



**Government of Khyber Pakhtunkhwa  
Mid-Year Budget Execution Report  
FY 2021-22**

Finance Department  
Government of Khyber Pakhtunkhwa

## Foreword

Budgeting and planning are ultimately a series of futile exercises if a subsequent analysis of actual budgetary execution is not performed. The lessons learned and conclusions drawn from periodic analyses of actual receipts and expenditures are of tremendous value – more so when decision-making is flexible and timely data is available at the fingertips of stakeholders to chart the path ahead.

The Government of Khyber Pakhtunkhwa has been committed to fulfill, and wherever applicable, exceed the worldwide standards and best practices of transparency and disclosure. We firmly believe that transparency and constructive debate improves future decision making, and acts as an accountability check on government. The Government of Khyber Pakhtunkhwa has published the ‘Annual Receipts and Expenditure Report’ for the past 3 years in order to inculcate a culture of openness and to manage the resources we have in the best way possible.

As an extension of Government of Khyber Pakhtunkhwa’s endeavour to ingratiate a culture of transparency and openness, the mid-year budget execution report offers a glimpse at trends in receipts and expenditure during the first half of the fiscal year. It is critical that decision-makers are aware of the budgetary position and any excess or shortfall in receipts during the year, as well as the run-rate of current expenditure and the pace of execution in the development sector, especially more so in the recent volatile times of a post-COVID economy.

This report serves to further strengthen the culture of transparency and openness within the province and embolden an informed electorate to appreciate the efforts of public representatives, and also hold them to account where required.

Of similar importance is the periodic use of actual data in forecasting future cash flows, and the availability and predictability of resources, in order to make informed decisions about spending in priority areas, as well as effective cash management. Finance Department makes use of actual in-house data regularly on a monthly basis and appries the executive leadership of Government of Khyber Pakhtunkhwa in this regard, resulting in efficiency in spending and stability in the provincial cash position.

A more detailed breakdown of departmental expenditure and time-series analysis against previous years is included in the corresponding annual report, the aforementioned ‘Annual Receipts and Expenditure Report’ published by the Government of Khyber Pakhtunkhwa since 2018-19.

## Executive Summary

Based on current trends, 2021-22 appears to be the first year in nearly a decade in which the province is expected to receive the entire amount of budgeted receipts.

RECEIPTS					Rs. in billion
S.No	Head	Budget 2021-22			
		Budget Estimates	Actuals July-Dec 2021	Actuals as % of BE	
<b>A</b>	<b>Federal Transfers</b>	<b>634.000</b>	<b>295.211</b>	<b>47%</b>	
i	Federal Tax Assignment	475.600	235.196	49%	
ii	1 % for War on Terror	57.200	28.264	49%	
iii	Straight Transfers	26.500	13.750	52%	
iv	Net Hydel Profit	29.700	9.000	30%	
v	Arrears of NHP	45.000	9.000	20%	
<b>B</b>	<b>Provincial Own Receipts</b>	<b>75.000</b>	<b>23.141</b>	<b>31%</b>	
i	Tax Receipts	43.200	15.767	36%	
ii	Non Tax Receipts	31.800	7.374	23%	
<b>C</b>	<b>Others</b>	<b>112.650</b>	<b>50.187</b>	<b>45%</b>	
i	Capital Receipts	0.250	0.060	24%	
ii	Recovery from Dormant Designated Accounts	4.480	0.000	0%	
iii	Domestic Loan	44.000	0.927	2%	
iv	Withdrawal of Profit from Pension Fund	10.000	0.000	0%	
v	Other Revenue Sources	43.800	0.000	0%	
vi	Ways & Means Advance	10.000	49.200	492%	
<b>D</b>	<b>NMAs</b>	<b>187.700</b>	<b>66.469</b>	<b>35%</b>	
i	Non Development Grant	82.000	35.004	43%	
ii	Annual Development Programme	24.000	11.365	47%	
iii	Accelerated Implementation Plan	30.000	15.000	50%	
iv	3% NFC Share from federating units	34.700	0.000	0%	
v	Grant for Temporarily Displaced Persons	17.000	5.100	30%	
	<b>Total (A+B+C+D)</b>	<b>1,009.350</b>	<b>435.008</b>	<b>43%</b>	
E	Foreign Project Assistance	89.200	8.244	9%	
F	Public Sector Development Programme	19.900	16.277	82%	
	<b>Grand Total</b>	<b>1,118.450</b>	<b>459.529</b>	<b>41%</b>	

Federal transfers are exceeding budgeted targets on a monthly basis due to record FBR collections, which consistently outperform prior year collections as well as monthly targets.

