KHUDDAAR
Khyber Pakhtunkhwa

White Paper
Fiscal Year 2022-23

Finance Department

Government of Khyber Pakhtunkhwa

F O R E W O R D

Message from The Minister For Finance

The theme for this year's budget is "Khuddaar" Khyber Pakhtunkhwa. "Khuddaar" is a word that signifies living with self-respect, dignity and honour; values that have always represented our province. Beyond this, "khuddaar" is a word almost impossible to translate in English. It is our "khuddaar" nature that makes Khyber Pakhtunkhwa the one government in Pakistan today that is bold enough to enact reform, and to be more innovative and more transparent than any other in Pakistan.

This year's budget is in line with that theme. We introduce the ground-breaking Insaf Food Card programme that targets subsidies towards the one million families that deserve it the most. We expand the Sehat Card further; and continue to invest in improving the delivery of our existing assets in health and education, with record budgets in both. We make our biggest allocation ever for the newly formed local governments across the province. We continue to invest in sectors that will build our economy - energy; IT; industry; mines and minerals; sports and tourism. We enact bold, ground-breaking reform, in the form of the new contributory pension programme for new government employees. And finally, after attaining an ambitious revenue target of Rs. 75 billion, we set ourselves an even more ambitious target of Rs. 85 billion as own source revenue.

In short, we are proud of being the one federating unit where the PTI Chairman Imran Khan's vision of a "khuddaar" Pakistan that takes its own decisions in the interest of its own people is not only alive, but truly reflected in this year's budget.

Even our budget books are different. The White Paper of our budget is more detailed and clearer than that of any other government, provincial or federal. The Citizens Budget, which this year is being published in two parts, with the second part outlining 4 years of achievement of the PTI govt, explains the highlights of the budget in the simplest way possible for the layman. We are the only province to release a Receipts and Expenditure Report for the previous year, which presents a detailed view of actual expenditure, and also the only province to publish a Debt Management Report to outline the sustainability of our debt. We have done a lot to improve our financial management, and this is now being back through a legal framework, in the form of legislation on Public Financial Management that is part of the Finance Bill 2022.

In short, Khyber Pakhtunkhwa's financial management shows dynamism, innovation, responsibility and compassion. And I am proud to say this, it does this because it is the province that follows Imran Khan's vision!

Taimur Khan Jhagra

Minister for Finance

Message from The Finance Secretary

Khyber Pakhtunkhwa continues to shift the paradigm nationally with groundbreaking financial reforms and its eventual translation towards effective service delivery for its citizens. We are the only province that consistently dedicates one-third of its budget towards development. We were the first to release the entire provincial development budget on the first day of the financial year. We are the only province to double both tax revenue and overall own source revenue in a matter of just three years.

And we will be the first province to introduce a sustainable funded pension system in order to safeguard the financial security of both existing and future government servants. However, this is just a small glimpse of the economic transformation that Khyber Pakhtunkhwa has undergone over the past few years. Undeterred by a once-in-a-century pandemic and the resulting financial constraints, Finance Department has embarked on innovative fiscal space initiatives, legislative reforms and out-of-the-box solutions for complex short-term and long-term issues. And the resulting list of achievements over four years of concerted efforts became so long and comprehensive that it warranted its own book – which is presented this year in Citizen's Budget Part II.

Every effort by the government over the past four years has been undertaken with the end goal of service delivery for our citizenry in mind. I take immense pride in welcoming you along as we share our journey of economic reform, and showcase how Khyber Pakhtunkhwa has led the way nationally in economic prosperity and self-reliance.

Ikram Ullah Khan

Finance Secretary

Message from The Special Secretary (Budget)

The White Paper is an endeavor to provide meaning to the budget figures with the hope that this document will enable the reader to formulate an informed perspective about the intent, benefits and accuracy of various projections of the province's finances. Furthermore, the White Paper also aims to show clear linkages between the government's priorities and allocation of finances. The White Paper for 2022-23 portrays a comprehensive depiction of the Government's finances covering all major areas, including current revenue receipts and expenditure, capital receipts and expenditures, development budget, funds management, local government finances, debt management and major public financial management reforms.

In order to strengthen Public Financial Management in the province, Output Based Budget (OBB) under the medium-term Budgetary Framework continues to perform two important objectives First, to bring together financial and non-financial information and second, to link budget spending with departmental outcomes and outputs to enhance service delivery for the citizens.

Let me take also this opportunity to extend my profound gratitude and appreciation for hard work of the officers of Finance Department and for the cooperation extended to them by the counterparts in other departments for the compilation of this White Paper.

Safeer Ahmad

Special Secretary (Budget)

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Chapter 1 – Overview

Budget for 2022-23

With the national economy rebounding to show approximately 6% growth, and after successful efforts, both nationally and within the province, to contain and manage the worst global pandemic in over a century, the 2022-23 budget for Khyber Pakhtunkhwa is built around the theme “Khuddaar”.

This budget is centered around 4 key areas; Relief, Reforms, Resource Generation and Development. Here are the top key features in each of these areas:

1- Relief

The Government of Khyber Pakhtunkhwa has been continuously and persistently committed to introducing reforms that uplift the economic conditions of the vulnerable segments of the society. Some of the key highlights in this domain for the FY 2022-23 include:

a. The Government of Khyber Pakhtunkhwa has introduced some groundbreaking relief measures for the middle and lower socioeconomic classes of the province. There is no greater example than **the Sehat Card program** through which over 1 million people have benefited since the universal rollout of the program in 2020. Today no citizen of Khyber Pakhtunkhwa has to worry about getting a heart bypass, neurosurgery, kidney transplant, liver transplant, or even continuous life-saving treatments. The Government plans on adding 300,000 new registrants to the Sehat Card program.

b. Khyber Pakhtunkhwa is the **first province** to mainstream special needs children by merging special education schools with traditional elementary & secondary schools.

c. **Insaf Food Card** is another revolutionary step, where **Rs. 26 billion** have been set aside for food basket allocations to the poorer segments of our society to combat the precarious economic conditions.

2- Reforms

The Government of Khyber Pakhtunkhwa has been a trailblazer in not only demonstrating dynamism and innovation, but also in introducing challenging reforms across the fiscal and legislative domain of the Province.

a. Pension reform – contributory pension framework & sustainability is one of the major steps towards ensuring the sustainability of pensionary benefits is a transition towards a contributory provident fund for new recruits. Today, around 150,000 Pakistan Railways pensioners from across the country, from grade 1 to 21, are unable to receive their pensions or GP funds because their pensions were never funded. The Khyber Pakhtunkhwa province has 700,000 employees with unfunded pensions which is a looming crisis as pension liabilities have reached an unsustainable size and would soon begin eating into the development budget in the next 3-5 years, following which the Annual Development Programme would have to be slashed in order to pay pensioners, eventually threatening the very solvency of the provincial government. In order to avoid such a scenario, the KP Government is transitioning towards contributory pension, something which should have been done 15 years ago, when such an attempt was aborted. This has two advantages, one that it will protect pension for generations to come and two it will make regularization easier.

3- **Resource Generation**

The Government's top priority is to focus not only on development and spending, but also on enhancing and increasing the pie of our fiscal space and own source revenue. Khyber Pakhtunkhwa has introduced and plans on introducing the following resource generation reforms:

a. **Reduced taxation rates** for the masses to catalyze economic growth while recording **140% growth** in revenue in the last 4 years and crossing the Rs. **85 billion** benchmark in FY 2022-23.
b. **Revenue Rationalization:** The Government has **successfully removed 20 redundant taxation heads and 8 non-taxation sub-heads during the last 3 years**. Coupled with the removal of redundant taxes, the Government of Khyber Pakhtunkhwa also plans on continuing pro-poor tax rates in 34 services categories for STS and the **construction amnesty scheme with no land tax, no CVT, and no registration fee charged on construction and properties.**
c. **Expanding e-payment and digitization** reforms in revenue for ease of doing business, while currently more than **10% of the STS** has already been collected through e-payment.

4- **Development**

The Government of Khyber Pakhtunkhwa doesn't just focus on the Annual Development Programme (ADP) as the sole source of development in the province. The government has taken into account service delivery, non-salary spending, investments, availability of the operational fund, devolution of funding sources and many other overarching reforms under the development umbrella. Some of the key highlights of the development in the province include:

a. The budget for FY 2022-23 will have a historic allocation of **Rs. 185 billion** for **ADP in settled districts** and **Rs. 20 billion in merged districts,** with a **total development budget of Rs. 316 billion** including ADP and AIP in both merged and settled districts**.**
b. **Rs. 25 billion** earmarked for Sehat Card Plus.
c. **Rs. 6 billion** capacity expansion grant for MTIs and it's allied entities and medical colleges.
d. **Rs. 11 billion** (current & development) has been set aside for medicines for primary and secondary healthcare, and **Rs. 4 billion** for provision of free OPD medicine in all public health facilities of Khyber Pakhtunkhwa.
e. **Rs. 2 billion** earmarked for provision of missing furniture in schools.
f. **Rs. 2.4 billion** earmarked as scholarships with a majority of it will be allocated for female students.
g. **Rs. 1 billion** earmarked for providing ambulatory services for expectant mothers.
h. **Rs. 2 billion** provided as operational budget top up to universities.
i. Additional grants of **Rs. 4 billion** provided to TMAs for local development.

In this context, the total expenditure of KP Government is estimated at a record budget of **Rs. 1,332 billion**, including **Rs. 1,109.1 billion** in the settled districts, and **Rs. 222.9 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 the 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. 1,332 billion**. Federal Transfers including Federal Tax Assignment, 1% War on Terror, and Straight Transfers are budgeted at a total of **Rs. 670.5 billion.**

Rs. 61.89 billion is estimated against Net Hydel Profits (NHP) and Provincial Own Receipts are projected at **Rs. 85 billion**. Grants from Federal Government for Merged Areas are estimated at **Rs. 208.7 billion,** with a transfer of **Rs. 34.6 billion** from the divisible pool for the NMAs. Finally, Foreign Project Assistance is budgeted at **Rs. 93.2 billion**.

Tables 1a, 1b and 1c show a summary of budgeted expenditure and receipts for the fiscal year (FY) 2022-23 for the entire province. Compared to last year, this year's receipts reflect an increase of **19%** over last year's budgeted receipts of **Rs. 1,118.3 billion**, and an expenditure of **Rs. 1,332 billion** reflects an increase of **19%** of last year's budgeted expenditure of **Rs. 1,118.3 billion**.

Table 1a.
Summary: Revenue
Unit: Rs. Bln

REVENUES

Head	Actuals 2018-19	Actuals 2019-20	Actuals 2020-21	Budget 2021-22	Actuals* 2021-22	Budget 2022-23
Total Revenues	**513.9**	**615.4**	**812.0**	**1,118.3**	**941.8**	**1,332.0**
Federal Transfers	**393.0**	**401.2**	**444.8**	**559.3**	**590.5**	**670.5**
Federal Tax Assignment	327.9	336.3	373.2	475.6	497.6	570.9
1 % for War on Terror	39.4	40.3	44.8	57.2	58.8	68.6
Straight Transfers	25.7	24.6	26.7	26.5	34.2	31.0
Profit from Hydro Electricity (NHP)	**20.0**	**16.0**	**47.0**	**74.7**	**21.0**	**61.9**
Net Hydel Profit (Current Year)	6.9	4.1	10.2	29.7	9.1	29.7
Reconciled Arrears	-	-	36.8	36.9	11.9	11.1
Unreconciled Arrears (Indexation)	13.1	11.9	-	8.1	-	21.1
NHP as per AGN Kazi formula (KCM)	-	-	-	-	-	-
Provincial Own Receipts	**31.8**	**42.3**	**59.5**	**75.0**	**75.0**	**85.0**
Provincial Tax Receipts	19.9	25.4	33.5	43.2	37.7	52.7
Sales Tax on Services (KPRA)	10.4	17.2	20.8	27.0	28.6	33.0
Other Provincial Tax Receipts	9.5	8.2	12.7	16.2	13.1	19.7
Provincial Non-Tax Receipts	11.9	16.8	25.9	31.8	37.3	32.3
Other Receipts	**21.0**	**12.3**	**74.5**	**112.7**	**95.7**	**204.6**
Recovery from Designated Accounts	-	-	-	4.6	1.3	10.0
Recovery of Investment & loans	0.1	12.3	0.2	0.3	0.3	0.3
Domestic Loan	-	-	6.0	44.0	-	50.0
Withdrawal of profit from Pension Fund for payment of pensions	-	-	-	10.0	10.0	10.0
Profit from GPI Fund for interest to the Subscribers		-			-	10.0
Other Revenue Sources	20.9	-	-	43.8	13.0	50.0
Savings from operational shortfall	-	-	-	0.0	-	49.3
Ways & Means Advance Facility from Fed. Govt.	-	-	68.3	10.0	71.2	25.0
Grants from Federal Govt. (NMAs)	**0.0**	**97.9**	**121.2**	**187.7**	**109.9**	**208.6**
Grants for Current Budget	-	60.5	74.5	77.0	65.1	60.0
Additional Financing Demand for Current Budget	-	0.4	-	22.0	-	64.0
Development Grant (ADP + AIP)	-	37.0	46.7	54.0	44.8	50.0
Additional Financing Demand for Development Budget	-	-	-	-	-	-
3% NFC Share - Punjab	-	-	-	21.0	-	21.0
3% NFC Share - Sindh	-	-	-	10.0	-	9.9
3% NFC Share - Balochistan	-	-	-	3.7	-	3.7
Foreign Project Assistance (FPA)	**40.1**	**33.3**	**44.9**	**89.2**	**16.0**	**93.2**
FPA Settled Districts	40.1	33.3	42.6	85.8	13.7	88.9
FPA NMAs	-	-	2.3	3.3	2.3	4.3
PSDP allocations for provincially executed projects	**7.9**	**12.4**	**20.1**	**19.9**	**33.7**	**8.4**

*Actuals throughout the document imply 11 months actual & 1 month projected for FY 2021-22

Table 1b.

Summary: Expenditure

Unit: Rs. Bln

EXPENDITURES

Head	Actuals 2018-19	Actuals 2019-20	Actuals 2020-21	Budget 2021-22	Actuals* 2021-22	Budget 2022-23
Total Expenditure	**520.8**	**635.2**	**813.90**	**1,118.4**	**931.0**	**1,332.0**
Current Revenue Expenditure	**377.8**	**464.9**	**599.8**	**747.3**	**677.6**	**913.8**
Salary	**215.0**	**278.5**	**287.0**	**374.0**	**345.0**	**448.1**
Settled - Provincial	71.6	77.8	96.8	126.8	110.0	179.4
Settled - Devolved	129.1	145.5	147.0	165.0	160.0	170.0
Medical Teaching Institutions (MTIs)	14.4	14.5	-	22.2	22.6	23.0
NMAs - Provincial	-	19.1	20.3	31.0	26.2	45.8
NMAs - Devolved	-	21.6	22.8	29.0	26.3	30.0
Pension	**67.5**	**70.1**	**83.6**	**92.1**	**91.5**	**107.1**
Pension expenditure funded from taxpayer proceeds	67.5	70.0	82.7	82.0	80.3	96.0
Pension expenditure funded from Pension Fund profit	-	-	-	10.0	10.0	10.0
NMAs	-	0.1	0.9	0.1	1.2	1.1
Non-Salary	**95.3**	**116.3**	**229.2**	**281.2**	**241.1**	**358.6**
Settled - Provincial O&M and Contingency	58.9	68.1	92.9	140.7	94.0	169.4
Settled - Devolved	10.2	9.8	19.7	24.3	15.9	30.4
NMAs - Provincial	0.0	13.7	15.4	32.5	9.6	37.3
NMAs - Devolved	0.2	2.8	2.6	6.4	3.1	9.9
Subsidy	2.9	2.9	9.9	10.3	10.3	10.3
Viability Gap Funding	-	-	-	5.0	-	5.0
Investment & Committed Contribution	-	3.8	-	3.6	-	2.6
Interest Payments	10.3	1.6	18.6	16.0	17.2	16.0
Grants to Local Councils	4.0	3.5	4.3	6.7	4.4	8.4
COVID-19 Contingency	-	-	-	3.5	1.5	1.0
Polio Eradication Programme	-	-	-	-	-	1.0
Pro-Poor Intitiatives for Food Support (Insaf Food Card)	-	-	-	10.0	0.0	26.0
Capital Expenditure (Debt Principal Repayment)	8.8	10.1	65.8	12.3	13.8	16.3
Repayment of Ways & Means Advance to Fed. Govt.	-	-	-	10.0	71.2	25.0
Development Expenditure	**143.0**	**170.3**	**214.2**	**371.1**	**253.3**	**418.2**
ADP (Provincial - Settled Districts)	83.7	93.1	109.8	150.0	148.8	185.0
ADP (Devolved - Settled Districts)	17.0	3.4	7.9	15.0	2.4	37.0
ADP (Provincial - Merged Districts)	-	38.0	19.2	24.0	13.5	20.0
ADP (Devolved - Merged Districts)	-	-	27.5	2.4	-	4.0
Accelerated Implementation Plan (AIP - Funded)	-	-	-	36.0	39.0	36.0
Accelerated Implementation Plan (AIP - Unfunded)	-	-	-	34.7	-	34.6
Foreign Project Assistance (FPA)	**40.1**	**22.4**	**38.1**	**89.2**	**16.0**	**93.2**
FPA Settled Districts	40.1	22.3	35.8	85.8	13.7	88.9
FPA Merged Districts	0.0	0.1	2.3	3.3	2.3	4.3
PSDP expenditure for provincially executed projects	**2.2**	**13.4**	**11.7**	**19.9**	**33.7**	**8.4**

Table 1c.

Summary: Expenditure

Rs. Bln

Head	Settled Districts	Merged Districts	Total
Total Expenditure	**1,109.1**	**222.9**	**1,332.0**
Current Expenditure	**789.8**	**124.0**	**913.8**
Salary	372.4	75.8	448.1
Pension	106.0	1.1	107.1
Subsidy			0.0
Investment & Committed Contribution	2.6		2.6
Interest Payments	16.0		16.0
Non-Salary	292.9	30.1	323.0
TDP		17.0	17.0
Capital Expenditure (debt principal repayment)			0.0
Total Current Expenditure			**0.0**
Development Expenditure	**222.0**	**24.0**	**246.0**
ADP (Provincial)	185.0	20.0	205.0
ADP (Devolved)	37.0	4.0	41.0
AIP - Funded	**0.0**	**36.0**	**36.0**
AIP (Federally Funded)	-	30.0	30.0
AIP (KP Share)	-	6.0	6.0
AIP - Unfunded*		**34.6**	**34.6**
AIP (Punjab Share)			0.0
AIP (Sindh Share)			0.0
AIP (Balochistan Share)			0.0
FPA	**88.9**	**4.3**	**93.2**
Provincially Executed PSDP Expenditure	8.4	-	8.4
Total Development Expenditure	**319.3**	**98.9**	**418.2**

Due to budgeting conventions, budgeted figures in all categories are not always a reflection of actual spending at the end of the year (Figures 1.1 and 1.2). However, the Government of Khyber Pakhtunkhwa has been working on rectifying this, by basing the salary budget on actual positions filled rather than on sanctioned positions, and by publishing data on actuals, on an annual basis. As seen in the Figure below, the difference between budgeted and actual expenditure has narrowed down to 12% in FY 2020-21 and is expected to hover around 83% for the current Fiscal Year.

Figure 1.1

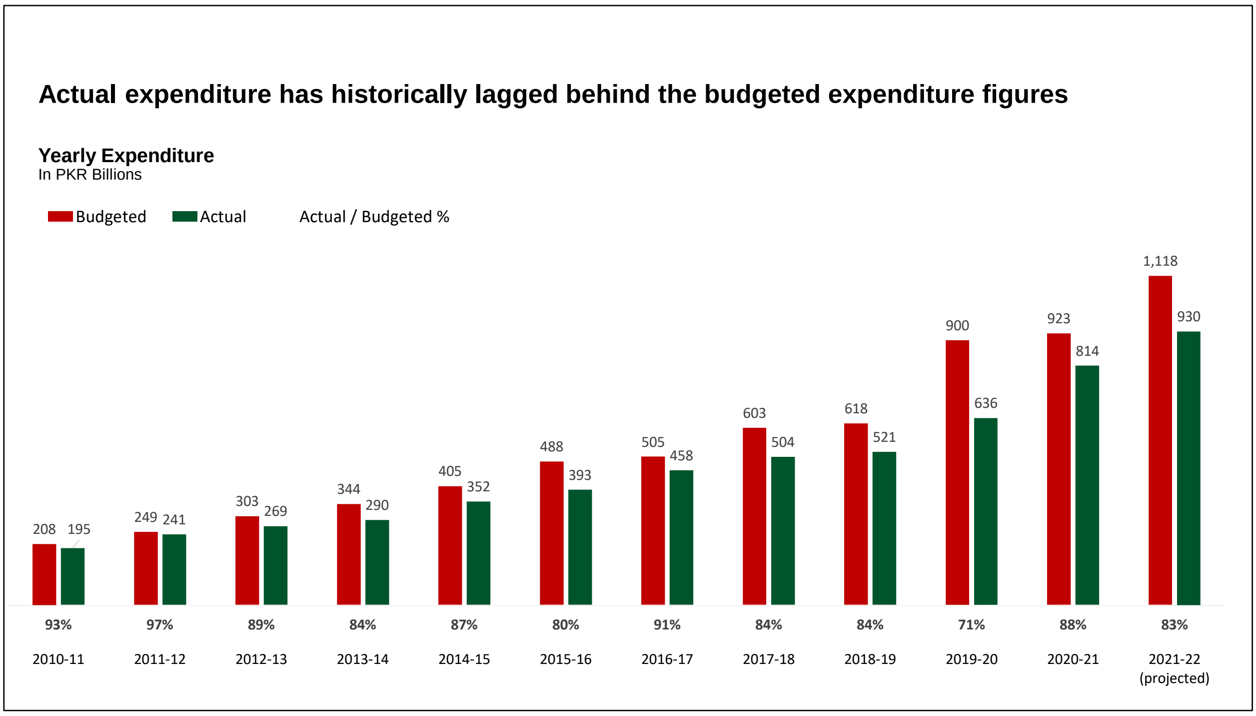


Figure 1.2

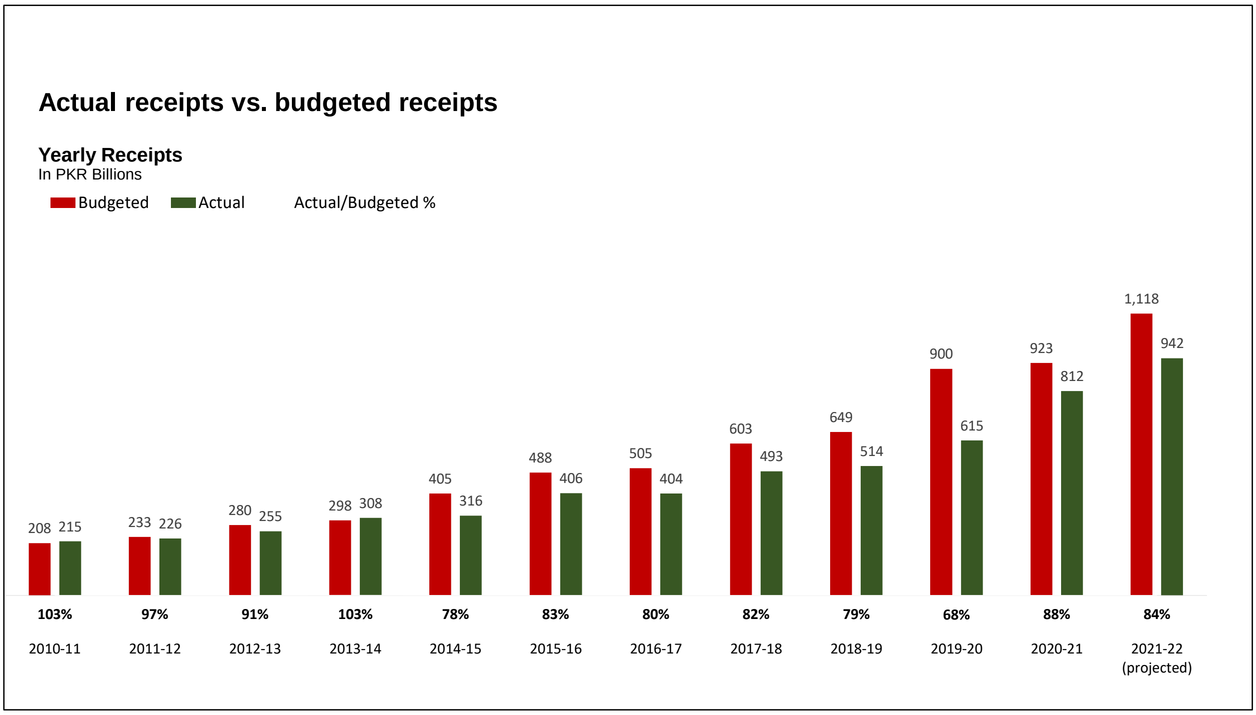


Figure 1.3

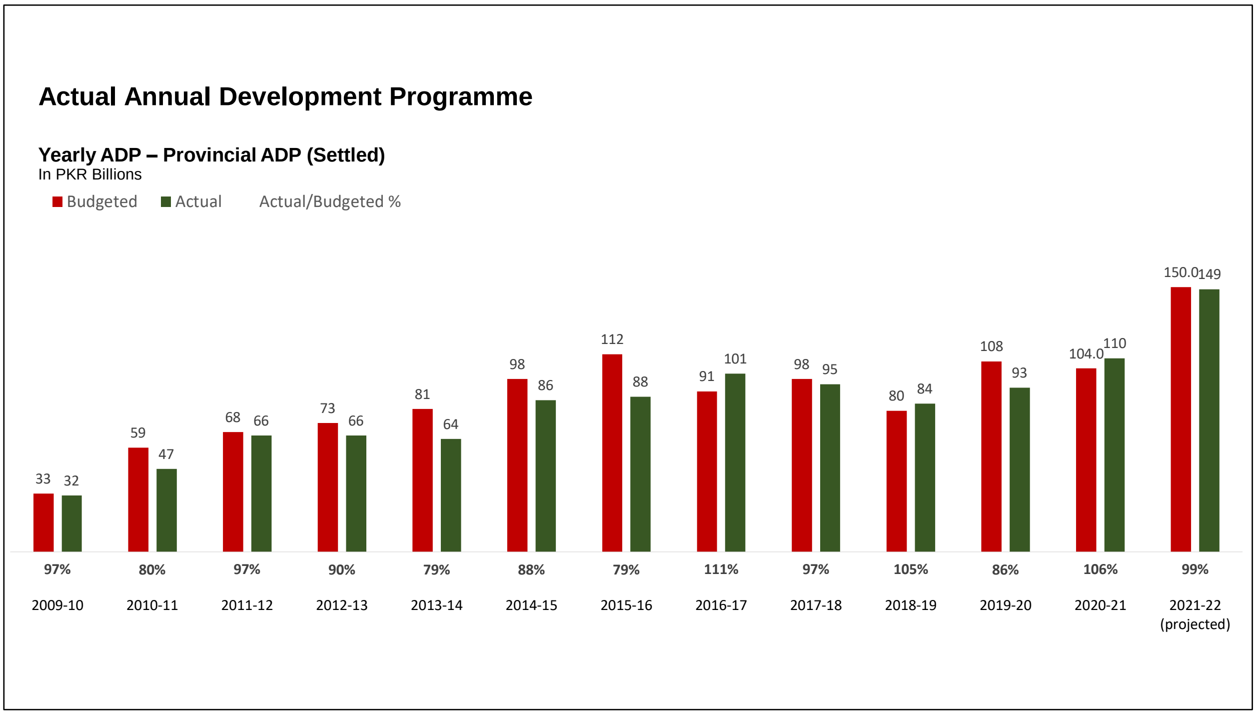
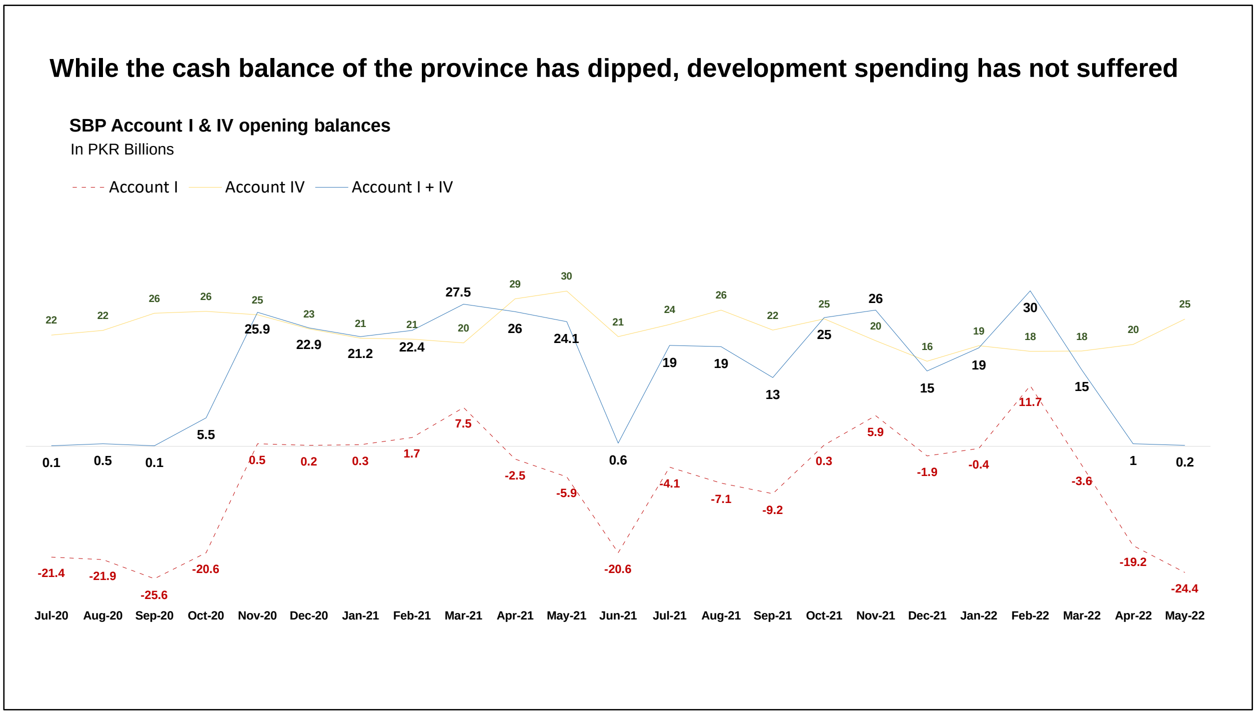


Figure 1.4



While the cash balance of the province has dipped, development spending has not suffered
SBP Account I & IV opening balances
In PKR Billions
Account I
Account IV
Account I + IV
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-5.9
-20.6
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Mar-22
Apr-22
May-22

Structure of this White Paper

Chapter 2 provides the estimates for revenue receipts in the FY 2022-23. The total estimated revenue is **Rs. 1,332 billion** with the largest share being of Federal Receipts and NHP. Khyber Pakhtunkhwa had a commendable performance by increasing own source revenue by around **138%** vs. FY 2018-19**.** 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. 1,332 billion** which is **19%** 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 7^{th} 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 a detailed description with timelines and proposed solutions for the Net Hydel Profits and other issues related to hydroelectricity. The revenue inflow and accumulation of arrears in Net Hydel 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 total size of the budget for Merged Areas is **Rs. 222.9 billion**. 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 is a 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 8 provides a comprehensive narrative of the province's strategy to improve overall 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 9 is an outline of the reform journey and strategic outlook for the next 5 years. This outlook will briefly touch upon core agenda items that can further take Khyber Pakhtunkhwa a notch higher in terms of development, modernization, and economic activity.

Chapter 2 – Revenue Estimates

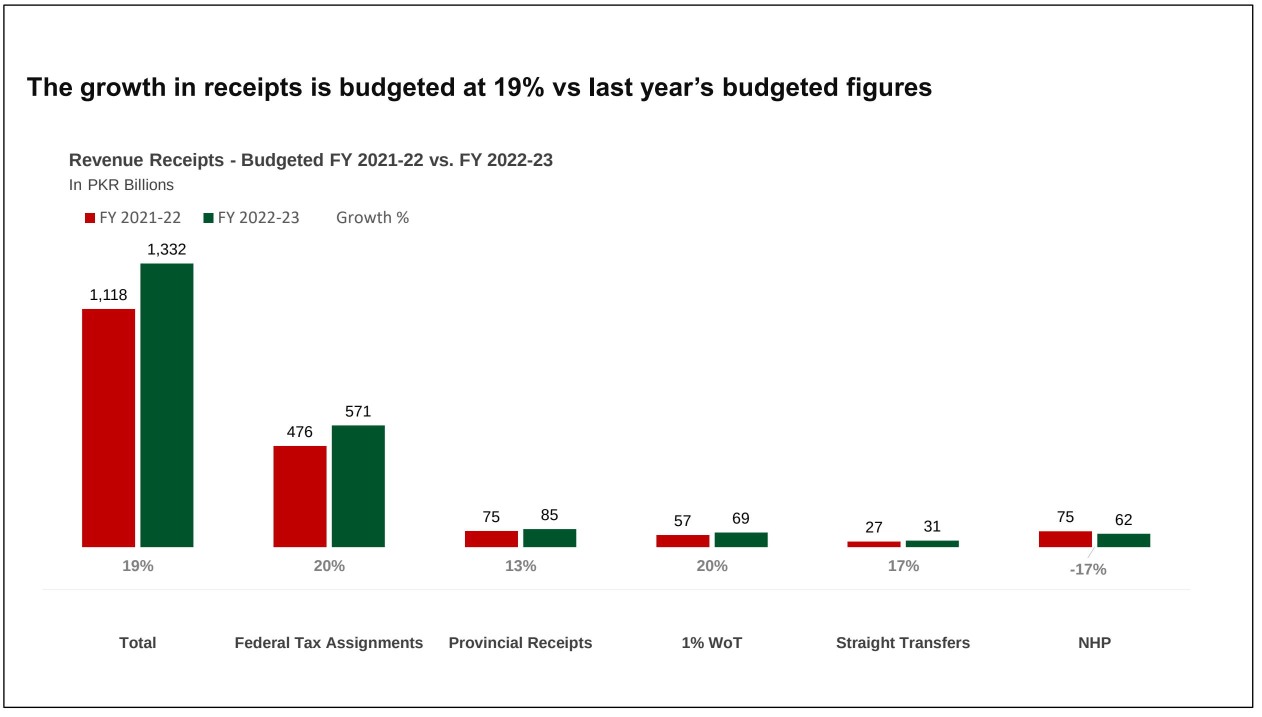
The Receipts, or Revenue of the Province of Khyber Pakhtunkhwa includes three kinds of receipts:

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

For FY 2022-23, total receipts are estimated at **Rs. 1,332 billion** for the entire province of Khyber Pakhtunkhwa. This includes **Rs. 570.8 billion** as Federal Tax Assignment, **Rs. 85 billion** as Provincial Own Revenue Receipts, **Rs. 61.89 billion** as Net Hydel Profits, **Rs. 68.59 billion** as 1% War on Terror transfer, and **Rs. 208.7 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. 1,332 billion are **19%** higher than last year's budgeted figure of **Rs. 1,118.3 billion**.

Figure 2.1

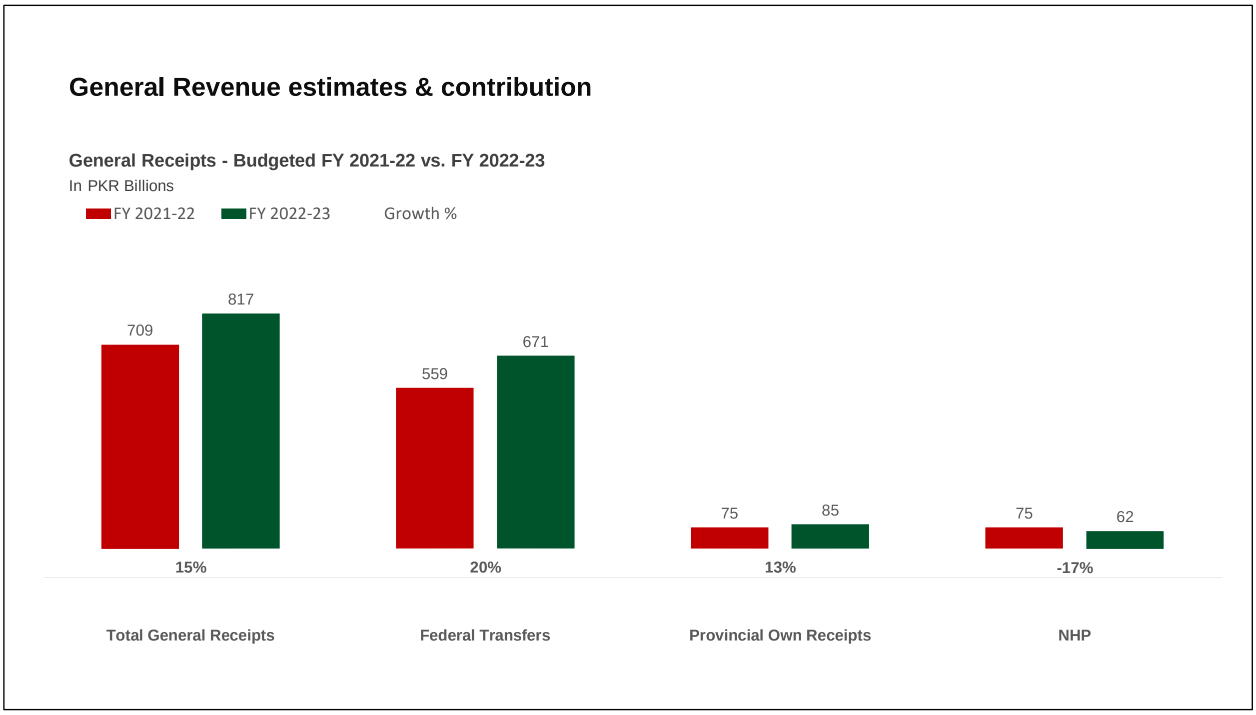


2.1 General Revenue Receipts

The General Revenue Receipts consist of Federal Transfers, Net Hydel Profits (NHP), and Provincial Own Receipts. For the fiscal year 2022-23 the General Revenue Receipts are budgeted at **Rs. 817.4 billion,** compared to **Rs. 709 billion** for 2021-22.

Of the total, federal transfers are budgeted at **Rs. 671.5 billion,** profits from Net Hydel Profits (NHP) are budgeted at **Rs. 61.9 billion**, and provincial own-source revenue at **Rs. 85 billion.**

Figure 2.2



2.1.1 Federal Transfers

Transfers from the 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 Hydel Profits (NHP)
3. Revenue from Oil & Gas

Together, these transfers constitute **54.9%** of the total Revenue Receipts of the Province.

Figure 2.3

Federal transfers; estimates vs. last year's budgeted figures

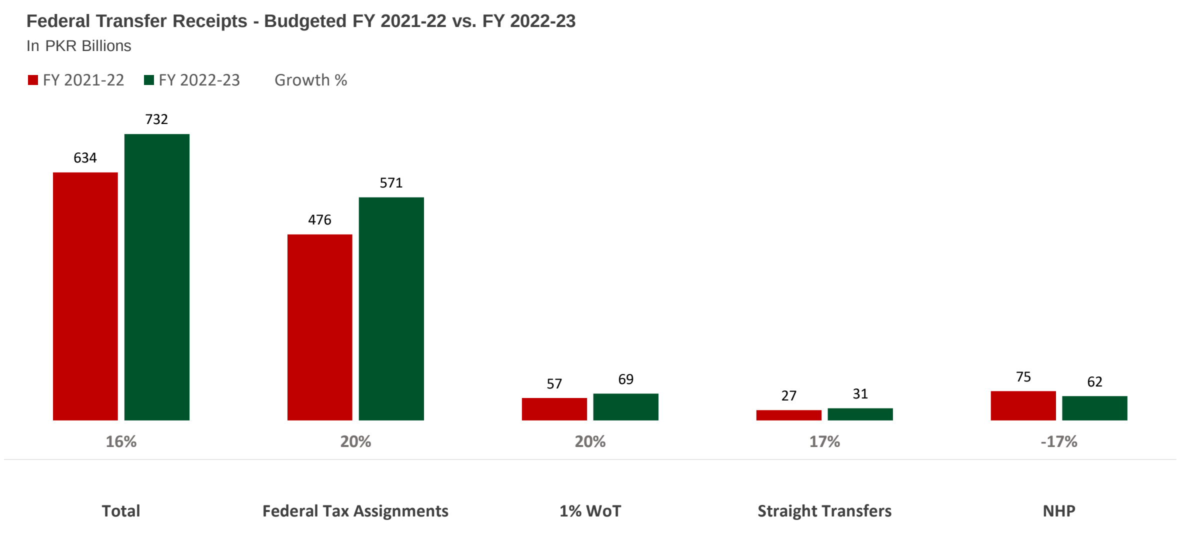


Table 2

Federal Transfers to Khyber Pakhtunkhwa

Unit: Rs. Bln

Head	Actuals 2018-19	Actuals 2019-20	Actuals 2020-21	Budget 2021-22	Actuals* 2021-22	Budget 2022-23
Total Federal Transfers	**413**	**417**	**492**	**634**	**591**	**732**
Federal Tax Assignment	**328**	**336**	**373**	**476**	**498**	**571**
Taxes on Income	125	129	137	177	181	210
Custom Duties	57	49	60	64	78	85
Sales Tax	126	134	154	206	212	242
Capital Value Tax (CVT)	0	0	0	0	0	0
Federal Excise	20	23	22	28	27	34
1% of Divisible Pool for WoT	**39**	**40**	**45**	**57**	**59**	**69**
Straight Transfers	**26**	**25**	**27**	**26**	**34**	**31**
Royalty on Crude Oil	16	14	15	12	19	16
Royalty on Natural Gas	8	9	8	9	10	11
Gas Development Surcharge	0	0	3	4	4	1
Excise Duty on Natural Gas	2	1	2	2	2	2
Profits from Hydro-Electricity	**20**	**16**	**47**	**75**	**21**	**62**
Net Hydel Profit (Current Year)	7	4	10	30	9	30
Reconciled Arrears	0	0	37	37	12	11
Unreconciled Arrears (Indexation)	13	12	-	8	-	21
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 the distribution of resources between the Federal Government and the provinces. An amount of **Rs. 639.5 billion** is expected to be transferred from the Federal Government to the Government of Khyber Pakhtunkhwa during the financial year 2022-23, 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 6th Award	% Share in 7th NFC Award				Budget Estimate 2022-23
		Horizontal Share	1% for War on terror*	Grant for Compensation on account of OZ&T	Total % Share	
Federal Share	62.5	42.5				
Provinces	37.5	57.5				
Punjab	53.2	51.74				
Sindh	24.96	24.55				
Khyber Pakhtunkhwa	**14.78**	**14.62**	**1.80**		**16.42**	**639.5**
Baluchistan	7.05	9.09				

***The grant for the 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)

The total NHP budgeted for FY 2022-23 is **Rs. 61.9 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.[1]

Table 4

Profits from Hydro-Electricity

Unit: Rs. Bln

Head	Actuals 2018-19	Actuals 2019-20	Actuals 2020-21	Budget 2021-22	Actuals* 2021-22	Budget 2022-23
Total	**20.0**	**16.0**	**47.0**	**74.7**	**21.0**	**61.9**
Net Hydel Profit (Current Year)	6.9	4.1	10.2	29.7	9.1	29.7
Reconciled Arrears	-	-	36.8	36.9	11.9	11.1
Unreconciled Arrears (Indexation)	13.1	11.9		8.1	-	21.1
NHP as per AGN Kazi formula (KCM)	-	-		-	-	-

** Net Hydel Profit (Current Year) is budgeted at the increased rates of Rs. 1.441/unit as per the 2016 MoU between the Federal Government and Government of Khyber Pakhtunkhwa.

