



KHUDDAAR KHYBER PAKHTUNKHWA

Budget 2022-23
A Citizen's Guide – Part I



Finance Department
Government of Khyber Pakhtunkhwa



خبر پښتونخوا
Khyber Pakhtunkhwa



“

ہم ایک آزاد قوم ہیں، کسی
کی معافی کے محتاج نہیں

”

ABOUT THIS BOOKLET

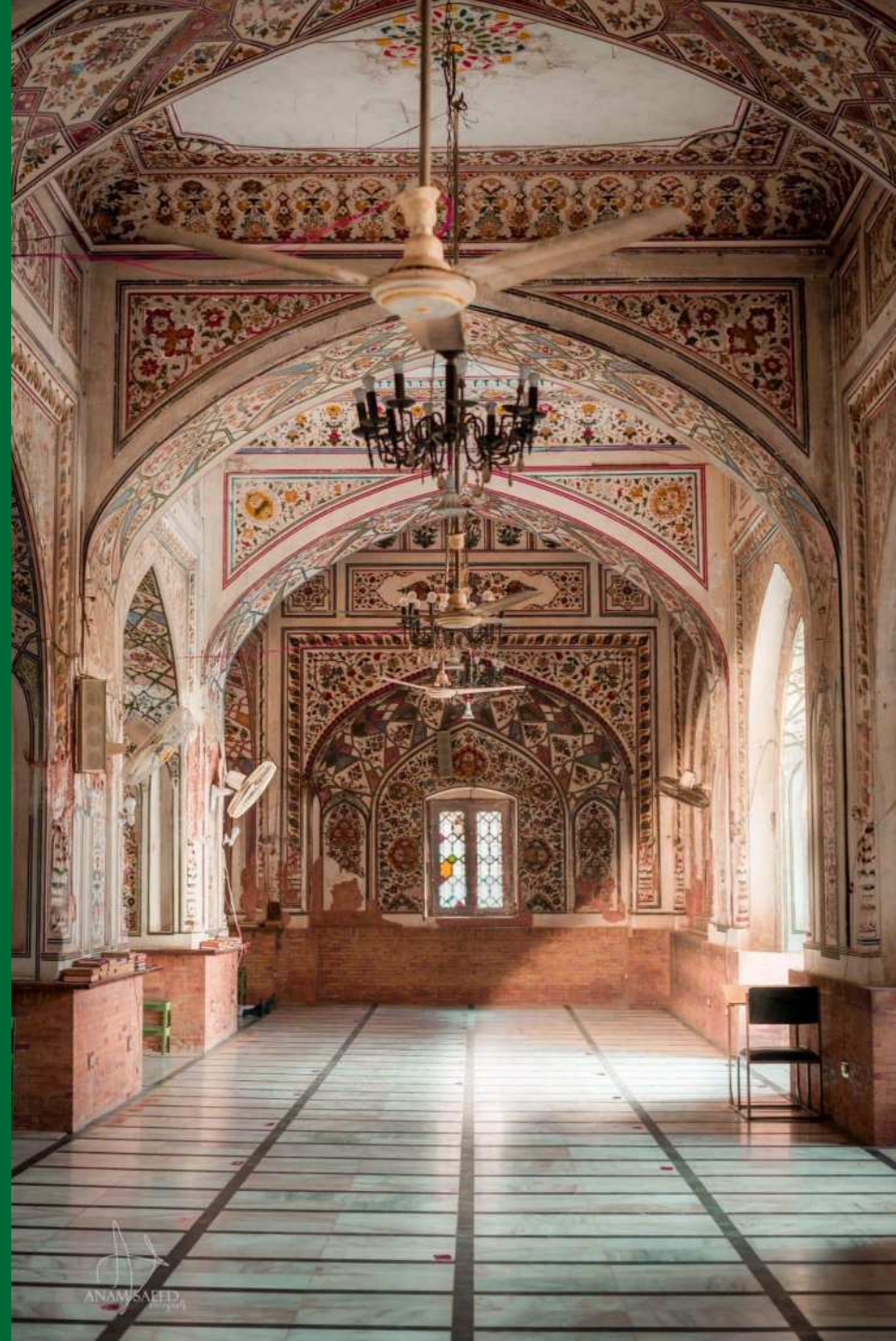
The Pakistan Tehreek-e-Insaf (PTI) Government of Khyber Pakhtunkhwa is pleased to submit its fifth budget of its term since the 2018 election.

The booklet explains the budget and financial health of the province in simple language, making it easy for the people of Khyber Pakhtunkhwa to understand its impact on their lives. This Citizen's Guide to the Budget reflects the Government's commitment to transparency of how and where finances are spent, promoting the Government's resolve of enhancing accountability and realistically managing public finances

DISCLAIMER

The document provides actual and estimated revenue and expenditures for Khyber Pakhtunkhwa to promote better understanding about the Government's priorities. Estimated figures for 2022-23 are based on current forecasts and projections about the Budget and may, therefore, be subject to change as a result of new information, future events or other developments

Mahabat Khan Mosque, Peshawar
Picture Credits: Anam Saeed



THE CHIEF MINISTER KHYBER PAKHTUNKHWA



Mahmood Khan
Chief Minister,
Khyber Pakhtunkhwa

Khyber Pakhtunkhwa's 2022-23 budget, is a budget of growth. In the past years, we have successfully braved an unprecedented challenge – a global pandemic - that left many countries devastated. Due to our successful handling of the pandemic, led by Prime Minister's vision of balancing lives and livelihoods, we are now on track to present a budget that is focused on growing the economy and providing maximum relief to our people.

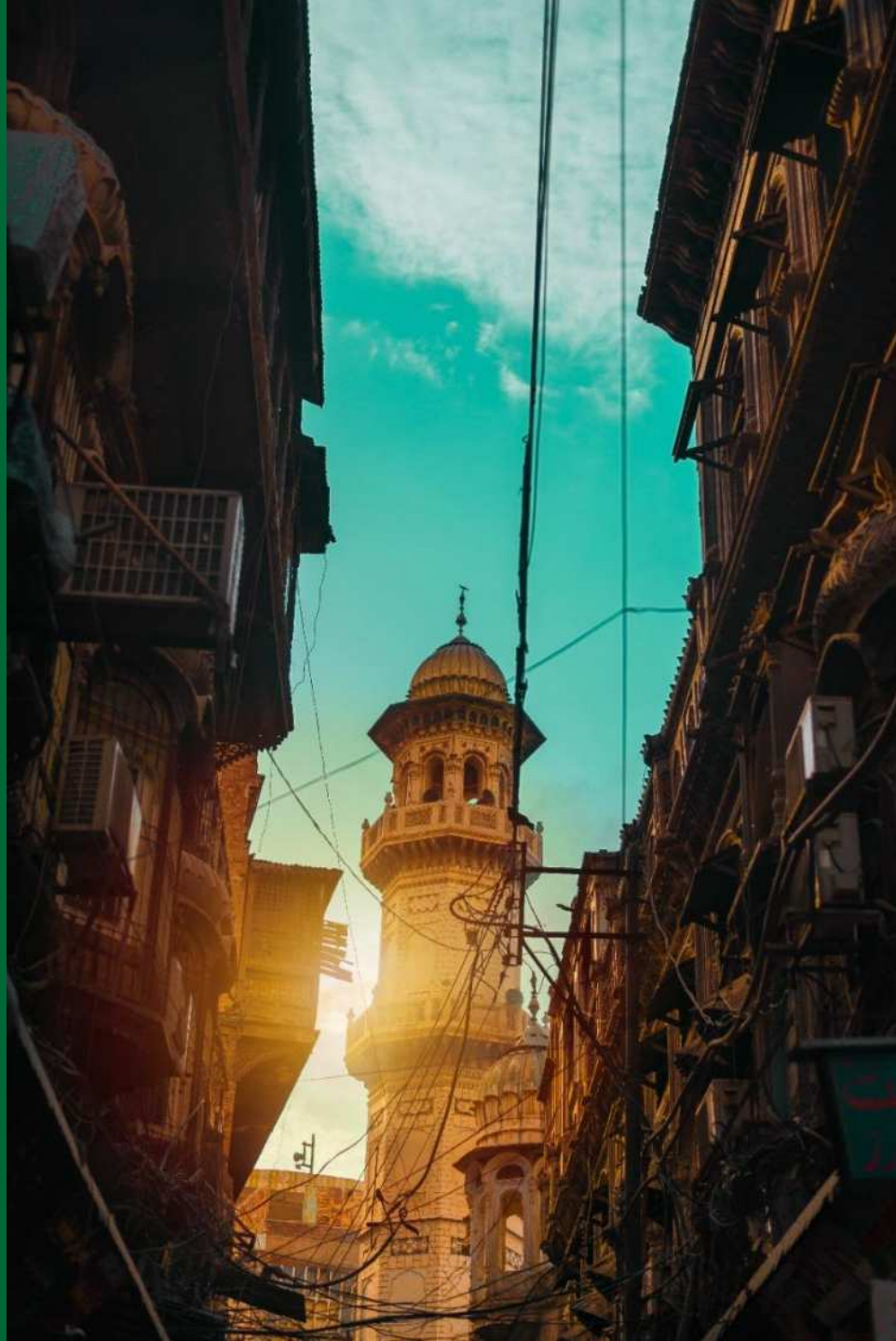
The Government of Khyber Pakhtunkhwa is fully committed to invest maximum resources in the development of the province and providing quality service delivery to its citizens. This is reflected in our planned development spending for the year, which will have a record outlay compared to previous years. In this budget, we have prioritized spending in service delivery sectors, like health and education, to raise the standard of people of the province and making them agents of development of their province and country.

We will also ensure that our budget is inclusive and leaves no one behind. We have taken a holistic approach in this budget by planning projects for every region and district. We have also included projects to uplift our poor, empower our women, and protect our minorities and senior citizens.

Government is fully committed to change the way government works and bring necessary reforms for this purpose. We plan to introduce long overdue reforms on pension; accountability and rewards of public servants; championing E-government and strengthening management of public finances.

The Khyber Pakhtunkhwa Budget 2022-23 reflects our commitment towards providing avenues for economic growth and maximizing relief for everyone in the province. We will work tirelessly to help translate this vision into reality and accelerate on the road to reform.

Walled City, Peshawar
Picture Credits: Anam Saeed



THE MINISTER FOR FINANCE KHYBER PAKHTUNKHWA



Taimur Saleem Khan Jhagra
Minister for Finance,
Khyber Pakhtunkhwa

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

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

In short, we are proud of being the one federating unit where the PTI Chairman Imran Khan's vision of a "khuddaar" Pakistan that takes its own decisions in the interest of its own people is not only alive, but truly reflected in this year's budget. Even our budget books are different. The White Paper of our budget is more detailed and clearer than that of any other government, provincial or federal.

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

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

A handwritten signature in blue ink, appearing to read 'Taimur Saleem Khan Jhagra', written in a cursive style.

*Mahodand Lake, Swat
Picture Credits: Farzoq Habib*





Dr. Shahzad Bangash
Chief Secretary,
Khyber Pakhtunkhwa



Coming out of the pandemic, our focus was to provide economic relief to the people of Khyber Pakhtunkhwa.

This 'people-centric' budget encapsulates government priorities while ensuring accountability and transparency. Specifically the Government of Khyber Pakhtunkhwa has targeted areas like food security, healthcare and climate change.

In addition special efforts have been undertaken to develop an investment-friendly framework and our budgetary priorities reflect our commitment to make Khyber Pakhtunkhwa an example for others to follow.



Shahab Ali Shah
Additional Chief Secretary,
Khyber Pakhtunkhwa



Khyber Pakhtunkhwa is set to witness economic bounce-back as we are going for the largest development budget in the history of the province. Notwithstanding the macroeconomic challenges and resulting constriction of inflows, the government has prioritized needs of the populace in terms of infrastructure development and delivery of public services.

This Citizen's Budget enables the people to sense check the priorities of GoKP: how the Government spending is promoting equitable and inclusive development and sustainable growth. Moreover, they are able to better understand the rationale behind fiscal allocations made to various sectors.



Ikram Ullah Khan
Secretary Finance,
Khyber Pakhtunkhwa



Khyber Pakhtunkhwa continues to shift the paradigm nationally with groundbreaking financial reforms and its eventual translation towards effective service delivery for its citizens.

We are the only province to consistently dedicate one-third of its budget towards development, which was released on the first day of the financial year. We've doubled own source revenue in the past three years, and we will be the first province to introduce a sustainable funded pension system. This is just a small glimpse of the economic transformation that Khyber Pakhtunkhwa has undergone over the past few years.

The resulting list of achievements over four years of concerted efforts is so comprehensive, it warrants its own book – which is presented this year in Citizen's Budget Part II.

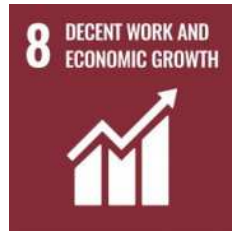
I take immense pride in welcoming you along as we share our journey of economic reform, and showcase how Khyber Pakhtunkhwa has led the way nationally in economic prosperity and self-reliance.



Khyber Pakhtunkhwa is fully committed towards achieving the Sustainable Development Goals (SDGs)

SDG #

Throughout this document interventions have been mapped to relevant SDGs



CONTENTS

- 1 National Economic Outlook
- 2 Understanding the Budget
- 3 2021-22 in review
- 4 2022-23 budget outlook
- 5 2022-23 sectoral highlights
- 6 Deep dive on key issues
- 7 Financial reforms taken
- 8 Taking the reform journey forward

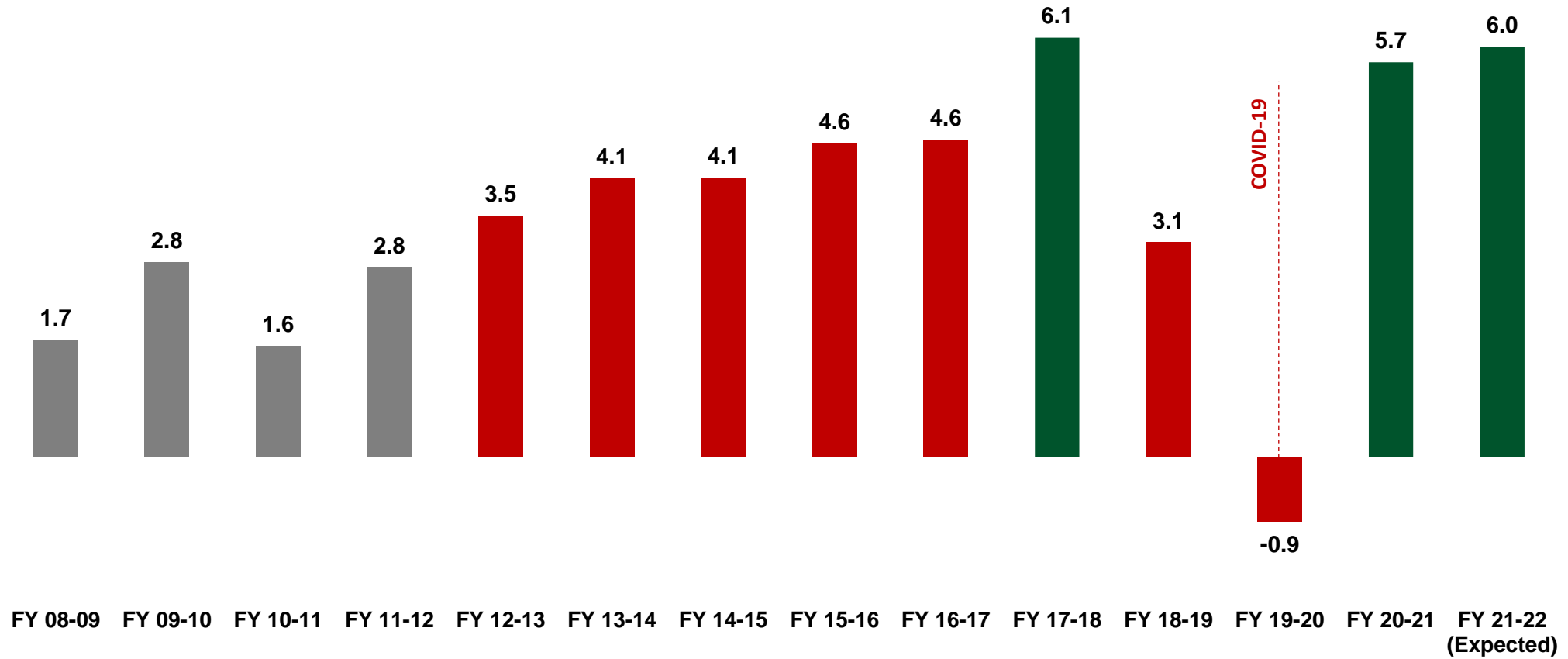
CONTENTS

- 1 National Economic Outlook
- 2 Understanding the Budget
- 3 2021-22 in review
- 4 2022-23 budget outlook
- 5 2022-23 sectoral highlights
- 6 Deep dive on key issues
- 7 Financial reforms taken
- 8 Taking the reform journey forward

**Let's analyze the performance of the last 4
years' of government under Imran Khan**

Pakistan's GDP has seen one of the highest growth rates in the past 15 years

Real GDP Growth Percentage
%



Rebase of economy is from FY 14-15
Source: PBS, SBP

The growth in GDP was driven by all sectors of the economy

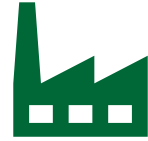


Agriculture



4.4%

Output of **4 major crops** went up by **7%**



Industry



7.2%

Pakistan's large-scale manufacturing (LSM) production increased **10.4%** in July-March 2021-22, **the fastest three-quarter growth rate in 17 years**



Services



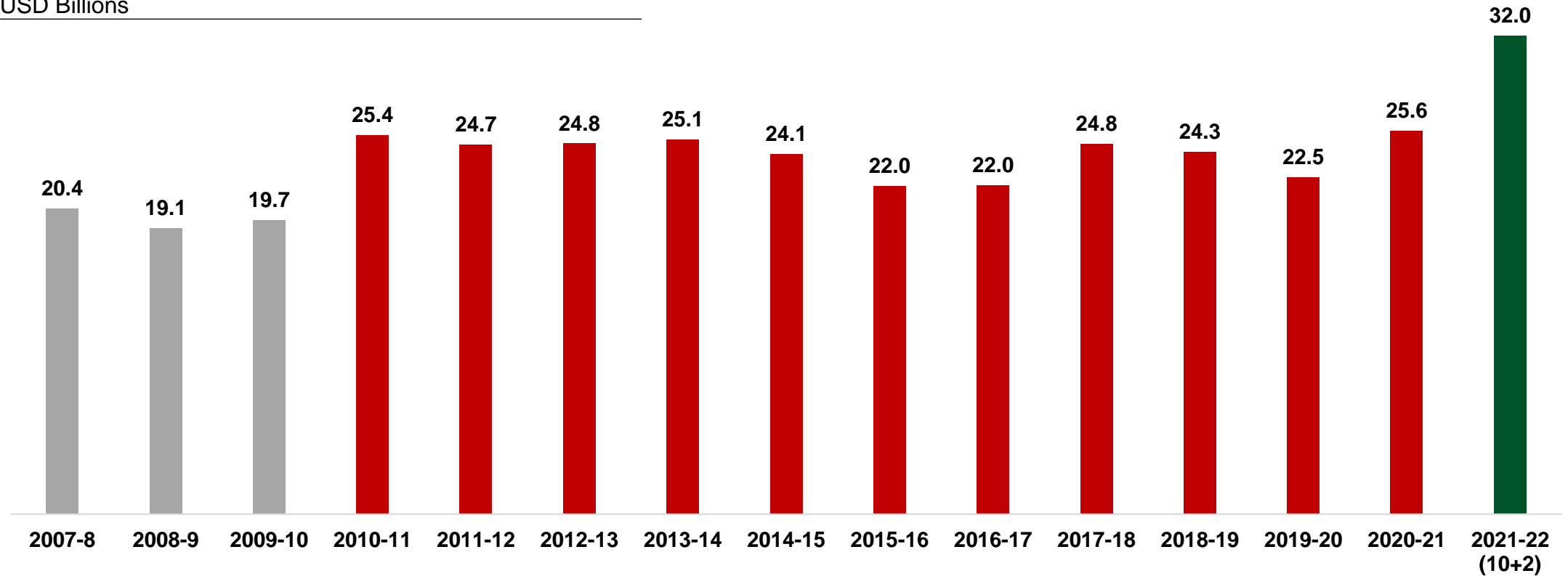
6.2%

Startup landscape in Pakistan, which saw investments **rise** from **\$65m in 2020 to \$350m in 2021**



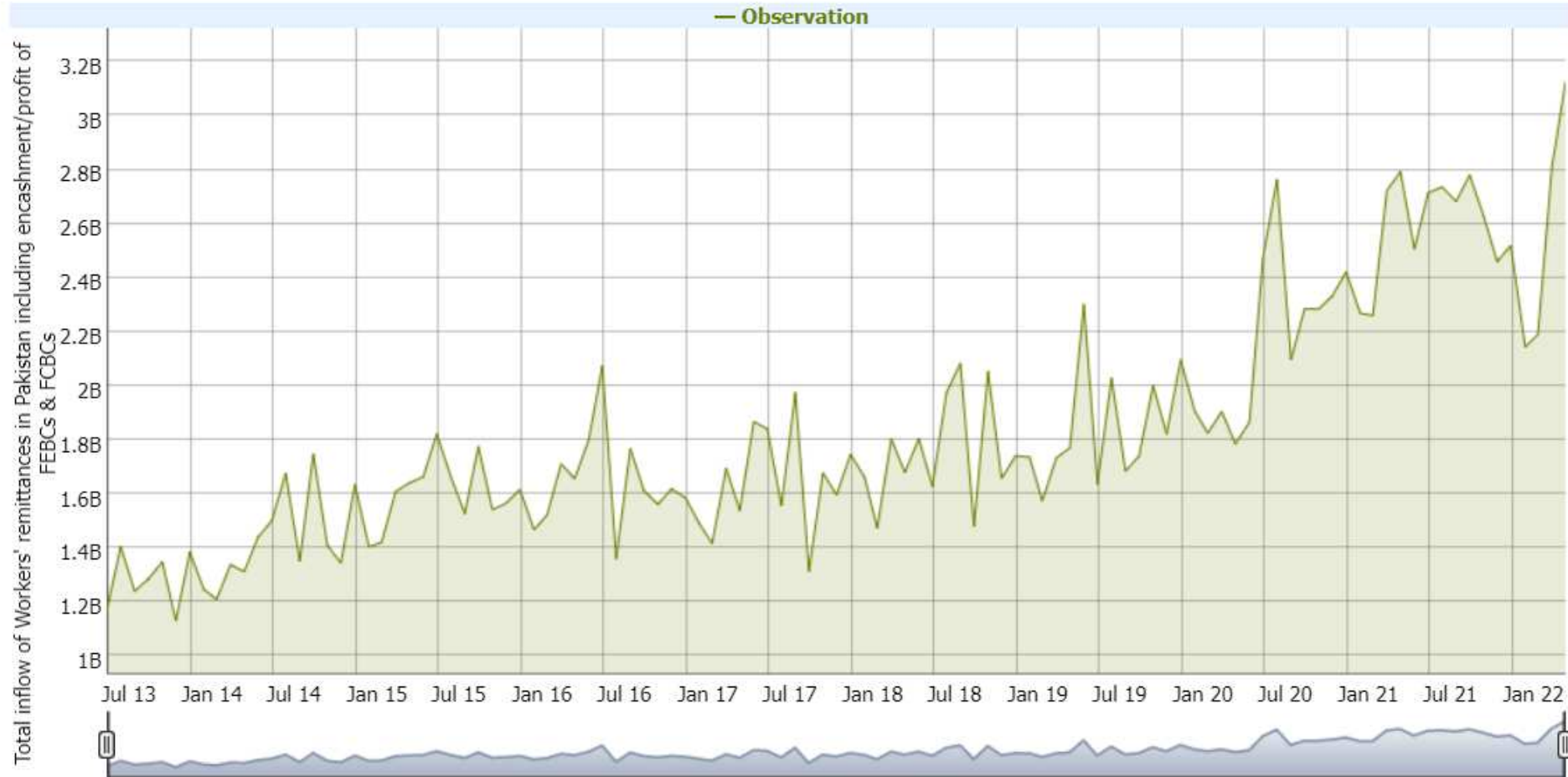
Exports which have been stagnant for the past 10 years will cross the \$32 Bln mark for the first time in history

Annual Exports
USD Billions



Monthly remittances have almost doubled since 2018 from \$1.6 Bln to \$3 Bln monthly

Total inflow of Workers' remittances in Pakistan including encashment/profit of FEBCs & FCBCs
Unit: USD



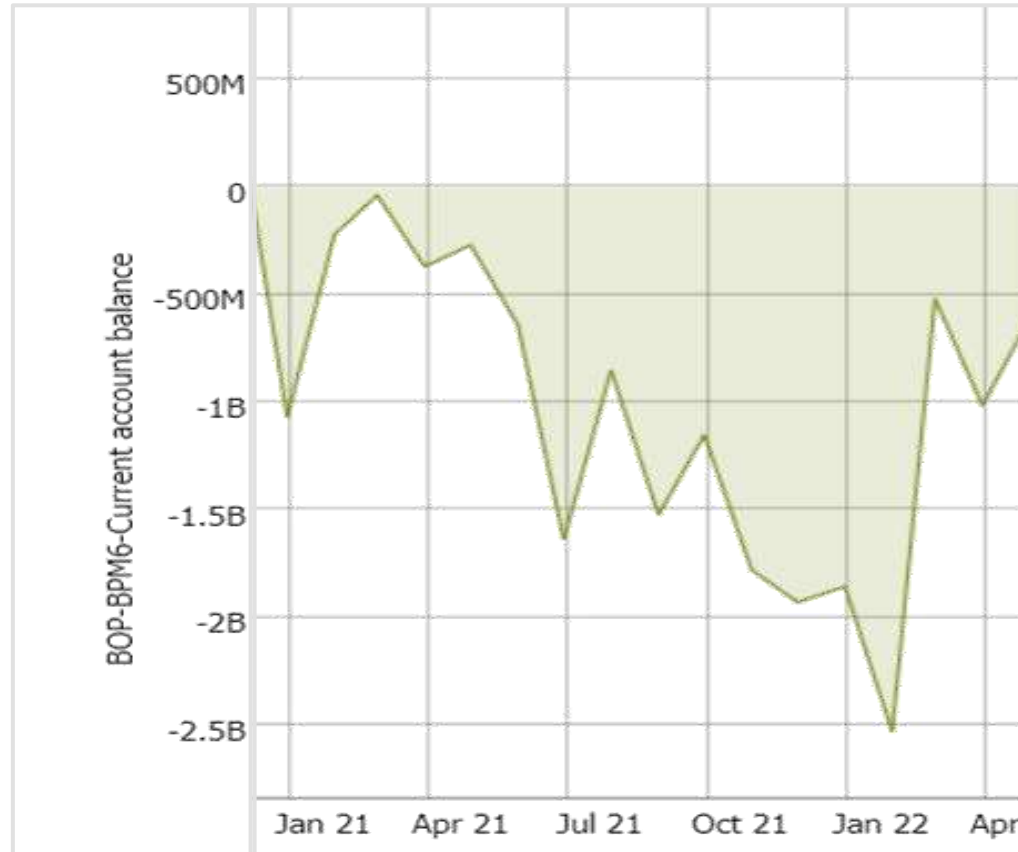
The monthly \$2 Bln current account deficit (CAD) inherited in 2018 was turned into a surplus in just over 2 years

CAD Month-on-Month
USD Millions



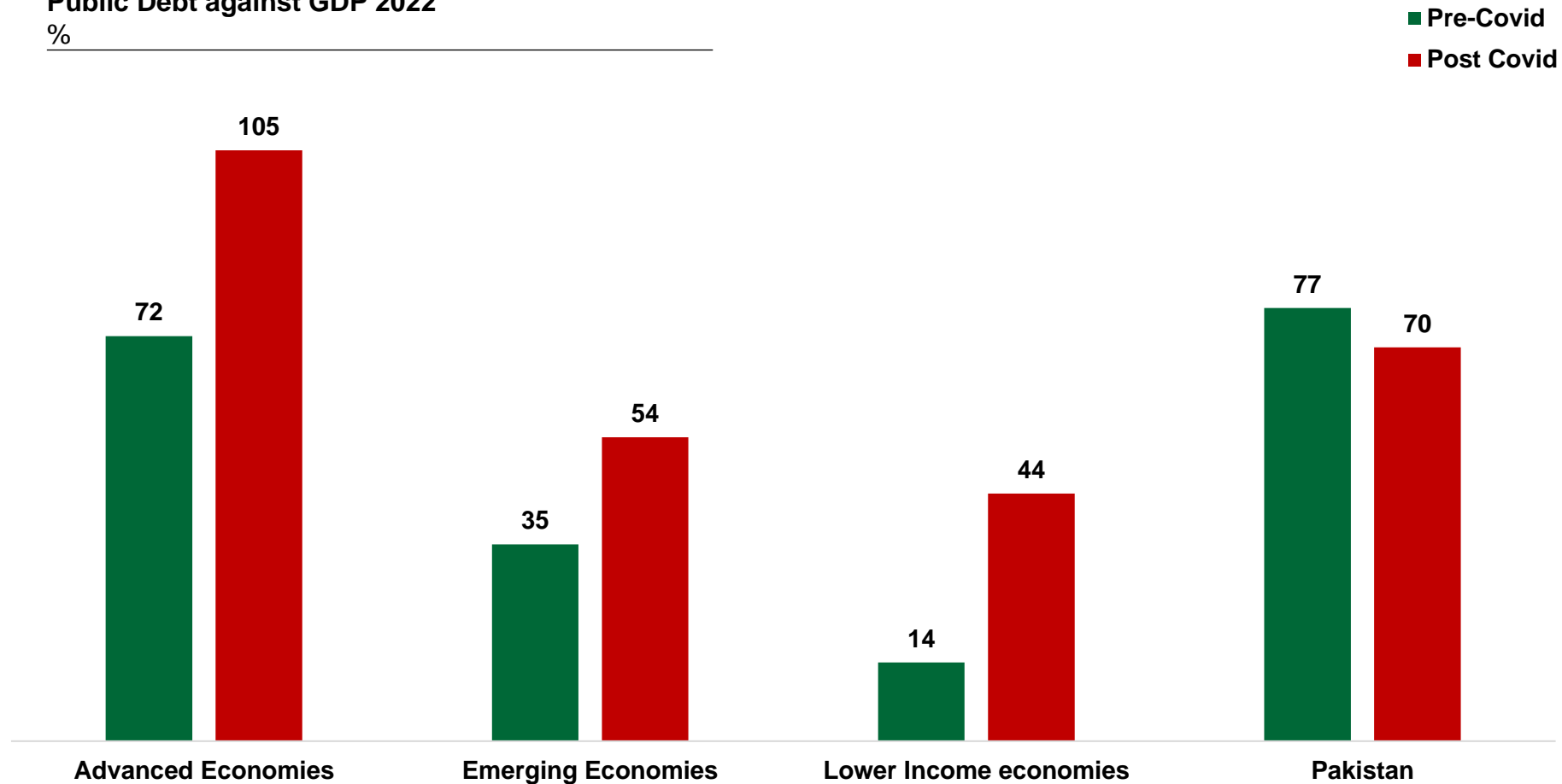
Despite the need for spending to keep the economy running through COVID the Imran Khan government only left behind a monthly CAD of \$0.6 Bln

