

# WHITE PAPER 2024-25



**FINANCE DEPARTMENT**  
GOVERNMENT OF KHYBER PAKHTUNKHWA

finance.gkp.pk @financekpgovt #financekpgovt (91) 9210512

# FOREWORD

## **Message from Advisor to Chief Minister for Finance**

As I reflect upon our ongoing endeavours, it brings me great pride to observe the dynamic evolution occurring within Khyber Pakhtunkhwa under our revamped financial management approach. This transformation manifests not only in the numbers but also in the tangible improvements throughout the province.

At the heart of our priorities lies the commitment to increasing the Province's Own Source Revenue (OSR) through comprehensive reforms. Our goal is to fortify the province's financial standing while simultaneously advancing its developmental goals by laying the groundwork for a resilient and sustainable revenue framework.

Aligned with the visionary ethos of Mr. Imran Khan, and under the steadfast leadership of the Chief Minister, Ali Amin Gandapur, the Government of Pakhtunkhwa remains committed to take bold and innovative strategies. Through innovative strategies and dedicated endeavours, we aim to set a precedent for other regions in terms of transparent and accountable governance practices, as well as sound fiscal stewardship.

Witnessing the immense effort that goes into budget creation has given me a deep appreciation for the dedication and hard work of our team. By planning, strategizing, and allocating resources wisely and effectively, we ensure that every rupee is spent wisely and effectively, thus ensuring the progress that our citizens deserve.

Today, we can see the difference in the budgeted numbers. Next year Insha'Allah, we will be able to see the difference on the ground. I am sure of that.

**Muzammil Aslam**  
**Advisor to Chief Minister for Finance**

## **Message from The Finance Secretary**

The purpose of the White Paper is to present financial information in a way that's easily understood by the general public. It provides an overview of the province's finances, including an analysis of revenues and expenditures from budgetary documents. As well as providing details on past expenditure outcomes to help readers interpret future projections.

The 2024-25 budget aims to guide the province towards sustainable and inclusive growth through targeted investments, policies, and programs. Emphasizing ecological preservation, social equity, and economic resilience, it lays the groundwork for long-term prosperity. Concurrently, it addresses immediate needs by extending relief to individuals experiencing hardship, ensuring that everyone receives support during difficult periods.

A focus on enhancing public service delivery and directing developmental spending towards tangible outcomes is emphasized to address the province's economic challenges effectively. This approach aims to improve efficiency, effectiveness, and the overall well-being of constituents.

Gratitude is extended to all departments across the province for their timely and comprehensive contributions to data. The White Paper, along with other budget documents, shows the hard work of the Finance Department's staff. They've put in a lot of effort to make complicated information easy for everyone to understand.

**Amer Sultan Tareen**  
**Finance Secretary**

# LIST OF ACRONYMS

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

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

## Table of Contents

<b>FOREWORD</b> .....	<b>i</b>
<i>Message from Advisor to Chief Minister for Finance</i> .....	<i>i</i>
<i>Message from The Finance Secretary</i> .....	<i>ii</i>
<b>LIST OF ACRONYMS</b> .....	<b>iii</b>
<b>Chapter 1 – Overview</b> .....	<b>2</b>
1.1 <i>National Economic Outlook</i> .....	2
1.2 <i>Budget for FY 2024-25</i> .....	4
1.3 <i>Key Highlights of the Budget:</i> .....	5
<b>Chapter 2 – Revenue Estimates</b> .....	<b>11</b>
2.1 <i>General Revenue Receipts</i> .....	12
2.2 <i>General Capital Receipts</i> .....	24
2.3 <i>Development Receipts</i> .....	25
2.4 <i>State Trading in Food (Account-II)</i> .....	26
<b>Chapter 3 – Expenditure Estimates</b> .....	<b>27</b>
3.1 <i>Current Expenditure</i> .....	28
3.2 <i>Capital Expenditure</i> .....	31
3.3 <i>Development Expenditure</i> .....	32
<b>Chapter 4 – Merged Districts</b> .....	<b>33</b>
4.1 <i>Budget Numbers 2024-25 for Merged Districts</i> .....	33
4.2 <i>Development in Merged Districts</i> .....	37
<b>Chapter 5 – Annual Development Programme (ADP)</b> .....	<b>39</b>
5.1 <i>Prospects and Challenges for Khyber Pakhtunkhwa</i> .....	39
5.2 <i>Public-Private Partnerships in Khyber Pakhtunkhwa</i> .....	39
5.3 <i>Annual Development Programme (ADP)</i> .....	40
5.4 <i>Major Achievements during FY 2023-24</i> .....	41
5.5 <i>Future Targets FY 2024-25</i> .....	42
5.6 <i>Sector wise Breakdown Allocations</i> .....	43
5.7 <i>Department-wise Breakdown of Development Budget</i> .....	44
5.9 <i>Major Focus Areas of Development Budget FY 2024-25</i> .....	50
<b>Chapter 6 – Debt Management</b> .....	<b>51</b>
6.1 <i>Domestic Debt</i> .....	51
6.2 <i>Foreign Debt</i> .....	51
6.3 <i>Debt Portfolio</i> .....	51