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

[1] 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 & Gas[2]
2. Gas Development Surcharge
3. Excise Duty on Gas
4. Excise Duty on Oil
5. Petroleum Development Levy

The 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	Actuals 2020-21	Budget 2021-22	Actuals* 2021-22	Budget 2022-23
Total	**25.7**	**24.6**	**26.7**	**26.5**	**34.2**	**31.0**
Royalty on Crude Oil	16.1	14.0	14.7	11.8	19	16
Royalty on Natural Gas	7.9	9.2	7.8	8.6	10	11
Gas Development Surcharge	0.2	0.1	2.7	4.2	4	1
Excise Duty on Natural Gas	1.5	1.3	1.5	1.9	2	2

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 Synthetic London Inter Bank Offered Rate (LIBOR) (secured Overnight Financing Rate – SOFR) 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 the 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 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

[2] Article 161(1) of the Constitution of Pakistan

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 the 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 the 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 ten companies are working in Khyber Pakhtunkhwa that show promising prospects for 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 the Energy & Power Department for carrying out fast-track exploration and production of oil and gas.

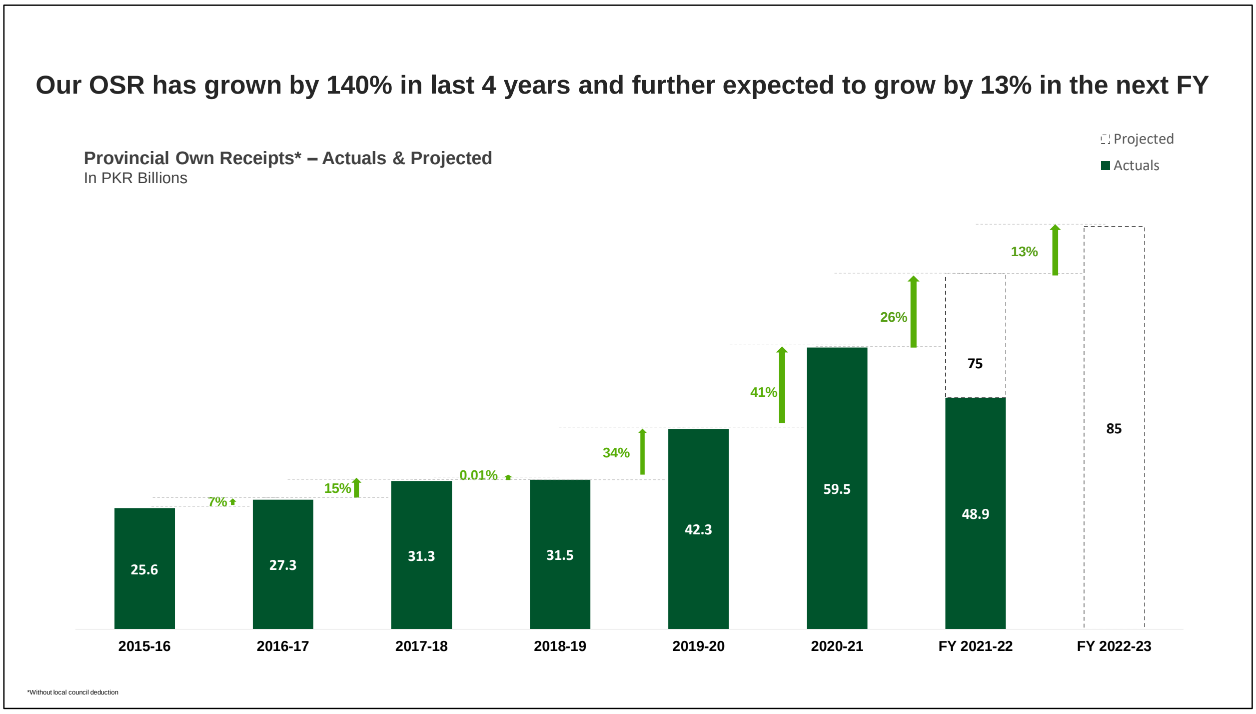
Excise Duty on Oil: Excise duty on oil is not paid to the province, as the rate has not been determined yet. Khyber Pakhtunkhwa produces more than 50% of the national oil production which means it absorbs the highest loss from the unavailability of this duty.

Petroleum Development Levy: The Federal Government collects Petroleum Development Levy on different petroleum products. It is budgeted at Rs. 750 billion for FY 2022-23. This collection is not distributed among the provinces as it is excluded from the Federal Divisible of the NFC, which is a violation of the rights of the provinces. Also, despite multiple efforts, excise duty on oil is not determined despite constitutional provision.

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. The 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 and 2021-22. This has led to a projected increase of more than **77%** this year vs. the collection in FY 2019-20. For this year, an even more aggressive target of **Rs. 85 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 2022-23

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 2022-23, further explained in chapter 8. 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 the finance and taxation departments.
2. Object-wise targets for each department were set that are aligned with their actual receipts, and 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 2022-23 are estimated at **Rs. 85 billion**, comprised of:

- Tax Receipts of **Rs. 52.7 billion** (62%) including Sales Tax on Services **Rs. 32 billion**, and;
- Non-Tax receipts of **Rs. 32.3 billion** (38%).

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 continue to rate Land tax at 0, for FY 2022-23, to stimulate economic growth in the province. Indirect Taxes, a major component of tax receipts, comprises Sales Tax on Services, Provincial Excise, Motor Vehicle Tax, Stamp Duties, Cess of all types, Electricity Duty, etc.

The budgeted collection for FY 2022-23 is **Rs. 52.7 billion**, which is **22%** compared to the last year's budgeted figure. The Provincial Tax Receipts budgeted figures for FY 2022-23 are given in the table below.

Table 6
Provincial Tax Collection
Unit: Rs. Bln

Tax Head	Actuals 2018-19	Actuals 2019-20	Actuals 2020-21	Budget 2021-22	Revised 2021-22	Actuals* 2021-22	Budget 2022-23
Net Total	**20.3**	**26.9**	**33.5**	**43.2**	**44.6**	**44.1**	**52.7**
Total Direct Taxes	**5.3**	**4.4**	**5.96**	**7.6**	**6.1**	**4.1**	**8.4**
Land Revenue Fee	2.9	2.4	3.38	4.4	3.0	2.4	4.4
Property & Wealth Tax	1.3	0.9	1.62	3.2	2.8	1.3	3.0
Registration Fee	0.2	0.3	0.07	-	0.1	0.1	0.1
CVT Fee	0.5	0.4	0.08	-	0.0	0.0	-
Agriculture Income Tax	0.1	0.1	0.09	-	0.1	0.1	0.1
Professional Tax	0.4	0.3	0.73	-	0.1	0.2	0.8
Total Indirect Taxes	**15.0**	**22.6**	**28.8**	**35.6**	**38.3**	**40.0**	**44.2**
Sale Tax on Services (GST)	10.4	17.0	19.4	24.8	26.5	28.3	32.0
Motor Vehicle Tax	1.1	1.1	1.7	1.9	1.9	1.3	1.3
Stamp Duties Fee	1.5	1.7	3.6	4.6	4.3	4.3	4.4
Electricity Tax	0.5	1.9	1.9	1.0	1.2	2.3	2.5
PTA (Route Permit under MVT)	0.6	0.3	0.4	0.4	0.4	0.3	0.4
Tobacco Development Cess	0.4	0.4	0.4	0.5	0.5	0.4	0.5
Infrastructure Development Cess	0.1	0.2	1.5	2.2	3.5	3.0	3.0
Motor Vehicle Fitness (MVT)	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Others	0.1	0.1	-	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 2022-23 are estimated at **Rs. 32.3 billion**.

Table 7

Provincial Non-Tax Revenues

Unit: Rs. Bln

Department	Actuals 2018-19	Actuals 2019-20	Actuals 2020-21	Budget 2021-22	Revised 2021-22	Actuals* 2021-22	Budget 2022-23
Total	**11.9**	**15.0**	**25.9**	**31.8**	**32.4**	**30.7**	**32.3**
Mines & Minerals	2.4	3.4	5.2	6.2	6.2	6.3	7.7
Energy and Power	1.1	2.7	2.3	2.6	2.6	0.0	2.6
Police	1.7	1.7	1.8	4.0	4.0	1.6	3.5
Finance	0.6	0.9	2.3	3.1	3.1	1.1	1.5
Home	0.5	0.5	0.9	1.5	1.5	1.0	1.6
Health	0.8	0.8	0.8	1.5	1.5	0.8	0.9
Others	4.9	5.0	12.7	12.9	13.5	20.0	14.5

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. 10 billion,** and details of these accounts are shared in Chapter 8.

Total general capital receipts for FY 2022-23 are **Rs. 204.6 billion**, out of which **Rs. 50 billion** are budgeted from Domestic loans.

Table 8

General Capital Receipts

Unit: Rs. Bln

Head	Actuals 2018-19	Actuals 2019-20	Actuals 2020-21	Budget 2021-22	Actuals* 2021-22	Budget 2022-23
Total	**21.0**	**12.3**	**74.5**	**112.7**	**95.8**	**204.6**
Recovery from Designated Accounts	-	-	-	4.6	1.3	10.0
Recovery of Investment & loans	0.1	12.3	0.2	0.3	0.3	0.3
Domestic Loan	-	-	6.0	44.0	-	50.0
Withdrawal of profit from Pension Fund for payment of pensions	-	-	-	10.0	10.0	10.0
Profit from GPI Fund for interest to the Subscribers	-	-	-	-	-	10.0
Other Revenue Sources	20.9	-	-	43.8	13.0	50.0
Savings from operational shortfall	-	-	-	0.0	-	49.3
Ways & Means Advance Facility from Fed. Govt.	-	-	68.3	10.0	71.2	25.0

2.3 Development Receipts

Development Receipts consist 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	Actuals 2020-21	Budget 2021-22	Actuals* 2021-22	Budget 2022-23
Total Development Grants	**7.9**	**110.3**	**141.3**	**207.5**	**143.6**	**216.9**
Grants from Federal Govt. (NMAs)	**0.0**	**97.9**	**121.2**	**187.7**	**109.9**	**208.6**
Grants for Current Budget	-	60.5	74.5	77.0	65.1	60.0
Additional Financing Demand for Current Budget	-	0.4	-	22.0	-	64.0
Development Grant (ADP + AIP)	-	37.0	46.7	54.0	44.8	50.0
Additional Financing Demand for Development Budget	-	-	-	-	-	-
3% NFC Share - Punjab	-	-	-	21.0	-	21.0
3% NFC Share - Sindh	-	-	-	10.0	-	9.9
3% NFC Share - Balochistan	-	-	-	3.7	-	3.7
PSDP allocations for provincially executed projects	**7.9**	**12.4**	**20.1**	**19.9**	**33.7**	**8.4**

The grant for the current budget of NMAs was budgeted at Rs. 77 billion for 2021-22, which included Rs. 60 billion for salary and non-salary and Rs. 17 billion for temporarily displaced persons (TDPs) after mutual consultation and agreement with the Federal Government. However, following the change in regime at the federal level, actual releases were limited to Rs. 60 billion for salary and non-salary, and just Rs. 5.5 billion for TDPs, all of which was spent. Moreover, the fourth quarter development grant for NMAs of Rs. 17 billion was inordinately delayed by the Federal Government following the abrupt regime change. After repeated demands from the Provincial Government, the Federal Government only released half of the committed amount i.e. Rs. 8.5 billion.

For the upcoming year 2022-23, the Federal Government has **reduced** the grant for current budget of NMAs as compared to the previous year. This has happened for the **first time since merger** of erstwhile FATA in 2018 following the successful passage of the 25th amendment. The total allocation for the current grants of NMAs has been reduced to Rs. 60 billion, which is wholly composed of salary and non-salary, with **zero allocation** for TDPs. The Rs. 60 billion allocation is **insufficient** to meet the basic salary and pension needs of NMAs, which is projected to grow from Rs. 60 billion to Rs. 75.4 billion in 2022-23.

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 are 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 the procurement of wheat are normally obtained from commercial banks and guaranteed by the Government. The last three years of budget estimates and actuals are shown below.

Figure 2.5

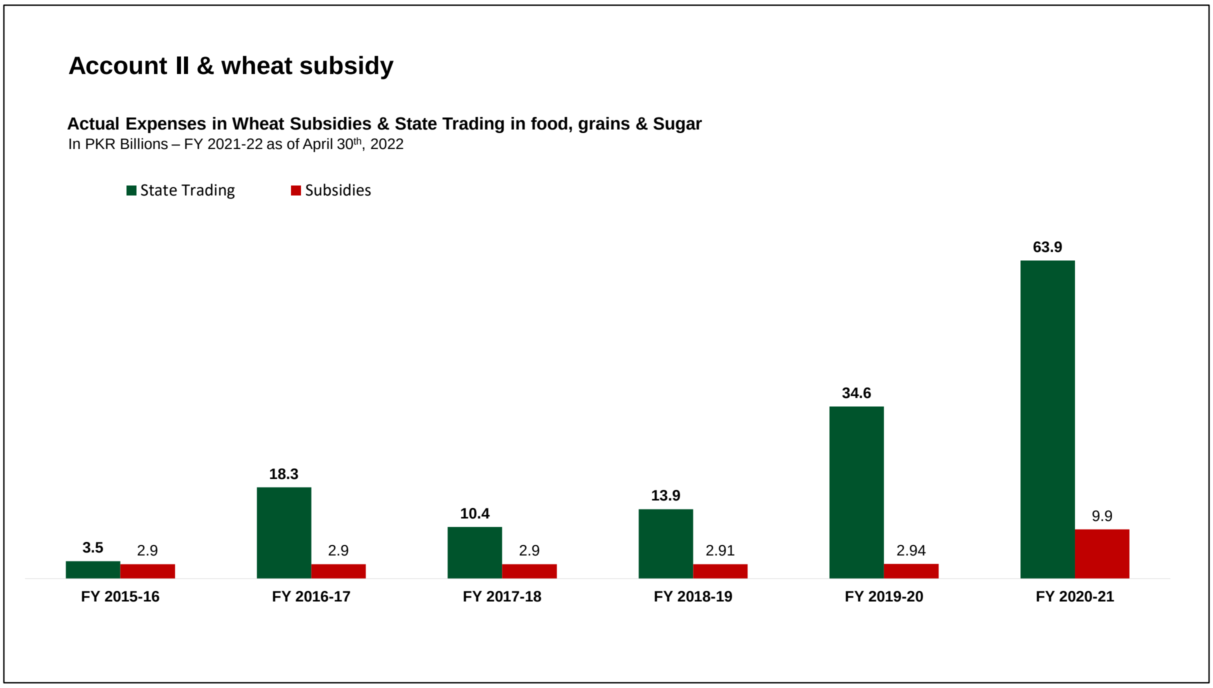


Table 10

Account II (Food)

Unit: Rs. Bln

Head	Actuals 2018-19	Actuals 2019-20	Actuals 2020-21	Budget 2021-22	Revised 2021-22	Actuals* 2021-22	Budget 2022-23
Total	**13.9**	**34.6**	**73.8**	**109.1**	**97.3**	**75.5**	**112.7**
State Trading (Account-II)	13.9	34.6	63.9	99.1	97.3	65.5	97.7
Cash Credit Accommodation (Floating Debt)	0.0	0.0	9.9	10.0	0.0	10.0	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 2022-23, total expenditure is estimated at **Rs. 1,332 billion** for the entire province of Khyber Pakhtunkhwa. This includes **Rs. 913.8 billion** as Current Expenditure and **Rs. 418.2 billion** as the total Development Expenditure.

In Current Expenditure of **Rs. 913.8 billion**, **Rs. 555.2 billion** are the pensions and provincial and district salaries.

The total expenditure of **Rs. 1,332 billion** is **19%** greater than last year's budgeted figure of **Rs. 1,118.3 billion.** The overall salary bill will rise by **20%,** as compared to last year's budgeted figures. Similarly, the pension bill will increase by **16%**.

In order to drive the economic recovery forward, the Government of Khyber Pakhtunkhwa has allocated record high 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

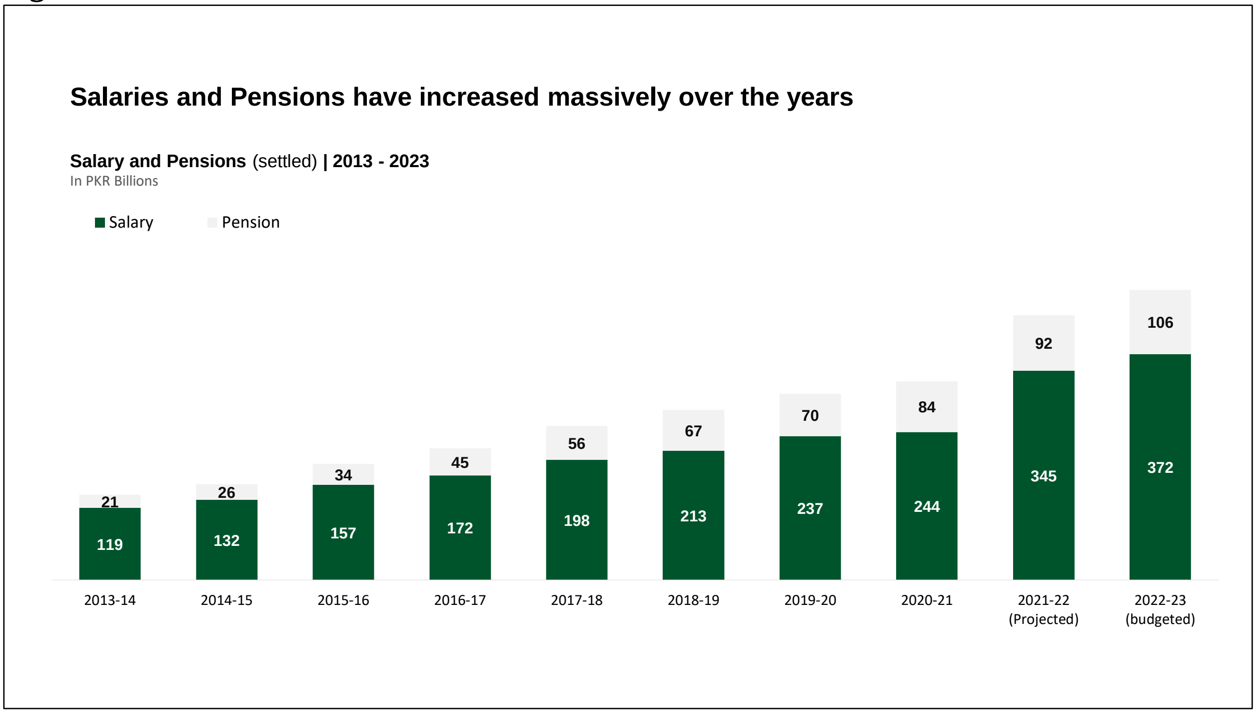
Head	Actuals 2018-19	Actuals 2019-20	Actuals 2020-21	Budget 2021-22	Actuals* 2021-22	Budget 2022-23
Total	**520.8**	**635.2**	**814.0**	**1,118.4**	**931.0**	**1,332.0**
Current Expenditure	377.8	464.9	599.8	747.3	677.6	913.8
Development Expenditure	143.0	170.3	214.2	371.1	253.3	418.2

A worrying trend for the Government of Khyber Pakhtunkhwa as for all governments in Pakistan, 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. However, the Government of Khyber Pakhtunkhwa has been leading the way on pension reform, explained in detail in chapter 8.

3.1 Current Expenditure

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

Figure 3.1



The table below shows the detailed breakdown of current expenditure as well as actual figures for FY 2020-21 and projected figures for FY 2021-22. The total sanctioned staff strength of the Provincial Government is now **upwards** of **622,000**[3]**,** with a total salary bill amounting to **Rs. 437 billion in FY 2021-22. This is approximately a 56% increase in the salary bill since FY 2018-19.**

The pension bill in FY 22-23 is amounting to **Rs. 107 billion,** including Rs. 1 billion for NMAs. 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 the development budget, as well as non-salary expenditure, which funds infrastructure improvements, textbooks for children in school and essential medicine for patients.

[3] May 2022 figures from Finance Department, KP

Table 12
Current Expenditure
Unit: Rs. Bln

Head	Actuals 2018-19	Actuals 2019-20	Actuals 2020-21	Budget 2021-22	Actuals* 2021-22	Budget 2022-23
Total	**282.5**	**348.6**	**370.6**	**466.1**	**436.5**	**555.2**
Salary	**215.0**	**278.5**	**287.0**	**374.0**	**345.0**	**448.1**
Settled - Provincial	71.6	77.8	96.8	126.8	110.0	179.4
Settled - Devolved	129.1	145.5	147.0	165.0	160.0	170.0
Medical Teaching Institutions (MTIs)	14.4	14.5	-	22.2	22.6	23.0
NMAs - Provincial	-	19.1	20.3	31.0	26.2	45.8
NMAs - Devolved	-	21.6	22.8	29.0	26.3	30.0
Pension	**67.5**	**70.1**	**83.6**	**92.1**	**91.5**	**107.1**
Pension expenditure funded from taxpayer proceeds	67.5	70.0	82.7	82.0	80.3	96.0
Pension expenditure funded from Pension Fund profit	-	-	-	10.0	10.0	10.0
NMAs	-	0.1	0.9	0.1	1.2	1.1

3.1.1 Revenue Transferred to Local Governments

Clause (i) of Article 37 of the Constitution of the 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 the grass root level. To achieve this, local government institutions were established in the province of Khyber Pakhtunkhwa through the 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, the local government's share for FY 2022-23 is **Rs 208.9 billion** vs. **Rs. 195.9 billion budgeted** in FY 2021-22. Subcomponents for FY 2022-23 include **Rs. 170 billion** for salary, **Rs. 30.4 billion** for non-salary expenditure and **Rs. 8.4 billion** as grants to local councils.

Table 13

Share of Local Government in Current Expenditure (Settled)

Unit: Rs. Bln

Head	Actuals 2018-19	Actuals 2019-20	Actuals 2020-21	Budget 2021-22	Actuals* 2021-22	Budget 2022-23
Total	**144.7**	**158.8**	**171.0**	**195.9**	**181.9**	**208.9**
Salary	129.1	145.5	147.0	165.0	161.0	170.0
Non Salary	11.6	9.8	19.7	24.3	12.7	30.4
Grant to Local Councils	4.0	3.5	4.3	6.7	8.2	8.4

3.2 Capital Expenditure

The Government of Khyber Pakhtunkhwa (GoKP) aims for prudent Debt Management to bolster the 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. 50 billion** as previously communicated by the National Economic Council (NEC). The NEC channels external finances through the Economic Affairs Division (EAD) of the Federal Government. The Capital Expenditure of GoKP primarily consists of loans and advances to Provincial Government employees and **debt principal repayment** as Capital Expenditure for the financial year 2022-23, shown in the table below.

Table 14
Expenditure on Capital Accounts
Unit: Rs. Bln

Head	Actuals 2018-19	Actuals 2019-20	Actuals 2020-21	Budget 2021-22	Actuals* 2021-22	Budget 2022-23
Total	**8.8**	**10.1**	**12.0**	**12.3**	**10.4**	**16.3**
Loans & Advances to Provincial Government Employees.	0.2	0.2	1.3	0.4	0.9	0.3
Capital Expenditure (Debt Principal Repayment)	8.6	9.9	10.6	12.0	9.5	16.0

3.2.1 Debt Management

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.

Domestic Debt

There is no domestic debt liability against the Provincial Government as on 1st July, 2022.

Foreign Debt

Foreign currency loans are used for the financing of specified developmental projects and programs under an agreement between GoKP and Federal Government. The re-lending terms and conditions of the foreign loans to the Provincial Government are the same as agreed by Federal Government with the foreign Lenders. Out of a total of 105 Loans, 90 number of loans have embedded fixed interest rates; only 15 loans are on floating terms (variable interest rates).

Foreign loans in terms of currency composition are heavily denominated by US Dollars which accounts for more than 80% of the foreign debt stock. The disbursed and outstanding loan liability as on 30th June 2022, on account of KP Foreign Loans is **Rs. 313,778 Million**. (Details is at Annexures).

Khyber Pakhtunkhwa's debt levels are relatively low when measured as a percentage of its total annual revenue, which is currently around 44.3% of the KP Revenue. Khyber Pakhtunkhwa's debt consists solely of long-term loans obtained on concessional terms from multilateral institutions by the Federal Government and on-lent to Government of the Khyber Pakhtunkhwa. Majority of these loans are taken for various sectors such as, Transport, Energy & Power, Urban and Rural Development, Roads Infrastructure, Health & Education etc. Foreign loan portfolio of Khyber Pakhtunkhwa is as under:

Table 15a
Units: Rs. Mln

Description	Outstanding Debt 30th June 2021	Principal Repayments During 2021-22	Disbursements during 2021-22	Outstanding Debt 30th June 2022
Foreign Loans (PKR)	294,097	12,155	15,490	313,778
Exchange Rate (PKR/USD)	165			175

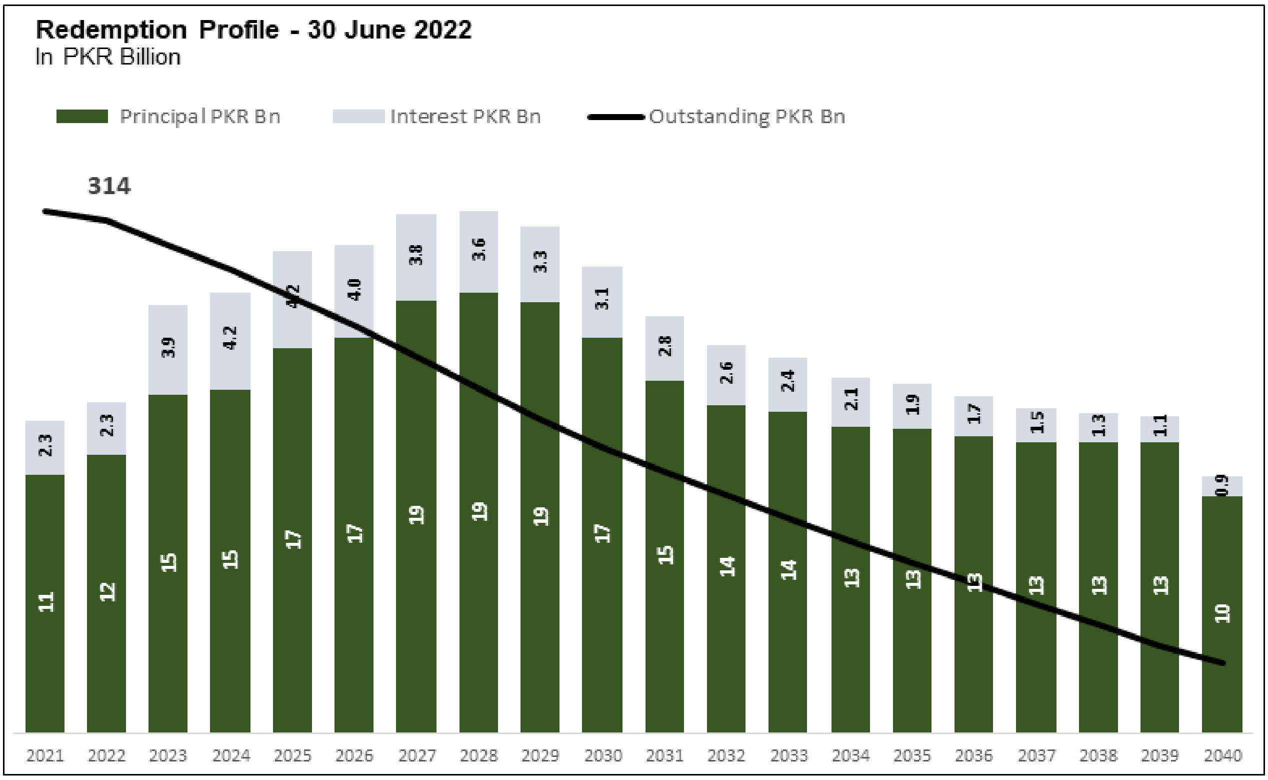
Outstanding Loan portfolio includes disbursements made from 1st July 2021 till 31st December 2021 (reconciled with Ministry of Foreign Affairs), the disbursements during 1st January 2022 till 30th June 2022 has not been taken as it will be reflected in the annual debt statistical bulletin of FY 2021-22. Details of Principal repayment and Interest payment are as under:

Table 15b
Units: Rs. Mln

Nomenclature	(BE) 2021-22	(RE) 2021-22	(BE) 2022-23
Principal	12,000.000	12,200.000	16,000.000
Interest	2,500.910	2,500.910	4,200.910
Debt Servicing	14,500.910	14,700.910	20,200.910

The interest cost will rise significantly on account of foreign loans because around 43% of the outstanding loan portfolio is with variable (floating) interest rate. Currently, 6-month USD LIBOR is hovering around 2% per annum

Figure 3.2



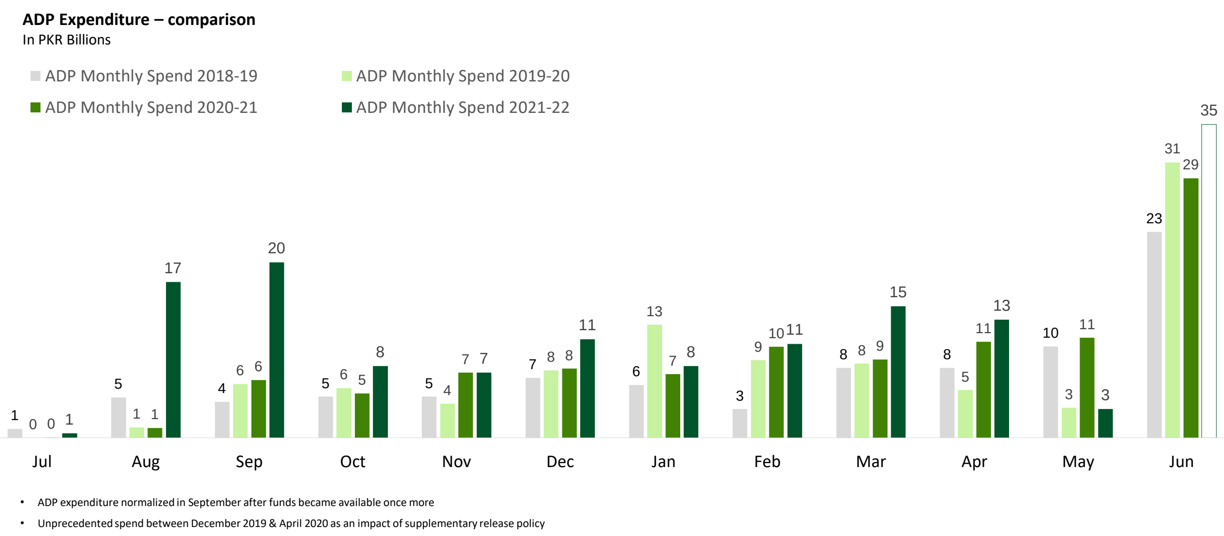
3.3 Development Expenditure

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 three and a half 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.

The development budget for the FY 2022-23 has been budgeted at a record high Development Expenditure of **Rs. 383.5 billon.** This figure does not include additional Rs. 34.65 billion **due from other provinces** as 3% share of NFC committed as part of the Tribal Decade Strategy. The core focus in FY 2022-23 is to accelerate the economic recovery, generate employment, uplift the Human Development Index and prioritize service delivery.

Figure 3.3

Khyber Pakhtunkhwa continued its ADP release policy in 2021-22 leading to more even development expenditure throughout the year



Rs. 99 billion has been set aside for merged districts' development that includes Annual Development Programme, FPA, and Accelerated Implementation Plan (AIP).

The detailed breakup of the 2022-23 ADP for each sector is shown in table 16, and the department-wise details are shown in Table 17.

Table 16

Sectorwise Alllocation of Development Expenditure 2022-23

Unit: Rs. Mln

S.No.	Sector	KP				MA					Total	Sector Share (%)
		Local	F.Aid	PSDP	Total	Local	F.Aid	PSDP	Total	AIP		
	Grand Total	**222,000**	**88,892**	**8,151**	**319,044**	**24,000**	**4,296**	**200**	**28,496**	**70,618**	**418,157**	**100%**
1	Agriculture	8155	3,780	949	12,884	656	200	-	856	1,855	15,594	3.7%
2	Auqaf, Hajj	872	-	-	872	151	-	-	151	111	1,134	0.3%
3	BOR	987	-	-	987	167	-	-	167	230	1,383	0.3%
4	DWSS	8,777	700	200	9,677	1,066	-	-	1,066	1,776	12,519	3.0%
5	E&SE	10,442	2,010		12,452	2,383	1,400	-	3,783	4,170	20,406	4.9%
6	Energy & Power	5147	20,951	500	26,598	768	-	-	768	1,810	29,176	7.0%
7	Environment	37	-	-	37		-	-	0	10	47	0.0%
8	Estab. & Admin.	426	-	-	426	21	-	-	21	-	447	0.1%
9	Excise, Taxation	181	-	-	181	23	-	-	23	-	204	0.0%
10	Finance	45	18,176	-	18,221	10	-	-	10	-	18,231	4.4%
11	Food	323	-	-	323		-	-	0	70	393	0.1%
12	Forestry	3,380	300	1,040	4,720	197	-	-	197	80	4,996	1.2%
13	Health	17,944	4,200	700	22,844	953	-	-	953	4,422	28,219	6.7%
14	Higher Education	6,914	-	-	6,914	461	-	-	461	901	8,276	2.0%
15	Home	2002	-	-	2,002	211	-	-	211	868	3,080	0.7%
16	Housing	623	-	-	623	0.001	-	-	0	45	668	0.2%
17	Industries	2628	-	-	2,628	619	-	-	619	685	3,931	0.9%
18	Information	315	-	-	315	15	-	-	15	50	380	0.1%
19	Labour	337	44	-	381		-	-	0	0.001	381	0.1%
20	Law & Justice	2,260	-	-	2,260	243	-	-	243	770	3,273	0.8%
21	Local Government	2644	3,018	-	5,662	872	0.001	-	872	0.008	6,533	1.6%
22	Mines & Minerals	279	-	-	279	39	-	-	39	20	337	0.1%
23	Multi Sectoral Dev.	33444	7,066	-	40,510	2522	2,696	-	5,218	1,843	47,571	11.4%
24	Pop. Welfare	682	-	-	682	13	-	-	13	80	775	0.2%
25	Public Private Partnership	500	-	-	500		-	-	0		500	0.1%
26	Relief and Rehab.	2,502	-	-	2,502	5	-	-	5	1,580	4,087	1.0%
27	Roads	34451	12,857	1,082	48,390	4,989	-	200	5,189	8,370	61,949	14.8%
28	Social Welfare	1,085	-	-	1,085	195	-	-	195	140	1,420	0.3%
29	Sports, Tourism	12145	4,750	-	16,895	740	-	-	740	1,780	19,415	4.6%
30	ST&IT	1571	0	-	1,571	26	-	-	26	60	1,657	0.4%
31	Tehsil ADP	37,000		-	37,000	4000	-	-	4,000		41,000	9.8%
32	Transport	171	6,873	-	7,044	0.001	-	-	0	59	7,103	1.7%
33	Urban Dev.	10,075	2,667	-	12,742	1,252	-	-	1,252	1395	15,389	3.7%
34	Water	13,659	1,500	3,680	18,839	1,406	-	-	1,406	2819	23,065	5.5%
35	3% NFC Share Unfunded	-	-	-	-	-	-	-	-	34,618	34,618	8.3%

Table 17a.

Departmental Estimates of Expenditure

Units: Rs. Mln

Department	BE 2022-23 (Settled)	BE 2022-23 (Merged)	Total BE 2022-23
Agriculture, Livestock & Fisheries			
Current	**12,476.5**	**2,336.3**	**14,812.8**
1 Salary	7,821.4	1,686.2	9,507.6
2 Non Salary	4,655.1	650.1	5,305.2
Development	**11,934.7**	**2,710.6**	**14,645.3**
Auqaf, Hajj, Religious & Minority Affairs			
Current	**3,057.4**	**0.0**	**3,057.4**
1 Salary	42.8	0.0	42.8
2 Non Salary	3,014.6	0.0	3,014.6
Development	**872.1**	**262.1**	**1,134.2**
Communication & Works			
Current	**8,743.6**	**2,243.5**	**10,987.1**
1 Salary	3,627.0	1,874.6	5,501.6
2 Non Salary	5,116.6	368.9	5,485.5
Development	**47,307.5**	**13,358.8**	**60,666.3**
Elementary & Secondary Education			
Current	**175,915.8**	**30,764.9**	**206,680.7**
1 Salary	156,363.3	28,157.3	184,520.6
2 Non Salary	19,552.5	2,607.6	22,160.1
Development	**12,452.2**	**7,953.3**	**20,405.5**
Energy & Power			
Current	**526.9**	**0.0**	**526.9**
1 Salary	152.9	0.0	152.9
2 Non Salary	374.0	0.0	374.0
Development	**26,098.1**	**2,577.4**	**28,675.5**

Table 17b.

Departmental Estimates of Expenditure

Units: Rs. Mln

Department	BE 2022-23 (Settled)	BE 2022-23 (Merged)	Total BE 2022-23
Environment & Forestry (Wildlife)			
Current	**5,459.5**	**1,161.2**	**6,620.7**
1 Salary	4,285.2	1,086.5	5,371.7
2 Non Salary	1,174.3	74.7	1,249.0
Development	**3,716.3**	**286.6**	**4,002.9**
Establishment & Administration			
Current	**7,835.9**	**199.9**	**8,035.8**
1 Salary	4,086.9	54.3	4,141.2
2 Non Salary	3,749.0	145.6	3,894.6
Development	**426.1**	**21.0**	**447.1**
Excise & Taxation			
Current	**1,352.1**	**51.1**	**1,403.2**
1 Salary	999.5	39.3	1,038.8
2 Non Salary	352.6	11.8	364.4
Development	**181.0**	**22.9**	**203.9**
Finance, Treasuries & Local Fund Audit			
Current	**4,691.3**	**9,524.0**	**14,215.3**
1 Salary	1,563.0	225.7	1,788.7
2 Non Salary	3,128.3	9,298.3	12,426.6
Development	**18,220.5**	**10.0**	**18,230.5**
Food			
Current	**738.0**	**58.5**	**796.5**
1 Salary	708.0	53.8	761.8
2 Non Salary	30.0	4.7	34.7
Development	**322.9**	**70.0**	**392.9**

Table 17c.

Departmental Estimates of Expenditure

Units: Rs. Mln

Department	BE 2022-23 (Settled)	BE 2022-23 (Merged)	Total BE 2022-23
Health			
Current	**160,938.3**	**17,267.9**	**178,206.2**
1 Salary	95,882.7	10,373.3	106,256.0
2 Non Salary	65,055.6	6,894.6	71,950.2
Development	**22,144.0**	**5,375.0**	**27,519.0**
Higher Education, Archives And Libraries			
Current	**23,140.4**	**2,774.6**	**25,915.0**
1 Salary	16,565.2	2,725.2	19,290.4
2 Non Salary	6,575.2	49.4	6,624.6
Development	**6,913.9**	**1,362.6**	**8,276.5**
Home & Tribal Affairs, Police & Jails			
Current	**72,396.0**	**26,095.8**	**98,491.8**
1 Salary	61,574.0	24,797.4	86,371.4
2 Non Salary	10,822.0	1,298.4	12,120.4
Development	**2,001.6**	**3,774.4**	**5,776.0**
Housing			
Current	**155.0**	**0.0**	**155.0**
1 Salary	43.8	0.0	43.8
2 Non Salary	111.2	0.0	111.2
Development	**623.3**	**45.0**	**668.3**
Industries, Commerce, Stationery & Printing And Technical Education			
Current	**3,780.8**	**302.8**	**4,083.6**
1 Salary	2,357.5	276.7	2,634.2
2 Non Salary	1,423.3	26.1	1,449.4
Development	**2,627.7**	**1,303.8**	**3,931.5**

Table 17d.

Departmental Estimates of Expenditure

Units: Rs. Mln

Department	BE 2022-23 (Settled)	BE 2022-23 (Merged)	Total BE 2022-23
Information And Public Relation			
Current	**1,410.4**	**17.3**	**1,427.7**
1 Salary	286.7	16.8	303.5
2 Non Salary	1,123.7	0.5	1,124.2
Development	**315.0**	**64.7**	**379.7**
Inter Provincial Coordination			
Current	**65.3**	**0.0**	**65.3**
1 Salary	49.9	0.0	49.9
2 Non Salary	15.4	0.0	15.4
Development	**0.0**	**0.0**	**0.0**
Irrigation			
Current	**6,055.8**	**284.0**	**6,339.8**
1 Salary	4,028.5	259.8	4,288.3
2 Non Salary	2,027.3	24.2	2,051.5
Development	**15,159.4**	**4,225.4**	**19,384.8**
Labour			
Current	**605.3**	**46.7**	**652.0**
1 Salary	373.7	41.6	415.3
2 Non Salary	231.6	5.1	236.7
Development	**381.0**	**0.0**	**381.0**
Local Government And Rural Development			
Current	**15,377.4**	**354.5**	**15,731.9**
1 Salary	2,841.2	273.0	3,114.2
2 Non Salary	12,536.2	81.5	12,617.7
Development	**18,403.6**	**3,518.6**	**21,922.2**

Table 17e.

Departmental Estimates of Expenditure

Units: Rs. Mln

Department	BE 2022-23 (Settled)	BE 2022-23 (Merged)	Total BE 2022-23
Mines & Mineral Development			
Current	**935.2**	**153.6**	**1,088.8**
1 Salary	714.9	143.2	858.1
2 Non Salary	220.3	10.4	230.7
Development	**278.8**	**58.6**	**337.4**
Planning & Development And Bureau Of Statistics			
Current	**895.3**	**91.4**	**986.7**
1 Salary	705.5	77.8	783.3
2 Non Salary	189.8	13.6	203.4
Development	**41,009.6**	**4,365.0**	**45,374.6**
Population Welfare			
Current	**2,659.1**	**182.4**	**2,841.5**
1 Salary	1,872.1	130.2	2,002.3
2 Non Salary	787.0	52.2	839.2
Development	**681.9**	**93.4**	**775.3**
Public Health Engineering			
Current	**9,614.5**	**1,137.6**	**10,752.1**
1 Salary	4,840.1	939.8	5,779.9
2 Non Salary	4,774.4	197.8	4,972.2
Development	**9,476.9**	**2,841.7**	**12,318.6**
Relief Rehabilitation And Settlement			
Current	**8,592.7**	**17,343.5**	**25,936.2**
1 Salary	4,203.7	311.1	4,514.8
2 Non Salary	4,389.0	17,032.4	21,421.4
Development	**2,502.1**	**1,585.0**	**4,087.1**

Table 17f.