CAD Month-on-Month
USD Millions



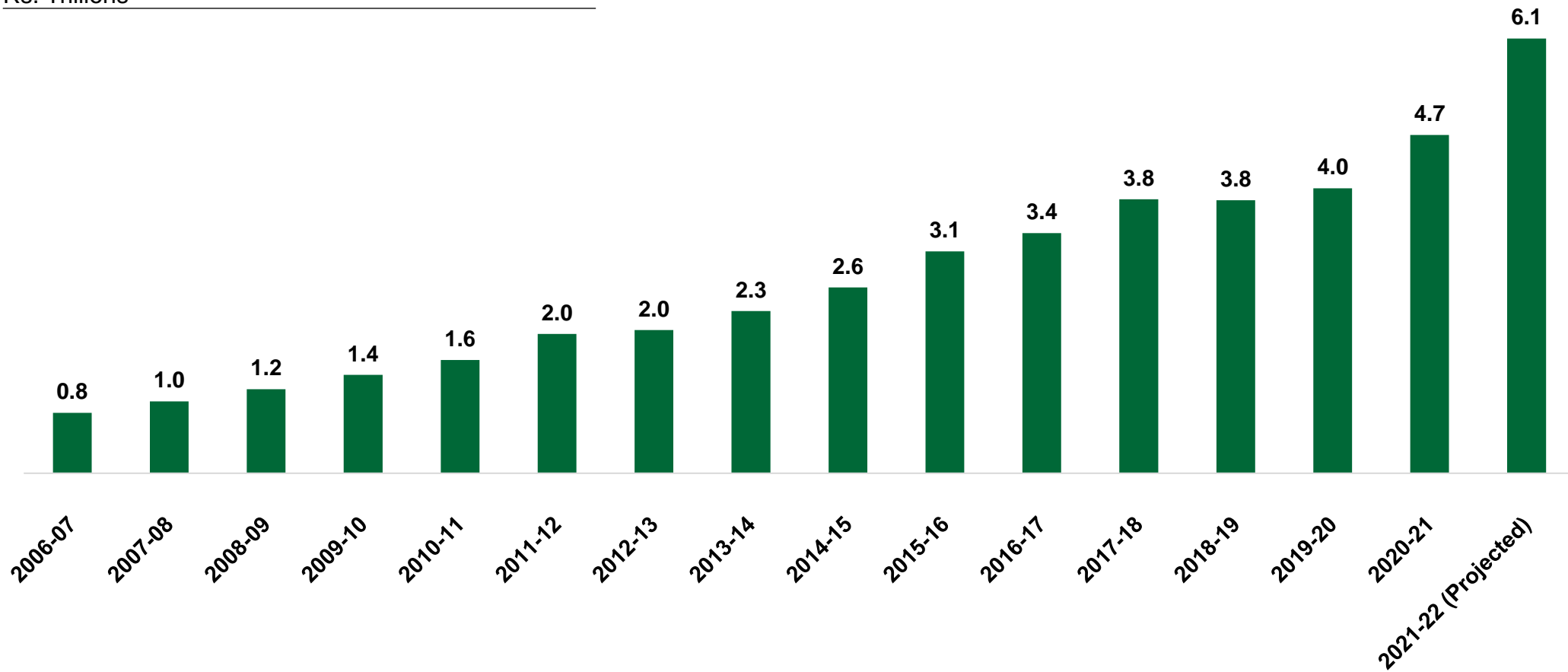
Pakistan was one of the only countries in the world where public debt to GDP reduced during the COVID crisis

Public Debt against GDP 2022
%



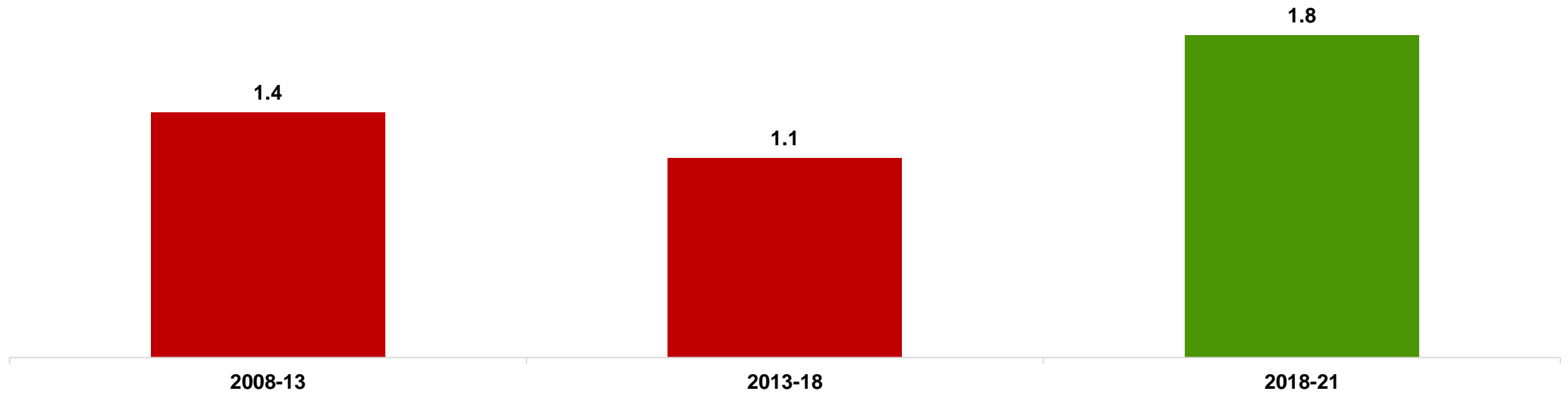
Due to concerted efforts, FBR collection will cross the Rs. 6 trillion mark in 2021-22, a record 30% increase in one year

FBR Annual Revenue
Rs. Trillions



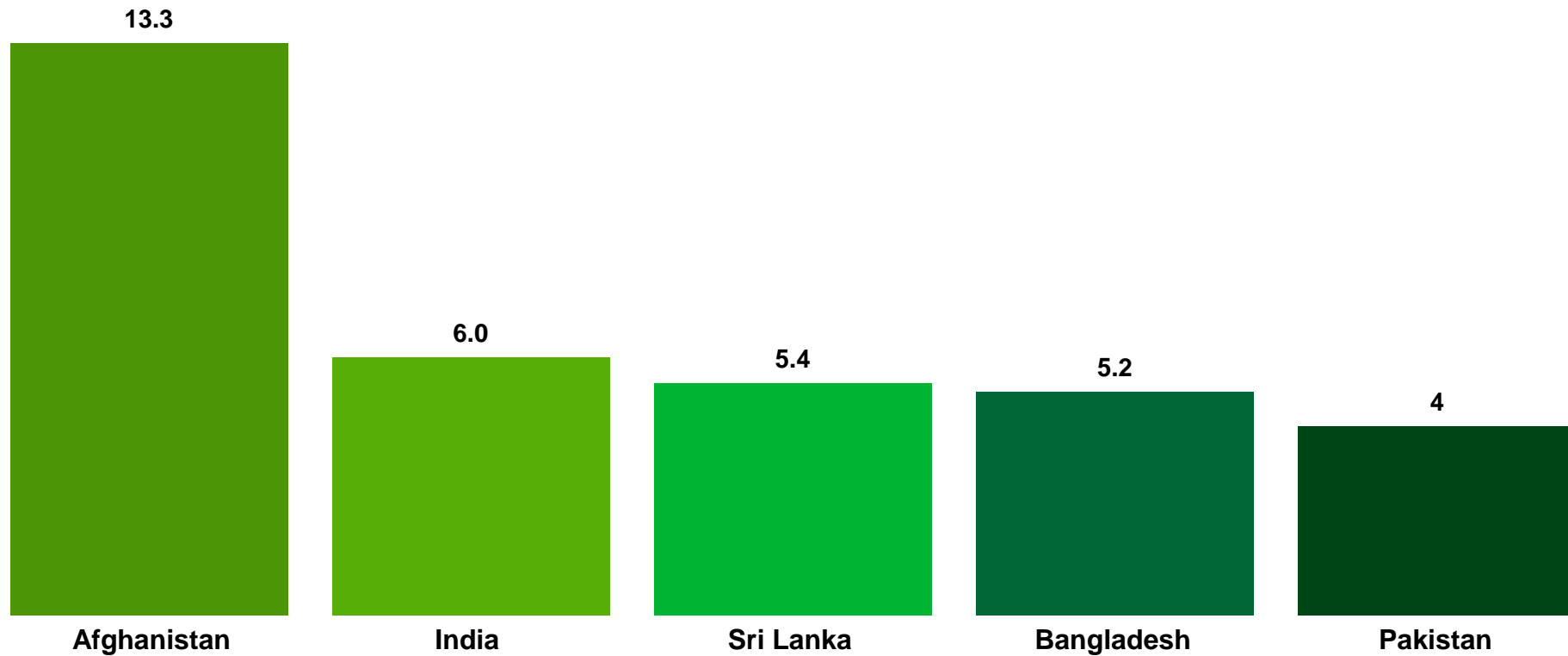
Despite the COVID crisis, all time high employment was created in the last 3 years compared to the past decade

Jobs created per Annum in each of the tenures
Million jobs per annum



Pakistan had the lowest unemployment rate in South Asia during historic global inflation and COVID-19 pandemic

Unemployment rate in South Asia (2021)
%



The largest Social Sector Stimulus in Pakistan's history



7.5 Million

Needy people were provided with free food and shelter through **Panagahs**



Rs. 179 Billion

Disbursed as one-time emergency cash assistance in Mar-20 to 15 million families through **Ehsaas Program**.



Rs. 22 Billion

Utilized to provide free healthcare to 40 million citizens through **Sehat Insaf Card in KP alone**



Rs. 8 Billion

Subsidy for farmers through **Kissan cards**



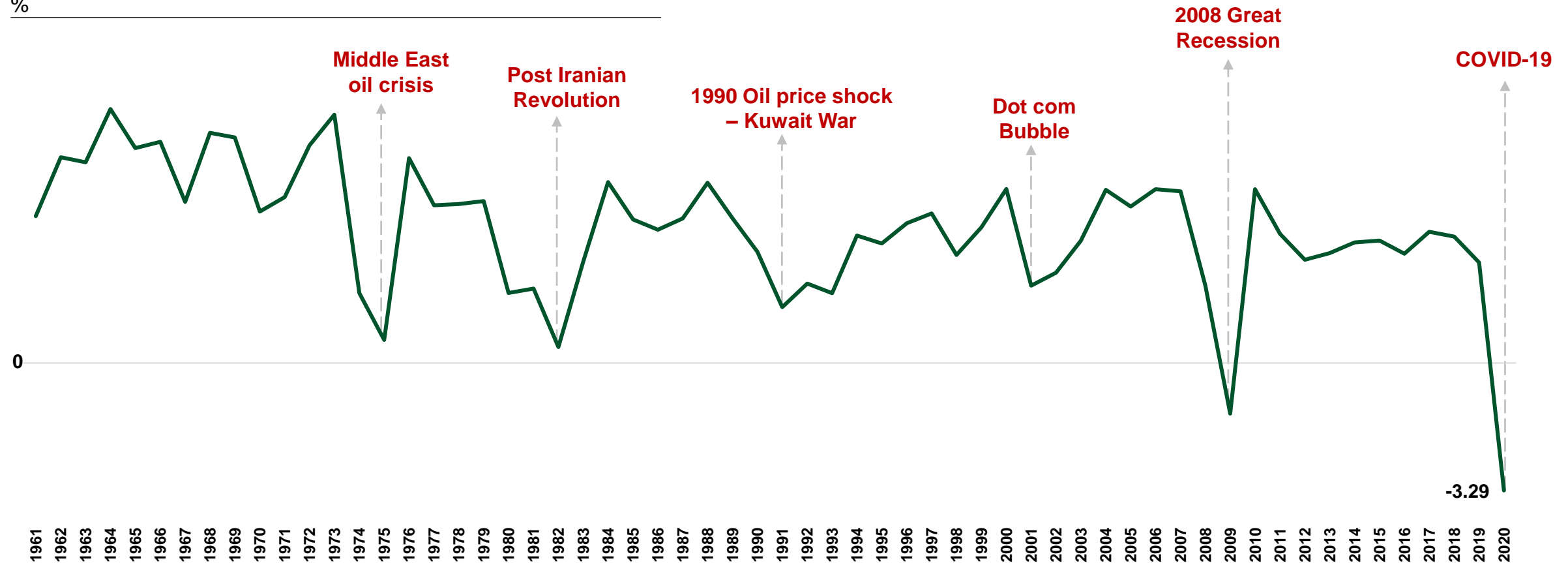
Rs. 45.2 Billion

Low interest loans disbursed to youth creating more than 50,000 jobs under **Kamyab Jawan Programme**



Pakistan managed to sustain through one of the worst recessions seen since the end of World War 2

Global GDP Growth
%

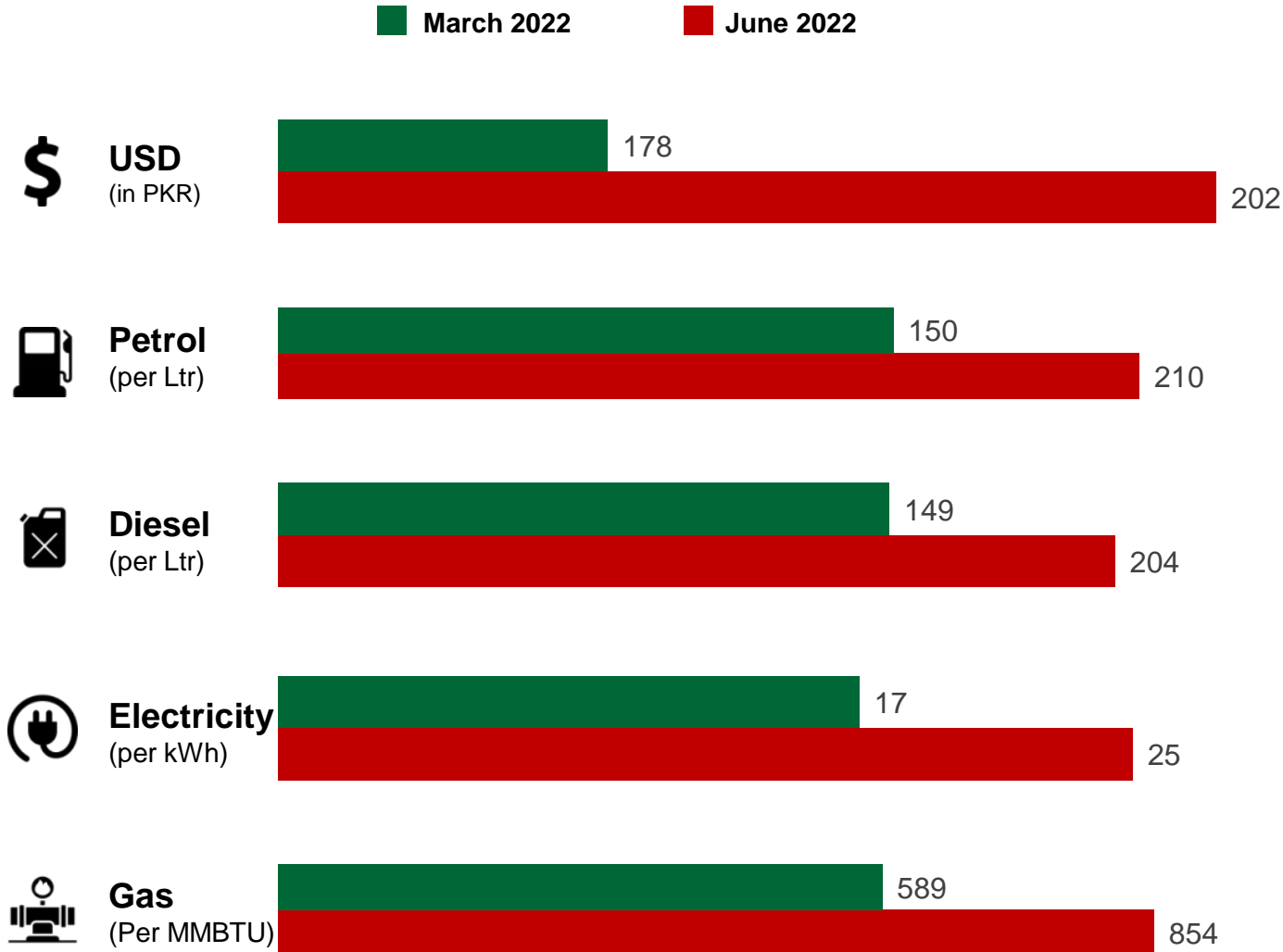


Source: World Bank

Government of Khyber Pakhtunkhwa

خيبر پښتونخوا

The cost of change!



Impact !

Pakistan goes from **stable** to **negative** in Moody's rating

5 Pakistani banks' ranking drops from **stable** to **negative**

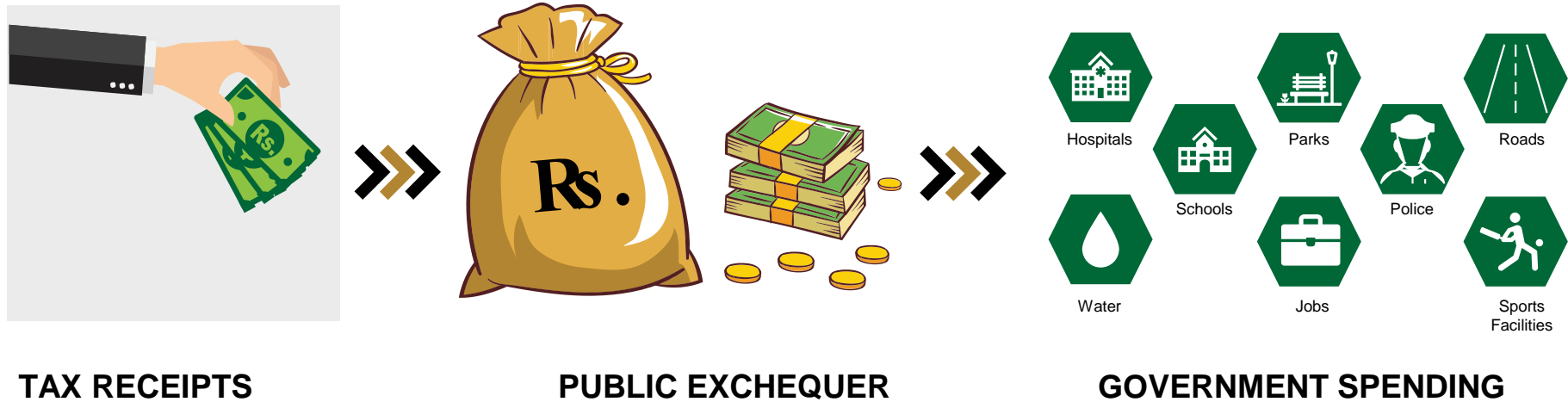
Pakistan Stock Exchange **drops** from 46,000 points to 41,000 points



CONTENTS

- 1 National Economic Outlook
- 2 Understanding the Budget**
- 3 2021-22 in review
- 4 2022-23 budget outlook
- 5 2022-23 sectoral highlights
- 6 Deep dive on key issues
- 7 Financial reforms taken
- 8 Taking the reform journey forward

The basics of the budget



The Government of Khyber Pakhtunkhwa generates resources through your taxes and fees. Some of these taxes are paid directly to the government, and others are paid to the federal government, which then gives each province its share.

We can then spend the money on you; on education; health; infrastructure including energy, water and roads; on job creation; and on paying the people who work in government to help deliver all of our services to you.

Our budget year runs from July to June. Typically, the budget is presented and approved in June. The Khyber Pakhtunkhwa annual budget represents the financial situation of the government, specifying what we think we can earn in the budget year (revenue or receipts), and what we plan to spend (expenditure) for the public good.

Pay your taxes!

The budget is a balancing act between resources generated and resources spent.

Resources generated depend on taxation, fees and other sources of revenue. The more resources a government can generate, the more it can spend on the priorities that matter to you.















This is why we all need to pay our taxes. If we want Khyber Pakhtunkhwa and Pakistan to develop, we must understand that it is our taxes that fund the development that we want. Without enough tax resources, governments have two choices, to borrow unsustainably, or to under-invest in the development of the state. This is how governments in Pakistan have worked in the past. But with your help, we are changing that.

Remember, pay your taxes, and see Pakhtunkhwa and Pakistan grow faster. Your tax money will come back to you.



How does Khyber Pakhtunkhwa generate resources?

Every year, the Government of Khyber Pakhtunkhwa collects its revenues from several sources. These include:

Category	Details	Proportion
	Federal Transfers <i>Transfers from the divisible pool of the taxes collected from FBR</i>	
	Federal Grants <i>Grants from the federal government, including funds for the newly merged districts</i>	
	Foreign Project Assistance <i>The amount committed by the donors for developmental work across the province in various sectors</i>	
	Own Source Receipts <i>Provincial Tax collected on services, immovable property and other revenue generated by the department itself</i>	
	Net Hydel Profit <i>Profits from the hydroelectricity generated in the province throughout the year</i>	
	Debt and savings <i>Loans taken by the government (if any), other expected savings etc.</i>	
	Straight Transfers <i>Money collected from oil and gas royalties and surcharges</i>	

What are the different areas of spending?

Traditionally the budget is segregated into two parts;
Current side and Development side which is further split into different cost lines

Current Expenditure



Salary

Accounts for majority of government expenditure and is increasing every year



Pensions

Third largest current expenditure. Key reforms are being undertaken to make it sustainable



Non-salary

Represents everything other than the salary expenditure majorly operational and maintenance expenses

Development Expenditure

This is the expenditure done on capex projects

It is spent at Provincial and District levels (20% of funds are earmarked for local bodies as District ADP in accordance with the Local Government Act)

It is usually what remains of the total budget, once all current expenditures have been covered

It also consists of the projects funded by the Federal Government and the international partners



Development+ and service delivery budget were introduced this year

Development Expenditure

Rs. 260 Billion

Actual expenditure

- Roads
- Schools construction
- Hospitals construction
- Tube wells
- Canals
- Solarization
- Hydro projects
- Parks
- Treatment plants

Development+ Expenditure

Rs. 330 Billion

Actual expenditure

- Sehat Card Plus
- Medicines
- School Furniture
- Textbooks
- Municipal grants
- COVID-19
- Inter-hospital Ambulance

Service Delivery Expenditure

Rs. 334 Billion

Actual expenditure

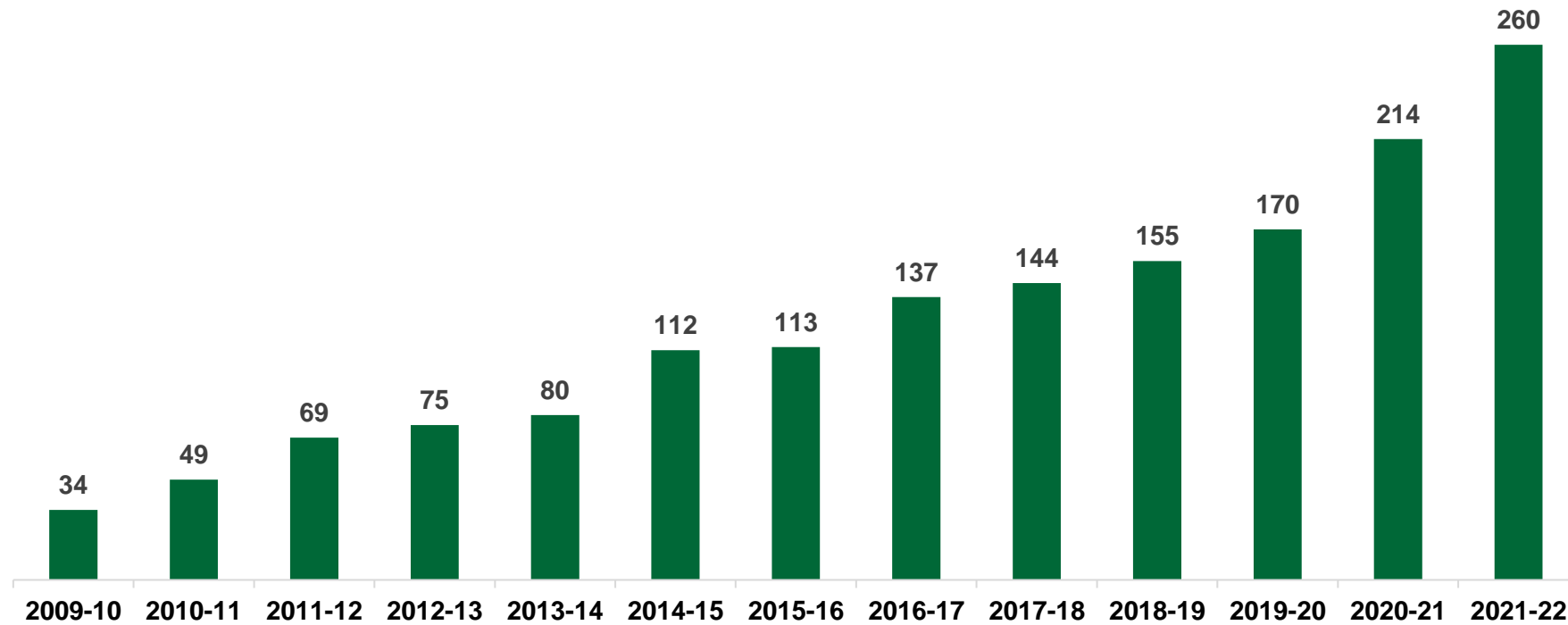
- Teachers salary
- Ambulance fuel
- Constable salaries
- Doctors and nurses salaries
- Electricity for tube wells
- Management of relief operations
- Fire brigade services



The largest development spend ever

Actual annual development expenditure

Rs. Billions



2018-19, 19-20, 20-21 and 21-22 include NMDs development expenditure

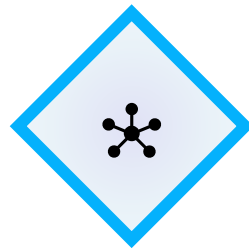


How the government is making development spending more effective through the 2019-23 ADP policy



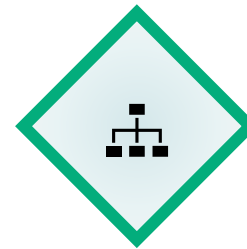
Integrated View

- ADP to develop provincial economy, by taking a multi-year view
- Projects to complement funding from other sources international partners, PSDP etc.



