



Internal Support Unit

Progress Report

Fiscal Year 2019 -20 & 2020 -21



Finance Department

Government of Khyber Pakhtunkhwa



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Message from the Finance and Health Minister

The people of Khyber Pakhtunkhwa have placed their confidence in Pakistan-Tehreek-Insaf, under the leadership of the Prime Minister, for the second consecutive term. As we formed the Government in 2018, our purpose has been to transform citizens' experience of Government service delivery.

This objective can only be achieved if the Government of Khyber Pakhtunkhwa brings fundamental changes in the way it works and provides better quality of public services. Deep structural reform of government is a key cornerstone of our government. The serious challenges faced by our people over the last two decades is being matched by resilience, innovation, energy and hard work, to ensure Khyber Pakhtunkhwa soon becomes the most prosperous province in the country and region.

I am pleased to observe that the young Internal Support Unit (ISU)'s team is now an integral part of our government's transformation process. The achievements by the team are truly noteworthy, especially the support provided to the Health Department during the COVID-19 pandemic. ISU team's members were assigned to work in close coordination with the Health department, since the pandemic, and they have played a pivotal role in implementing COVID-19 strategic outlook and containment strategy in the province.

However, this support is not limited to COVID-19 or a few departments rather ISU has performed exceptionally, beyond expectations, by providing support to multiple departments in critical reform areas, proving that government systems can benefit significantly from support of young, intelligent and enthusiastic talent available in Pakistan.

The progress outlined in this report reaffirms that the vision to utilize young talent for the support in transformation of the department has been more than successful. Given the ambitious reform agenda of this government, this is an opportune time to increase the footprint of such resources wherever the conditions for success exist.



Foreword

Message from Dr. Shahzad Khan Bangash Chief Secretary, Khyber Pakhtunkhwa

The province of Khyber Pakhtunkhwa is in its nascent stages of innovation, transformation and progress towards a stronger, prosperous, self-sufficient and more technologically advanced region. This implies the need for a robust, dynamic and adaptable working group to support the evolving structures and provide research-based insights to further accelerate progress. This need for a young and vibrant team was the main theme behind the hiring of outsiders in the Internal Support Unit, at the time I was serving as the Additional Chief Secretary of the province.

After 2 years, as I have returned to the province, I see that this unit has fulfilled its mandate and definitely played a pivotal role in various key reforms introduced across the board, ranging from Budget management to ADP releases, Revenue growth and Health reforms and many other avenues. This model has to be replicated across the board to further amplify this analytical capacity within each department of the province.

Message from Mr. Shahab Ali Shah Additional Chief Secretary, Khyber Pakhtunkhwa

The province of Khyber Pakhtunkhwa, like all other government organizations, had been working in line with the governmental structures, and to bring some vibrancy and innovation in the system the Internal Support Unit was created in the Finance Department. I was a part of the selection committee and had interviewed many brilliant young team members for the roles within the unit. However, the Internal Support Unit, after 2 years of formation, has outperformed our vision at the time by taking the lead in many reforms and also by creating a liaison between different governmental institutions and departments.

During my work at the Chief Minister's Office, a dedicated team of two bright individuals was assigned for our smooth functioning and augmented the overall level of performance. Similarly, now in Planning and Development, I see how ISU has been providing meaningful insights and inputs to the ongoing processes which has benefitted and accelerated overall development work in the province. This must be replicated in other departments to further create a space for dynamic youngsters within the government.



Executive Summary

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 a number of public sector reform challenges. ISU's impact has been visible through improvements in key indicators and 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. This progress report demonstrates the impact ISU has made since its operationalization.

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.



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.
- 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. 10 billion savings achieved by filtering out unnecessary and redundant posts for FY 2019-20.
- 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.

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 2019-20 and FY 2020-21.
- 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 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.

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 health.



Team Profile

The Chief Minister approved the establishment of the Internal Support Unit (ISU) in the office of the Minister of Finance and Health. In a short time, the team has worked extensively with the department of finance, KPRA, Planning and Development (P&D) department, Auqaf Department, the Chief Secretary's Office, Health Department, Higher Education Department, the KP Board of Investment, Energy & Power Department and the Chief Minister's Secretariat. The team has exhibited an impact in each of these places.

The recruitment process followed has been instrumental in the success of ISU, as problem solving abilities, skills and the quality of education was preferred over years of experience and the number of qualifications. Each candidate selected has undergone a rigorous recruitment process involving shortlisting based on the quality of CVs and cover letters, problem solving based written tests and case-based interviews. However, the success of the ISU is not restricted to the recruitment of top talent, but the rigorous induction process and the training routines have contributed significantly to the effectiveness of the unit.

Although split in the three category of roles – Team Lead, Associate and Analyst, ISU follows a non-hierarchical, open, and transparent culture, resulting in creativity and innovation, in addition to private sector principles and work practices.

Muhammad Adnan Khan, Team Lead, ISU

Adnan Khan has over 15 years of experience in leading public sector reform programmes across multiple sectors in Pakistan. Adnan is a qualified engineer and holds two postgraduate degrees in public policy and business from two world class universities, the University of Chicago, and the London Business School. Adnan has extensive experience of leading development programme in the erstwhile FATA. As the project director of the FATA Water Resource Development Project, Adnan supervised various aspects of the programme, ranging from procurement, financial management and M&E.

Anam Saeed, Associate, ISU

Anam Saeed joined ISU as an associate in November 2019. Anam is an economist with an undergraduate from the Lahore University of Management Sciences (LUMS) and a postgraduate in Econometrics from Texas A&M University in the USA. Anam has diversified experience of over 7 years in the private and public sector in Pakistan. Starting her career as an analyst with top tier corporate companies such as Nestle and Tetra Pak, she quickly used her strong analytical skills to support major reform programmes in Pakistan. Anam has supported the Government of Punjab as a senior data consultant, where she developed a dashboard for data of 23 tertiary hospitals across Punjab with monthly load of more than 6 million patients. Moreover, she has previously supported the FBR in data analytics for better targeting of revenue collection.



Farzooq Habib, Associate, ISU

Farzooq Habib joined ISU as an associate in November 2019. Qualified as an engineer from GIKI, Farzooq has previously worked for the renowned conglomerate, Engro Corporation. Farzooq gained hands-on experience as an engineer at Engro Powergen Qadirpur, and he later progressed to work as a Technical Lead on Asset Performance Management for Engro Digital in collaboration with General Electric. In this role, Farzooq was responsible for the implementation of predictive analytics tools on various power generation sites in the Middle East, North Africa and Turkey (MENAT) region.

Hassam Khan Durrani, Associate, ISU

Hassam Khan Durrani joined ISU as an associate in October 2019 and brings over 8 years of experience in the oil and gas, tobacco and construction industries. Qualified as an engineer from the Ghulam Ishaq Khan Institute (GIKI), Hassam has previously worked for various top tier corporate companies in Pakistan before successfully starting and leading his own land development company, providing end-to-end solutions from designing, planning, construction, to sales and marketing for numerous real estate and land development projects. Hassam started his career as an engineer in the oil and gas sector with Pakistan Petroleum (PPL) before switching to the Tobacco Industry, and a Fortune 100 company, Philip Morris International (PMI).

Mustafa Asghar Khan, Associate, ISU

Mustafa Asghar Khan joined ISU as an associate in December 2019. A graduate from the University of Cambridge, Mustafa brings with him over 9 years of experience of designing, managing and monitoring large-scale multi USD 10 million reform programmes in Pakistan. In 2010-2011, he supported the Federal Government (Planning Commission) in developing a new economic growth policy - 'Framework for Economic Growth in Pakistan'. From 2012-2019, Mustafa worked in a global consulting firm, Adam Smith International (ASI), where he managed five governance and economic reform programme across Punjab, Khyber Pakhtunkhwa and at the federal level. As a member of ASI's leadership team in Pakistan, Mustafa also led business development by contributing to thirteen proposals (seven as a core team member) over the last seven years, resulting in ASI winning six new projects in Pakistan with a combined value of approximately GBP 60 million.

Kashan Ahmad, Analyst, ISU

Kashan Ahmad joined ISU as an analyst in December 2019. Kashan holds an undergraduate qualification in Materials Engineering from GIKI. He has visited Arizona State University as a Research Scholar for a Renewable Energy project. Moreover, Kashan has worked as a Research Assistant in the Higher Education Commission (HEC).

Muhammad Ahmed Rabbani, Analyst, ISU

Muhammad Ahmed Rabbani joined ISU as an analyst in October 2019 after completing his MBA from LUMS. Ahmed Rabbani has previously worked in KPEZDMC where he gained



experience in setting up and designing Special Economic Zones. In this role, he assisted in the management of a Rs. 4.8 billion portfolio that provided incentives to industrialists.

Nasr Kakakhel, Analyst, ISU

Nasr Kakakhel joined ISU as an analyst in November 2019. After graduation from LUMS in Accounting and Finance, Nasr joined HUBCO in their New Venture Division. In this role, Nasr was responsible for the financial analysis of HUBCO's new investments in the renewable energy sector. Nasr has recently cleared Level 1 of the Chartered Financial Analyst (CFA) certification.

Mahnoor Babar, Analyst, ISU

Mahnoor Babar holds a bachelor's degree in Economics from LUMS. She joined ISU as an analyst in November 2019. She has previously worked in the development sector, including the Sarhad Rural Support Programme (SRSP) where together with international organizations, she has been involved in assisting the implementation of a range of community-based projects. She served as the provincial lead of the USAID funded Integrated Health Systems Strengthening and Services Delivery project (IHSS-SD).

Zain Raza, Analyst, ISU

Zain Raza joined ISU as an analyst in November 2019. He has an undergraduate in Chemical Engineering from Texas A&M University, Qatar. He has previously worked for an INGO, American Refugee Committee, as an analyst, where he assisted the delivery of projects in Education and Social Welfare sectors.



Feedback From Officials

Since the establishment of ISU, the team has worked extensively to support government officials across multiple departments. The team has developed strong working relationships at the strategic and operational level. The ability of the team to forge these relationships has been a key reason for success. This section provides feedback from several officials regarding their experience with ISU.

Mr. Ghazan Jamal, MPA & Former Special Assistant to Chief Minister on Excise, Taxation & Narcotics Department

“My interaction with the ISU started as the focal person to the Chief Minister on merged areas. The ISU supported me during my responsibilities of streamlining the AIP framework and related processes. Over the course of the next few months the ISU worked with me to bring the AIP programme back on track and in focus. Along with them and with close liaison with the departments, in a matter of just a couple of months we were able to move from a handful of approved projects to over 80 approved projects and in various stages of implementation. Then during the coronavirus pandemic, I worked with the ISU to help get the rapid response teams functional. I have also from time to time relied on the unit’s support in analyzing Excise & Taxation data to help in better policy making. I have found the support provided by the ISU to be invaluable and invigorating. They are especially effective in supporting data driven policies and in creating and helping to implement non-conformal creative ideas/programmes in government that traditionally tend to be a struggle to do. As a special assistant I can see the value which units such as the ISU bring and hope that similar arrangements will be replicated in other departments of the government too.”

Mr. Shakeel Qadir, Former Additional Chief Secretary

“The concept of ISU is an improvement over the earlier support units. Better skill set, enthusiasm and high IQ were preferred over age and experience. Its only challenge remains to integrate in the Government’s decision-making process in a manner that doesn’t change too many processes.”

Mr. Shahab Ali Shah, Additional Chief Secretary

“In just under a year since its operationalization, the ISU has made significant impact by contributing to important reforms by the Government of Khyber Pakhtunkhwa. ISU has assisted the Finance Department in achieving a number of key milestones, including KPRA setting a national record of 65 percent growth, despite COVID-19. The unit’s strategic and hands-on support to the Government during the COVID-19 pandemic was exceptional and particularly noteworthy, as a number of critical decisions were made based on analysis



conducted and presented by the ISU. The Honourable Chief Minister and his secretariat continues to draw on ISU's analytical and research support, ensuring strategic decision-making is evidence based.

The recruitment model adopted for ISU has been a key reason for the success of the unit, where more importance is given to problem solving abilities, skills, quality of education and enthusiasm, over age and years of experience. The Government can significantly increase the pace and quality of governance, if the ISU model is adopted in other critical departments.”

Mr. Atif Rahman, Secretary, Finance Department

“As a member of the team involved in establishing and recruiting members of ISU, I am extremely pleased to witness the progress made by the team. Very quickly, ISU has become an integral part of the strategic and operational working of the Finance Department. A key reason for the success of ISU has been the recruitment of high-quality personnel with top quality academic qualifications and a strong passion for public service. With a strong foundation set in ISU’s first year, I am now looking forward to ISU’s assistance to the Finance Department in achieving its ambitious fiscal reform agenda.”

Mr. Syed Imtiaz Hussain Shah, Secretary, Irrigation Department & Former Secretary Health Department

“ISU has been pivotal in assisting the Health Department’s response to the COVID-19 pandemic. The team of young, enthusiastic, and bright professionals provided the department the required capacity to analyze data, develop innovative solutions and coordinate at various levels to deliver against tight deadlines. Two noteworthy areas of support include the conception, establishment, and management of the Rapid Response Teams (RRTs) and the support provided in the expansion of testing capacity. The enhancement of capacity in both these areas has been critical to the Government of Khyber Pakhtunkhwa’s response to the pandemic. Based on our experience, we are now seeking ISU’s active support in developing and implementing a health transformation plan for the province. With the implementation of this plan, we shall witness unprecedented improvements in health service delivery in the province.”

Mr. Abid Majeed, Former Secretary Relief and Rehabilitation Department

“COVID-19 has been an unprecedeted challenge for the Government of Khyber Pakhtunkhwa, testing the capability and efficiency of departments. ISU provided invaluable support to the Government at this time, especially in the area of data management. ISU’s assistance in developing a data management system to track daily district and provincial data assisted the Relief Department plans regarding imposing area wise lockdowns across the province. Along with support to structure expansion of Rehabilitation and Relief (R&R)



services to district level in near future, ISU has also been a source of bridging the capacity gap for R&R department whenever there were capacity constraints and a unit that can be called upon whenever support was needed.”

Dr. Niaz Muhammad, DG Health Services

“When the world health organization declared COVID-19 a global pandemic, there was an acute realization at the Director General Health Services (DGHS) that our entire capacity to deliver will be tested and stretched to its limit. The direct support of ISU in coping with a once in a hundred years’ public health crisis, was essential and highly appreciated. Dealing with an environment of global demand and uncertain supplies, and trying to ensure PPEs availability and steady supply to all our frontline workers as well as streamlining health care capacity across the province, the ISU through its embedded and external support played a key role in the DGHS delivering on these fronts. Their contribution to the COVID-19 control and response cannot be overstated. We now hope and look forward to ISU's continued support to the DGHS in our health care reform agenda as well.”

Mr. Tahir Orakzai, Secretary Health Department & Former DG Khyber Pakhtunkhwa Revenue Authority (KPRA)

“While working as Director General KPRA, I had the opportunity of witnessing and be part of recruitment of ISU professionals. The unit was created to support the Finance Minister in multifarious reforms initiated to improve governance of the province. One of the focus areas was revenue mobilization, which inter-alia included KPRA as well. Finance Minister and his team closely interacted with KPRA team and assisted the authority in data analytics, improving performance through monitoring, development of key performance indicators (linked with reward), facilitating in implementation of communication strategy for improved visibility. The team of ISU always responded proactively and with utmost professionalism which helped in the institutional strengthening as well as revenue generation in the domain of sales tax on services.”

Dr. Arshad Javaid, Former-VC KMU

“KMU being the only lab in the province with expertise and necessary equipment started with a meagre few dozen tests a day at the onset of the pandemic. The requirement to instantly ramp up the capacity had multi-dimensional challenges. ISU played an active role in providing much-needed analytical and data management skills. Their scientific approach, task oriented action plan and responsiveness to tackle a situation and provide a solution augmented our ability to deliver when the province needed it most. It was their support which enabled PHRL to scale up its capacity to more than 1000 tests a day within a month.”



Mr. Amir Latif, Former Secretary Industries

“The Internal Support Unit (ISU) has been a source of valuable support for the Government of Khyber Pakhtunkhwa. The research and analytical support provided by ISU has been useful for my department and myself working with them as secretary Industries, especially, in the area of conceptualizing a skills development fund for technical and vocational training and supporting us in working with different counterparts of the industries department. It is a highly efficient model, benefiting departmental leadership from informed and evidence based decision making.”

Mr. Hassan Daud Butt, CEO KPBOIT

“The support and professional approach that the young team working with the Finance Minister demonstrate is clearly an indication that the next generation of professionals working for the GoKP is keen to steer the province towards great industrial support. Their support to the government machinery, especially in the area of ease of doing business and investment promotion to KPBOIT will help us attract investment and create an enabling environment for relocation of industries.”



Support for Health-Related Reforms

1. COVID-19 Response

As COVID-19 hit Khyber Pakhtunkhwa in March 2020 and a health emergency was declared, ISU was swiftly deployed to support the Health Department in a number of key interventions to assist the department in managing the crisis. ISU supported the Health Department in conceiving, designing and implementing a range of new mechanisms established to manage the pandemic in the province.

1.1 Rapid Response Teams

Setting up of Rapid Response Teams (RRT) across the province to physically check, monitor and guide suspects of COVID-19 at their doorstep was a critical task. To achieve this, it was essential that people with suspected symptoms are able to alert RRTs in a timely manner for an effective response. It was equally important to provide a platform that allows RRTs to coordinate and operate in an efficient and effective manner. A 24/7 call center with the required technology for task assignment, information recording, database management, calls routing that augmented RRTs and enabled the system to be used most optimally, was conceived and designed by ISU. While, the RRT mechanism was first launched in 10 districts, it quickly expanded to a further 12 districts. Since its launch and till the end of September 2020, RRTs have taken more than 115,278 samples of suspected patients across the province at their doorstep. These samples include samples in response to live calls as well as samples of contacts of positive patients. In addition, RRTs have covered the sampling of more than 70 international flights since 8th May 2020.

Figure 1: Rapid Response Teams Model

				
Call center (1700)	RRT tier 1	RRT tier 2	Ambulance transfer	Districts
<ul style="list-style-type: none">•Receive calls by citizens and healthcare professionals•Assign tasks to RRT teams based on severity of symptoms•Verify completion and collect data on tasks from RRTs•Verify patient's arrival at isolation wards/HDUs•Call and check up on contacts for positive patients•Update capacity of isolation wards and HDUs through coordination	<ul style="list-style-type: none">•Visit suspect cases to record travel history, recheck symptoms, record contacts and collect data on house structure and residents•Refer suspect to tier 2 in the case of serious symptoms•Provide guidance on mitigation in the suspect is not severe	<ul style="list-style-type: none">•On the response generated by RR1, RR2 will visit suspects to determine need for testing/referral/isolation or movement to HDU•Coordinate with 1700 to move the patient	<ul style="list-style-type: none">•Transport patients to a testing facility, isolation center or HDU as per the requirement	<ul style="list-style-type: none">•To facilitate teams in case of any issues (DHO)•To enforce that patients are properly self-isolating when prescribed (DC Office)

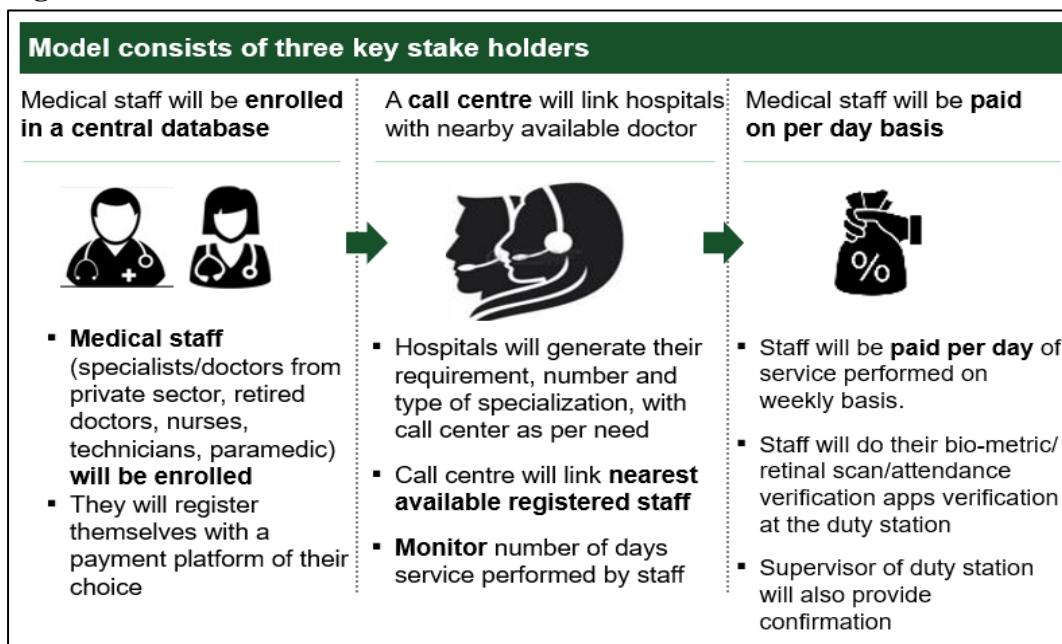


1.2 LOCUM Tenens Scheme

High transmission rate of COVID-19 generated a rapid increase in health-care staff requirements in the province. While public sector doctors continued to deliver at full capacity, ISU conceived, designed, and provided implementation support to establish a LOCUM Tenens Scheme to enable engagement of private medical professionals across a range of fields in the COVID-19 response on behalf of the Government. Since its launch by the end of March 2020, more than 21,000 applications of medical professionals across 10 categories had been received.