Departmental Estimates of Expenditure

Units: Rs. Mln

Department	BE 2022-23 (Settled)	BE 2022-23 (Merged)	Total BE 2022-23
Revenue & Estate			
Current	**21,273.5**	**7,758.8**	**29,032.3**
1 Salary	7,136.4	1,037.9	8,174.3
2 Non Salary	14,137.1	6,720.9	20,858.0
Development	**986.9**	**396.5**	**1,383.4**
Science & Technology And Information Technology			
Current	**1,332.9**	**0.0**	**1,332.9**
1 Salary	94.3	0.0	94.3
2 Non Salary	1,238.6	0.0	1,238.6
Development	**1,571.0**	**86.0**	**1,657.0**
Sports, Culture, Tourism, Archaeology & Museums			
Current	**2,438.0**	**164.5**	**2,602.5**
1 Salary	938.6	109.5	1,048.1
2 Non Salary	1,499.4	55.0	1,554.4
Development	**16,895.1**	**2,520.1**	**19,415.2**
Transport & Mass Transit			
Current	**4,993.4**	**54.7**	**5,048.1**
1 Salary	346.6	54.7	401.3
2 Non Salary	4,646.8	0.0	4,646.8
Development	**7,044.3**	**59.0**	**7,103.3**
Zakat, Ushr, Social Welfare, Special Education And Women Empowerment			
Current	**380.8**	**11.0**	**391.8**
1 Salary	257.9	5.5	263.4
2 Non Salary	122.9	5.5	128.4
Development	**0.0**	**0.0**	**0.0**

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 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 the Islamic Republic of Pakistan, inserted through the 18th Constitutional Amendment, the share of the provinces in each future Award of the 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 6th Award	% Share in 7th NFC Award				Budget Estimate 2022-23
		Horizontal Share	1% for War on terror*	Grant for Compensation on account of OZ&T	Total % Share	
Federal Share	62.5	42.5				
Provinces	37.5	57.5				4,068.79
Punjab	53.2	51.74				2,029.33
Sindh	24.96	24.55				1,029.76
Khyber Pakhtunkhwa	**14.78**	**14.62**	**1.80**		**16.42**	**639.5**
Baluchistan	7.05	9.09				370.23

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 the 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.

Figure 4.1

KP's population has increased from 13.5% to 17.3% necessitating an update in the existing NFC

	Population share according to 1998 census	Population share according to 2017 census
Khyber Pakhtunkhwa	**13.5%**	14.8%
Ex-FATA	2.4%	2.4%
KP with ex-FATA	15.9%	**17.3%**

2. The integration of the demographics of the Newly Merged Areas into the province, particularly the 2.4% share of the 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 a constitutional right for the 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 the 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 the realization of optimal share of the province inclusive of the Newly Merged Areas, and press upon all other federating units to honor their commitments, in order to ensure that the war-afflicted region enters the mainstream and integrates smoothly with the rest of the province.

Under the chairmanship of Minister for Finance, the first of Subgroup-V of the 10th NFC was held on February 22, 2022 (minutes annexed). The Subgroup had been tasked with making recommendations to the NFC for the development of erstwhile FATA. The first meeting was held in cordial spirits with genuine efforts by the representatives of all federating units to agree on a way forward for integration and mainstreaming of erstwhile FATA into the national fabric, and bringing it at par with all other areas of the country in terms of economic development human development indicators. Following the change in regime at the federal level and in Punjab, further efforts have been stalled and the entire process is at a dead halt.

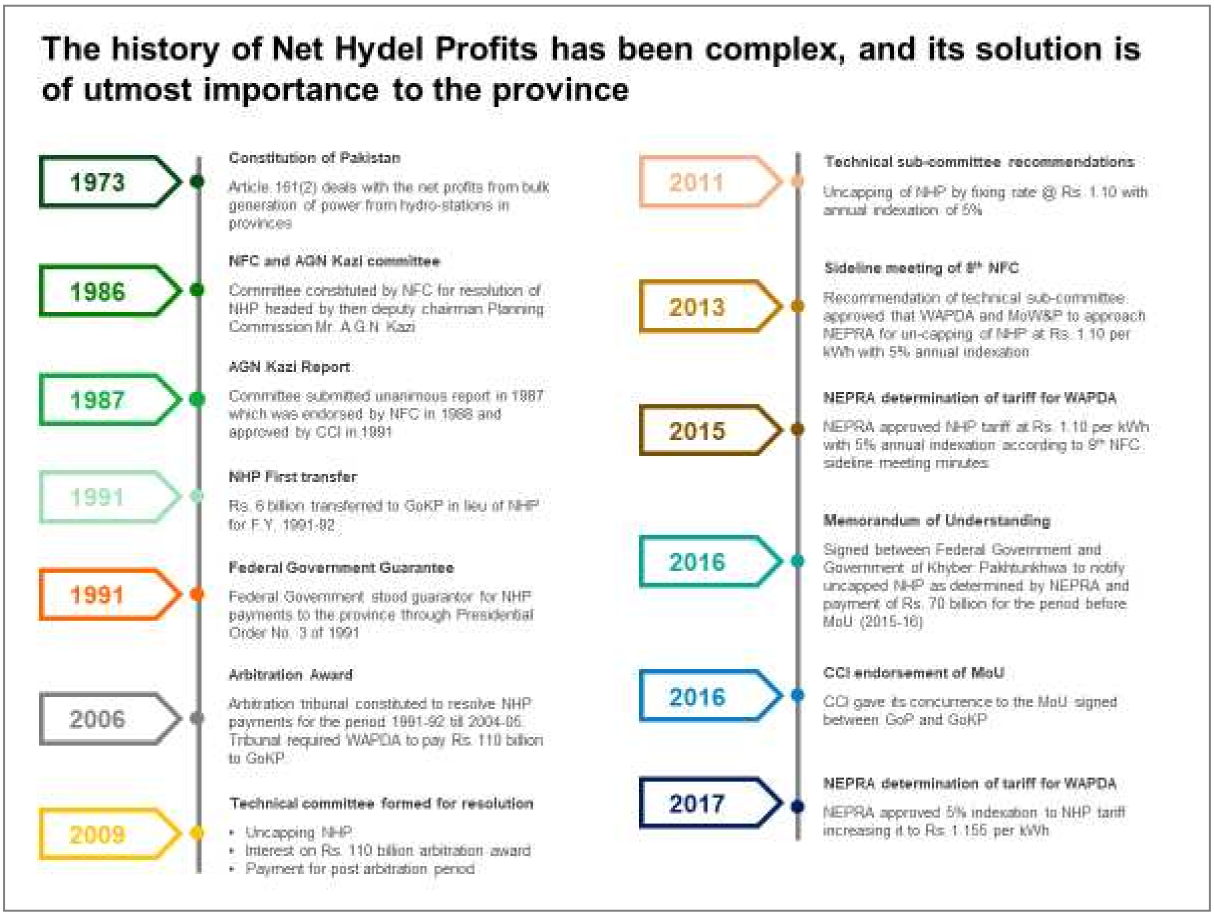
Chapter 5 – Net Hydel Profits

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.

Hydroelectric 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.

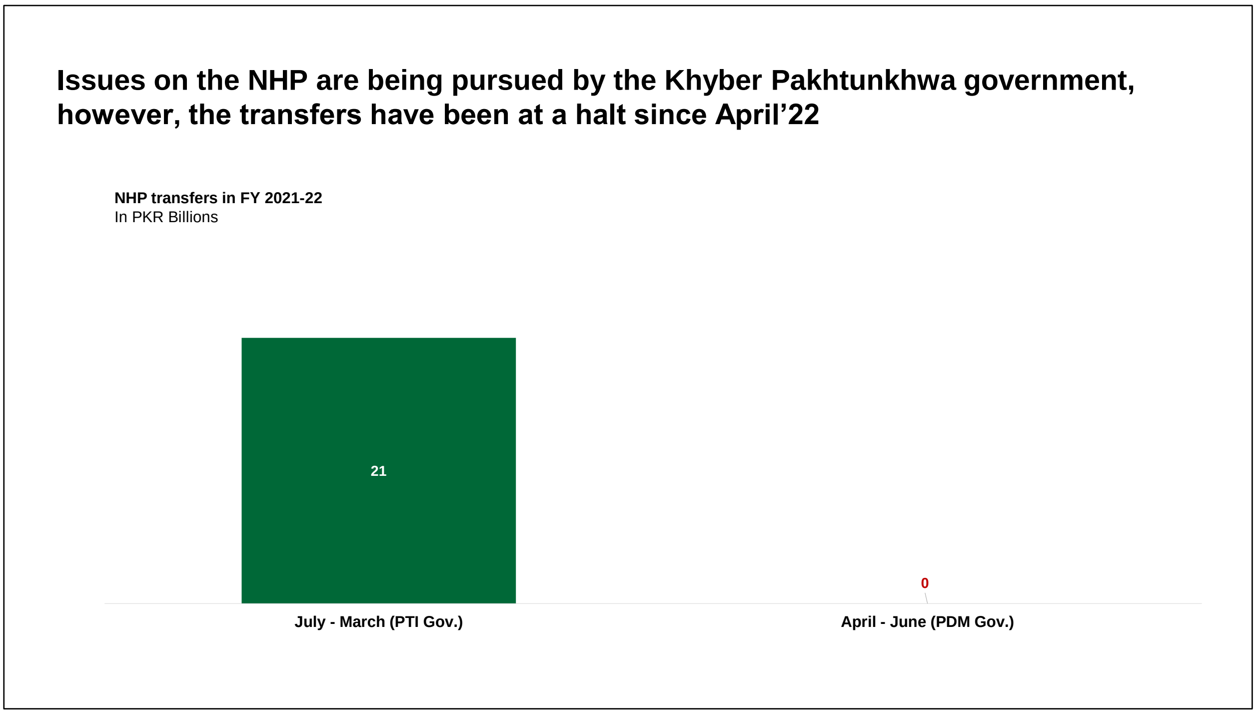
Despite protection by the constitution to hydro royalties, NHP has been in dispute since 1991. The framework and formula to calculate annual NHP was conceived by a committee headed by the then Deputy Chairman of Planning Commission Mr. A.G.N Kazi. The committee submitted a unanimous report which was 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 the 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 hydroelectric 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 to 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. The MoU has also been breached by NEPRA by unilaterally reversing its decision of 5% indexation, taken in 2015 and endorsed by CCI. The Government of Khyber Pakhtunkhwa filed a review petition with NEPRA and pleaded its case with facts. NEPRA allowed the indexation with the condition to get it approved by CCI again. The summary for getting approval from the Council of Common Interests has been submitted and will be followed rigorously to safeguard the province's right.

WAPDA has always paid randomly and minimally to GoKP resulting in huge liabilities. Finance department under the leadership of the Finance Minister has recently engaged rigorously with the previous 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 and a tranche of Rs. 25 billion in July, 2021. However, NHP transfers were regular until March-2022 and zero transfers have been made after that.

Figure 5.2



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.

Other than Net Hydel Profits from WAPDA-operated projects, the Government of Khyber Pakhtunkhwa operates hydro projects having a cumulative capacity of 155 MW while projects having a 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 upon with 5 industries through a competitive process. After the pilot's success, GoKP launched phase II of the wheeling model by providing a 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. 9.5 billion** with a big portion of Rs. 1.5 billion to be paid by PESCO. These hurdles by power SOEs remain a challenge in pushing economic growth further for the province of Khyber Pakhtunkhwa.

Figure 5.3

More than Rs. 9 Bln are pending with various Federal Government entities for payment to PEDO

	Pending Arrears (Rs. Mlns)	Remarks
Malakand-III	1,244	Confirmed and pending with CPPA-G
Malakand-III indexation	3,329	Notification awaited by Power Division
Pehur	1,340	Pending with PESCO
Daral Khwar	3,210	HPP to be gazette notified
Ranolia	269	Payment not yet started by CPPA-G
Machai	162	EPA pending with PESCO
Total	**9,554**	

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 the integration of all Directorates of Merged Areas Civil Secretariat with respective Administrative Departments of KP. Financial Integration was also successfully achieved through the 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, the 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 of 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.

6.1 Budget Numbers 2022-23 for Merged Areas

The overall current and development expenditure of the newly merged areas is around **Rs. 218.6 billion (excluding FPA)**. Current expenditure is expected to be around **Rs. 124 billion,** against a budgeted amount of **Rs. 99** billion from last year. The development expenditure is budgeted at **Rs. 98.9 billion** which was around **Rs. 100.4 billion** for the last fiscal year.

Table 19a

Expenditure of Merged Areas

Unit: Rs. Bln

HEAD	B.E 2022-23
Total Expenditure	**222.9**
Current Expenditure	**124.00**
Salary	75.78
Non-Salary - O&M and Contingencies	48.22
Development Expenditure	**98.92**
ADP (Provincial - NMDs)	20.00
ADP (Devolved - NMDs)	4.00
Accelerate Implementation Plan (AIP - Funded)	36.00
Accelerate Implementation Plan (AIP - Unfunded)	34.62
FPA	**4.30**

The grant for the current budget of NMAs was budgeted at Rs. 77 billion for 2021-22, which included Rs. 60 billion for salary and non-salary and Rs. 17 billion for temporarily displaced persons (TDPs) after mutual consultation and agreement with the Federal Government. However, following the change in regime at the federal level, actual releases were limited to Rs. 60 billion for salary and non-salary, and just Rs. 5.5 billion for TDPs, all of which was spent. Moreover, the fourth quarter development grant for NMAs of Rs. 17 billion was **inordinately delayed** by the Federal Government following the abrupt regime change. After repeated demands from the Provincial Government, the Federal Government only released **half** of the committed amount i.e., Rs. 8.5 billion.

Table 19b.

Department Wise Current Budget Estimates 2022-23 (Rs. in millions)

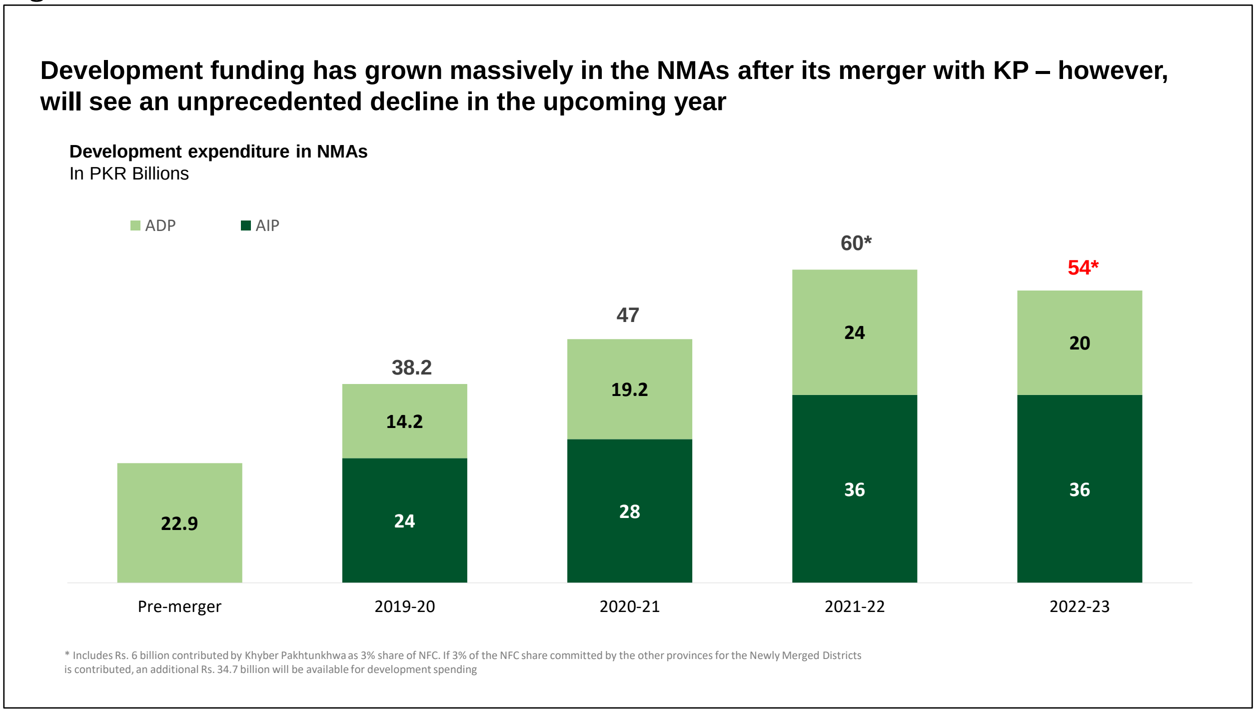
Units: Rs. Mln

D.No	Departments	BE	RE	Posts	BE 2022-23		
		2021-22	2021-22		Salary	Non Salary	Total
	Total	**99,000.0**	**94,606.4**	**113,161**	**75,784.4**	**48,215.6**	**124,000.0**
61	GENERAL ADMINISTRATION	332.6	321.3	100	54.3	145.6	199.9
61	TREASURIES	90.5	79.6	110	102.9	10.1	112.9
61	FINANCE	8,972.9	4,987.2	75	122.8	9,288.2	9,411.0
61	PLANNING & DEVELOPMENT	67.9	49.4	67	68.8	12.4	81.2
61	BUREAU OF STATISTICS	8.4	3.4	10	9.0	1.2	10.2
61	REVENUE & ESTATE	3.0	5.4	9	6.0	3.3	9.3
61	EXCISE AND TAXATION DEPARTMENT	46.5	45.1	105	39.3	11.8	51.1
61	HOME & TRIBAL AFFAIRS	1,945.9	418.4	516	472.6	262.6	735.2
61	JAILS & CONVICTS SETTLEMENT	268.9	246.3	591	374.2	23.0	397.2
61	ADMIISTRATION OF JUSTICE	1,182.2	1,067.9	998	912.0	366.2	1,278.2
61	HIGHER EDUCATION, ARCHIVES & LIBRARIES	2,123.8	1,549.3	2,281	2,725.2	49.4	2,774.6
61	HEALTH	4,168.1	4,494.1	13,664	10,373.3	6,894.6	17,268.0
61	COMMUNICATION & WORKS	1,620.8	1,447.9	2,767	1,874.6	56.4	1,931.0
61	ROADS HIGHWAYS & BRIDGES (REPAIR)	181.9	181.9	0	0.0	181.9	181.9
61	BUILDINGS & STRUCTURES (REPAIR)	130.6	134.2	0	0.0	130.6	130.6
61	PUBLIC HEALTH ENGINEERING	923.3	1,596.6	2,249	939.8	197.8	1,137.7
61	LOCAL GOVERNMENT	76.0	75.2	59	60.2	26.8	87.1
61	AGRICULTURE	183.4	203.3	455	330.1	19.6	349.7
61	ANIMAL HUSBANDRY	256.2	334.1	146	83.8	284.5	368.3
61	FORESTRY (WILDLIFE)	728.4	711.9	2,001	1,086.5	74.7	1,161.2
61	FISHERIES	27.0	27.3	53	35.4	12.1	47.5
61	IRRIGATION	217.7	216.9	285	259.8	24.2	284.0
61	INDUSTRIES	14.2	19.7	42	16.7	4.7	21.4
61	MINERAL DEVELOPMENT AND INSPECTORATE OF MINES	59.2	61.4	269	143.2	10.4	153.6
61	POPULATION WELFARE	11.0	11.9	15	13.1	16.6	29.7
61	TECHNICAL EDUCATION AND MANPOWER	222.6	193.8	398	259.9	21.4	281.3
61	LABOUR	21.5	15.6	95	41.6	5.1	46.8
61	INFORMATION & PUBLIC RELATIONS	14.1	20.7	12	16.8	0.5	17.2
61	SOCIAL WELFARE, SPECIAL EDUCATION & WOMEN EMPOWERMENT	89.4	91.4	100	85.0	22.8	107.8
61	ZAKAT & USHER	8.6	14.2	23	5.5	5.5	11.0
61	SPORTS, CULTURE,TOURISM & MUSEUMS	27.6	21.7	42	34.0	2.4	36.4
61	TRANSPORT & MASS TRANSIT DEPARTMENT	0.0	0.0	104	54.7	0.0	54.7
61	ELEMENTARY & SECONDARY EDUCATION	824.1	1,017.1	280	867.8	75.7	943.5
61	RELIEF REHABILITATION AND SETTLEMENT	17,191.5	17,181.6	704	311.1	17,032.4	17,343.5
61	DISTRICT/TEHSIL SALARY	29,000.0	29,000.0	47,746	30,000.0	0.0	30,000.0
61	DISTRICT/TEHSIL NON SALARY	6,419.3	6,418.2	0	0.0	9,859.3	9,859.3
61	POLICE	20,699.4	20,807.1	36,682	23,950.6	1,012.8	24,963.4
61	GRANT TO LOCAL COUNCILS	717.6	748.4	0	0.0	980.0	980.0
61	PENSION	76.0	746.3	0	0.0	1,084.4	1,084.4
61	STATE TRADING IN FOOD GRAINS AND SUGAR	47.8	40.3	108	53.8	4.7	58.5

6.2 Development in Merged Areas

The Government of Khyber Pakhtunkhwa has accelerated development spending for NMAs and as shown in the Figure below, it has increased by **162%** since the merger.

Figure 6.1



For the upcoming year 2022-23, the Federal Government has **reduced** the grant for current budget of NMAs as compared to the previous year. This has happened for the **first time since merger** of erstwhile FATA in 2018 following the successful passage of the 25th amendment. The total allocation for the development grant was projected to increase to Rs. 80 billion in 2022-23 from Rs. 60 billion in the previous year. Yet, the Federal Government chose to renege on its commitment to the Tribal Decade Strategy and slashed development funding to erstwhile FATA.

6.2.1 Key Principles For Utilising Merged Areas Development Plan Funds

The Government of Khyber Pakhtunkhwa realizes the special status of 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.

- Funds to be outside of the annual development plan, so they can be used flexibly.
- Spend with a direct impact on people to be prioritized; as opposed to procuring land, building offices, etc.
- The primary focus is to spend in the social sectors i.e., **health, education, jobs, and wealth creation – and programs that have a rapid impact**.
- A second focus is **on improving infrastructure for Merged Areas**, and on projects with economic impact; **roads; electricity infrastructure**.
- Planning to consider that Merged Areas is now an integrated part of Pakhtunkhwa; implications are significant; for example, East-West connectivity is more important than North-South connectivity.

- 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.

Chapter 7: Caring For the Community

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 and providing effective measures and frameworks to combat climate change.

These SDGs call for reducing inequalities in income as well as those based on age, sex, disability, race, ethnicity, origin, religion, or economic or another status within a country or region and creating conducive environmentally friendly policies.

7.1 Reducing Inequality

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:

7.1.1 Women

The province of Khyber Pakhtunkhwa firmly believes that with initiatives to capacitate women of the province, especially focusing on building their intellectual calibre 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 funds to be disbursed by *Akhuwat* SIDB.

A historical allocation has been made for record lending capacity at subsidized rates to SME sector in Khyber Pakhtunkhwa through RAAST SME Refinancing Scheme (collateral based) and SAAF scheme (collateral free), both of which are Rs. 12 billion each in size. 20% of the microloan schemes has been reserved for women, which translates to **Rs. 4.8 billion** allocated for female entrepreneurs and small business owners in the province.

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. 1.5 billion is expected to be spent till June'22.**
- Girls' stipend allocated worth **Rs. 2.4 billion** through the Elementary and Secondary Education department.
- Functionalization of 'Girls Community Schools' through elementary and secondary education funds with a total allocation of **Rs. 800 million.**

7.1.2 Senior Citizens

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

- 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;

7.1.3 Minorities

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

- 11 religious and interfaith events were carried out benefitting 15,000 people.
- Rs. 1,300 grants were provided to widows, orphans etc of minority communities amounting to **Rs 30 million.**
- **Rs. 37 million** financial assistance was granted to **1,226 minority leaders and minority students**.
- 3 churches were constructed/ rehabilitated.
- 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 were allocated for mainstreaming of minorities.
- Rs. 30 million allocated for skills development of minorities.

7.1.4 Persons With Special Needs

Integrated with initiatives for the 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:

- Khyber Pakhtunkhwa is the **first province** to mainstream special needs children by merging special education schools with traditional elementary & secondary schools.
- **Rs. 50 million stipend provided to 994 special students.**
- Balance Work of Women Vocational Centre at Matta, District Swat has been completed.
- **12,612 Wheelchairs are** provided to people with special needs in the province.
- **7 Special Education institutes** (6 primary to middle & 1 secondary to high) upgraded.
- 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.

7.2 Protecting The Environment & Taking Timely Climate Action

Khyber Pakhtunkhwa is currently facing many environmental challenges that pose a serious threat to human well-being, biodiversity, migration from rural to urban areas and weak environmental compliance. The problem has compounded as the KP's population almost doubled since the 1998 Census, and its area increased with the addition of Newly Merged Districts. Climate change has influenced KP as other regions of Pakistan. Climate change has caused progressive changes in weather and food production patterns, abrupt and disastrous weather catastrophes such as flash floods caused by high rainfall, droughts caused by water scarcity and stress, and extended heat waves.

The intergovernmental panel on climate change (IPCC) Sixth Assessment Report 2021 provides new estimates of the chances of crossing the global warming level of 1.5°C in the next decades and finds that unless there are immediate, rapid, and large-scale reductions in greenhouse gas emissions, limiting warming to close to 1.5°C will be beyond reach. The UN chief has labeled this report a "code red for humanity".

Pakistan currently ranks 8th among the most affected countries due to climate adverse impacts[4]. Climate change poses a serious and substantial threat to Pakistan. Among all the provinces KP is the most likely to experience the worst of these adverse effects. It is now expected that by 2040 the province will see an increase of 1.77 degrees centigrade in temperatures[5].

In line with efforts for climate mitigation and adaptation, the provincial public financial management policies have integrated climate aspects to better align with provincial climate policies. As a result of this, the following key interventions and policies were made creating a wide impact across the Government:

1. **Climate Change Policy**

   Following the 18th Constitutional Amendment, Khyber Pakhtunkhwa was the first province to develop a Provincial Climate Change Policy-2017 and now has updated its provincial policy in 2022.

2. **Khyber Pakhtunkhwa Province Climate Change Financing Framework (CCFF)**
   The CCFF takes the approach of integrating climate change in public economic and financial management. The CCFF assists policymakers in KP to make more informed resource allocation decisions regarding climate financing. It also helps in aligning systems and policies to requirements laid out by development partners and financial institutions for accessing international climate finance.

3. **Climate Change Expenditure Tracking System**: The KP Climate budget tagging is one of the tools for mainstreaming climate change into public financial management

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[4] https://www.germanwatch.org/en/17307
[5] https://www.phedkp.gov.pk/KP%20IWRM%20Strategy/Infographics/Sub-Sector%20Provincial%20Snapshots/Climate%20Change%20and%20Water.pdf

(PFM) systems. It generates evidence on climate relevant spending enabling governments to make informed decisions for public investment prioritization and support resource mobilization efforts.

4. **Climate Change Finance Unit:** A climate change finance unit has been established in the finance department of KP to oversee the implementation of climate related public financial management initiatives.

5. **Climate Budget Review Guide Khyber Pakhtunkhwa Assembly**: The KP Assembly has an important role in the effective adoption of climate responsive budgeting. As the approver and overseer of public investment plans and expenditures, the provincial legislature has powers to direct the orientation of budgeting frameworks and to influence the investment criteria of the Government. In this regard, a Guide intended as a primer for KP legislators interested in understanding and appraising the budget from a climate change perspective was developed.

6. **Climate Public Expenditure and Institutional Review (CPEIR):** After Pakistan developed and adopted the National Climate Change Policy (NCCP) in 2012. The Ministry of Climate Change (MCC) undertook a Climate Public Expenditure and Institutional Review (CPEIR) to assess the level at which the GoP has so far been able to respond to the challenges of CC, and to identify opportunities for further strengthening its response.

In addition to its KP Climate Change policy draft of 2022, the Government has prepared the KP Draft Climate Change Action Plan 2022 that illustrates in detail action plans outlining the strategies and measures that will be implemented in the provincial sectors aligning with the National Climate Change Policy (NCCP). Policy measures have been outlined in the KP Climate Change policy draft of 2022 to allocate budget for adaption that would aid in disaster preparedness and well as contribute to the efforts of the national government on SDGs, specifically Goal 13:

- Every fiscal year, a climate-specific budget must be allocated in the form of an adaptation and mitigation budget.
- Efforts may be undertaken to secure adaptation funds from the Federal Government, and international donors such as World Bank, Asian Development Bank, Green Climate Fund etc.
- Separate section to be established either under the P&D or the Finance Department to deal with Climate Finance matters in order to keep the record and to facilitate international investors in the field of Climate Change.
- Develop financial priority action plans for climate change adaptation and mitigation e) Monitor and report climate financing in sectoral planning and development

Chapter 8 - 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.

8.1 A Dynamic Approach To Financial Management

This chapter outlines the practices undertaken for the 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 the 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 third volume of this series was recently published with figures for FY 2020-21. 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 approaches, dovetailed with the strategic vision of the Government of Khyber Pakhtunkhwa, resulting in a strategically driven and scientifically forecasted budget exercise.

3. **SNE analysis**: The Finance department streamlined and improved the overall SNE approval process by 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 in the past 3 years. This resulted in an overall saving of **Rs. 15.2 billion** as a consequence of Scheduled for New Expenditure (SNEs) rationalization.

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 Rs. 203 billion from Rs. 469 billion to Rs. 266 billion, 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 Rs. 35 billion were rationalized and restricted and where necessary, completed at low cost in the health sector to allow for better space utilization of the portfolio.

5. **Service delivery:** With spot-on 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.

8.2 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', and the reform has continued as KP recently published the third edition of the report for FY 20-21.

In practice, provinces tend to budget all potential receipts in order to not lose their claim on them. But 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.

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.

Table 20

Variations in Receipts & Expenditure 2004-05 to 2021-22 - Actuals vs. Budget

Units: Rs. Bln

Year	Budgeted Receipts Rs. Bln	Actual Receipts Rs. Bln	Actual / Budget %	Budgeted Expenditure Rs. Bln	Actual Expenditure Rs. Bln	Actual / Budget %
2004-05	64.4	53.7	83%	67.3	58.1	86%
2005-06	75.7	86.0	114%	77.9	81.1	104%
2006-07	81.5	82.7	101%	85.3	84.8	99%
2007-08	102.3	91.2	89%	107.7	96.0	89%
2008-09	113.7	98.0	86%	113.7	106.9	94%
2009-10	131.4	140.3	107%	134.4	148.5	110%
2010-11	208.3	215.0	103%	208.3	189.1	91%
2011-12	232.8	226.4	97%	249.2	235.8	95%
2012-13	279.5	251.2	90%	303.0	263.1	87%
2013-14	298.0	320.0	107%	344.0	274.4	80%
2014-15	404.8	308.1	76%	404.8	340.1	84%
2015-16	487.9	400.4	82%	487.9	383.6	79%
2016-17	505.0	401.2	79%	505.0	443.0	88%
2017-18	603.0	450.2	75%	603.0	474.4	79%
2018-19	648.7	513.9	79%	618.0	520.8	84%
2019-20	900.0	614.1	68%	900.0	644.9	72%
2020-21	923.0	812.0	88%	923.0	813.9	88%
2021-22*	1,118.3	941.8	84%	1,118.3	931.0	83%
Total	**7,178.2**	**6,006.3**	**84%**	**6,132.4**	**6,089.4**	**99%**

Similarly, cuts were introduced in many lines of non-salary expenditure for reappropriation in accordance with actual spending patterns, 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 spending, 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.

8.3 Legislative Reforms

The Government of Khyber Pakhtunkhwa has meticulously worked towards strengthening the foundations of our legislative framework while keeping the spirit of the province directed towards reforms. Following key elements of new legislations, to strengthen the overall structure, have been introduced so far with a comprehensive plan to add further improvements in the next 5 years:

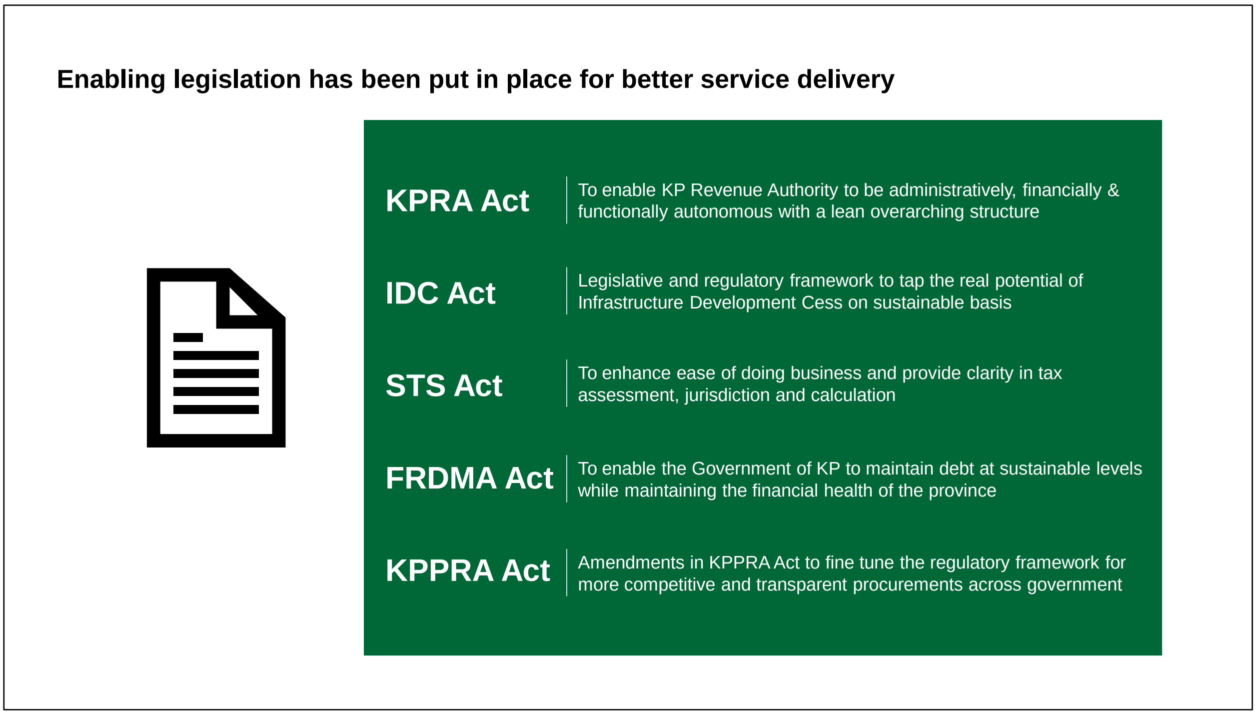
1- **Khyber Pakhtunkhwa Revenue Authority's New Legislative Instruments (2022)**
   a. Khyber Pakhtunkhwa Revenue Authority Act
   b. Infrastructure Development Cess Act
   c. Sales Tax on Services Act

2- **Amendment To Khyber Pakhtunkhwa Civil Servants Act 1973 To Initiate Contributory Pension (2022)**

3- **Fiscal Responsibility and Debt Management Act (2022)**

4- **Amendments in the KPPRA Act**

Figure 8.1



A detailed description of these legislative instruments is as follows:

1- Khyber Pakhtunkhwa Revenue Authority's New Legislative Instruments

The Khyber Pakhtunkhwa Finance Act, 2013 is a composite legislation that covers three different tax imposition and administration regimes. The Act provided ground and legal cover for the 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 the administrative framework of sales tax on services, it only provides enabling provisions for IDC without referring to the 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 trifurcating the KP Finance Act, 2013 into three different statutes each for the following three domains as has been done by other provincial authorities, namely:

i. **Khyber Pakhtunkhwa IDC Act**
ii. **Khyber Pakhtunkhwa Revenue Authority Act**
iii. **Khyber Pakhtunkhwa Sales Tax on Services Act**

i- 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 were transferred to the Khyber Pakhtunkhwa Revenue Authority (KPRA). To enhance the efficacy of the collection process, KPRA decided to utilize existing customs' offices as collecting points for this cess.

IDC act has been approved by the provincial cabinet and assembly of the Government of Khyber Pakhtunkhwa. Infrastructure development cess is an important source of revenue for Khyber Pakhtunkhwa due to its strategic location and proximity with the Afghanistan border. IDC is in its expansionary stages and hence, to formally address the main contours of this cess the IDC act has been designed 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, the establishment of check-posts, empowerment of customs authorities, appeal system, rules making powers, and savings.

ii- 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. The act has been approved by the provincial cabinet and the assembly of Khyber Pakhtunkhwa.

These core principles addressed in this Act include the following:

- **Organizational efficacy:** This act simplifies the structure of the organization to a leaner version coupled with open opportunities for talented prospective employees across the province.

- **Market-Based Hiring:** The act has specifically created provisions for market-based hiring of the Director General and Directors of the authority.

- **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:** The act ensures autonomy for KPRA, within the boundaries of a tax organization. This further smoothens approvals of policy-related matters, adjudication, and overall uplifts the performance of the collectorates.

- **Participation Of Private Sector:** This act ensures the presence of the private sector members in the organization's Board, 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:** Taxpayers' satisfaction is ensured through transparent interactive tax management.

- **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 augments the quality of capacity building in the organization.

iii- Broad contours of KP Sales Tax on Services Act

The Act has been approved by the provincial cabinet and the provincial assembly. Pakistan is fast moving towards the adoption of ideal-type principles of VAT (value-added tax). Both components of the act relating to design and machinery have been constructed carefully keeping in view the experience gained at the national level and the lessons learned from international best practices.

It covers all of the following thematic components:

- 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.

2- Amendment To Khyber Pakhtunkhwa Civil Servants Act 1973 To Initiate Contributory Pension

All future employments recruited after the passage of the Khyber Pakhtunkhwa Civil Servants (Amendment) Act 2022 are required to participate in contributory provident fund.

This is a critical step in managing the annual pension expense, which has ballooned to 15% of the annual budget based on actual expenditure. Unfunded pension systems are relics of the past, and can no longer be sustained – one does not need to look far for examples, as the financial security of retired Pakistan Railways employees has been robbed due to the unfunded nature of its pension scheme. The Contributory Pension Framework is further explained in depth in Section 8.10a and 8.10b of Chapter 8 of this White Paper.

3- Fiscal Responsibility and Debt Management Act (FRDMA) 2022

Finance Department, Government of KP has enacted the Fiscal Responsibility and Debt Management Act 2022 (bill) to provide the 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 a disciplined and sustainable manner.

The bill stands approved by the provincial cabinet and the provincial assembly, it will now be implemented in true spirit and form and will thus serve as the foundation for prudent management of fiscal and sustainable debt operations by the Provincial Government.

The aim of the FRDMA 2022 defines the authority of the province **to borrow, the purpose of borrowing, the restrictions/limits on fiscal balances, debt liability and debt service payments as a measure of Revenues of the province**. This will enable the Government of KP to maintain debt at sustainable levels while maintaining the financial health of the province.

4- Amendments in KPPRA Act

To provide for the 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 the procurement regime of KP.

Like anywhere else, the 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 has made certain amendments in KPPRA Act, these amendments were approved by provincial assembly and signed by Governor in January 2021.

These changes will help achieve the following:

Providing Framework Agreements as Alternate solution: Framework agreements have been made as an alternative mechanism for catering to the needs of procuring entities whose nature of work warrants indefinite delivery of an 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" that 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 has increased these financial ceilings which allows 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 have allowed 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 has allowed the 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.

8.4 The Cost – Revenue balance

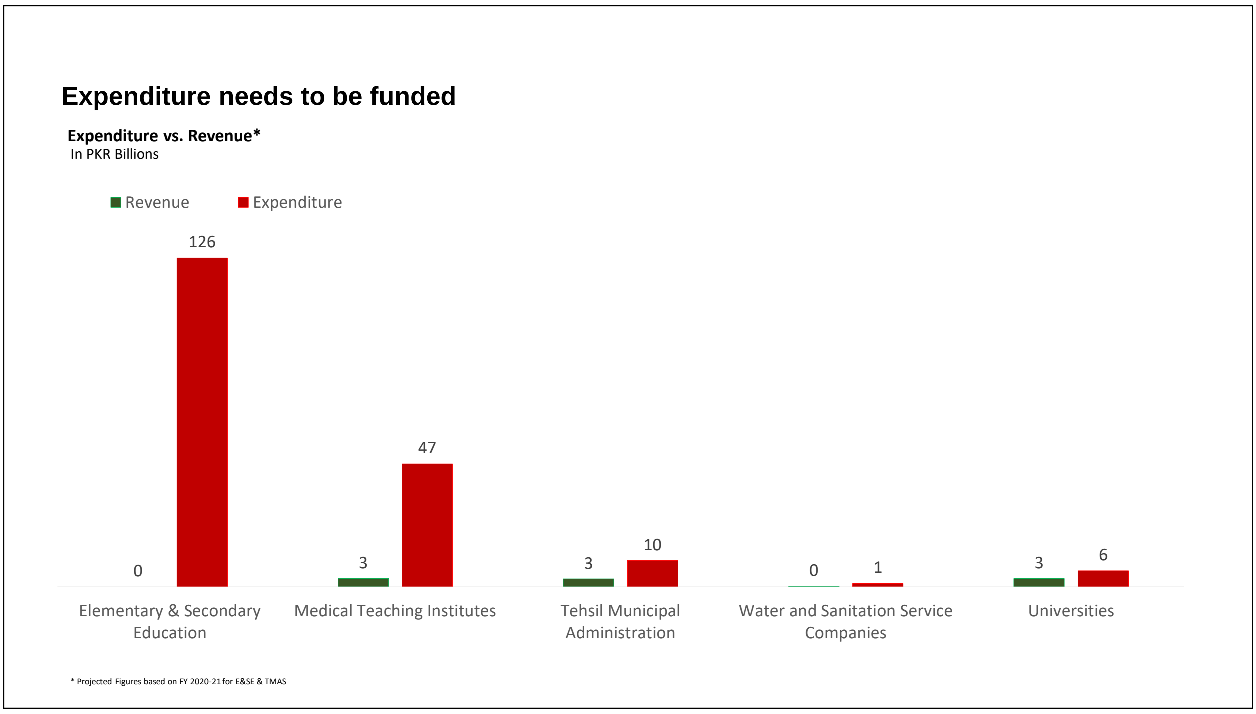
There exists a perpetual cycle of government expenditure outweighing its revenues, not just in Khyber Pakhtunkhwa but across the country. As an example, some of the high expenditure Government departments and accompanied revenue generated through the same departments, as depicted below shows the wide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

Measures 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 forth coming 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 8.2



8.5 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 was 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 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 the 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 and similarly for the budget of FY 2022-23.