Pro-people Planning

- The practice of issuing CM directives, at his sole discretion, for allocation and distribution of funds for umbrella schemes shall be immediately discontinued
- No elected representative may claim any discretion over the ADP



Effective Management

- In-year management to ensure better spending with increased accountability & oversight
- Sectoral approach to create cross sectoral synergies



Impactful Spending

- Spending to be preferred in social sectors leading to direct relief to citizens such as health, education etc.
- Focus to remain on service delivery rather than unnecessary infrastructure expansion



CONTENTS

- 1 National Economic Outlook
- 2 Understanding the Budget
- 3 2021-22 in review**
- 4 2022-23 budget outlook
- 5 2022-23 sectoral highlights
- 6 Deep dive on key issues
- 7 Financial reforms taken
- 8 Taking the reform journey forward

3.1

**Own Source
Revenue**

3.2

**Development
Spending**

3.3

Jobs Creation

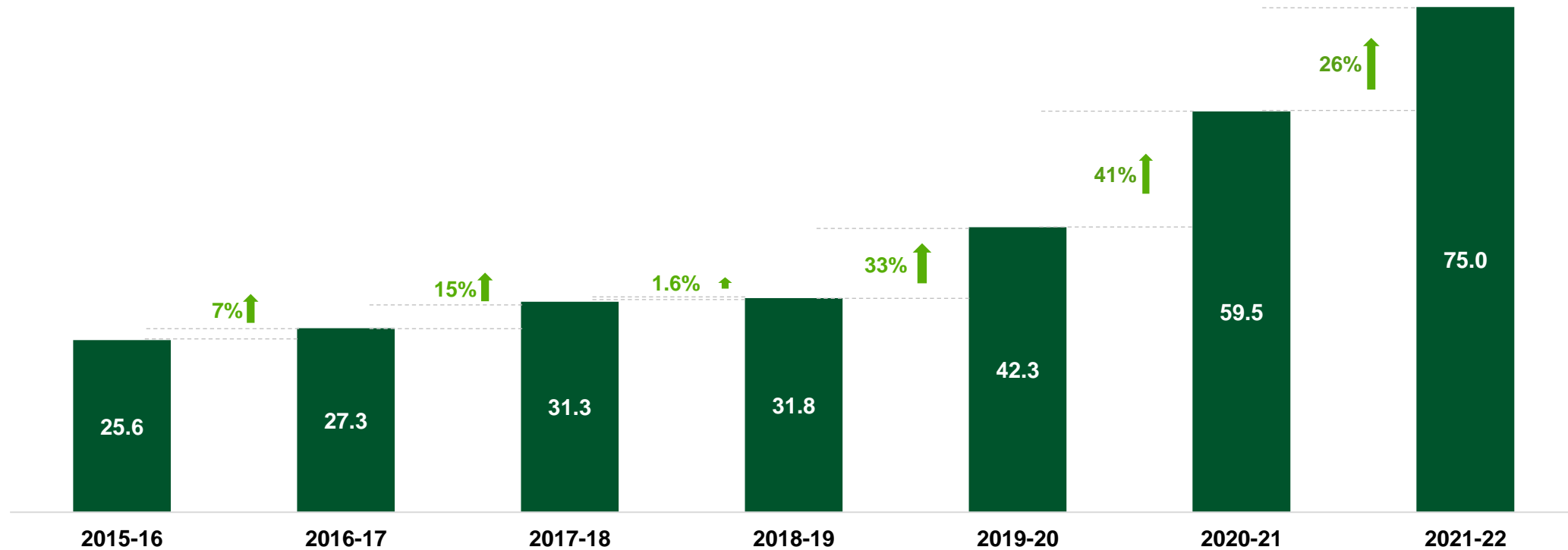
3.4

**Merged Areas
Development**

OSR has grown by 136% in last 3 years

SDG 8

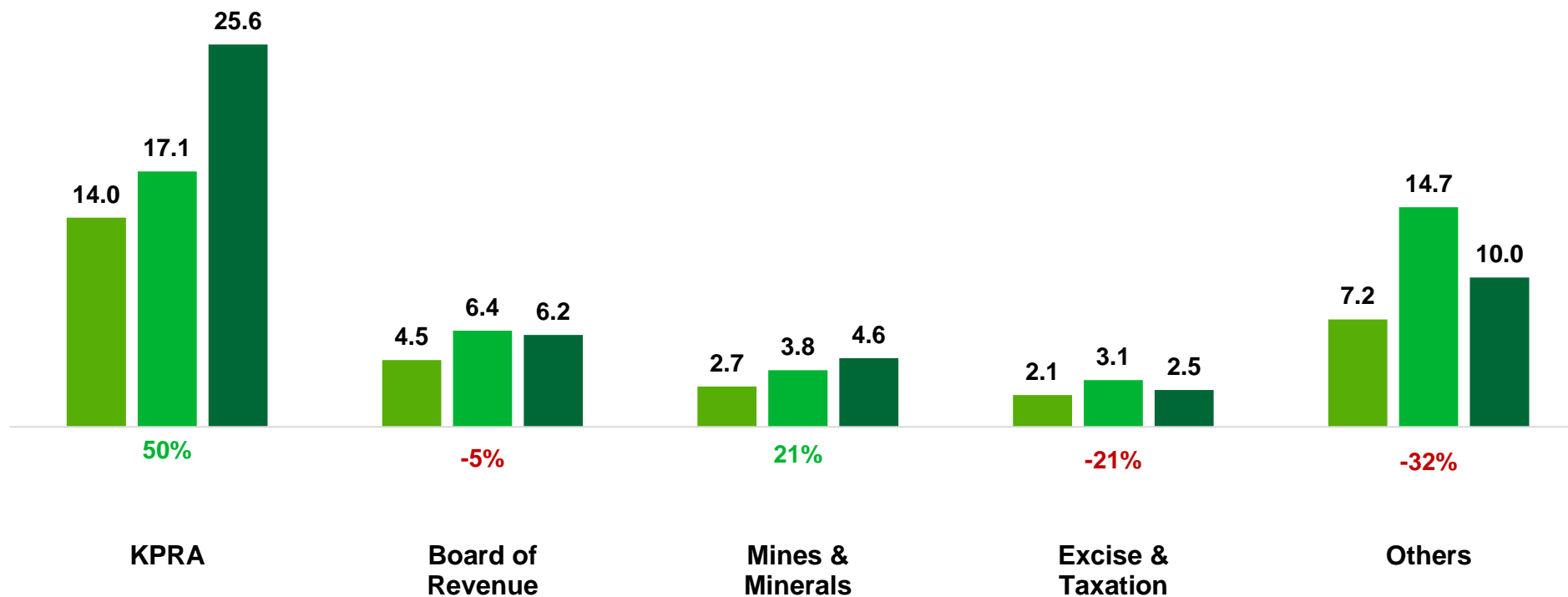
Provincial Own Receipts – Actuals
Rs. Billions



Growth, in terms of quantum, is driven by KPRA and Mines & Minerals

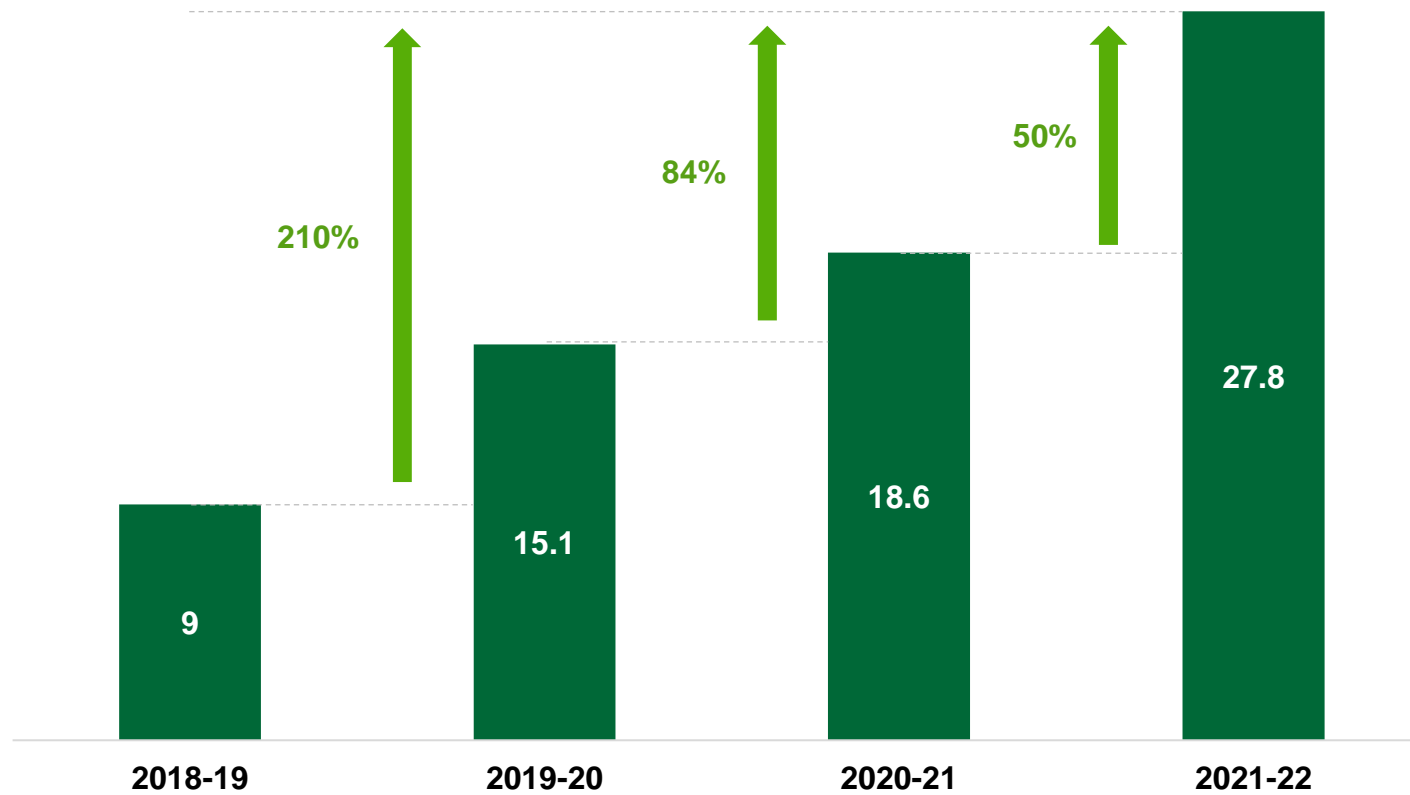
Collection by departments – YTD (July – April)
Rs. Billions

■ 2018-19
■ 2019-20
■ 2020-21
Growth%



Despite rate reductions in 36 categories, KPRA has already surpassed all of 2020-21 collection in the first 11 months of 2021-22

Actual Collection by KPRA – YTD (July – May)
Rs. Billions



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



Massive Registration Drives

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



Legislative Measures

Three key acts i.e. **KPRA Act, STS Act & IDC Act** approved



Institutionalized Performance Based Incentives

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



Digitization

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



Taxpayer Perception Survey

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



Pro-Poor Rates

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



Monthly Reviews & Data Analytics

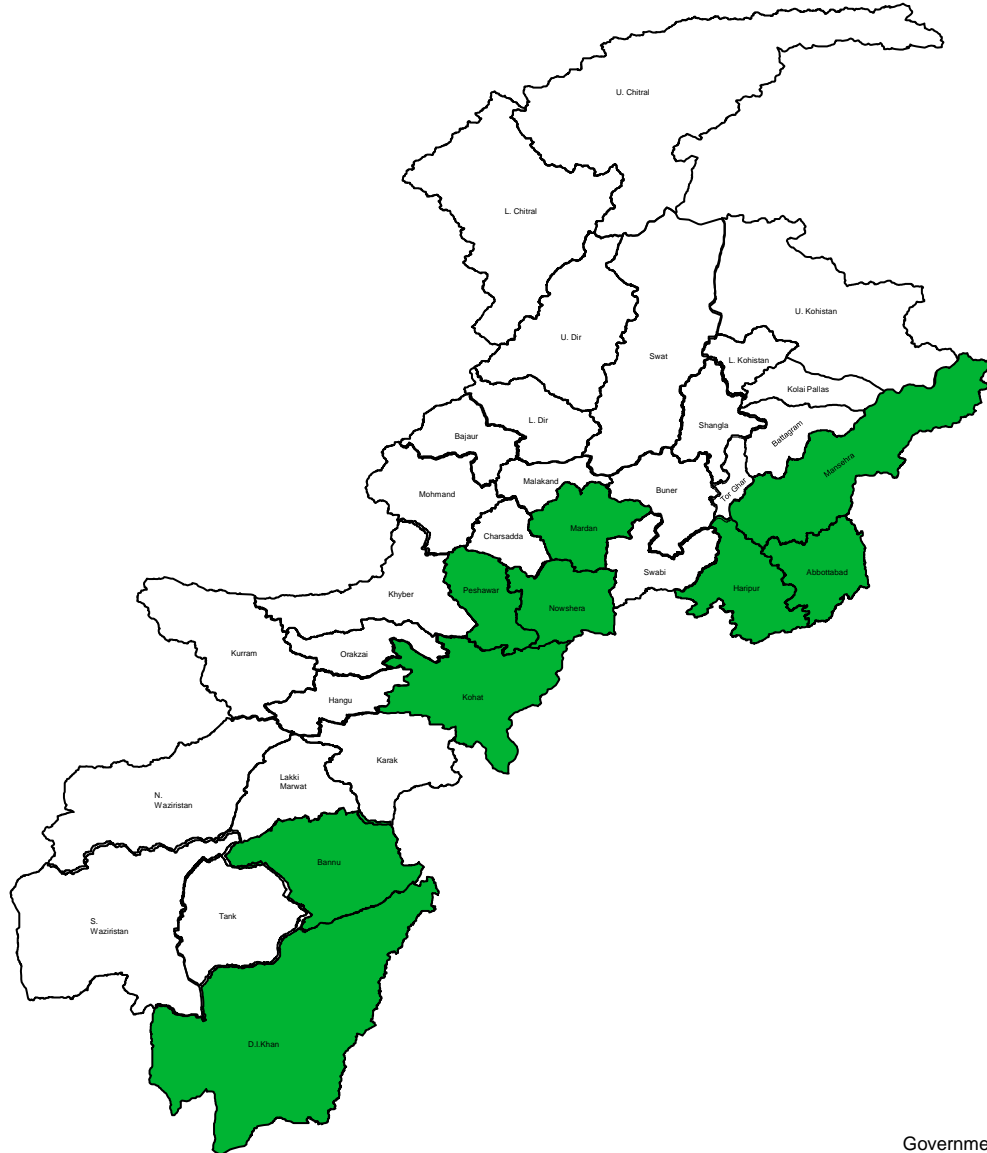
Monthly Stocktake with the Finance Minister, coupled with deep dive in core sectoral numbers

Point of sale system has been installed at around 150 restaurants across KP

76
Restaurants in Peshawar

38
Restaurants in Abbottabad

34
Restaurants in other regions



3.2 Development Spending

Khyber Pakhtunkhwa became the first province to release 100% development budget on the first day of the fiscal year

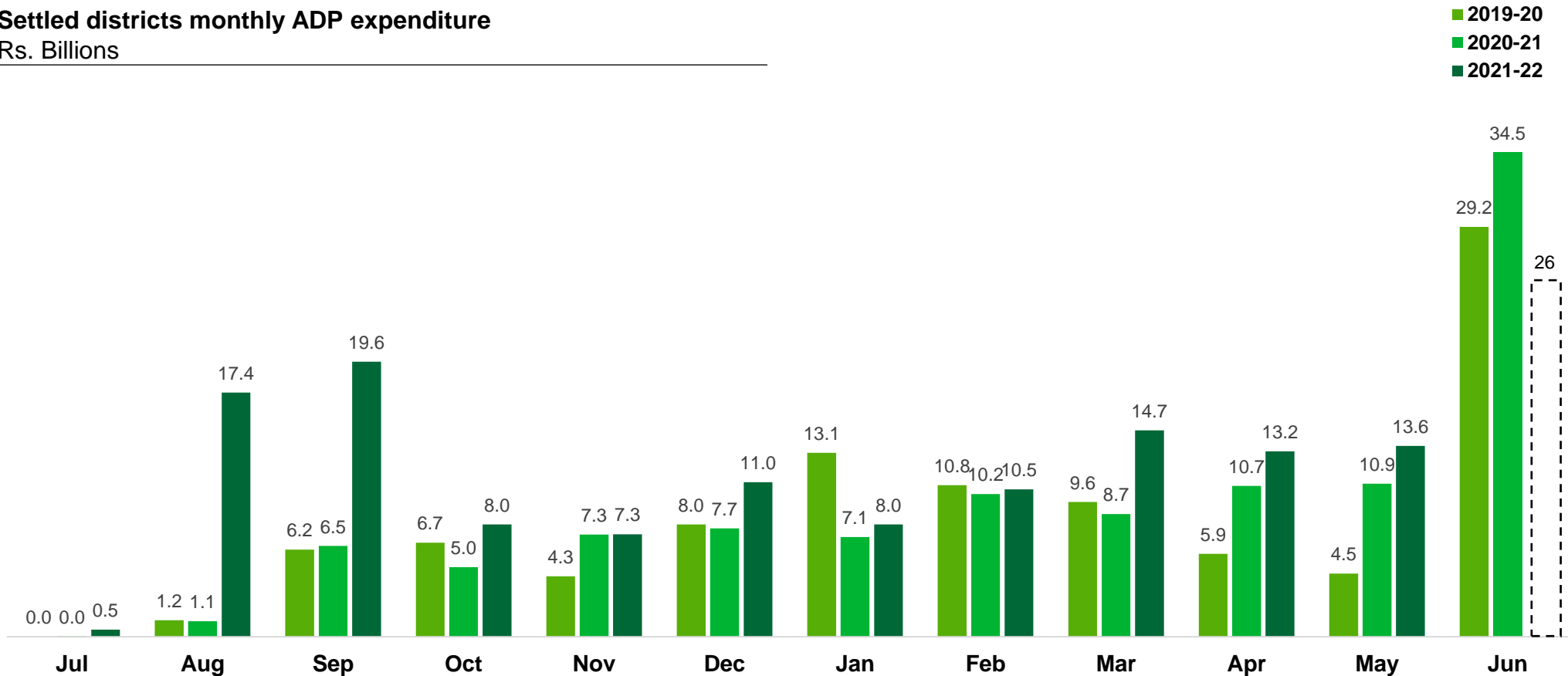
**Rs. 166
Billion**

Development funds released
on 1st July, 2021



The 100% ADP release had a significant effect on spending, in particular in Q1

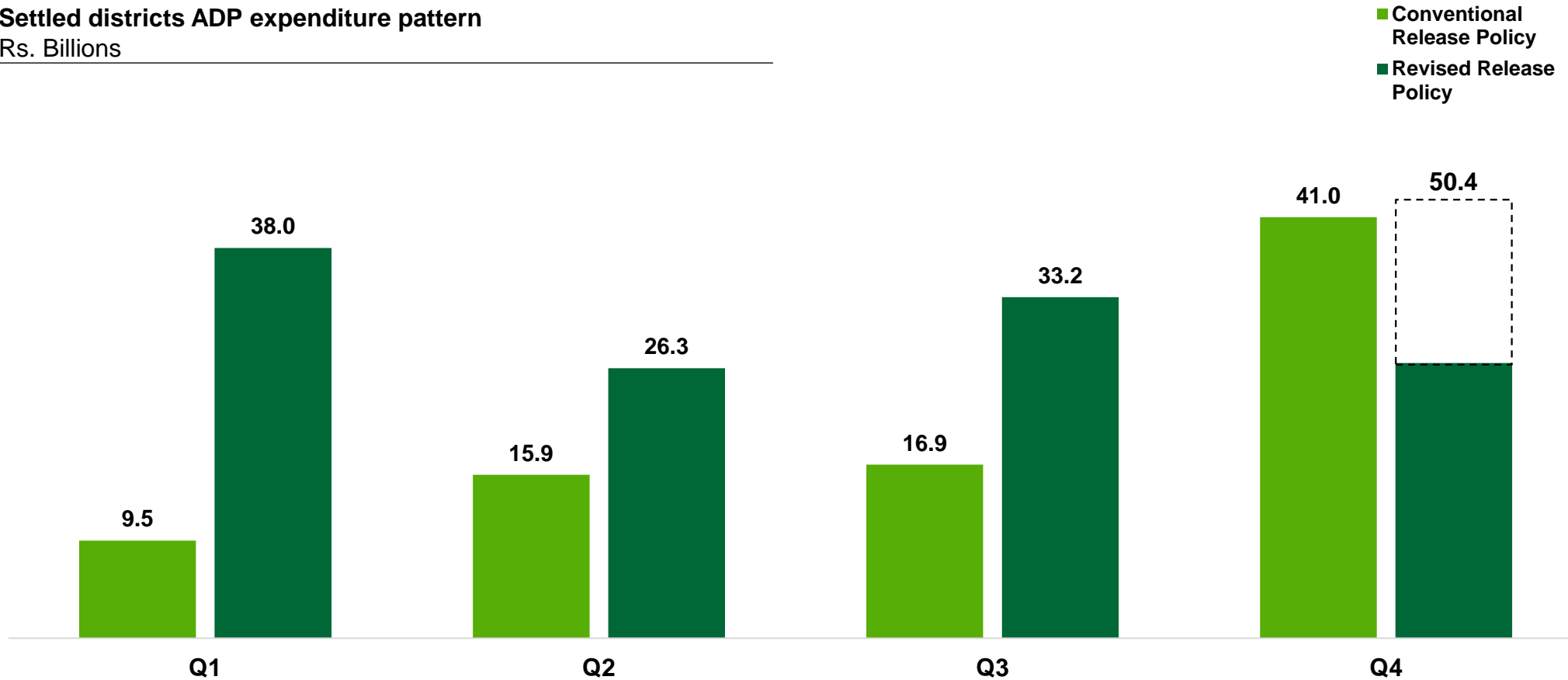
Settled districts monthly ADP expenditure
Rs. Billions



3.2 Development Spending

The spending pattern has improved significantly compared to the conventional release policy of releasing after every quarter

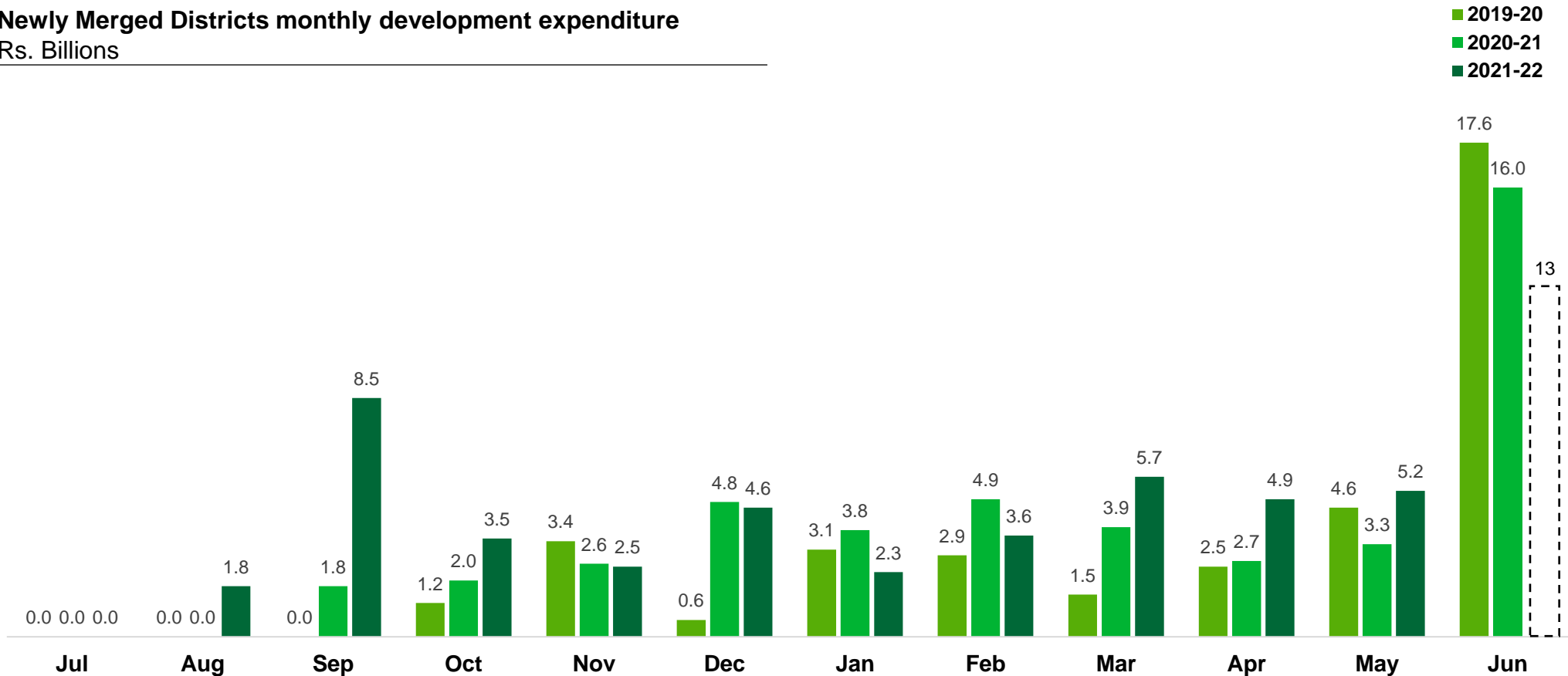
Settled districts ADP expenditure pattern
Rs. Billions



3.2 Development Spending

Timely release of development funds to Newly Merged Districts has led to an even and increased spending in the region

Newly Merged Districts monthly development expenditure
Rs. Billions



3.3 Jobs Creation

Focus was on creating positions that can provide services to the citizens while keeping the overhead costs at a minimum

- 1 Regular meetings conducted to create new positions across the government
- 2 Focus only on service delivery positions to increase output of departments
- 3 Comprehensive recruitment plan for better budgeting and forecasting

46,026

New jobs created in 3 years

Rs. 15.2 Bln

Savings done in rationalization

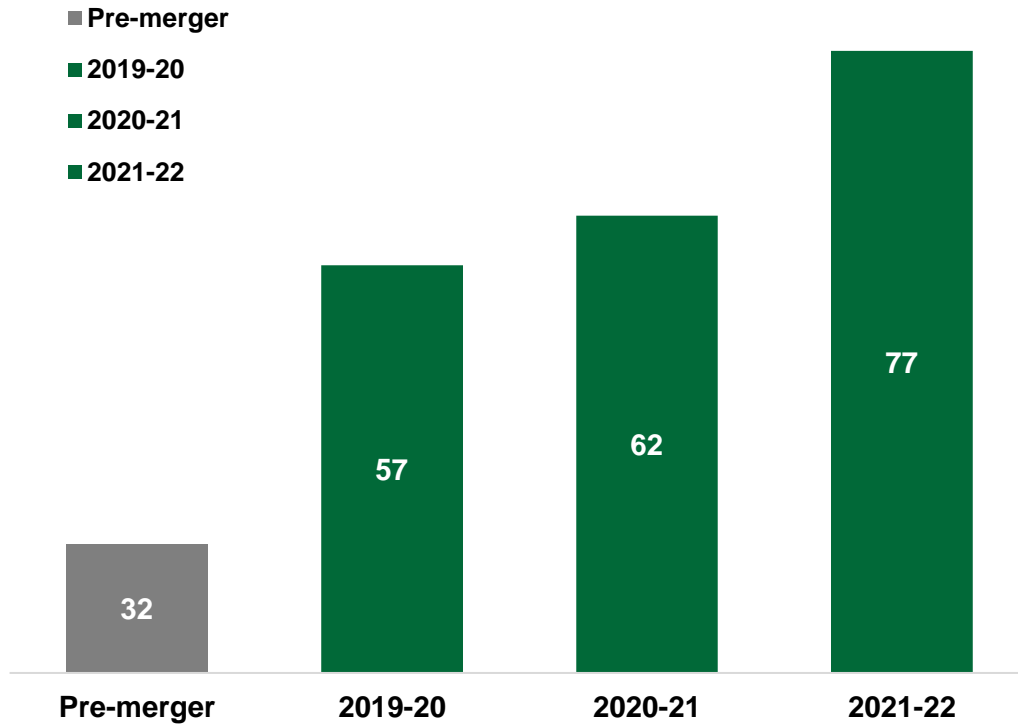
4,079

Posts regularized in 128 NMD projects

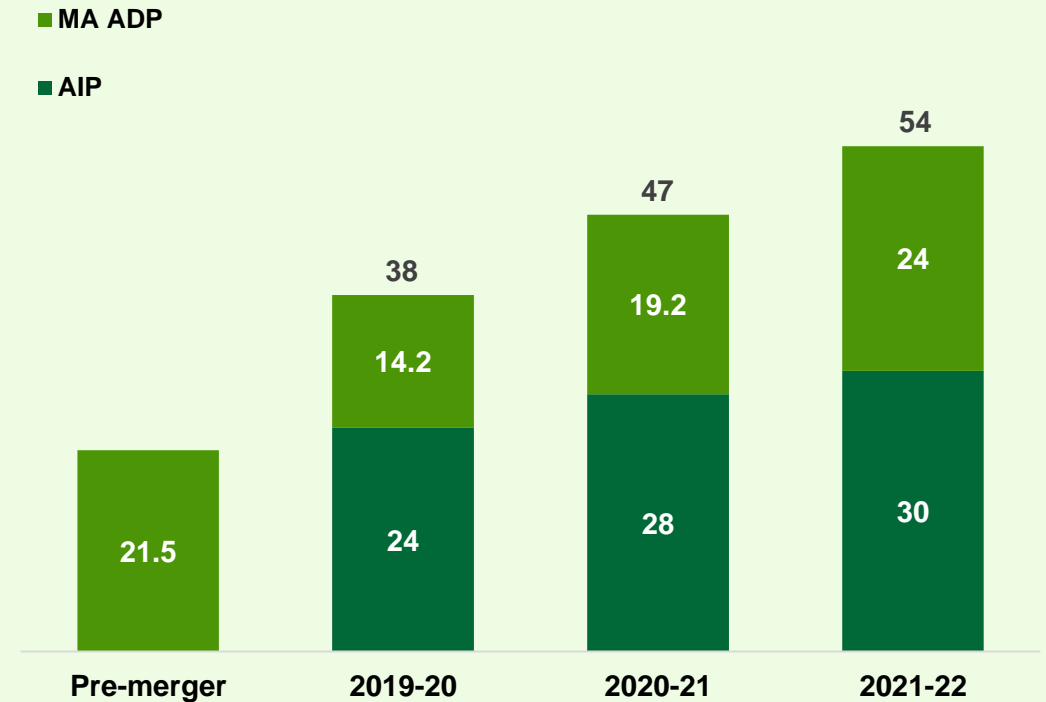


Post-merger budget of ex-FATA has significantly increased in the last 4 years

Current budget of NMDs
Rs. Billions



Development expenditure in NMDs
Rs. Billions



CONTENTS

- 1 National Economic Outlook
- 2 Understanding the Budget
- 3 2021-22 in review
- 4 2022-23 budget outlook**
- 5 2022-23 sectoral highlights
- 6 Deep dive on key issues
- 7 Financial reforms taken
- 8 Taking the reform journey forward

The headline numbers 2022-23

Total budgeted expenditure	PKR 1,332.0 Bn
Settled districts	PKR 1,109.0 Bn
Merged districts	PKR 223.0 Bn
Current budget	PKR 913.8 Bn
Settled districts	PKR 789.8 Bn
Merged districts	PKR 124.0 Bn
Development budget	PKR 418.2 Bn (383.5 Bn)
Settled districts	PKR 319.2 Bn
Merged districts	PKR 99.0 Bn (64.3 Bn)

The value in brackets for Merged Districts is funded while the remaining is the committed funding for Merged districts by other provinces but not transferred