The interview process for certain categories of medical professionals was initiated based on immediate requirements. These categories include specialists, nurses, general cadre doctors and entomologists. A total of 855 shortlisted candidates across the above mentioned 4 categories were interviewed within a span of three weeks. As a result, 24 specialists, 173 Nurses, 242 general cadre doctors and 15 entomologists were white listed. This new system provides a large pool of medical resources for the Health Department to use as and when required.

Figure 2: Locum Tenens Model



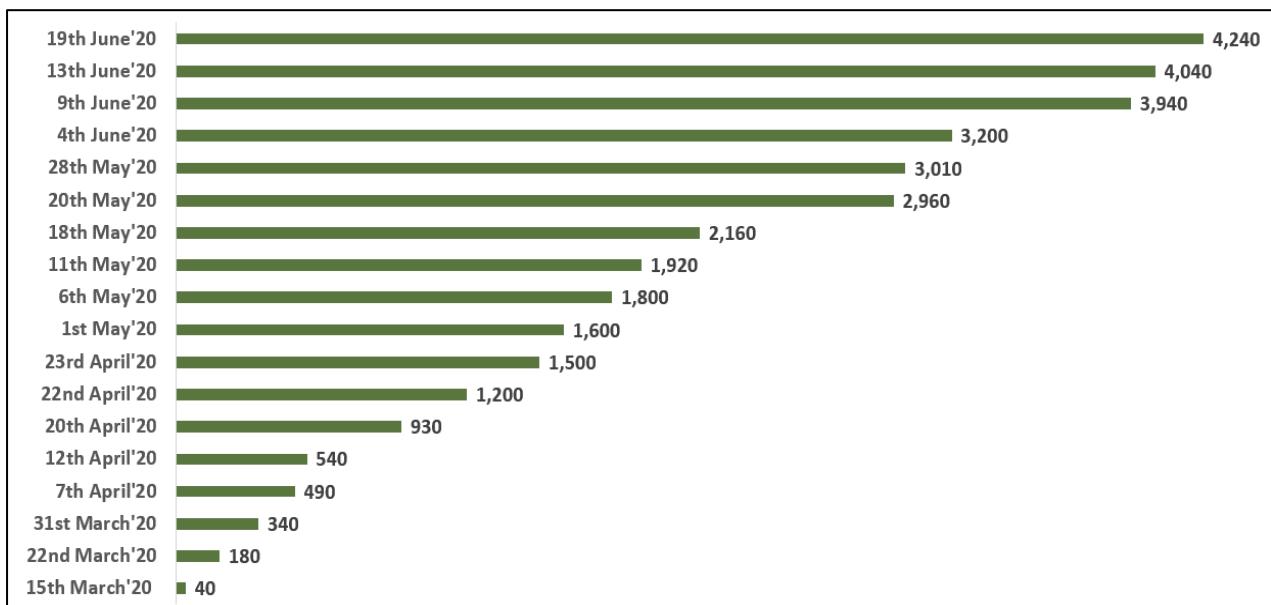


1.3 Testing

In order to contain the spread of the virus, a robust testing regime was required to effectively identify and isolate COVID-19 positive patients. In March 2020, Khyber Pakhtunkhwa had the capacity to conduct tests of only 40 samples a day. In order to address the massive challenge of expanding testing capacity, ISU worked in partnership with the Health Department to devise a testing framework that rapidly expands both public and private sector testing across the province, while ensuring disbursement of samples is efficient without systematic bottlenecks. ISU assisted in tracking this expansion plan with a set Key Performance Indicators (KPIs).

This continuous support to the Health Department resulted in an expansion of testing capacity from 40 samples a day in March 2020 to 5,680 samples a day by the end of June 2020. 8 additional public health labs were operationalized across the province. 2 renowned private labs were brought on-board through a comprehensive outsourcing process. The successful outsourcing of testing labs sets a strong foundation for future public-private partnerships within the health sector. Moreover, ISU assisted in establishing a dedicated dashboard to track labs progress, consumables supply and a performance scorecard that was shared regularly with the provincial leadership and the public.

Figure 3: Testing capacity per day





1.4 Procurement Management

The scale of the challenge for the health department was such that procurements of large quantities were required swiftly. ISU supported the Health Department in the management of this procurement, with the objective of ensuring the greatest value for money under a transparent process. As a first step, a needs assessment was conducted where a list of requirements, ranging from PPEs, medicines, medical equipment, machinery, medical supplies and diagnostic equipment, were identified and coded. This was followed by developing a mechanism and an online database management system for vendor selection. Support was also provided for developing district distribution plans, as well as developing tracking, monitoring and reporting of distribution across all districts of the province.

This support resulted in an overall procurement order of more than Rs. 4 billion. Long term suppliers for PPEs and other supplies have been secured based on requirement and need. The procurement regime established has played a critical role in enhancing hospital capacity across the province, while protecting our frontline workers and providing critical care for patients in need.

Figure 4: Live PPEs stock dashboard

District Name	Mask (N95) Total Stock: 115627 Total Distributed: 113216 Stock Remained: 2411	Hand Sanitizer Total Stock: 21088 Total Distributed: 10463 Stock Remained: 10625	Latex Gloves (Box) Total Stock: 32945 Total Distributed: 28024 Stock Remained: 4921	Surgical Gowns Disposable Total Stock: 486500 Total Distributed: 401576 Stock Remained: 84924	Surgical Cap Total Stock: 242775 Total Distributed: 232620 Stock Remained: 10155	Face Mask Total Stock: 2415279 Total Distributed: 2246449 Stock Remained: 168830
ABBOTTABAD	4865	290	1042	16165	8390	70800
BUNER	2530	208	525	15510	11530	60000
BATTAGRAM	1900	200	421	3000	2100	42000
BANNU	1350	110	320	10000	4100	34600
CHARSADDA	4600	533	2390	16200	5500	101800
CHITRAL LOWER	2860	100	615	3800	3750	58051

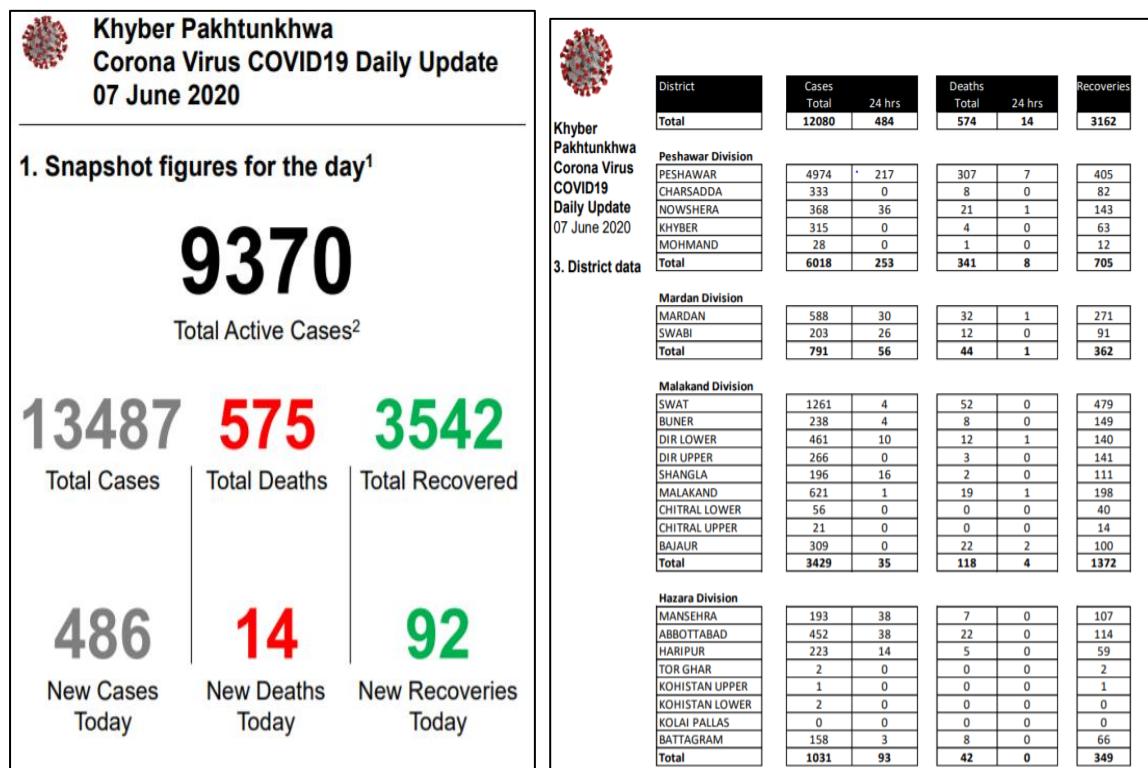


1.5 Data Management

At the initial stages of the government's COVID-19 pandemic response, there were significant challenges in compiling and reporting data on cases across the province. Data was reported individually by District Health Officers (DHOs) in the form of WhatsApp attachments and excel sheets, which were then manually compiled by Health Department staff. ISU identified the Integrated Performance Management System (IPMS) developed by the PMRU as a potential solution to overcome the time-consuming process with high risks of human error, and worked with PMRU to develop a new process that meets the needs of the Health Department. The IPMS has since become the default data compilation tool at the provincial level and is used to generate daily situation reports.

Even now, ISU continues to work on further improving various functionalities of the IPMS. At present, the IPMS generates daily data reports that are messy, and which require significant manual cleaning and verification. The ISU has developed a detailed proposal to automatically clean IPMS generated data, such that once incorporated, only minimal quality assurance data checks are required before daily situation reports are published. PMRU is currently in the process of implementing the proposed changes. Lastly, when the smart lockdowns policy was introduced, the ISU supported the initiative by developing a heat map dashboard based on IPMS reported data.

Figure 5: Daily Sitreps developed for COVID-19 monitoring

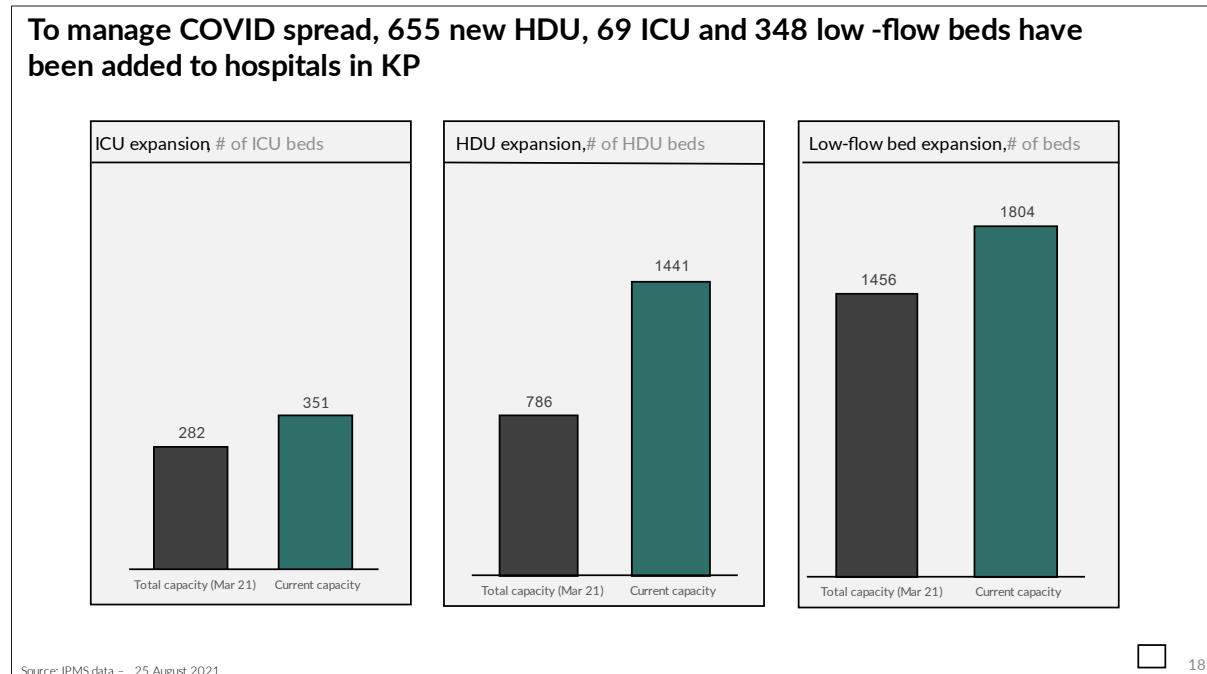




1.6 Health Capacity Enhancement

As the number of people requiring hospital and critical care increased, there was a need to manage the surge carefully and rigorously in capacity care across the province, especially in Peshawar. ISU supported the Health Department in anticipating the increase in patient load by developing a quick ramp-up plan to manage with the sudden increases in patients. In accordance with the plan, from the start of June 2020, Intensive Care Unit (ICU) capacity increased by 60 beds and High Dependency Unit (HDU) capacity increased by 250 beds across the province. This has ensured that no patient requiring critical care are turned away from hospitals. ISU kept supporting health department and the capacity has been further enhanced in the current 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.

Figure 6: ICU, HDU and Low-flow bed capacity enhanced in 5 months



The plan outlined increasing the ICU capacity further by 249 beds, HDU capacity by 2,280 and low bed capacity by 2,189 in next few months, to cover any potential spike in patient load in the future.



Figure 7: Expansion plan for bed capacity

	Current capacity	Expansion	Total capacity (After expansion)
Low flow beds	1826	363	2189
HCU beds	1416	864	2280
ICU beds	314	249	563
Total	3556	1476	5032



1.7 Provision of Oxygen Supply

For COVID patients, oxygen is an immense need for survival. and the demand is huge when more patients are hospitalized. The most common modalities for oxygen supply include oxygen cylinders, oxygen concentrators and centralized, piped oxygen systems. The modality depends on the number of patients in any given hospital and availability of the local resources. For uninterrupted oxygen supply to hospitals, ISU supported health department in outlining an efficient plan and implementation. Quick response for oxygen provision was supply of oxygen cylinders and in this regard, ISU engaged facilities in-charges 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. In first phase, installation of oxygen tanks and linings of pipes in 8 hospitals will be completed till end of November 2021 and installation of oxygen tanks in 5 hospitals, where pipes are already lined, will be done till December 2021. ISU is supporting health department in financial management and designing procurement plan.

Figure 8: Installation of Oxygen Supply Systems

Oxygen Tanks + Linings in 08 Hospitals	Oxygen Tanks & Lining from Provincial Resources <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Hospital Name</th><th>No of Beds</th></tr> </thead> <tbody> <tr><td>DHQ Karak</td><td>100</td></tr> <tr><td>DHQ Nowshehra</td><td>50</td></tr> <tr><td>DHQ Charsadda</td><td>50</td></tr> <tr><td>DHQ Mardan</td><td>100</td></tr> <tr><td>DHQ KDA Kohat</td><td>100</td></tr> <tr><td>DHQ Chitral</td><td>50</td></tr> <tr><td>DHQ Lakki Marwat</td><td>50</td></tr> <tr><td>DHQ Haripur</td><td>50</td></tr> </tbody> </table>	Hospital Name	No of Beds	DHQ Karak	100	DHQ Nowshehra	50	DHQ Charsadda	50	DHQ Mardan	100	DHQ KDA Kohat	100	DHQ Chitral	50	DHQ Lakki Marwat	50	DHQ Haripur	50	Oxygen Generation Plant in 13 Hospitals <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Phase</th><th>District</th><th>Hospital</th></tr> </thead> <tbody> <tr><td rowspan="5" style="text-align: center;">Phase - 1</td><td>Peshawar</td><td>Lady Reading Hospital</td></tr> <tr><td>Haripur</td><td>DHQ Hospital</td></tr> <tr><td>Abbottabad</td><td>Ayub Teaching Hospital Abbottabad</td></tr> <tr><td>Mansehra</td><td>King Abdullah Teaching Hospital</td></tr> <tr><td>Chitral</td><td>DHQ Hospital</td></tr> <tr><td rowspan="8" style="text-align: center;">Phase - 2</td><td>Mardan</td><td>DHQ Hospital</td></tr> <tr><td>Bannu</td><td>Khalifa Gulnaz Hospital</td></tr> <tr><td>Lower Dir</td><td>DHQ Timergraga</td></tr> <tr><td>Charsadda</td><td>DHQ Hospital</td></tr> <tr><td>Kohat</td><td>DHQ Hospital Kohat</td></tr> <tr><td>Malakand</td><td>DHQ Hospital Batkhela</td></tr> <tr><td>Swabi</td><td>Bacha Khan Medical Complex</td></tr> <tr><td>Swat</td><td>Saidu Group of Teaching Hospital</td></tr> </tbody> </table>	Phase	District	Hospital	Phase - 1	Peshawar	Lady Reading Hospital	Haripur	DHQ Hospital	Abbottabad	Ayub Teaching Hospital Abbottabad	Mansehra	King Abdullah Teaching Hospital	Chitral	DHQ Hospital	Phase - 2	Mardan	DHQ Hospital	Bannu	Khalifa Gulnaz Hospital	Lower Dir	DHQ Timergraga	Charsadda	DHQ Hospital	Kohat	DHQ Hospital Kohat	Malakand	DHQ Hospital Batkhela	Swabi	Bacha Khan Medical Complex	Swat	Saidu Group of Teaching Hospital
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1.8 Enhancing Vaccine administration and COVID testing

In order to increase COVID samples collection and vaccine administration to vaccinate target population of province, ISU supported health department by engaging all the Health Managers on daily basis via zoom. In the meetings, facilities officers' highlight issues which are communicated by ISU to the concerned sections and are followed up to be solved. Any directions and commands from department higher ups are easily communicated to District Health Officers, Medical Superintendents and other facilities officials. This routine has helped the department in rational distribution of vaccine logistics in short time. This has resulted in 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.



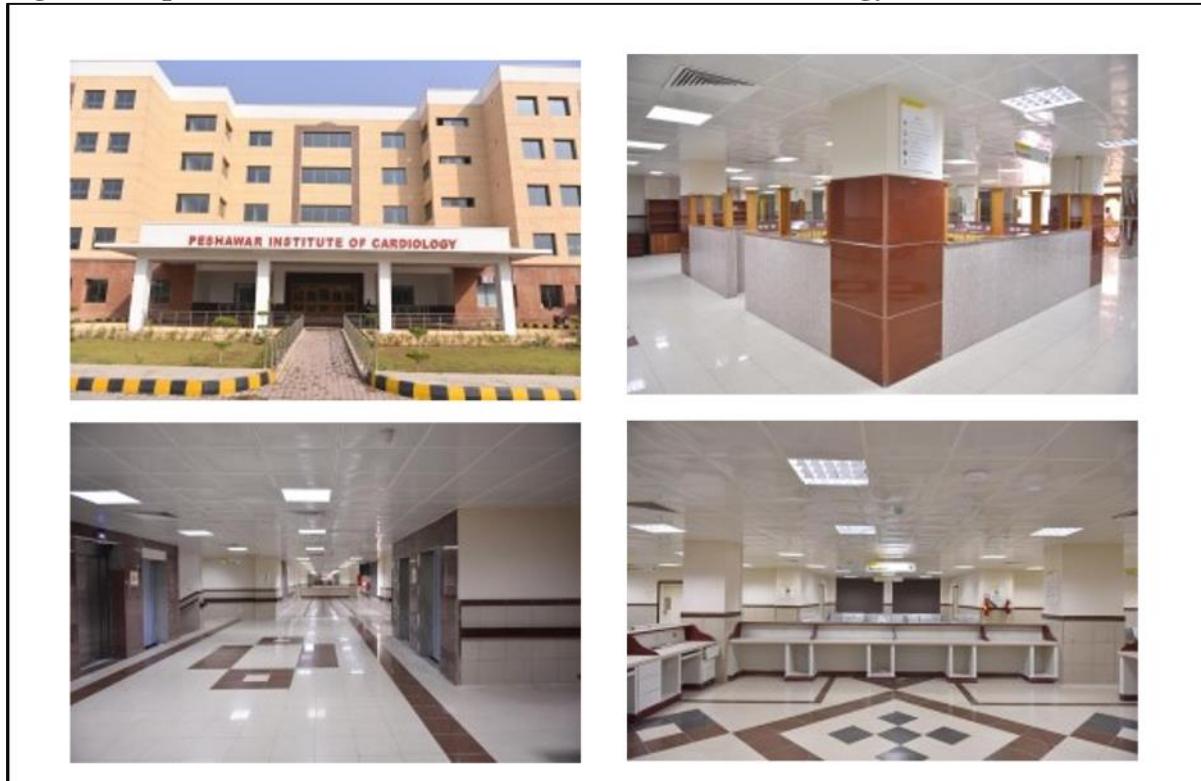
2. Health Transformation

ISU has assisted in developing a comprehensive health reform plan for the Government of Khyber Pakhtunkhwa. The Health Reform in Khyber Pakhtunkhwa is multi-pronged, where ISU has played its part through systematic support and monitoring in introducing new health facilities, ensuring higher medicinal availability, revamping current health care facilities, analyzing the biggest health insurance program of the country, following up on the launch of Sehat card plus and many more.