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 8.3

Traditional Bottom-up Budget Making Process

Initiating Budget Process

- Mid year budget strategy framework is prepared
- Budget process for the next year is initiated

Budget Proposal Sourcing

- Budget call circular is issued by the Finance Department
- Budgetary Proposals are coordinated between department & submitted by field formation staff

Budgetary Proposal Submission

- Administrative department coordinates and consolidates final proposal by departments and field formation staff
- Finance Department receives a draft

Finance department Analysis

- Finance Department conducts a two-pronged analysis of the budgetary proposals:
  - Comparison to last 5 years trajectory
  - SNE Based analysis

Final Compilation & Issuance

- Based on Analysis, budget is compiled
- Budget Strategy Paper is presented to the cabinet for final approval

Budget Approval

- Budget including finance bill amendments is presented to the provincial assembly and circulated after final approval
- All relevant budgetary documents are available for general public after approval

Figure 8.4

Revised Top-Down Budget Making Process

Initiating Budget Process

- Mid year budget strategy framework is prepared
- Budget process for the next year is initiated

Strategic Categorization of Departments

- Departments are categorized based on following strategic priorities:
  - Common citizen's benefit
  - Revenue potential
  - Ability to generate Economic activity

Stakeholder Engagement

- Stakeholders are engaged through departmental reviews and meetings
- Proposals are incorporated from business & other relevant communities

Budgetary Committee Review

- Committee including Minister Finance, Secretary Finance & Secretary P&D reviews integrated budget on two key parameters:
- Budgetary Interventions in routine expenditures or initiatives & benefit to the common citizen
- Service delivery budget dimensions e.g., nurses, teachers, ambulances etc. are maximized

KP Outreach feedback

- KP outreach for the budget is conducted and incorporated through:
  - Meetings with chambers of commerce and industries
  - Feedback from common citizen through budget survey and social media

Departmental Ceilings Review

- After incorporating feedback from the budgetary outreach program, departmental ceilings are prepared

Approach of Development Plus Incorporated

- Development Plus Approach is taken i.e. Part of current expenditure that helps in capacity expansion of service delivery or reduces the chances of capacity erosion

Budget Finalization

- Budget strategy paper is finalized and presented to the cabinet with final numbers
- Budget including finance bill amendments is presented to the provincial assembly
- All relevant budgetary documents are available for general public after approval

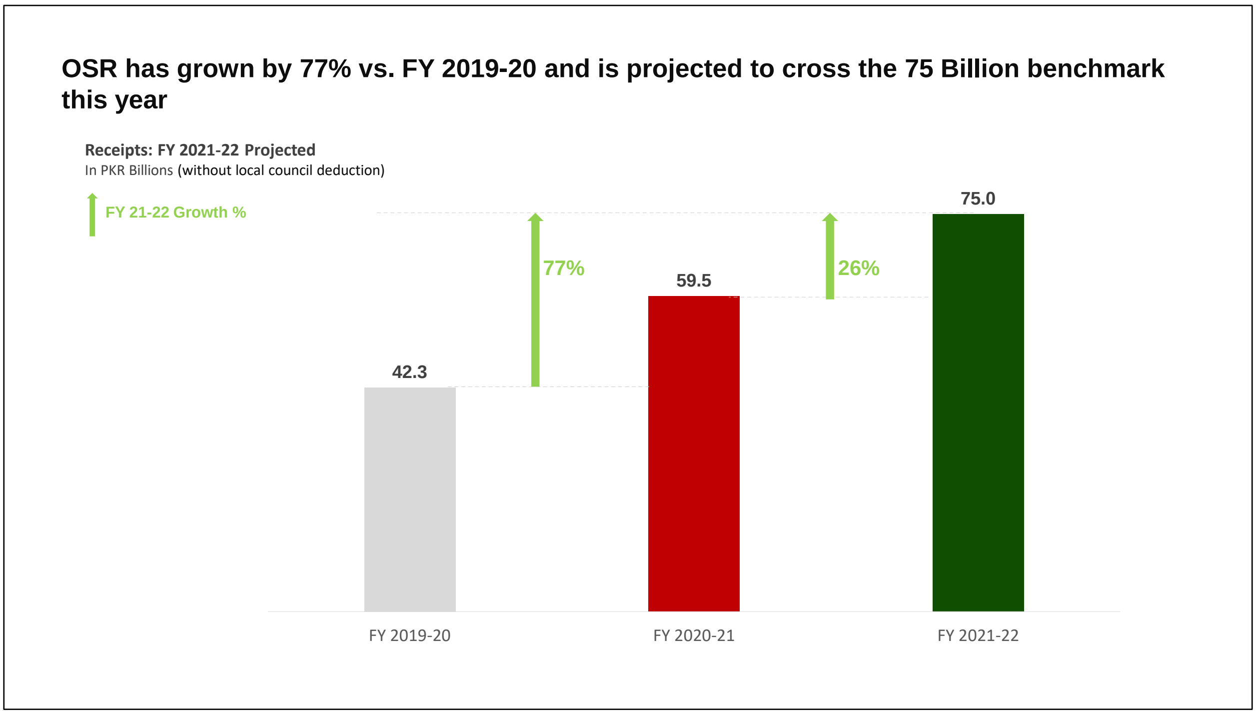
8.6 In Year Budget Management

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 projects future receipts, expenditure, and cashflows, bringing predictability to the province's revenue, thus improving the management of expenditure for impact.

As a result of this, the following key interventions were made creating a 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 8.5



2. **Monthly Statements** replaced the traditional practice of tracking day to day cash balance, and as such monthly expenditures across individual heads of accounts such as salaries, non-salaries, pensions, unbudgeted expenditure etc. were tracked, with timely adjustments accordingly.

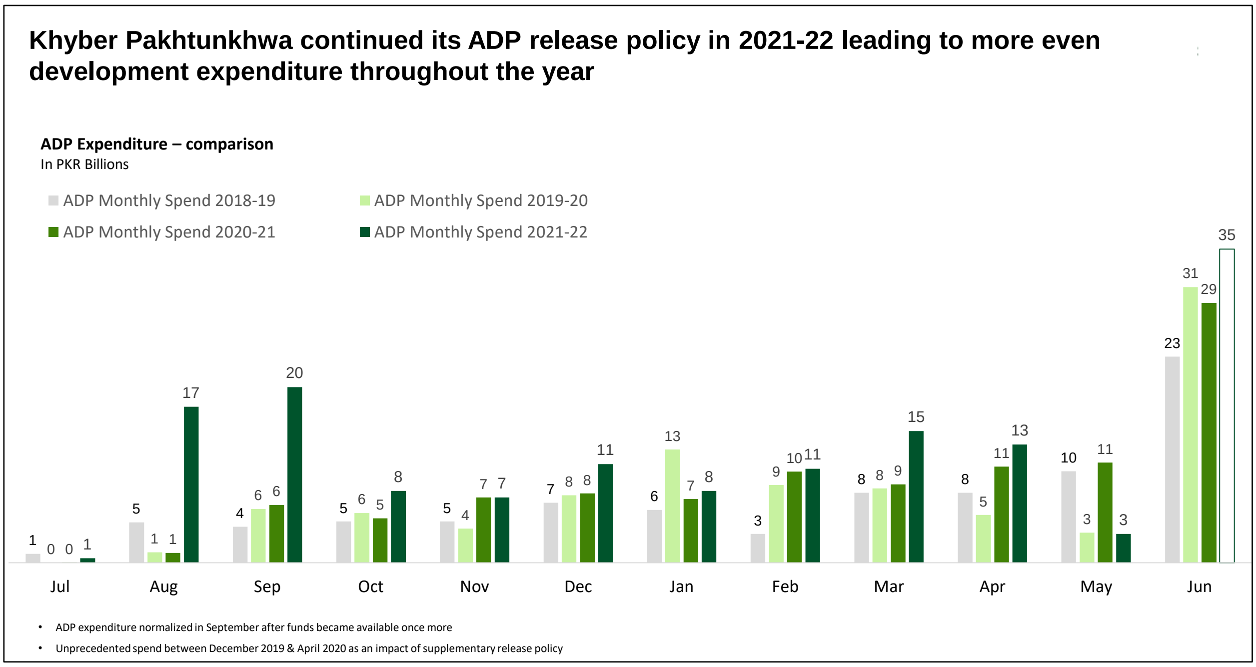
3. **Monthly Receipts from Federal Government** were tracked against FBR collection and targets to ensure that KP receives its due share. In addition, the Federal Government was engaged and convinced to make smaller but regular NHP payments instead of a singular

large tranche randomly in the financial year against NHP. This helped improve the predictability of Provincial finances.

4. **Early Releases Current Side:** In order to ensure better service delivery and to cater to the COVID-19 pandemic, smooth budgetary releases were ensured to MTIs. During the financial year, three out of four quarterly releases were made on the 1st day of each quarter i.e. July 1st, October 1st, and January 1st. However, extensive exercise was performed while releasing the 4th quarter funds to ensure that the funds are utilized by the MTIs and therefore, adjustments were made to the fourth quarter release. This exercise helped in assessing the cash position of MTIs and enhancing the cash position of the Province.

5. **Early Releases in ADP:** Historically the ADP releases were scheduled as 25%, 25%, and 50% in each of the first three quarters of the fiscal year. However, last year the Government of Khyber Pakhtunkhwa took the initiative to release **100% ADP** on 1st July of the fiscal year 2021-22. This historical initiative not only augmented the ADP expenditure during the first quarter of the FY but has also created a benchmark for more even spending throughout the year.

Figure 8.6



6. **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 the department's efficiency and service delivery. A snapshot of the expenditure report is attached below.

Figure 8.7

Steps need to be taken to move towards improved transparency and efficient budgeting

A snapshot of Monthly Expenditure Report for E&SE – April'22

Description	ANNUAL ANALYSIS					
	BE 2020-21	Full Year 2020-21 ACTUAL	BE 2021-22	Full Year Budget Utilization 2020-21	YTD Budget utilization 2020-21	YTD Budget utilization 2021-22
Provincial Non-Salary						
Legal and Professional costs	01	01	01	105%	84%	148%
Communication	30	66	34	217%	65%	202%
Utilities	06	09	06	165%	118%	120%
Rent and rates	00	01	01	535%	67%	17%
Vehicles maintenance	02	06	03	326%	205%	216%
Training, Hotel and Travel	52	146	661	283%	185%	8%
Printing and Stationery	701	18	206	3%	1%	8%
Entertainments and Gifts	00	01	01	424%	242%	126%
Purchase of assets	00	01	156	868%	378%	57%
Repairs and Maintenance	01	05	03	312%	161%	133%
Retirement Benefit	11	56	38	511%	305%	52%
Grants Domestic	5,815	7,868	4,708	135%	62%	48%
Miscellaneous	39	212	65	550%	165%	27%
Others	395	09	4,727	2%	1%	0%
Provincial Non-Salary	7,053	8,397	10,610	119%	55%	24%

89% of the Non-salary budget is budgeted in just two heads "Others" and "Grants Domestic"

Introduce better budgeting lines

Better budgeting lines should be made for increased transparency and efficient budgeting

Single grant for single PAO

There should be single grant for each Principal Accounting Officer

Efficient Procurement

Suitable heads should be made for procurement aligned with an annual plan

7. **Cash Flow Modelling** has been an integral part of the month-on-month budget monitoring and predicting exercise, undertaken by the Finance Minister and the department as whole. This Cash Flow is an elaborate working dashboard which not only accounts for monthly transfers but also keeps a check on balances in Account I and Account IV. Hence, the higher authorities can keep a tab on monthly inflows and outflows and also take executive decisions for better allocation of resources.

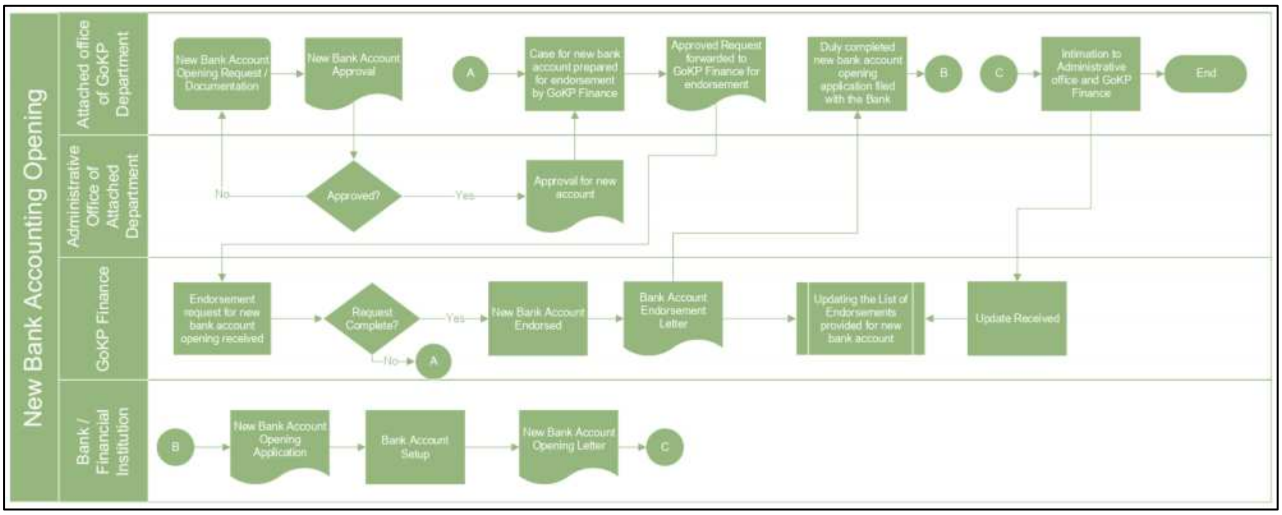
8.7 Identifying New Avenues for Revenue & Fiscal Space

During the last two Fiscal Years, the Finance Department of Khyber Pakhtunkhwa has been extensively working on not only enhancing the current revenue base but also carving out new revenue sources and unearthing existing yet unutilized revenue pockets. The key to successfully utilizing these new revenue buckets is to institutionalize mechanisms of revenue collection and also documenting the processes in the white paper for institutional memory. The following two key measures were implemented in the last fiscal year to enhance the revenue pie of the province:

i. Designated Bank Accounts

The Government of Khyber Pakhtunkhwa has introduced a separate legislation last year to consolidate and manage designated bank accounts having public monies. These accounts were analyzed for all departments and attached bodies in detail. Financial experts were also engaged to verify and consolidate the outputs for better management. As a result of this activity, all dormant accounts were closed and funds were transferred into the provincial consolidated fund.
Further engagement with departments is being carried out to close such accounts and transition towards better cash management.

Figure 8.8



ii. FBR Reconciliation & Information Sharing

In Pakistan, a ginormous challenge or loophole within the taxation system is the information and data buildup within silos of various revenue collecting departments. The Federating units rarely share taxpayers' data with reciprocal authorities and that leads to massive amounts of tax evasion by taxpayers. Taxpayers know the severity of this lack of data sharing and get to share different filing data with each authority and can get away with lower tax rates or blatant lies.

In this regard, the Government of Khyber Pakhtunkhwa has spearheaded the initiative to work together with the Federal Bureau of Revenue (FBR) and share taxpayers filing and wealth statement data to extract requisite knowledge and assess any possibility of tax evasion.

The Board of Revenue signed a Memorandum of Understanding in FY 2021-22 to share the data of Agricultural income within the province with the Federal Bureau of Revenue and in return get a hold of income tax filers who had claimed agricultural income from the province of Khyber Pakhtunkhwa. According to estimated data, around 70,000+ farmers' data lies with FBR and can massively help us in enhancing the revenue generated by the province.

Similarly, the Khyber Pakhtunkhwa Revenue Authority (KPRA) has been actively participating in the National Tax Council (NTC) and advocating national tax harmonization with live data sharing monitoring within different federating units.

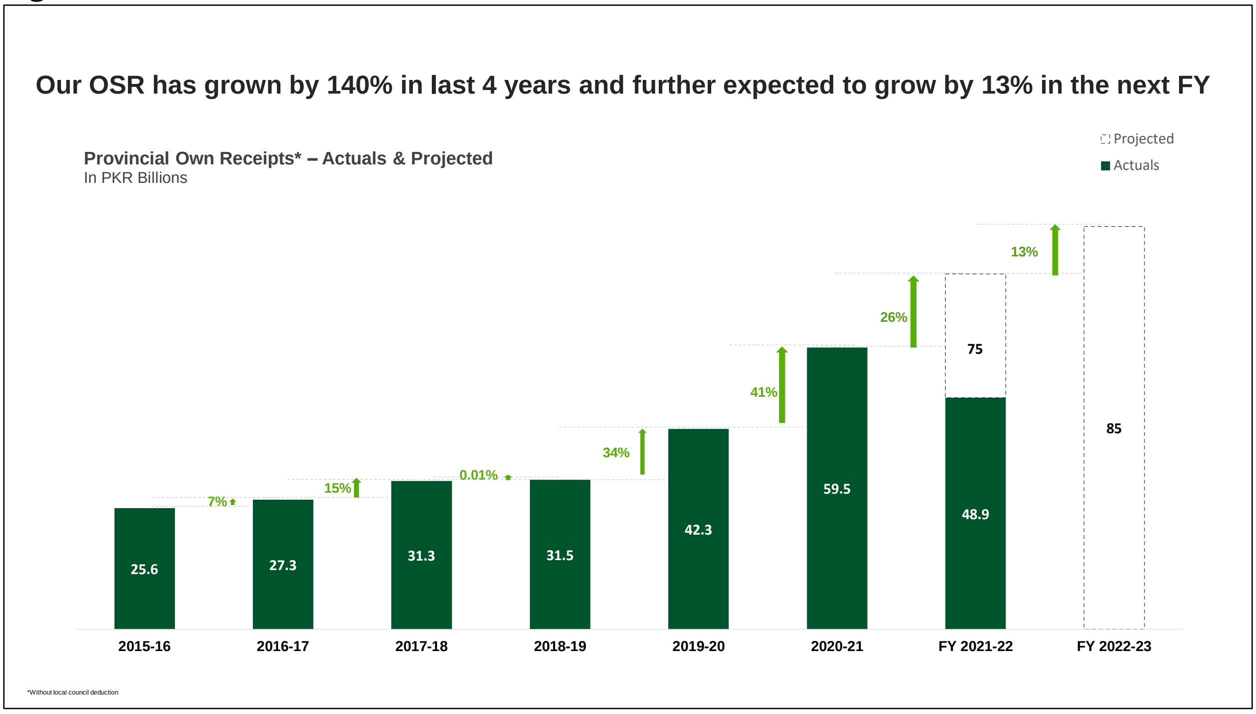
8.8 Khyber Pakhtunkhwa Own Source Revenue Generation Reforms

The overall own source revenue of the province has increased by a sizable growth of 50% during the first 10 months of the fiscal year compared to FY 2019-20 and is expected to cross the **Rs. 75 billion** figure for the FY 2021-22 with an overall growth of 140% since the inception of this tenure.

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.

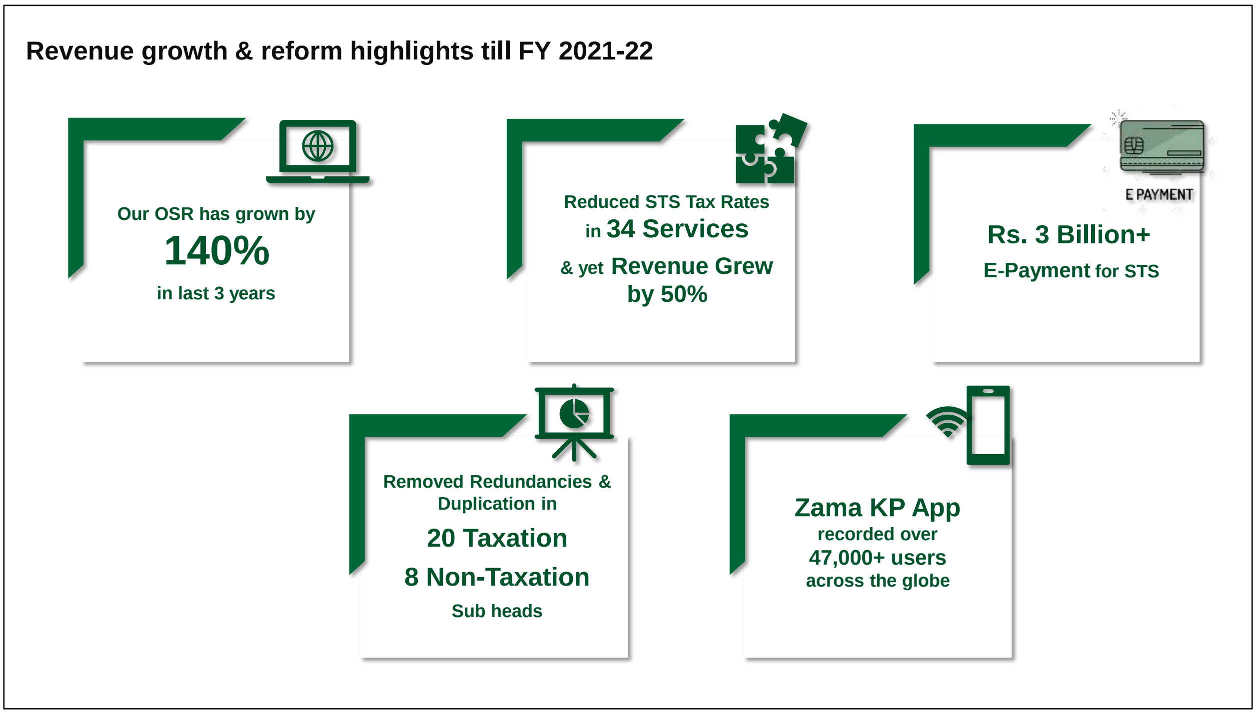
Figure 8.9



Highlights of the Revenue Performance:

- Overall revenue collection has grown by over 65% in the last 2 completed fiscal years and is expected to cross Rs. **75 billion** for FY 2021-22.
- As a part of the **Tax Rationalization and Rates optimization** exercise, over **20 taxation subheads and 8 non-taxation** subheads have been phased out since FY 2019-20.
- The Finance Minister made strenuous and focused efforts to enhance voluntary compliance while protecting the poor and reduced **Sales Tax on Services Rates in 34 categories.** Despite rate reductions, **KPRA** managed to have tripled its revenue in the last 4 years, growing from **Rs. 10.4 billion to Rs. 30 billion in FY 2021-22.**
- **Alternate delivery channels and E-payment** has been successfully introduced in **KPRA (STS) and Excise (Motor Vehicle registration). KPRA** recorded a total revenue collection of **Rs. 3 billion + from E-payment** in FY 21-22. Excise's mobile application **Zama KP** has been used by over **47,500 users** across the globe so far.

Figure 8.10



Ongoing Reforms

Two years ago, a thorough resource mobilization strategy was introduced for both tax and non-tax receipts. These exercises revolved around the following key principles:

- Institutional reforms – PBIS
- Digitization – E-payment & Alternate delivery channels
- Tax & Non-Tax sub heads rationalization
- Effective communication strategy
- Strengthening data analytics and internal processes analysis

For the budget preparation and forecast of FY 2021-22, 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. **Performance Based Incentive System** has been a historical initiative and policy framework introduced and embedded by the Government of Khyber Pakhtunkhwa in **Khyber Pakhtunkhwa Revenue Authority and Board of the Revenue**.

   This framework is essential for revenue collecting authorities to augment overall collection through voluntary compliance and also achieve organizational maturation by targeting non-revenue key performance indicators (KPIs).

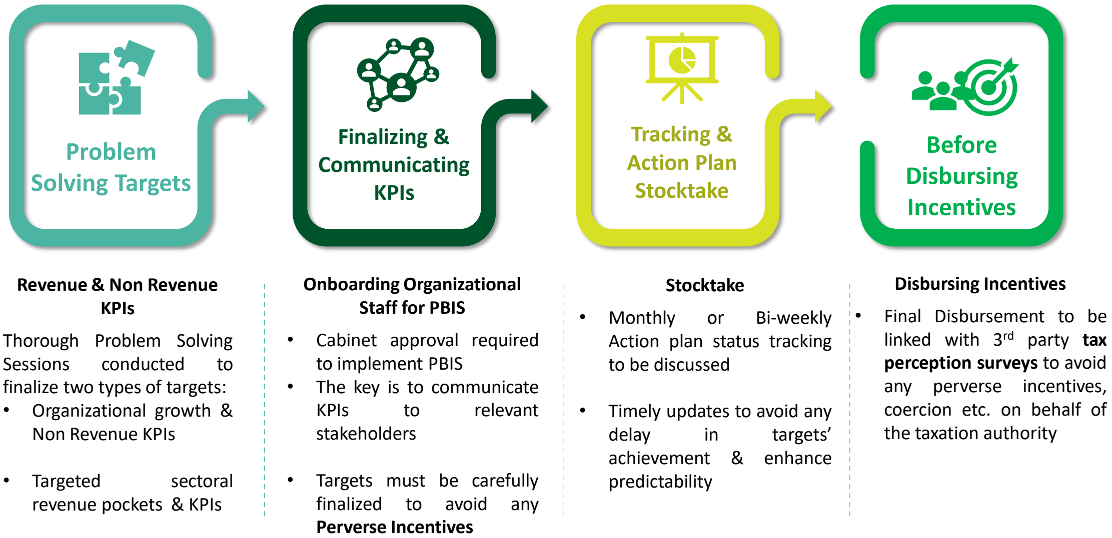
   The key process has to be thorough and extensive, as explained in the figure below and account for the following key elements:

   - Extensive, rigorous, and multiple problem solving sessions to be conducted within the organization and monitored by the Finance Department to finalize targets.

- Targets must encompass both Revenue pockets and also non-revenue targets required for organizational growth both in terms of management and revenue collection and legislative reforms.
- Targets must not imply or instigate any **perverse incentives** within the organization.
- **Monthly tracking** must be conducted to avoid any delay in action plan execution.
- Disbursement of incentives must be linked to **consistent or better taxpayer perception** confirmed and verified through 3rd part tax perception randomized surveys across the province.

Figure 8.11

Institutionalized Performance Based Incentive System (PBIS) in revenue collecting organizations



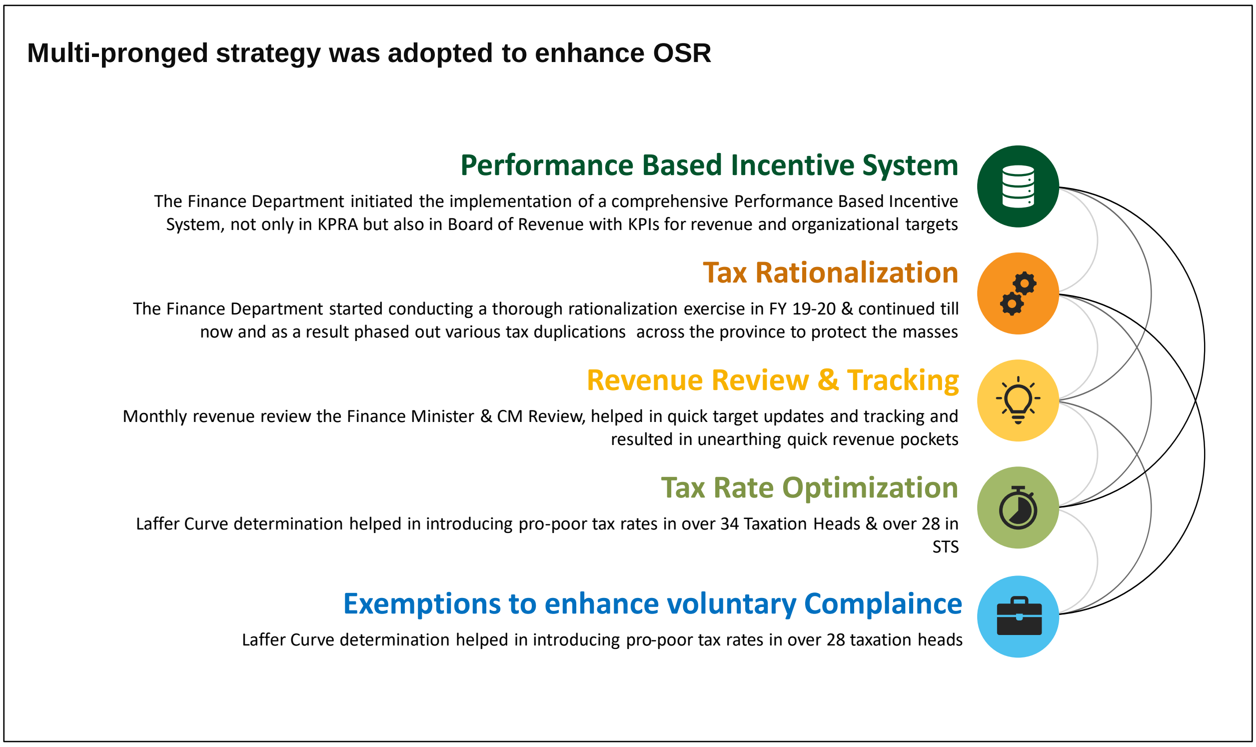
2. **Khyber Pakhtunkhwa Revenue Authority**: KPRA in principle offered reduced rates for FY 2021-22 for the relief of the common man during the pandemic, dovetailed with an extensive registration drive to augment compliance. A total of **34 sectors and sub sectors** were taxed at lower than standard rates to support pro-poor segments.

3. **Board Of Revenue: Construction Sector** was relieved during FY 2021-22 as well by extending **exemption on CVT** & Reductions in Registration fee. **Land tax was declared zero** for FY 2021-22.

4. **Excise, Taxation & Narcotics Control:** To encourage voluntary compliance in the province, **a 35% rebate in Urban Immovable Property Tax** for compliant taxpayers was continued last year as well. **Motor vehicle registration** was revamped and for this year it will be reduced to Re. 1 for all vehicles up to 2500CC.

5. **Non-Tax Reforms** included an increase in rates to create deterrence such as traffic fines and arms license fee, coupled with exemptions in elementary and secondary education fee for boys and girls.

Figure 8.12



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 10 months of the current fiscal year, the revenue has grown by more than **210%** as compared to FY 2018-19 over the last 3 years. At the current pace the revenue is expected to cross the benchmark of **Rs. 30 billion** this year.

Apart from growth in Revenue, KPRA has also demonstrated impressive numbers when it comes to compliance, digitization and ease of doing business parameters. Despite massive rate reductions, revenue has increased due to the enhancement of voluntary compliance.

KPRA has also embedded the E-Payment gateway on its online portal and that gateway has currently generated over PKR 3 Billion+ in revenue (shown in Figure below). The registered taxpayer base has increased by a sizable amount of 130% in the last 3 years coupled with a filing rate of over 90%.

Figure 8.13

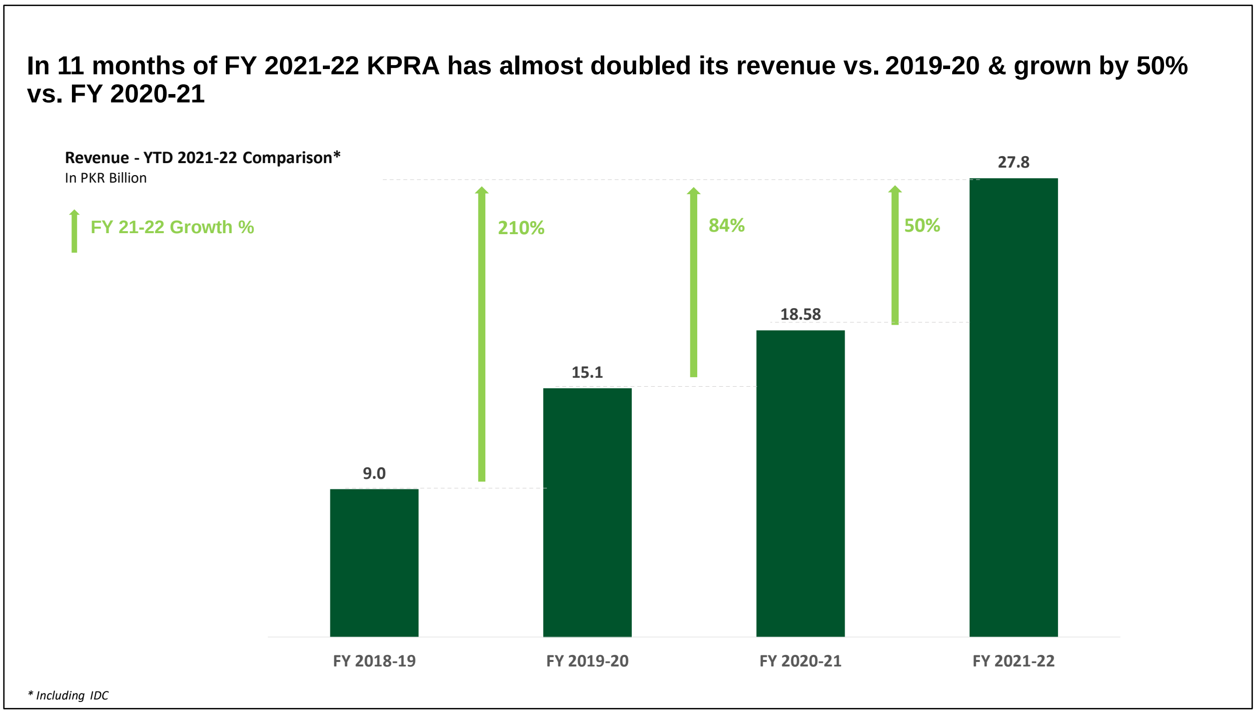
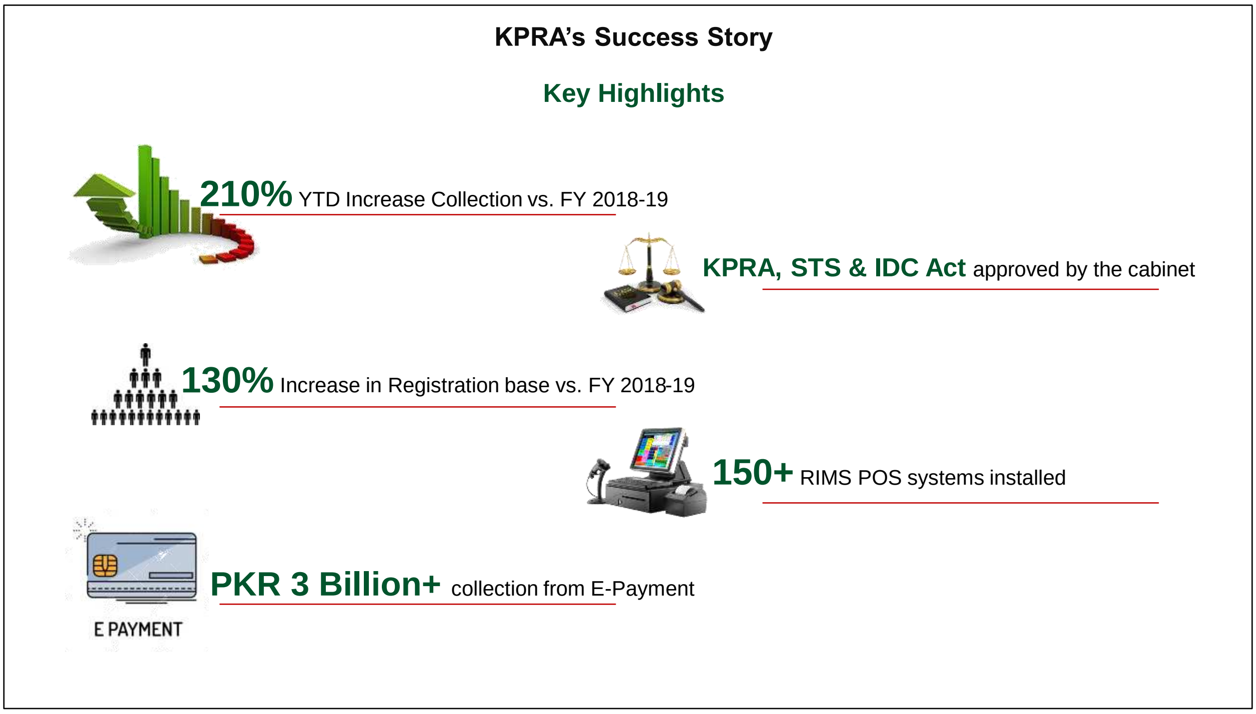


Figure 8.14



Reasons for Growth

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 included:

1. **Monthly performance evaluation** chaired by the Finance Minister with evolving action plans defined for the entire department.
2. **Digitization** has been targeted to enhance overall revenue base and ease of doing business. Resultantly, apart from e-payment gateway, other interventions such as updated website and user interface were also designed and implemented during FY 2021-22.
3. **Legislative Initiatives** included the approval of 3 concrete acts from the cabinet i.e. **KPRA act, IDC act and STS act.** All three acts have restructured the organization with a leaner hierarchical structure coupled with market based hiring and clearer scope of collection.
4. **Inculcating the performance-based incentive system** along dimensions including both revenue targets and non-revenue capacity enhancement and process simplification goals.
5. **Massive registration drives** dovetailed with process simplification and reduced rates augmented voluntary compliance throughout the province.
6. **3rd party conducted taxpayer satisfaction surveys** that showed massive improvement in the current fiscal year.
7. Revenue & Non-Revenue Interventions also involved deep data analytics to highlight growth pockets within the province.
8. **Point of sale systems** installed in more than 150 restaurants and hotels across the province also helped in increasing revenue as well as streamline taxation matters of an important revenue sector

Figure 8.15

Various steps were taken to augment compliance and enhance ease of doing business transactions with KPRA during FY 2021-22

Massive Registration Drives

Over **20% increase** in Registration base coupled with **90%+ Filing Rate**

Legislative Measures

Three key acts i.e. **KPRA Act, STS Act & IDC Act** were drafted & approved by the cabinet

Institutionalized Performance Based Incentives

Revenue & Non-Revenue KPIs linked to incentives led to a **growth of over 50%** in revenue

Digitization

- E-Payment Gateway activated
- POS system (RIMS) operationalized for more than 1 sector

Taxpayer Perception Survey

Consecutive improvement observed in 3rd party conducted taxpayer perception surveys across the province

Pro-Poor Rates

27 Categories with lower rates reaped revenue growth instead of a decline due to increase in voluntary compliance

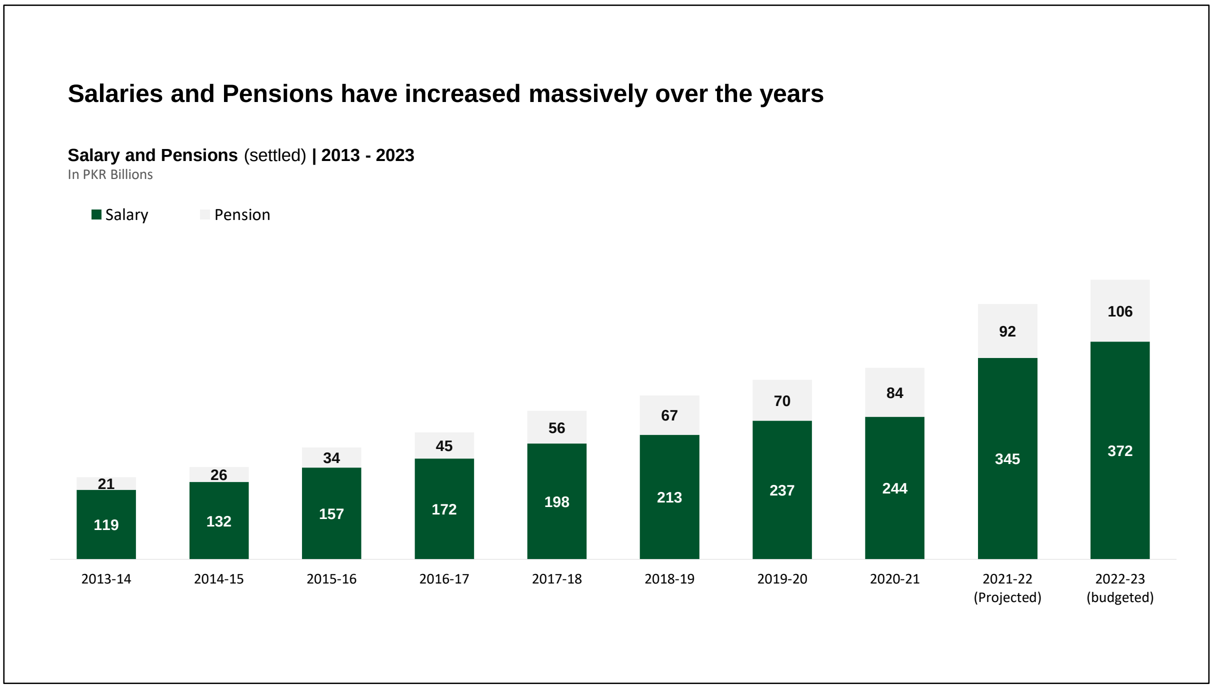
Monthly Reviews & Data Analytics

Monthly Stocktake with the Finance Minister, coupled with deep dive in core sectoral numbers

8.9a Pension Framework Changes

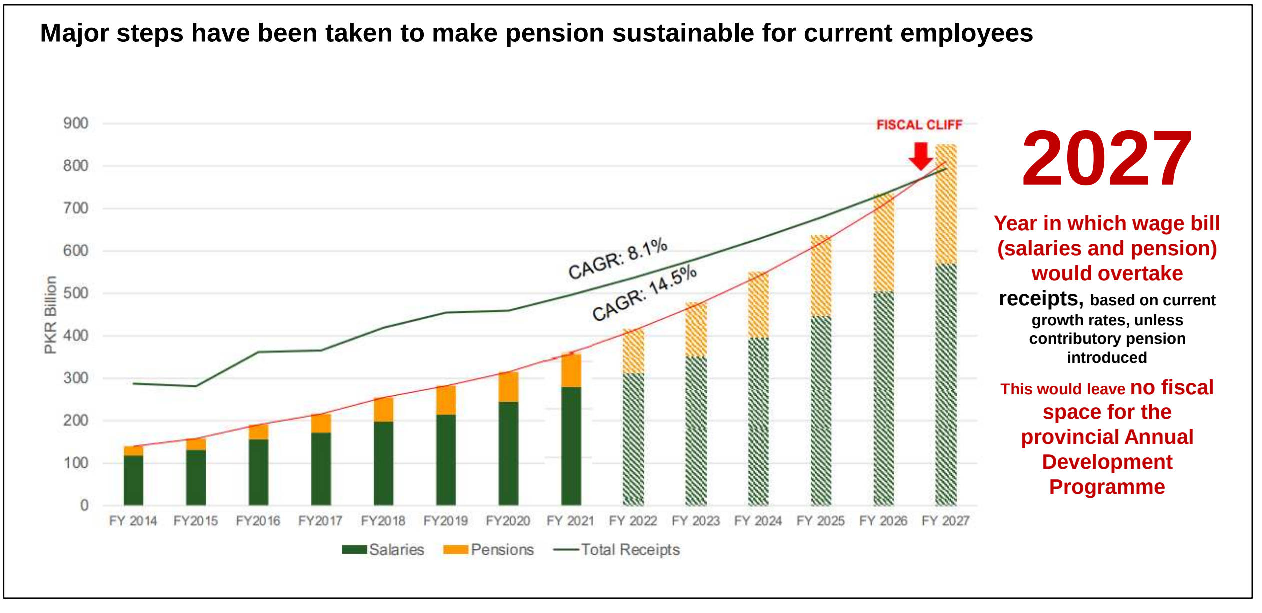
The pension expense for FY 22-23 is estimated to be **Rs. 107 billion,** including Rs. 1 billion for NMAs, with the number of pensioners increasing to around 177,693. Overall, Khyber Pakhtunkhwa has a 4:1 proportion between current employees and retirees. The wage bill is projected to grow at 16.6% in actual terms in 2021-22, while the forecast growth rate for 2022-23 is 24.6%.