Provincial own receipts, on the other hand, have been slow in comparison to the budgeted target, as well as prior year collections. The pace of provincial own revenue collections is expected to pick up during the second half, but it is likely to fall short of the annual budgeted target of Rs. 75 B.

Capital/other receipts have generally been nascent, with the sole exception of Ways & Means Advance utilized at the start of the fiscal year.

Grants for NMAs have been routinely transferred by the federal government as per schedule and commitment.

While receipts from foreign project

assistance have been much lower than budgeted, the grants received for provincially-executed PSDP schemes have far outpaced the budgeted half-year pace.

<b>EXPENDITURE</b>				
Rs. in billion				
S.No	Head	Budget 2021-22		
		Budget Estimates	Actuals July-Dec 2021	Actuals as % of BE
<b>A</b>	<b>Current Expenditure</b>	<b>747.230</b>	<b>320.452</b>	<b>43%</b>
	<b>Provincial</b>	<b>648.230</b>	<b>287.932</b>	<b>44%</b>
i	Provincial Salary	148.008	56.172	38%
ii	District Salary	165.000	85.865	52%
iii	Pension	92.000	43.544	47%
iv	Provincial Non Salary	196.663	57.244	29%
v	District Non Salary	24.260	3.914	16%
vi	Capital	12.300	5.693	46%
vii	Ways & Means Advance	10.000	35.500	355%
	<b>NMAs</b>	<b>99.000</b>	<b>32.521</b>	<b>33%</b>
i	Provincial Salary	31.000	11.766	38%
ii	District Salary	29.000	13.207	46%
iii	Pension	0.076	0.488	642%
iv	Provincial Non Salary	15.505	1.264	8%
v	Temporarily Displaced Persons	17.000	5.000	29%
vi	District Non Salary	6.419	0.795	12%
<b>B</b>	<b>Development Expenditure</b>	<b>262.000</b>	<b>86.100</b>	<b>33%</b>
i	Annual Development Programme - Provincial	150.000	63.752	43%
ii	Annual Development Programme - District	15.000	1.213	8%
iii	Annual Development Programme - NMAs	26.400	5.688	22%
iv	Accelerated Implementation Plan	70.600	15.447	22%
	<b>Total (A+B)</b>	<b>1,009.230</b>	<b>406.553</b>	<b>40%</b>
C	Foreign Project Assistance	89.200	6.112	7%
D	Public Sector Development Programme	19.900	8.282	42%
	<b>Grand Total</b>	<b>1,118.330</b>	<b>420.946</b>	<b>38%</b>
	<b>Surplus / Deficit</b>	<b>0.000</b>	<b>38.583</b>	<b>N.A.</b>

Current expenditure on the provincial side has remained fairly in line with budget estimates for the first half of 2021-22. There is a notable lag in non salary spend, which normally picks up pace during the second half. Similar trends can be observed in NMAs.

On the development side, expenditure has been more evenly distributed than prior years across monthly & quarterly intervals, owing to the recently adopted ADP policy for 2021-2025.

Previously, lopsided development spend would primarily take place in the fourth quarter of each fiscal year, and this trend has been significantly bucked in 2021-22 primarily because of 100% ADP releases to ongoing schemes on July 1.

Foreign project assistance and PSDP expenditure are both essentially tied to the respective receipts,

due to which FPA spend remained low in the first half of 2021-22.

Overall, the provincial government posted a surplus of nearly Rs. 40 B, which is expected to be utilized during the remainder of the fiscal year.

## Receipts

Owing to the Federal Board of Revenue's improved tax collection during the first six months of 2021-22, as well as improved between the Federal and Provincial Governments on timely transfers of Net Hydel Profits, 47% of budgeted federal transfers have been received at the halfway point of the fiscal year.