2.1 New Health Facilities in KP

Since the start of the current regime, the Government has made unprecedented investment in the health sector and plans to continue to do so. This is evident in the increase in Health Department's budget by 50% the past 2 years from Rs. 85 billion to Rs. 124 billion. Some of these investments have already started bearing fruits as can be seen in the establishment of a 250-bed state of the art Cardiology Institute in Peshawar, where citizens are getting complex lifesaving cardiological treatment from world class doctors.

Figure 9: Operationalization of Peshawar Institute of Cardiology



Apart from that, a brand new 500 bed Allied & Surgical Block in Lady Reading Hospital was made operational. This accelerated development has borne immediate fruit, as Lady Reading, the largest tertiary care hospital in KP has been catering to the largest COVID related case load in the third wave.

Khyber Teaching Hospital has also recently completed phase 1 of its facelift project, revamping 90 OPD rooms, modular operation theatres, pathology lab, blood bank, new



cafeteria, state of the art laundry, pharmacy, and CSSD. Phase 2 & 3 will construct new casualty & A&E blocks as well as a new HVAC system.

Figure 10: Revamping KTH



A 200 bed Women & Children Hospital in Charsadda has been made operational, as well as inauguration of a 120+ beds new women's block in DHQ Mardan. These facilities have been added at rapid pace so as to not let the health system be overwhelmed by the significant increase of patients in the 3rd wave of COVID-19.



Figure 11: Operationalization of New Facilities



Bacha Khan Medical Complex (BKMC) Swabi has been upgraded to become the 10th Medical Teaching Institute (MTI) in the province, and 4 new wards of 160 Beds have been added to the hospital. With a new vibrant board of governors, the service delivery has improved greatly at the facility.

In addition, the department is working to complete the following major projects of the department:

1. Fountain House as state-of-the-art mental health institution of KP
2. Hepatology center at KMU
3. Khyber Institute of Child Health



2.2 Sehat Card Plus

Launching of Sehat Card Plus programme across the province providing Rs. 1 million health coverage to all ~7.5 million households in KP

Perhaps the biggest reform in the health sector introduced across the country over the past 70 years is the introduction of universal health insurance through the Sehat Card Plus Program.

Keeping the scale of the programme in view, it was launched in a phased manner starting its first launch in October 2020 in Malakand region. The roll out was completed across KP in February 2021. The initiative has been a great success as is evident in the continuous uptake in number of admissions across KP since the launch of the initiative. Since rollout more than 520,000 patients have availed treatment worth almost Rs. 13 billion under the programme.

As of now the program has completely changed the curative landscape of the province. Not only has it helped patients seek one-time critical health treatments such as cardiac procedures, or kidney transplants, but also avail life-saving regular treatments such as dialysis and chemotherapy. The programme is now also incentivizing the private sector to set up hospitals in least developed districts which were previously unattractive for them due to lack of paying capacity of the region's citizens. Today investments in health care infrastructure by the private sector is higher than at any stage in KP's history. Over the coming few years, this will increase access of the people to quality healthcare in these districts that had no access to such facilities.

Seeing the impact of the programme on the lives of many, KP Government has further expanded the universal health insurance package by introducing coverage of additional and expensive treatments such as liver transplant, bone marrow transplant etc, to be funded from the reserve fund of the programme.



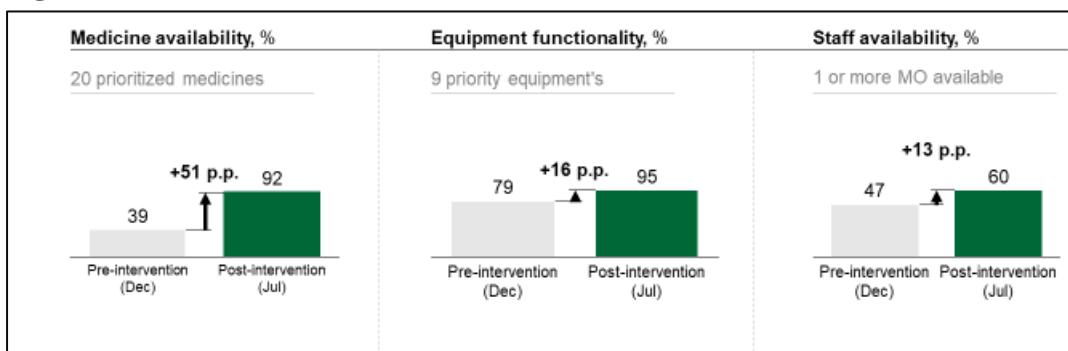
2.3 Primary Care Transformation

1-1.2 million patient visits a year impacted due to improvements in medicine availability, equipment functionality and infrastructure.

Interventions in ~100 primary care facilities in Peshawar and Lakki Marwat allowed the department to develop a successful template for reform with patient flows increasing by **>5%** over the last 6 months. This success can be attributed to improvements in service delivery inputs, including:

- **Data collection and performance management:** Expanded monthly reporting to **20+** metrics and established new performance management routines including regular Minister stock takes and weekly DHO/DDHO reviews
- **Medicine availability:** Sustained **>90%** medicine availability, as shown in Figure below, through better routines, centralized procurement, and supply chain outsourcing
- **Equipment functionality:** Sustained **>90%** equipment functionality, as shown in Figure below, through encouraging data driven decision making by DHOs
- **Staff presence:** Increased MO and LHV presence by **10-15 p.p.** through governance and regular performance management
- **Infrastructure:** Fund's availability (for the first time ever) for facilities to make their own repair decisions coupled with capacity building of the MOs and DHOs

Figure 12

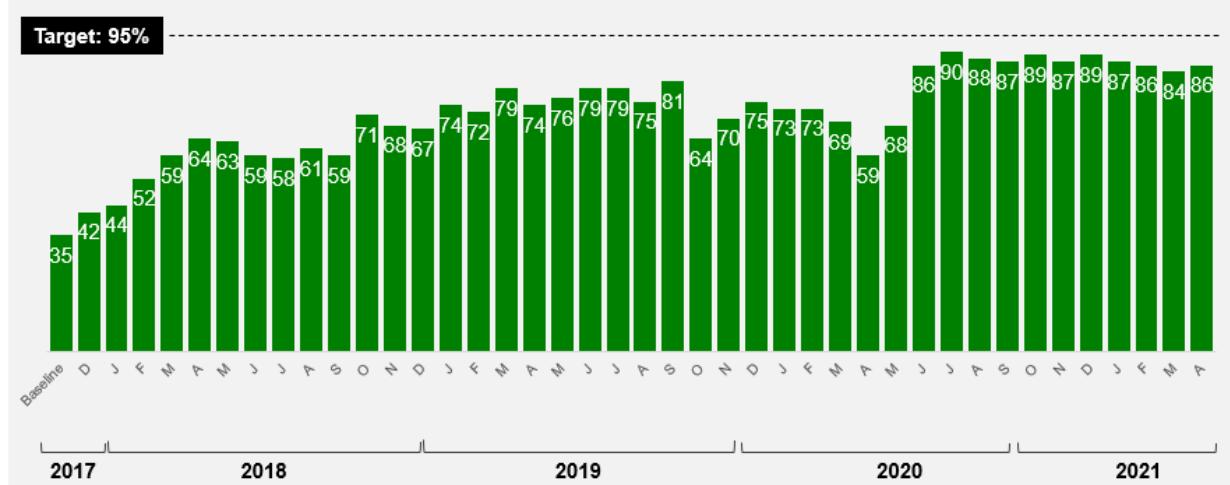


Health Department with ISU's support has made concerted efforts to improve primary care across the province. Due to the continued focus of the Department on improving the primary healthcare landscape has resulted in broad based improvements across major inputs of the sector

In the last two years KP has increased immunization coverage from around 60% to above a consistently maintained levels of 85% and above.



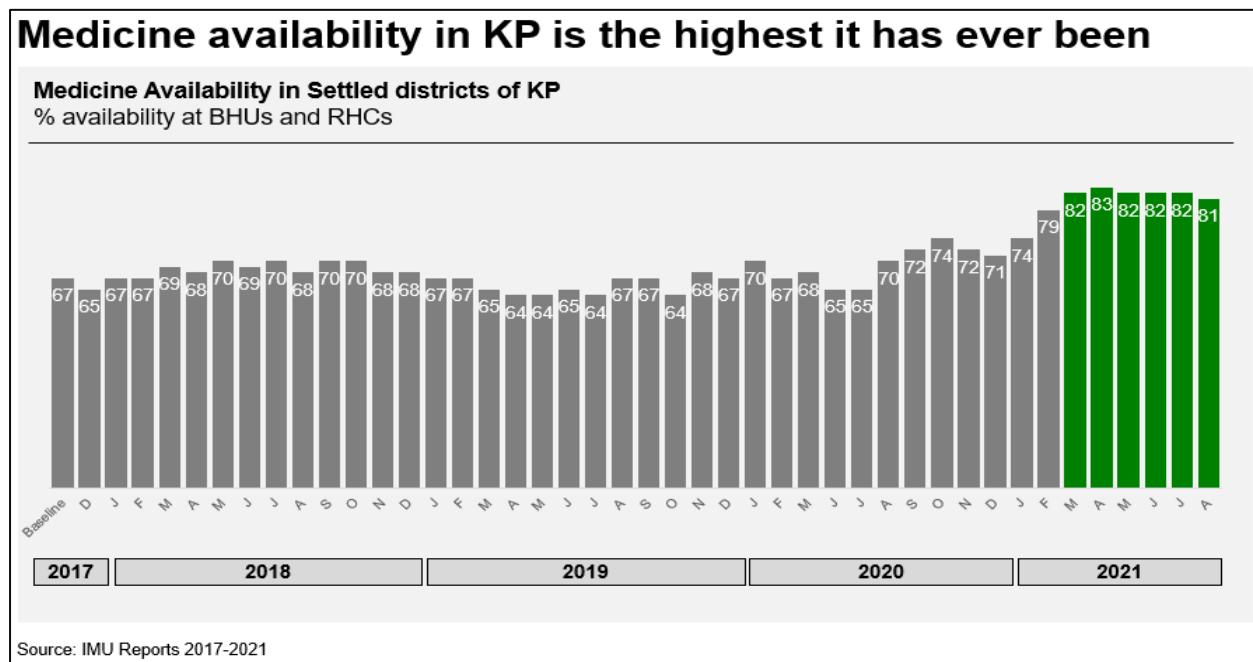
Figure 13: Geographical Coverage



Source: EVACCs dashboard

At the same time, the Department has ensured the availability of essential medicines at BHUs and RHCs across the Province. This was a significant challenge as medicine availability had never exceeded 70% at any point in time. The improvement in medicine availability was made possible by increasing focus on these facilities and constantly monitoring supply and demand issues of medicines.

Figure 14: Medicinal Availability in KP





In spite of improvements as evident above, the department realizes that a lot still needs to be done. The department, in the pursuance of this objective, is in the process of revamping the entire supply chain management of medicines and equipment by shifting to a central warehousing and supply chain mechanism. There are a number of advantages of this including introducing standardized warehousing best practices, and maintaining temperature and humidity controls for medicine and drugs, thus retaining the efficacy of drugs. Similarly, drug testing of medicine will be done centrally rather than each hospital sending individual batches to DTL labs for inspection, thus significantly reducing testing samples, as well as time.

A pilot with the support of Gates Foundation has already been started for selected health facilities. This will be scaled across KP on a sustainable basis through one of the development projects of the Department.

In addition, the primary healthcare sector is also being strengthened through innovative development projects such as "**Strengthening of all BHUs across KP and conversion of 200 BHUs in to 24/7 Skilled Birth Attendants Facilities**". The project aims to improve the health outcomes of KP's population living in rural areas with special focus on women of reproductive age, newborns, and children. Through the project the following integrated package will be available for targeted BHUs including additional Human Resource for 24/7 services, **provision of** essential equipment, top up of essential medicines, contraceptives and vaccine, quality of infrastructure, exterior and interior of BHUs etc

A similar project focusing on rehabilitation of all RHCs across Khyber Pakhtunkhwa and conversion of 50 RHCs into 24/7 facilities has also been initiated.

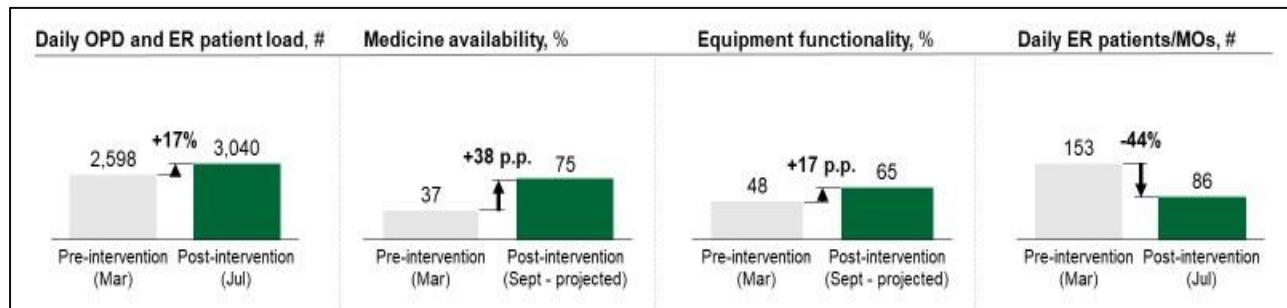
Secondary care transformation – 2-2.5 million patient visits a year impacted due to improvements in service delivery

Recipe developed in 2 hospitals resulting in ~15% increase in OPD/ER load within 4 months. The success can be attributed to improvements in the following inputs:

- **Data collection and performance management:** Regular data collection instituted for the first time ever in **all 28 DHQs** (including ex-FATA) across **20+** service delivery indicators with monthly reviews held with DGHS & all MSes
- **HR productivity and patient experience:** Standardized roster templates increasing ER MO availability by **30-40%** through staff re-allocation
- **Medicine availability:** Increased to **~75%**, as shown in Figure below, through centralized procurement and **supply chain outsourcing**
- **Equipment functionality:** Increased to **>65%**, as shown in Figure below, through purchase of new equipment and devolution of financial powers to make local repair decisions
- **Infrastructure and cleanliness:** Repaired damaged sections, washrooms and added non-clinical HR to improve cleanliness via devolution of financial powers & decisions (for the first time ever)



Figure 15





2.4 Outsourcing and PPPs

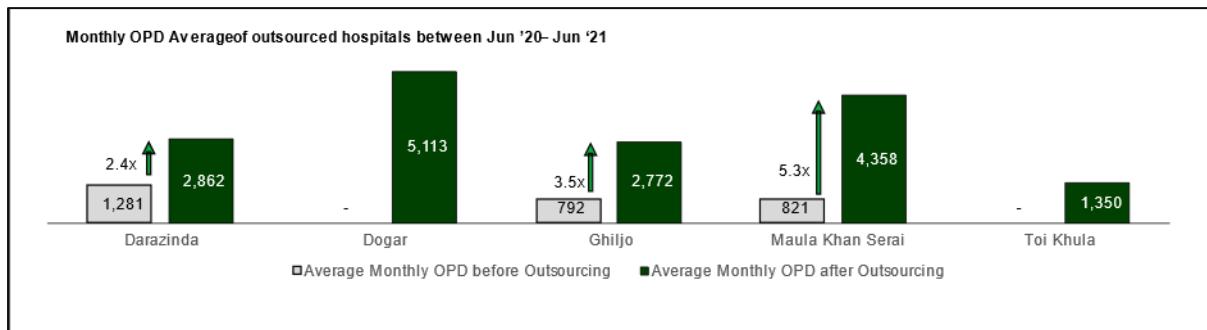
400-500 K total patients served annually at 10-30% lower cost/patient in 8 Cat C & D hospitals. During the year 1 of effort, Department of Health partnered with the private sector to outsource 8 hospitals (category C & D facilities) to ensure quality health service delivery in remote areas. This resulted in higher patients served at lower costs in outsourced facilities.

Each of these facilities were located in newly merged districts where deployment and retention of skilled HR remains a constant challenge for the Government, resulting in these facilities being non-functional for all practical purposes. By co-opting the private sector to manage and run those facilities, these facilities have been transformed to such an extent that they now attract patients from outside their districts.

The facilities are not only seeing an increased patient flow but are now performing complex and sophisticated surgeries that were unheard of in public hospitals of merged districts. This has provided quick and easy access to people residing in those districts to quality healthcare for which they previously had to travel long distances to get treatment.

The figure below shows an increase of monthly average OPDs in five of the eight outsourced hospitals. The increase at minimum is more than twice with some hospitals catering to a large number of patients starting from a point where they saw zero inflow of patients. Similar increases were also seen in IPDs, deliveries, surgeries, ANCs, immunization, etc.

Figure 16



Additionally, contracts for non-clinical services (janitorial, security & Queue Management Systems) outsourcing were also awarded for select secondary and primary care facilities to improve state of cleanliness, security, and patient flow management.

Lastly, medicine/equipment storage and delivery were outsourced to ensure regular/continuous availability across ~300 health care facilities.



2.5 Organizational Transformation Of Health Department

To accelerate the transformation and sustain wins, it was critical to also bring reforms within the department. Two major reforms that have been successfully enacted are,

- **Appointment of 4 additional director generals:** To support revamp execution, the span of control within DGHS office was streamlined with 4 new ADGs. Routines involving daily check-ins and weekly reviews were also established. The new structure has helped ensure accountability and provide greater administrative oversight
- **Setup of Health Management Committees:** For the first time in KP, power and funds have been devolved to both primary and secondary health care facilities with the setup of local committees comprising of district & facility representatives. The mandate includes maintenance & repair of minor equipment and infrastructure as well as general upkeep (e.g., cleanliness)
- **Improvement in HR management and governance:** The Department has initiated the process of introducing an HRMIS system to streamline record keeping and profile making of HR for better decision making in matters of career progression and posting/transfers. In addition, a proposal for introducing a contracting framework is underway which will help cater to the problems of staff shortage in critical areas particularly far-flung districts.

Incentivizing Service delivery

- An effective incentive mechanism particularly in the context of KP's public health setup has been approved to address the three core challenges of Improving quality of recruitments, incentivizing performance of existing workforce and encouraging placement of workforce across the districts of KP including far flung areas. In addition to upward revision of allowances, The Government has also made the following adjustments:
 - Re categorization of districts based on filled posts and proximity from urban centers from the earlier three categories to the now proposed four categories
 - For MOs a further sub category of Hard Areas (HAs) is introduced with the aim of creating an incentive differential big enough to attract these to work in far flung areas to improve service delivery.

The proposed increases range from 10 to 20% across categories. Adhoc allowances have also been proposed for LHWs and LHSs who hitherto had not been given any specific allowance. The additional annual financial implication of the proposed increases amounts to Rs. 3.2 Bn.

- Khyber Pakhtunkhwa Healthcare service providers and facilities (prevention of violence and damage to property) Act, 2020 was promulgated to meet a long-term demand of the medical community to afford legal cover against violent activities at health facilities premises.



2.6 Improvements In Health Budget & Processes

The budgets of healthcare facilities particularly secondary care hospitals were heavily skewed in favor salary expenditure. This would usually result in situations where the administration of health facilities would be unable to fulfill operational needs of the hospitals. As part of the broader budget processes improvement initiatives of the Government, ISU with health department also took some steps for more judicious and in-need spending. This includes increasing the operational budget of secondary care hospitals from Rs. 8.7 billion to Rs. 13.2 billion in 2021-22.

As part of the same initiatives the budget allocation of MTIs was also streamlined. Anomalies in the current budget allocations was removed by tying the operational budget of MTIS with the no of beds available. Similarly, the budget allocations were divided into operational and capital budget. While the operational budget will follow the same distribution principles as currently in vogue, the capital budget would be allocated to individual MTIs from a combined funds block on the basis of demonstrated capacity of execution as well as justification of proposed initiatives.

Improving service delivery through Handing over of Inter Hospital Referral system to Rescue 1122 – Over 37,000 patients have availed this service since launch in January 2021

In cognizance of the effective service delivery standards of Rescue 1122 and the coordinated coverage that it provides across the Province, the Department took the initiative of transferring the inter hospital referral system to Rescue 1122 along with ambulances and drivers at its disposal. The objective was to take benefit of the already high quality of service standards of Rescue 1122 and extend the same standards to inter hospital referrals. The initiative has not only created economies of scale due to integration of services but also resulted in improved service delivery.