Figure 8.16



With this trend continuing, salaries and pensions will surpass all provincial receipts in **2027**. Pension is one of the major expenditures for the provincial government, making up around a quarter of the wage bill.

Figure 8.17



The significant rate of the increase comes at the cost of squeezing the development budget, and critical non-salary and service delivery expenditure. This includes initiatives such as the flagship Sehat Card program, infrastructure expansion, civil works, maintenance and repair of schools, sports and health facilities, provision of medicine, and social welfare projects.

To mitigate the increasing pension burden, a comprehensive pension reforms strategy has been approved by Cabinet and a series of corresponding changes have been passed in existing legislation by the Provincial Assembly. Through these efforts, the Government of Khyber Pakhtunkhwa has executed the following short and long-term measures:

- The Government increased the of minimum voluntary retirement age to 55 years which has resulted in estimated annual savings of **Rs. 12 billion**
- The Provincial Assembly has approved the Khyber Pakhtunkhwa Civil Servants Pension Rules 2021 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 have removed multiple pensioners and therefore reduced 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 the beneficiary's hierarchy and pensioner's outflow vs inflow ratio.

Figure 8.18

Major steps have been taken to make pension sustainable for current employees

Raising Minimum Age for Early Retirement

- The minimum age for early retirement has been increased to 25 years of qualifying service or 55 years of age, whichever is later.

Impact!

Rs. 12 billion annually

Revision of Pension Rules

- Limiting beneficiaries to the pensioner's widow or widower, dependent children and parents
- Eliminating double pensioners
- Increasing pension of widows from 75% to 100%

Impact!

Rs. 1 billion annually

- The family pension has been increased from 75% of the deceased pensioner's pension to 100% to support widows and dependents.
- Furthermore, the Provincial Assembly has passed an amendment to the Khyber Pakhtunkhwa Civil Servants Act which requires new employees to participate in contributory provident fund. This initiative ensures the sustainability of retirement benefits for current employees, as well as future recruits.
- 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

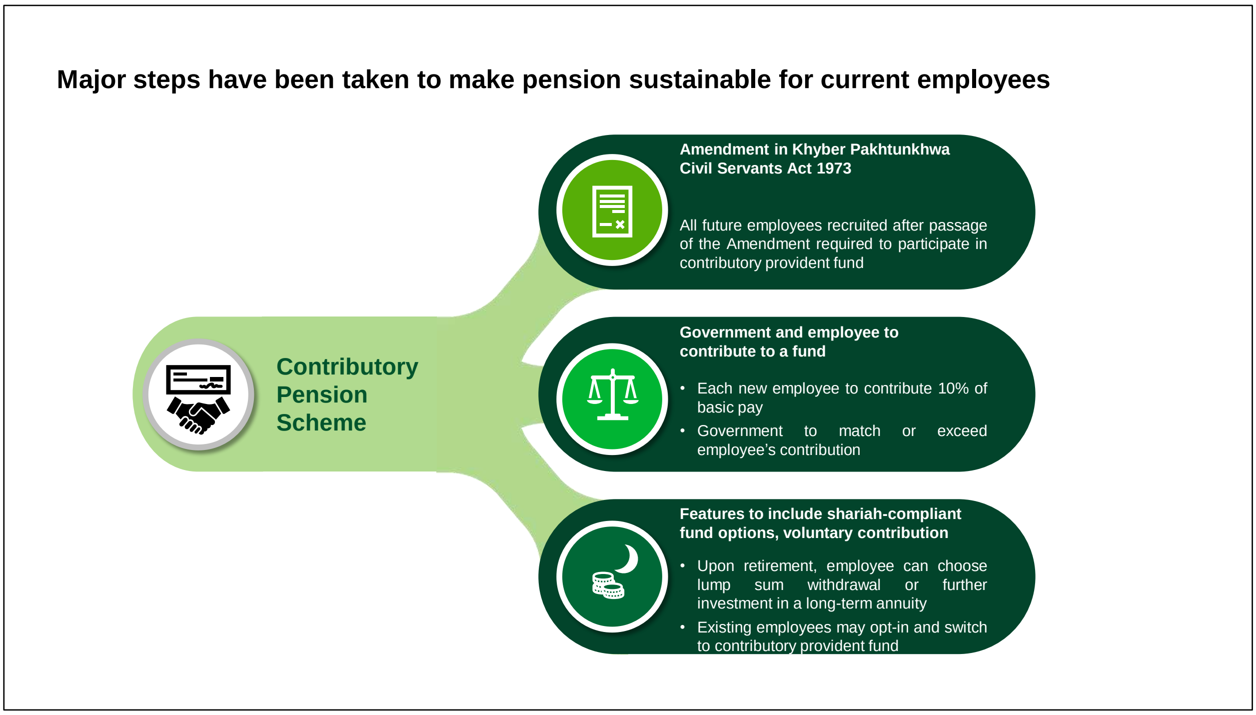
a size of almost Rs. 1 trillion. Consequently, the government decided to utilize the pension fund’s annual profits for paying a portion of the yearly pension bill.

Khyber Pakhtunkhwa has thus become the flagbearer of pension reforms in the country.

8.9b Pension Reforms - Contributory Pension Model

As mentioned above, one of the major steps towards ensuring the sustainability of pensionary benefits is the transition towards a contributory provident fund for new recruits. This is a critical step in managing the annual pension liability, which has ballooned to 15% of the annual budget based on actual expenditure. Unfunded pension systems are relics of the past, and can no longer be sustained – one does not need to look far for examples, as the financial security of retired Pakistan Railways employees has been robbed due to the unfunded nature of its pension scheme.

Figure 8.19



The Government of Khyber Pakhtunkhwa has developed a framework in collaboration with the Securities & Exchange Commission of Pakistan (SECP) for the rollout of a contributory provident fund for all new government employees. Participants will contribute 10% of basic pay towards their provident fund for the duration of their qualifying service. This will be matched 150% by the employer – in this case, the government – resulting in a total contribution of 25% in basic pay terms.

The new contributory pension model will have all the features prevalent in international pension systems in developed countries, as well as being tailored to local norms and requirements. Shariah compliant fund options will be made available to all recruits alongside the conventional fund option. The participant will have the flexibility of adapting the fund investment allocations based on their individual risk profile, similar to the prevailing pension models worldwide.

Upon retirement, participants will be able to choose between receiving the entire benefit as a lump sum payment, or allocating some or all of the retirement benefit in a long-term annuity ranging in duration from 20 years to the remaining life of the retiree.

8.10 Jobs Creation

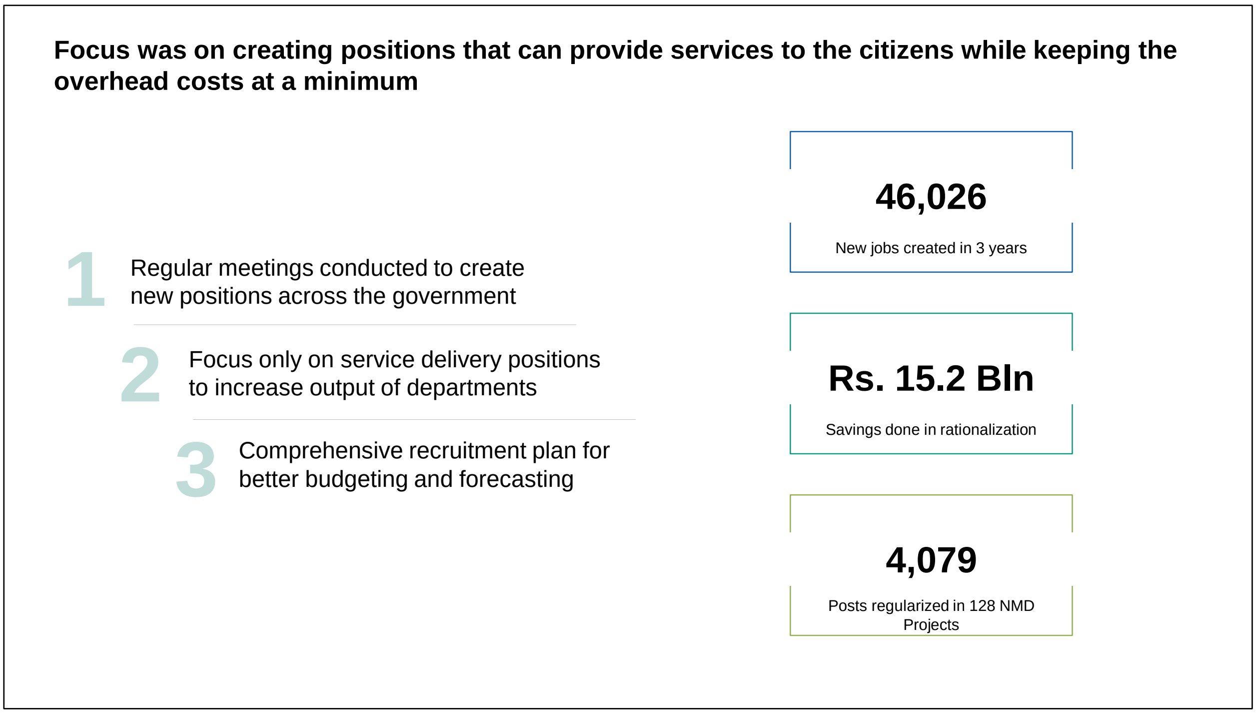
The focus of the current Government of Khyber Pakhtunkhwa has been concentrated around the ontogeny of the current fiscal space management by rationalizing new hirings by a comprehensive cost-benefit analysis. The process of job creation under the Government during the past 4 years was a tiered step wise process:

1- The first step was to **schedule regular and periodic inter-departmental meetings** to assess new jobs and posts' requests.
2- The next step was to create a comprehensive and expansive assessment dashboard where **service delivery posts** were prioritized.
3- The last step of the Scheduled for New Expenditure (SNEs) rationalization was to create a priority matrix in which overhead costs were minimized while maintaining highest plausible level of service delivery related job creation.

As a consequence of an in-depth analysis, the government has successfully diverted resources towards hiring where it is beneficial while keeping a tab on the financial outflow and resulted in achieving following results:

- **Overall saving of Rs. 15.2 billion** as a consequence of Scheduled for New Expenditure (SNEs) rationalization.
- A total of **46,026 new jobs** have been created in the past 3 years.
- **16,900 posts** created for Police to ensure and propagate Law and Order within the province.
- **3,000** posts created in education departments to increase teacher to student ratio.
- **3,500** posts in health and relief department for optimal availability of health-related resources and expertise for the citizens of the province.

Figure 8.20



8.11 Improving Non-Salary Spend, Development+ & Service Delivery

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 the 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 million are available as the 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 incharges 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 since FY 2021-22 to cater to some of the operational requirements with a direct bearing on service delivery across sectors. **Development Plus$^+$** is defined as part of the 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 the 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.

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 the 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 an operational budget.

Some of such initiatives include:

a. **Rs. 25 billion** earmarked for Sehat Card Plus.
b. **Rs. 6 billion** capacity expansion grant for MTIs and it's allied entities and medical colleges.
c. **Rs. 11 billion** (current & development) has been set aside for medicines for primary and secondary healthcare, and **Rs. 4 billion** for provision of free OPD medicine in all public health facilities of Khyber Pakhtunkhwa.
d. **Rs. 2 billion** earmarked for provision of missing furniture in schools.
e. **Rs. 2.4 billion** earmarked as scholarships with a majority of it will be allocated for female students.
f. **Rs. 1 billion** earmarked for providing ambulatory services for expectant mothers.
g. **Rs. 2 billion** provided as operational budget top up to universities.
h. Additional grants of **Rs. 4 billion** provided to TMAs for local development.

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

8.12 Debt Management & Reforms

During Financial Year 2021-22, Government of Khyber Pakhtunkhwa has signed loan agreements for the following projects:

1. **The Khyber Pakhtunkhwa Cities Improvement Projects (KP-CIP):**

Finance Department, Government of KP has negotiated the KP Cities Improvement Project (KP-CIP) in December 2021, co-financed by the ADB and AIIB. The committed amount of loan with ADB was for USD 300 Million and with AIIB for USD 250 million.

Both of these loans were offered in USD currency at the prevailing rate of 6 months USD LIBOR. However, the KP DMU team realized that the 6 months Euribor (a benchmark for the Euro currency) were significantly lower compared to the 6 months USD LIBOR, hence the DMU team successfully negotiated the loan in Euro currency and made huge saving on account of interest cost over a term of 25 years.

In addition to the above loan, an additional Project Readiness Financing (PRF) loan facility of USD 15 million was provided as part of project preparation that includes Grants of USD 5 million. The project will improve the quality of life of the residents of at least four cities, including Abbottabad, Kohat, Mardan, and Peshawar, directly benefitting about 3.5 million of urban population. The KPCIP will help selected cities to improve their access to quality urban services through two interlinked outputs:

(i) enhanced municipal infrastructure and public urban spaces, and

(ii) strengthened institutional capacities and efficiency of provincial, municipal and city governments and urban service companies.

2. **KP Rural Economic Transformation Project (KP-RETP):**

The Finance Department has negotiated loan with IFAD committed amount of USD 84.19 million, which carried fixed interest rate of 2.86% per annum. However, as per detailed analysis on the interest rate of different currencies, it was observed that the loan shall be taken in Euro Currency as it carried fixed interest rate of only 1.08% per annum. Thus, Finance Department team successfully negotiated the loan in Euro currency and hence, enabled huge savings on account of interest cost for the provincial exchequer.

KP-RETP's purpose is to addresses the main drivers of rural poverty and food insecurity. The underlying causes include low productivity, wastages and low return from agriculture and unorganized smallholder farmers, poor marketing, youth and women unemployment as well as limited access to financial resources, causing in turn income losses, food insecurity and malnutrition.

Project Area and Target group: KP-RETP will be implemented in all 35 districts of KP province and will benefit around 785,000 households (4.35 million corresponding persons). RETP will target:

(i) smallholder farmers actively engaged in agriculture;

(ii) households falling in 0-34 PSC;

(iii) households experiencing food insecurity and malnourishment; and

(iv) rural women and youth.

3. **KP Rural accessibility project (KP-RAP):**

The DMU, Finance Department, Government of KP has negotiated the KP Rural Accessibility Project (KPRAP) with the objectives to improve rural access to schools, health facilities, and markets in the province.

The loan was negotiated with IDA in May 2022, the committed amount of loan was USD 300 Million. The IDA loan was offered in USD currency at interest cost of 2.66% per annum.

However, Finance Department successfully negotiated the loan in JPY currency at interest rate of 0.75% per annum. The interest rate differential of (2.66% less 0.75%), as a result, substantial savings on account of interest cost over a term of 25 years.

Nonetheless, the loan was taken in JPY currency as the KP Finance Department wanted to diversify their loan portfolio as it was dominated by the USD currency.

4. **National Health Support Project (NHSP):**

KP Government Signed Loan agreement with IDA in May 2022, for Health support, the committed loan amount for the Khyber Pakhtunkhwa province was USD 50.8 Million with a grant element of USD 7.1 Million

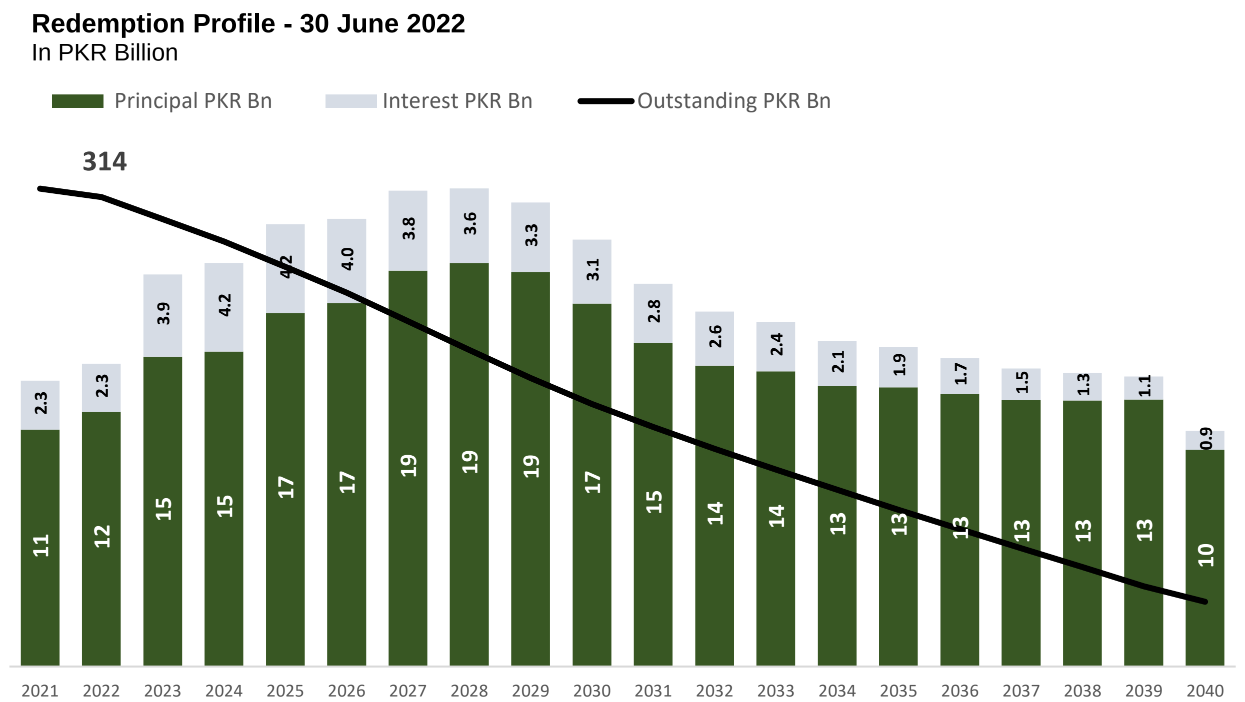
Risk Analysis:

Table 20

Risk Indicators		As on 30 June 2022
Outstanding Loan Stock to KP's Total Revenue		44.3%
Debt Service to KP Revenues		2.04%
Cost of Debt	Weight Average Interest Rate (Range)	0.73%
Refinancing Risk	ATM (Years)	11.23 years
	Loan Maturing in 1 Year as % of total debt	8.7%
Interest Rate Risk	ATR (years)	5.23
	Loan refixing in 1 Year (as % of total loan)	5.63
	Fixed rate loan (as % of total loan)	57.3%
Foreign Exchange Risk	Foreign exchange loan (as a % of total loan)	98.7%

The redemption profile is based on the disbursed and outstanding loan stock as on 30th June 2022. There will be an increased in principal repayments in coming years, as the grace period for most of the loans will be completed, it is also anticipated that the interest cost will rise in future as currently, some loans has capitalized interest cost, meaning that the interest cost is accrued (not paid) and added to the outstanding loan portfolio, going forward.

Figure 8.21



The redemption profile is based on the disbursed and outstanding loan stock as on 30th June 2022. There will be an increase in principal repayments in coming years as the grace period for most of the loans will be over, also the interest rate will rise in the future as currently some loans have capitalized interest cost, meaning that the interest cost is accrued (not paid) and added to the outstanding loan portfolio.

The table below summarizes the key ratios of the previous two years, the ratios clearly highlight that the growth in debt is lower (only 6.69%) than the growth in Total Revenues (18.47%).

Table 21
Units: In Rs. Mln & %

Description	**2020-21 Actual**	**2021-22 Revised**	**Annual Growth**
Total Federal transfers	491,700	631,612	28%
KP Own Source Receipts	59,500	77,000	29%
KP's Total Receipts	**551,200**	**708,612**	**29%**
Disbursed & Outstanding Loans	294,097	313,778	7%
Interest Payments	2,185	2,283	4%
Principal Repayments	10,635	12,155	14%
Total Debt Servicing (Principal + Interest)	**12,820**	**14,438**	**13%**
Total Outstanding Loan to Revenue Receipts	53%	44%	
Total Debt service to Revenue Receipts	2.33%	2.04%	
Debt Servicing as % of KP own receipts	21.55%	18.75%	

Key Reforms Initiatives and Deliverables Performed

1. The most significant achievement during the FY 2021-22 was the preparation of the Fiscal Responsibility and Debt Management Act (bill) 2022, which was subsequently passed by the Provincial Assembly in June 2022.
2. Medium Term Fiscal Policy Framework (MTFF) and Fiscal Rules, the World Bank's Macro-Fiscal team has provided Technical Assistance (TA) to KP MTFF Working

Group. As part of this TA, the WBG team was engaged with the MTFF Working Group KP in FY 2020-21 and FY 2021-22. However, during the period of Jan-April FY 2021-22 the World Bank team was able to prepare the MTFF Tool for Subnational Governments and its Technical User Guide. The tool will enable the Government of Khyber Pakhtunkhwa to project its Budget on account of Revenues & Expenditures over the 3 to 5 years, these projections will then be updated on rolling basis to reflect current circumstances.

3. Debt Raising Quantitative Model for informed decision making which includes:
    a. Evaluation of loan proposals (Commercial Banks);
    b. Issuance of sub-national Bonds;
    c. Developed Setup for Domestic Market Issuance;
4. Development and Automation of Comprehensive Loan Database;
5. Domestic Debt Issuance Policy & Manual backed by financing model;

Future Road-map & Debt Management Strategy

1. Designing of Debt Management Strategy;
2. Debt Suitability Analysis (DSA) - updated annually;
3. Borrowing policy for external and domestic loans
4. Medium Term Debt Management Strategy (MTDS) - updated annually;
5. Development of procedural Manual for Loans;
6. Development and implementation of Active Debt Management Strategy.
7. Undertake Subnational DeMPA;
8. Development of Fiscal Risk Statement;

8.13 Risk Management Unit

The Government of Khyber Pakhtunkhwa is keen to expedite infrastructure development and improve service delivery in the province. To this end, the Government intends to create a congenial environment for doing business and engage the private sector in the development of the province. In order to streamline the engagement of private sector, the Government enacted a KP Public Private Partnership (PPP) Act, 2014.

Taking cognizance of limitations of the KP PPP Act 2014, the Government repealed the same and enacted a fresh KP PPP Act 2020 with a robust institutional arrangement and the flexibility to procure the services of the private parties. In order to make the PPP framework functional, the legal documents as well the institutional framework are being put in place.

With a view to mitigate and manage the risks effectively vis-à-vis the PPP projects, a Risk Management Unit (RMU) has been provisioned in the PPP Act 2020. Section 9 of the Khyber Pakhtunkhwa Public Private Partnership Act, 2020 provides that the “Government shall, by notification in the official Gazette, to establish a Risk Management Unit (RMU) and establishment of Viability Gap Fund (VGF) under section 22 of the Act in the Finance Department”

The RMU has also been tasked with establishing and managing the Viability Gap Fund (VGF) – a facility to fund such projects that are deemed to be economically feasible but financially infeasible.

As a result, the risk management unit has been established in the Finance Department and the role of Debt Management Unit (DMU) has been assimilated into the larger mandate of RMU. It is pertinent to mention here that the DMU has been functional since September 2018.

The Risk Management Unit will perform the following functions:

1. Manage the viability Gap Fund, established under section 22 of the Act;
2. Develop risk assessment and management guidelines for approval by the PPP Committee, constituted under section 3 of the Act;
3. Provide support and advise to the Committee and PPP Unit, constituted under section 5 of the Act, with regards to affordability, fiscal risk assessment and management at all key stages in new and existing projects, developed or implemented in the physical, infrastructure, socio-economic and services sectors in PPP;
4. Examine requests for support of Government and proposed risk sharing; and
5. Perform such other functions as may be prescribed in the rules or the Committee may assign to it under the Act.

Viability Gap Fund

Viability gap funding (“VGF”) has emerged as one of the alternatives financing source to leverage public funds in order to mobilize private infrastructure investments in developing countries.

Therefore, Government of Khyber Pakhtunkhwa continues to accelerate the development of infrastructure either in terms of financing, incentives, and especially through Public Private Partnership (PPP) projects. One of the breakthroughs made by the government in the PPP scheme is by providing support in the form of cash funds for the construction cost of the project also called Viability Gap Fund (VGF), in order to make a project that was previously financially unviable to become financially viable.

The Risk Management Unit will maintain a designated account in a Scheduled Bank wherein the monies injected in the Viability Gap Fund shall be kept and disbursed upon withdrawal request made in the manner specified by Risk Management Unit. The VGF rules regarding its operation has been prepared by RMU and vetted from the law department.

For the FY 2022-23 an allocation in VGF account needs to be made for the upcoming PPP projects, one such project is Swat Motorway Phase 2, for which Rs. 5,000 million were already allocated in budget FY 2021-22, which will meet the upfront VGF requirements of the project, however for operational VGF, an amount of Rs. 7,100 million needs to be allocated. Apart from that, an amount of Rs. 2000 million as soft loan is requested by the C&W department for the contractor due to the unprecedented increase in prices of construction material. Hence for Swat Motorway Phase 2, an amount of around Rs. 9100 million is allocated in budget for FY 2022-23.

Public Private Partnership's

Public–private partnerships (PPPs) change how governments work. They introduce competition into the provision of public services, mobilize additional expertise and financial resources, adopt life-cycle asset management within a results-based approach, base payments to service providers on performance, and allow governments to reduce the risks they bear. These innovations can help deliver public services faster, at a lower cost, and at the higher quality. To achieve these benefits, however, the proper projects need to be identified, and PPPs need to be developed and implemented effectively. PPP funds need to build on an understanding of the appropriate role of government. International experience has clarified that a government should only provide financial support to PPPs where this provides value for money (VfM) or helps the government meet other important policy objectives. For example, government support can be used to do the following:

(i) Improve project quality, which in turn improves competition, drives down prices, and increases the likelihood of the PPP program's success.

(ii) Increase the use of PPPs, as the benefits of PPPs (efficient procurement, life-cycle improvements, well planned maintenance, and service improvements) may not be captured by the relevant implementing agency. Government support can provide the incentives required to motivate even reluctant users to implement good PPP projects.

(iii) Reduce the cost of private finance, which in turn, reduces the funding requirement, from users or the government.

(iv) Improve opportunities for specific parties to participate in the PPP projects, for example local lenders and local equity investors, smaller investors, and consumers.

PPP Business model

A public-private partnership (PPP) model is developed to finance the construction and operations of the assets/facility, with funding provided by Private partner (through Equity financing and commercial debt raising) and land provided by the public party (i.e., the Provincial Government) followed by upfront VGF and operational VGF contribution based on Risk Analysis and Project Cash Flow requirements and to further make the contract attractive for private sector participation. The PPP is based on a long term, usually 20- 25 years Build-Operate-Transfer (BOT) contract signed between the public and private party. Through this PPP, the government delegates responsibilities to a private sector entity to finance, design, build, operate and maintain the facility for the concession period.

Under the public private partnership, the government benefits from having the private sector both (i) raise the financing for and (ii) guarantee the high-quality construction, operations and maintenance of the facility. At the end of the concession period, the facility will be transferred back to the government in good working order and with no additional cost.

Projects Carried out on PPP mode by the KP Government:

So far, the Government of KP has successfully completed the construction of Swat Motorway Phase 1, which runs from Karnal Sher Khan, Swabi till Chakdara, it has a length of around 82 kms, this project was completed at a cost of Rs 34,165 Million, it has a concession period of 25 years, after which the asset will be handed over to the Government of KP. Currently, the Government has awarded the construction of Swat Motorway Phase 2 at a cost of Rs 36,404 Million, it runs from Chakdara to Fatehpur, it has a length of 80 kms, the construction work will commence once the project reaches its financial close and the VGF requirements are complete. This project will also include contribution from Government of KP amounting to Rs. 880 million per year for the first Eight (8) years of operation.

The Government of KP is further considering the construction of DIR and DI Khan motorways to be build on PPP mode. Both these projects are economically viable projects, however both require upfront and operational VGF to make the projects financially viable, DIR motorway has an estimated cost of Rs. 36,000 Milllion with a length of 29.4 kms, whereas the DI Khan motorway has a length of 360 km with an estimated cost of Rs. 260,000 Million, land for both these projects will be provided by the Government of KP. Furthermore, the Government of KP is considering the development of Tourism sites such as, Hund (Swabi), Ghanool (Mansehra), Madaklasht (Chitral), Mankial (Swat) and Thandiani (Abbotabad).

Table 22

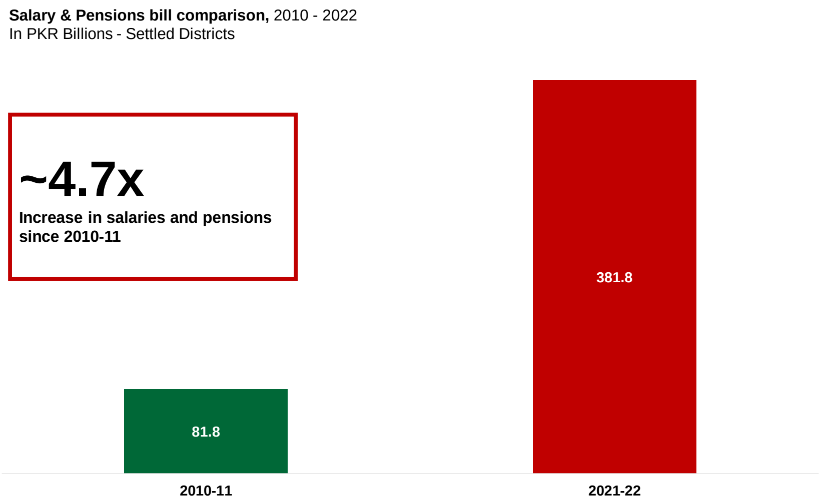
S.No	PPP Projects	Subordinate Loan	Subsidy	Total Govt. Contribution	Private Partner Contribution	Total Project Cost	Yearly Operational VGF	Number of Years	Total Operational VGF
1	Swat Motorway Phase 1	5,500	11,500	17,000	17,165	34,165			
2	Swat Motorway Phase 2	-	5,000	5,000	31,404	36,404	880	8	7,040
3	Dir Motorway		14,101	14,101	21,152	35,253	1,000	7	7,000
4	DIK Motorway		104,200	104,200	156,576	260,776	3,000	6	18,000
5	Hund, Swabi	409		409	3,683	4,092			
6	Ghanool, Mansehra			-	6,682	6,682			
7	Madaklasht, Chitral	2,518		2,518	5,820	8,338			
8	Mankial, Swat	367		367	3,869	4,236			
9	Thandiani, Abbotabad			-	5,452	5,452			
10	Buner Expressway	3,500		3,500	20,369	23,869	2,000	8	16,000
	Total	**12,294**	**134,801**	**147,095**	**272,172**	**419,267**			

8.14 Salary Increase

The Government of Khyber Pakhtunkhwa remains committed to safeguarding the interests of its employees and their families, as well as the wider citizenry, in the wake of an unprecedented global inflationary environment following the COVID-19 pandemic and the resultant disruptions to the global supply chain. While salaries have been an increasing burden on the provincial exchequer – there has been a five-fold increase in the wage bill between 2010-11 and 2021-22, and salaries and pension make up nearly 50% of the budget – recent trends have necessitated that the workforce is protected, and various forms of anomalies and disparities across service structures are addressed.

Figure 8.22

The government salary and pension bill has increased by more than 350% in the last 10 years

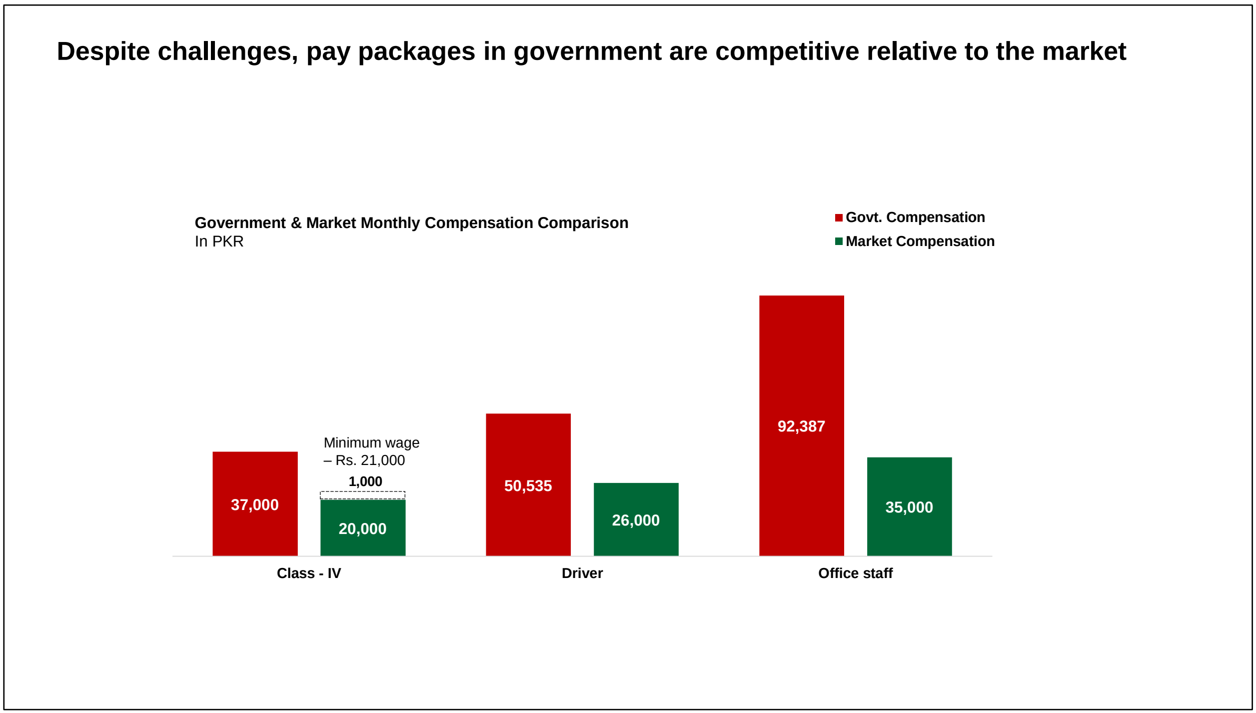


In 2021-22, Government of Khyber Pakhtunkhwa undertook a series of initiatives and reforms to increase salaries and allowances for the vast majority of its workforce. This led to employees receiving generous increases in three areas – basic pay, sectoral / cadre-specific allowances, and house rent allowance. While ad-hoc reliefs in basic pay are a fairly routine matter, the sectoral allowances allowed the government to reduce disparities, abolish decades old anomalies, and increase compensation for hundreds of thousands of civil officers, police officers, and ministerial staff, health professionals, schoolteachers and many more.

House rent allowance – which was based on obsolete decade-old rates that had not been revisited, despite an increasingly unaffordable urban rental housing market – was reformed for all provincial government employees, with an emphasis on matching rental allowances with rising rent markets. A minimum 50% increase was granted in prevailing house rent allowances in all districts, whereas a focused analysis of the Peshawar market led to the identification and addressal of a major discrepancy in house subsidy and house rent allowance. House subsidy – granted to civil servants residing in their own homes – was significantly higher than house rent allowance – granted to the majority of civil servants who reside in rented accommodation – even though the renters are financially disadvantaged, faced with a challenging rental market, and often belong to districts outside Peshawar.

In order to eliminate this discrepancy, house rent allowance is being equalized with house subsidy for all Peshawar district employees over two years. In the first year (2021-22), Peshawar-based employees across all pay scales who qualified for house rent allowance, i.e., those employees who did not reside in their own homes and were also not provided government accommodation, received one-half of the difference between house subsidy and house rent allowance at their respective pay scale.

Figure 8.23



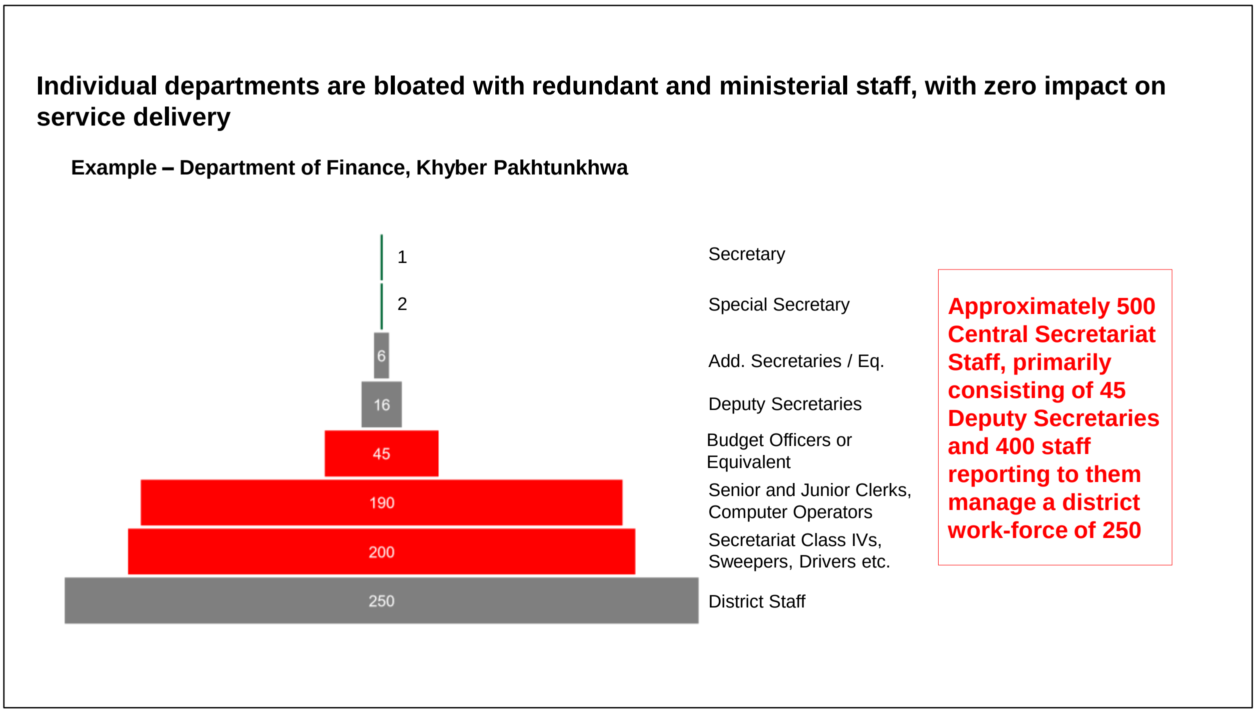
In addition, a uniform disparity reduction allowance of 15% on running pay scales has been granted to all provincial employees in BPS 1-19 that do not draw special allowances of 100% or more, with effect from March 1, 2022. While this allowance covers the vast majority of provincial employees, some deserving sectors such as uniformed police officers and Rescue 1122 emergency medical services staff were excluded on a technicality, since they drew special allowances of 100%. However, the risk allowance granted to uniformed police officers and Rescue 1122 employees was 100% of the outdated 2008 basic pay scales, and not the 2017 basic pay scales that are currently in vogue. For this reason, additional targeted increases in allowances will be given to uniformed police officers and Rescue 1122 employees in the 2022-23 budget.

Collectively, the salary bill is estimated to grow from **Rs. 374 billion** in 2021-22 to **Rs. 448.1 billion in 2022-23**, an increase about 20%. Salaries expenditure for settled districts is estimated to increase from Rs. 314 billion to Rs. 371.2 billion during the period, while that of merged districts is estimated to grow from **Rs. 60 billion to Rs. 75.8 billion.**

It is important to note that the merged districts salaries bill is expected to grow by 26% over the previous year, which is significantly higher than the overall provincial growth rate of 20% mentioned above. Beyond the increases in salaries and allowances, the regularization of 4,079 employees in 128 projects of newly merged districts is the main contributor.

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 8.24



To avoid the government service 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.

8.15 Devolution of Financial Powers (PCMCs, HMCs, MS as DDOs)

The Government of KP has launched an ambitious reform agenda in health sector to improve health care delivery services. In this regard, the Government of KP decided to revamp and revitalize Primary and Secondary health care in the province. One of the steps towards bringing efficiencies in the system is the formation of local health committees to provide a platform for workable community participation. The PCMCs/HMCs would provide a platform to allow the community representatives and related officials of the government to come together for identifying and solving local health related issues. It is envisaged that this would help in increasing the effectiveness of health service delivery and would provide a natural check of the community on the quality of service delivery. Moreover, although the proposed PCMCs/HMCs would have a limited mandate, if successful the same platform may be used for increased community participation in even more complex health related issues in the area.

Health Facilities Under Coverage

The department of health will be established PCMCs/HMCs at each level of health care provision. There are over 1,500 health facilities in the Province constituting a mix of various categories of such facilities. Given the service nature and size of the health facilities, it is recommended that PCMCs/HMCs will be established in the following types of health facilities:

Table 23

Community Participation Forum	Type of Facility	Number
PCMC	Basic Health Units 24/7	200
	Basic Health Units (Normal)	571
	Rural Health Centers 24/7	50
	Rural Health Centers (Normal)	61
	Total PCMCs	**882**
HMC	Category -A Hospitals	6
	Category -B Hospitals	13
	Category -C Hospitals	26
	Category-D Hospitals	63
	Total HMCs	**108**
	Grand Total	**1,098**

Financial Guidelines / SOPs for Disbursement of Fund of PCMCs / HMCs

Fund Management – PCMCs/HMCs

- Funds transferred from exchequer of provincial Governments as a grant or by the district government.
- Funds from different development schemes if allocated for specific tasks proposed to be completed by the PCMCs/ HMCs
- Donations from local philanthropists.
- Funds may be transferred from UN agencies or INGOs for training of health care providers/community-based staff or local purchase of emergency medicines and disposables or for arrangements of community-based awareness activities.

Eligible Expenditures

Funds may be utilized for the benefit of patients in the provision of facilities:

- Purchase of chairs, water cooler, and fans for waiting area
- Local Purchase of emergency drugs (including sanitizers) and disposables (including PPEs)
- Minor purchase of electric and water supplying appliances
- Purchase of wheelchair/patient stretcher /
- Purchase of equipment/instruments (thermometer/thermal gun, BP apparatus, weighing scale (child and adult) anthropometric equipment, of maximum up to 50,000PKR in a financial year. To fill in the gaps of service delivery package approved by the government.