Provincial own receipts have lagged the breakneck pace of last year's collections, as the provincial government had recorded Rs. 59.5 B of own source revenue in 2020-21 – 21% more than budgeted, and 41% more than the actual collection of the year prior (2019-20).

During the first half of 2021-22, provincial own source tax revenue collection has remained below the previous year's pace, primarily due to much-needed reforms in Revenue & Estate Department such as land record digitization etc. It is generally expected that the second half collections will greatly exceed last year's pace and the budgeted tax receipts for the full fiscal year will be collected.

Non tax receipts have similarly remained below the rate of collection of the previous year, which can be traced to delayed Energy & Power sector payments. Non tax collections are also expected to accelerate in the third and fourth quarters, particularly from Police, as enhanced traffic fines are enforced from January 1, 2022.

Significant receipts in other areas will be realized in the third quarter in pension fund profit withdrawals and recoveries from dormant accounts. Owing to the improved financial position of the province in 2021-22, the provision for domestic borrowing is unlikely to be realized. Similarly, Ways & Means Advance is not expected to be utilized frequently over the remainder of the financial year.

NMA grants present a mixed picture overall, as the Federal Government and Government of Khyber Pakhtunkhwa have upheld their commitment to funding the requirements of the erstwhile tribal districts, but the remaining provinces have not done so. Barring a breakthrough or interim solution in the 10<sup>th</sup> NFC award, contributions from other federating units are not expected to be realized in the remainder of 2021-22.

Funding for provincially-executed PSDP schemes has been received almost in entirety during the first six months of 2021-22. Receipts from foreign donors has remained as unpredictable and lopsided as those in recent years, and continues to be a manifest representation of the fragility of the global economy in post-COVID times.

Collectively, KP expects to receive more than Rs. 1 T in annual receipts for the first time in its history, and the likelihood of 100% budgeted receipts remains optimistic for the full year.

## **Expenditure**

The provincial and district wage bill for the first half of 2021-22 is widely in line with budget estimates, with a slight routine increase expected in the second half after salary increments take effect in January 2022.

Of particular note is the significantly higher than budgeted pension expenditure for NMAs. The provincial government has continued to foot the entire bill for pension expenditure in NMAs, despite the fact that NMA retirees have served in the Federal Government for virtually the entire period of qualifying service, barring the last two or three years (post 25<sup>th</sup> amendment). The full-year pension bill for 2021-22 is expected to be in the region of Rs. 1 B.

Non salary spend has traditionally followed a lopsided trend, as the pace of expenditure typically picks up in the third and fourth quarters. This year, this trend has continued to hold steady, and an uptick in third quarter non salary expenditure can already be observed with a payment of Rs. 11 B for execution of the Sehat Card Plus programme during the first half of 2021-22.

It is worthwhile to mention that Khyber Pakhtunkhwa budgets the Sehat Card Plus programme as non salary expenditure on the current side, along with other ongoing welfare initiatives such as a Rs. 10 B wheat subsidy, the Chief Minister's Pro-Poor Food Basket programme budgeted at Rs. 10 B, and an urban mobility subsidy of Rs. 3 B for the Peshawar Bus Rapid Transit System. Other federal and provincial governments typically include some of these lines in their development portfolios.

One major deviation from previous trends has been the increased utilization of the Annual Development Programme during the first half of 2021-22. Development expenditure would typically be tepid during the first quarter, and would only start to pick up during the second quarter. Historically, over half of the development budget would be utilized in the fourth quarter under the looming threat of lapsing funds, and often at the cost of quality.

Following the landmark announcement of 100% release to all ongoing ADP schemes on the first day of the financial year, a large increase in first half utilization can be observed, as well as evening out of development expenditure across monthly, quarterly and semiannual intervals. There is cautious optimism that as a result of this dynamic and associated reforms, the recent trend will become irreversible and simultaneously result in greater quality of expenditure.

As mentioned previously, foreign project assistance and PSDP expenditure are both essentially tied to the respective receipts, resulting in low FPA utilization during the first half of 2021-22. PSDP utilization virtually mirrors the actual expenditure trend seen in the provincial ADP, and may foreshadow a cultural shift in the development sector in Khyber Pakhtunkhwa in the years to come.