2.7 Key Interventions To Improve Tertiary Healthcare Services

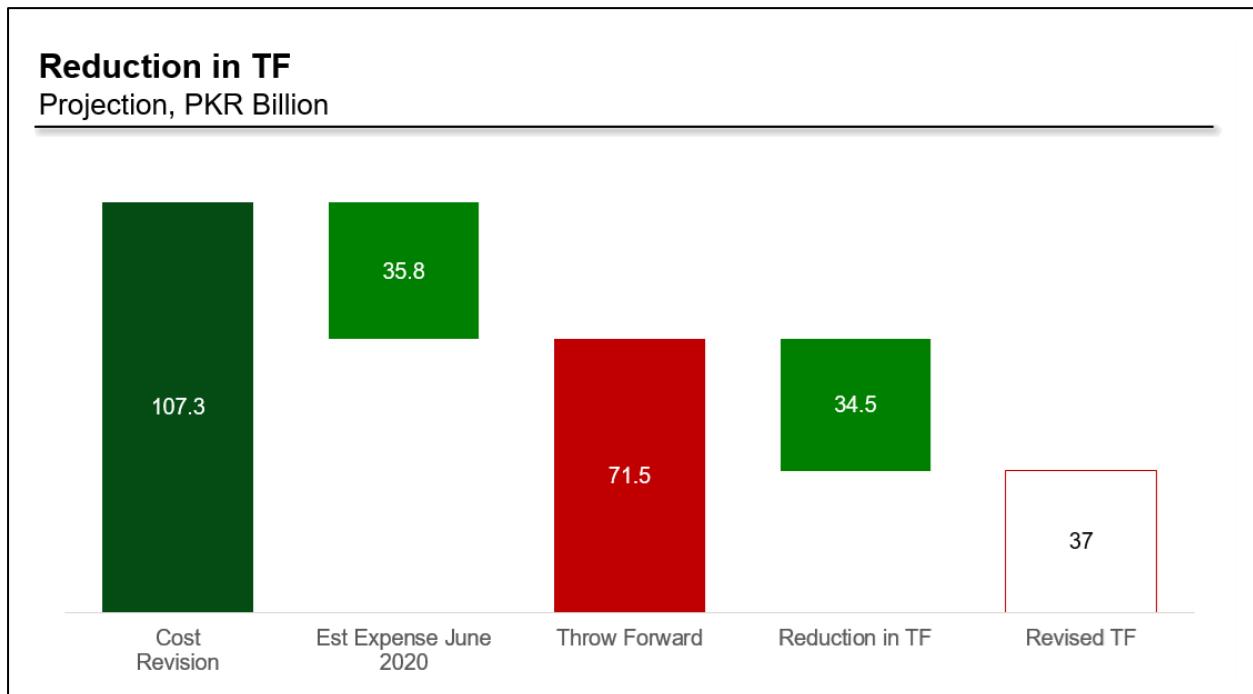
MTIs are the biggest health care service providers of the province. An effective board of Governors (BOGs) is instrumental in ensuring a well managed MTI. Keeping this in view, a thorough analysis of the quality of BOGs of the MTIs was carried out. A number of BOGs were found ineffective due to various reasons including absence of a balance of expertise of various faculties including administration, management and financial planning. The analysis was followed by an equally rigorous process of picking the right mix of members for BOGs after interviewing many potential candidates. As a result of the exercise the BOGs of Khyber Teaching Hospital, Peshawar, Khalifa Gul Nawaz Teaching Hospital, Bannu and Gajju Khan Medical College, Swabi were constituted selecting a fine balance of reinforcing expertise to manage the hospitals in a professional manner with the goal of maximizing effective service delivery.



2.8 Health ADP

ISU supported the health department in prioritizing the health ADP, to ensure spending generates impact required to improve health indicators. This exercise aims to ensure minimal throwforward and to assist in completing most schemes by 2023. There were 117 schemes in the health ADP 2019-20, which has now been rationalized to 104 schemes reflected in ADP 2020-21. With ISU's support, the throwforward was reduced from Rs. 71.5B to 37B. New schemes have been added to ensure greater impact.

Figure 17: Significant savings can be generated by right sizing the portfolio

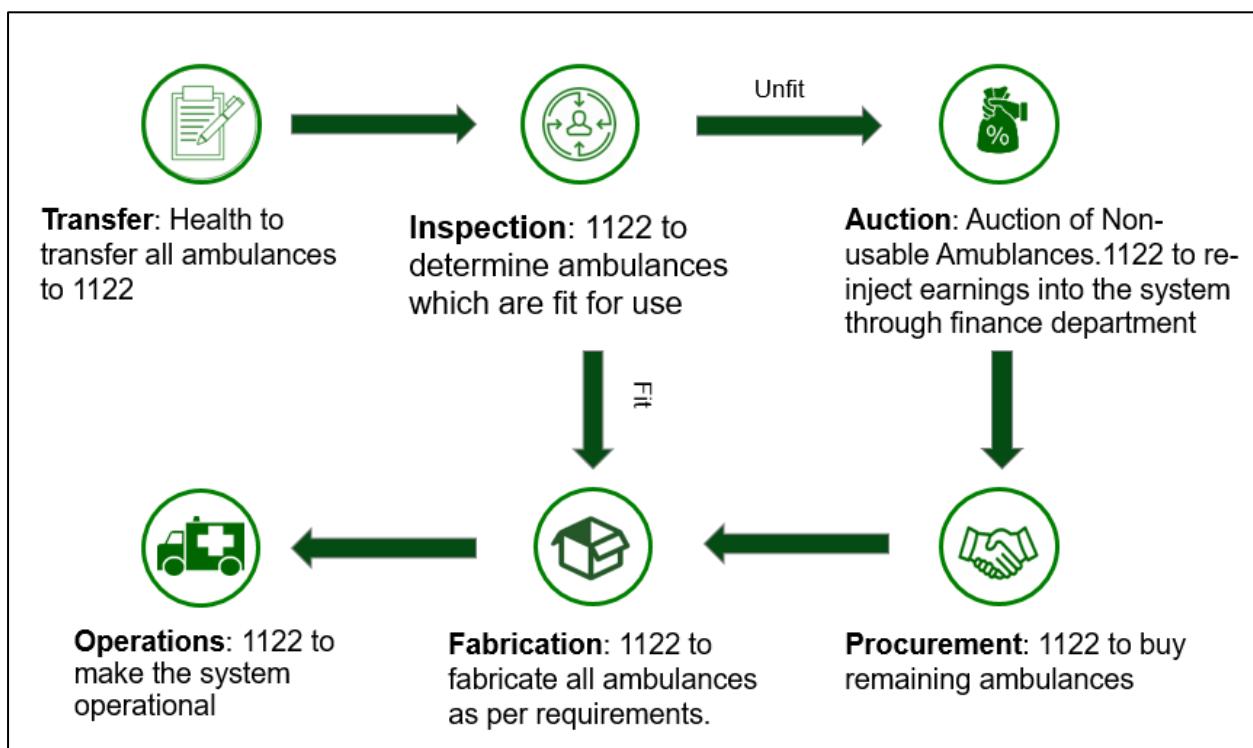




2.9 1122 Ambulances Handover

Ambulances are being operated by both Rescue 1122 and health department leading to duplication of resources. Since Rescue and Ambulance management is comprehensively managed by the Relief and Rescue Department, ISU developed a proposal to handover ambulances completely to Rescue 1122 from the health department. ISU gathered data related to ambulances available to health department, including locations and conditions and how they relief department should proceed to include these ambulances and associated human resources into its fleet. A model was developed depicting total ambulances that would be required to effectively run the ambulance service as well as the associated cost that would be incurred.

Figure 18: Health Department has ~420 ambulances of which only 114 are post 2010 model. It is, therefore, necessary that 1122 inspect all the ambulances.





2.10 Primary Health Care

The Health Department with ISU's support and facilitation has taken a bold initiative to revamp the primary and preventive healthcare landscape in the province, taking on the immense challenge of improving key healthcare indicators such as Infant Mortality Rate, Maternal Mortality Rate, Stunting, Anemia, Low Birth Weight, Wasting, as well as controlling of epidemics of AIDS, Tuberculosis, Malaria, Hepatitis, Water borne diseases, and other communicable diseases. To achieve this ambitious target, numerous initiatives are being taken in the primary and preventive healthcare portfolio. ISU is supporting the Health Department in developing PC-1s for these critical initiatives. Support is being provided in the development of the following key projects for Primary & Preventive Health Care Initiatives:

- 1) Strengthening of all BHUs across KP and conversion of 200 BHUs in to 24/7 SBA facilities
- 2) Rehabilitation of all RHCs across KP and conversion of 50 RHCs in to 24/7 facilities
- 3) Integration of Health Services Delivery with special focus on MNCH, LHW, & Nutrition Programme
- 4) Topping up of healthcare regime (Hepatitis, TB, EPI, NCD, HIV, etc)

By making effective and efficient investments in renovation, HR, equipment, medicines, rapid diagnostic tests, the department will be able to provide 24/7 Basic Emergency Obstetrics & New Born Care at over a third of BHU facilities across the province, as well as 24/7 emergency services at selected RHCs. In addition, screening and treatment of malnourished children and mothers will be provided. ISU is providing support in determining inputs, measuring outputs, and establishing costs for these initiatives.



2.11 Secondary Health Care

In line with the KP Government's ambitious health programme, the ISU is providing extensive support to the health department in developing numerous PC-1s to transform the secondary health care sector. These include the PC-1 for safe disposal of hospital infectious waste across Khyber Pakhtunkhwa, including merged districts. By ensuring infection control and proper waste management, the risk of hospital acquired infections is reduced substantially, spread of communicable diseases is controlled, and possible life-threatening infections are curbed. The necessity of proper disposal of healthcare waste was amplified with the emergence of the deadly and highly infectious COVID -19. ISU provided support to the health department in designing and costing the project.

Support is also being provided in the development of the PC-1 for revamping of all non-teaching DHQs in the province. This project that has the potential to truly transform the nature and quality of service delivery across the province. ISU has complimented the capacity of the health department by engaging with technical consultants and the leadership of DHQs across the province to maximize the quality of baseline assessment of these hospitals while also expediting the process of development of PC-1.

ISU is working to develop a comprehensive supply chain model that will streamline the procurement, warehousing and distribution of medicines and equipment across the province and improve access to medicine for patients in the province. There are significant gaps in the existing system that compromises not only the access to medicine but also efficacy of those medicines. This PC-1 will not only look to plug those gaps but also significantly improve the existing system.



2.12 KP Health Foundation

The ISU has been extensively supporting the KP Health Foundation in order to build capacity and enable it to execute its PPP mandate, and enable the Government to augment health care through public private partnerships. This support includes major institutional reforms of the foundation as well as execution of numerous PPP projects including secondary care facilities, primary care services, hospital infectious waste management, blood transfusion regime, diagnostic services, pharmacy services and non-clinical services.

Because of extensive support of the ISU, the Health Foundation has successfully carried out design, analysis, and approvals from all necessary forums for 10 secondary care hospitals, primary care services across 19 districts, MRI services in 7 Cat A hospitals, 3 Regional Blood Centers, and infectious waste across more than 120 secondary care facilities across the province. Continued support is now being provided to ensure successful execution of these projects. The impact of PPP in the health care sector can already be seen through the handful of facilities already outsourced by the Health Foundation. Each of these facilities are in remote locations where ensuring service delivery was a challenge for the department, particularly in terms of retention of skilled HR. With financial flexibility, better accountability, and expeditious recruitment mechanisms, private partners are successfully providing much need curative care in these regions.

Figure 19

Organizational Improvements in Outsourced Hospitals						
Hospital	Specialists before outsourcing	Specialists after outsourcing	General Doctors before outsourcing	General Doctors after outsourcing	Nurses before outsourcing	Nurses after outsourcing
Mishti Mela	0	8	2	11	0	9
Mamad Gat	0	5	4	11	0	9
Cat-D Dogar	0	5	2	11	0	9
Molai Khan Serai	0	5	0	11	2	9
Cat-D Ghiljo	0	3	2	11	0	9
Cat-D Sholam	0	5	0	9	0	11
Toi Khula	0	6	0	10	0	11
Cat-D Darazinda	0	6	3	9	0	11

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specialists, doctors and nurses
working in remote areas after
outsourcing

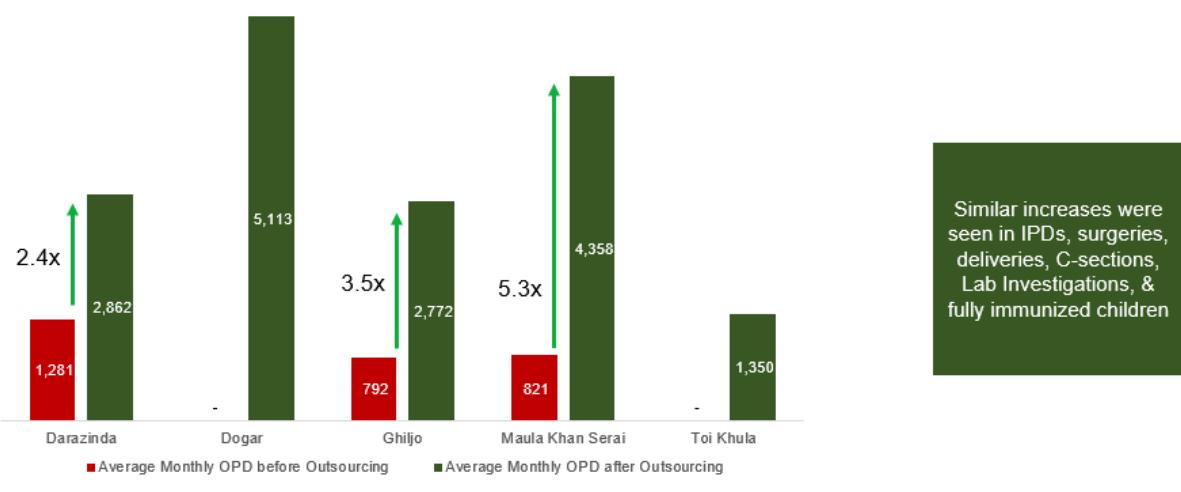
These improvements in Hospital Management and retention of HR have translated itself into improved services for patients accessing said facilities. This is evident from a multifold increase in OPD, IPD, surgeries, deliveries, C-sections, lab investigations, etc.



Figure 20

OPD for outsourced hospitals increase multiple fold from pre outsourcing average

Monthly OPD Average of outsourced hospitals between Jun '20 – Jun '21
(# of admissions)



These results have encouraged the government to use PPP as an instrument to provide service delivery to people. Due to the significant improvement in service delivery, 10 secondary facilities in remote regions are being outsourced.

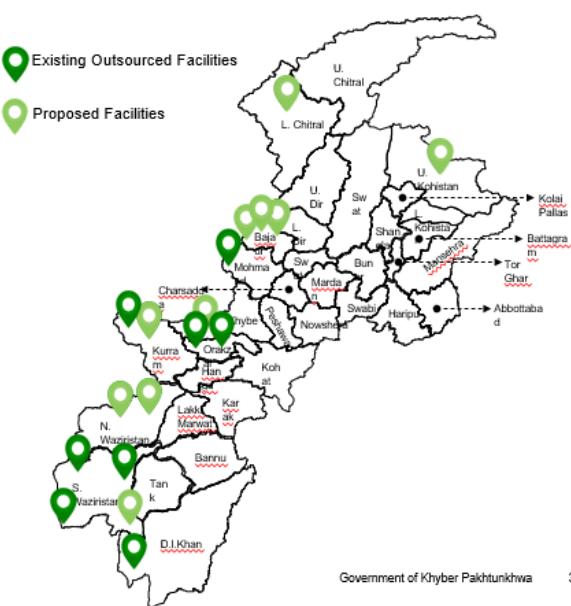
Figure 21

Health Foundation is in the process of outsourcing 10 additional facilities in remote regions of the province



S.No	Outsourced Hospitals	District
1	Mishli Mela	Orakzai
2	Mamad Gal	Mohmand
3	Sholam	South Waziristan
4	Cat-D Dogar	Kurram
5	Molai Khan Serai	SW
6	Cat-D Ghiljo	Orakzai
7	Toi Khula	SW
8	Darazinda	FR DI Khan

S.No	Proposed Hospitals	District
1	DHO Hospital, Wana	South Waziristan
2	DHO Hospital	Kohistan
3	Cat-C Hospital, Mamund	Bajaur
4	THQ Hospital, Mir Ali	North Waziristan
5	Cat-D Hospital, Razmak	North Waziristan
6	Cat-D Hospital, Alizai	Kurram
7	Cat-D Hospital, Bazar Zakakhel	Khyber
8	Cat-D Hospital, Naqagai	Bajaur
9	Cat-D Hospital, Pashat	Bajaur
10	RHC, Shaigram	Chitral



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ISU support has also been pivotal in revising the HF organogram, service, financial and conduct regulations, introducing financial and budgetary best practices and other institutional reforms necessary to build the capacity of the health foundation.

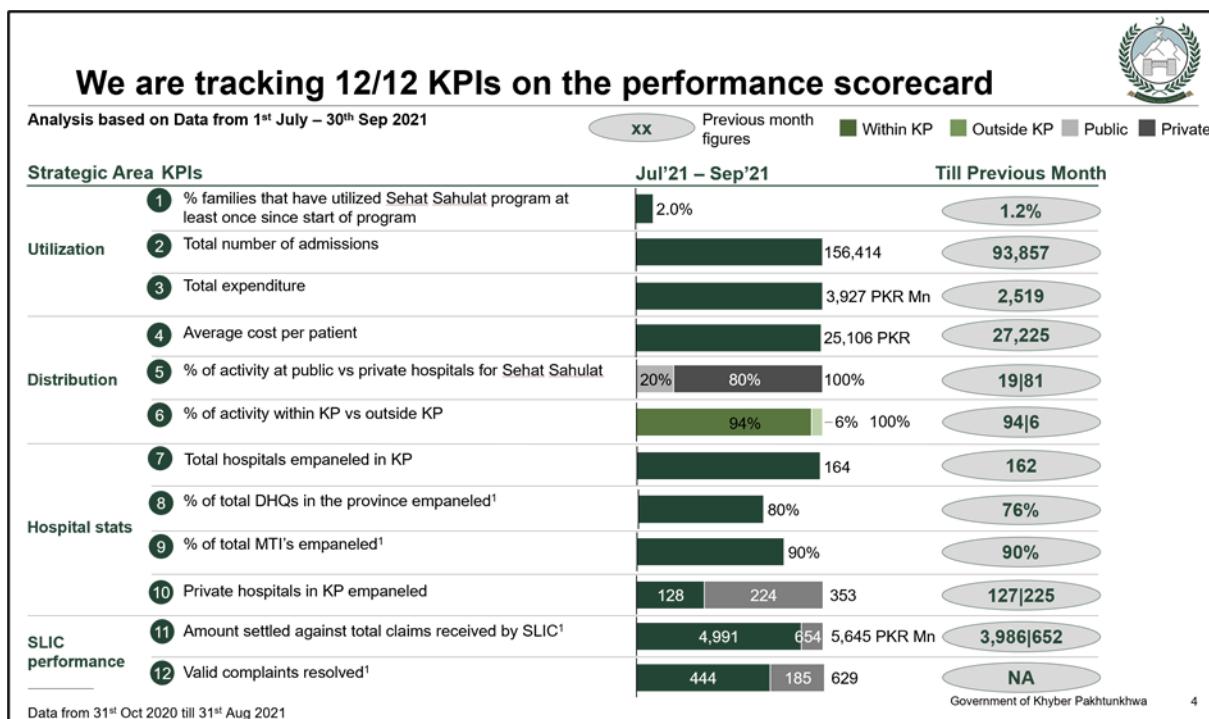


3. Sehat Card Plus

ISU has been providing support in the implementation, execution and expansion of the KP Government's flagship programme in Health Sector, The Sehat Card Plus. The ISU played a major role in helping with the phase wise implementation of the Sehat Card Plus across the province by assisting the SHPI with roll-out planning and logistics, media campaigns and assessing public feedback. The ISU worked closely with Minister Health in ensuring that SHPI and State Life Insurance Company followed the timelines set by Health Department for launch of the universal insurance programme and provided regular updates on the actions and their timelines by coordinating with all stakeholders.

After the successful rollout, the ISU is majorly involved in analysing monthly data received from the State Life Insurance on utilization by beneficiaries. The ISU prepares a comprehensive analysis that includes insights on utilization across districts, treatment types, hospitals, and other metrics for the review of Minister Health and leadership of Health Department. As can be seen in the Figure below, there are 12 different performance indicators that we track and then do a deep analysis for each indicator.