Details of expenditure 2022-23

PKR Billions

Head	Settled	NMDs	Total
Salary	372.1	75.8	447.9
Pension	106.0	1.0	107
Non-salary (O&M and contingency and district non-salary)	200.4	47.2	247.6
Other current expenditure	111.3	-	111.3
Provincial ADP (plus AIP for NMDs)	185.0	90.7(56)	275.7(241)
Devolved ADP	37.0	4.0	41.0
Foreign Development Assistance	88.9	4.3	93.2
PSDP	8.3	-	8.3

The value in brackets for Merged Districts is funded while the remaining is the committed funding for Merged districts by other provinces but not transferred

Government of Khyber Pakhtunkhwa



Revenue / receipts 2022-23

Federal Tax Assignments	PKR 570.9 Bn
1% of the divisible pool to the province for the war on terror	PKR 68.6 Bn
Oil & Gas royalties and surcharges (straight transfers)	PKR 31.0 Bn
NHP as per 2015-16 MoU, including arrears	PKR 61.9 Bn
Provincial Tax and Non-Tax Revenue	PKR 85.0 Bn
Foreign Project Assistance (Settled districts)	PKR 88.9 Bn
Foreign Project Assistance (MA)	PKR 4.3 Bn
Grants for the merged tribal districts	PKR 208.7 Bn (110 Bn)
Other receipts	PKR 212.7 Bn
Total receipts:	PKR 1,332.0 Bn

The value in brackets for Merged Districts is funded while the remaining is the committed funding for Merged districts by other provinces but not transferred

Government of Khyber Pakhtunkhwa



Sector wise total budget (1/2)

PKR Millions

Sector	Budget 2022-23 Settled	Budget 2022-23 NMAs	Total Budget 2022-23
Agriculture	24,411	5,047	29,458
Auqaf & Religious Minority	3,929	262	4,192
Bureau of Stats	63	10	73
Communication & Works	56,051	15,602	71,653
Elementary & Secondary Education	188,368	38,718	227,086
Energy & Power	26,625	2,577	29,203
Environment	4,181	10	4,191
Excise and Taxation	1,533	74	1,607
Finance	22,912	9,534	32,446
Forestry	4,995	1,438	6,433
General Administration	6,434	221	6,655
Health	183,082	22,643	205,725
Higher Education	30,054	4,137	34,191
Home Department	74,398	29,870	104,268
Housing	778	45	823
Industries	3,602	1,325	4,927
Information and Public Relations	1,725	82	1,807



Sector wise total budget (2/2)

PKR Millions

Sector	Budget 2022-23 Settled	Budget 2022-23 NMAs	Total Budget 2022-23
Information Technology	2,904	86	2,990
Irrigation	21,215	4,509	25,725
Labor	986	47	1,033
Law & Justice	12,045	2,292	14,337
Local Government	33,781	3,873	37,654
Mines and Minerals	1,214	212	1,426
Planning and Development	41,842	4,446	46,288
Population Welfare	3,341	276	3,617
Public Health Engineering	19,091	3,979	23,071
Relief, Rehabilitation and Settlement	11,075	18,928	30,003
Revenue & Estate	22,260	8,155	30,416
Social Welfare	6,090	519	6,608
Special Initiatives	-	-	-
Sports, Culture, Tourism	19,333	2,685	22,018
Technical Education	2,568	281	2,849
Transport	12,038	114	12,151
Zakat & Usher	381	11	392





**Sector-wise budget –
All KP**

Departmental and sectoral allocations – All KP (1/2)

PKR Millions

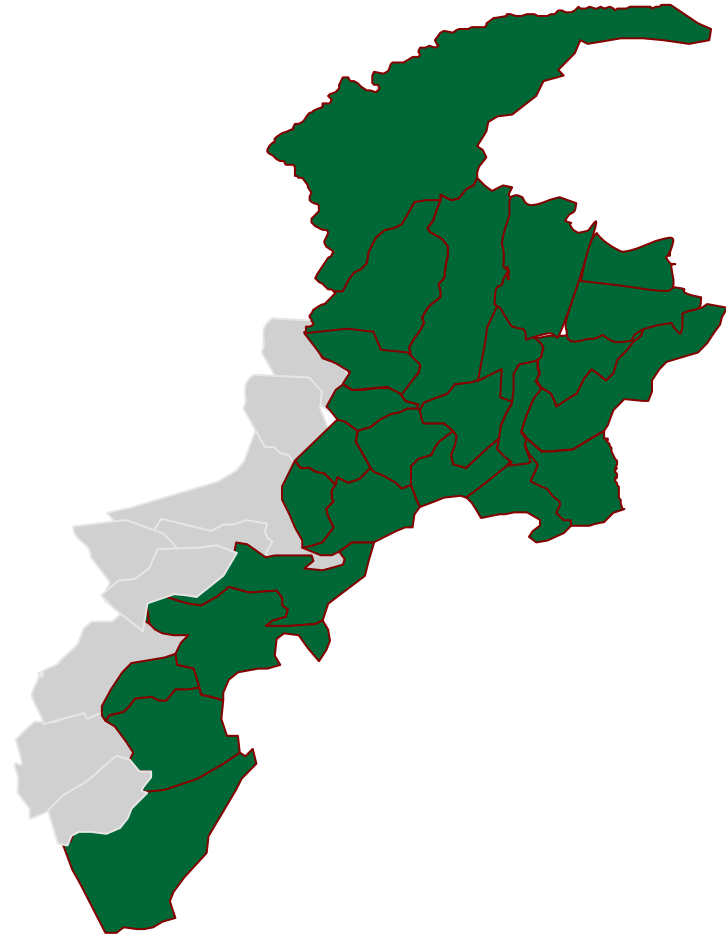
Department	Current	Development	FPA	Total
Agriculture	14,813	10,665	3,980	29,458
Auqaf & Religious Minority	3,057	1,134	0	4,191
Bureau of Statistics	73	0	0	73
Communication & Works	10,987	47,809	12,857	71,653
Elementary & Secondary Education	206,681	16,996	3,410	227,087
Energy & Power	527	7,725	20,951	29,203
Environment	4,144	47	0	4,191
Excise and Taxation	1,403	204	0	1,607
Finance	14,215	55	18,176	32,446
Forestry	2,477	3,656	300	6,433
General Administration	6,208	447	0	6,655
Health	178,206	23,319	4,200	205,725
Higher Education	25,915	8,276	0	34,191
Home Department	98,492	3,080	0	101,572
Housing	155	668	0	823

Departmental and sectoral allocations – All KP (2/2)

PKR Millions

Department	Current	Development	FPA	Total
Industries	995	3,931	0	4,926
Information and Public Relations	1,428	380	0	1,808
Information Technology	1,333	1,657	0	2,990
Irrigation	6,340	17,885	1,500	25,725
Labour	652	337	44	1,033
Law & Justice	11,064	3,273	0	14,337
Local Government	15,732	3,515	3,018	22,265
Mines and Minerals	1,089	337	0	1,426
Planning and Development	913	51,030	12,429	64,372
Population Welfare	2,841	775	0	3,616
Public Health Engineering	10,752	11,619	700	23,071
Relief, Rehabilitation and Settlement	25,916	4,087	0	30,003
Revenue & Estate	29,032	1,383	0	30,415
Social Welfare	5,188	1,420	0	6,608
Sports, Culture, Tourism	2,602	14,665	4,750	22,017
Technical Education	2,849	0	0	2,849
Transport	5,048	230	6,873	12,151
Zakat & Usher	392	0	0	392





**Sector-wise budget –
Settled Districts**

Departmental and sectoral allocations – Settled Districts (1/2)

PKR Millions

Department	Current	Development	FPA	Total
Agriculture	12,477	8,155	3,780	24,412
Auqaf & Religious Minority	3,057	872	0	3,929
Bureau of Statistics	63	0	0	63
Communication & Works	8,744	34,451	12,857	56,052
Elementary & Secondary Education	175,916	10,442	2,010	188,368
Energy & Power	527	5,147	20,951	26,625
Environment	4,144	37	0	4,181
Excise and Taxation	1,352	181	0	1,533
Finance	4,691	45	18,176	22,912
Forestry	1,316	3,380	300	4,996
General Administration	6,008	426	0	6,434
Health	160,938	17,944	4,200	183,082
Higher Education	23,140	6,914	0	30,054
Home Department	72,396	2,002	0	74,398
Housing	155	623	0	778

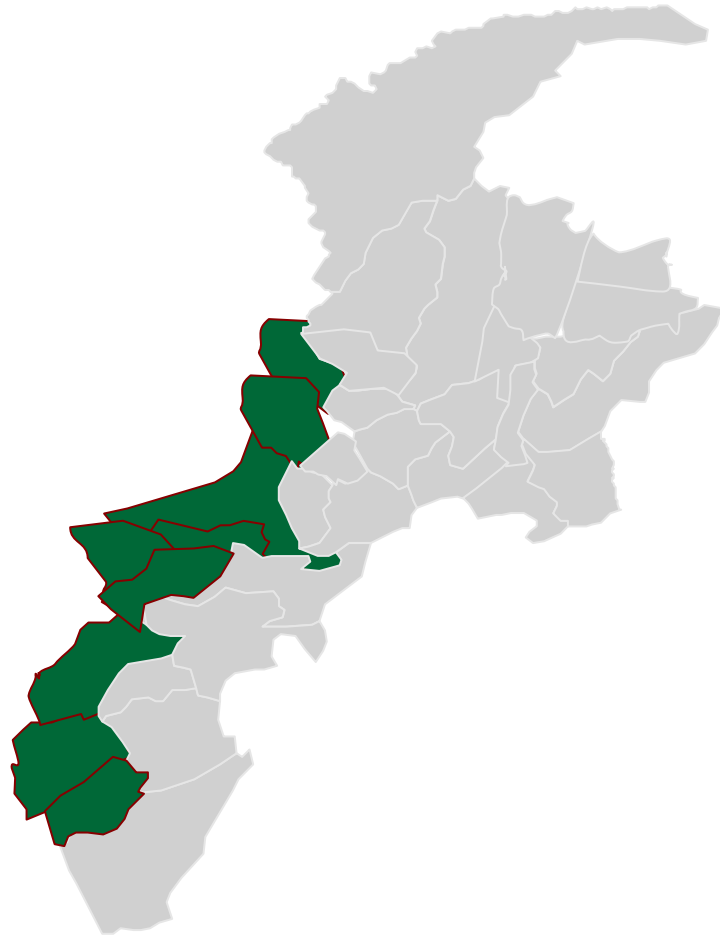


Departmental and sectoral allocations – Settled Districts (2/2)

PKR Millions

Department	Current	Development	FPA	Total
Industries	974	2,628	0	3,602
Information and Public Relations	1,410	315	0	1,725
Information Technology	1,333	1,571	0	2,904
Irrigation	6,056	13,659	1,500	21,215
Labour	605	337	44	986
Law & Justice	9,786	2,260	0	12,046
Local Government	15,377	2,644	3,018	21,039
Mines and Minerals	935	279	0	1,214
Planning and Development	832	44,019	9,733	54,584
Population Welfare	2,659	682	0	3,341
Public Health Engineering	9,614	8,777	700	19,091
Relief, Rehabilitation and Settlement	8,573	2,502	0	11,075
Revenue & Estate	21,273	987	0	22,260
Social Welfare	5,005	1,085	0	6,090
Sports, Culture, Tourism	2,438	12,145	4,750	19,333
Technical Education	2,568	0	0	2,568
Transport	4,993	171	6,873	12,037
Zakat & Usher	381	0	0	381





**Sector-wise budget –
Newly Merged Districts**

Departmental and sectoral allocations – Merged Districts (1/2)

PKR Millions

Department	Current	Development	FPA	Total
Agriculture	2,336	2,511	200	5,047
Auqaf & Religious Minority	0	262	0	262
Bureau of Statistics	10	0	0	10
Communication & Works	2,244	13,359	0	15,603
Elementary & Secondary Education	30,765	6,553	1,400	38,718
Energy & Power	0	2,577	0	2,577
Environment	0	10	0	10
Excise and Taxation	51	23	0	74
Finance	9,524	10	0	9,534
Forestry	1,161	277	0	1,438
General Administration	200	21	0	221
Health	17,268	5,375	0	22,643
Higher Education	2,775	1,363	0	4,138
Home Department	26,096	1,078	0	27,174
Housing	0	45	0	45

Departmental and sectoral allocations – Merged Districts (2/2)

PKR Millions

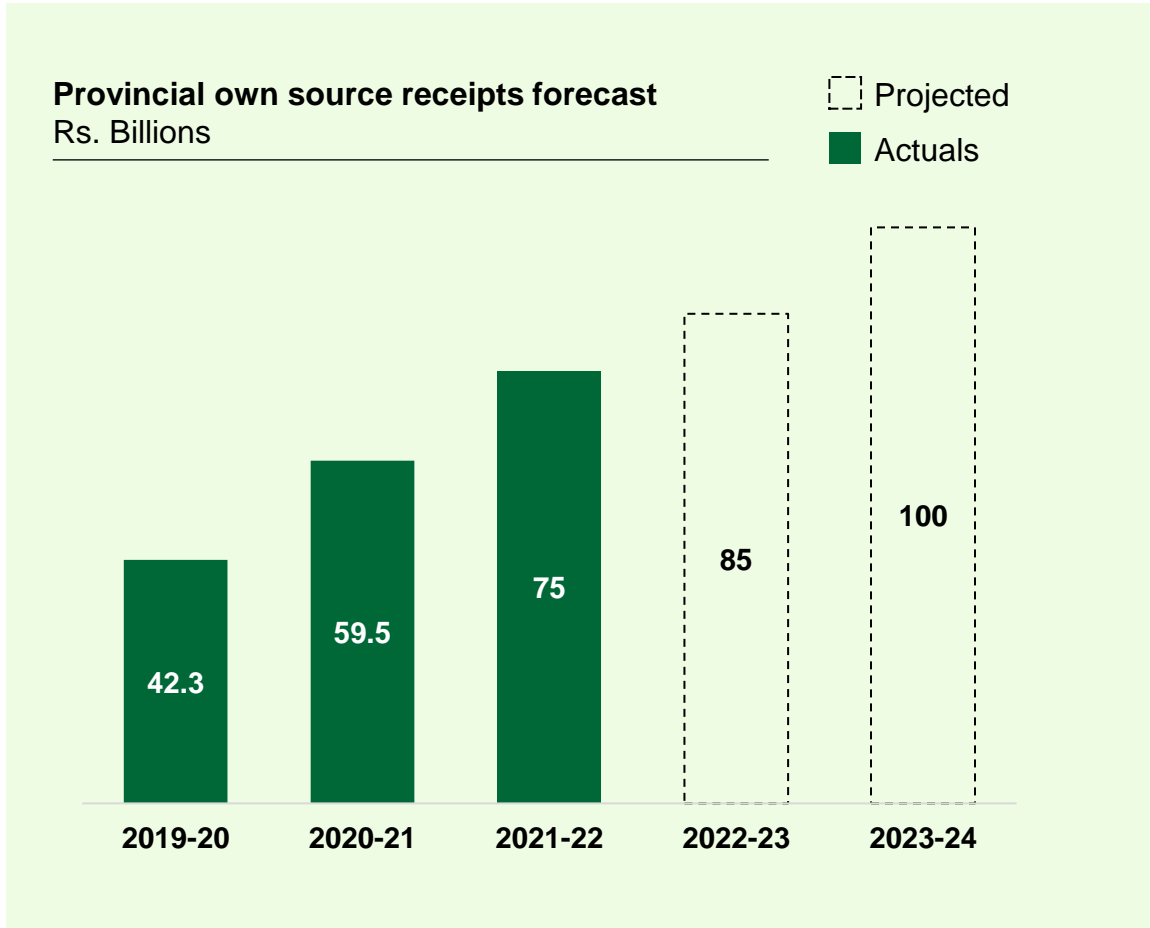
Department	Current	Development	FPA	Total
Industries	21	1,304	0	1,325
Information and Public Relations	17	65	0	82
Information Technology	0	86	0	86
Irrigation	284	4,225	0	4,509
Labour	47	0	0	47
Law & Justice	1,278	1,013	0	2,291
Local Government	354	872	0	1,226
Mines and Minerals	154	59	0	213
Planning and Development	81	7,012	2,696	9,789
Population Welfare	182	93	0	275
Public Health Engineering	1,138	2,842	0	3,980
Relief, Rehabilitation and Settlement	17,343	1,585	0	18,928
Revenue & Estate	7,759	397	0	8,156
Social Welfare	184	335	0	519
Sports, Culture, Tourism	164	2,520	0	2,684
Technical Education	281	0	0	281
Transport	55	59	0	114
Zakat & Usher	11	0	0	11



CONTENTS

- 1 National Economic Outlook
- 2 Understanding the Budget
- 3 2021-22 in review
- 4 2022-23 budget outlook
- 5 2022-23 sectoral highlights**
- 6 Deep dive on key issues
- 7 Financial reforms taken
- 8 Taking the reform journey forward

Aggressive commitment to raise revenue



Transition 10+ services to online e-payment application



Continuation of pro-poor tax rate reductions



Further reductions in rates for installation of Point-of-Sale System



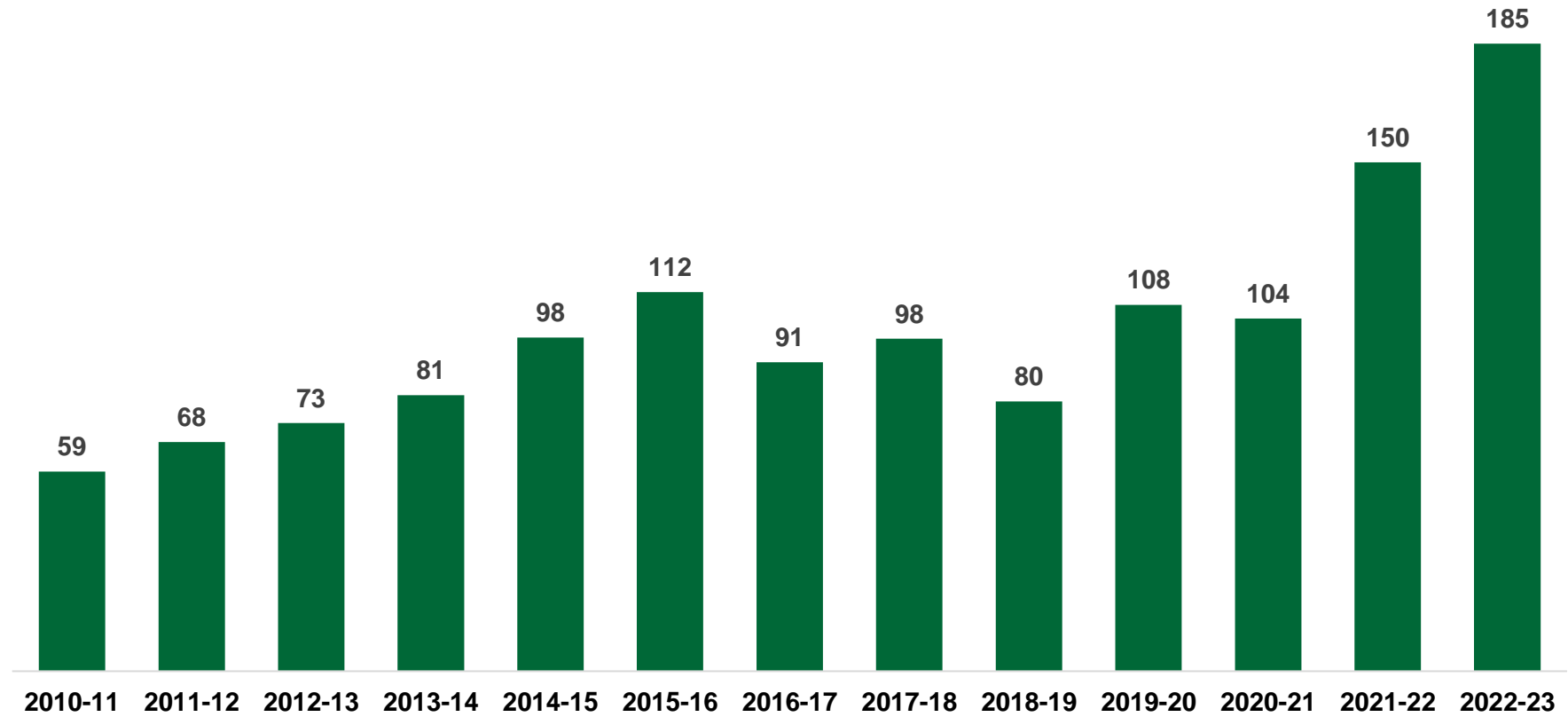
New improved user interface and website



Periodic third party perception survey to get business community feedback

Development funding remains the top priority for Khyber Pakhtunkhwa and is seeing a record increase

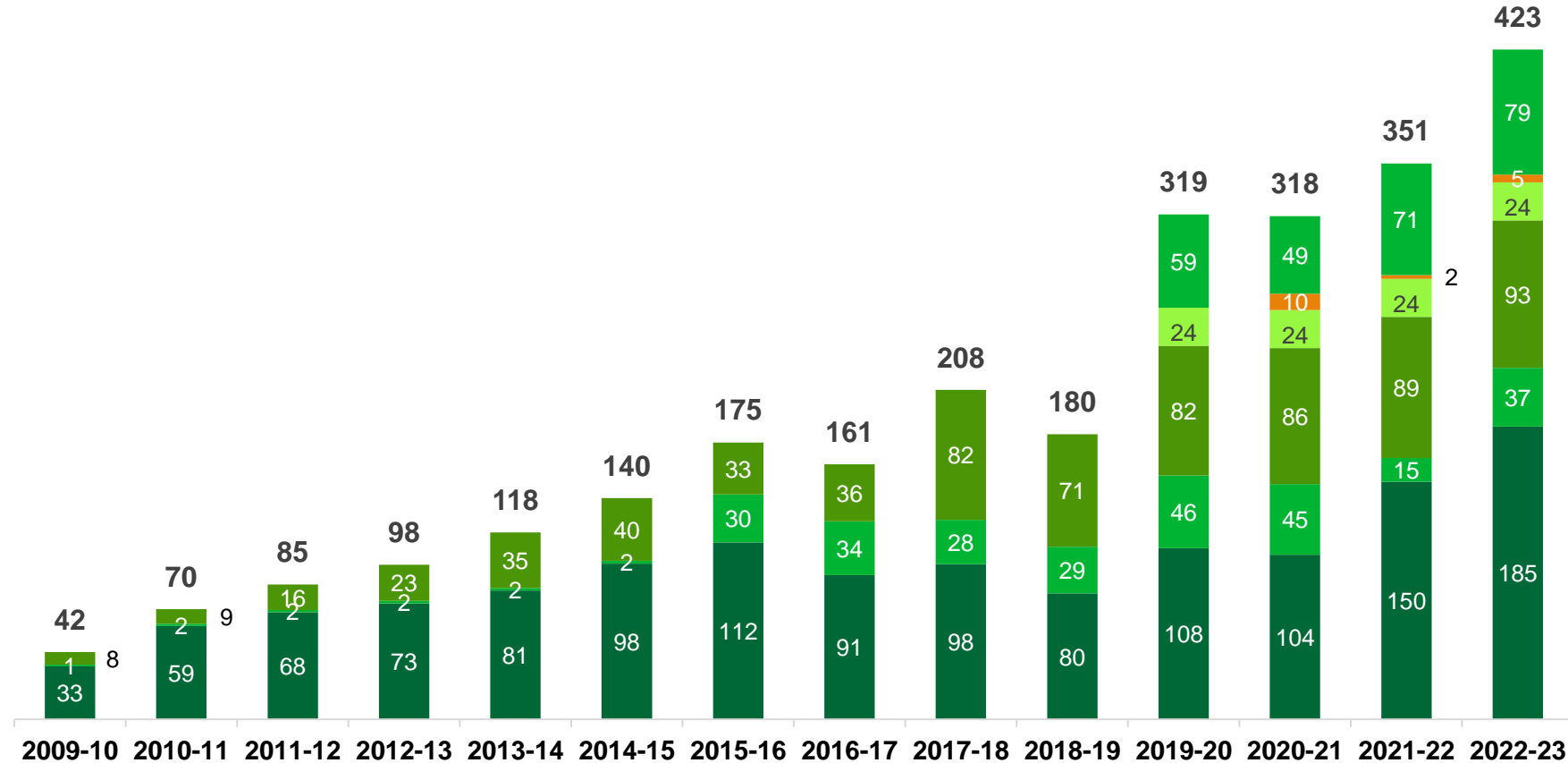
Settled districts ADP allocation comparison
Rs. Billions



Development funding remains the top priority for Khyber Pakhtunkhwa and is seeing a record increase

Development allocation comparison
Rs. Billions

- FPA
- AIP
- Districts ADP
- MA Districts ADP
- Provincial ADP
- MA ADP

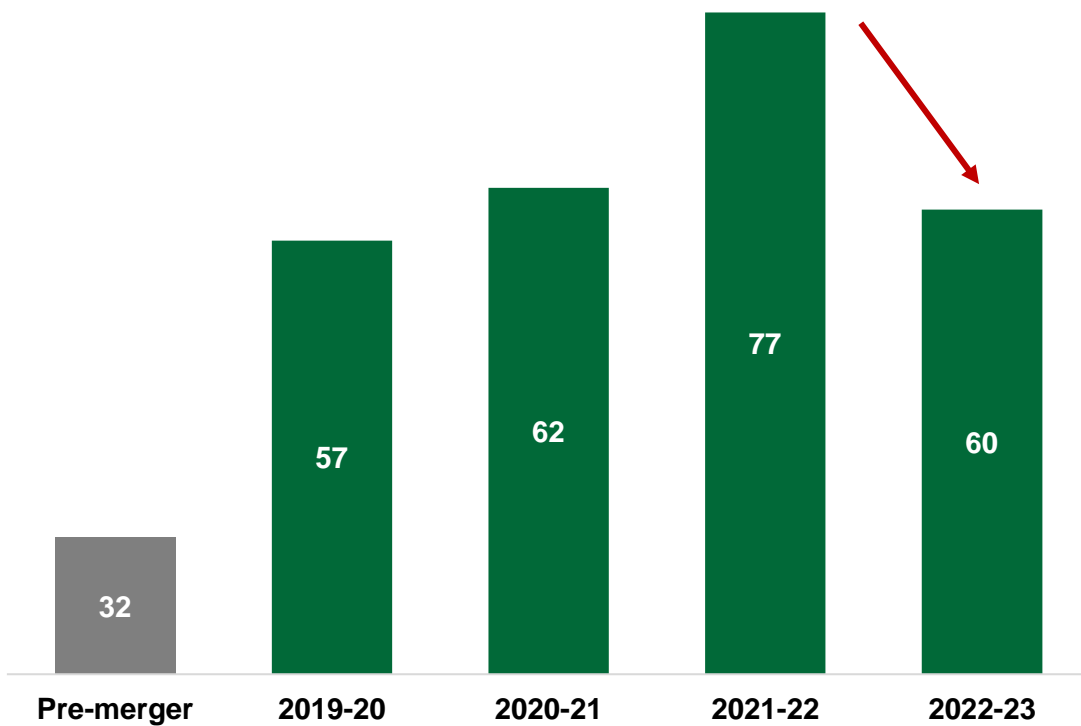


5.2 Development Budget

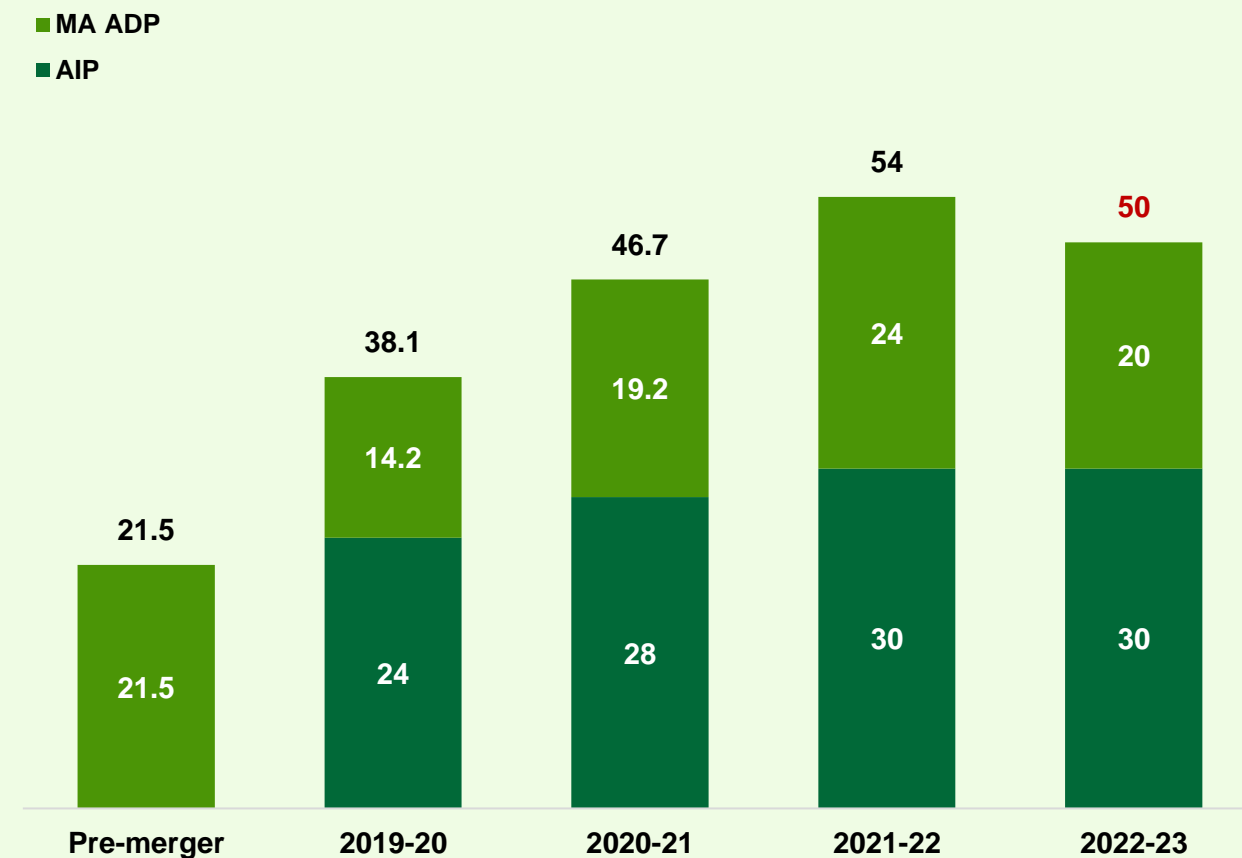
However, budget for Merged Districts will see an unprecedented decline in the upcoming year due to inadequate budgeting by the Federal Government

SDG 8

Current budget of NMDs
Rs. Billions



Development allocation comparison
Rs. Billions



The Government is providing relief to its citizens through Insaf food card in addition to Rs. 10 billion *ataa* subsidy

Rs. 26 Billion
Budgeted for Insaf Food Card

Promoting education by providing social safety

SDG 4



Rs. 2.4 Billion

Budgeted for girls stipends



Rs. 2 Billion

Budgeted for procurement of furniture



Rs. 1 Billion

Budgeted for Second shift stipends



Rs. 1 Billion

Budgeted for PTC teachers hiring



Rs. 0.9 Billion

Budgeted for scholarships to school students



Promoting education at the ground level

- ▶ **Rs. 4 billion** allocated for establishment of 711 primary and secondary schools
- ▶ **Rs. 3.2 billion** allocated for renovation of 1,318 schools
- ▶ **Rs. 4.3 billion** allocated for standardization and upgradation of 1,435 schools

Government of Khyber Pakhtunkhwa aspires to establish centers of excellence throughout the province

SDG 4

Rs. 3 Billion

Budgeted for Universities

Rs. 1.4 Billion

Budgeted for Pak-Austria Fachhochschule

Rs. 1 Billion

Budgeted for Insaaf Education Card





**Special
Needs**

Khyber Pakhtunkhwa will become the first province to mainstream special education and move towards inclusive education!