6.4 Historical Debt Portfolio:.....	52
6.5 Historical Debt Servicing: .....	52
6.5 Sector Wise Composition of Outstanding Debt Stock: .....	53
6.6 Risk Indicators:.....	53
6.7 Active Loans Disbursements Status.....	55
<b>Chapter 7 – Planning Ahead: Challenges and Budget Strategy .....</b>	<b>56</b>
7.1 Key Challenges to the Budget 2024-27 .....	56
7.2 Medium-term Fiscal Framework 2024-25 Khyber Pakhtunkhwa.....	57
7.3 Combined Khyber Pakhtunkhwa Budget.....	57
7.4 Budget Forecasts FY 2024-25 – Settled Areas.....	57
7.5 Budget Forecasts FY 2024-25 Merged Areas .....	57
7.6 Receipt Forecasts for FY 2024-25:.....	58
<b>Chapter 8 – Reforms Undertaken.....</b>	<b>59</b>
8.1 Public Financial Management Reforms .....	59
8.2 Implementation Roadmap of Public Financial Management Act 2022 .....	63
8.3 Policy Framework for Fiscal Risk Management Khyber Pakhtunkhwa .....	67
8.4 Implementation of Fiscal Responsibility and Debt Management Act (FRDMA) 2022 in Government of Khyber Pakhtunkhwa .....	69
8.5 Reforms by the Government of Khyber Pakhtunkhwa for Public Sector Entities .....	71
<b>Annexures .....</b>	<b>73</b>
Budget Estimates 2024-25 (Current Expenditure) .....	73
Funds Management.....	77
Chronological Annexures .....	82
KP Foreign Loans.....	87
The Bank Of Khyber.....	90
Sustainable Energy and Economic Development (SEED).....	99
List of Public Sector Companies and Autonomous Bodies.....	101

# Chapter 1 – Overview

## 1.1 National Economic Outlook

During FY23, Pakistan's economy contracted due to various disruptions such as floods, uncertainty, and limited external support. This led to a significant decline in both public and private investments, alongside a contraction in the industrial sector. Moreover, inflationary pressures reached their highest levels in the past five decades, driven by supply disruptions and currency depreciation, particularly affecting food and energy prices. However, with the implementation of necessary measures, the growth outlook for the next year indicates a gradual improvement, with further positive rise expected in the subsequent year. If stabilization policies are implemented, inflation is projected to moderate in the coming year and beyond.

### Pakistan's Macroeconomic Outlook<sup>1</sup>

	2020-21	2021-22	2022-23	2023-24*	2024-25**	2025-26 **
<b>Real GDP Growth, at constant factor prices</b>	<b>5.8</b>	<b>6.2</b>	<b>-0.2</b>	<b>1.8</b>	<b>2.3</b>	<b>2.7</b>
Agriculture	3.5	4.3	2.3	3.0	2.2	2.7
Industry	8.2	6.9	-3.8	1.8	2.2	2.4
Services	5.9	6.7	0.1	1.2	2.4	2.9
<b>Real GDP Growth, at constant market prices</b>	<b>6.5</b>	<b>4.8</b>	<b>0.0</b>	<b>1.8</b>	<b>2.3</b>	<b>2.7</b>
Private consumption	9.4	7.1	2.4	1.7	2.2	2.5
Government consumption	1.8	-1.3	-4.9	0.9	1.4	2.0
Gross fixed capital formation	3.7	3.3	-16.3	-0.5	1.2	2.0
Exports, goods, and services	6.5	5.9	2.4	2.1	3.2	3.7
Imports, goods, and services	14.5	11.0	-0.3	0.3	1.2	1.6
<b>Inflation (CPI)</b>	<b>8.9</b>	<b>12.1</b>	<b>29.2</b>	<b>26.0</b>	<b>15.0</b>	<b>11.5</b>
Current Account Balance (% of GDP)	-0.8	-4.7	-0.7	-0.7	-0.6	-0.6
Net FDI (% of GDP)	0.5	0.5	0.2	0.3	0.3	(0.4)
Fiscal Balance (excluding grants, % Of GDP)	-6.1	-7.9	-7.8	-8.0	-7.4	-6.6
Debt (% of GDP)	77.6	80.7	81.4	73.1	72.3	72.5
Primary Balance (excluding grants, % of GDP)	-1.2	-3.1	-1.0	-0.1	-0.3	-0.3

\*Expected

\*\*Projected

### i. Slow growth because of continued trade deficit and external financing constraints

- Pakistan is grappling with ongoing foreign exchange liquidity challenges stemming from persistent trade deficits and limited access to external financing. Import cover is expected to remain low at 1.3 and projected to remain nearly the same through FY24-26.
- Import management efforts and tight monetary and fiscal policies disrupt domestic supply chain and adversely impact aggregate consumption and investment.
- Accounting for the factors discussed above, GDP growth is projected at 1.8% in FY24 and a gradual recovery to 2.7% over FY25–26 contingent upon the implementation of a new IMF program.