Figure 22: KPIs scorecard



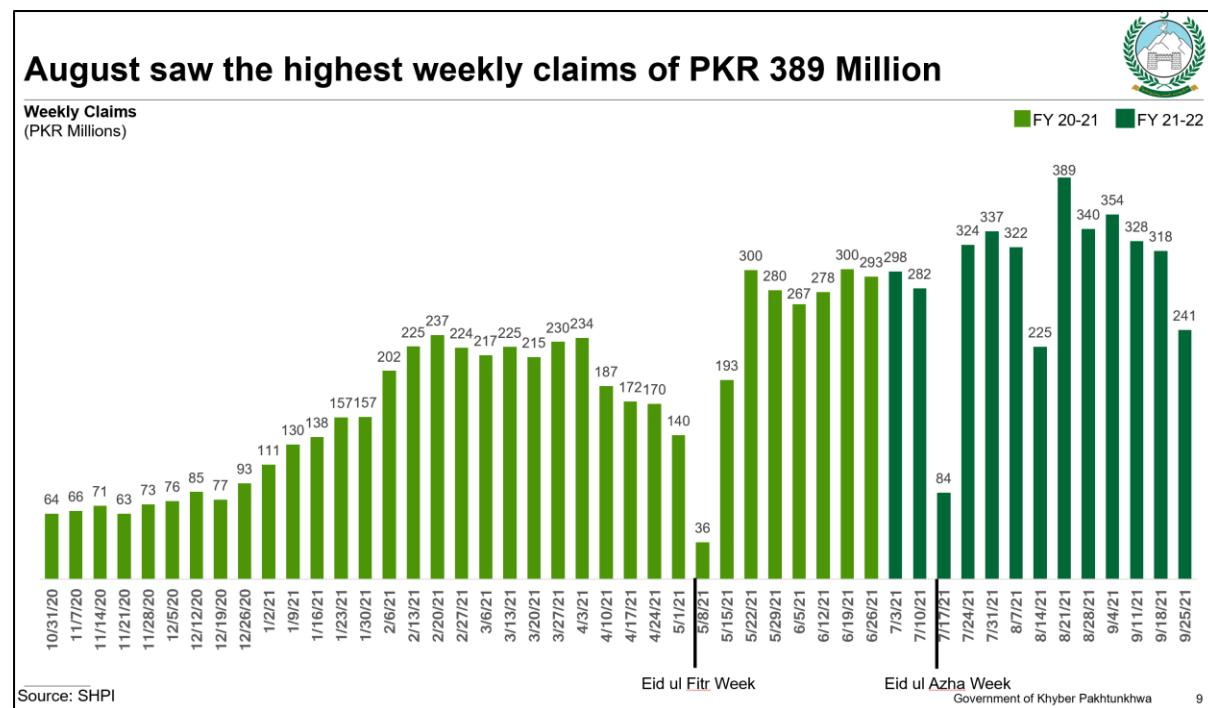
This analysis informs the decision-making of the leadership on budgeting and operational matters of the programme. Figure 22 and 23 are an illustrative example of the deep analysis ISU is doing for each performance metric. It also helps in improving the programme by identifying key problems in the programme through data analysis that feeds into decisions regarding course correction or punitive action if required.



Figure 23: District Wise Data

Division	District	Total Admissions	Admissions per 1000 families	Utilization by district's beneficiaries (PKR Millions)	Utilization in district's hospitals (PKR Millions)	% of patients going outside district	% share of public hospitals in spend	% share of top 2 hospitals in spend	# of public hospitals empaneled	# of private hospitals empaneled
Bannu	Bannu	2,102	7.5	95.5	15.3	62.7	-	100	1	2
	Lakki Marwat	1,596	8.0	52.8	9.1	61.0	67.6	100	1	1
D I Khan	D I Khan	2,852	8.5	67.7	31.6	31.1	30.5	69.5	1	3
	Tank	978	11.3	19.8	5.1	50.5	100	100	1	0
Kohat	Hangu	2,043	15.1	59.8	6.5	82.5	-	100	0	2
	Karak	4,380	22.3	117.0	51.4	36.5	21.4	100	1	1
Kohat	Kohat	2,114	8.4	78.9	14.4	61.8	42.3	69.0	1	4
	Abbottabad	8,269	19.3	155.0	144.7	27.3	19.4	38.9	3	7
Hazara	Battagram	3,832	26.0	75.5	60.7	34.6	4.0	53.8	1	6
	Haripur	6,119	19.4	104.4	23.7	48.2	86.9	100	1	2
Hazara	Kohistan	1,226	13.6	26.6	1.6	89.7	-	100	0	1
	Manshera	6,882	13.2	119.6	33.5	66.2	18.2	80.0	1	3
Malakand	Torghar	252	8.6	6.0	13.3	100	-	-	0	0
	Buner	7,014	31.8	164.1	116.6	22.7	4.2	95.8	1	2
Malakand	Chitral	3,105	25.9	43.0	23.3	17.6	70.5	91.5	2	2
	Lower Dir	11,933	37.1	280.4	130.0	41.6	-	51.6	1	8
Malakand	Malakand	6,781	36.7	167.3	114.6	31.0	17.8	48.7	2	4
	Shangla	4,170	20.6	94.8	29.2	57.0	19.8	69.0	1	4
Swat	Swat	13,658	22.6	374.2	364.8	10.8	3.2	32.4	1	15
	Upper Dir	6,190	25.0	126.9	7.4	86.3	-	100	0	2
Mardan	Mardan	13,456	22.3	373.2	192.2	36.4	20.4	26.3	2	12
	Swabi	11,136	24.9	291.5	192.8	32.1	3.8	58.8	3	11
Peshawar	Charsadda	10,257	24.4	279.7	46.8	71.6	16.9	56.5	1	5
	Nowshera	8,665	25.3	210.7	101.8	40.0	41.1	60.8	2	6
Peshawar	Peshawar	17,404	22.8	542.6	1,943.8	3.3	26.1	26.7	6	19

Figure 24: Monthly Claims



The Sehat Card Plus, according to the vision of KP Government, is supposed to be an ever-expanding programme that over times includes more treatments and coverage. The ISU has



been working with the Minister and other relevant stakeholders on designing top-up and additional packages that can be included to widen the scope of the programme. An example of this is the inclusion of liver transplant treatment in the programme from Financial Year 2021-22. Going forward the ISU will be assisting in designing top-up packages for government servants and other select groups that will expand their coverage within the programme.



Support for Finance Related Reforms

1. Revenue Generation

1.1 Khyber Pakhtunkhwa Revenue Authority

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. In FY 2020-21 the revenue has grown by more than 100% as compared to FY 2018-19 over the same period of time. At current pace the revenue crossed the benchmark of **Rs. 20 billion** last year.

Figure 25

KPRA has closed FY 20-21 with a growth of 22% vs. LY, & doubled its revenue vs. FY 2018-19



Among other reasons for KPRA's substantial growth, performance tracking and management both at the organizational and departmental level has been instrumental, which was supported and driven by the ISU revenue related team members. Some of the key features of this performance enhancement strategy include:

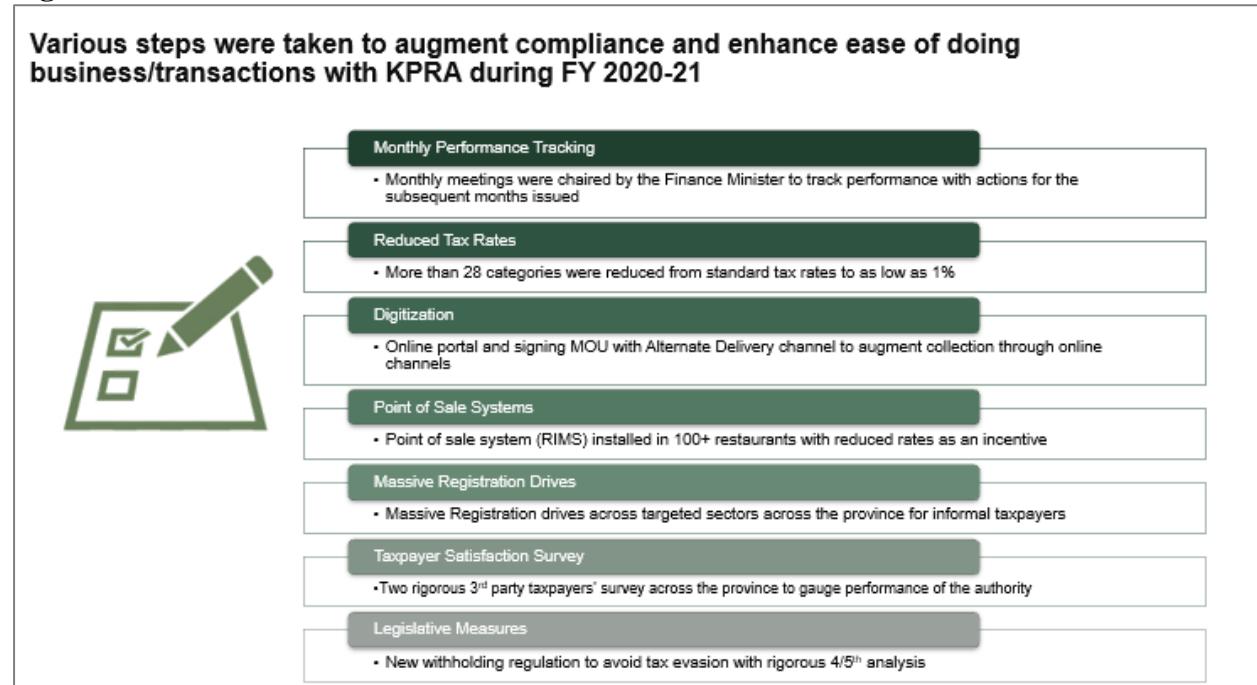
1. **Monthly performance evaluation** chaired by the Finance Minister with evolving action plans defined for the entire department.
2. **Inculcating the province's first performance based incentive system** along dimensions including both revenue targets and non-revenue capacity enhancement and process simplification goals.
3. **Massive registration drives** dovetailed with process simplification and reduced rates augmented voluntary compliance throughout the province, resulting in a **31%** increase in overall registration.



4. 3rd party conducted taxpayer satisfaction surveys showed massive improvement in the current fiscal year.
5. Revenue & Non-Revenue Interventions also involved deep data analytics to highlight growth pockets within the province.
6. **Point of sale systems** installed in more than 100 restaurants and hotels across the province also helped in increasing revenue as well as streamline taxation matters of an important revenue sector

Figure 26

Various steps were taken to augment compliance and enhance ease of doing business/transactions with KPRA during FY 2020-21





1.2 Revenue: Key Principles & Reforms Adopted For FY 2021-22

The coming year is definitive for Khyber Pakhtunkhwa's economy, as it recovers and comes out of the impact of a global pandemic, rejuvenating its manufacturing and services sector, coupled with development plans to augment the agricultural output and overall living standard of the citizen of the province. ISU team has played a significant role in conducting consultative sessions with various revenue collecting agencies to formulate the key principles and reform agenda for FY 2021-22.

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

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

2. Board of revenue:

- a. **Construction Sector** will be relieved this year as well by extending **exemption on CVT & Reductions in Registration fee**.
- b. **Land tax will be zero** for the coming fiscal year, to divert energies towards digitizing land data and relieve farmers during this year of revival.



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



1.3 Net Hydel Profits

Net Hydel Profits has been a major source of income for the province and its receipts affect the fiscal space available for development expenditure. However, its calculation methodology and transfer mechanism have always been a point of discussion between the Government of Khyber Pakhtunkhwa and WAPDA. ISU carried out a detailed analysis of the sequence of events and decisions taken since 1973 till 2020. A chronological timeline was developed along with digitization of relevant historical documents. In addition to this, a cash flow model was developed to compare the actual receipts with the modelled receipts. The analysis showed that the actual receipts were far lower and lagged the budgeted numbers every year.

Table 1: Annual payments of NHP

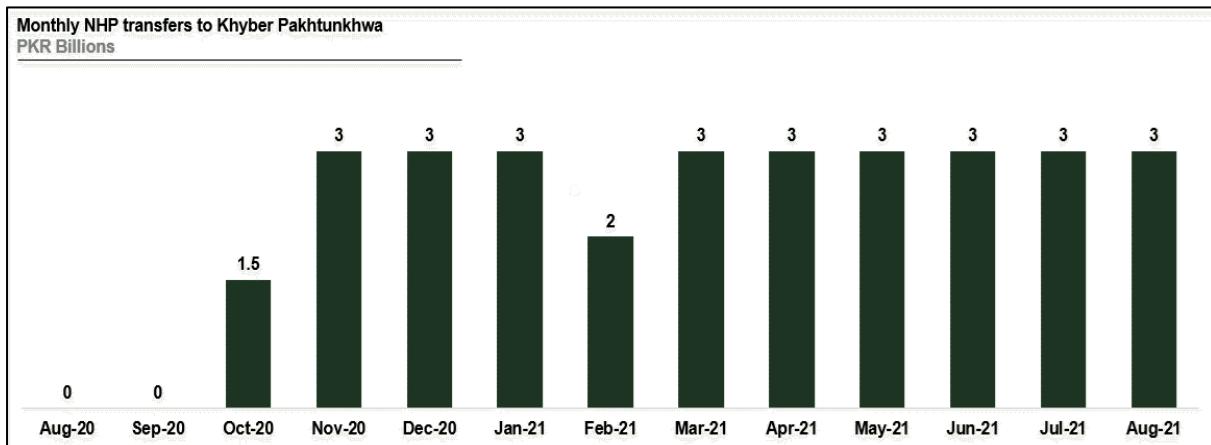
NHP Component	Budgeted in FY (Rs. billion)	Received in FY (Rs. billion)
2016-17 NHP	33.7	21.8
2017-18 NHP	35.8	41.5
2018-19 NHP	65.3	20.0
2019-20 NHP	55.7	14.5
2020-21 NHP	58.3	44.0

To address this, ISU undertook three interventions. Firstly, a process of continuous tracking of NHP was conducted, providing a complete profile of NHP received and outstanding. Secondly, a potential loss of Rs. 7,949 million was identified because of missing indexation of NHP tariff from 2015-2016 until 2019-2020 according to the MoU signed in 2016. Lastly, additional hydro power stations were identified which are now a part of Khyber Pakhtunkhwa after the merger of erstwhile FATA. Proactive meetings were held with the Federal Government on the case with the support of factual data and historical record. The continuous engagement with Federal Government and WAPDA resulted in streamlined and regular receipts for the province.

The Government of Khyber Pakhtunkhwa filed a petition with NEPRA to apply indexation on the NHP tariff as per the MoU signed between Government of Khyber Pakhtunkhwa and the Federal Government in 2016. It also pleaded to allow payment of arrears in lieu of missed indexation of amount Rs. 7,949 million. ISU provided the necessary analytical support to the department for preparation of a strong case.



Figure 27: NHP Transfers

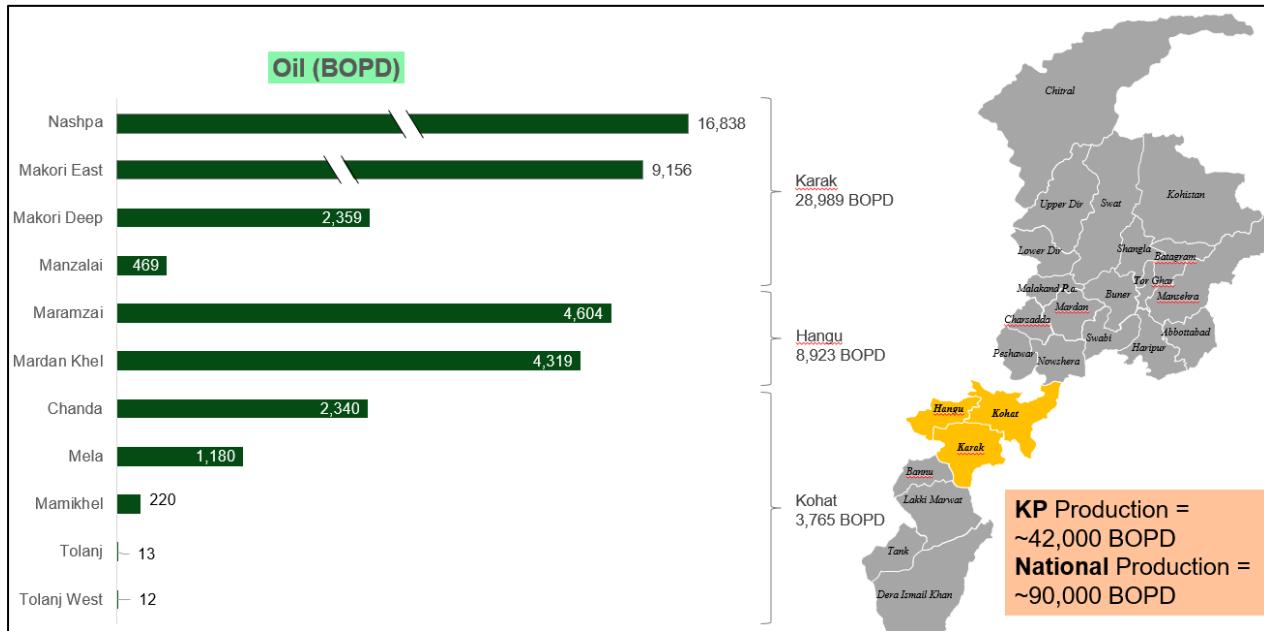




1.4 Straight Transfers

By reviewing the existing calculation method of straight transfers, a better mechanism is being developed to determine the due share of the oil and gas royalty, gas development surcharge and the federal excise duty on gas. In addition to this, additional heads are being identified where payment should be made by the Federal government.

Figure 28: Oil production in Khyber Pakhtunkhwa





1.5 Own Hydel Generation

The existing mechanism of recovering Own Hydel Generation has been inefficient, resulting in delayed payments from the Central Power Purchasing Agency (CPPA-G) for the two dams owned by the Government of Khyber Pakhtunkhwa (GoKP). For example, from 1st July 2019 till January 2020, CPPA-G owed GoKP Rs. 3.8 billion. With ISU's analytical support, the GoKP initiated extensive engagement with CPPA-G and the federal power division. As a result of these engagements, a mechanism of reporting and making daily payments was agreed in January 2020. Subsequently payments were made on a daily basis, resulting in an improvement of cash flow under provincial own receipts for the province. Furthermore, ISU's analysis has identified an additional Rs. 4.2 billion of potential arrears which are being reconciled between CPPA-G and PESCO for payment to PEDO.

Figure 29: Increasing liabilities for PEDO projects

PKR Millions			
Malakand-III		Pehur	
Status	Jan-20	June-20	Status
Amount Reconciled & Approved	3,129	3,020	 Pending Payments
Amount reconciled but notification awaited	1,045	0	PKR 1,429 mln pending for Daral Khwar (Pending COD)
Reconciliation awaited	180	244	PKR 81 mln pending for Machai (Pending EPA)
Case to be submitted to NEPRA	0	83	PKR 38 mln pending for Ranolia (Pending COD)
Total	4,354	3,346	



2. Budget Management

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. ISU played a pivotal in driving this reform process and further augmenting existing processes to make them more dynamic and proactive.

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

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

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



Figure 30

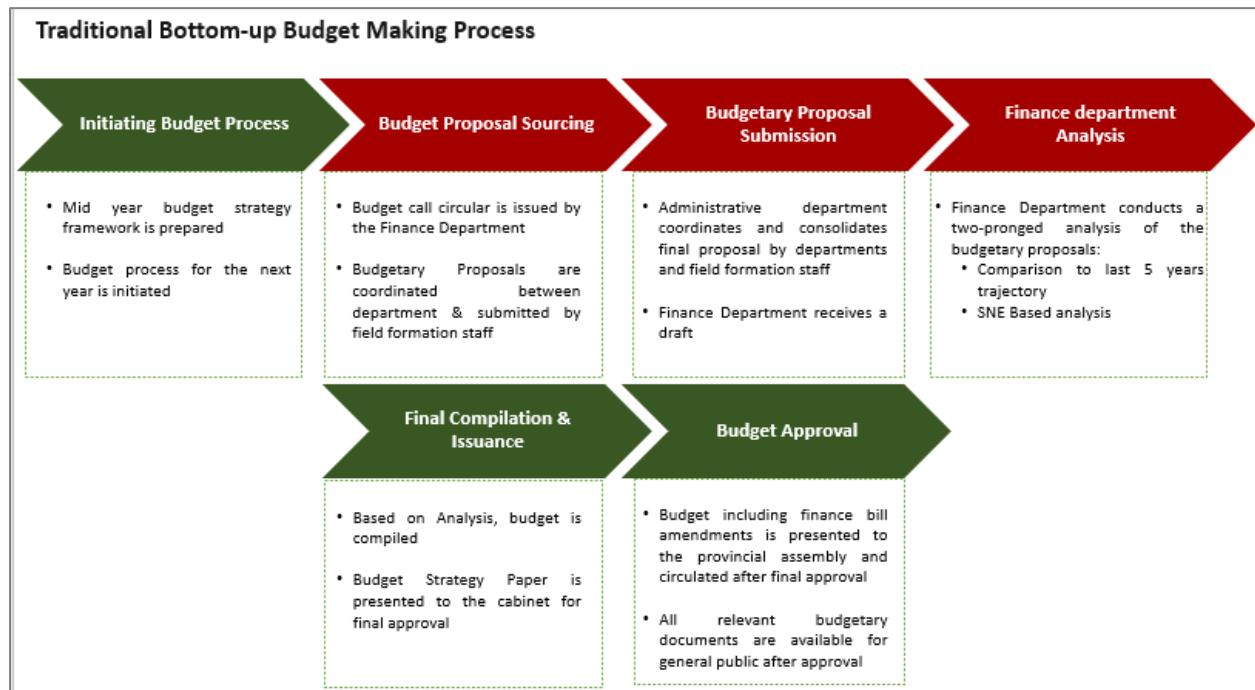
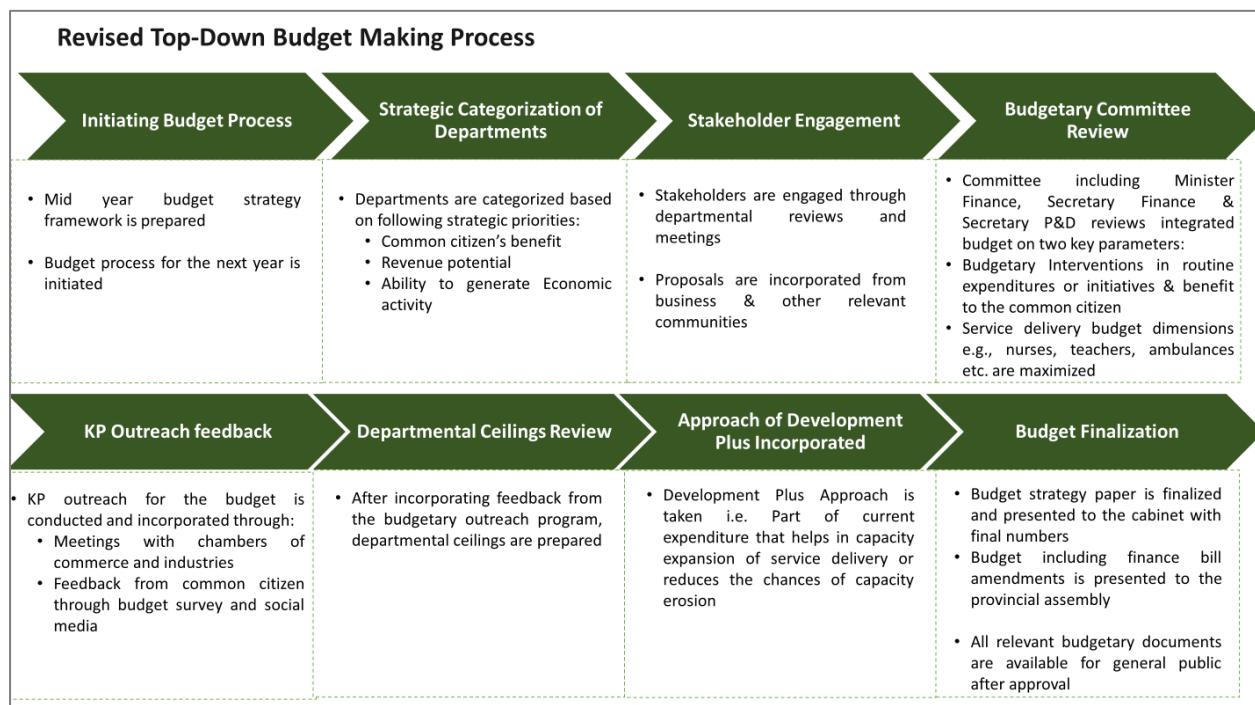