Supporting technical education to develop vocational skills

SDG 4

Rs. 690 Million

Budgeted for TEVTA



Institute Panoramic view

With ~ 800,000 admissions in 2021-22, a further Rs. 25 Bln has been earmarked for Sehat Card Plus in 2022-23

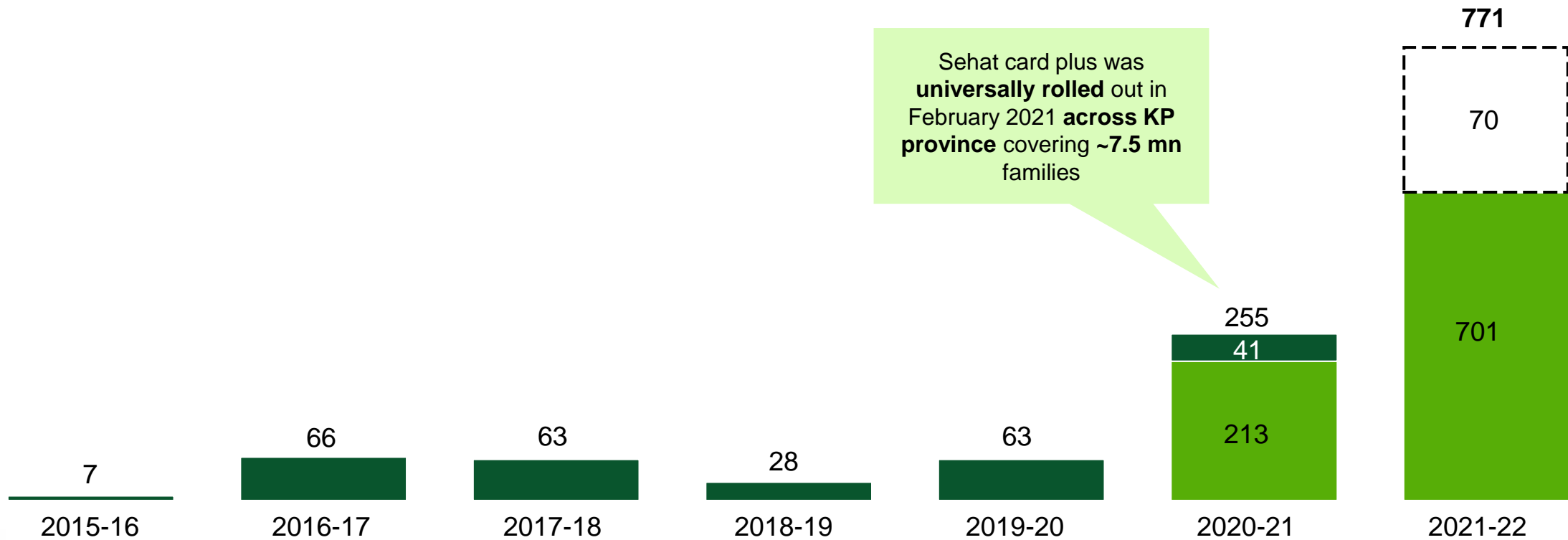
SDG 3

Sehat Card Utilization by Financial Year, 2015 – 2022

(# of admissions in thousands)

Utilization before universal roll-out

Utilization after universal roll-out



After the successful addition of liver transplant to Sehat Card in January 2022, 4 additional treatments will be added this year

SDG 3

- ▶ Bone Marrow Transplant
- ▶ Multiple sclerosis
- ▶ Cochlear implants
- ▶ Thalassemia

These will be introduced in a phased manner and funded from the health development portfolio. **Rs. 2.5 BIn** has been allocated in next year's ADP



Top up insurance products are being introduced to provide additional coverage under Sehat Card plus



Up to Rs. 10 Mln coverage



Modalities for top up finalized and EOI already floated



OPD consultations and medication coverage



5 plans covering all scales of Civil servants



Civil servants to be given options of Opt-out

Additional funding has been provided to improve LHWs' area coverage and increase effectiveness of Polio management in KP

1. **Support for Polio management and cross sectoral initiatives (Bannu and DI Khan divisions)** is reflected at a cost of Rs.1 Billion to provide tools for improved polio management while allowing for cross sectoral interventions to augment polio eradication initiatives
2. **Provision of Additional LHWs and LHSs** to cover service gaps is reflected at a cost of Rs.500 Million to provide 3,500 additional LHWs and 70 additional LHSs to increase service area coverage



New MTIs and Medical Colleges will be established in 2022-23 to increase tertiary care coverage and ensure adequate availability of doctors

SDG 3

New MTIs

- ▶ Kohat institute of medical and dental sciences
- ▶ Fountain house Peshawar
- ▶ DHQ Charsadda and Women & Children Hospital Charsadda as part of one MTI

New Medical Colleges

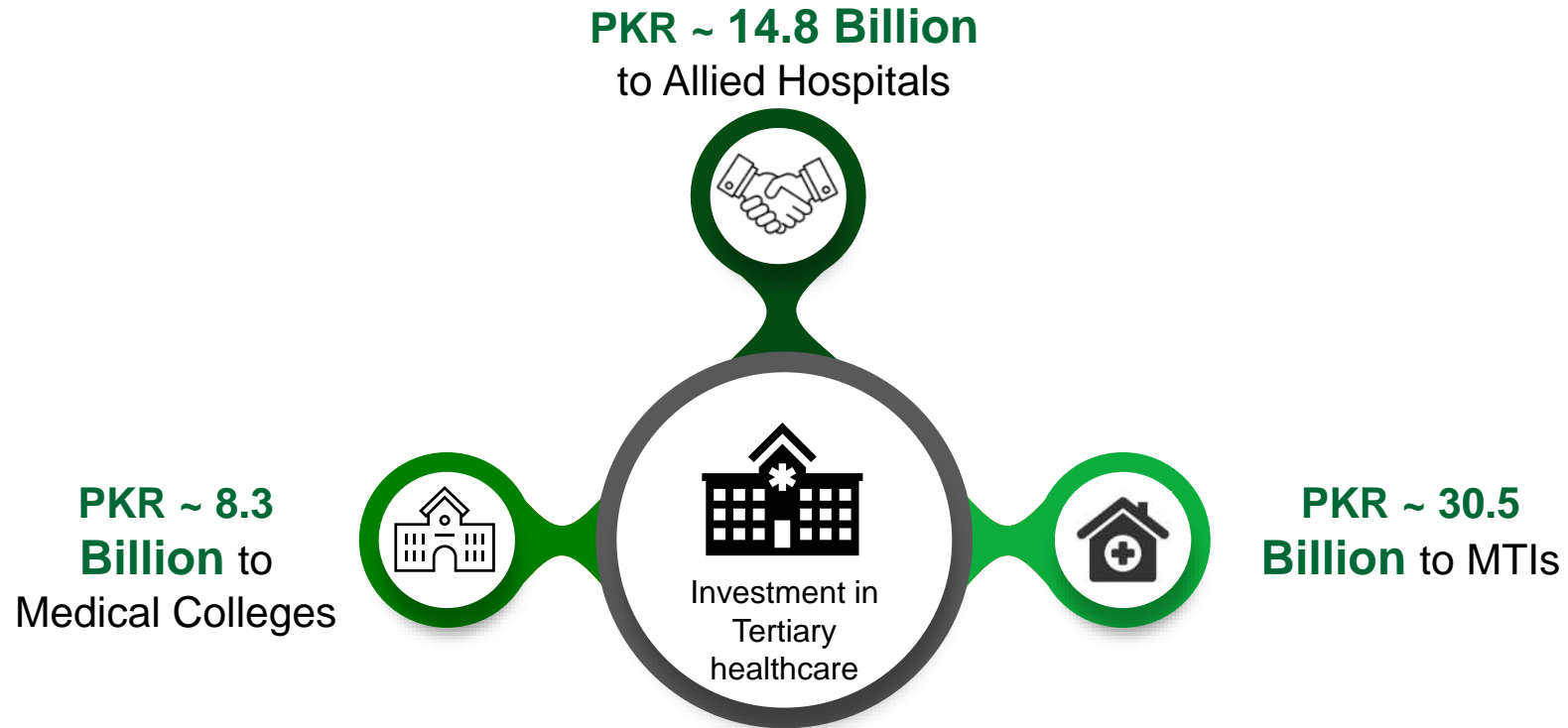
- ▶ Medical College at Dir
- ▶ Medical College at Buner in PPP mode
- ▶ Medical College at Charsadda
- ▶ Fachhochschule Medical College at Haripur

Medicines worth more than Rs. 10 Bln will be provided to the citizens of KP. This includes provision of free OPD medicine for the first time

Description of Request	Amount in budget 2022-23
Drug and Medicines	10,263
Provision of free OPD medicines in public hospitals across KP (from current and development budget)	1,500
Expanded Program of Immunization (EPI)	2,300
Provision of medicines to provincial secondary care Hospitals and Primary care facilities)	1,963
Medicine top-up for provincial secondary care hospitals	1,750
Medicine top-up for primary health facilities	1,250
Purchase of drugs and medicines for NMDs	1,000
Provision of Emergency Drugs for Poor Patients	500



Record investment is being made in the tertiary healthcare



Total Investment of PKR ~ 53.6 Billion in MTIs, Allied Hospitals and Medical colleges

Major revamp of all DHQs across the province to be carried out

SDG 3



Naseer Ullah Babar, Peshawar



Moulvi Ji, Peshawar



DHQ Abbottabad



DHQ Karak

Major revamp of all DHQs across the province to be carried out

SDG 3



**DHQ
Charsadda**



**DHQ
Haripur**



**DHQ
D.I. Khan**



**DHQ
Bannu**

Major revamp of all DHQs across the province to be carried out

SDG 3



**DHQ
Dir Khas**



**DHQ
Nowshera**



**DHQ
Kohat**



**DHQ
Timergara**

Engaging private sector to invest in the healthcare sector

SDG 3



The International Finance Corporation (IFC) has been engaged for transaction advisory to ensure transparency and to invite quality investors



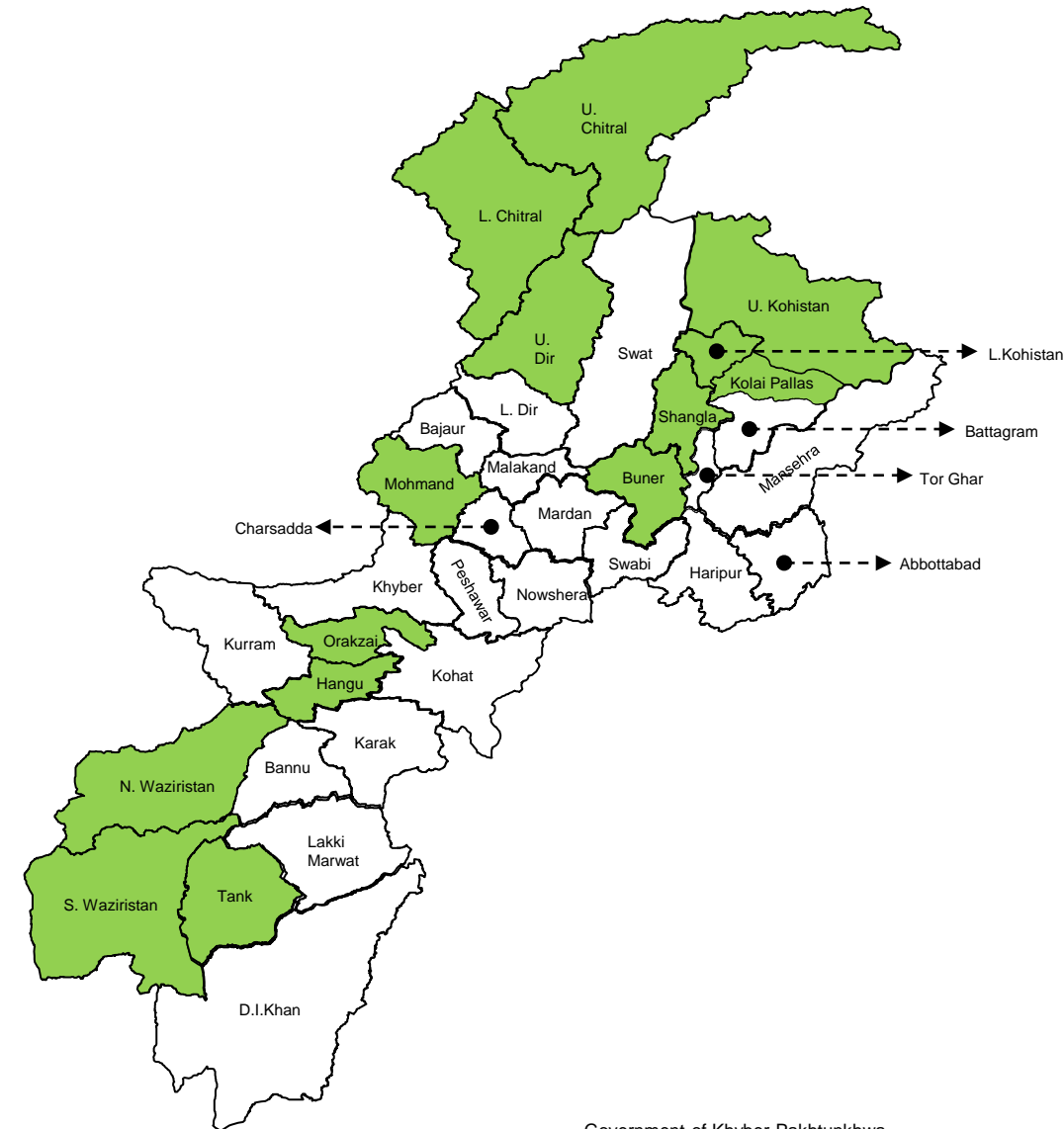
3 more hospitals, one each in Malakand, Hazara and Southern Pakhtunkhwa, to be established through the Health Foundation



Primary healthcare services in 15 districts to be improved in collaboration with the private sector for better service delivery to the citizens

SDG 3

PPP Phase 1	PPP Phase 2
Buner	Upper Kohistan
Chitral Lower	Lower Kohistan
Chitral Upper	Kolai Palas
Dir Upper	South Waziristan
Mohmand	North Waziristan
Shangla	Hangu
Tank	Orakzai
Torghar	



Provision of MRI services through Public Private Partnership in 8 Districts with Rs. 500 Mln subsidy by the government

List of Cat A Hospitals

1. Saidu Group of Teaching Hospitals (SGTH)
2. Khalifa Gul Nawaz Hospital Bannu
3. DHQ Hospital Charsadda
4. DHQ Hospital Kohat
5. DHQ Hospital Haripur
6. DHQ Hospital Mansehra
7. DHQ Hospital Malakand
8. DHQ Hospital Lower Dir



In addition to 20 already outsourced secondary care hospitals - 58 hospitals to be run through Public Private Partnership across 24 districts

SDG 3

List of secondary healthcare hospitals to be outsourced

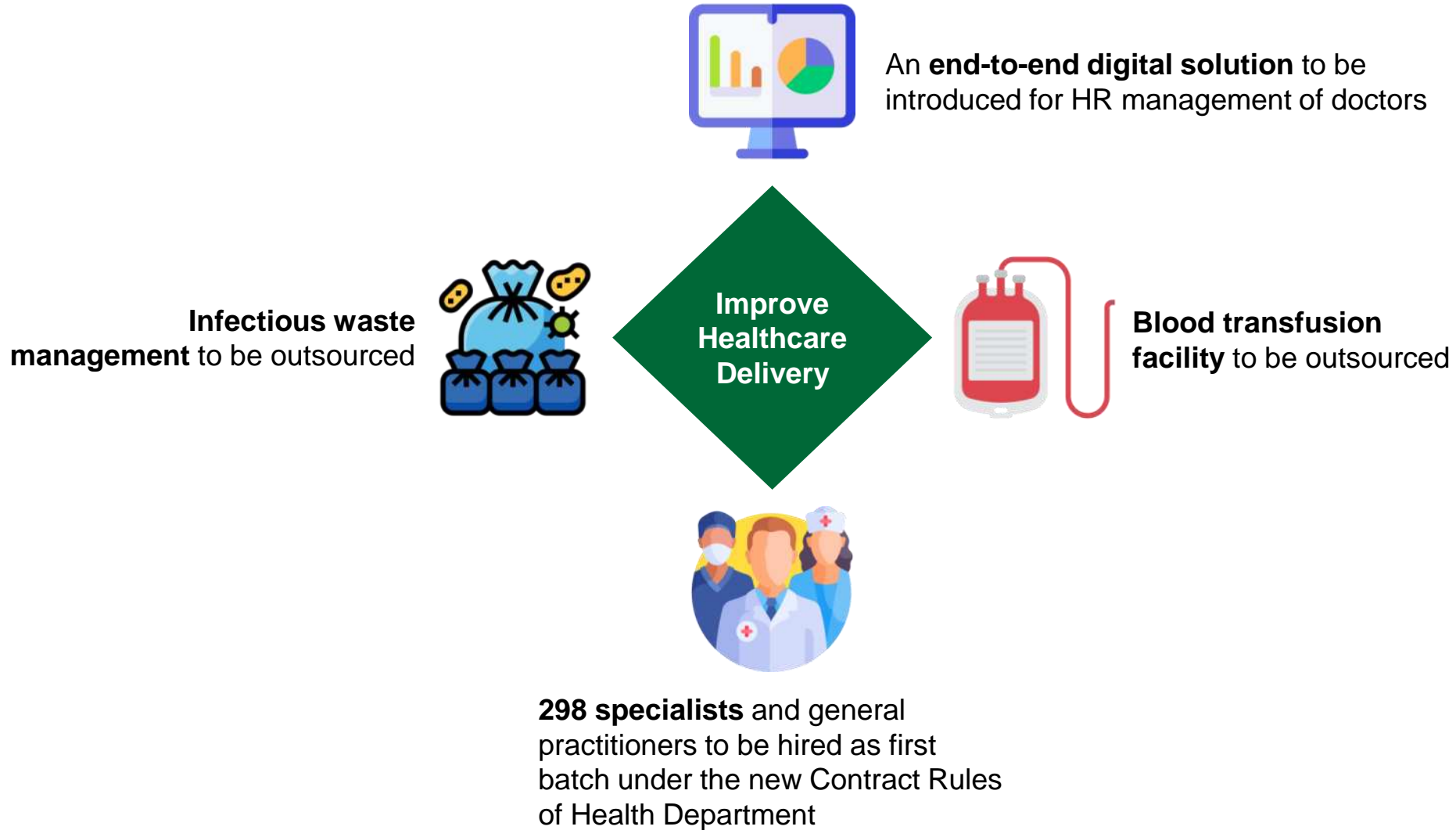
Merged districts

	Hospital name	District
1	Cat-D hospital Lora	Abbottabad
2	Cat-D hospital Boi	Abbottabad
3	Cat-D hospital Kakki	Bannu
4	Cat-D hospital Jani Khel	Bannu
5	Cat-D hospital Banna	Battagram
6	Cat-D/THQ hospital Booni	Chitral Upper
7	Cat-D/THQ hospital Paroa	D.I. Khan
8	Cat-D/THQ hospital Panyala	D.I. Khan
9	Cat-D/THQ hospital Kulachi	D.I. Khan
10	Cat-D hospital Munda	Dir Lower
11	Cat-D hospital Mayar	Dir Lower
12	Cat-D hospital Garum Chashma	Dir Lower
13	Cat-D hospital Barawal	Dir Upper
14	Cat-D hospital Patrak	Dir Upper
15	DHQ Hangu	Hangu
16	Cat-D hospital Hangu	Hangu
17	Cat-D hospital Khanpur	Haripur
18	Cat-D hospital Sarai Naimat Khan	Haripur
19	Cat-D hospital Sabirabad	Karak
20	Cat-D hospital Latember	Karak
21	Cat-C/THQ hospital Banda Daud Shah	Karak
22	Cat-C hospital Takhti Nasrati	Karak
23	Cat-D hospital Shakardara	Kohat
24	Cat D hospital Lachi	Kohat
25	Cat-A DHQ Landi Kotal	Khyber
26	Cat-D hospital Jamrud	Khyber
27	Cat-D hospital Bara	Khyber
28	DHQ Lakki Marwat	Lakki Marwat
29	Cat-D Titter Khel	Lakki Marwat
30	Cat-D hospital Tajori	Lakki Marwat

	Hospital name	District
31	Cat-D hospital Agra	Malakand
32	Cat-D hospital Thana	Malakand
33	Cat-D/T.H.Q. hospital Balakot	Mansehra
34	Cat-D/Civil Hospital Baffa	Mansehra
35	Cat-D Civil Hospital Gari Habibullah	Mansehra
36	Cat-D hospital Oghi	Mansehra
37	Cat-D hospital Rustam	Mardan
38	Cat-D hospital Toru	Mardan
39	Cat-D hospital Shahbaz Garhi	Mardan
40	Cat-D hospital Manki sharif	Nowshera
41	Cat-D hospital Dag Ismail Khel	Nowshera
42	Cat-D/Civil Hospital Akora Khattak	Nowshera
43	Cat-D/Civil Hospital Ziarat Kaka Sahib	Nowshera
44	Cat-B/DHQ Hospital Miran Shah	North Waziristan
45	Cat-D hospital Kalaya	Orakzai
46	Cat-D hospital Daboori	Orakzai
47	Cat-D hospital Gara Tajik	Peshawar
48	Cat-D/Civil Hospital Mattani	Peshawar
49	Cat-D hospital Badhber	Peshawar
50	Cat-C hospital Nahaqi	Peshawar
51	Cat-C hospital Kohati Gate	Peshawar
52	Cat-D hospital Besham	Shangla
53	Cat-D hospital Chakisar	Shangla
54	Cat-D/Civil Hospital Kalu Khan	Swabi
55	Cat-D hospital Yar Hussain	Swabi
56	Cat-D Civil Hospital Manglore	Swat
57	Cat-D Civil Hospital Kalam	Swat
58	Cat-D hospital Ama Khel	Tank

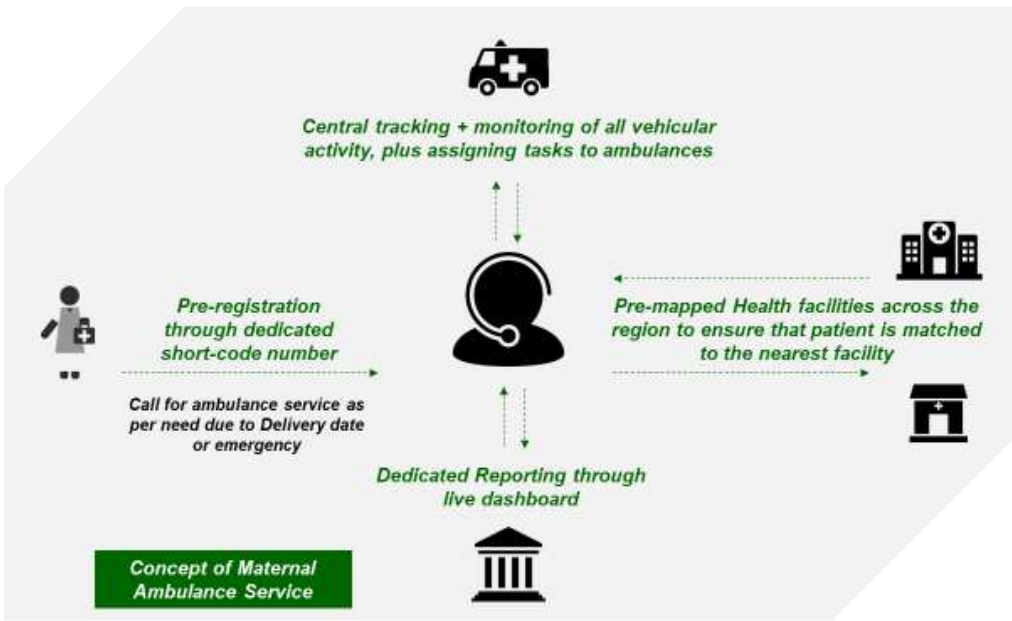


Major interventions to be taken for improvement of service and facilitate the common man



After successful transition of Inter hospital ambulance service, an integrated maternal ambulance service would be launched across the province

SDG 3



The service will be introduced in a phased manner starting with NMDs and then extending to the settled districts & will be funded from current side ~Rs. 1.3 Bln

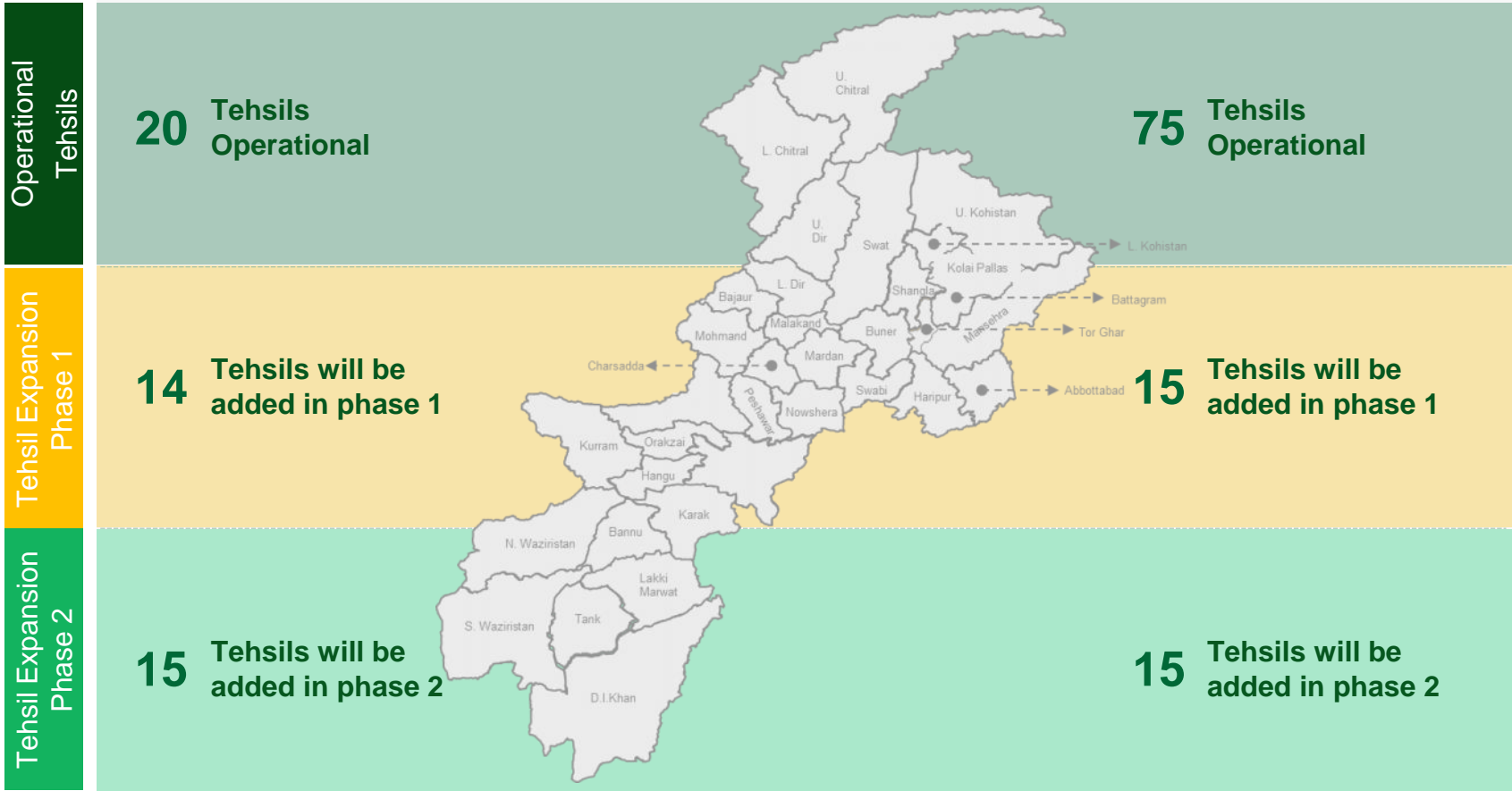


Rescue 1122 to be expanded to all Tehsils

SDG 3

Newly Merged Districts

Settled Districts



Cost: Rs. 1.2 Bln
Alloc: Rs. 736 Mln

Cost: Rs. 3.9 Bln
Alloc: Rs. 460 Mln

Cost: Rs. 2 Bln
Alloc: Rs. 79 Mln

Cost: Rs. 3.5 Bln
Alloc: Rs. 180 Mln

With a total outlay of ~Rs. 10.6 Bln rescue will be expanding to all tehsils of Settled districts and NMDs