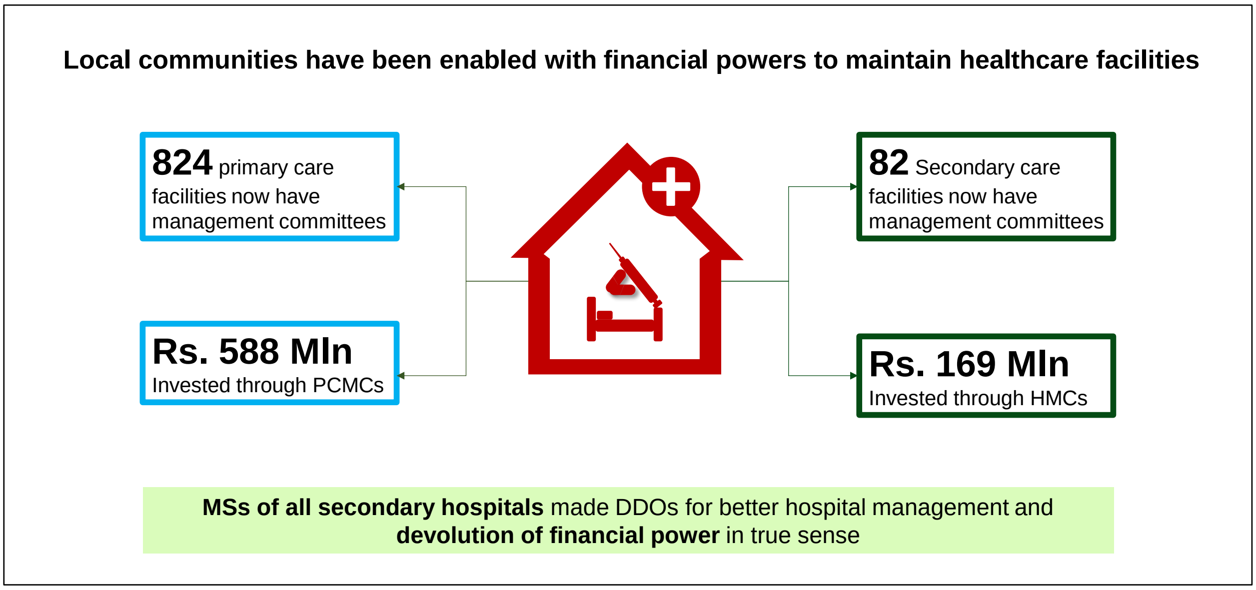
Monitoring Mechanism through District and Health Steering Committees (DHSC)

DHSC shall provide broad oversight and coordinating role for PCMCs/HMC falling within its jurisdictions. The DHSCs shall have the following functions:

- Ensure that all PCMCs/HMCs within the district fulfill their responsibilities efficiently and judiciously.
- Coordinate amongst all PCMCs/HMCs for district wide outreach activities
- Ensure that all PCMCs/HMCs perform their functions within the vision and framework of the Provincial government
- Ensure availability of Medicines and equipment.
- Coordinate between PCMCs/HMCs and other government agencies.
- Monitoring the pace of funds utilization of the PCMCs/HMCs
- In addition, the provision shall also be made for third party validation of PCMCs/HMCs.

The validation exercise to be carried out by an independent private firm will assess the quality of utilization of health committee funds by all facilities.

Figure 8.25



8.16 Maximized ADP Spending – Development Plus & Service Delivery

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:

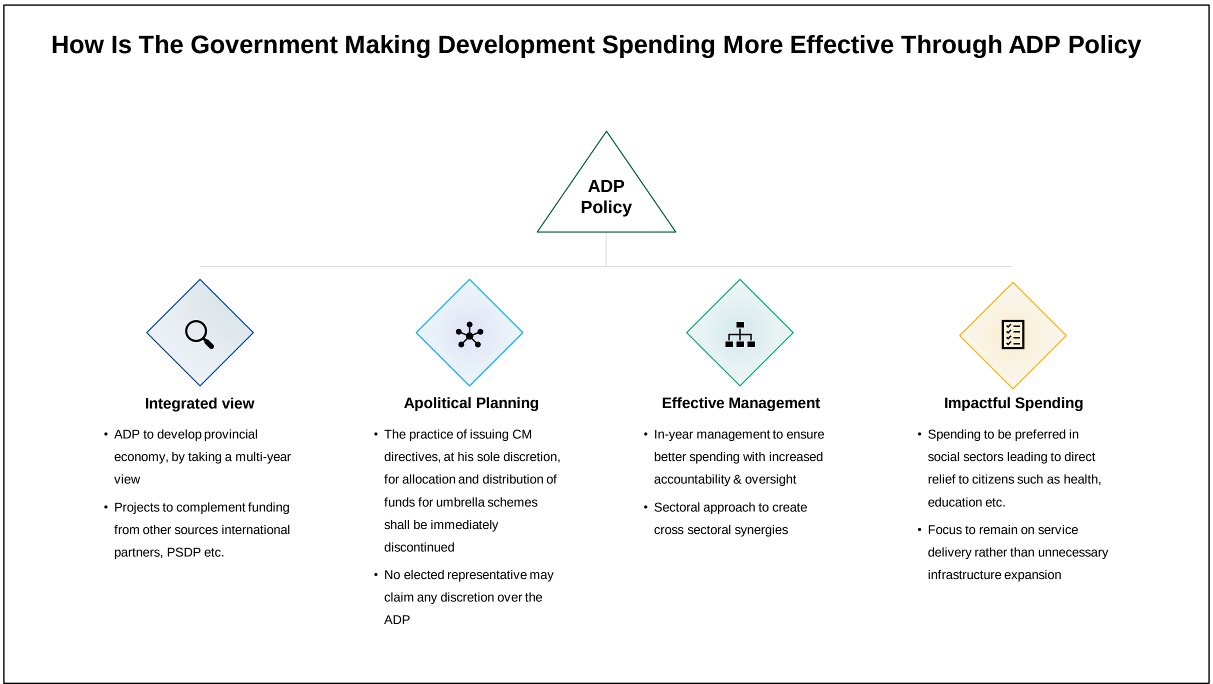
1. Merged Areas ADP
2. Merged Areas District ADP
3. Accelerated implementation plan (AIP)

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 spending was rationalized. FY 2021-22 was the year to build further upon this rationalization and fine tune allocations. The allocations were 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.

Figure 8.26



Salient features of ADP 2021-22

- 100% releases on the 1st of July, 2021 for more better spending.
- ADP was driven to develop the provincial economy, for the prosperity of the people, in line with Govt. Policies.
- Provincial ADP considered a multi-year view.
- ADP complemented the Foreign Project Assistance, PSDP. and other private sector investments.
- Spending 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 taken with accountability and oversight.
- ADP took a sectoral view & Sectors/ departments should not expect that their budgets are protected.
- Sectoral shares 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 was prioritized with greater emphasis on improving quality of core function service delivery rather than unnecessary infrastructure expansion.

Khyber Pakhtunkhwa focused itself on developing innovative solutions to local problems, by engaging stakeholders from across the streams to ensure maximum service delivery. This was also complemented with the introduction of projects that were 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 provided to elevate the less fortunate and increase equality, grants to PTCs.

Development and Public Private Partnership

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

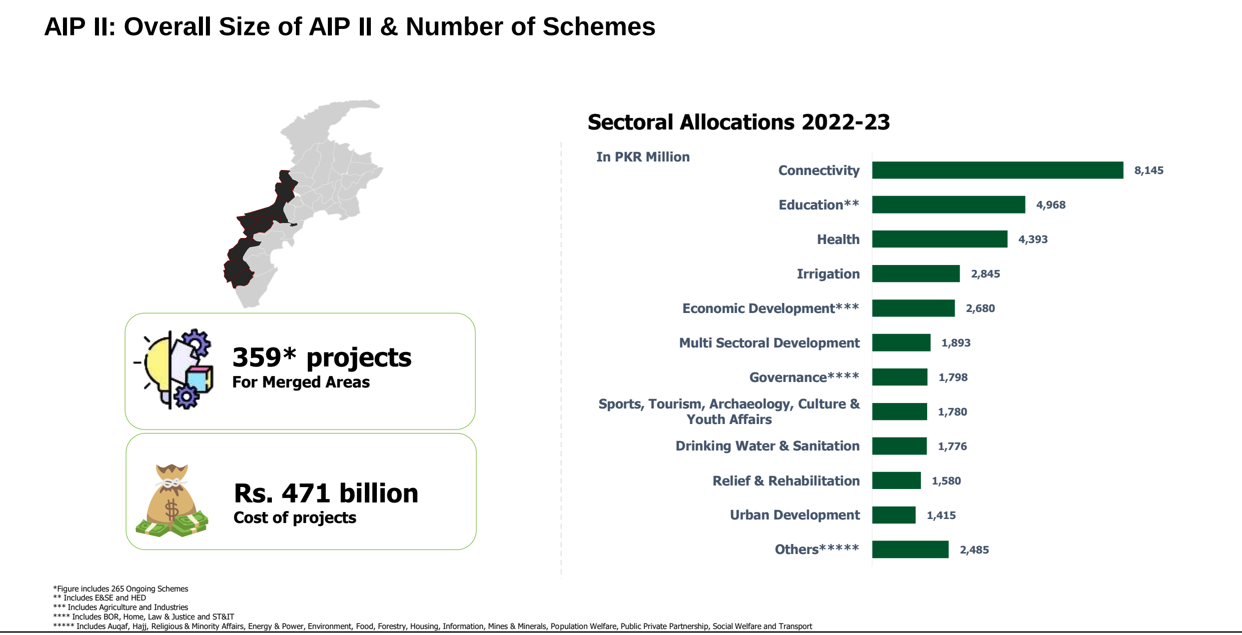
AIP II

Another innovative approach to developing has been the launch and institutionalization AIP-II. The Government of Khyber Pakhtunkhwa had embarked on the following stages to develop the AIP II:

- Numerous consultative sessions were held across the province with over 3,000 stakeholders, across 25 subdivisions and feedback for priority areas was gathered.
- Based on the feedback received, priority sectors were further divided and the needs across sectors bifurcated into specific needs.

- Weightages for each sector and subsector was defined and heat maps were generated.
- So far, the Government has 359 projects (ongoing and new) at the cost of Rs. 471 billion for AIP II in the coming years. Given below is a snapshot of the planned sectoral split of the projects to be executed in AIP II.

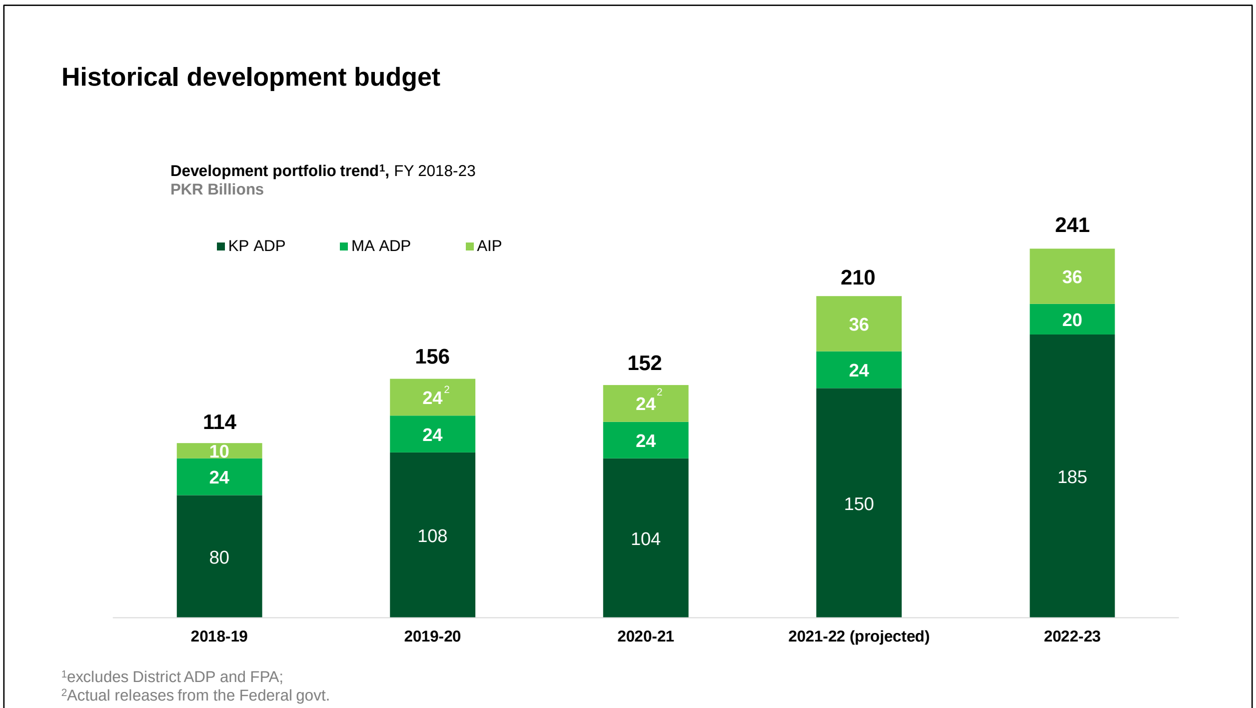
Figure 8.27



FY 2022-23 ADP & Way Forward

The ADP budget in the FY 2022-23 will have a historical allocation of **Rs. 245 billion** in settled and newly merged districts. This implies a total increase of **149% in development allocation** vs. FY 2018-19.

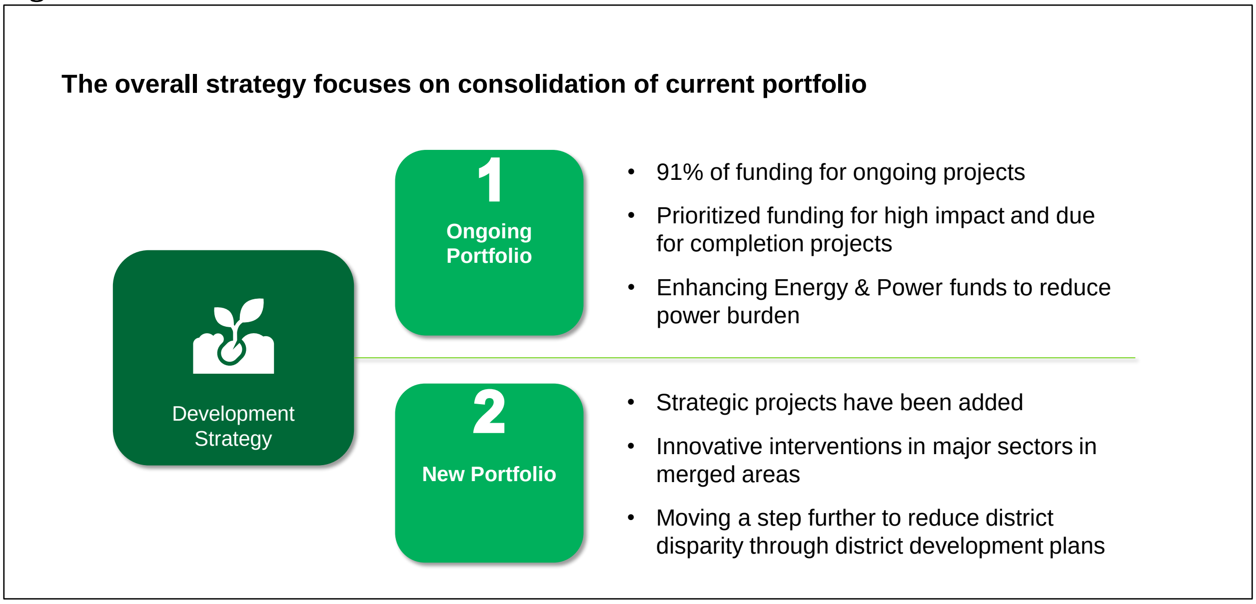
Figure 8.28



The overall strategy for ADP policy in the coming budget will have the following key highlights:

- In terms of allocation, 91% of the funding will be for completion of ongoing projects.
- Prioritized funding for high impact and due for completion projects.
- Enhancing Energy & Power funds to reduce power burden of the province.
- Strategic projects have been added based on thorough consultations between various departments with the Chief Minister and Additional Chief Secretary.
- Innovative interventions are planned in major sectors in merged areas to augment service delivery and the availability of resources.
- Moving a step further to reduce district disparity through district development plans.

Figure 8.29



8.17 Policy Framework – Corporate Governance Unit

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 the effectiveness of public service delivery across its various sectors. These entities have 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 24
Units: In Numbers

Sr. 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 is 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 with corporate governance practices, with the help of the World Bank, a Corporate Governance Unit (CGU) was formally formed in the Finance Department in FY 2018-19. The Government of Khyber Pakhtunkhwa approved and notified the following policy frameworks to improve transparency and accountability of these autonomous bodies.

The focus of the reforms agenda for the entities under this framework has been on the following areas:

1. **Selection of Chief Executive Officer (CEO):** Aspects relating to the hiring process of CEO, terms, and conditions, 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. **Finance and Accounting:** Critical finance-related areas have been covered in the framework including the recommendation to prepare finance manuals, delegation of authority matrix, planning & budgeting, financial reporting, and asset management etc.

4. **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.

5. **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.

8.18 Funds Management

The Government of Khyber Pakhtunkhwa (GoKP) has promised fixed-nature retirement benefits to its employees and hence, wanted to pre-fund such growing liabilities. For this purpose, the GoKP has established four funds using separate acts/ordinance of the Khyber Pakhtunkhwa (KP) legislative assembly, namely:

1. The Khyber Pakhtunkhwa Pension Fund Act, 1999
2. The Khyber Pakhtunkhwa General Provident Investment Fund Act, 1999
3. The Khyber Pakhtunkhwa Hydel Development Fund Ordinance, 2001
4. 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.

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 financial instruments; primarily in the 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 an initial allocation of Rs. 200 million as equity. Now, total Fund size is Rs. 84,120 million out of which Rs.28,428 million is 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 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 25

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	75.9	0.0	4.4	80.4
2021-22*	80.4	0.0	4.7	84.1

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 an 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 26

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	54.4	0.0	3.1	51.5
2021-22 (est.)	51.5	0.0	3.1	44.6

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 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 27

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	12.6	2.0	1.2	9.6	6.2
2021-22 (est.)	6.2	3.3	0.7	10.2	30.0

4- Retirement Benefit and Death Compensation Fund (RBDC)

Initially, RBDC fund was managed in project-mode with close cooperation of KPFM, 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. RBDC fund's size, inflows, and outflows over time are presented in the table.

Table 28

Retirement Benefit and Death Compensation

Units: Rs. Bln

Year	Opening Balance	Released during the year	Total	Profit Earned	Fund Utilized	Cumulative Total
2016-17	-	-	-	-	-	0.0
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	9.6	3.5	13.0	0.7	2.9	10.9
2021-22 (est.)	10.9	3.6	14.5	1.0	3.0	12.5

Table 29

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.

8.19 Internal Support Unit

The Finance Department of Khyber Pakhtunkhwa, under the chairmanship of the Finance Minister and after consultations with the Chief Minister, Chief Secretary, and Additional Chief Secretary, established an analytical unit within the department, called the 'Internal Support Unit'.

This unit's hiring was done through an extensive, strenuous, and tiered recruitment process and scrutinized by all relevant stakeholders through a thorough examination followed by an interview and case study test.

Since the establishment of the Internal Support Unit (ISU) in October 2019, the Finance Department and the Government of Khyber Pakhtunkhwa has made remarkable progress in addressing several public sector reform challenges. ISU's impact has been visible through improvements in key indicators and the achievement of new milestones by the Government of Khyber Pakhtunkhwa. As envisioned in the summary that was approved by the Chief Minister in 2019, ISU's objectives are to provide research, analytical and communications support to the Government. ISU provides operational support to departments, by putting in place a skill set not accessible to the government typically.

Although located in the Finance Department, ISU's support has been spread across multiple departments and offices, including the Chief Minister's office. The type of support provided by ISU to these offices and departments includes the following:

- Problem solving: deconstructing complex problems by rigorous data driven analysis, using international toolkits on problem solving.
- Quantitative analysis: providing data, along with insights and evidence to government leadership for decision making regarding reform proposals and interventions.
- Delivery: providing delivery support to decision makers in government, by developing delivery options, assisting in the implementation of decisions, and addressing bottlenecks as they arise.
- Communications: develop high quality and exhaustive documents, with comprehensive graphic descriptions to ensure government leadership has adequate information and data when making decisions, and there is a sufficient documentation trail in decision making.

ISU's analytical and delivery support to the government has resulted in tangible improvements in key indicators and the achievement of new milestones.

8.19.1 Improvement in Key Indicators

Finance Department

- Through institutional reforms, rigorous monitoring and in-depth data analysis, 2019-2020 progressed as a year of record revenue growth of 65 percent (Rs. 17.2 billion collection) for the Khyber Pakhtunkhwa Revenue Authority (KPRA). The authority crossed the revenue benchmark of 20.8 billion for FY 2020-21 which implies a growth of over 100% in two years and is expected to cross the Rs. 30 billion benchmark in FY 2021-22.
- Developed a new ADP release policy approved by the Cabinet, resulting in an increase in budget releases from Rs. 24 billion in December 2019 to Rs. 72 billion in January 2020. January and February 2020 witnessed a substantial rise in ADP spending, more than twice of that of the previous year in the same period.

- Identified several additional revenue sources: Rs. 7.5 billion through a comprehensive accounting of Net Hydel Profits; Rs. 5.5 billion through provincial government operated hydro power stations.
- Supported the revision of the Scheduled for New Expenditure (SNE) process resulting in the creation of 13,000 new service delivery posts such as teachers, health workers, agriculture and local government staff. Rs. 15 billion savings achieved by filtering out unnecessary and redundant posts.
- Identified underutilized Auqaf Properties and proposed business plans to increase annual revenue from Rs. 15.6 million to Rs. 231 million, without any additional cost to the provincial government. This has the potential to increase revenue 14 times from these underutilized properties.
- Identified Rs. 200 billion share of Khyber Pakhtunkhwa in the Public Sector Development Programme (PSDP) portfolio. Proposed greater provincial input in prioritizing projects, Rs. 8 billion fiscal space identified within the PSDP, and proposed an increased reallocation to high priority schemes.

Health Department

- Increase in Medicines budget for secondary and primary healthcare facilities from Rs. 2.5 billion to 4.5 billion for 2021-22
- Implementation, problem solving and analytical support to the ground-breaking Sehat Card Plus Program providing Rs. 1 million health coverage to all 7.5 million households in KP.
- Increase in Operational budget of secondary hospitals from Rs. 8.7 billion to Rs. 13.2 billion for 2021-22
- Increase in MTIs' grants from Rs. 36 billion to Rs. 42 billion
- Functionalization of 5 BOGs of MTIs and Boards of Healthcare Commission and Health Foundation
- Major Projects have been completed or are near completion both in MTIs as well as through Development Programme of the department
- Engagement of IFC to design the establishment of 4 greenfield tertiary care hospitals across KP through PPP mode
- Rationalization of 92 non performing health facilities in North and South Waziristan as a start of a broader rationalization plan
- Secondary care revamp expanded to 32 DHQs / secondary care facilities (including ex-FATA) focusing on service delivery and physical redesign impacting 14-16 million OPD patient visits and 100-150 K deliveries per year.
- 282 ICU bed capacity in March 2021 has been enhanced to 351 beds, 786 HDU bed capacity enhanced to 1,441 beds and low bed capacity enhanced from 1,456 to 1,804 beds in 5 months duration
- ISU engaged facilities to assess oxygen demand and expedited procurement of oxygen cylinders and delivered them to facilities along with other accessories. ISU problem solved the provision of oxygen tanks and lining by categorizing hospitals into two phases.
- Increasing number of functional COVID Vaccination Centers over 1,000 facilities. ISU supported in designing recruitment plan to enhance human resource capacity of the department. Other steps taken for vaccinating target population include, involvement of LHWs in door-to-door vaccination and establishing separate counters in hospitals for second dose administration.

- Assisted in preparing Khyber Pakhtunkhwa’s capacity to respond to the COVID-19 pandemic effectively, and in a span of over three months from March-June 2020, the following was achieved:
    - RRTs and 24/7 call center established, resulting in over 115,278 samples obtained through RRTs across the province.
    - Locum Tenens Scheme conceived and established, resulting in 21,000 applications from 10 different categories of health professionals. 24 specialists, 173 Nurses, 242 general cadre doctors and 15 entomologists have been white listed through a shortlisting and interview process.
    - Support in developing a testing expansion plan and rigorous monitoring, resulting in increase of testing from 40 per day in March 2020, to 5,680 per day by the end of June 2020.
    - Support in developing a procurement mechanism, resulting in procurement of Rs. 4 billion of essential supplies and equipment to meet shortfalls in hospitals.

8.19.2 Key Milestones Achieved

Finance Department

- Conceived, designed and institutionalized the first performance-based incentive programme in the Government of Khyber Pakhtunkhwa. The Khyber Pakhtunkhwa Revenue Authority (KPRA) incentive plan has been approved by the Cabinet and successfully implemented in FY 19-20, 20-21 and 21-22.
- Bifurcated the KPRA’s growth in revenue collection by using in-depth data analytics, resulting in better targeting of revenue collection.
- Developed and launched a new Integrated Budget Call Circular (IBCC). The IBCC provides greater integration of the budget formulation process, enables the departments to have greater flexibility to appropriate additional funding, and provides a framework for the Finance Department to improve accuracy of forecasting of revenue and expenditure.
- Reinvigorated the Accelerated Implementation Programme (AIP) by an in-depth review of schemes by department, identification of High Impact Projects and increased the pace of projects design by supporting the preparation of 54 PC-1s.
- Quantifiable analytical support is provided to build a strong rationale to significantly reduce expenditures (salary and pensions) and expand fiscal space for critical service delivery expenditures.
- Drafted amendments to the Khyber Pakhtunkhwa Public Procurement Regulatory Authority (KPPRA) act and rules, providing a pathway for a simplified, transparent, efficient, and effective procurement regime in the province.
- Initiated transfers from Designated Accounts.

Health Department

- Ground-breaking Sehat Card Plus Program providing Rs. 1 million health coverage to all 7.5 million households in KP.
- Landmark primary care transformation improving service delivery to 1-1.2 million patients a year in 100 revamped facilities through improvements in inputs (e.g., medicine/equipment availability and infrastructure).
- Revamped secondary care facilities impacting 2-2.5 million patient visits a year due to improvements in staff presence, medicine/equipment availability, and improved infrastructure.

- Outsourcing initiative increasing access to quality medical services in remote areas helping 400-500 K people annually. Outsourcing is under process or has been completed in a variety of functional areas including selected Cat D hospitals, diagnostic services, hospital waste management, supply chain medicine etc.
- Conception and establishment of Hospital Management Committees (HMCs) and Primary Care Management Committees (PCMCs)

The first progress report summarizes the support provided by the ISU to various departments and offices of the Government of Khyber Pakhtunkhwa. Furthermore, the report provides evidence of tangible results achieved because of this support. Followed by the description of the team in the next section and feedback from officials, there are sections of the report explaining ISU’s inputs and results achieved in the government’s COVID-19 response, revenue generation, development budget management, current budget management, formulation of budget 2020-21, economic growth, governance, and heath.

Chapter 9 – The Reform Journey Ahead

Financial reforms are a continuous process, and this chapter outlines some of the reforms that are either underway, or under consideration for implementation in the future. This White Paper has always endeavored to move away from cookie cutter content every year, and the addition of this new chapter allows for documentation of ideas that will be implemented in the near future, and that will continue to keep Khyber Pakhtunkhwa at the forefront of reform across Pakistan.

9.1 Empowering Through Legislative Measures

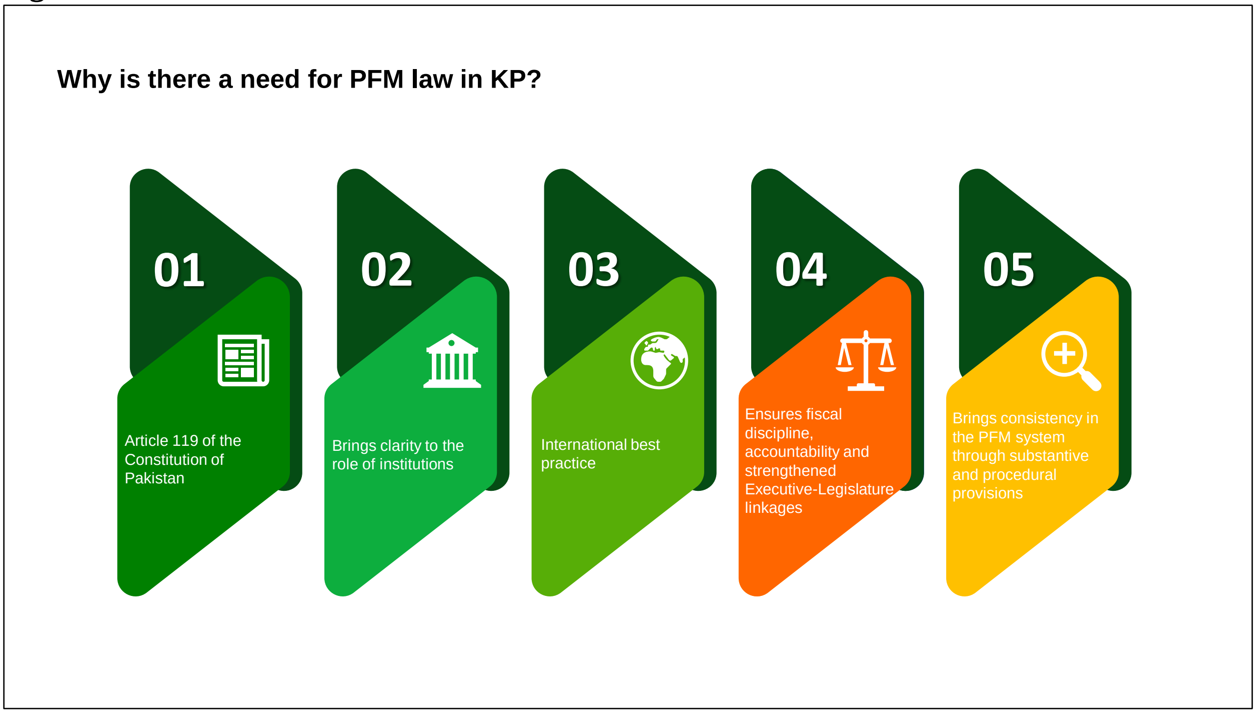
1. Khyber Pakhtunkhwa Public Financial Management Act 2022

Considering 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 the initiative to formulate KP Public Financial Management (PFM) Law 2022. This signifies the Government's firm commitment to continue with PFM reform implementation and to provide legal back up to current reform initiatives as well as those already successfully implemented on ground during the last couple of years.

The KP PFM Law aims to establish an appropriate regulatory setup and processes for public finance management as this would enable Government to manage public finances in an efficient and effective manner. This law is a comprehensive and expansive financial management tool that also includes an elaboration of budgetary expenditure lines, in-depth assessment of projects, performance-based analysis, and allocation of the budget.

The PFM Law would also ensure that all revenue, expenditure, assets, and liabilities of the 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 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. The entire **senior leadership** went through it themselves to ensure that it's neither a copy of any international or domestic laws, and is best suited to the localized context. That said, the incumbent legislation is a live document and open to amendments in the future based on learning and application.

Figure 9.1



9.2 Enhancing OSR To 100 Billion

The Government of Khyber Pakhtunkhwa has been making concentrated efforts over the last 4 years to grow Own Source Revenue's contribution to the overall revenue generated by the province. The efforts have been multi-pronged and focused on improving 'voluntary compliance', even during COVID-19, amalgamated with pro-poor rates and removal of duplicity in taxation heads.

Multi-Dimensional Initiatives & Long-Term Vision

The long-term vision of our Government is to introduce and implement a holistic framework that encompasses the following key dimensions:

- **Tax harmonization** within the province which includes a single platform for filing and payment of taxes. This will not only enhance **ease of doing business** but will also provide more systematic transparency and control to the Provincial Government.

- **Digitization** has been one of the key areas where a multitude of reforms have been introduced. Khyber Pakhtunkhwa has spearheaded initiatives like a live DSS portal with collection and filing updates coupled with digitization and alternate payment channels for Sales tax on services and Excise and Taxation. The goal is to further expand these within other domains like the Board of Revenue and other taxation heads within Excise and Taxation department. This will be a key element leading us to the path of refined data monitoring, projections, forecasting and modeling for various policy decisions.

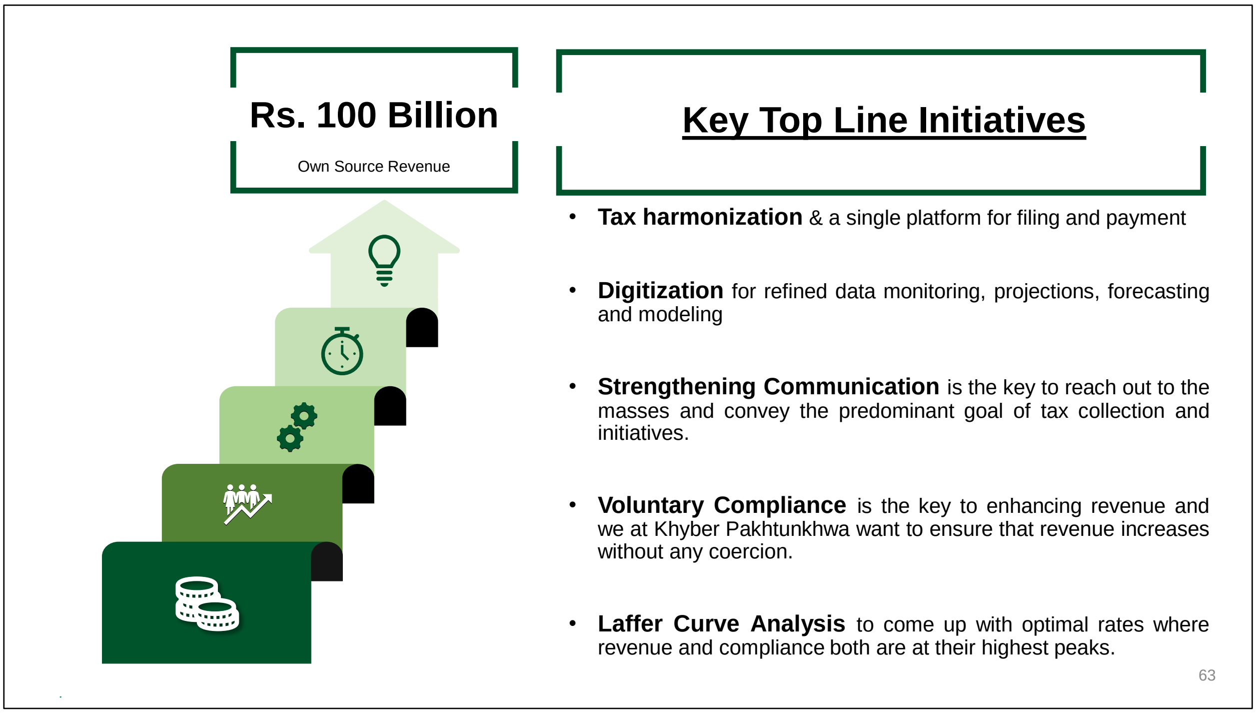
- **Tax Education** is the most important tool when it comes to compliance. To augment tax education, we need to make sure the policy instruments and implications are communicated in a way that the filers are able to comprehend it and not hesitant to ask queries if needed.

- **Strengthening Communication** is the key to reach out to the masses and convey the predominant goal of tax collection and initiatives. The **Government of Khyber Pakhtunkhwa** has been dedicated to improving the general taxpayer perception and as a result in 3 consecutive taxpayer perception surveys regarding STS, the overall rating by the citizens has continued to grow with impressive numbers. Despite the consistent growth, we need to ensure that the message reaches out to the masses on a regular basis, in rural and urban areas, to ensure that they see the Government as a taxpayer friendly legislator and collector.

- **Voluntary Compliance** is the key to enhancing revenue and we at Khyber Pakhtunkhwa want to ensure that revenue increases without any coercion. Enforcement has to be amalgamated with taxpayer friendly initiatives like the availability of facilitation centers, complaint management units, accountability, check and balances on the revenue collecting authorities to make sure the voice of our taxpayers is also heard and they feel valued.

- **Laffer Curve Analysis** has been a part of the regime so far, yet unwarranted elements like COVID-19 disrupted the overall analysis cycle. The Government plans on analyzing this further in the coming years to come up with **optimal rates** where revenue and compliance both are at their highest peaks.

Figure 9.2



Key Initiatives in the Top Revenue Generating Departments

- **Energy & Power**

    - Increasing receipts from Power Generation by Channeling wheeling agreements with Industry.

- **Khyber Pakhtunkhwa Revenue Authority**

    - Tax harmonization with the federal government and follow a single origination or destination principle.
    - Optimal tax rate and buoyancy analysis for better prediction and forecasting.
    - Tax Potential estimation surveys.
    - POS systems to be installed across all 46 sectors from the 2nd schedule.
    - 24/7 Tax facilitation centers to be incorporated with Service Delivery Centers across the province.

- **Board of Revenue**

    - E-stamping to be initiated leading to the elimination of fake stamp papers and exponentially enhancing revenue for the province.

    - Digitizing all mauzas across the province for instant availability of land record on BOR’s website.
    - Incorporating Mutation fee, registration fee, and agriculture income tax on a single mobile payment application.
- **Excise, Taxation and Narcotics Control Department**

    - Property Tax, Motor Vehicle Tax and payments to be incorporated in Zama KP application.
    - Revising Urban Immovable Property Tax rates as per the market rates determined through third party analysis and market surveys.
    - GIS mapping of all key urban areas for online record keeping and eliminating tax evasion in Urban Immovable Property Tax.
    - Collaborating with other Banks (apart from One-Link) for instantaneous payments for all forms of levies, tax and cess under the provincial Government.

9.3 Inclusion of Account-II Funds in Consolidated Fund

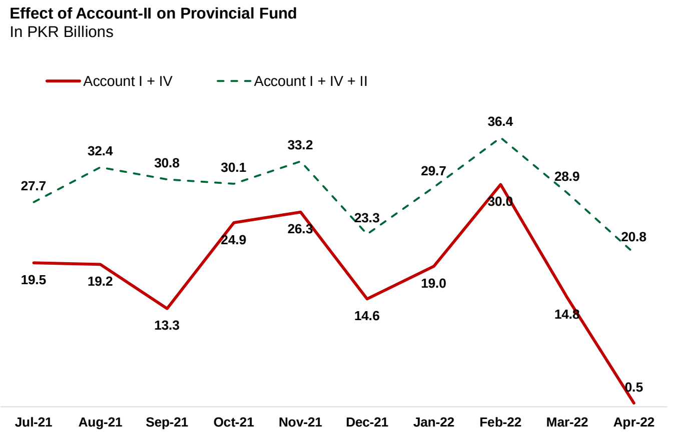
The Government of Khyber Pakhtunkhwa has four accounts in State Bank of Pakistan for its operations. These are Account-I i.e, the provincial level account, Account-II used for state trading and Food, Account-III used for Zakat and Account-IV used for district level expenditures.

Account-I is the main account used to pay salaries, pensions, non-salary and development expenditure. For the purposes of accounting, State Bank of Pakistan considers the balance of Account-I and Account-IV for overdraft purposes. Whenever the combined balance of Account-I and Account-IV reaches zero, State Bank of Pakistan provides the Government with Ways and Means advance to continue its operations. This financing facility is charged with an interest by the Central Bank.

Finance Department has started consultations with the State Bank of Pakistan to consider Account-II balance for overdraft purposes as it is government money. This account has on average Rs. 11 billion at any moment through the financial year. Accounting for this money can greatly boost the cash cover available with the government and help to prevent more than Rs. 100 million in overdraft charges. However, if the State Bank of Pakistan disapproves of this consolidation of funds, then the Government of Khyber Pakhtunkhwa will move these funds to a commercial account for profit generation.

Figure 9.3

The Government can save more than a 100 million in overdraft if Account-II is considered with Account-I and IV



Account-II has on average **Rs. 11 bln at all times** which is government money but **not accounted** in Provincial Consolidated Fund

9.4 Project Implementation Policy

Projects remain a key source of driving development in Pakistan and its provinces. Within the governance paradigm of the country and its provinces, projects can create space (both fiscally and functionally) for any executing agency (Line Departments, or otherwise), to implement interventions in a more direct and focused manner. Over the years, projects have also seen an organic evolution. From standard brick-and-mortar projects, aimed at construction or infrastructure, to service-delivery oriented projects; there is a visible cognitive shift in understanding how projects can be used more optimally for achieving development outcomes. However, the existing Project Implementation Policy just focused on the Human Resource without enabling clauses for crucial project management elements such as market-based hiring, financial, asset and procurement management, project appraisal and establishment of a project management unit.

This proposed Project Implementation Policy is envisaged as an enabling instrument that sheds light on all the management, procurement and appraisal related aspects of the project. It also encompasses competitive hiring in human resource management and hence, allows much more flexibility than the existing and redundant project implementation policy. Ultimately, the Policy aims to support projects as high-impact development tools, as opposed to financial burdens for their sponsoring or executing agencies.

Figure 9.4

An innovative approach needs to be taken to develop a holistic project policy

		Covered in existing project policy?
Institutional	1 Project Management Unit establishment	✗
	2 Human Resources	✓
	3 Institutional Provisions	✗
Financial	4 Financial Management	✗
Operational	5 Asset Management	✗
	6 Procurement Management	✗
	7 Outsourcing Management	✗
Monitoring	8 Monitoring and Evaluation	✗
Out-transition	9 Project Appraisal	✗

New Project Implementation Policy is aimed at capturing the essence of how to successfully implement a project

- General Principles
- Transitioning into the Project
- Establishing a Project Management Unit
- Human Resource related provisions
- Practice of Revenue Clearance
- Procurement Management for Projects
- Operational/project Management
- Financial Management (Acct. + Audit)
- Institutional Arrangements for Project
- Monitoring and Evaluation
- Revision
- Out-transition / Project Closure
- Advice of Approval Forum
- Provisions related to special projects

9.5 Asaan Assignment Accounts & Treasury Single Accounting (TSA)

Designated Accounts (DAs) are various accounts, carrying over Rs. 100 billion, of the Provincial Government in commercial banks and hence, significantly lowering the working capital available at the disposal of the Finance Department at any moment during the Fiscal Year. The Government of Khyber Pakhtunkhwa has been meticulously working on analyzing the current fiscal space and designated accounts. After several sessions of consultations and analysis conducted by the Finance Department and the Internal Support Unit, a significant amount was highlighted in lying around in DAs and a mechanism was devised to bring this money under the umbrella of the Finance Department through unification of Treasury Single Account-I and Treasury Single Account-II .

The Cabinet of the Government of Khyber Pakhtunkhwa approved Cash Management Policy and Framework 2020 during January 2021. Under this policy, the Designated Accounts (DAs) supported through the Funds allocated in the Provincial Budget shall be closed, and the balances parked in these accounts shall be transferred back to TSA-I. The Designated Accounts maintained by the Departments through own source revenue shall be consolidated in TSA-II.

Progress So Far

The Cash Balances in Government Bank Accounts (Account 1, 2, 3 & 4) in SBP are consolidated on daily basis.

- Large number of DAs supported through Provincial Budgetary Funds are being closed and converted on Asaan Assignment Accounts.
- A policy for operations of DAs required for operational reasons is developed and circulated by the Finance Department.
- The outflow of funds from SBP Accounts are restricted to minimum, except those supported by various Acts of Provincial Assembly.
- A computerized system for online reporting and cash forecasting is developed by KPRMP which shall be implemented during 2022-23 under DLR 4.4.
- The issue of Monthly, Fortnightly and Daily Consolidation of balances of DAs by SBP is in progress.

Progress on Cash Balance Consolidation of Das by SBP through Real Time Gross Settlement (RTGS) System

Under the guidance of World Bank, the issue was taken up in a joint meeting with SBP which proposed two options for Consolidation of Cash Balances:

a. **Real Consolidation**
b. **Statistical Consolidation**

Real Consolidation is the flow of cash balances from the DAs to SBP Account-I at day end and return to Das at start of next day. This requires legal support in the form of PFM Act, therefore SBP agreed to provide **Statistically Consolidated Quarterly Reports (SCQR)** of Das under which the cash balances of the Das are not transferred but only reported through SBP report. The 1st SCQR was received from SBP for the quarter ended March 2021, which revealed that a sum of Rs. 288 billion is parked in about 54,000 designated bank accounts. The report was thoroughly scrutinized, and accounts of centralized departments were separated from the accounts of funds, autonomous bodies/authorities established under various Acts of Provincial Assembly.