Figure 31





2.1 In Year Budget Management

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

As a result of this, the following key interventions were made creating wide impact across the Government, in each intervention a member of ISU was assigned to provide analytical and strategic expertise:

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 32



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



3. **Monthly Receipts from Federal Government** were tracked against FBR collection and targets to ensure that KP receives its due share. In addition, the Federal Government was engaged and convinced to make smaller but regular NHP payments instead of a singular large tranche randomly in the financial year against NHP. This helped improve predictability of Provincial finances.
4. **Early Releases** were made possible in both the current and development side as a result of tracking cash cover, projected receipts and spending patterns. During the COVID-19 pandemic, MTIs were released 3rd quarter budgets well within the 2nd quarter, so that these have the necessary liquidity when needed. Similarly, early releases in the ADP transformed decades old trend of spending pattern, where sluggish expenditure during the year would be followed by a surge in the final quarter, resulting in wastages in pursuit of consuming the full budget. Through early releases, the spending evened out across months resulting in better quality of expenditure.
5. **Actual Monthly Expenditure Reports** were sent to departments, equipping the respective principal accounting officers with the tools to make informed financial decisions which would help in improving department's efficiency and service delivery.



3. Development Budget Management

Internal Support Unit (ISU) has actively supported the government in better management of the development portfolio through its analysis for data-driven policy making, setting up of routines and developing tracking and review mechanism. ISU embedded its support in CM Secretariat, Finance Department and Planning & Development Department to wholistically assist the stakeholders in the development budget management. Three key areas where ISU support made an impact in the development budget management

- Data Consolidation
- Data Analysis for Policy Making
- Prioritization of High Impact Projects
- Tracking and Monitoring Mechanism

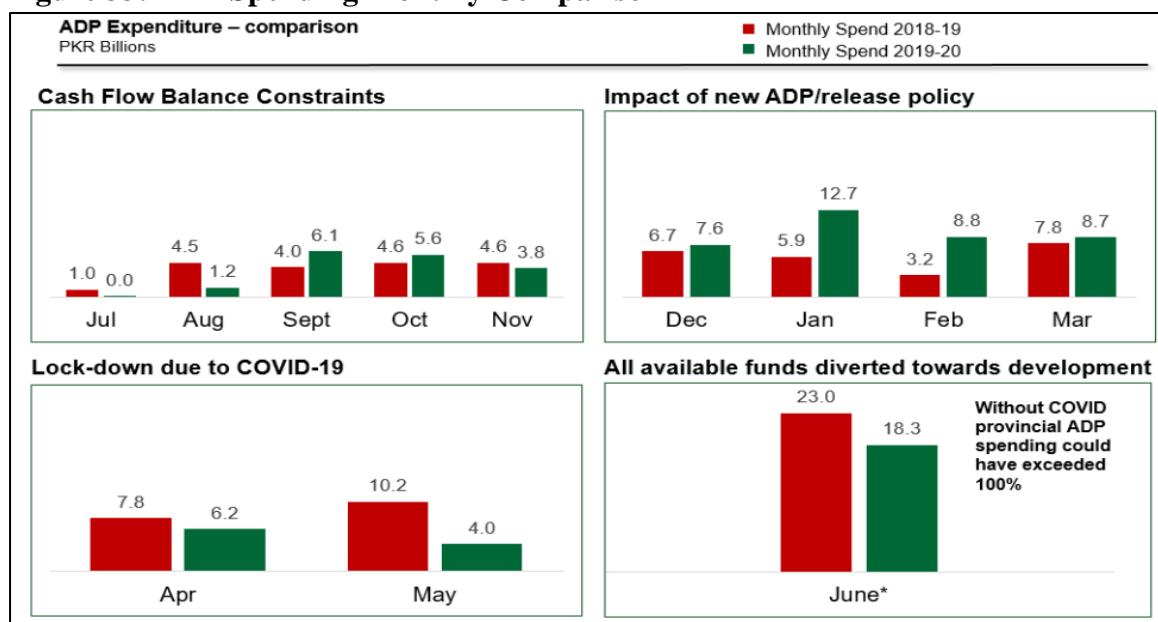


3.1 Annual Development Programme (ADP)

Traditionally, development spending of the province was disproportionately spent in the final quarter of the fiscal year, leading to inefficiencies in spending. For better management of the ADP, a new policy spanning a period of 4 years was developed and approved by the Cabinet in 2019. ISU provided active support to the Finance and Planning and Development Departments in implementing this policy in fiscal year 2019-20 by continuously tracking release and spending and providing analytical support in decisions regarding re-appropriations. Moreover, a supplementary release policy was designed and implemented by the Finance department with the support of ISU to improve quantum and quality of development expenditure.

The results of implementing this policy were realized immediately, as January and February 2020 witnessed a substantial rise in ADP spending, more than twice of that of the previous year in the same period. The impact of COVID-19 materialized in subsequent months as departments were under a standstill. However, without COVID-19, provincial ADP spending could have exceeded 100 percent as a result of the new policy implementation and subsequent implementation support.

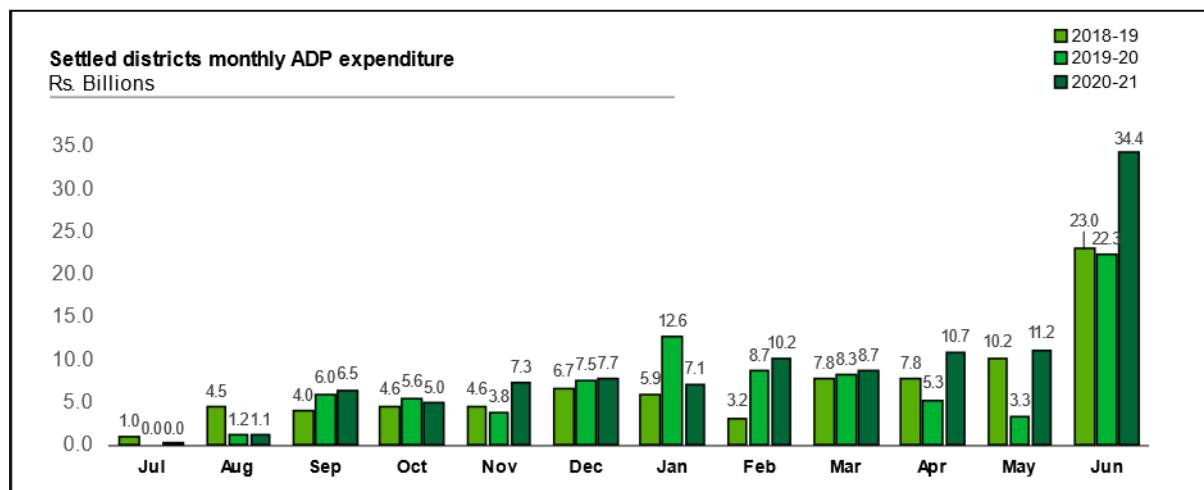
Figure 33: ADP Spending Monthly Comparison



Khyber Pakhtunkhwa continued its ADP release policy which led to even development expenditure during FY 2020-21.



Figure 34: ADP spending monthly comparison



Furthermore, to fast-track the completion of projects, ISU assisted in conducting a prioritization exercise to identify projects which will have the highest impact on the public service delivery. The exercise resulted in identification of 214 projects across all sectors which were allocated additional funds to complete them in two years. This exercise was further complemented by developing an online portal to allow for tracking and monitoring of scheme-by-scheme implementation of the projects.



3.2 Public Sector Development Programme (PSDP)

For the first-time ever, ISU carried out scheme by scheme analysis of PSDP 2019-20. Out of the total federal PSDP of Rs. 951 billion, approximately Rs. 200 billion was identified as Khyber Pakhtunkhwa's stake, offering immense potential of economic activity and public impact. This Rs. 200 billion constitutes a significant portion of the overall development portfolio of province, which is around Rs. 540 billion (both merged and settled districts) for FY 2019-20. ISU assisted the Planning and Development department in ensuring greater provincial role with regards to allocation of projects for the province in the overall PSDP portfolio.

Key PSDP schemes having impact on the province's service delivery were identified. These 135 schemes were regularly reviewed with the department to ensure provincial ownership, timely releases of allocated amounts, and timely re-allocation decisions. In February, out of 135 schemes, 27 schemes of Rs 8 billion allocation were identified that were yet to be approved. The proposal for necessary re-appropriation or follow-up with ECNEC/CDWP was developed and shared with the Planning and Development Department.



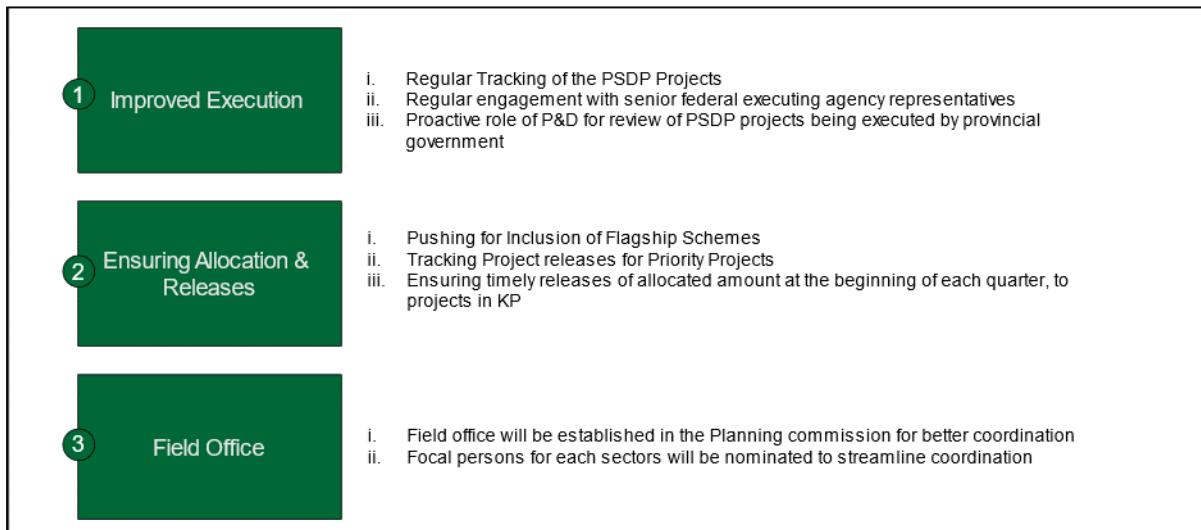
Table 2: 10 key projects from PSDP recommended for prioritization after assessment

Priority Projects	Total Cost (billions)	Expensed Till Date (billions)	Total Allocation 2019-20 (billions)	Throw Forward (billions)	Proposed Allocation 2020-21 (billions)
Construction of Chakdara-Bagh Dheri Extension of Swat Expressway on BoT	20.00.	-	1	19	-
Dualization of Indus Highway (N-55) Sarai Gambila to Kohat Section	30.13	5.15	4	20.98	4
Peshawar Northern Bypass (32.2 Km) (Revised)	21.34	10.48	2.5	8.36	2
Expo Centre, Peshawar	2.5	1.42	0.3	0.78	0.78
Khyber Institute of Child Health & Children Hospital (District Peshawar)	2.21	1.21	0.5	0.5	0.5
Dualization & Improvement of Pindigheb-Kohat Road	18.7	1.3	2	15.39	-
Construction of Motorway from Burhan - Hakla on M-I to Dera Ismail Khan	110.2	73.63	13	23.57	-
Peshawar (Chamkani) to Nowshera - Addition of Extra Lane on each Side of N-5	0.1	0	0.01	0.1	-
Strengthening of Khyber Medical University Peshawar	0.98	0.48	0.1	0.5	-
Construction of Sanam, Palai and Kundal Dams	4.28	3.4	0.05	0.83	-
Total	210.44	97.07	23.46	90.02	-

In 2020-21, again a thorough analysis of the PSDP portfolio was conducted to understand Khyber Pakhtunkhwa's position in the PSDP portfolio. Although KP allocations for the projects improved, utilization remained a challenge. Even in the high priority projects, average spending remains at 64%. In order to realize the true potential of the PSDP portfolio, Provincial Government developed a strategy to prioritize three key areas; Improve Execution, Ensuring timely allocation and releases and establishment of field office at Planning Commission. PSDP field office will allow the Provincial Government to have better liaison with the Federal government and oversight over the PSDP Portfolio.



Figure 35





3.3 Accelerated Implementation Plan (AIP)

ISU supported the reinvigoration of the Accelerated Implementation Programme (AIP) by conducting an in-depth review of schemes by departments, identification of High Impact Projects and increasing the pace of project design through supporting the preparation of selected PC-1s.

The AIP was conceived to increase the pace of design and execution of development spending in tribal districts. Despite this objective, the preparation of PC-1s for AIP was slow in the second quarter of 2019-2020. Most of the PC-1s preparation had not been initiated, resulting in low levels of schemes approvals, releases and utilization for newly merged districts.

The unprecedented number of schemes, lack of capacity in departments and low levels of coordination between departments contributed towards the slow pace of AIP. There was no existing policy framework and consolidated knowledge management guiding and tracking progress. All the problems above contributed to low levels of spending. Without an accurate estimate of potential spend by the end of the fiscal year, it is an increasing challenge to secure further release from the Federal Government for AIP schemes.

After identifying the problems above, ISU supported the Planning and Development Department in developing PC-1s. A series of engagements with all relevant departments were organized where each scheme under the AIP was rigorously reviewed, conceptual flaws were identified and removed. Through this process, ISU has consolidated AIP data, improving knowledge management for strategic decision making. ISU supported the development of a new AIP policy regulating the planning, budgeting and release of funds. Based on analysis of schemes and departmental capacity, an estimate of potential spend by the end of this fiscal year was determined and communicated to the Federal Government, resulting in the required release of funds for AIP schemes.

During 2020-21, ISU supported establishing routines at the CM Secretariat for tracking and monitoring the Merged Areas Projects. Thorough consultations with the departments were held to develop regular reporting channels for each project. Structured data reporting tracking sheets for each project were developed allowing in identification of scheme-wise bottlenecks for the senior stakeholders. This process resulted in improved strategic management and implementation of the projects.



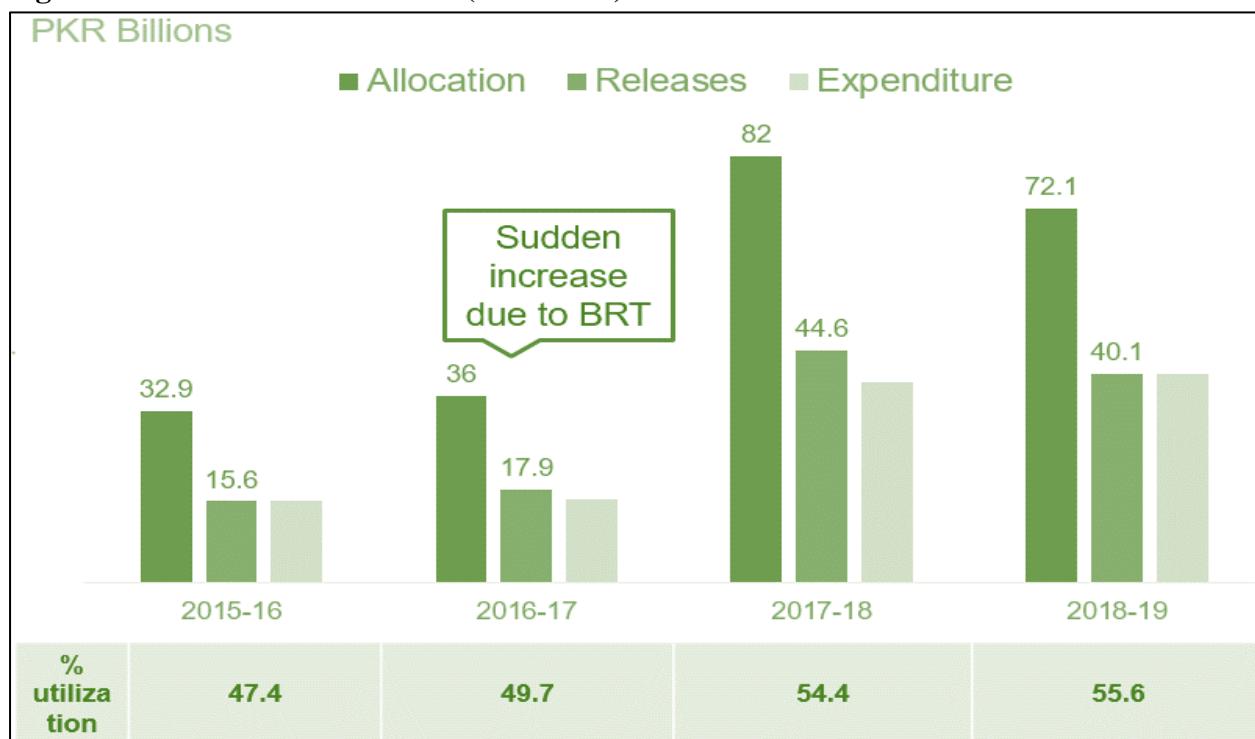
3.4 Foreign Project Assistance (FPA)

Over the years, the portfolio of FPA has been growing rapidly, now comparable to the ADP portfolio, standing at Rs. 82 billion in fiscal year 2019-2020. Historically, utilization of FPA has been very low, standing at approximately 50 percent. There is a lack of coordination and planning between departments, resulting in either over allocation or significant delays in project implementation. ISU supported the Planning and Development Department in FPA to achieve the following objectives:

1. Improve utilization to ensure greater development spending.
2. Improve allocation for effective and efficient spending.
3. Ensure FPA is driven by Government's development objectives instead of donors.
4. Ensure there is a monitoring mechanism in place to track progress of FPA.

Through the above interventions, we can expect to increase the pace and improve the quality of spending under the FPA head of the development budget.