Fire brigade service will be integrated in Rescue 1122 along with establishment of highway satellite stations

8 Satellite Rescue Stations

1. Kohat Bannu road
2. Gambila Indus highway
3. Peshawar Mardan motorway
4. Mardan Swabi motorway
5. Karakoram Besham highway
6. Swat expressway
7. Lowari tunnel highway
8. Sarai Salaar interchange



Improving sanitation is a key area for Government investment

SDG 6

SDG 11

Rs. 4,120 Million

Budgeted for WSSP/WSSCs

Rs. 1,000 Million

Budgeted to improve services of WSSCs

Rs. 967 Million

Allocated to expand and strengthen WSSCs



TMA and Local Authorities will be financed to improve quality of municipal services



Rs. 24.6 Billion
Allocated for Tehsil government development

Rs. 9.4 Billion
Budgeted as Grants to Local Councils

Rs. 2 Billion
Budgeted for TMAs

Rs. 1 Billion
Budgeted for Development Authorities



Neighborhood/Village governments

SDG 11

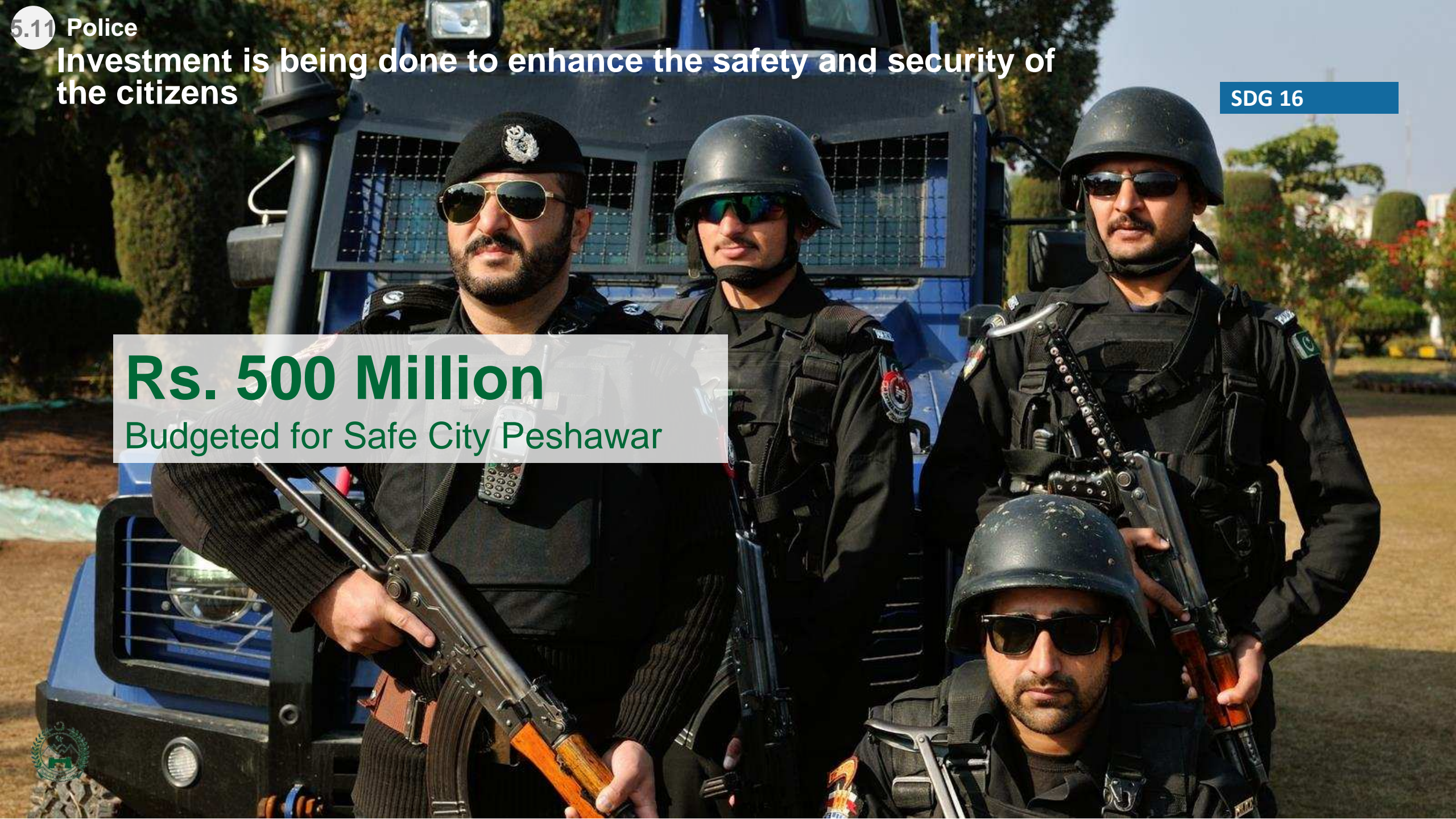


Rs. 16.4 Billion

Allocated for Neighborhood/village development budget

Rs. 2 Billion

Budgeted for enhancing janitorial services



5.11

Police

Investment is being done to enhance the safety and security of the citizens

SDG 16

Rs. 500 Million
Budgeted for Safe City Peshawar



Sustainable tourism is a key area where the government is investing

SDG 8

SDG 15

Rs. 800 Million

Budgeted for Special Dev Authorities

Rs. 446 Million

Allocated for Galiyat, Kaghan & Swat Dev Authorities

Rs. 100 Million

Budgeted for Tourism Police

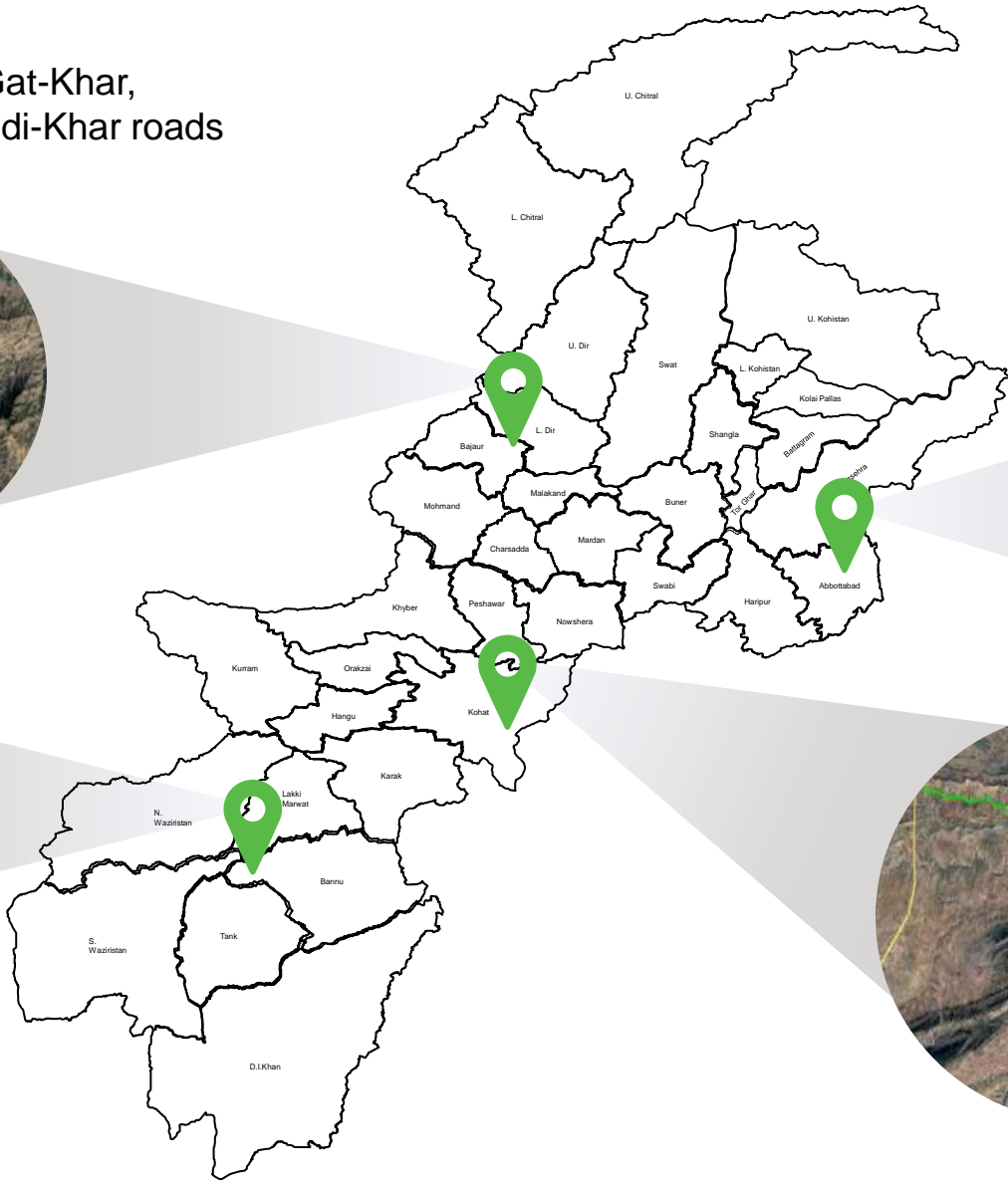


Improving accessibility through a robust road network

Improvement of Mamad Gat-Khar,
Khar-Timergara and Toor Ghundi-Khar roads
Cost: Rs. 7 Bln



Construction of Havelian-Dhamtour,
Abbottabad Bypass road
Cost: Rs. 3.5 Bln



Dualization of Bannu-
MiranShah-Ghulam Khan road
Cost: Rs. 9.7 Bln



Improvement of Karappa-
Shakardara road
Cost: Rs. 2.3 Bln



Increasing coverage of one the most advanced bus service of Pakistan

SDG 11

86 new buses procured to increase daily capacity to 350,000 passengers

Rs. 1 Billion budgeted to start 6 new feeder routes:

- Warsak road
- Khyber road
- Regi Model Town
- Charsadda road extension
- Hayatabad Phase 1
- Pabbi Bazaar



Investment is being done to promote technology and develop future skills



Rs. 225 Million

To be invested in youth skills development



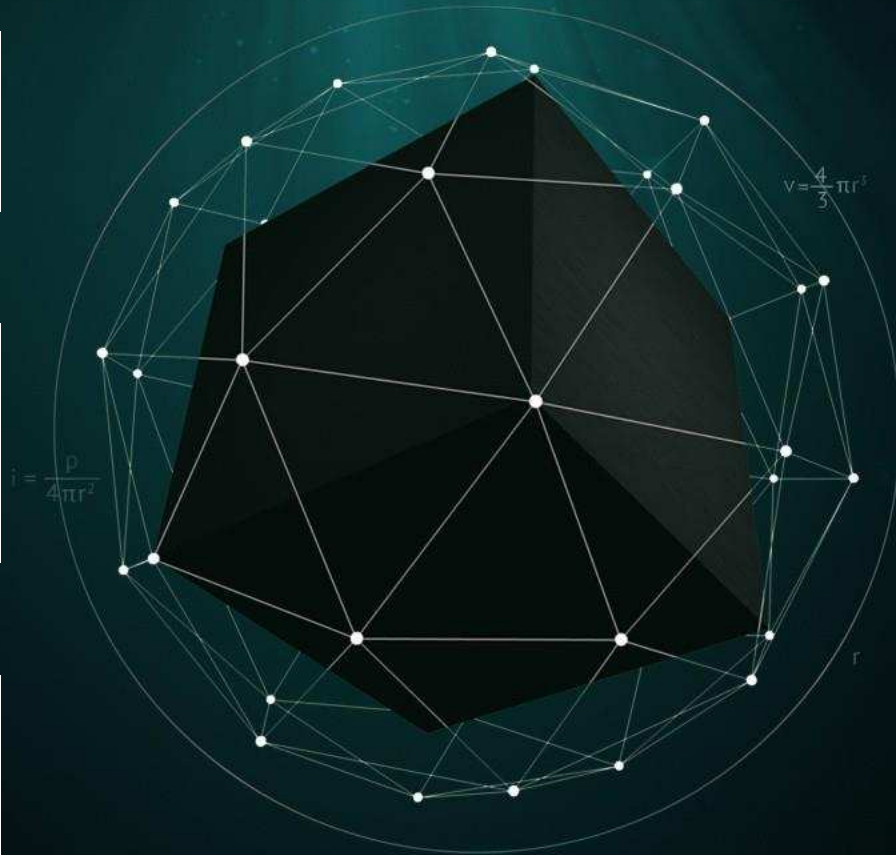
Rs. 773 Million

To be invested in establishment of technology zones/IT parks



Rs. 456 Million

To be invested in Citizen Facilitation Centers



The Government is aware of the climate change and therefore focuses on green energy generation

SDG 7



Rs. 4 Billion

To be invested in green solar energy



Rs. 15.8 Billion

To be invested in hydro power generation



Rs. 1.2 Billion

To be invested in Merged Areas Distribution Network



We aim to tackle climate change through increasing tree cover and modern technologies

Rs. 1,787 Million
for Billion Tree Tsunami Program

Rs. 150 Million
for climate smart farming practices

Rs. 100 Million
for air quality testing

Rs. 100 Million
for Climate Change Action Plan



Industries

SDG 1

SDG 8

SDG 9

Development of Daraban Economic Zone

Green Hydrogen production

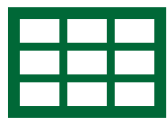
Establishment of Women business park



New Peshawar Valley City



PDA approved society!



186,400 kanals coverage



62,056 residential plots



The Government of Khyber Pakhtunkhwa empowers the women of the province

SDG 5

SDG 10



Rs. 2,400 Million

Budgeted for women's share in BoK SAAF and RAAST financing for SMEs

Rs. 500 Million

Allocated for indoor game facilities in divisional headquarters for women

Rs. 344 Million

Allocated for Women Universities

Rs. 100 Million

Budgeted for Women Empowerment

Rs. 85 Million

Allocated for Women Skill Development Centers

Rs. 50 Million

Allocated for protection for Women

- ▶ **Day care centers** to be established in MTI Hospitals
- ▶ **Women crisis center** to be established in Peshawar



The Government of Khyber Pakhtunkhwa cares for its fragile population and is committed to empower them

SDG 5

SDG 10

**Rs. 265 Million**

Allocated for Minorities

**Rs. 100 Million**

Budgeted for Senior Citizens

**Rs. 50 Million**

Budgeted for mainstreaming of Transgenders

**Rs. 115 Million**

Budgeted for drug addicts, juvenile custody and others



Ulema stipends



Rs. 2.6 billion
As stipends for khateebis

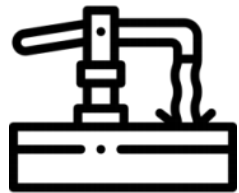
Other key projects



Rs. 10.7 Billion
allocated for agriculture and
Livestock



Rs. 12.7 Billion
allocated for urban
development



Rs. 11.6 Billion
allocated for clean drinking
water



Rs. 17.8 Billion
allocated for irrigation

CONTENTS

- 1 National Economic Outlook
- 2 Understanding the Budget
- 3 2021-22 in review
- 4 2022-23 budget outlook
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6.1

**National Finance
Commission
(NFC)**

6.2

**Net Hydel
Profits (NHP)**

6.3

**Salary &
Pensions**

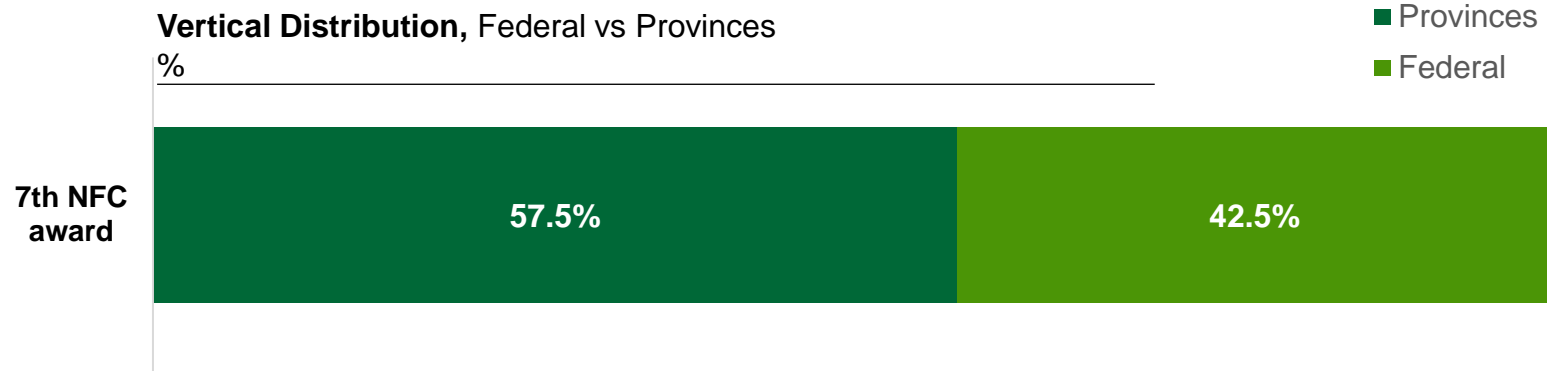
6.4

**Cost vs
Revenue**

Part IV - chapter 1 of the 1973 constitution governs the distribution of revenues

“NFC award is the framework for distribution of revenue between the federation and the provinces”

7th NFC Award is in vogue since 2010



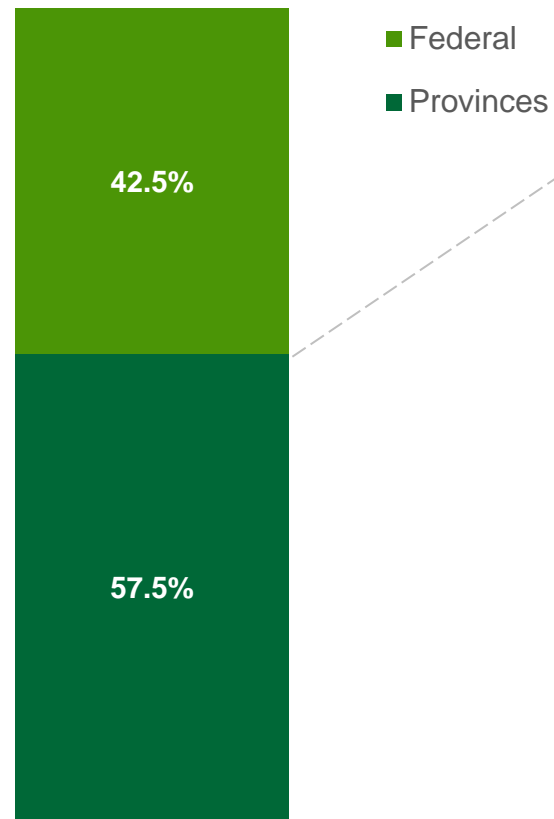
Indicators for distribution among provinces

%

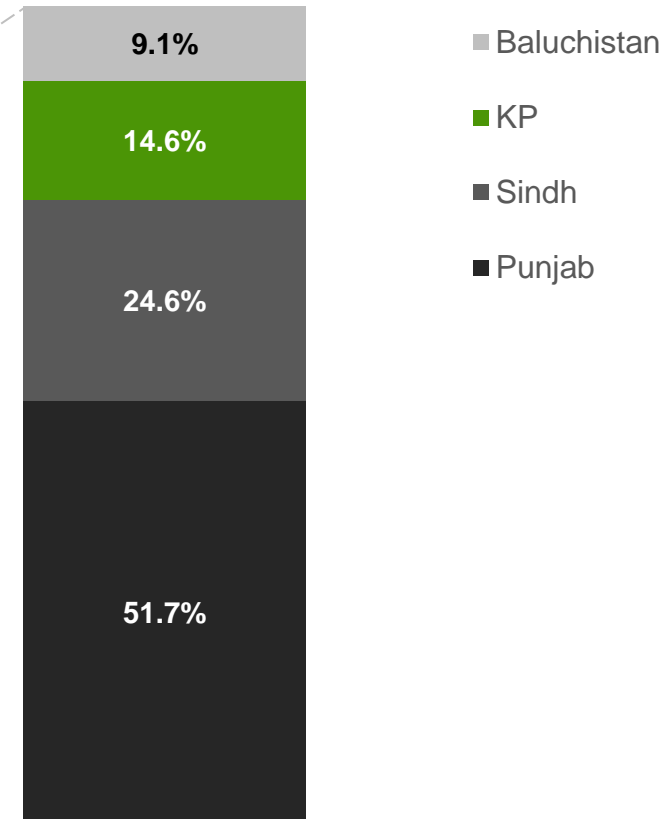
#	Indicator	Weightage
1	Population	82.0%
2	Poverty / backwardness	10.3%
3	Revenue collection / generation	5.0%
4	Inverse population density	2.7%
	Total	100.0%

7th NFC Award is in vogue since 2010

Vertical Distribution, Federal vs Provinces
%



Horizontal Distribution among provinces
%



Vertical distribution

Horizontal distribution

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

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

KP proposes a set of key principles to guide the 10th NFC award

- a. The only award that will work is a win-win
- b. The key is to focus on increase the size of the pie – lets keep this at the core of the award
- c. The poorer provinces deserve fiscal equalization to be part of the award in letter and spirit
- d. Use the NFC as an opportunity to improve the fiscal management of the country,
e.g. commit to solve the pension issue together
- e. Set up an independent NFC secretariat
- f. Consider alternative formulae that incentive better fiscal management

KP issues to be solved as part of the 10th NFC

Correction to the 7th NFC:

- a. Urgently removing continued non-compliance of the 7th NFC with the constitution after KP-FATA merger

Key issues for the 10th NFC:

- a. Formalizing national commitments to the development of the tribal districts of ex-FATA as part of the award
- b. Resolving the issue of NHP through removing non-compliance to article 161(2) of the constitution
- c. Ensuring the 10th award is based on the 2017 population census
- d. Considering other revenue sources part national fiscal distribution (e.g. FED on crude) while designing the award
- e. Ensuring an NFC award with fiscal equalization at its heart in the interests of the entire federation

Khyber Pakhtunkhwa demands a meeting of the NFC sub-committee on ex-FATA as early as possible

*Water being a major resource of Khyber Pakhtunkhwa,
Net Hydel Profit is a significant contributor towards
financial resources of the province.*

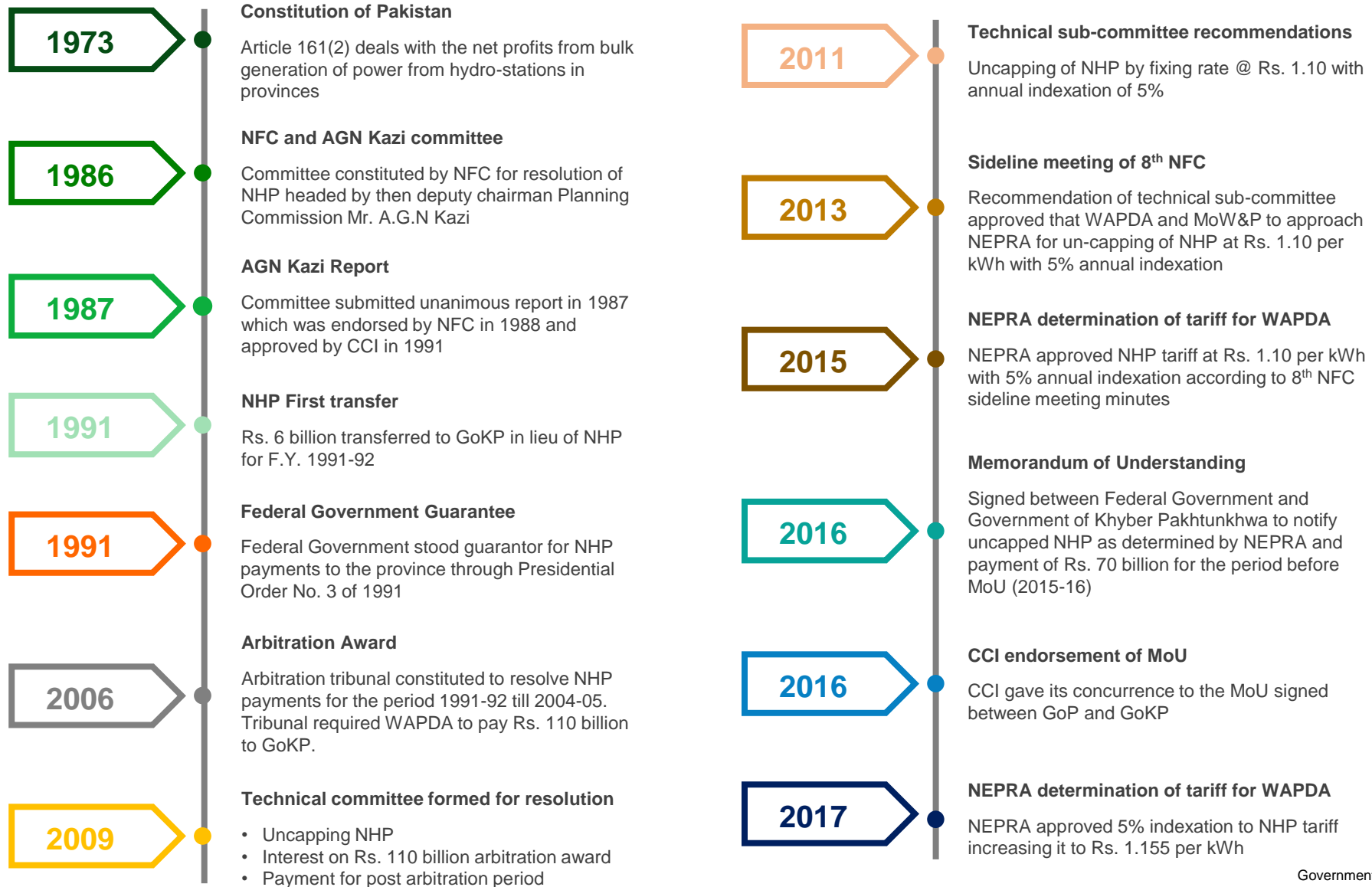
Net Hydel Profit (NHP) is granted through the 1973 constitution

Article 161 (2) states

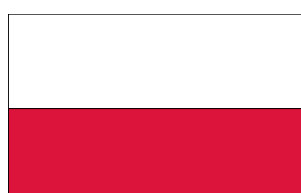
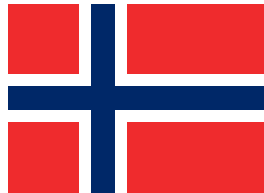
“The net profits earned by the Federal Government, or any undertaking established or administered by the Federal Government from the bulk generation of power at a hydro-electric station shall be paid to the Province in which the hydro-electric station is situated.”