The findings were shared with SBP with the request to start Real Consolidation of Cash Balances of Das of Centralized Departments only, as it needs no further legal backing, and the Das of Autonomous Bodies/Authorities be consolidated when the PFM Act is available. SBP responded that heads of Chart of Accounts and Accounting Procedure may please be shared to proceed further.

Table 30

Description	Number of Accounts	Balances in PKR (million)
Centralized Departments	24,125	63,262
Funds Established under various Acts/Rules	19,278	130,195
Autonomous Bodies/Authorities	9,984	83,842
Public Accounts	613	10.701
Total	**54,000**	**288,000**

The office of Accountant General KP recommended that a Draft Accounting Procedure for daily recording and reconciliation of Das balances may be prepared and submitted to the Controller General of Accounts for his approval before sharing with SBP.

The Draft procedure was prepared and shared with the office of CGA during February 2022. After two follow-up meetings, office of CGA concluded that Khyber Pakhtunkhwa may follow the Federal Government regulations of "**Public Finance Management Act, 2019"** and "**Cash Management & Treasury Single Account, Rules, 2020"** in which complete accounting cycle & treatment of public money has been defined comprehensively.

9.6 Increasing Transparency of Public Sector Entities

As a first step towards enhancing the transparency of the public sector entities, the approved policy frameworks need to be effectively institutionalized in the said entities. Towards this end, specialized training modules are being developed, catered to the entities that have been divided into clusters, to enable the entities to better understand the frameworks in their own context and get them onboard with implementation. To ensure smooth implementation of the frameworks, constant liaison and support will be provided to the entities.

Financial Reporting and Consolidation Software

Another step to improve and augment transparency is the implementation of financial reporting and consolidation software that is custom-made and developed specially for the entities. Currently, there is a lack of visibility vis-à-vis the financial status of the entities due to multiple reasons including some entities that do not regularly produce financial reports and others with no channel for periodic sharing with the concerned stakeholders. Therefore, the implementation of the abovementioned software in the entities will enable and enhance periodic financial reporting in a digital manner ensuring ease of access, tracking of non-compliant entities etc. The software also has provisions to conduct the variance analysis concerning budget versus actual figures and enable reporting on Key Performance Indicators (KPIs). As a result, the relevant stakeholders will have regular and concrete data to review the performance of the entities thus helping them make more informed decisions.

Web-based Governance Management System

A web-based governance management system has been developed in-line with the approved policy framework and its first phase is live; the system is meant to help the public sector entities maintain a database of their board of directors and key management personnel and record their meeting minutes. In its second phase, performance evaluation features will be added along with a compliance matrix for each policy framework to monitor their implementation regularly. The system will increase visibility of the entities to the concerned stakeholders and also encourage the entities in going digital.

External Audit

To enhance transparency and improve internal controls of the public sector entities, the Government of Khyber Pakhtunkhwa has approved a policy for the entities to have their books audited by a specialized Audit firm, at least once a year. In this respect, the Government of Khyber Pakhtunkhwa is considering including the same provision in the KP Public Financial Management Law to strengthen financial management vis-a-vis transparency and accountability.

Governance Assessments

In addition to the above, comprehensive governance assessments of entities are also on the cards. The objective of these assessments in the form of elaborate reports is to measure the compliance of the corporate governance of the entities against the benchmarks and to give recommendations to the entities for improvement.

9.7 Efficient Operational Expenditure Management

The Government of Khyber Pakhtunkhwa has so far introduced multiple revenue and expenditure related initiatives such as early ADP releases to augment development spending coupled with monthly expenditure reports and revenue reviews. However, most of the time, majority of the non-salary budget is clumped up in the two sub heads of "Others and Grants Domestic".

Figure 9.5

Steps need to be taken to move towards improved transparency and efficient budgeting

A snapshot of Monthly Expenditure Report for E&SE – April'22

Description	ANNUAL ANALYSIS					
	BE 2020-21	Full Year 2020-21 ACTUAL	BE 2021-22	Full Year Budget Utilization 2020-21	YTD Budget utilization 2020-21	YTD Budget utilization 2021-22
Provincial Non-Salary						
Legal and Professional costs	01	01	01	105%	84%	148%
Communication	30	66	34	217%	65%	202%
Utilities	06	09	06	165%	118%	120%
Rent and rates	00	01	01	535%	67%	17%
Vehicles maintenance	02	06	03	326%	205%	216%
Training, Hotel and Travel	52	146	661	283%	185%	8%
Printing and Stationery	701	18	206	3%	1%	8%
Entertainments and Gifts	00	01	01	424%	242%	126%
Purchase of assets	00	01	156	868%	378%	57%
Repairs and Maintenance	01	05	03	312%	161%	133%
Retirement Benefit	11	56	38	511%	305%	52%
Grants Domestic	5,815	7,868	4,708	135%	62%	48%
Miscellaneous	39	212	65	550%	165%	27%
Others	395	09	4,727	2%	1%	0%
Provincial Non-Salary	7,053	8,397	**10,610**	119%	55%	24%

89% of the Non-salary budget is budgeted in just two heads "Others" and "Grants Domestic"

Introduce better budgeting lines
Better budgeting lines should be made for increased transparency and efficient budgeting

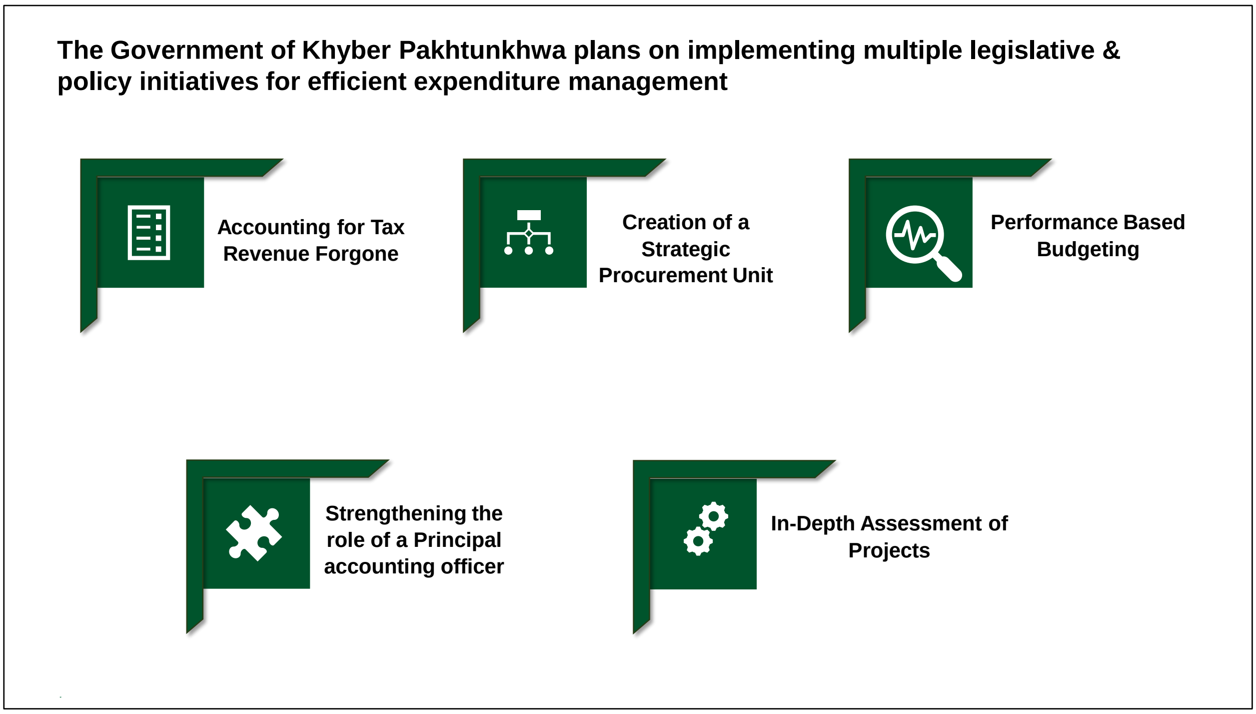
Single grant for single PAO
There should be single grant for each Principal Accounting Officer

Efficient Procurement
Suitable heads should be made for procurement aligned with an annual plan

The Finance Department of Khyber Pakhtunkhwa is working towards a comprehensive reform system to further improve 'Expenditure Management' in addition to the measures introduced till now such as monthly expenditure report monitoring, debt bulletin, SNE rationalization, non-salary bifurcation etc.

Given below are some of the measures which shall be introduced in the 2-5 years horizon to further extract useful information regarding expenditure and fine-tune spending in the coming years.

Figure 9.6



- **Tax Expenditure**
  The Finance Department proposes to include a statement of estimated tax expenditure in the annual budget statement of the **estimated revenue forgone due to exemptions or amnesties**. Government shall, at the time of presenting annual budget statement, in respect of every financial year, cause to be laid before the Provincial Assembly, a statement of estimated tax expenditure, broken down by revenue instrument, for the outgoing and ensuing financial year.

- **Excess Expenditure & Object Codes**
  The first and foremost priority is to present a comprehensive calculation of any excess expenditure forecasted to be incurred during the fiscal year and to be approved by the Provincial assembly. Another initiative is to create new Object Codes for transparent and efficient budgeting and reducing miscellaneous spend.

- **Strategic Procurement Unit**
  This unit is for financial and analytical oversight of government procurement management strategy and its implementation. The unit shall comprise of officers, officials, and experts in the field to expedite efficient procurement across the provincial government.

- **Performance Based Budgeting**
  The core goal for performance-based budgeting, monitoring and reporting will be fulfilled only through a comprehensive assessment of each department and linked with the budget estimates. Hence, at the time of submission of the budget estimates, a medium-term performance-based budget report along with the annual budget statement shall be submitted before the provincial assembly for deliberation and assessment.

- **Medium Term Integrated Departmental Plan**
  Line department shall be asked for integrated departmental plan whereas, the planning and development department will be required to submit detailed sectoral plans. Similarly, all unapproved schemes will be removed from the budget to further declutter the existing list of schemes. Once the budget is approved, by the end of the Fiscal Year, a thorough impact assessment of the schemes and projects will also be consolidated and presented to the assembly.

- **Principal Accounting Officer**
  There shall be a single Principal Accounting Officer for each demand. No fund, grant or demand shall be communal with multiple Principal Accounting Officers. However, one Principal Accounting Officer may have authority and responsibility of more than one fund, grant or demand. Principal accounting officer will also be responsible for operation and maintenance of schemes.

- **Reporting of Public Entities**
  As outlined in the way forward outlined by the Corporate Governance Unit, an annual financial report for each Public Sector Entity will be prepared for the cabinet.

Annexures

Historical Annexures

General Revenue and Receipts

Unit: In Rs. Mln

Year	Provincial Tax Receipts	Provincial Others Receipts	Total Provincial Own Receipts	Net Capital Receipts	Federal Tax Assignment	Net Profits	Grants from Federal Govt.	Total Provincial Receipts	Current Revenue Expenditure	Deficit/Surplus Revenue Account	Non-Obligatory Grant	Receivable as per Arbitration 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	862.2	(-) 188.2	138.2	50
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	1,149.10	(-) 434.1	398.7	35.4
R.E	93.4	119.4	212.8	14.8	426.9	---	107.6	762.1	1,137.00	(-) 374.9	352.6	22.3
78-79 B.E	96.8	135.5	232.3	12.7	461.8	---	104.8	811.6	1,314.30	(-) 502.7	456.8	45.9
R.E	96.6	201.3	297.9	(-)10.8	512.3	---	108.5	907.9	1,391.20	(-) 483.3	468.4	14.9
79-80 B.E	101.3	162.8	264.1	11.2	562.8	---	104.8	942.9	1,557.10	(-) 614.2	566.9	47.3
R.E	123	209.9	332.9	14.8	736.9	---	104.8	1,189.40	1,674.80	(-) 485.4	475	10.4
80-81 B.E	127.4	250	377.4	12.3	881.3	---	104.8	1,375.80	1,877.60	(-) 501.8	445.8	56
R.E	143.2	260.7	403.9	13.2	1,060.40	---	107.3	1,584.80	2,031.80	(-) 447.0	447	---
81-82 B.E	154.4	276.6	431	12.3	1,203.10	---	104.7	1,751.10	2,292.90	(-)541.8	531.6	10.2
R.E	174.7	282.6	457.3	37	1,132.60	---	106.4	1,733.30	2,538.90	(-) 805.6	805.6	---
82-83 B.E	188.7	296.2	484.9	16.6	1,223.60	---	104.8	1,829.90	2,714.70	(-) 884.8	874.8	10
R.E	212	308	520	24.8	1,223.60	---	105.4	1,873.80	2,989.70	(-) 1115.9	1,115.90	---
83-84 B.E	212	340.2	552.2	16	1,364.30	---	104.8	2,037.30	3,454.30	(-) 1417.0	1,396.00	21
R.E	238.3	374.6	612.9	50.7	1,374.60	---	116.6	2,154.80	3,705.20	(-) 1550.4	1,550.40	---
84-85 B.E	257.5	375.4	632.9	66.8	1,537.40	---	104.8	2,341.90	4,334.70	(-)1992.8	1,992.80	---
R.E	264.3	395.9	660.2	70.1	1,457.00	---	119.3	2,306.60	4,512.10	(-) 2205.5	2,205.50	---
85-86 B.E	288.9	412.3	701.2	75	1,622.00	---	104.7	2,502.90	5,201.00	(-) 2698.1	2,698.10	---
R.E	284.1	414.1	698.2	51.8	1,622.00	---	130.7	2,502.70	5,453.70	(-) 2951.0	2,951.00	---
86-87 B.E	307.2	430.2	737.4	52.8	1,622.00	---	104.8	2,517.00	6,466.30	(-) 3949.3	3,949.30	---
R.E	303.6	434.5	738.1	34.6	1,615.60	---	130.3	2,518.60	6,811.80	(-) 4293.2	4,293.20	---
87-88 B.E	309.3	466.1	775.4	34.6	1,831.30	---	104.7	2,746.00	7,382.90	(-) 4636.9	4,636.90	---
R.E	338.6	619.5	958.1	72.5	1,988.60	---	111.4	3,130.60	7,997.10	(-) 4866.5	4,866.50	---
88-89 B.E	369.2	531.1	900.3	74.6	2,204.50	---	104.8	3,284.20	8,685.10	(-) 5400.9	5,400.90	---
R.E	374.7	556.3	931	174.8	3,030.50	---	136.9	4,273.20	8,607.40	(-) 4334.2	4,022.60	311.6
89-90 B.E	369.3	581.8	951.1	159.6	3,330.20	---	104.8	4,545.70	9,291.20	(-) 4745.5	3,735.80	1,009.70

R.E	405.6	714.5	1,120.10	197.4	3,934.00	---	134.8	5,386.30	9,385.60	(-) 3999.3	3,574.70	424.6
90-91 B.E	391.6	691.6	1,083.20	202.4	4,356.00	---	104.8	5,746.40	10,558.70	(-) 4812.3	3,475.60	1,336.70
R.E	430.5	759.8	1,190.30	72.8	4,301.60	---	132	5,696.70	10,281.70	(-) 4585.0	4,029.70	555.3
91-92 B.E	440.3	799.7	1,240.00	25.4	6,582.40	5,987.50	204.8	14,040.10	12,732.30	(+) 1307.8	---	---
R.E	435.7	864.3	1,300.00	20.7	6,444.10	5,999.90	402.5	14,154.80	12,737.30	(+) 1417.5	---	926.4
92-93 B.E	527.2	972.8	1,500.00	19.6	7,304.00	6,800.00	204.8	15,828.40	14,370.80	(+) 1457.6	---	---
R.E	688.8	958.8	1,647.60	19.7	7,366.00	5,680.00	205.2	16,038.50	14,579.00	(+) 1459.5	---	1,938.90
93-94 B.E	639	1,031.00	1,670.00	9.3	8,277.20	7,500.00	204.8	17,661.30	16,511.30	(+) 1150.0	---	---
R.E	634.2	1,040.80	1,675.00	9.3	9,392.10	5,482.00	209.5	17,785.90	16,635.90	(+) 1150.0	---	2,898.80
94-95 B.E	686.4	1,128.00	1,814.40	11.7	11,139.00	7,800.00	4.8	20,769.90	19,189.90	(+) 1580.0	---	---
R.E	724.3	1,272.70	1,997.00	17.6	11,454.70	6,500.00	10	21,279.30	19,404.50	(+) 1874.8	---	2,718.90
95-96 B.E	875.8	1,236.00	2,111.80	12.8	13,873.10	7,970.00	4.7	23,972.40	21,972.40	(+) 2000.0	---	---
R.E	810.2	1,487.30	2,297.50	13.9	14,345.10	6,000.00	4.8	24,631.30	23,564.00	(+) 1067.3	---	4,140.80
96-97 B.E	803.3	1,596.30	2,399.60	15.2	16,226.70	8,500.00	4.8	27,146.30	26,862.00	(+) 284.3	---	---
R.E	1,006.70	1,754.10	2,760.80	629.1	16,134.50	6,000.00	4.8	28,029.10	25,800.00	(+) 2229.1	---	5,154.90
97-98 B.E	1,407.90	1,867.10	3,275.00	(-) 775.0	15,064.00	9,423.00	3,310.00	30,297.00	30,058.50	(+) 238.5	---	---
R.E	1,167.70	1,714.10	2,881.80	(-)381.8	14,086.40	6,000.00	3,327.60	29,337.00	29,451.00	(-) 114.0	---	6,270.40
98-99 B.E	1,472.80	2,124.90	3,597.70	(-) 752.3	16,018.60	10,466.00	3,674.00	33,004.00	33,004.00	---	---	---
R.E	1,389.30	2,262.80	3,652.10	(-)646.6	14,579.50	6,000.00	3,675.30	31,726.30	32,004.00	(-) 277.7	---	7,497.40
99-2000 B.E	1,705.40	2,336.50	4,041.90	(-)830.2	16,867.70	11,624.00	4,078.00	35,781.40	35,493.00	(+) 288.4	---	---
R.E	1,592.70	2,336.00	3,928.70	(-)827.9	16,613.60	6,000.00	4,057.30	35,395.70	35,263.50	(+) 132.2	---	8,847.20
2000-01 B.E	1,740.90	2,509.10	4,250.00	(-) 955.0	21,227.50	12,899.00	4,310.70	41,732.20	39,132.20	(+) 2600.0		
R.E	1,381.80	2,207.70	3,589.50	(-) 648.2	19,217.80	6,000.00	3,827.60	31,986.70	33,673.30	(-) 1038.4	---	10,331.90
2001-02 B.E	1,862.30	2,096.10	3,958.40	(-) 776.2	21,552.20	14,328.00	4,258.60	44,067.30	45,040.40	(-) 973.13	398.5	
R.E.	2,020.10	1,943.40	3,963.50	(-)953.5	19,411.80	6,000.00	3,898.00	32,323.20	34,623.00	(-) 559.845		1,195.10
2002-03 B.E	1,987.90	2,089.90	4,077.90	(-)1262.9	22,728.30	15,904.00	3,898.00	46,767.10	48,564.00	(-) 1796.9	159	
R.E	2,140.40	2,103.40	4,243.80	1,047.00 9	22,872.20	6,000.00	3,898.00	37,039.30	36,171.60	(+) 867.7	221	13,761.60
2003-04 B.E	2,148.50	2,009.80	4,158.30	1,788.00 5	25,750.40	17,653.00	3,898.00	51,459.70	47,114.70	(+) 4345.1		
R.E	2,019.10	1,999.80	4,018.90	3,125.00 2	25,660.30	6,000.00	3,898.00	39,577.20	38,400.00	(+) 1177.2	---	15,737.70
2004-05 B.E	2,278.70	2,149.40	4,428.10	3,132.00 0	29,344.10	8,000.00	4,500.00	46,272.20	42,650.00	(+) 3622.2	---	

R.E	2,339.80	2,210.70	4,550.50	---	30,215.00	6,000.00	45,000.00	45,265.50	42,650.00	(+) 2615.5		17,911.50
2005-06 B.E	2,528.50	2,365.50	4,894.00	3,132.00 0	35,458.20	8,000.00	10,000.00	58,352.20	51,062.00	(+) 7290.2	---	
R.E	2,633.90	2,555.20	5,189.10	---	36,805.10	6,000.00	5,000.00	65,462.80	60,693.00	(-) 8799.6	12,473.00 2	20,302.60
2006-07 B.E	3,053.60	2,741.40	5,795.00	---	44,034.50	8,000.00	9,712.50	67,542.00	54,500.00	(+) 13042.0	---	
R.E	3,049.50	2,682.30	5,731.80	---	44,645.10	6,000.00	9,765.30	66,142.20	55,173.60	(+) 10968.5		22,932.90
2007-08 B.E	3,809.10	3,172.70	6,981.80	---	55,690.10	6,000.00	11,907.80	80,579.70	61,000.00	(+) 19579.7		
R.E	3,904.60	3,075.20	6,979.80	---	55,954.20	6,000.00	11,349.10	80,283.10	61,450.00	(+) 18833.1	0.5	25,826.20
2008-09 B.E	4,737.30	3,473.40	8,210.70	---	71,445.80	6,000.00	14,432.20	100,088.70	67,300.00	(+) 32788.7		
R.E	3,749.20	3,425.50	7,174.70	---	69,965.70	6,000.00	13,183.30	96,323.70	75,600.00	(+) 20723.7	1,682.00	29,008.80
2009-10 B.E	5,991.90	3,655.70	9,647.60	---	83,218.50	6,000.00	14,822.50	113,688.60	80,000.00	(+) 33688.6		
R.E	3,497.00	4,711.80	8,208.80	---	93,998.70	16,000.00	15,207.40	133,414.90	109,000.00	(+) 24414.9	11,506.00 6	32,509.00
2010-11 B.E	15,559.50	3,155.20	19,556.70	---	173,033.60	31,000.00		198,590.30	127,958.00	(+) 70632.3	---	---
R.E	4,135.60	5,583.20	9,718.80	182,29 4.2	155,939.50	31,000.00	4,047.00	200,705.30	139,500.00	(+) 61205.3		
2011-12 B.E	4,529.20	6,014.40	10,543.60	---	191,245.00	31,000.00	---	232,788.30	149,000.00	(+) 83788.3	---	---
R.E	12,571.50	6,345.70	18,917.20	---	189,058.40	31,000.00	2,264.30	241,239.90	161,000.00	(+) 80239.9	---	---
2012-13 B.E	13,862.50	6,238.50	20,101.00	---	228,391.00	31,000.00	---	279,492.00	191,600.00	(+) 87892.0	---	---
R.E	8,164.90	6,235.30	14,400.20	---	231,525.40	31,000.00	---	245,925.60	195,000.00	(+) 50925.6	---	---
2013-14 B.E	10,287.60	6,632.90	16,920.50	---	250,065.60	31,000.00	---	297,986.10	211,000.00	(+) 86986.1	---	---
R.E	12,637.80	8,007.50	20,645.30	---	243,076.10	31,000.00	---	294,721.40	222,000.00	(+) 72721.4	---	---
2014-15 B.E	19,452.80	9,327.90	28,780.70	---	284,152.00	44,272.30	---	357,205.00	250,000.00	(+) 107205.0	---	---
R.E	19,832.00	10,573.00	30,405.00	---	264,548.10	9,400.00	3,021.60	307,374.70	255,000.00	(+) 52374.7	---	---
2015-16 B.E	22,594.50	31,830.30	54,424.80	---	315,452.20	68,873.00	2,000.00	425,750.00	298,000.00	(+) 127750.0	---	---
R.E	14,319.90	11,161.10	25,481.00	---	301,262.20	34,000.00	7,401.70	368,144.90	280,903.80	(+) 87241.2	---	---
2016-17 B.E	18,171.10	31,335.90	49,507.00	---	346,183.80	33,704.00	300	429,694.80	333,000.00	(+) 96694.8	---	---
R.E	18,204.30	14,263.70	32,468.00	---	343,547.20	33,704.00	50	409,769.20	338,601.00	(+) 71168.2	---	---
2017-18 B.E	22,306.90	22,908.10	45,215.00	---	389,854.50	35,785.00	---	470,854.50	388,000.00	(+) 82854.5	---	---
R.E	19,405.00	14,852.00	34,257.00	---	381,031.90	63,050.90	---	478,339.80	389,000.00	(+) 89339.8	---	---
2018-19 B.E	23,823.00	17,439.00	41,262.00	---	426,095.50	65,277.90	---	532,635.30	430,000.00	(+)102635.3	---	---
R.E	19,765.00	14,875.00	34,640.00	---	403,958.60	54,491.80	---	493,090.40	410,000.00	(+) 83,090.4		
2019-20 B.E	**33,022.60**	**20,381.50**	**53,404.10**	**---**	**533,261.50**	**55,674.80**	**79,000.00**	**721,340.40**	**526,300.00**	**(+) 195,040.4**	**---**	**---**
R.E	**27,583**	**19,238**	**46,821**	**---**	**379,097.30**	**512,70**	**66,000**	**543,188.30**	**532,550**	**(+)10,638.3**		
2020-21	**28,147**	**21,087**	**49,234.00**	**---**	**477,518.60**	**58,288.40**	**88,000.00**	**673,019.00**	**593,129**			
B.E										**(+)79,890**	---	-----
R.E	**31,779**	**20,623**	**52,402**	**---**	**456,129**	**58,266**	**83,800**	**650,597**	**619,345**	**(+)**		

										31,252	-----	----
2021-22	43,189	31,811	75,000	---	559,257	74,701	99,000	807,958	747,240	(+)		
B.E										60,718	----	-----
R.E	44,580	32,420	77,000	---	591,512	42,220	94,590	805,322	894,090	(-)88,768		
2022-23												
B.E	52,667	32,333	85,000	---	670,451	61,800	124,000	941,251	913,843	(+)27,408		

Annual Development Programme Since 1973/74

Unit: in Rs Mln

Year	Size of ADP	Revised Size of ADP
1974-75	400	500
1975-76	576.7	601.4
1976-77	546.8	640.9
1977-78	617	687.6
1978-79	669	720.6
1979-80	767	702.9
1980-81	818	838.4
1981-82	980.9	1,002.30
1982-83	1,228.00	1,174.30
1983-84	1,176.50	1,191.50
1984-85	1,244.70	1,245.40
1985-86	1,697.00	1,912.80
1986-87	2,131.30	2,131.30
1987-88	2,472.30	2,471.10
1988-89	2,164.20	2,164.20
1989-90	2,197.60	2,198.60
1990-91	2,506.20	2,851.40
1991-92	4,813.70	4,881.60
1992-93	6,575.40	5,002.90
1993-94	4,959.00	4,764.60
1994-95	6,964.00	7,349.20
1995-96	7,665.60	8,081.90
1996-97	8,711.50	5,659.10
1997-98	4,884.70	5,498.20
1998-99	6,072.40	7,771.70
1999-00	5,745.20	8,057.50
2000-01	9,212.50	7,272.10
2001-02	7,986.20	8,710.10
2002-03	13,673.30	11,289.20
2003-04	14,696.00	12,883.00
2004-05	16,195.00	15,365.20
2005-06	21,000.00	24,397.40
2006-07	26,630.40	26,542.10
2007-08	39,462.40	32,913.90
2008-09	41,544.90	39,000.60
2009-10	51,157.00	46,330.50
2010-11	69,283.70	64,977.50
2011-12	85,141.00	84,473.60
2012-13	97,458.00	88,130.60
2013-14	118,000.00	104,847.60
2014-15	139,805.00	134,737.30
2015-16	174,884.00	135,098.60
2016-17	161,000.00	172,096.40

2017-18	208,000.00	150,158.80
2018-19	180,000.00	175,599.56
2019-20	319,000.00	220,130.70
2020-21	317,857.00	249,992.00
2021-22	371,074.60	*420,907.0
2022-23	418,157.50	
(*Includes PSDP of Rs. 51,260.1 million)		

Current Year's Annexures

KP Foreign Loans

Units: In Foreign Currency

S. No	Projects	Projects	Lender	Rate of Interest	Date of First Installment	Date of Last Installment	Currency	Outstanding Balance FC 2021-22
1	IDA-678	3rd Education Project	IDA	0.75%	15-Feb-87	15-Aug-26	USD	0.09
2	IDA-683	Flood damages restoration Project	IDA	0.75%	15-May-87	15-Nov-26	USD	0.35
3	IDA-755	Hazara Forestry Project	IDA	0.75%	1-Apr-88	1-Oct-27	USD	0.06
4	IDA-877	Salinity Control & Reclamation Project Mardan	IDA	0.75%	1-Apr-89	1-Oct-28	USD	4.33
5	IDA-892	4th Primary Education Project	IDA	0.75%	1-Sep-89	1-Mar-29	USD	0.25
6	IDA-1113	Bannu Leather goods services control Project	IDA	0.75%	1-Aug-91	1-Feb-31	USD	0.23
7	IDA-1163	On-Farm Water Management Project	IDA	0.75%	1-Dec-91	1-Jun-31	USD	0.55
8	IDA-1239	Irrigation System Rehab: Project	IDA	0.75%	1-Oct-92	1-Apr-32	USD	0.81
9	IDA-1487	Command Water Management Project	IDA	0.75%	15-Jun-94	15-Dec-33	USD	1.16
10	IDA-1499	Small Industries Dev. Board Project	IDA	0.75%	15-Jan-95	15-Jul-34	USD	0.06
11	IDA-1602	2nd Primary Education Project	IDA	0.75%	1-Nov-95	1-May-35	USD	4.88
12	IDA-1603	On-Farm Water Management Project	IDA	0.75%	1-Nov-95	1-May-35	USD	1.17
13	IDA-1888	2nd Irrigation System & Rehab: Project	IDA	0.75%	1-Aug-98	1-Feb-23	USD	0.24
14	IDA-2003	1988 Flood Damages Restoration Project	IDA	0.75%	15-Sep-99	15-Mar-24	USD	0.30
15	IDA-2154	2nd Agriculture Research Project	IDA	0.75%	1-Nov-00	1-May-25	USD	0.62
16	IDA-2240	Family Health Project	IDA	0.75%	1-Nov-01	1-May-26	USD	2.84
17	IDA-2245	On-Farm Water Management Project	IDA	0.75%	15-Sep-01	15-Mar-26	USD	0.92
18	IDA-2383	Environmental Protection and resource conservation Project	IDA	0.75%	15-Nov-02	15-May-27	USD	0.78
19	IDA-2468	1992 Flood Damages Restoration Project	IDA	0.75%	15-Mar-03	15-Sep-27	USD	0.69
20	IDA-2593	Social Action Program	IDA	0.75%	1-Aug-04	1-Feb-29	USD	1.78
21	IDA-2687	Primary Education Project	IDA	0.75%	15-Aug-05	15-Feb-30	USD	35.56
22	IDA-2829	KP Community Infrastructure Project	IDA	0.75%	1-Jul-06	1-Jan-31	USD	7.50
23	IDA-2999	National Drainage Program	IDA	0.75%	15-Nov-07	15-May-32	USD	0.86
24	IDA-3050	Social Action Program II	IDA	0.75%	15-Sep-08	15-Mar-33	USD	3.95
25	IDA-35161	Investment Program /KP water farm management project	IDA	0.75%	15-Dec-15	15-Jun-40	USD	8.46
26	IDA-3516	NWFP Emergency Rehabilitation Project	IDA	0.75%	15-Jun-11	15-Dec-35	USD	14.05

27	IDA-3687	KP Structural Adjustment SAC I	IDA	0.75%	15-Dec-12	15-Jun-37	PKR	4,283.37
28	IDA-3776	Provincial HIV AIDS Control	IDA	0.75%	15-Jun-13	15-Dec-37	USD	2.64
29	IDA-3906	Second KP Community Infrastructure Project	IDA	0.75%	15-Sep-14	15-Mar-39	USD	29.87
30	IDA-39321	KP Structural Adjustment Credit SAC II	IDA	0.75%	15-Sep-14	15-Mar-39	USD	40.00
31	IDA-3932	KP Structural Adjustment Credit SAC II	IDA	0.75%	15-Sep-14	15-Mar-39	USD	72.00
32	IDA-4177	Development Policy Credit-I	IDA	0.75%	15-Sep-16	15-Mar-41	USD	79.08
33	IDA-4316	Development Policy Credit-II	IDA	0.75%	15-Sep-17	15-Mar-42	USD	113.19
34	IDA-5786	National Immunization Support Project	IDA	2.00%	1-Oct-18	1-Apr-43	USD	2.15
35	IDA-6421	KP Revenue Mobilization and Public Resource Management	IDA	2.00%	15-Oct-24	15-Apr-49	USD	57.57
36	IDA-6456	KP Irrigated Agriculture	IDA	2.00%	1-Jul-24	1-Jan-49	USD	28.43
37	IDA-6462	KP Integrated Tourism Development Project	IDA	2.00%	1-Jul-24	1-Jan-49	USD	24.14
38	IFAD-18	4th Agriculture Dev. Project	IFAD	1.00%	1-Sep-89	1-Mar-29	USD	0.17
39	IFAD-83	On-Farm Water Mgt: Project	IFAD	1.00%	1-Jun-92	1-Dec-31	USD	0.13
40	IFAD-558	NWFP Barani Area Development Project	IFAD	0.75%	15-Oct-11	15-Apr-41	USD	5.90
41	ADB-495	On-Farm Water Mgt: Project	ADB	1.00%	15-May-91	15-Nov-20	USD	-
42	ADB-723	Chasma Command Area Development Project	ADB	1.00%	15-Dec-94	15-Jun-24	USD	3.11
43	ADB-758	Farm to Market Roads Project	ADB	1.00%	1-Apr-96	1-Oct-25	USD	0.34
44	ADB-759	Science Education for Secondary School Project	ADB	1.00%	15-May-96	15-Nov-25	USD	0.24
45	ADB-838	Chitral Area Dev. Project	ADB	1.00%	15-Dec-97	15-Jun-27	USD	4.31
46	ADB-850	3rd Health Project	ADB	1.00%	1-Mar-98	1-Sep-22	USD	0.27
47	ADB-851	Fruit and Vegetable Marketing Project	ADB	1.00%	15-Apr-98	15-Oct-22	USD	0.03
48	ADB-874	Chasma Right Bank Irrigation Project Stage II	ADB	1.00%	15-Apr-98	15-Oct-22	USD	0.20
49	ADB-916	2nd Aquaculture Dev: Project	ADB	1.00%	15-Jan-99	15-Jul-23	USD	0.23
50	ADB-917	2nd Farm to Market Road Project	ADB	1.00%	1-Feb-99	1-Aug-23	USD	1.32
51	ADB-957	1988-Flood Damages Restoration Project	ADB	1.00%	1-Oct-99	1-Apr-24	USD	0.33
52	ADB-973	Livestock Development Project	ADB	1.00%	15-Feb-00	15-Aug-24	USD	0.30
53	ADB-976	Swabi Salinity Control and Reclamation Project	ADB	1.00%	15-Dec-99	15-Jun-24	USD	2.40
54	ADB-977	Primary Education Girls Project	ADB	1.00%	15-Jun-00	15-Dec-24	USD	0.70
55	ADB-1004	2nd Urban Dev: Project	ADB	1.00%	15-Jun-00	15-Dec-24	USD	8.25
56	ADB-1146	Chasma Right Bank Irr: Project Stage III	ADB	1.00%	15-Mar-02	15-Sep-26	USD	16.01

57	ADB-1179	Barani Area Dev: Project	ADB	1.00%	15-Mar-03	15-Sep-27	USD	6.40
58	ADB-1185	Provincial Highway Project	ADB	1.00%	15-Mar-03	15-Sep-27	USD	2.68
59	ADB-1200	Healthcare Dev: Project	ADB	1.00%	15-Mar-03	15-Sep-27	USD	0.85
60	ADB-1209	Flood Damages Restoration Sectors Project	ADB	1.00%	15-Mar-03	15-Sep-27	USD	4.16
61	ADB-1210	Teacher Training Project	ADB	1.00%	15-Feb-03	15-Aug-27	USD	1.65
62	ADB-1278	Middle School Project	ADB	1.00%	15-Jan-04	15-Jul-28	USD	5.07
63	ADB-1294	Pehur High Level Canal Project	ADB	1.00%	15-May-04	15-Nov-28	USD	41.47
64	ADB-1301	Social Action Program-I	ADB	1.00%	15-Sep-04	15-Mar-29	USD	4.79
65	ADB-1373	Technical Edu: Project	ADB	1.00%	15-Nov-05	15-May-30	USD	1.33
66	ADB-1401	Rural Access Road Project	ADB	1.00%	1-Feb-06	1-Aug-30	USD	11.11
67	ADB-1403	Forestry Sector Project	ADB	1.00%	15-May-06	15-Nov-30	USD	18.11
68	ADB-1454	Primary Education Girls Project-II	ADB	1.00%	1-Jan-07	1-Jul-31	USD	1.72
69	ADB-1493	Social Action Program-II	ADB	1.00%	15-Mar-07	15-Sep-31	USD	11.92
70	ADB-1534	Second Science Education Project	ADB	1.00%	1-Feb-08	1-Aug-32	USD	4.30
71	ADB-1671	Women's Health Project	ADB	1.50%	15-Apr-07	15-Oct-30	USD	2.52
72	ADB-1672	Malakand Rural Dev. Project	ADB	1.00%	1-Sep-08	1-Mar-33	USD	22.99
73	ADB-1787	Barani Areas Dev. Project	ADB	1.50%	15-May-09	15-Nov-32	USD	22.75
74	ADB-1854	NWFP Urban Dev Sector Project	ADB	1.50%	15-Apr-10	15-Oct-33	USD	2.23
75	ADB-1877	Agriculture Sector Program II	ADB	1.50%	1-Mar-10	1-Sep-25	USD	2.07
76	ADB-1900	Reproductive Health Project	ADB	1.50%	15-May-10	15-Nov-33	USD	0.16
77	ADB-2103	Pak WFP Road Dev. Project	ADB	Libor+0.5%	1-Feb-10	1-Aug-29	JPY	7,162.63
78	ADB-2104	KP Road Development	ADB	1.50%	1-Feb-13	1-Aug-36	USD	1.40
79	ADB-2135	Structural Credit Restructuring of the Technical and Vocational Training System Project	ADB	1.50%	15-May-13	15-Nov-36	USD	1.17
80	ADB-2286	Renewable Energy Dev Sector Investment Program project	ADB	Libor+0.5%	15-Dec-14	15-Jun-31	JPY	2,990.49
81	ADB-3470	Pehur High level Canal Ext. Project	ADB	Libor+0.5%	1-Apr-22	1-Oct-41	USD	25.57
82	ADB-3543	Peshawar Sustainable Bus Rapid Transit	ADB	Libor+0.5%	1-Aug-22	1-Feb-42	USD	318.89
83	ADB-3476	Access to Energy	ADB	Libor+0.5%	1-Apr-22	1-Oct-41	USD	94.08
84	ADB-2287	Renewable Energy Development Sector Investment Program Project-1	ADB	1.50%	15-Dec-14	15-Jun-38	USD	1.95
85	ADB-3601	KP Provincial Roads Improvement	ADB	USD Libor+0.5%	1-Feb-25	1-Aug-42	USD	87.74
86	ADB-3602	KP Provincial Roads Improvement	ADB	2.00%	1-Jul-23	1-Aug-42	USD	18.37
87	ADB-3756	Additional financing for KP Provincial Roads Improvement Project-Dualization of Mardan Swabi Road	ADB	2.00%	1-Jun-26	1-Dec-43	USD	33.13

88	ADB-6015	KP Cities Improvement Project	ADB	USD Libor+0.5%	1-Sep-22	1-Mar-34	USD	5.30
89	IBRD-3327	On-Farm Water Mgt. Project Phase-III	IBRD	0.75%	15-Sep-01	15-Mar-26	USD	0.46
90	G-7528	Hospital Equipment in KP-German	Germany	0.75%	30-Jun-94	31-Dec-33	DM	1.55
91	G-7585	Drinking Water Supply in Refugees Camps in KP-German	Germany	0.75%	30-Jun-94	30-Jun-34	DM	2.26
92	JICA-62	KP Emergency Road Rehabilitation Project	JICA	0.01%	20-Aug-21	20-Feb-51	JPY	13,838.39
93	AFD-1045	Additional Financing for BRT Peshawar	AFD	Euribor+52bps	1-Aug-24	1-Feb-39	Euro	67.21
94	IDA-6872	Spending Efficiently for Enhanced Development	IDA	2.00%	15-Aug-26	15-Feb-51	USD	96.36
95	IDA-6779	KP Hydropower and Renewable Energy Development	IDA	2.00%	1-Oct-25	1-Apr-50	USD	1.24
96	IDA-6714	KP Human Capital Investment Project	IDA	2.00%	1-Sep-25	1-Mar-50	USD	3.35
97	IDA-6590	Pandemic response effectiveness in Pakistan (Federal loan with KP Share)	IDA	2.00%	1-Jul-25	1-Jan-50	USD	5.00
98	IDA-6270	KP Economic Corridor (KPEC)	IDA	2.00%	1-Oct-23	1-Apr-48	USD	0.70
99	IBRD-9164	KP Hydropower and Renewable Energy Development Project	IBRD	2.00%	1-Sep-25	1-Mar-50	USD	1.13
100	ADB-4057	Balakot Hydropower Project	ADB	USD Libor + 0.5%	1-May-26	1-May-46	USD	60.01

Foreign Project Assistance

Units: In PKR Mln

Development Budget (Foreign Project Assistance) Year 2021-22 & 2022-23

PARTICULARS	BE 2021-22	RE 2021-22	BE 2022-23
A-EXTERNAL RESOURCES			
I-FOREIGN LOANS PKR Millions			
ADB	**32,399.656**	**36,152.000**	**40,163.020**
Khyber Pakhtunkhwa Rural Roads Dev Project KP-RRDP	643.100	643.000	2,000.000
Access to Energy-construction of mhp on canal	-	2,100.000	3,700.000
Construction of Balakot HPP 300 MW	5,000.000	9,612.000	13,000.000
KP Provincial Road Improvement Project Additional Financing	5,000.000	5,000.000	4,031.000
KP Cities Improvement Project (ADB Assisted)	50.000	50.000	1,887.000
KP Cities Improvement Project (ADB Assisted)	787.000	787.000	280.000
Detailed Design and Construction of Pehur High level	1,421.000	1,421.000	1,500.000
Khyber Pakhtunkhwa Health System Strengtheing	-	-	0.010
Provincial Roads Rehabilitation Project	5,000.000	5,000.000	5,226.000
Access to Energy - construction of MHP on Rivers and Tributaries	5,820.000	2,861.000	989.000
PRF KP Water Resources Dev Project	-	-	0.010
Purchase of Land & PMU for Balakot HPP	-	-	177.000
KP Cities Improvement Project phase-2 (ADB Assisted)	-	-	500.000
Construction of Peshawar Mass Transit System (Bus Rapid Transit)	8,678.556	8,678.000	6,873.000
IDA	**38,687.000**	**35,846.000**	**33,970.000**
Preparation Advance Facility of World Bank proposed KP Hydro Power Dev Project			
KP-spending efficiently for enchanced development (speed) IDA assisted	24,000.000	24,000.000	14,210.000
KP Human Investment Project	1,500.000	500.000	2,700.000
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).	500.000	500.000	500.000
KP Revenue Mobilization and Resource Management Program	3,250.000	3,250.000	3,966.000
Khyber Pakhtunkhwa Human Capital Investment Project	2,000.000	559.000	2,000.000
National Health Support Program	-	-	1,000.000
KP Integrated Tourism Area Dev Programme	3,000.000	3,000.000	4,500.000
Khyber Pakhtunkhwa Rural Accessibility Project	-	-	1,500.000