Figure 36: Allocation vs Releases (2015-2018)





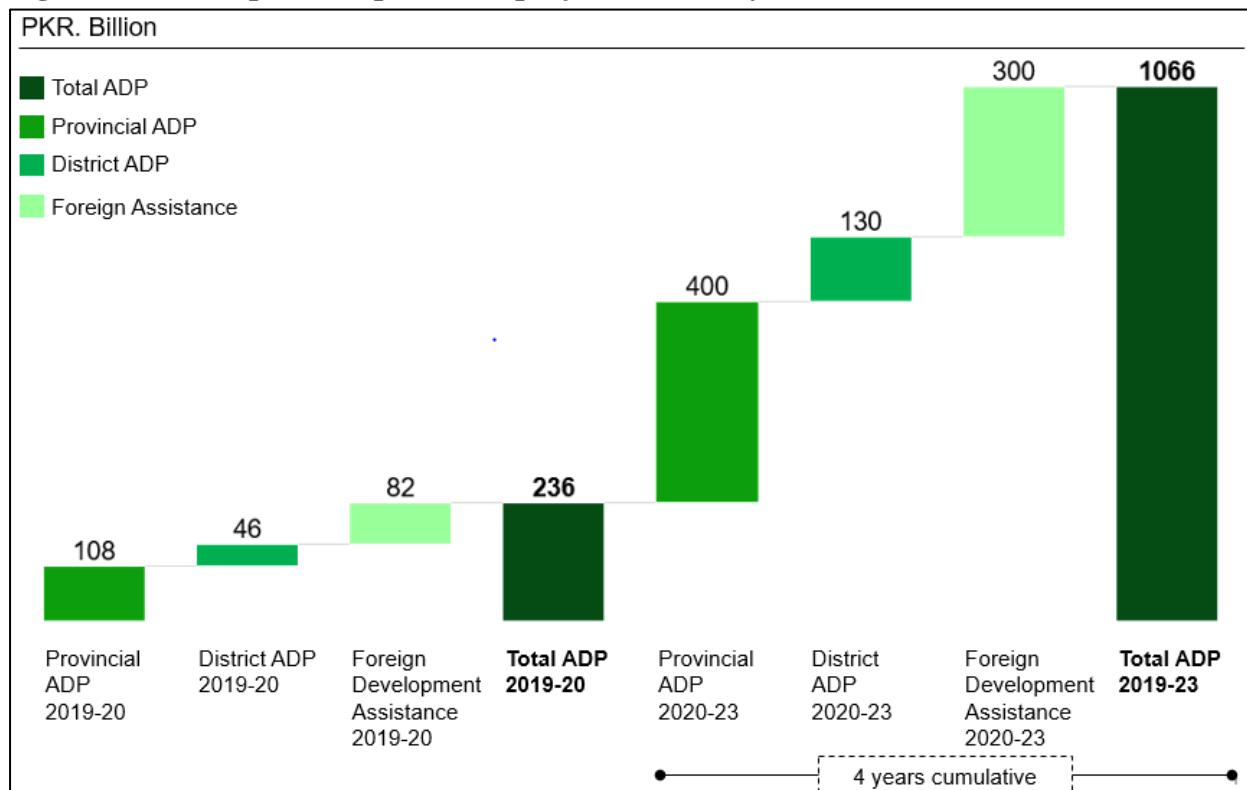
3.5 District Budget Planning

A comprehensive exercise with Deputy Commissioners (DCs) of 28 settled districts was carried out by ISU in December 2019 to collect district level information on development schemes. ISU designed tools to collect information from districts regarding:

- General profile of the district
- Administrative profile of the district
- Health & education profile of the district
- Major issues of the district
- Current schemes delivering impact within districts
- Proposed schemes to solve upcoming issues of the districts
-

After information collection, consultative sessions with multiple clusters of DCs were held. During the consultative sessions, DCs were taken onboard with the overall exercise, schemes based on a systematic criteria were proposed and next steps were agreed. As a result of this activity, an estimated portfolio of approximately Rs. 260 billion for current and proposed high impact projects at district level were identified and shared with the Planning and Development Department. Synthesis of learnings from 28 districts, their challenges along with the proposed schemes were shared for scrutiny. The exercise is expected to improve the impact of development spending at the district level.

Figure 37: Development expenditure projections for 4 years



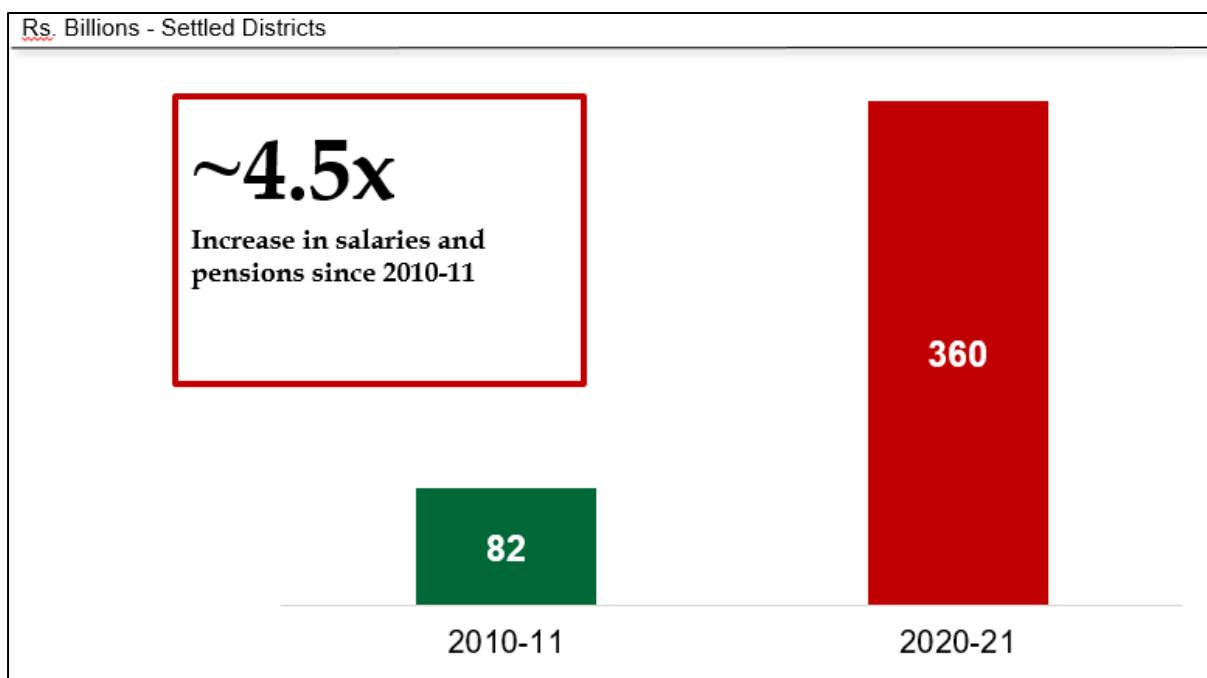


4. Salaries & Pensions Rationalization

ISU provided analytical support to build a strong rationale to reduce expenditures (salary and pensions) and expand fiscal space for critical service delivery expenditures. Over the last ten years, salary and pensions as a proportion of government spending increased rapidly by almost 4 times. The proportion of salaries and pensions as a part of the budget has increased from 42 % to 51 % since 2010-2011. The increase in salary and pensions showed up in a rapidly shrinking provincial development budget in fiscal year 2018-2019.

There is widespread consensus that the current defined-benefit pension structure is not feasible for the government in the long-term as the number of pensioners are increasing rapidly compared to those exiting the pension programme. As a major crisis in provincial spending has been further exacerbated by the economic tightening following the COVID-19 pandemic, ISU has narrowed focus on pension reforms, by rigorously analysing previous, existing and future spending trends as a first step.

Figure 38: Salaries and pensions comparison – 2010-11 & 2020-21



If substantial pension reforms are not initiated immediately, over the next 15 years the pensions budget will leave no fiscal space for a development spending in the province. Based on this analysis, there is a requirement to initiate a deep and structural reform process on pensions based on international best practices and the local context. ISU is providing analytical support to the Finance Department to take these reforms forward.

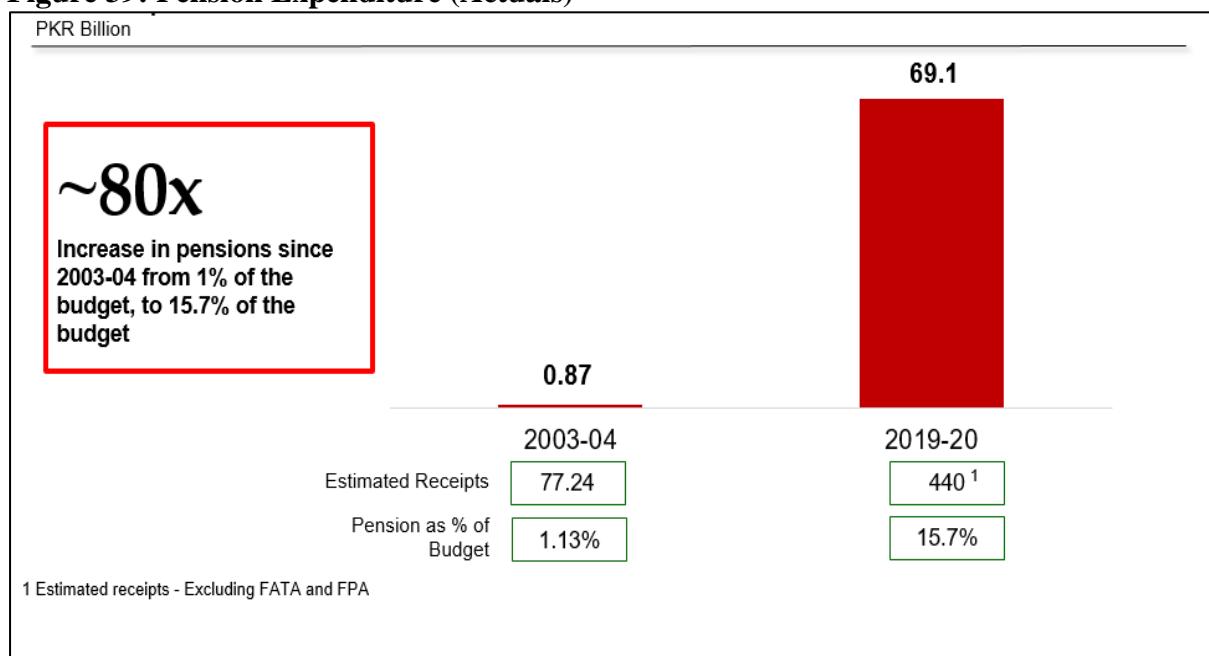
During 2020-21, a number of interventions focused on pension reforms were carried out with ISU's support. The Government of Khyber Pakhtunkhwa adopted a new set of pension rules, which limits the number of levels of beneficiaries of family pension – after the death of the pensioner employee – from the incumbent 13 levels to a reduced number of 6 levels. In effect, only the widow or widower, dependent children, or dependent parents of the retiree



will be entitled to receive the family pension benefit after the pensioner passes away, helping bridge the gap between the number of new entrants and those existing the pension fund.

Previously, the beneficiaries of family pension also included the pensioner's daughter-in-law, grandchildren and siblings, creating unsustainable scenarios in which pensioners or their heirs would exist the pension fund up to 40-50 years after the pensioner's retirement, i.e., two generations later. Had the status quo continued for another decade, the pension benefits of current government servants approaching retirement would be under threat. The additional fiscal space of Rs. 1 billion per annum created by the revision of pension rules enabled the Finance Department to increase the family pension benefit to widows and widowers from 75% to 100%. Further reforms in the new pension rules include the elimination of dual pensioners – beneficiaries who would draw multiple pensions, such as a retired civil servant also claiming the family pension of their deceased parent.

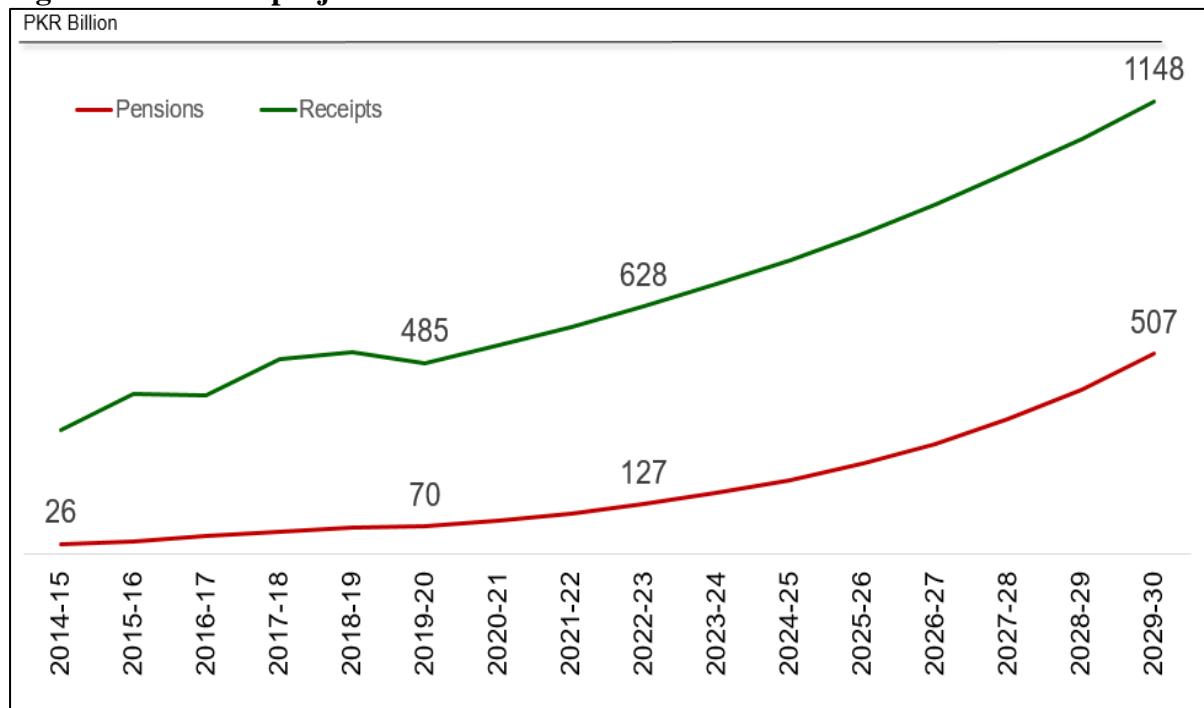
Figure 39: Pension Expenditure (Actuals)



Additional interventions carried out with ISU support include the utilization of Khyber Pakhtunkhwa Pension Fund proceeds towards payment of current pension liabilities; and amendments to the Civil Servants Act 1973 requiring employees recruited on or after July 1, 2021 to participate in a contributory pension scheme that will gradually replace the existing defined benefit pension scheme, following its expected rollout in the near future. ISU is also providing continuous analytical support to the Cabinet Committee on Pension Reforms and Finance Department's ongoing initiative towards introducing a contributory pension model in the province.



Figure 40: Pension projections till 2030



Beyond pension reforms, ISU also assisted in enacting a reformed structure for house rent allowance during the 2021-22 budget cycle that is more reflective of the current residential rental market. House rent allowance was last reviewed in 2008, and remained out of touch with the ground reality in major urban centers and divisional headquarters across the province. For reference, there had been three major revisions of basic pay scale between 2008 and 2017.

The newly introduced house rent allowance structure has resulted in generous increases for civil servants across all pay scales, especially grades 1-16, and it eliminates the disparity between renters (who receive house rent allowance) and homeowners (who previously received house subsidy). Over a period of two years i.e., 2021-22 and 2022-23, the new house rent allowance policy will bridge the gap between house rent allowance and the legacy house subsidy for all pay scales in the urban housing market of Peshawar district. At the same time, house rent allowance has been increased by 50% for all other districts excluding Peshawar.

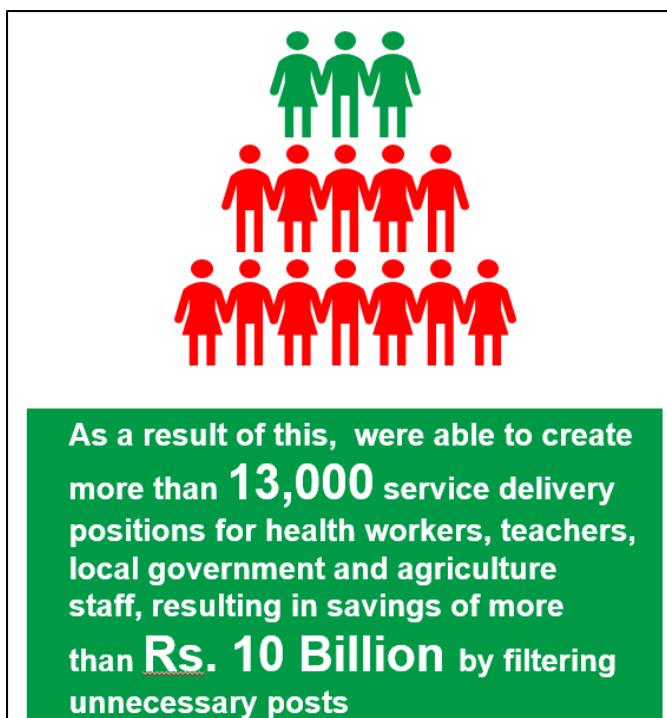
ISU supported Finance Department's deep dive analysis and review of sectoral allowances during the 2021-22 budget preparation season as well. As opposed to the flat 25% disparity reduction allowance announced by the Federal and Punjab governments, Khyber Pakhtunkhwa took the opportunity to resolve long-standing disparities in various employee cadres in multiple departments. Along with the aforementioned reformed house rent allowance, this detailed review and increase in sectoral allowances allowed virtually all employee cadres in 1-19 pay scales to benefit from a minimum increase of 27% in allowance increases, on the basis of 2017 initial basic pay scales.



4.1 Schedule for New Expenditures

Under the traditional Schedule for New Expenditure (SNE) process, to formalize the creation of new positions, departments would request the Finance Department for new positions. The process was cumbersome and inefficient and resulted in outcomes that did not serve the core objective of increasing direct service delivery positions. ISU's support was geared towards making the process quicker, more efficient and leading to better decisions. This has now been achieved in two ways. Firstly, the SNE committee of the Establishment Department has been de-notified, as this was a redundant step in the process. Now, once the Finance Department's recommendations have been formulated, a summary is initiated directly, saving time and speeding up the process of creating new positions. Secondly, alignment of the central political objective of maximizing direct service delivery positions is being met by initiating a process of scrutinizing SNE demands at a granular level under the direct supervision of the Finance Minister.

Figure 41: Results of new SNE process



Under the first set of SNE reviews, it was observed that the majority of demands from departments were for administrative or support staff positions, and not for direct service delivery positions. These demands have been substantially rationalized by the Finance Department, saving unnecessary costs to the government and providing fiscal space for more positions for direct service delivery. Over the past 2 years, this has resulted in a culture change across line departments, as new recruitment is benchmarked against an accepted norm for human resource requirements (e.g., 1 police constable per 450 citizens at the district level); while the departments also prioritize service delivery over creating administrative positions.



5. Governance

5.1 Support to the Chief Minister's Secretariat

ISU has assisted the Chief Minister's Secretariat in establishing and organizing delivery routines for greater oversight by the Chief Minister over policy interventions and development schemes across departments. This support has included prioritizing high priority policy interventions and development schemes across departments, assisting in the collation and presentation of key information for departmental review. Through departmental reviews by the Chief Minister, the delivery of development schemes is being augmented, as for the first time the following is being achieved:

- Departments are developing clearly articulated milestones for prioritized schemes, with a clear line of sight on the steps required till completion.
- Alignment between the heads of departments, P&D and Finance Department, under the leadership of the Chief Minister.
- The establishment of timelines for milestones proposed by departments for each prioritized schemes, and agreed with the Chief Minister, with meeting minutes developed and shared with departments.
- Discussion, collective problem solving and decisions on key issues raised regarding the completion of schemes.
- Establishment of routines, where the first departmental review sets a baseline for milestones, status of completion and timelines, and subsequent reviews holds departments accountable for delivery based on the timelines and decisions made in the previous review.

The process has now been extended to the review of development schemes in merged districts. Through this support, the Chief Minister and his team at the secretariat have greater visibility over progress over policy reforms and development schemes across multiple departments.

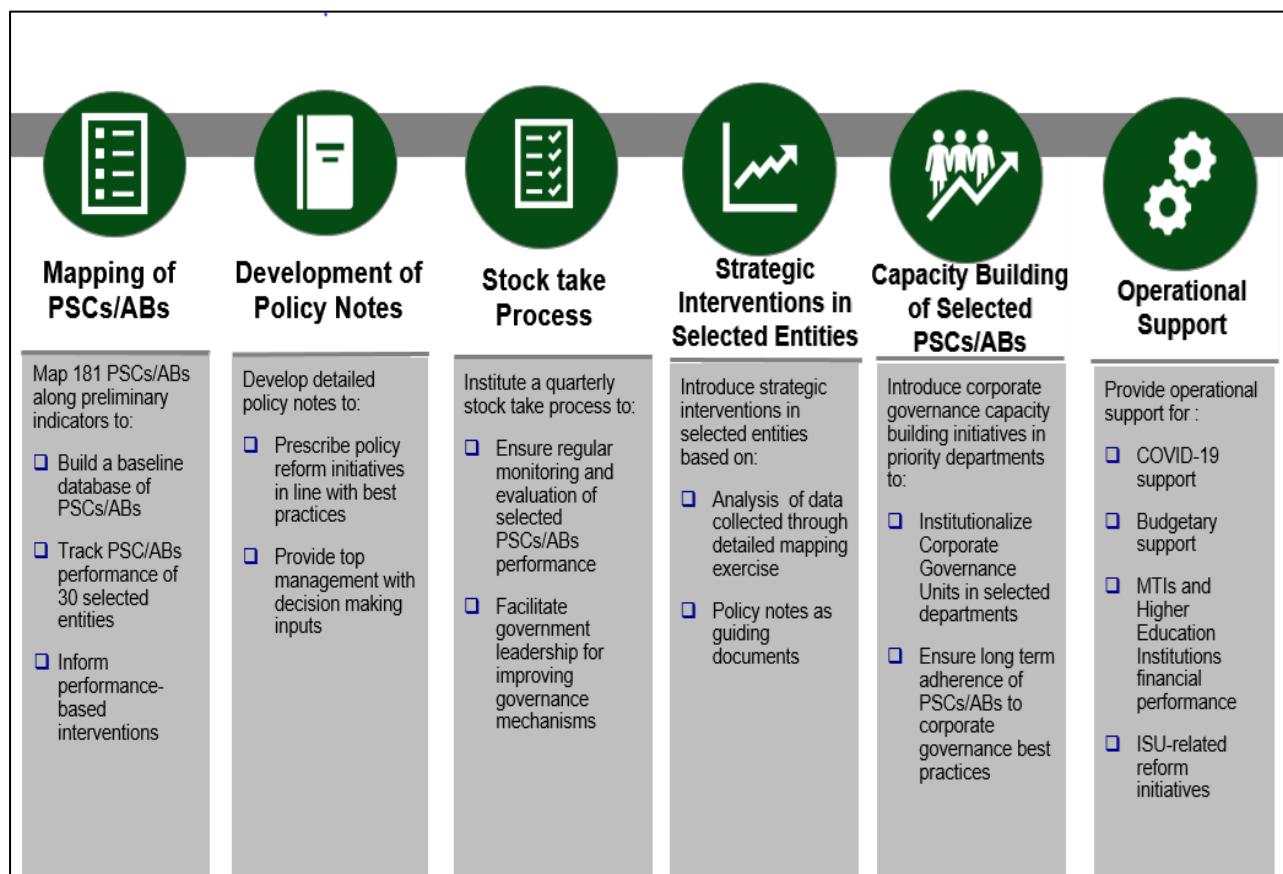


5.2 Corporate Governance Reform

ISU was tasked to revamp corporate governance interventions of the Finance Department. As a first task, new strategic objectives were established, outlining key areas of support. The recruitment process for the Corporate Governance Unit (CGU), supported by the World Bank, was initiated to ensure top quality of staff is recruited. The core mandate of the CGU is to measure and ensure compliance of good corporate governance practices in state-owned entities of Khyber Pakhtunkhwa. To this end, the strategic objectives of CGU include mapping of 180 Public Sector Companies (PSC) and Autonomous Bodies (AB), development of policy notes covering different areas of governance for PSCs/ABs, collection of detailed data on relevant indicators and planning capacity improvement interventions in select PSCs/ABs.