6.2 Net Hydel Profits (NHP)

The history of Net Hydel Profits has been complex and its solution is of utmost importance to the province



NHP royalties are consistent with similar payments in other countries

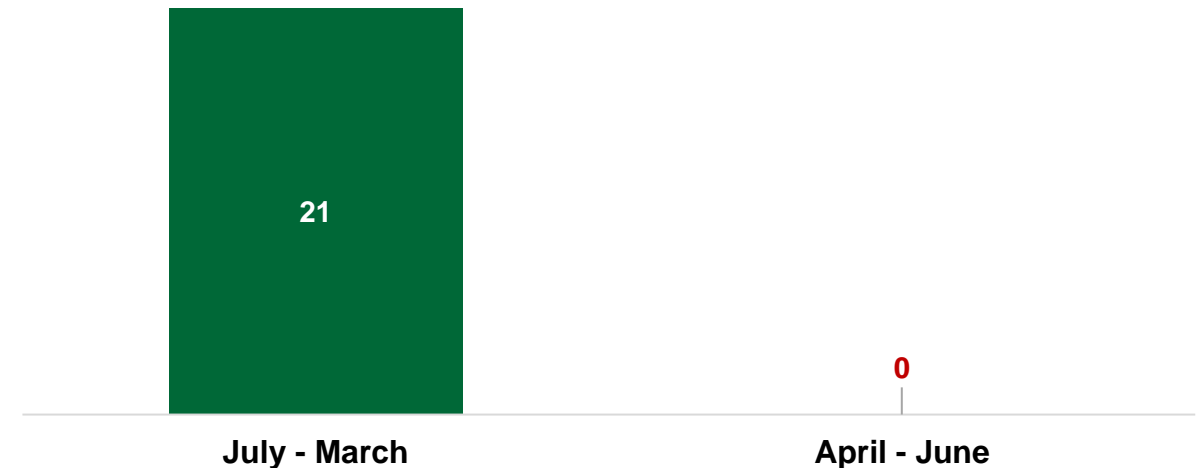


**Royalties on
Hydro power
are charged
around the
world**

Issues on the NHP being pursued by the Khyber Pakhtunkhwa government

- a) Solution on how to pay NHP according to AGN Kazi formula
- b) For the interim period, implementation of 2016 MoU in letter and spirit including annual indexation of 5%
- c) Institutionalizing monthly NHP payments to Khyber Pakhtunkhwa by delinking it with WAPDA
- d) Approval of interim arrangement of NHP including indexation in next CCI meeting

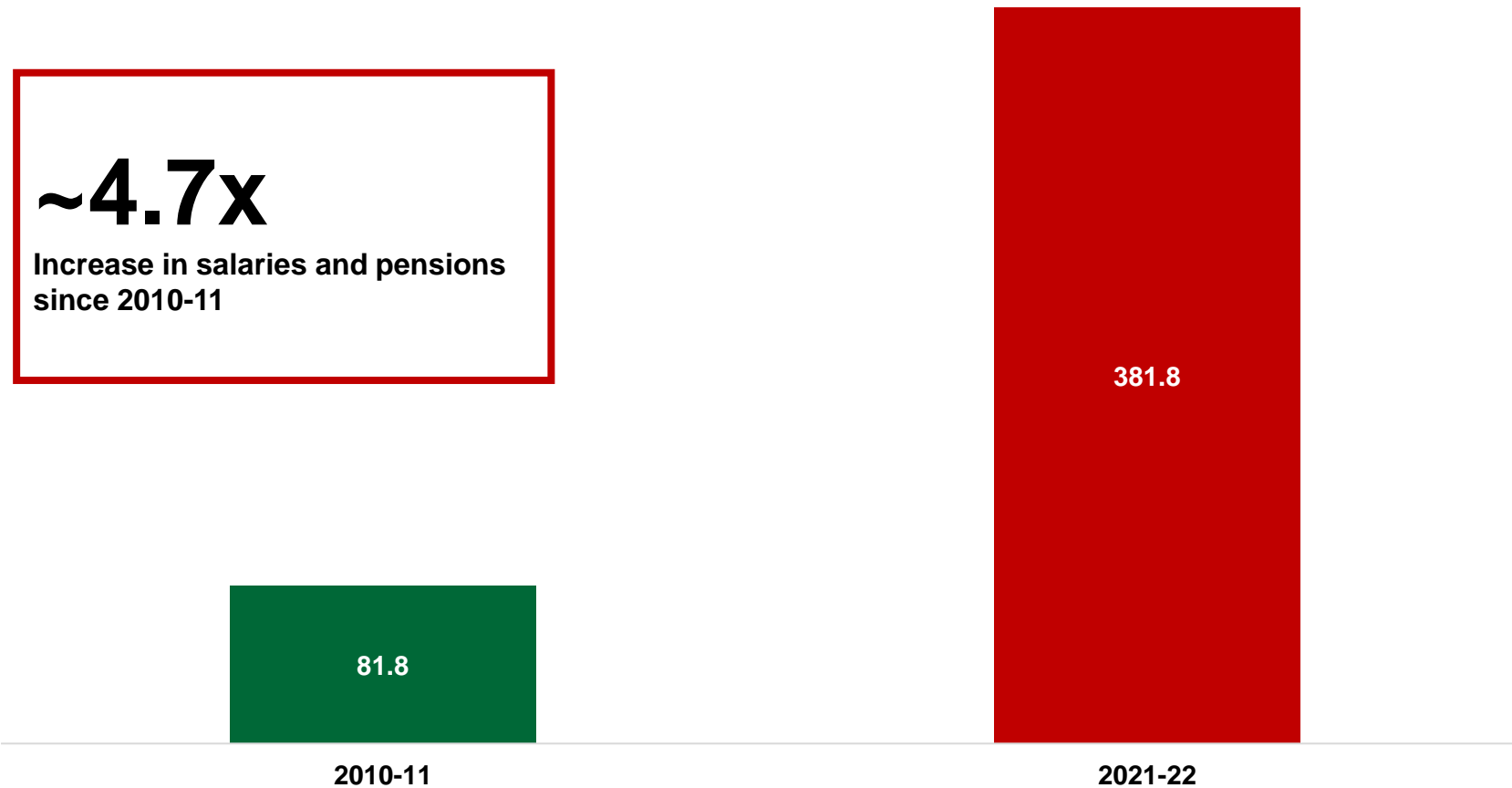
NHP transfers in FY 2021-22
Rs. Billions



6.3 Salary & Pensions

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

Salary & Pensions bill comparison, 2010 - 2022
Rs. Billions - Settled Districts



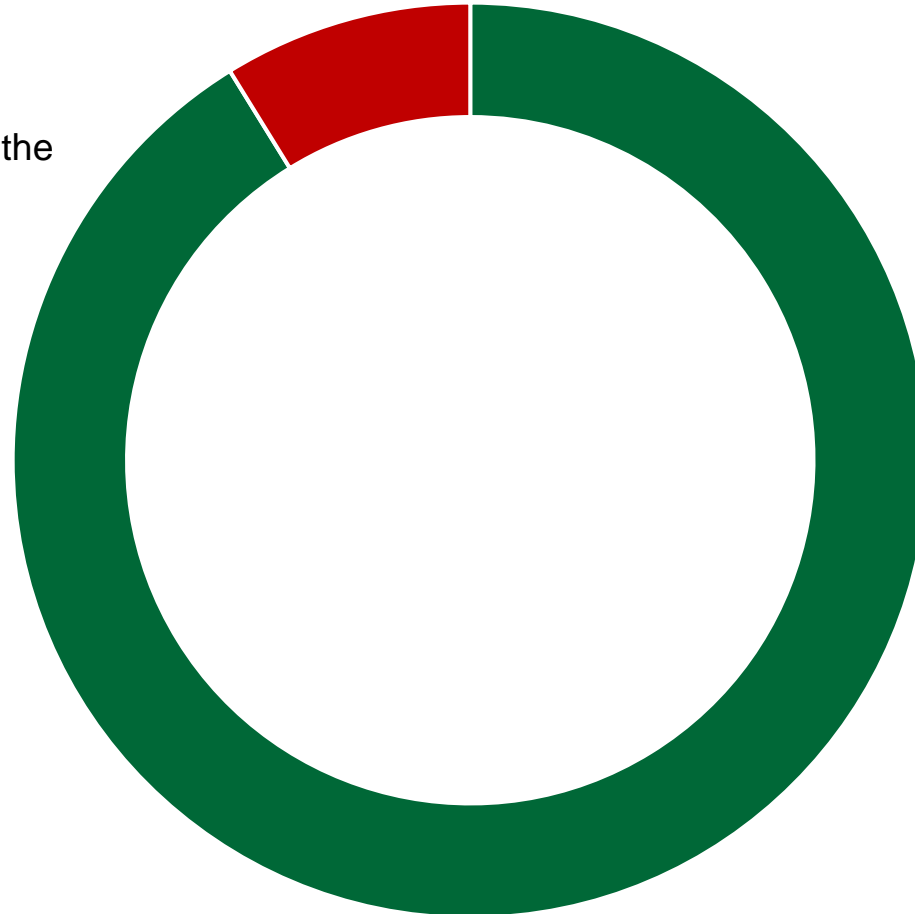
6.3 Salary & Pensions

Government budget has to take care of the entire labor force. Only 8% of the labor force works in government.

533,763 people are employed in the public sector, or

7.4% of the labor force –

supported through 45% of the budget



6,634,091 people are employed in the private sector, or

92.6% of the labor force –

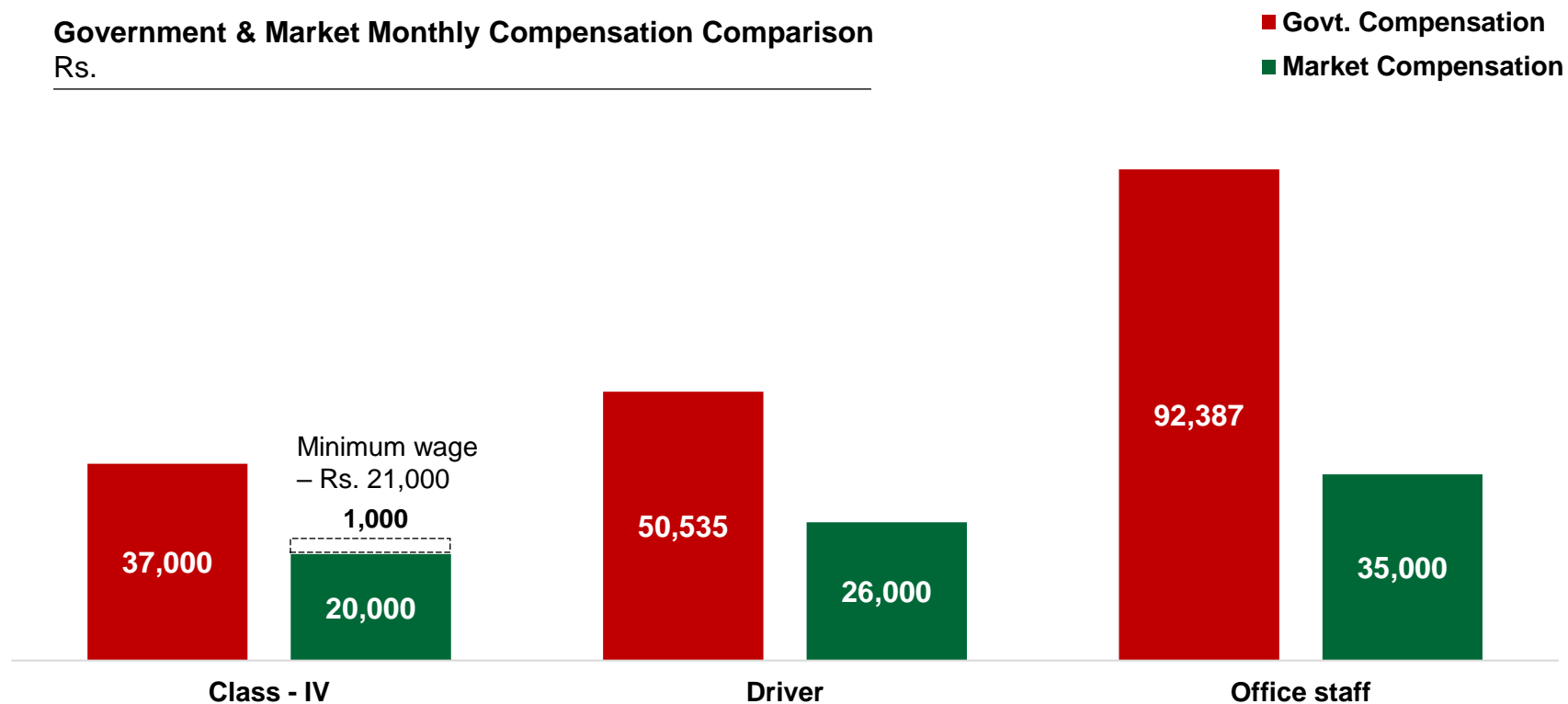
supported through 34% of the budget



6.3 Salary & Pensions

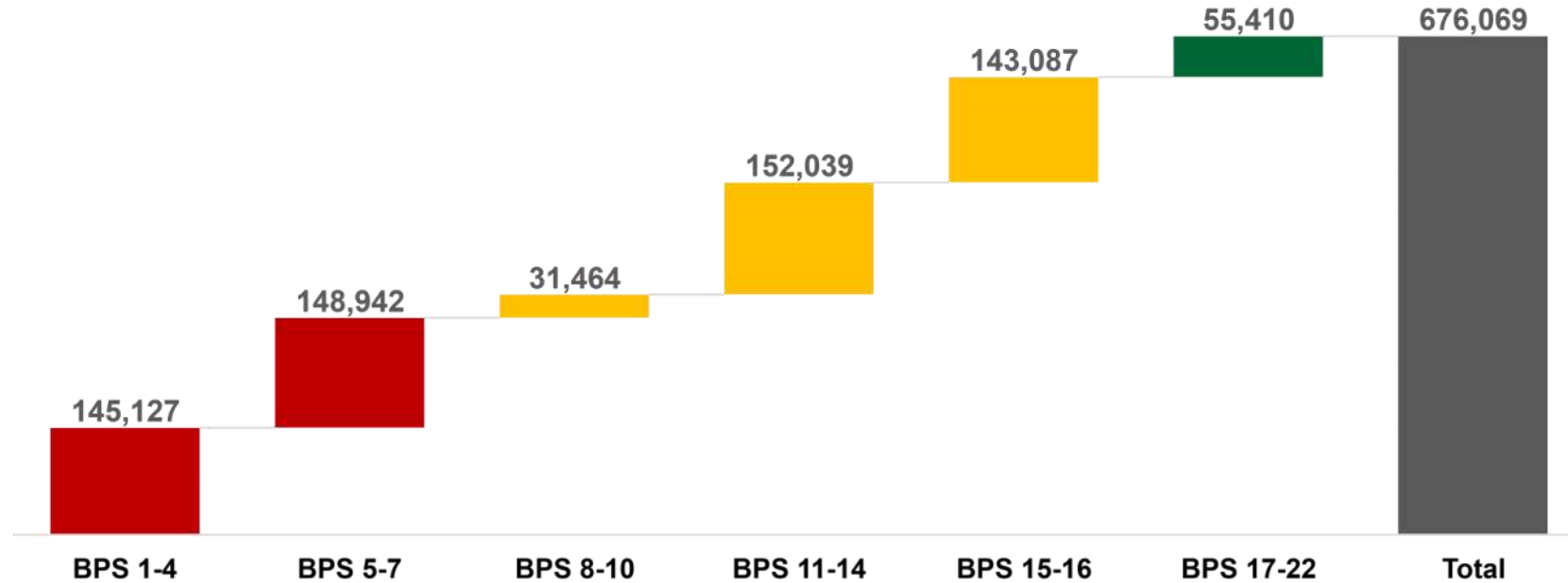
Despite challenges, pay packages in government are competitive relative to the market

Government & Market Monthly Compensation Comparison
Rs.



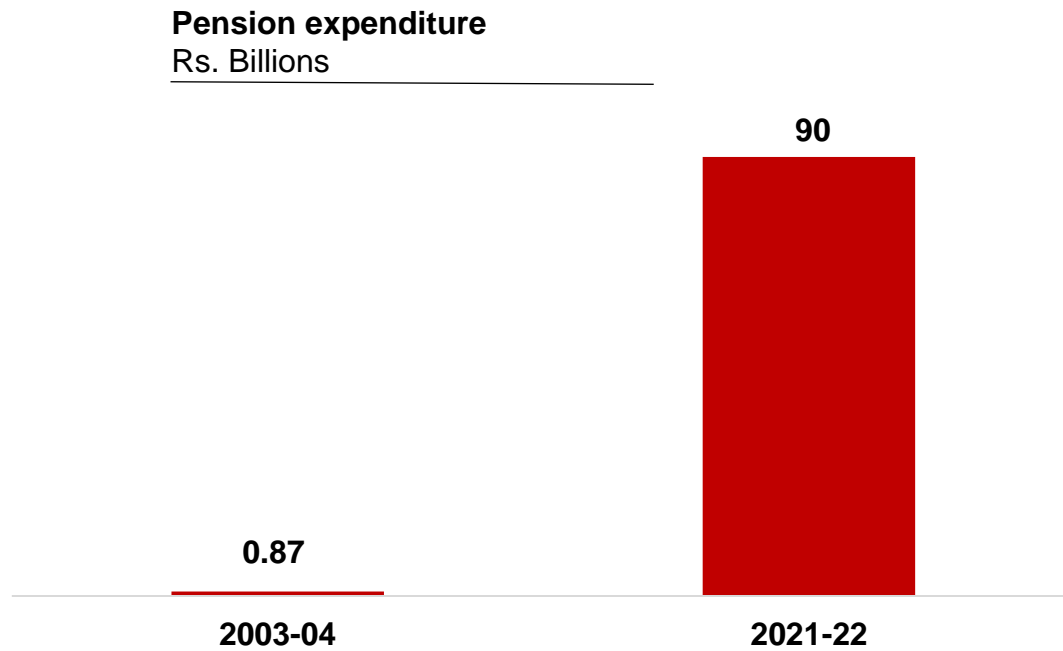
How government staff is structured

Grade-wise breakdown of sanctioned posts – KP
2022-23



Pension expenditure has gone from 1% to more than 10% of the budget in last 17 years

>100x
Increase in pensions since 2003-04 from 1% of the budget, to 10% of the budget



6.3 Salary & Pensions

Without reforms, pension would have risen to Rs. 107 Bln by 2023 and Rs. 426 Bln by 2030

36%

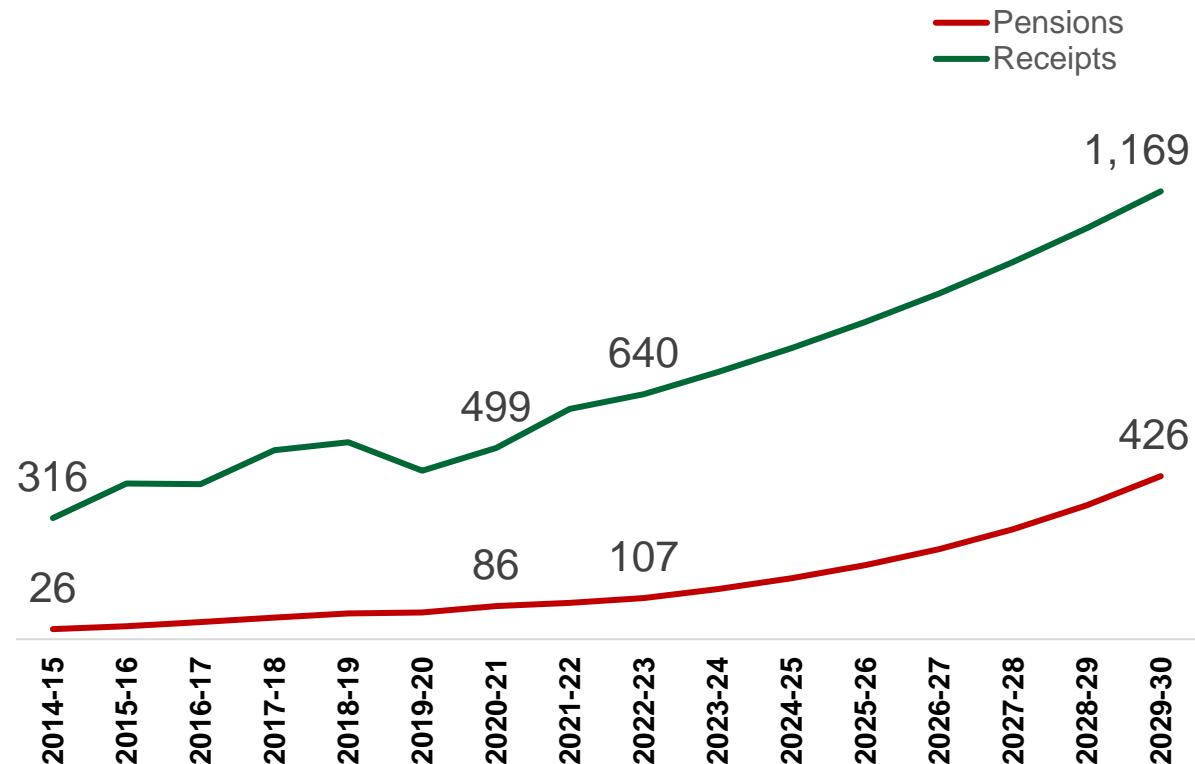
Pensions as a % of Receipts in 10 years.

22% & 9% Annual Compounded growth rate of Pensions & Receipts for the last 5 years

With the same trend, in 10 years, pensions will reach around half a trillion

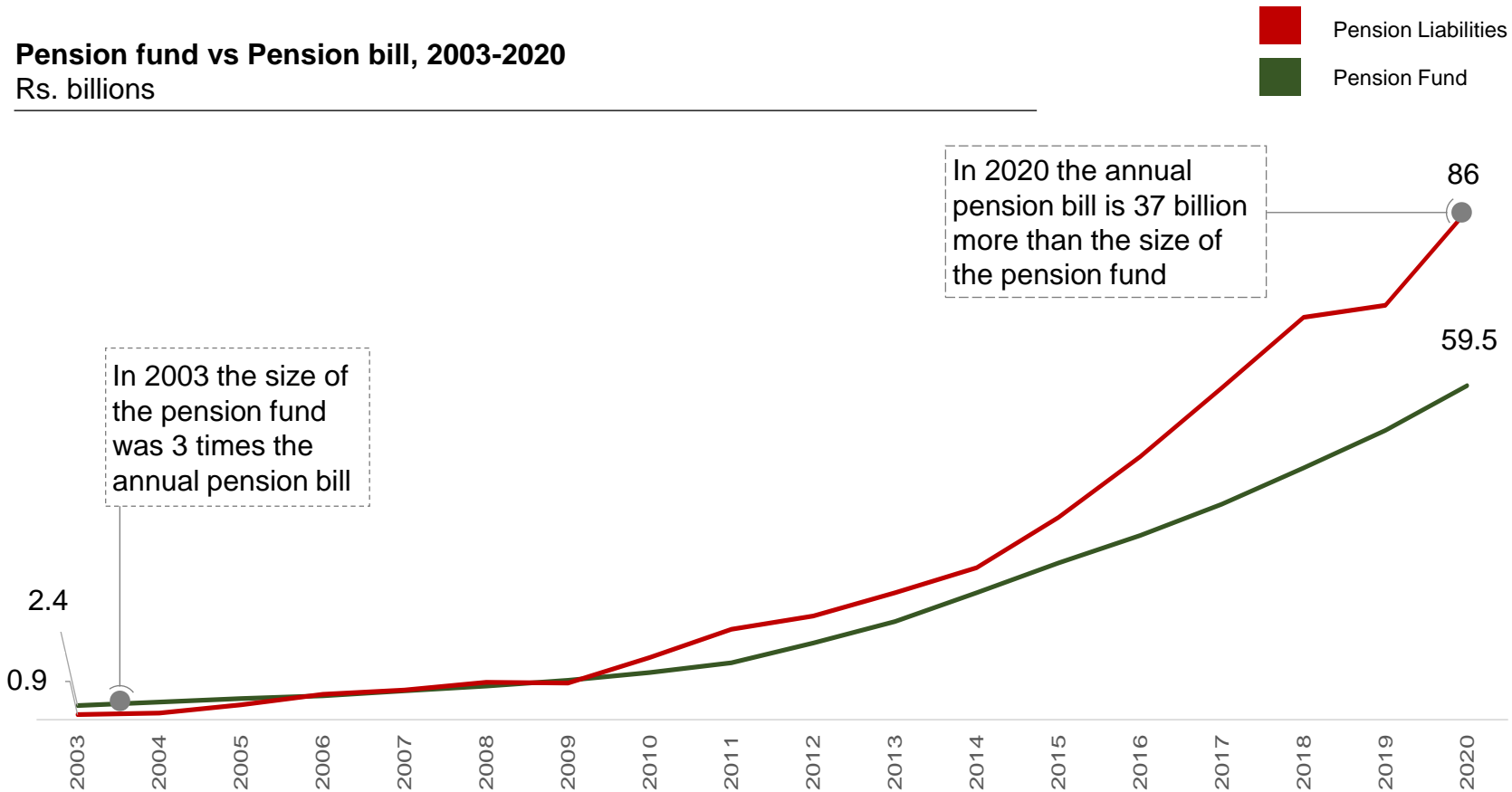
Pension Projections - till 2030

Rs. Billions



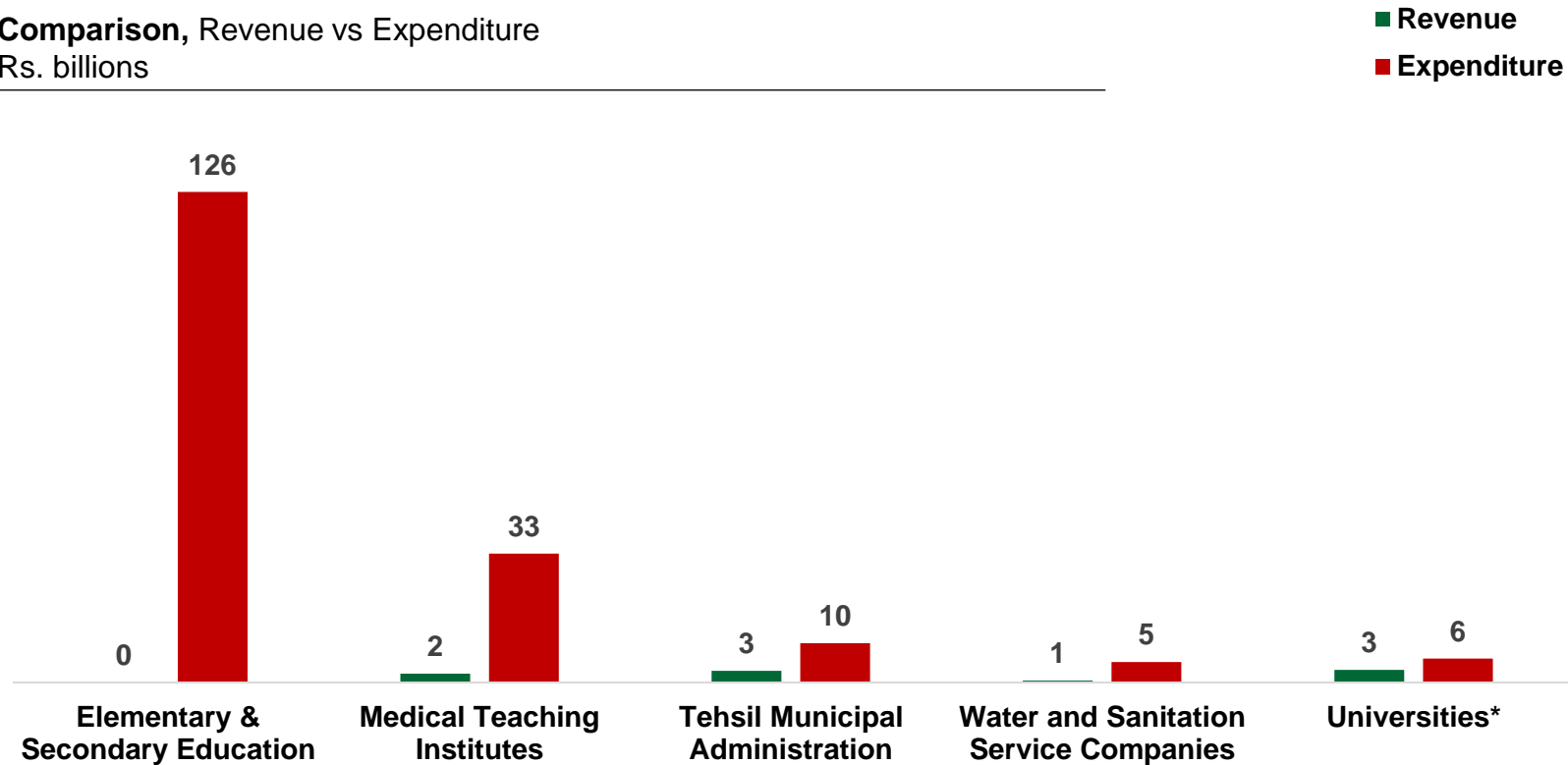
6.3 Salary & Pensions

Without pension reform the current pension fund would need to be over Rs. 1 trillion to fully fund the payment of pensions



Why do you need to pay your taxes? Government needs to fund the expenditure it makes on you

Comparison, Revenue vs Expenditure
Rs. billions



*Selected sample of 4 KP universities

CONTENTS

- 1 National Economic Outlook
- 2 Understanding the Budget
- 3 2021-22 in review
- 4 2022-23 budget outlook
- 5 2022-23 sectoral highlights
- 6 Deep dive on key issues
- 7 Financial reforms taken**
- 8 Taking the reform journey forward

7.1

**Safeguarding
pension for the
future**

7.2

**Fiscal
Devolution**

7.3

**Ease of doing
business**

7.4

**Transparent
and Efficient
Budgeting**

7.5

**Caring for
Employees**

7.6

**Legislative
Reforms**

7.7

**Creating Fiscal
Space**

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

Raising Minimum Age for Early Retirement

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

Impact!

Rs. 12 billion annually

Revision of Pension Rules

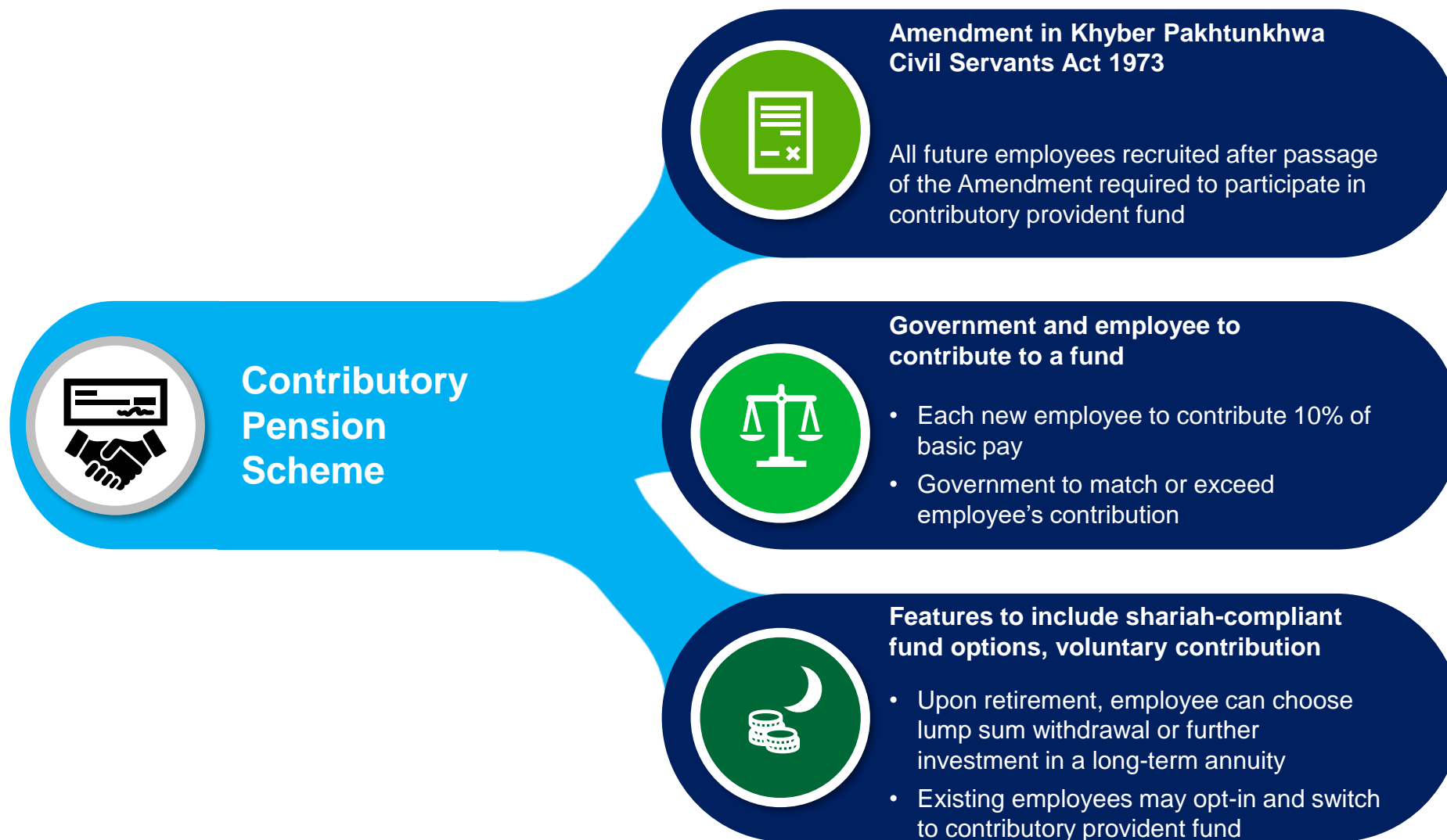
- Limiting beneficiaries to the pensioner's widow or widower, dependent children and parents
- Eliminating double pensioners
- Increasing pension of widows from 75% to 100%

Impact!

