500	3,500
Pro-poor initiatives for food support	10,000	10,000	10,000
Capital Expenditure (Debt principal repayment)	12,300	12,300	12,300
Repayment of Ways & Means Advance to Federal Government	10,000	10,000	10,000
Development Expenditure	370,856	399,465	448,594
ADP (Provincial - Settled Districts)	150,000	159,366	179,572
ADP (Devolved - Settled Districts)	15,000	17,707	19,952
ADP (Provincial - Merged Districts)	24,000	27,600	33,120
ADP (Devolved - Merged Districts)	2,400	2,760	3,312
Accelerated Implementation Plan (AIP - Funded)	36,000	41,400	49,680
Accelerated Implementation Plan (AIP - Unfunded)	34,588	39,776	47,731
Foreign Project Assistance (FPA)	89,000	89,000	89,000
FPA Settled Districts	84,288	84,288	84,288
FPA Merged Districts	4,712	4,712	4,712
PSDP expenditure for provincially executed projects	19,868	21,855	26,226
Total Expenditure	1,118,156	1,201,415	1,332,399

Deficit/Surplus	(0)	(45,218)	(54,391)
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Unit : In Mln

REVENUES (In Millions)

Head	Budget 2021-22	Forecast 2022-23	Forecast 2023-24
Federal Transfers	559,257	636,494	724,439
Federal Tax Assignment	475,638	542,227	618,139
1 % for War on Terror	57,151	65,152	74,274
Straight Transfers	26,468	29,114	32,026
Profit from Hydro Electricity (NHP)	74,701	74,701	74,701
Net Hydel Profit (Current Year)	29,674	29,674	29,674
Reconciled Arrears	36,928	36,928	36,928
Unreconciled Arrears (Indexation)	8,099	8,099	8,099
NHP as per AGN Kazi formula (KCM)	-	-	-
Provincial Own Receipts	75,000	88,661	104,840
Provincial Tax Receipts	43,189	50,488	59,033
Sales Tax on Services (KPRA)	27,000	31,050	35,708
Other Provincial Tax Receipts	16,198	19,438	23,325
Provincial Non-Tax Receipts	31,811	38,173	45,808
Other Receipts	112,676	94,881	86,275
Recovery from Designated Accounts	4,580	0	0
Recovery of Investment & Loans	250	250	250
Domestic Loan	44,000	26,400	10,560
Profit from Pension Fund for payment of pensions	10,000	10,000	10,000
Other Revenue Sources	43,846	48,231	55,465
Savings from operational shortfall	0	0	0
Ways & Means Advance Facility from Federal Government	10,000	10,000	10,000
Grants from Federal Govt. (NMAs)	187,654	150,606	172,526
Grants for Current Budget	77,000	84,700	93,170
Additional Financing Demand for Current Budget	22,000	26,400	34,320
Additional Financing Demand for Development	54,000	-	-
Development Grant (ADP + AIP)	0	0	0
3% NFC Share - Punjab	21,000	23,940	27,292
3% NFC Share - Sindh	9,964	11,359	12,949
3% NFC Share - Balochistan	3,690	4,207	4,796
Foreign Project Assistance (FPA)	89,000	89,000	89,000
FPA Settled Districts	84,288	84,288	84,288
FPA NMAs	4,712	4,712	4,712
PSDP allocation for provincially executed projects	19,868	21,855	26,226
Total Revenues	1,118,156	1,156,197	1,278,008

2. Medium Term Fiscal Framework 2021-23 for Merged Areas (Rs. in million)

Unit: In Mln

REVENUES

Head	Budget 2021-22	Forecast 2022-23	Forecast 2023-24
Grants from Federal Govt. (NMAs)	187,654	215,406	256,766
Grants for Current Budget	77,000	84,700	93,170
Additional Financing Demand for Current Budget	22,000	26,400	34,320
Additional Financing Demand for Development	54,000	64,800	84,240
Development Grant (ADP + AIP)	0	0	0
3% NFC Share - Punjab	21,000	23,940	27,292
3% NFC Share - Sindh	9,964	11,359	12,949
3% NFC Share - Balochistan	3,690	4,207	4,796
Foreign Project Assistance (FPA)	3,337	3,337	3,337
Total Receipts	190,991	218,743	260,103