Rural investment and institutional support project, KP	400.000	-	200.000
KP Irrigated Agriculture improvement project	4,037.000	4,037.000	3,394.000
USA/World Bank	**1,280.000**	**250.000**	**2,585.000**
Construction of 88 MW Gabral-Kalam Hhydro Power Project, District Swat-under the WB	-	-	2,400.000
Consturction of 157 MW Madian Hydro Power Project District Swat	1,280.000	250.000	185.000
MDTF / Italian Debt	**120.000**	**20.000**	**250.000**
Establishment of heritage field schools in KP	120.000	20.000	250.000
SFD	**200.000**	**100.000**	**300.000**
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	100.000	-	-
Gravity Flow Water Supply Scheme, District Mansehra	100.000	100.000	300.000
IFAD	**1,000.000**		**500.000**
Rural economic transformation project RETP	1,000.000	-	500.000
DFID	**-**	**35.000**	**10.000**
Continuation of PMU for Provison of stipends to Secondary school Girls students of KP	-	35.000	10.000
I-Foreign Loans	**73,686.656**	**72,403.000**	**77,778.020**
II-FOREIGN GRANTS			
UNDP	**50.000**	**200.000**	**50.000**
Strengthening Rule of Law Project	-	150.000	-
SDG Unit in KP	50.000	50.000	50.000
SDC/Dutch/KOICA	**100.000**	**-**	**200.000**
Gravity bases safe drinking water supply system in Havelian, Abbottabad	100.000	-	200.000
Market and Employability for Peace and Stability	-	-	-
INL	**200.000**	**200.000**	**99.000**
Torghar Integrated Area Development Project	200.000	200.000	99.000
JICA / JAPAN ASSISTED.	**200.000**	**-**	**300.000**
Livelihood Improvement through Livestock Dev in Hazara Division		-	
Gravity Flow Water Supply Scheme, District Haripur	100.000	-	200.000
Rehabilitation of Flood Damages Rural Roads under counter	100.000	-	100.000
MDTF	**4,452.000**	**4,700.000**	**2,131.000**
Governance and Policy Reforms Programme	1,192.000	1,192.000	573.000
Digital Jobs for Khyber Pakhtunkhwa	282.000	530.000	-
Economic Revitalization in Khyber Pakhtunkhwa	1,000.000	1,000.000	-
CASA CSP -1000 (MDTF)	1,978.000	1,978.000	1,558.000
USAID	**2,525.000**	**3,529.000**	**1,414.000**
schools supplies for KP reconstruction Programme	400.000	777.000	428.000

Gomal Zam Dam Command Area Development and On- Farm Water Management for high value and high efficiency Agriculture Project	600.000	500.000	386.000
Municipal Service Delivery Project	1,525.000	2,252.000	600.000
China / FCDO / TBC	**-**	**1,038.000**	
Provison of 2000 ECE facilities and dev of 2000 play areas in primary schools in KP	-	1,038.000	-
IT Labs Program in KP (MOFCOM Assisted)			
UNICEF/UN/WFP	**583.344**	**633.000**	**544.000**
Strengthening Govt. Efforts to Combat Child Labour through Child Labour Survey	**-**	50.00	44.000
Strengthening Govt. Efforts to Combat Child Labour	50.000	50.000	-
Khyber Pakhtunkhwa Stunting Prevention and Rehabilitation Integrated Nutrition Gain	533.344	533.000	500.000
Multiple Initiative under one UN Programe			
KFW	**1,238.000**	**1,338.000**	**2,072.001**
resilient resource manag: with a participatory approach in Mansehra	300.000	300.000	825.000
Regional Infrastructure fund Phase-II	-	-	200.000
Support to Dislocated People in Pakistan	-	-	50.000
Digitalization (eGovernance) of KP	-	-	0.001
Infrastructure Support to Khyber Pakhtunkhwa	450.000	550.000	497.000
Establishment of Safe Blood Transfusion project phase-II	166.000	166.000	89.000
Social Health Protection Initiative for Khyber Pakhtunkhwa	322.000	322.000	411.000
EUROPEAN UNION	**2,000.000**	**1,300.000**	**2,418.000**
KP District Governance & Community Dev. Program	2,000.000	1,300.000	2,418.000
SFD	**480.000**	**480.000**	**1,586.000**
Market and Employability for Peace and Stability			
Saudi Fund for Development Projects	480.000	480.000	1,586.000
GIZ	**300.000**		**300.000**
Billion Tree Afforestation Project-Germany	300.000	-	300.000
II-Foreign Grants	**12,128.344**	**13,418.000**	**11,114.001**
A-Total External Resources (I + II)	**85,815.000**	**85,821.000**	**88,892.021**
Foregin Grant NMAs (B-I)			
Foregin Grant NMAs (B-I)			
ADB	**-**		**-**
INL	**300.000**	**300.000**	**381.000**
Khyber Area Dev Project Phase 2	100.000	100.000	118.000
Mohmand Area Dev Project	100.000	100.000	100.000
Bajaur Area Dev Project	100.000	100.000	163.000
China	**1,110.000**	**500.000**	**1,400.000**
FATA Schools Project (Reconstruction/Rehabilitation a fully damaged schools)	1,110.000	500.000	1,400.000
DFID			

MDTF	**285.000**	**285.000**	**228.000**
Pakistan community support project CSP			
Governance & Policy Reforms Program	285.000	285.000	228.000
Total Foregin Grant NMAs (B-I)	**1,695.000**	**1,085.000**	**2,009.000**
B-II ADB Loan / world Bank/IDA			
Khyber Pass Econmic corridor project (KPEC)	358.000	352.000	800.000
Command Area Dev Woks of KAITU WEIR Irrigation and Power projec of Kurram Tangi Dam Project satage 1	257.000	-	200.000
FATA water resource dev project (GOP component)	1,027.000	1,200.000	1,287.000
Total Foregin Loan NMAs (B-II)	**1,642.000**	**1,552.000**	**2,287.000**
Total B-I + BII	**3,337.000**	**2,637.000**	**4,296.000**
Grant Total FPA and NMAs	**89,152.000**	**88,458.000**	**93,188.021**

Medium Term Budgetary Framework

Unit: Rs. Bln
EXPENDITURE

Head	Actual		Budget		Forecast	
	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Total Expenditure	**645**	**814**	**1,118**	**1,332**	**1,492**	**1,639**
Current Expenditure	**474**	**600**	**747**	**914**	**1,024**	**1,129**
Salary	**278**	**287**	**374**	**448**	**515**	**590**
Settled - Provincial	92	81	127	179	206	235
Settled - Devolved	146	147	165	170	196	225
Medical Teaching Institutions (MTIs)	0	16	22	23	26	30
NMAs - Provincial	19	20	31	46	53	60
NMAs - Devolved	22	23	29	30	35	40
Pension	**70**	**84**	**92**	**107**	**117**	**127**
Pension expenditure funded from taxpayer proceeds	70	83	82	90	100	110
Pension expenditure funded from Pension Fund profit	0	0	10	10	10	10
Government allocation for Contributory Pension Programm	0	0	0	6	6	6
NMAs pension - bridge financing for Federal Government	0	1	0	1	1	1
Non-Salary	**126**	**229**	**281**	**359**	**391**	**412**
Settled - Provincial (O&M and Contingency)	68	93	141	170	190	205
Settled - Devolved (O&M and Contingency)	10	20	24	30	34	36
NMAs - Provincial (O&M and Contingency)	14	15	33	37	42	44
NMAs - Devolved (O&M and Contingency)	3	3	6	10	11	12
Subsidy	3	10	10	10	10	10
Viability Gap Funding	0	0	5	5	5	5
Investment & Committed Contribution	4	0	4	3	5	5
Interest Payments	11	19	16	16	16	16
Grants to Local Councils	3	4	7	8	9	9
COVID-19 contingency	0	0	4	1	1	1
Polio Eradication in Southern Khyber Pakhtunkhwa	0	0	0	1	1	1
Insaf Food Card	0	0	10	26	26	26
Capital Expenditure (Debt principal repayment)	10	66	12	16	16	16
Repayment of Ways & Means Advance to Federal Governm	0	0	10	25	25	25
Development Expenditure	**171**	**214**	**371**	**418**	**468**	**510**
ADP (Provincial - Settled Districts)	93	110	150	185	207	228
ADP (Devolved - Settled Districts)	3	8	15	37	41	46
ADP (Provincial - Merged Districts)	12	19	24	20	22	25
ADP (Devolved - Merged Districts)	2	28	2	4	4	5
Accelerated Implementation Plan (AIP) - Funded	24	0	36	36	40	44
Accelerated Implementation Plan (AIP) - Unfunded	0	0	35	35	40	44
Foreign Project Assistance (FPA)	**23**	**38**	**89**	**93**	**103**	**108**
FPA Settled Districts	23	36	86	89	98	103
FPA Merged Districts	0	2	3	4	5	5
PSDP expenditure for provincially executed projects	13	12	20	8	10	10
Deficit/Surplus	**-30**	**-2**	**0**	**0**	**0**	**0**

Medium-Term Fiscal Framework 2022-25
Unit: Rs. Bln
REVENUES

Head	Actual		Budget		Forecast	
	2020-21	2021-22	2021-22	2022-23	2023-24	2024-25
Total Revenues	**615.4**	**812.0**	**1,118.3**	**1,332.0**	**1,491.7**	**1,638.3**
Federal Transfers	**401.2**	**444.8**	**559.3**	**670.5**	**787.1**	**901.9**
Federal Tax Assignment	336.3	373.2	475.6	570.9	673.6	774.7
1 % for War on Terror	40.3	44.8	57.2	68.6	80.9	93.1
Straight Transfers	24.6	26.7	26.5	31.0	32.5	34.2
Profit from Hydro Electricity (NHP)	**16.0**	**47.0**	**74.7**	**61.9**	**65.0**	**68.2**
Net Hydel Profit (Current Year)	4.1	10.2	29.7	29.7	31.2	32.7
Reconciled Arrears	0.0	36.8	36.9	11.1	11.6	12.2
Unreconciled Arrears (Indexation)	11.9	-	8.1	21.1	22.2	23.3
NHP as per AGN Kazi formula (KCM)	-	-	-	-	-	-
Provincial Own Receipts	**42.3**	**59.5**	**75.0**	**85.0**	**94.7**	**85.0**
Provincial Tax Receipts	25.4	33.5	43.2	52.7	52.7	52.7
Sales Tax on Services (KPRA)	17.2	20.8	27.0	33.0	44.6	57.9
Other Provincial Tax Receipts	8.2	12.7	16.2	19.7	23.6	28.3
Provincial Non-Tax Receipts	16.8	25.9	31.8	32.3	42.0	52.5
Other Receipts	**12.3**	**74.5**	**112.7**	**204.6**	**200.3**	**200.3**
Recovery from Designated Accounts	0.0	-	4.6	10.0	0.0	0.0
Recovery of Investment & loans	12.3	0.2	0.3	0.3	0.3	0.3
Domestic Loan	0.0	6.0	44.0	50.0	50.0	50.0
Withdrawal of profit from Pension Fund for payment of pensions	0.0	-	10.0	10.0	10.0	10.0
Profit from GPI Fund for interest to the Subscribers				10.0	10.0	10.0
Other Revenue Sources	0.0	-	43.8	50.0	50.0	50.0
Savings from operational shortfall	0.0	-	0.0	49.3	50.0	50.0
Ways & Means Advance Facility from Fed. Govt.	0.0	68.3	10.0	25.0	30.0	30.0
Grants from Federal Govt. (NMAs)	**97.9**	**121.2**	**187.7**	**208.6**	**232.9**	**259.9**
Grants for Current Budget	60.5	74.5	77.0	60.0	69.0	79.4
Additional Financing Demand for Current Budget	0.4	-	22.0	64.0	73.6	84.6
Development Grant (ADP + AIP)	37.0	46.7	54.0	50.0	50.0	50.0
Additional Financing Demand for Development Budget	-	-	-	0.0	0.0	0.0
3% NFC Share - Punjab	-	-	21.0	21.0	24.8	28.5
3% NFC Share - Sindh	-	-	10.0	9.9	11.6	13.4
3% NFC Share - Balochistan	-	-	3.7	3.7	3.9	4.1
Foreign Project Assistance (FPA)	**33.3**	**44.9**	**89.2**	**93.2**	**102.5**	**112.8**
FPA Settled Districts	33.3		85.8	88.9	97.8	107.6
FPA NMAs	0.0		3.3	4.3	4.7	5.2
PSDP allocations for provincially executed projects	**12.4**	**20.1**	**19.9**	**8.4**	**9.2**	**10.1**

The Bank Of Khyber
On The Road To Transformation

The Bank of Khyber (‘BOK’ or ‘the Bank’) was established in 1991 through an Act of the Provincial Assembly of Khyber Pakhtunkhwa (KPK) (formerly N.W.F.P.). The Bank started its commercial operations in November 1991 and became a scheduled Bank with the State Bank of Pakistan in 1994.The Bank was listed on the Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange Ltd) in 2006. The Bank of Khyber has embarked upon a transformation journey. In the initial stages, the Bank will invest to strengthen its foundations, deepen products & services offering, build network and digital capacity in order to achieve strong and sustainable profit growth in the future. The core objective of this journey is to serve all the stakeholders including our customers and patrons with an agile, accessible and accelerated banking experience.

Key Current Initiatives

For successful completion of its transformation journey, following is the summary of some of the key current initiatives of the Bank:

- Branch Expansion
    - Expanding branches to provide more comprehensive coverage of KP and greater network across Pakistan.
- Digital Banking
    - Brand new mobile banking App to provide superior user experience and features.
- SME Lending
    - Allocate record lending capacity at subsidized rates to SME sector in KP through Raast SME Refinancing Scheme (collateral based) and SAAF scheme (collateral free).
- Designated Champion Bank by SBP for agri financing in KP
    - Taking a lead role in the banking industry to increase availability of agricultural financing in KP by whole banking industry.
- Value added salary accounts for KP public sector employees
    - Special bank account for KP public sector employees with very attractive features and consumer loan products at discounted rates.
- Focus on Trade Finance & FX income
    - Focus on growing non-markup income from financing trade related activities in order to improve the bank’s return on capital.
- Focus on channeling home remittances
    - Special focus on facilitating home remittances from migrant workers to their families in KP through their bank accounts.
- Insaf Food Card
    - Exclusive partner to KP Government in its landmark Insaf Food Card project to distribute Rs 2,100 per month to 1 million low income households in KP to help with food purchases in the high inflation environment.
- Female employment:
    - Increase ratio and provide career advancement opportunities to women.
    - Provide equal opportunities and a welcoming environment for women. The Bank has already increased female employment ratio from 6% to 9% in the last

12 months. Opportunities are being created for women for career advancement to more senior roles.

- Capacity building
  - o Enhance skills and productivity by imparting professional and advanced training to staff.
- Customer Experience & Product Range Enhancement
  - o Focus on improving the range of products and services offered by the Bank as well as the quality of the customer experience to better compete with bigger banks.
- Focus on brand awareness and corporate communication
  - o Hire an experience marketing and communications team to strengthen BoK's brand awareness and marketing outreach through digital and conventional channels

Review For The Year December 31, 2021 (FY 2021)

Despite challenging and competitive operating environment owing to COVID-19 pandemic and overall economic conditions during the years 2020 and 2021, the Bank sustained its focus and achieved healthy results during these testing times.

During FY-2021, profit before tax was recorded at Rs.1,680 million as against Rs.3,806 million of the previous year. Profit after tax for the same year stood at Rs.1,104 million against Rs.2,152 million of the last year that translated into earnings per share of Rs. 1.05 against Rs. 2.05 in 2020. The drop in profit was primarily due to the two reasons:

- Firstly, profit in FY-2020 benefitted from very substantial one-off capital gains; and
- Secondly, operating expenses increased in FY-2021 as part of Bank's branch expansion and business growth initiatives.

With a slight increase, the Net Mark-up / Interest Income for 2021 stood at Rs.6,789 million as compared to Rs.6,762 million in the corresponding year. Non-Markup / Interest Income reduced due to loss on securities during the year as against a substantial one of capital gains last year and stood at Rs.1,023 million as compared to Rs.2,878 million of the previous year.

Key Performance Indicators for FY-2021

- As of December 31, 2021, the total asset base of the Bank stood at Rs. 358,606 million as compared to December 31, 2020 asset base of Rs. 288,300 million.
- On the liability side, the deposits as of December 31, 2021 increased to Rs 221,876 million from Rs. 203,072 million as at December 31, 2020. This growth was based on new customer acquisitions and deepening of the existing portfolio base.
- During FY 2021, net advances of the Bank slightly reduced by 3% and stood at Rs. 124,549 million as compared to Rs. 129,063 million as of December 31, 2020.
- Investments grew by 62% in view of the movements in market interest rates and economic conditions.
- The Return on average Assets and Return on average Equity (ex-surplus / deficit) stood at 0.34% and 6.72% respectively.
- 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.

Bonus Dividend for the year 2021

- The Bank has issued 5% bonus shares to its shareholders for the year ended December 31, 2021.

Technological advancements

In line with the market trends and the transformation journey, the Bank is making continuous progress towards advancement of its technological platform for better customer experience and efficient processes. The Bank successfully completed the process of implementation of its new state of the art core banking software during FY 2021.

Moreover, in line with the latest trends in the Banking industry, the Bank is giving due focus to the digital banking initiatives. The Bank introduced its first mobile app in 2021 and it has recently been completely revamped to provide a much improved user experience and performance. The Bank is also working on providing digital financial services to its commercial and corporate customers.

Credit Rating Upgraded by VIS Credit Rating Company Limited

During 2021, VIS Credit Rating Company Limited improved the Bank’s long-term credit rating to A+ while Pakistan Credit Rating Agency Limited (PACRA) maintained the same at 'A' with positive outlook. The short-term credit ratings assigned by VIS Credit Rating Company Limited and PACRA are 'A-1' (A-One) and 'A-1' (A-One) respectively.

Investment in Human Capital and Capacity Building

In the banking industry, human resources are among one the most important assets of a bank. Therefore, the Bank is making continuous investment in hiring and retaining good quality human resources. Additionally, new teams are being built to bring expand the range of products and services offered by the Bank which is expected to yield better results in future.

Branch Expansion

- As of December 31, 2021, the Bank was operating with 216 branches out of which 106 branches were functioning as Conventional Banking Branches while 110 are Islamic Banking Branches. Through this network, the Bank is able to offer wide range of products and services to its valued customers both in conventional and Islamic banking segments.
- During FY 2021, the Bank opened 37 new branches including 28 in KPK and rest in the other parts of the country.
- The Bank plans to open 51 new branches including 13 sub-branches throughout Pakistan in FY 2022.

Capital Compliances

The Bank's capital base is strong, and predominantly comprises of Tier-1 capital which signifies its high quality. The Bank is fully compliant with the minimum capital requirements stipulated by the State Bank of Pakistan (SBP).

Conventional Banking

- Launched **PAY PLUS CURRENT ACCOUNT** for capturing payroll of KP Government. The said product is first of its kind in the banking industry. It is a two-way product which will not only widen our customer base and add to current deposits of the Bank but will also enhance its consumer finance portfolio. The Bank is experiencing a good response from the customers.
- For the first time in history of BOK, real time customized **Cash Management** System developed indigenously by BOK IT Div. and Conventional Banking Group captured various customers for this product.
- BOK previously had no presence in any of the **Public sector universities of KP** despite of being Provincial Government Bank. For the first time in history, BOK got presence in various public sector universities of KP.
- Focusing on network expansion, the Bank has opened 18 (FY 2020: 3 new Conventional branches) new Conventional Branches in the country during FY 2021 in which 12 were opened in KPK (FY 2020: 4 branches were opened in KPK).
- Focusing on modernizing the Bank by introducing **Digital Banking,** Mobile App., Corporate Portal, etc.

Islamic Banking

- The BOK's management is committed to further promote Islamic banking business of the Bank.
- As of December 31, 2021, the Bank is operating with 110 Islamic banking branches across the country. The Bank plans to open new 18 Islamic banking branches during FY 2022.
- Total IB deposits registered growth from PKR 59 Billion as of December 31, 2020 to PKR 75.373 Billion as of December 31, 2021 an increase of 28 % (PKR 16.373 Billion) over the base figure of December 31, 2020.
- Islamic Banking Group was successful to add 19 new branches during 2021. Islamic Banking Network increased from 91 branches in 2020 to 110 full fledge branches.
- IBG was successful to roll out six new products including, Raast Pay Plus Account (Deposit Product for KP Govt Employees), Raast Green Energy Financing (SBP Refinance Scheme), Raast Modernization Financing Scheme (SBP Refinance Scheme), Raast Working Capital Financing Scheme (SBP Refinance Scheme), Raast SME Asaan Finance Scheme (SBP Refinance Scheme), Raast Plant & Machinery Financing Scheme (SBP Refinance Scheme).

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 a remarkable growth.
- 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 finance 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.

Consumer And SME Financing

- The Bank is providing efficient financial services to the 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 Motor cycle 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 of Khyber has disbursed Rs. 10 billion for initiating different micro finance schemes in settled areas as well as in newly merged areas of Khyber Paktunkhwa including Federal Govt. Prime Minister's Kamyab Jawan Scheme and SAAF Scheme.
- The ongoing Scheme in newly merged areas (Ex-FATA) i.e. Insaf Rozgaar Scheme has been initiated with Rs. 1 billion and Rs. 500 million were planned to provide BoK as fresh injection,
- Beside the above, Kamyab Jawan and SAAF are ongoing schemes of federal government to support the youth/ Job creation and SME development in which BoK is an active implementation partner.

Brief Overview and Historical Performance

- The Bank is not only fulfilling the banking needs of the people of the province of KPK but also of the entire Country. As a mainstream commercial bank, the Bank is providing both Islamic as well as Conventional banking services.
- Approximately 70% (149) branches are providing banking services in the province of KPK while approx. 30% (66 branches) of the branches give BoK presence in the other 3 provinces as well as Islamabad Capital Territory, Gilgit Baltistan and Azad Jammu & Kashmir.

- The Bank has established a network of correspondent banking relationships in over 50 countries.

- The Board of Directors of the Bank of Khyber comprises of seasoned professionals from both the Government and private sector.
- The management of the Bank comprises of professional bankers having diversified experience in respective areas.
- 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
  - Subsidized lending from SBP

Summary of Bank's Performance during Last Five Financial Years

S. No	Description	Rs in Million Financial Year Ended December 31st /Financial Highlights 2017	2018	2019	2020	2021
1	Deposits	159,247	171,168	182,168	203,072	221,876
2	Advance (net)	83,369	95,012	109,742	129,063	124,549
3	Investments (net)	140,474	94,233	146,911	113,479	184,399
4	Total Assets	245,132	223,095	306,305	288,300	358,606
5	Profit Before Tax	2,795	707	2,261	3,806	1,680
6	Profit After Tax	1,789	466	1,306	2,152	1,104

Future Outlook

- The Bank's focus will be to ensure that customers' banking needs are fully met in a technologically advanced, secure and convenient manner.
- The Bank aims to grow the market share in deposits, consumer products and SME financing.
- The Bank looks forward to expand its branch network (both within and outside KPK) and digital platform to widen its reach and service to the customers.
- The Bank is ready to give special attention to Home Remittance business for channeling forex through the formal sector. This will be aided through broadening of product suite and further supported through the Bank's digital banking platform.
- On the asset side, the Bank intends to diversify financing portfolio by gradually increasing the proportion of private sector lending with potential of ancillary business and trade finance opportunities.
- Investing in human capital and creating a caring culture, will remain a key priority.
- To save energy for the future, the Bank of Khyber is adopting renewable energy options. The first of such initiative has been taken in 2021 and 6 branches have successfully been converted to Solar energy. Similar options will be explored in future as well.
- The Bank will continue to play an active role in all Government and SBP initiatives aimed at improving the economic activities in the country.
- The Bank will continue to support gender diversity and offers equal employment opportunities to females and candidates belonging to minority groups across the country. The Bank has already inducted a batch of female Management Training Officers (MTOs) and further inductions will be made in the future as well.
- The Bank is taking strategic initiatives for capturing the market of public sector hospitals, medical colleges and universities by having footprint there. It is based on

the concept of introducing NTBs as well as for enhancing the liabilities and consumer financing portfolios.

10th NFC Meeting Minutes

GOVERNMENT OF KHYBER PAKHTUNKHWA
FINANCE DEPARTMENT

Finance Department Civil Secretariat Peshawar http://www.finance.gkp.pk facebook.com/GoKPFD twitter.com/GoKPFD

No. BO (NFC)FD /5-14/2020-21,10TH NFC Dated Peshawar April 20th , 2022

To

1. The Joint Secretary (PF) NFC Secretariat Finance Division, Islamabad.
2. Mr. Tariq Bajwa, Member (NFC) 164-D Member (NFC) 164-D Ex Park View, Phase 8, DHA Lahore.
3. The Secretary, Finance Department, Government of Punjab, Lahore.
4. Dr. Asad Sayeed Member (NFC), DHA Phase 5, Karachi.
5. The Secretary, Finance Department, Government of Sindh, Karachi
6. Dr. Kaiser Bengali Member (NFC), H#89/1, Khayaban-e-Qasim, Phase 8, DHA, Karachi.
7. The Secretary, Finance Department, Government of Baluchistan, Quetta.

Subject: **MINUTES OF THE 1st MEETING OF SUB GROUP-V OF 10TH NATIONAL FINANACE COMMISION (NFC) HELD ON 22-02-2022**

Dear Sir,

I am directed to enclose herewith minutes of the 1st meeting of **Sub Group-V (to make recommendations to NFC for the development of Erstwhile FATA)** held under the chairmanship of Finance Minister Khyber Pakhtunkhwa via zoom on 22-02-2022.

2. It is, therefore, requested to kindly offer your comments / feedback, if any in the matter before convening the next meeting of the Sub Group-V, please.

Encl: as above:

yours faithfully,

(Nasar Ali Qureshi)
Budget Officer (NFC)
Phone No# 091-9212969

Endst: of Even No. and date: -

A copy of the above is forwarded to: -

1. Member NFC KP, Gomal Road Sector E-7, Street# 21, House # 224, Islamabad.
2. Team Leader SNG-II 34D/1 Sahibzada Abdul Qayum Khan Road, University Town, Peshawar.
3. PS to Minister Finance Khyber Pakhtunkhwa.
4. PS to Finance Secretary Khyber Pakhtunkhwa.
5. PS to Special Secretary Finance (A & R) Finance Department.
6. PS to Special Secretary Finance (Budget) Finance Department.
7. Team Leader ISU, Finance Department.
8. PA to Additional Secretary (PFC) Finance Department.

Nasar

Budget Officer (NFC)

GOVERNMENT OF KHYBER PAKHTUNKWHA
FINANCE DEPARTMENT

Subject: - Minutes Of The 1st Meeting Of Sub Group-V (To Make Recommendations To NFC For The Development Of Erstwhile FATA) Of The 10th National Finance Commission Held On 22nd February, 2022.

The 1st meeting of the Sub Group-V of the 10th National Finance Commission was held under the Chairmanship of the Minister Finance Khyber Pakhtunkhwa on 22nd February, 2022 via zoom in Islamabad. The representative of the Federal Government from Islamabad and all other members of the Sub Group-V participated in the meeting from their respective Provincial Head Quarters. List of the participant is at **(Annex-I)**.

2. The chair in his opening remarks welcomed all the participants for attending the meeting and stated that before merger of FATA in Khyber Pakhtunkhwa there was a commitment of the Federation and all Federating units about 3% allocation out of NFC divisible Pool for the development of erstwhile FATA due to the lag in funding and development as well. He further appraised the forum that this issue be resolved in one meeting as such we should intensify our efforts for solution of this problem and collectively share the responsibility of the commitment made by the Federation. Convening of the 1st meeting of the Sub Group-V is a very good signal for the federation as well as for the people of the Ex-FATA.

3. The member NFC of Khyber Pakhtunkhwa in his presentation highlighted the rationale for the funding commitment with facts and figures and stressed on its urgency to deliver on the commitment without further delay. He hoped that very soon we will find a solution in accordance with the aspiration of people of FATA in compliance with the constitution by bringing the 7th NFC under the constitutional framework after its merger in Khyber Pakhtunkhwa. He referred to the FATA reforms committee report 2016 about 3% of the contribution from the Divisible Pool endorsed by the then Federal and Provincial Governments and military leadership. He further explained that Ex-FATA has borne the brunt of militancy resultantly Ex-FATA sustained human losses, 500,000 families /3 million people displaced out of a total population of 5 million. He added that due to historical underfunding, the region suffered from a human development lag relative to the rest of the country. In his briefing he explained with facts and figures an alarming area of concern in particular with health and education indicators, drinking water and electricity and marginalization of women in Ex-FATA in comparison with the women of rest of Provinces.

4. Member NFC Khyber Pakhtunkhwa has also pointed out about the Ex-FATA share which is not being represented in the 7th NFC awards horizontal distribution post 18th amendment which seems not in compliance with the Article 160 of the constitution. He emphasized about the likely horizontal distribution formula as worked out and reflected in the presentation for the consideration of the 10th National Finance Commission. He further explained that out of annual commitment of Rs. 100 billion as part of the tribal decade strategy Ex-FATA currently receives a small portion of the funding. After merger from the Financial Year 2018-19 to 2019-20, a sum of Rs. 48 billion has been received under the tribal decade

strategy only from the Federal and Khyber Pakhtunkhwa Governments under the 3% commitment. The targets achieved under AIP and MA ADP has given promising results in the Health, Elementary & Secondary Education, Governance and Law (including Judiciary, police) mines & minerals social welfare, industries, agriculture, electricity, irrigation, and drinking water and rescue & relief.

5. While summing up his presentation Member NFC Khyber Pakhtunkhwa stated that compliant of the 7th NFC after merger is our constitutional obligation as such, he was therefore of view that there is an urgent question before the 10th NFC to comply with the same without further delay. In order to achieve this goal, there is a precedent in favor of Ex-FATA merger that when East Germany joined West Germany in 1990, it was poor, left behind in development, with a crumbling public infrastructure. Prioritizing nation-building over short-term increases in levels of consumption, Germany dedicated 0.5 percent of GDP per annum to build up the eastern regions and achieve a true economic and social merger. Based on this precedent, it is our national responsibility to act accordingly in respect of the Ex-FATA as well.

6. After preliminary remarks of Chairman / Minister Finance and Member (NFC) Khyber Pakhtunkhwa opened the floor for discussion and invited suggestions from the member of the sub groups about the assigned task.

7. Mr. Tariq Bajwa, member (NFC) Punjab while taking part in the discussion expressed that Government of Punjab agrees in principle to the sub group V of its 3% allocation out of Divisible Pool of NFC. However, he questioned about the legal status of the Ex-FATA report 2016 and stated that there is no specific demand for development in the presentation. Besides the spending mechanism, for how long period of time this compensation will continue and who will monitor it whether by the KP Government alone or by all the federating units likely to contribute their 3% share out of Divisible Pool, are the questions to be answered by the KP government. He further expressed that after population census 2017 with demographic changes of population and area, KP share in horizontal formula would also be increased. He informed the forum that KP is receiving 1% war on terror as such this amount was supposed to be spent in FATA being a front-line area in the brunt of militancy. Finance Minister Khyber Pakhtunkhwa explained that 1% war on terror has nothing to do with FATA. It was solely meant for the Khyber Pakhtunkhwa at the time of awarding 7th NFC award being part of the federation whereas erstwhile FATA being Federal entity was funded out of the Federal Government funds. 1% allocation for WOT was allowed to the Khyber Pakhtunkhwa in the 7th NFC by the Federal and all Provincial Governments in recognition of the damages sustained by Khyber Pakhtunkhwa owing to the decades long militancy.

8. Finance Secretary Sindh stated that our position on the 3% allocation to erstwhile FATA is just like the stance of Punjab. He stated that due to financial crises it would be difficult for Sindh to bear the burden of 3% allocation out of Divisible Pool. The chair expressed that we have to collectively resolve to solve this issue and continue the processes of deliberating on this issue by also considering other options as well.

9. Mr. Asad Saeed, member NFC Sindh pointed out that erstwhile FATA was the subject of Federal Government but after merger in Khyber Pakhtunkhwa and constitution of 10th NFC it could hold only one meeting. The Federal Government has not taken this issue seriously. He further stated that the proceedings of the Sub Group-V must be attended by the decision-making representative from Federal I government. Once we have a meeting on the horizontal distribution amongst the provinces based on, the 2017 census which has not formally been adopted. He stated that, the KP Government based on the Federal Government revenue projection would receive 56 billion in excesses in comparison of the rest of provinces. The share of rest of Provinces would be declined as a result of 2017 census and FATA merger. He was of the view that we need to have this process of deliberation going on. He informed that fiscal equalization of the poorest districts of the whole country including newly merge districts of FATA is required through grant/subvention to them which should be based on any bench mark to be evaluated. He further stated in whole this process needs sequencing as issue is problematic. Indicators to be find out for working out the bench mark under development areas of the whole country.

10 Mr. Abdul Malik Balghari Joint Secretary (PF) Finance Division clarified his point of view about the population census 2017 with reference to 1998 census adopted in the 7th NFC and 6th NFC 1996. While responding to his clarification Dr Kaiser Bengali explained the factual position which was also endorsed by member NFC Sind. Dr Kaiser Bengali requested for presentation as he was unable to attend the meeting at 10 AM due to the change of timing about which he was not conveyed timely. He agreed in principle about the proposal of funds allocation to the Ex-FATA and stated that various parts of the country are still in the 19 century which also requires socio economic development as well. It will be discussed with KP Team in the proposed special session before next formal meeting of the sub group-V

11 The meeting was concluded with the following decisions: -

I. *Formal invitation would be issued to all ex officio members of NFC for attending the meetings of the Sub group V in future.*

II. *All questions raised about the 3% allocation of funds about it utilization, time period and monitoring will be answered before next meeting.*

III. *Carry out work on other options for raising of funds for the purpose would also be explored in consultation of all provinces.*

IV. *Presentation of the instant meeting will be shared with the member NFC Baluchistan for his further feedback before the informal meeting with him by the Minister Finance and member NFC as decided.*

V. *Before convening next meeting, informal consultation will be made with all members for reaching at some recommendation for Sub Group-V.*

VI. *Next meeting will be held in person in Wana Waziristan within Two weeks or maximum Four* Weeks.

12 The meeting ended with thanks to and from the chair.

LIST OF PARTICIPANTS OF THE MEETING OF SUB GROUP- V HELD ON 22-02-2022 AT 10:00 AM IN THE COMMITTEE ROOM OF FINANCE DEPARTMENT KHYBER PAKHTUNKHWA

S.NO	Name	Designation
	GOVERNMENT OF KHYBERPAKHTUNKHWA	
1	Mr. Taimur Saleem Khan Jhagra	Finance Minister Khyber Pakhtunkhwa Convener
2	Dr. Musharraf Rasool Cyan	Member NFC Khyber Pakhtunkhwa
3	Mr. Ikram Ullah Khan	Finance Secretary
	FEDERAL GOVERNMENT	
7	Mr. Abdul Malik Balghari	Joint Secretary (PF) Finance Division Islamabad
	GOVERNMENT OF PUNJAB	
8	Mr. Tariq Bajwa	Member NFC Punjab
9	Mr. Hamid Yaqoob Sheikh	Finance Secretary
	GOVERNMENT OF SINDH	
10	Dr. Asad Saeed	Member NFC Sindh
11	Mr. Sajid Jamal Abro	Finance Secretary
	GOVERNMENT OF BALOCHISTAN	
12	Dr. Kaisar Bengali	Member NFC Balochistan
13	Mr. Passand Khan Buledi	Finance Secretary

KPRA Reduced Rates

Principal Activity	Rates FY 2022-23
The construction work in respect of development of industrial estates/zones	Complete Exemption
Film making or film production	1%
Telecasting or broadcasting	1%
Video tape and recording services	1%
Photographic services	1%
cold storage services	1%
Under writers	1%
Auctioneers	1%
Installation, erection & commissioning	1% non corporate
Quality assurance, quality control, quality inspection	1% non corporate
practitioners, professionals, consultants or advisers of medical (including dental) and legal professions or fields,	2%
call centers	2%
Indenters and similar intermediaries	2%
Ride-hailing	2%
Online Market Place (OMP)	2%
Advertisements	2%
Property dealers, property agents & realtors	2% non corporate
Dealers of plant & machinery	2% non corporate
Auto-workshops	2% non corporate
Digital or IT-based services	2% non corporate
Amusement & entertainment services	5%
Beauty parlors	5%
Industrial workshops	5%
Manufacturing or processing on toll	5%
Contractual execution	5%
Construction contractors architects, civil engineers, land or property surveyors, construction consultants,	5%
Town, real estate or property promoters, developers or planners.	5%
Medical, dental or allied health fields or disciplines	5%
Human resource management	5%
Veterinary & allied sciences including pet care.	5%
Business planning, business management, business reforms	5%
Laboratories	5%
Rent-a-car	5%
Services of fashion designers	5%
Business support services	5% non corporate
Hospitality	5% with RIMS, 5% in Galyat & Kaghan, 8% non-corporate
Car & other automobile dealers	10% non corporate
Airport services	10% non corporate
Dryport services	10% non corporate
Agents	8% Across the Board
Event management	8% for non-corporate
Exhibition, convention or carnival	8% for non-corporate

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, Terbela	Elementary & Secondary Education
33	Pakistan Scouts Cadet College Batrasi, Mansehra	Elementary & Secondary Education
34	Manjanbazam Cadet College, Terbela	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(ETEA), Peshawar	Higher Education, Archives and Library
118	IMSciences, 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 Autuority (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

Khyber Pakhtunkhwa: Spending Effectively For Enhanced Development (Speed)

The Government of Khyber Pakhtunkhwa has recently signed an IDA funded reform program Spending Effectively for Enhanced Development, KP|SPEED for strengthening the government capacity to **provide adequate and reliable resources for delivery of education and health services and improved management of public finances for delivery of education and health services.** The program aims to reducing pension costs as a percentage of Khyber Pakhtunkhwa own source revenue and make it available for the improvement of primary, middle and high school education and primary healthcare services in Khyber Pakhtunkhwa. The programme is aligned with the Khyber Pakhtunkhwa Public Financial Management Reforms Strategy.

The KP-SPEED Program focuses on improving allocative and technical efficiency by addressing systemic bottlenecks that undermine budget predictability and the effective utilization of allocated resources in priority sectors of education and health. The program has eight Disbursement Link Indicators, the IDA financing for the program is USD 385 million which is tied up with the achievements of these DLIs.

The program through the implementation of a Medium-Term Expenditure Plan (MTEP) will ensure budget availability for: -

i- Missing basic infrastructure facilities in primary health and education centres i.e Toilets, Water, Electricity and Boundary Walls,

ii- Increase allocations for Repair and Maintenance as a percentage of total budget through development of asset management guidelines,

iii- Essential supplies in health and education i.e medicine in primary healthcare facilities including maternal and neonatal clinics for women across the province, and increase transparency in equitable distribution of resources

iv- Adequate teaching staff in primary, middle and high schools in the province, with specific focus on the girls’ schools.

v- Automation and computerization of manual record and procedures i.e budget preparation at the facility level, supply chain management system, Assets Registers, office automation system, online bill submission and payments.

GPP Interventions – PFM Reforms

During FY 2021-22 continued cooperation under the realm of PFM reforms ensured greater institutional development of Finance Department across the full spectrum of PFM Cycle. This was essentially made possible through an iterative research and problem driven approach. Key outcomes during the year included:

1) Interventions for strengthening Treasury Single Account including a prudent review and contextualization of reforms at the Federal level. Adoption of AASAN Assignment Account with a focus on the peculiar needs of KP, development of reference toolkit, and support on capacity building of line ministries served a great deal in achieving the desired objectives. Policy input on the adoption options for Special Assignment Account for Public Account helped to refrain from an upfront intervention – given the institutional framework and process orientation of the legacy system.
2) Strategic dialogue around mainstreaming the ex-FATA funding under new NFC Award was greatly facilitated by responsive and highly analytical work provided under this cooperation.
3) The budget making cycle for FY 2021/22 was further improved through adoption of simplified and user-centric processes. Integrated BCC 2021/22 manifests these attributes.
4) Developed KP Grant-in-Aid Rules 2022 to streamline the custody and operation of funds as Grant-in-Aid.
5) Extensive review and support on the design of financial, budgeting and accounting system for the 2-tiered local governments under LG Amendment Act, 2019. This included support in the following areas:
    a. Design of system blueprint and sensitization of senior management of FD and LG Departments thereon.
    b. Collaboration with KP BoS for updating the district ranking for backwardness and lag in infrastructure.
    c. Design of new PFC Award for FY 2022/23.
    d. Proposed amendment to LG Act, 2013 for effecting financial transition.
    e. Interim arrangements for uninterrupted operations of the local bodies during transition period including budget making and payment authorizations.
    f. Collaboration with CGA Islamabad around configuration of National IFMIS to cope with the fiscal management requirements for newly established Tehsil Local Governments.
    g. Institutional development of the PFC wing of Finance Department.
6) Sustained operation of Cash Flow Modeling ensured informed policy choices on revenue mobilization and payment authorization at the level of Finance Minister and Chief Minister.

Corporate Governance

To improve corporate governance of public sector entities owned by the Government of Khyber Pakhtunkhwa (KP), the Corporate Governance Unit (CGU) working under the Finance Department, KP has successfully prepared elaborated policy frameworks on various areas of governance including a key policy framework on fiscal management. The primary objective of the policy frameworks is to bring uniformity across board and enable standardization pertaining to governance practices in the Public Sector Companies (PSCs) & Autonomous Bodies (ABs) of KP. The KP Government has recently approved and notified the policy frameworks which is a major milestone towards achievement of good governance across all the public entities. Considering the significance of the public entities and the associated need for a direction on their management, the Unit has also drafted a chapter on the 'Management of Public Entities' in the draft Khyber Pakhtunkhwa Public Financial Management (PFM) Law and the Unit is one of the members on the committee for the review of complete PFM law.

The Unit has also successfully carried out Board and organization assessments of various entities and submitted reports along with recommendations for governance improvements to the concerned authorities.

To improve transparency and accountability, the Unit has successfully developed financial reporting and consolidation application in close collaboration with FMIU that is currently under pilot run and that is expected to be live by the end of first quarter next budget year. The application will give visibility on the financial performance of the respective entities and help in their timely financial reporting. In addition, the Unit in collaboration with FMIU has completed the first phase of the Governance Management System that will help in maintaining databank of the directors and key management personnel and for its second phase, a feature for performance management is planned to be added.

As part of Continued Professional Development, the Unit has successfully organized multiple trainings on best governance practices including planning for the Directors' Training Programme.

In addition to the above, the Unit has helped various entities in their budget preparation including design and provision of customized reporting templates to the entities and also carried one-on-one sessions for their guidance and facilitation.

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 Bills