ISU has been guiding the CGU to deliver against its workplan, notwithstanding the effects of the COVID-19 pandemic. Basic data from over 52 PSC/ABs was received and compiled and a comprehensive questionnaire focusing on core governance related indicators has been prepared. The questionnaire has been shared with 27 entities chosen on the premise of their higher strategic and fiscal impact for the Government, and multiple guidance sessions have been arranged to facilitate entities in filling questionnaires.

Figure 42: CGU Strategic Plan

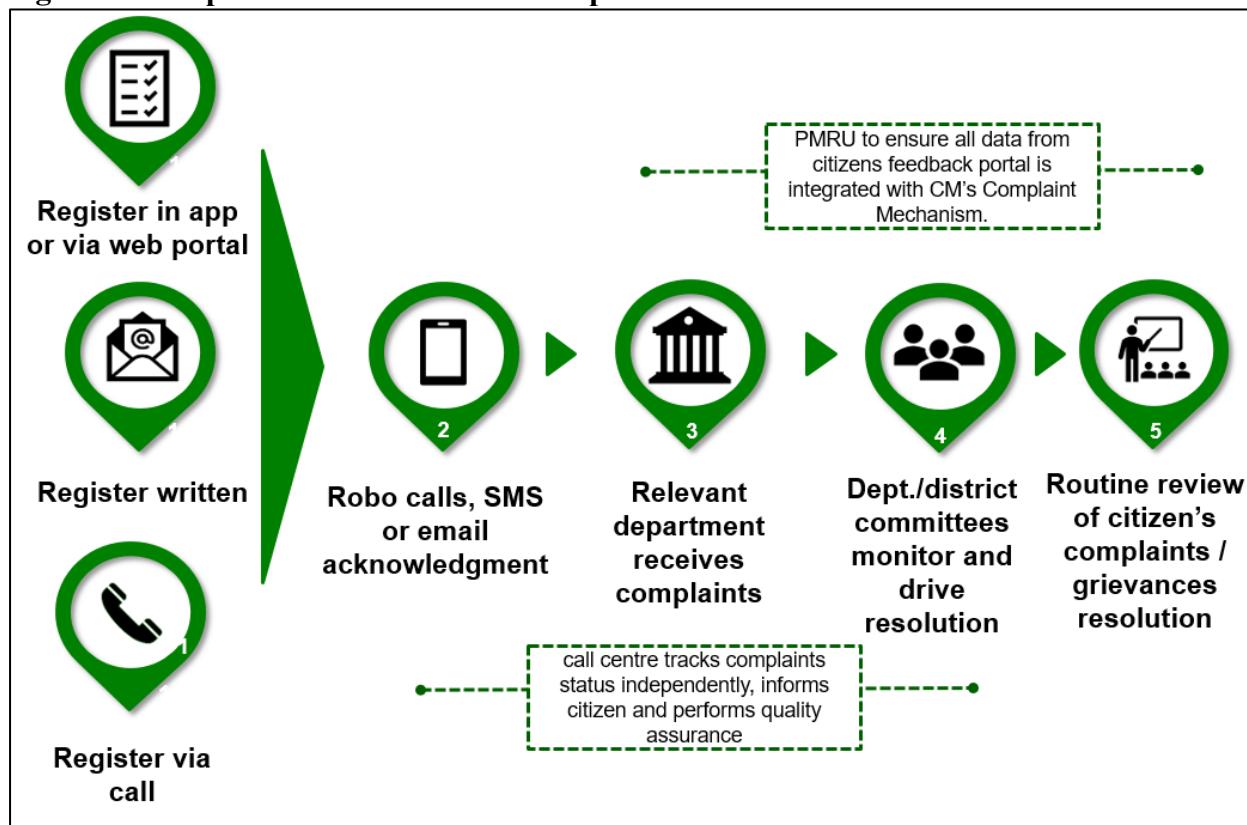




5.3 Complaints Mechanism

A new integrated complaint mechanism for the Chief Minister's Secretariat has been designed based on a performance review of the complaints data from the last 16 months. The new complaints mechanism has now been integrated with the Prime Minister's Citizen's portal to ensure a more robust mechanism of complaints in the province driven from the Chief Minister's office. Through a dedicated helpline (1800), the new mechanism significantly enhances the accessibility of the existing Citizen's Portal, as a large number of people who don't have access to smartphones can now register complaints by calling the helpline.

Figure 43: Proposed Chief Minister's Complaint Mechanism





5.4 Digitalization of Government

Through ISU's analysis and support, the provincial government has identified the summary process as a key first order priority for the digitization of government processes. Making the summary process more efficient and effective can increase the pace of government decision making significantly. Through ISU support, a detailed study was conducted, concluding that in 2018, on average it took 101 days for a summary to be processed from conception to completion. Through digitalization of this process, the number can be reduced to a few days. ISU is coordinating between various departments including, the Chief Minister Secretariat, Establishment Department and Finance Department to further progress the digitization process.



6 Economic Growth

6.1 Investment Promotion

The Khyber Pakhtunkhwa Board of Investment and Trade (KPBOIT) is the prime investment promotion agency in the province with the mandate of facilitating investments in the province. The KPBOIT lacked a strategy and a cadre of professional staff. There was also no existing mechanism to attract investors. To date, no significant investments have been closed successfully by the entity. Firstly, ISU supported the new leadership of KPBOIT in developing a restructuring plan for the organization to match its ambitious objective of attracting private investment in the province. Secondly, ISU supported the leadership in developing a strategy to attract investment. Lastly, ISU assisted KPBOIT in developing a pipeline of investors with categorization of early stage, advance stage and post stage facilitation. With a restructured KPBOIT, strong leadership and technical capability, combined with a new strategy, the province is now better positioned to become a top choice for domestic and foreign direct investments.



6.2 Urban Development

ISU is supporting the government's leadership in the design and implementation of the Peshawar Plan. Key sectors have been prioritized such as infrastructure development, traffic management, beautification, service delivery, recreation and sports, sanitation and drinking water, utilities, health facilities and education. After reviewing the ADP, high impact projects have been identified. Projects have been bifurcated under short-term, medium term and long-term plans. A comprehensive, evidence based and costed development plan for Mingora, Swat district has been developed based on a review of key problems hindering the development of the city. The plan has been based on a field visit, documenting problems in traffic, water supply, sanitation, sewerage, employment, health and education. This will be the first comprehensive plan to transform Mingora from an underdeveloped and remote town to a hub for economic activity and services in the larger region.

Developed and facilitated a strategic monitoring mechanism for the development of public transport infrastructure in Peshawar. The mechanism provides key insights from tracking data to strategic stakeholders in the government, to help ensure effective progress tracking of development programmes.

Identified underutilized Auqaf Properties and proposed a business plan 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.

Figure 44: Analysis of Auqaf properties returns from investment

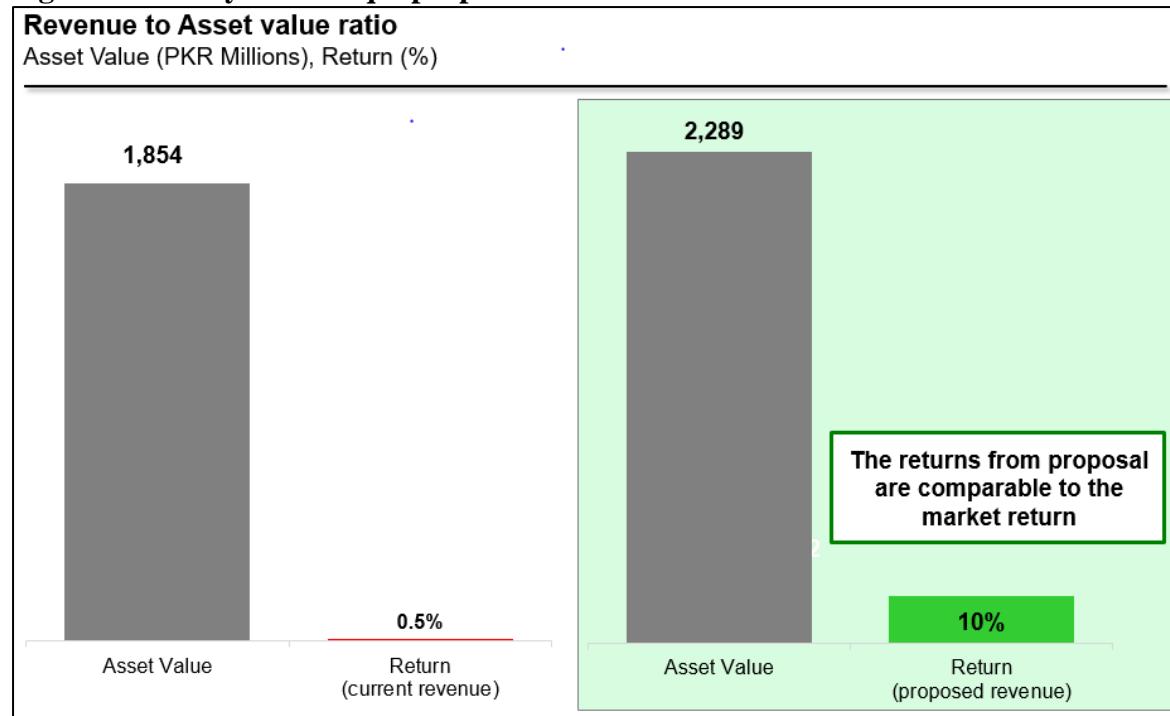




Figure 45: Visualization of Mingora, Swat's traffic congestion

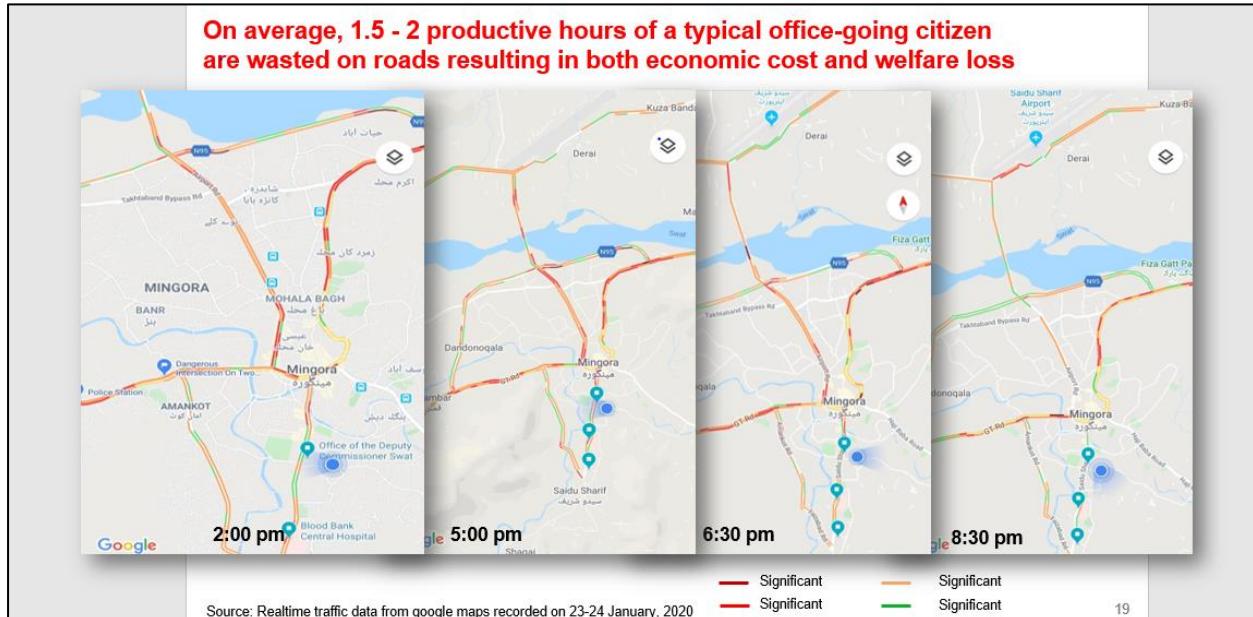
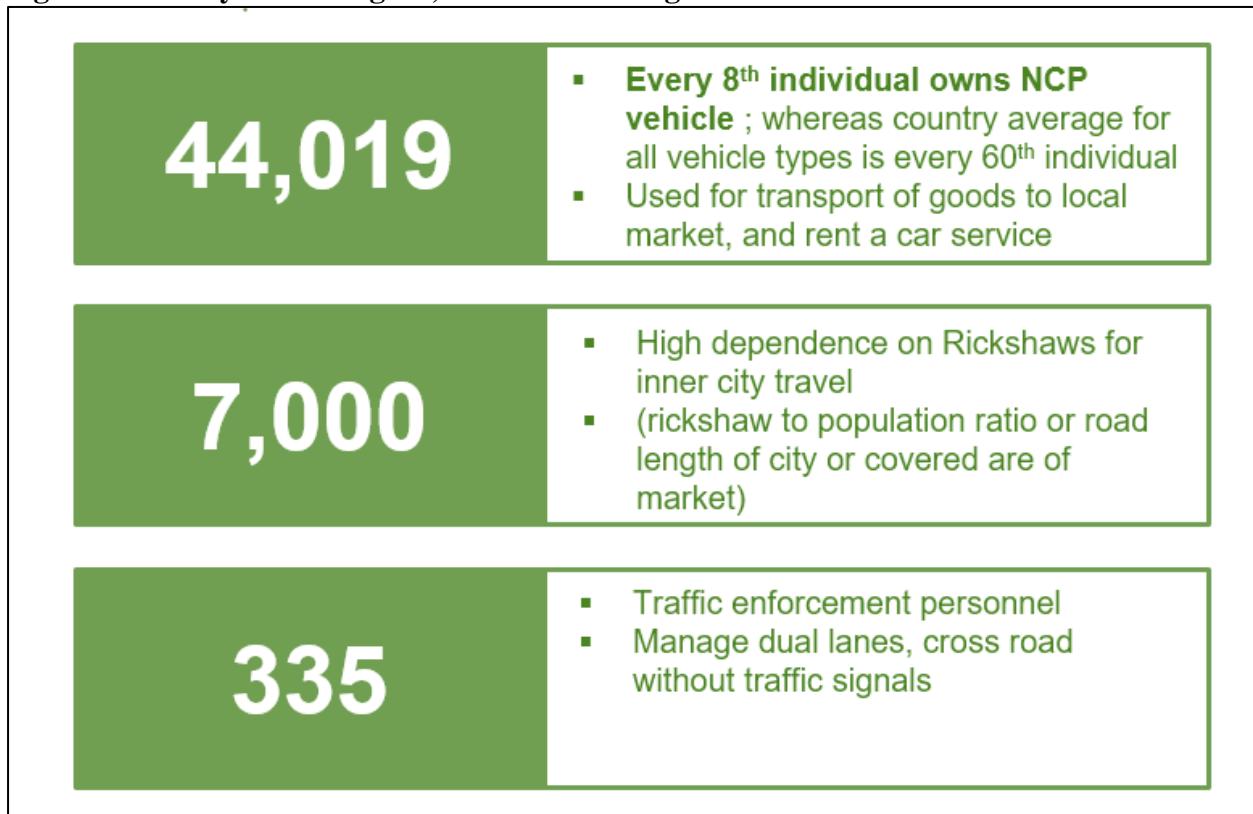


Figure 46: Analysis of Mingora, Swat traffic congestion

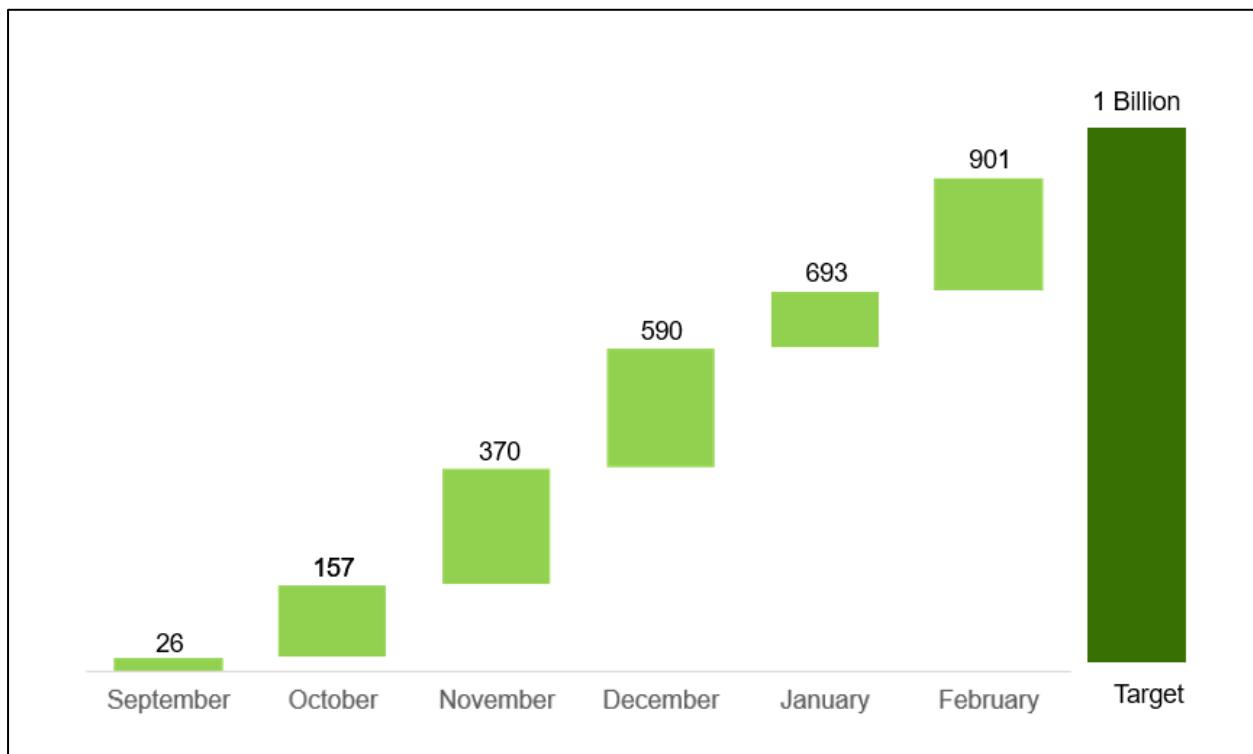




6.3 Employment Generation

A mechanism was developed for strategic management and monitoring of disbursement of low-cost loans through the Insaf Rozgar Scheme across tribal districts. Through improved communication and better oversight from the Finance Department, the disbursements increased from Rs. 131 million in October 2019 to nearly Rs. 901 million in June 2020, with approximately 4000 beneficiaries. An MoU has been principally agreed between the Federal and Provincial Government on bringing the Insaf Rozgar Scheme for settled districts under the Prime Minister's Kamyab Jawan programme, with characteristics of Shariat compliant products.

Figure 47: Monthly disbursements of Insaf Rozgar Scheme in Rs. millions.





6.4 Technical Skills

ISU supported the conceptualization of a skills development fund for technical and vocational training from the private sector. This will help in meeting demands of local and international industries for a more skilled workforce in the province. The fund will provide free technical education to the youth of Khyber Pakhtunkhwa. The skills development fund company will also ensure that the trainees are employed after completion of their training.