Unit: In Mln

EXPENDITURES (In Millions)

Head	Budget 2021-22	Forecast 2022-23	Forecast 2023-24
Current Expenditure	99,000	107,878	119,542
Salary	60,000	64,200	70,620
NMAs - Provincial	31,000	33,170	36,487
NMAs - Devolved	29,000	31,030	34,133
Pension	76	84	96
NMAs pension - estimated KP share	76	84	96
Non-Salary	38,924	43,595	48,826
NMAs - Provincial (O&M and Contingency)	32,505	36,405	40,774
NMAs - Devolved (O&M and Contingency)	6,419	7,190	8,052
Development Expenditure	100,325	114,873	137,180
ADP (Provincial - Merged Districts)	24,000	27,600	33,120
ADP (Devolved - Merged Districts)	2,400	2,760	3,312
Accelerated Implementation Plan (AIP - Funded)	36,000	41,400	49,680
Accelerated Implementation Plan (AIP - Unfunded)	34,588	39,776	47,731
Foreign Project Assistance (FPA)	3,337	3,337	3,337
FPA Merged Districts	3,337	3,337	3,337
Total Expenditure	199,325	222,752	256,723

Deficit/Surplus	(8,334)	(4,009)	3,380
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List of Acronyms

ADB	Asian Development Bank
ADP	Annual Development Program
AJK	Azad Jammu Kashmir
BCC	Budget Call Circular
BE	Budget Estimates
BOK	Bank of Khyber
BTR	Budget Transparency Review
C&W	Communication and Works
CBO	Community Based Organization
CDL	Cash Development Loans
CDLD	Community Driven Local Development
CCI	Council of Common Interest
CVT	Capital Value Tax
DGCD	District Governance and Community Development
DRM	Disaster Risk Management
E&SE	Elementary and Secondary Education
FD	Finance Department
FATA	Federally Administered Tribal Areas
GB	Gilgit Baltistan
GPIF	General Provident Investment Fund
GST	General Sales Tax
HDF	Hydel Development Fund
IDS	Integrated Development Strategy
IPD	Inverse Population Density
IDA	International Development Association
KCM	Kazi Committee Methodology
KPFM	Khyber Pakhtunkhwa Funds Management
KPOGCL	Khyber Pakhtunkhwa Oil & Gas Company Limited
KPRA	Khyber Pakhtunkhwa Revenue Authority
KPPRA	Khyber Pakhtunkhwa Public Procurement Authority
KWh	Kilowatt hour
LGA	Local Government Act
LIBOR	London Inter Bank Offered Rate
MCR	Minimum Capital Requirement
MGCL	Mari Gas Company Limited
MMBTU	Million Metric British Thermal Units
MOL	Magyar OLaj
MPCL	Mari Petroleum Company Limited
MTBF	Medium Term Budgetary Framework
NEC	National Economic Council
NEPRA	National Electric Power Regulatory Authority
NFC	National Finance Commission
NHP	Net Hydel Profit
NSS	National Saving Scheme

O&M	Operation and Maintenance
OGDCL	Oil & Gas Development Company Limited
OGRA	Oil and Gas Regulatory Authority
OPL	Ocean Pakistan Limited
PAC	Public Accounts Committee
PRC	Purchase Reserves Center
PEDO	Pakhtunkhwa Energy Development Organization
PF	Pension Fund
PEPCO	Pakistan Electric Power Company
PFM	Public Financial Management
PIBS	Pakistan Investment Bonds
PPL	Pakistan Petroleum Limited
PSDC	Petroleum Social Development Committee
RBDC	Retirement Benefit & Death Compensation
RE	Revised Estimates
ROA	Return on Assets
ROE	Return on Equity
SNGPL	Sui Northern Gas Pipeline Limited
SDPF	Strategic Development Partnership Framework
SME	Small & Medium Enterprises
SSGCL	Sui Southern Gas Company Limited
SYFA	System of Funds Administration
T-Bills	Treasury Bill