<sup>1</sup>World Bank. (2024). Pakistan Development Update: Fiscal Impact of Federal State-Owned Enterprises. Washington, DC: World Bank. Published in April 2024.



## **ii. Sectoral growth projections**

- Recovering from the devastation caused by the floods, agricultural output is anticipated to grow by 3.0% in FY24, supported by increased major crop production, mainly cotton and rice. The agriculture sector is expected to grow at an average rate of 2.5% over FY25–26.
- The impetus for growth in the industrial sector will come from the expected increase in agricultural output and import management measures under implementation. The industrial sector is projected to remain grow at an average of 2.3% over the medium term.
- The spillover effect from the agricultural and industrial sector will propel growth in the services sector. The services sector is expected to grow marginally at 1.2% in FY24. Over the medium term, the growth of the services sector is expected to strengthen to an average of 2.7% over FY25–26.

## **iii. Aggregate demand under tight monetary policy and import management measures**

- Private consumption growth is forecasted to decrease to 1.7% in FY24 due to real income erosion from high inflation and administrative measures. As inflationary pressures start to ease, private consumption is projected to grow at an average of 2.3% over FY25-26
- Total investment is expected to further contract in FY24, reflecting policy uncertainty, tight macroeconomic policy, and the high cost of borrowing, before gradually recovering in FY25–26.

## **iv. Inflation drivers and projections**

- Consumer price inflation is projected to remain elevated at 26% in FY24.
- The increase in prices is driven by domestic gas, electricity, and fuel tariff adjustments resulting in significant increase in domestic energy prices.
- SBP is expected to maintain a tight monetary policy stance in FY24.
- Inflation is expected to gradually moderate in FY25-26 as global commodity prices readjust.

## **v. Current Account Deficit (as % of GDP) is expected to remain low**

- The import management measures under implementation aimed at preserving depleting reserves are anticipated to keep the Current Account Deficit (CAD) at a low of 0.7% of GDP in FY24, with a further narrowing projected to 0.6% of GDP in both FY25 and FY26.
- Pakistan's external financing needs will remain significant throughout the projection period, due to IMF repayments and maturing.

## vi. Fiscal deficit is expected to increase in FY24 due to higher debt servicing

- The increasing debt burden of the country will impact the fiscal deficit as interest payments keep ballooning. The fiscal deficit is projected to increase to 8.0 percent of GDP in FY24.
- The primary deficit is expected to narrow to 0.1% of GDP in FY24.

## vii. Public debt-to-GDP ratio is projected to marginally decline over the medium term

- Pakistan is projected to grapple with ongoing liquidity challenges in the medium term. Gross financing requirements will remain significant across the projection period, driven by maturing short-term domestic debt, repayments to multilateral and bilateral lenders, and Eurobond bullet maturities.
- With measures under implementation to curtail the fiscal deficit, public debt as a share of GDP is projected to decline to 73.1% in FY24.

## Projections for Pakistan by various organizations

Projection of Pakistan's GDP growth rates (%) and inflation rates (%) by various organization are as under:

Projection of Pakistan's GDP growth rates (%) and inflation rates (%) by various organization

Organization	Variables	2023	2024	2025	2026	2027
SBP (MPS Jan 2024)	GDP	-0.17	2-3			
	Inflation	29.2	23-25			
MoF (March 2024)	GDP	-0.17	2.5-3.0	3.5-3.7	4.8	5.5
	Inflation	29.2	24-25	11-12	7.5	7
IMF (Jan 2024)	GDP	-0.2	2	3.5	4.5	5
	Inflation	29.6	24	11.7	7.7	6.6
World Bank (Oct 2023)	GDP	-0.6	1.7	2.4		
	Inflation	29.2	26.5	17		
Moody's (March 2024)	GDP	-0.2	2	3		
	Inflation	29	23	12		

## 1.2 Budget for FY 2024-25

Despite grappling with significant internal and external challenges such as floods and limited external support, the Government of Khyber Pakhtunkhwa has effectively introduced a people-centric budget aimed at improving service delivery. The global economic environment, rife with uncertainties, has posed notable risks to Pakistan's economy, worsened by devastating floods, the Russia-Ukraine conflict, and tensions in the Middle East. However, the country's economy has shown signs of recovery, with a growth rate expected to reach 1.8%, compared to the previous fiscal year's -0.2% – indicating a gradual easing of pressures. With ongoing measures to revitalize the economy, it is anticipated that growth will continue its upward trajectory in the current fiscal year.