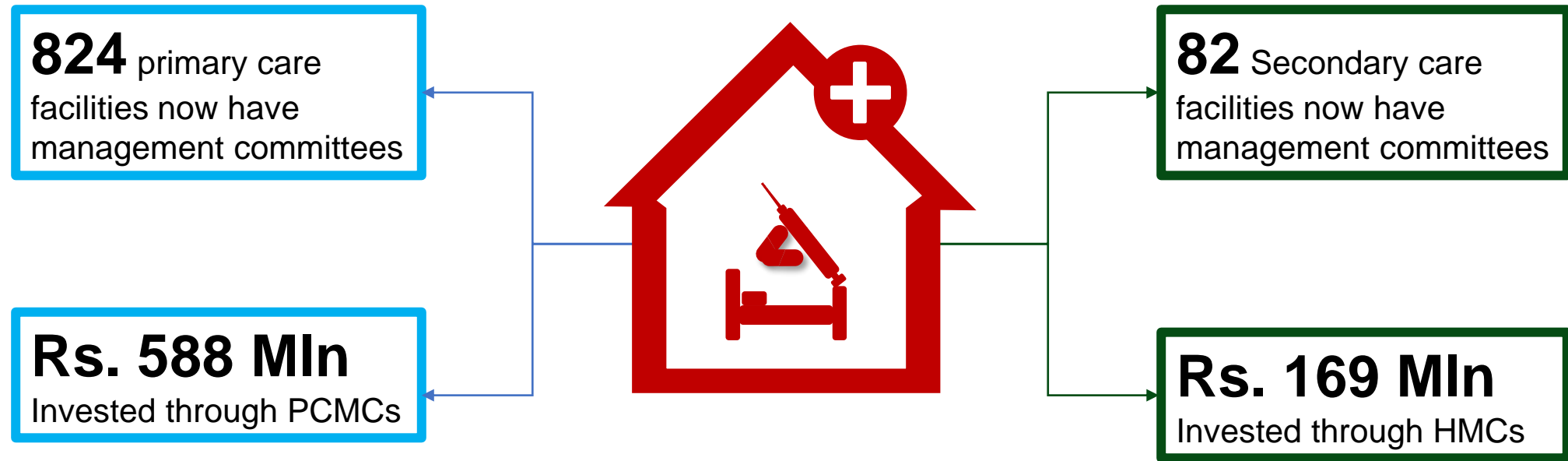
Rs. 1 billion annually



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



Local communities have been enabled with financial powers to maintain healthcare facilities



MSs of all secondary hospitals made DDOs for better hospital management and devolution of financial power in true sense






Khyber Pakhtunkhwa is the first province to carry out fresh local government elections and empower tehsil governments to deliver



**Local
Government
Elections
Conducted!**



Multiple taxes were reduced and duplicates removed to provide catalyst for economic growth

KPRA	Pro-poor rates		<ul style="list-style-type: none">▪ Introducing Reduced rates in 12 categories▪ Extending Reduced Rates in 17 categories
Board of Revenue	Agriculture Sector Relief		<ul style="list-style-type: none">▪ Removing Land Tax
Excise & Taxation	Motor Vehicle Registration		<ul style="list-style-type: none">▪ Encourage registration by reducing rates to Rs. 1▪ Free of cost re-registration
Education	Education		<ul style="list-style-type: none">▪ Free of cost archives, library and hostels for higher education▪ No admission fee for both Government Primary & Secondary Education Schools for Girls and Boys
Local Government	TMA's		<ul style="list-style-type: none">▪ 120 small trades/businesses exempted from trade license fees and inspection of TMA's

7.3 Ease of Doing Business

Various steps have been taken to strengthen taxation system and minimize tax evasion



MoU between FBR and Board of Revenue, KP to share taxpayers filing and wealth statement data to extract requisite knowledge and assess any possibility of tax evasion



E-stamping to be introduced to stop fraud and elimination of fake stamp papers



7.4 Transparent & Efficient Budgeting

Khyber Pakhtunkhwa believes in being transparent with the public and shares periodic documents regarding its numbers



Published Actual Receipts and Expenditure Reports for the past 3 years

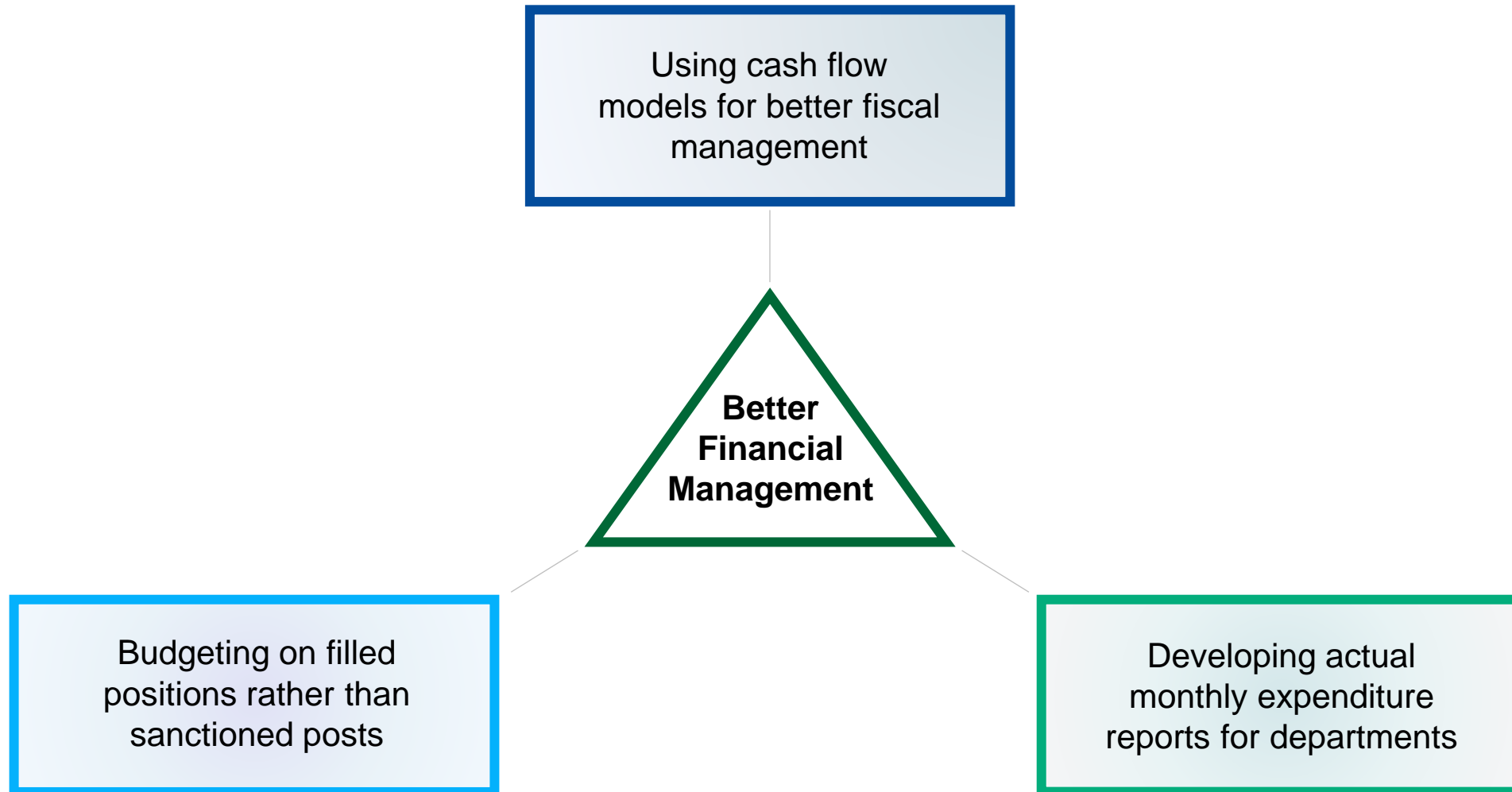
- ▶ **Only government** to publish Debt Statistical Bulletin
- ▶ **Only government** to publish Actual Receipts and Expenditure Report
- ▶ Only government to publish **most comprehensive** White Paper
- ▶ Only government to publish **most comprehensive** Citizen's Budget



More than 80% of the TMAs have been digitized

**Financial reporting of 117
out of 138 TMAs digitized**

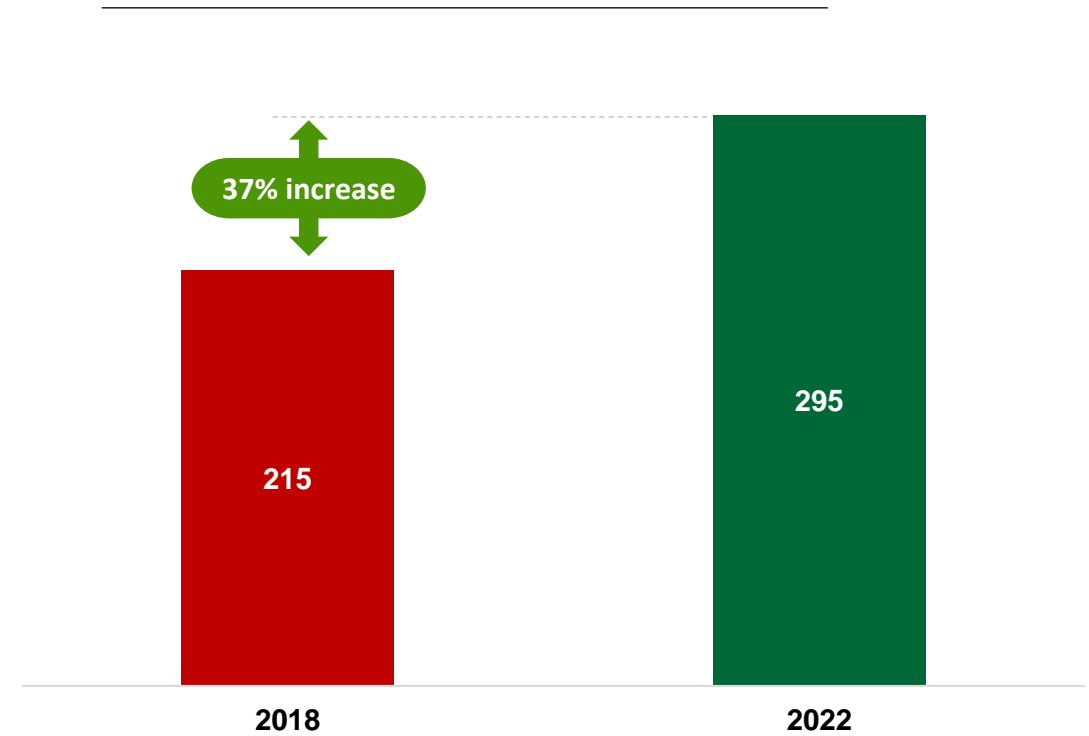
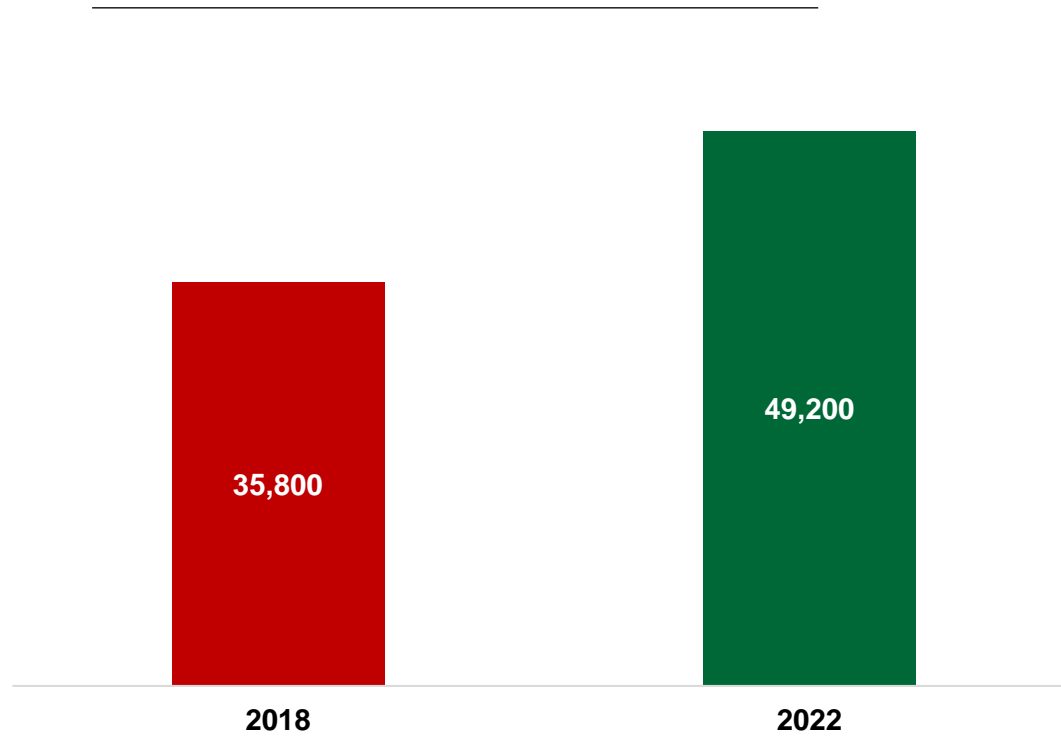
In the past four years, multiple techniques have been utilized for better financial management and forecasting



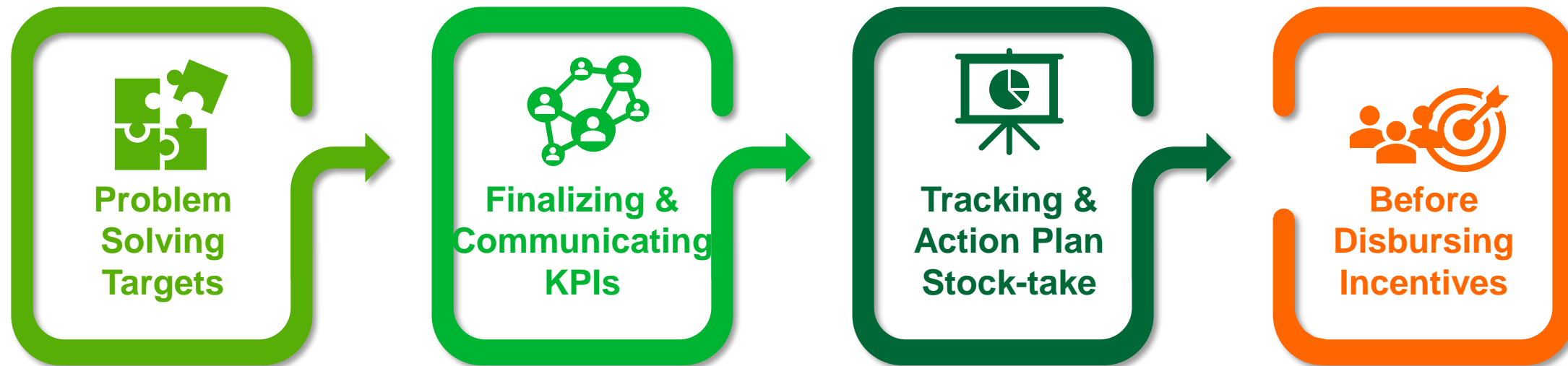
Multiple efforts have been taken to increase salary of government employees

Average Monthly Salary increase
Rs.

Annual Salary Bill increase - Actual
Rs. Billions



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



Revenue & Non Revenue KPIs

- Thorough Problem Solving sessions conducted to finalize two types of targets:
- Organizational growth & Non Revenue KPIs
 - Targeted sectoral revenue pockets & KPIs

Onboarding Organizational Staff for PBIS

- Cabinet approval required to implement PBIS
- The key is to communicate KPIs to relevant stakeholders
- Targets must be carefully finalized to avoid any **Perverse Incentives**

Stock-take

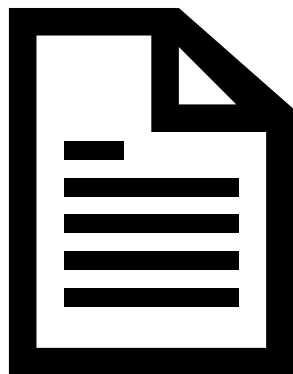
- Monthly or Bi-weekly action plan status tracking to be discussed
- Timely updates to avoid any delay in targets

Disbursing Incentives

- Final Disbursement to be linked with 3rd party **tax perception surveys** to avoid any perverse incentives, coercion etc. on behalf of the taxation authority



Enabling legislation has been put in place for better service delivery



KPRA Act

To enable KP Revenue Authority to be administratively, financially & functionally autonomous with a lean overarching structure

IDC Act

Legislative and regulatory framework to tap the real potential of Infrastructure Development Cess on sustainable basis

STS Act

To enhance ease of doing business and provide clarity in tax assessment, jurisdiction and calculation

FRDMA Act

To enable the Government of KP to maintain debt at sustainable levels while maintaining the financial health of the province

KPPRA Act

Amendments in KPPRA Act to fine tune the regulatory framework for more competitive and transparent procurements across government

Enabling legislation has been put in place for better service delivery

5 policy frameworks approved for better governance and output

- Board of Directors
- Chief Executive Officer
- Finance & Accounting
- Internal Audit
- Risk Management

These policy frameworks will help to bring

- uniformity across board and
- enable standardization pertaining to governance practices in

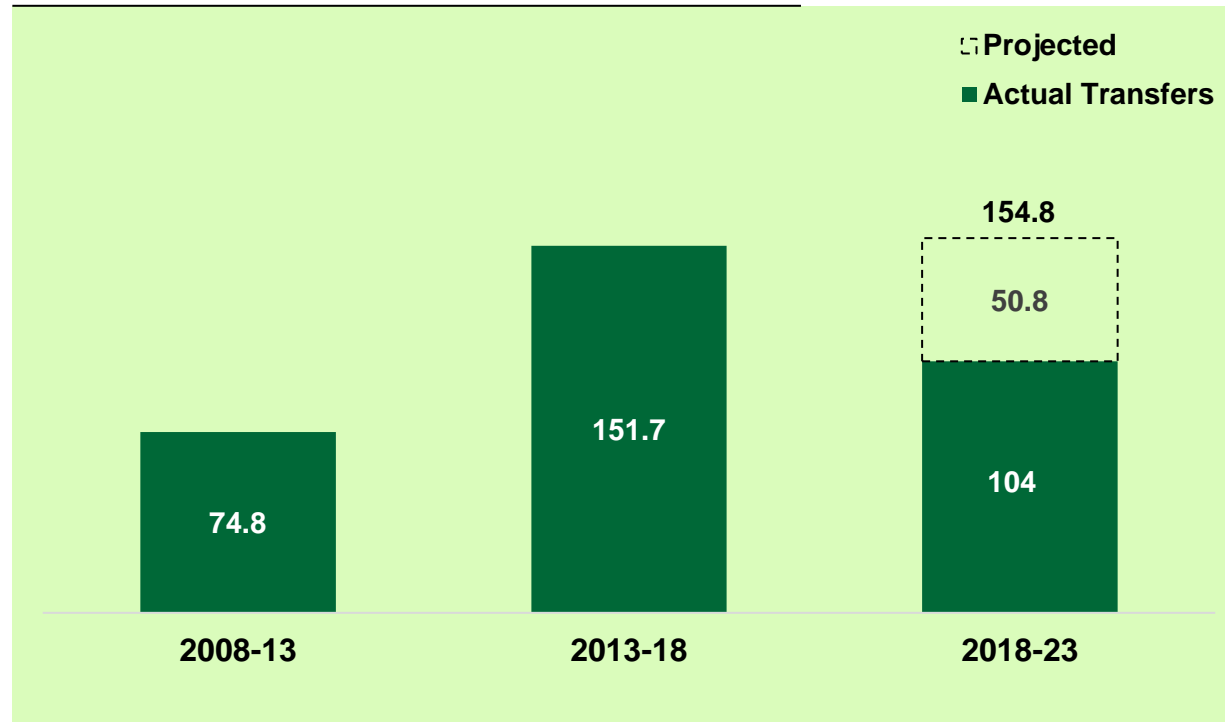
12 Public Sector Companies like KPOGCL, TransPeshawar etc. and

156 Autonomous Bodies like PDA, PEDO etc.



The Government of KP has engaged thoroughly with the Federal Government to clear NHP arrears and increase fiscal space for development

NHP transfers to Khyber Pakhtunkhwa
Rs. Billions



- Case taken up with Federal Government to give 5% annual indexation
- Transfer Rs. 21,121 million in lieu of arrears for missed indexation
- Change NHP transfer methodology to straight transfer mode

A proactive approach has been taken to consolidate public money lying in commercial bank accounts

External financial audit firm engaged to consolidate and map accounts



Relevant legislative measures taken for better financial management



Closure of dormant accounts



Promotion of Asaan Assignment accounts for improved accounting



Rs. 100 Bln

Identified and analyzed

Rs. ~12.5 Bln

Consolidated



CONTENTS

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- 3 2021-22 in review
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8.1

**Strengthening
Legislation**

8.2

**Increasing the
Revenue Pie**

8.3

**Improved
Accounting**

8.4

**Maximizing
Project
Outcomes**

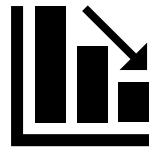
Why is there a need for Public Financial Management law in KP?



Increasing the breadth and scope of public procurement rules



**Lower Govt
Cost**



Strengthens rules to lower procurement cost for government

**Increase
Competition**



Criteria increases transparency in lowest bid process as per global best practices

**Ensure
Quality**



Ensure adherence to minimum quality standards in goods, services & civil works

**Scope
Expansion**



Provisions introduced for E-Procurement, consultants qualification selection, and procurement under emergency situations such as pandemics



Innovative approach needs to be taken to increase own source revenue

Rs. 100 Billion

Own Source Revenue



Key Initiatives

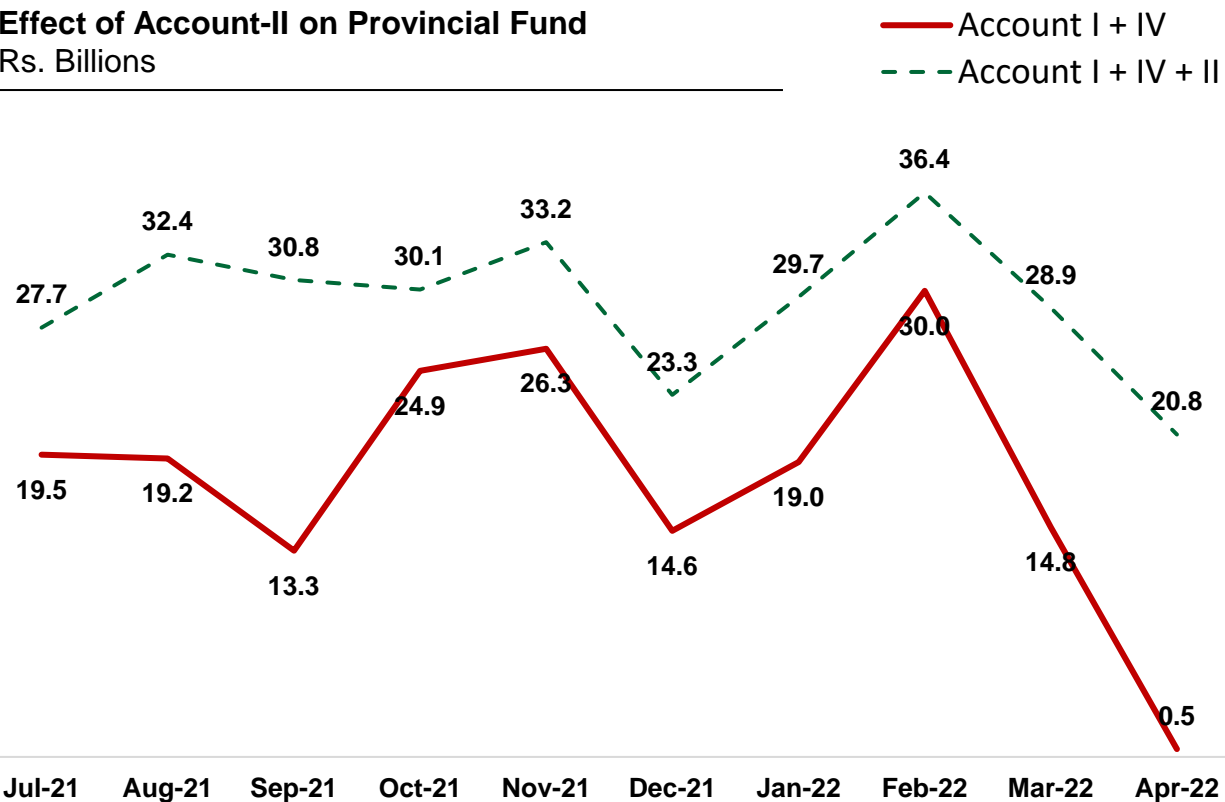
- Increasing receipts from power generation by **channeling wheeling agreements** with Industry.
- **POS systems** to be installed **across all 46 sectors** from the 2nd schedule
- **Digitizing all mauzas** across the province for instant availability of land record on BOR's website
- Revising **Urban Immovable Property Tax rates as per the market rates** determined through third party analysis and market surveys
- **GIS mapping of all key urban areas** for online record keeping and eliminating tax evasion in **Urban Immovable Property Tax**



8.3 Improved Accounting

The Government can save more than Rs. 150 million in overdraft interest if Account-II is considered with Account-I and IV

Effect of Account-II on Provincial Fund
Rs. Billions



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



8.3 Improved Accounting

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

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

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

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



Introduce better budgeting lines

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



Single grant for single PAO

There should be single grant for each Principal Accounting Officer



Efficient Procurement

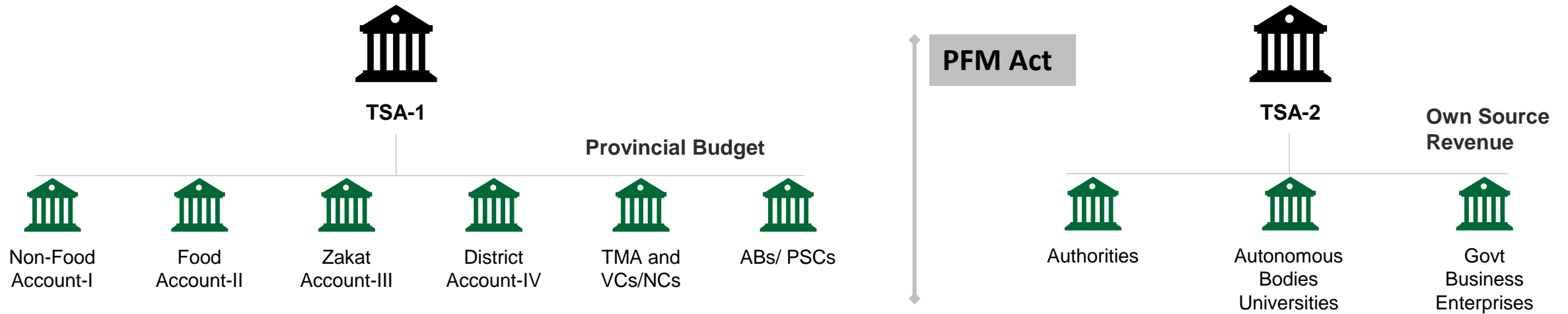
Suitable heads should be made for procurement aligned with an annual plan



8.3 Improved Accounting

Treasury single accounting will greatly help in increasing accountability and consolidation of government monies

TSA- Cash Balances (Monthly and Fortnightly Consolidation)



Way Forward

- 1 Simple Receipt Payments should be limited to minimum
- 2 Approval of new Designated Account - Cabinet
- 3 Only one Designated Account per DDO
- 4 Use of Asaan Assignment Account Procedure
- 5 Computer Application for monthly/fortnightly reporting
- 6 SBP Consolidation
Piloting of SBP RAAST payment gateway for salary, pension and GPF



8.3 Improved Accounting

External audit of Public Sector Companies will greatly help in improving its performance with efficient budgeting



**Making
your Tax
money
count!**



A draft new project implementation policy is in place to improve project management and access to good talent

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

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

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