In this context, the total expenditure of KP Government is estimated at a budget of **Rs. 1,654.0 billion**, including **Rs. 1,390.2 billion** in the settled districts, and **Rs. 263.8 billion** in the Merged Districts (MDs). Expenditure in the Merged Districts includes a **Rs. 6.7 billion** grant from the provincial government out of its own resources for the Accelerated Implementation Plan (AIP),

in line with the decision taken for all provinces to contribute **3%** of the total divisible pool share to the development of merged districts.

This year's total estimated receipts are **Rs. 1,754.0 billion**. Federal Transfers including Federal Tax Assignment, 1% War on Terror, Straight Transfers, and Windfall Levy are budgeted at a total of **Rs. 1,100.7 billion**.

**Rs. 111.3 billion** is estimated against Net Hydel Profits (NHP) and Provincial Own Receipts are projected at **Rs. 93.5 billion**. Grants from the Federal Government for Merged Districts are estimated at **Rs. 259.9 billion**. Finally, Foreign Project Assistance is budgeted at **Rs. 130.6 billion**.

Tables 1a, 1b and 1c show a summary of budgeted expenditure and receipts for the fiscal year (FY) 2024-25 for the entire province. Compared to last year, this year's receipts reflect an increase of **20.4%** over last year's budgeted receipts of **Rs. 1,456.7 billion**, and an expenditure of **Rs. 1,654.0 billion** reflects an increase of **21.5%** of last year's budgeted expenditure of **Rs. 1,360.4 billion**.

In a remarkable display of resilience and fiscal prudence, the Government of Khyber Pakhtunkhwa has unveiled a record **surplus budget of Rs. 100 billion** for FY 2024-25. Despite grappling with a myriad of obstacles ranging from geopolitical tensions to a challenging financial environment and soaring inflation, Khyber Pakhtunkhwa has demonstrated its unwavering commitment to economic stability and growth. After last year's economic downturn with a growth rate of **-0.2%**, signs of recovery are emerging, and the national economy is expected to return to a growth trajectory. Prudent financial management and people-centric spending are crucial to addressing the food and energy challenges amplified by soaring inflation. This priority has been central in shaping the current budget.

### **1.3 Key Highlights of the Budget:**

The Government of Khyber Pakhtunkhwa remains steadfast in its commitment to outstanding service delivery and providing relief to its citizens. These priorities are once again at the forefront of this year's budget. Key highlights for FY 2024-25 include:

- **Rs. 34 billion** allocated for the **Sehat Sahulat Card** for FY 2024-25, including Rs. 28 billion for settled areas (current side) and Rs. 6 billion for Merged Districts (development side).
- **Rs. 26.7 billion** allocated for **Wheat Subsidy**, including Rs. 25.2 billion for settled areas and Rs. 1.5 billion for Merged Districts.
- **Rs. 10.97 billion** allocated for the **Purchase of Medicines**, including Rs. 10.8 billion for settled areas and Rs. 0.17 billion for Merged Districts.
- Ensuring access to quality education remains a priority, with **Rs. 9 billion** allocated for free textbooks to benefit all students.
- Urban mobility remains a priority in the budget, with **Rs. 3 billion** allocated for the BRT to improve access to public transportation and to provide relief in travel costs amidst soaring fuel prices.
- An amount of **Rs. 2.5 billion** is earmarked for relief measures.
- **Rs. 0.9 billion** allocated for **Panagahain**, including Rs. 0.3 billion for settled areas and Rs. 0.6 billion for Merged Districts.

Table 1a.

**Summary: Revenue**

Unit: Rs. Bn

Head	REVENUES					
	Actuals 2020-21	Actuals 2021-22	Actuals 2022-23	Budget 2023-24	Actuals* 2023-24	Budget 2024-25
<b>Total Revenues</b>	<b>811.9</b>	<b>1,027.5</b>	<b>1,184.8</b>	<b>1,456.7</b>	<b>1,074.8</b>	<b>1,754.0</b>
<b>Federal Transfers</b>	<b>444.8</b>	<b>590.5</b>	<b>698.7</b>	<b>986.8</b>	<b>841.4</b>	<b>1,100.7</b>
Federal Tax Assignment	373.2	498.6	586.4	764.6	712.8	902.5
1 % for War on Terror	44.8	59.9	70.5	91.9	85.7	108.4
Straight Transfers	26.7	32.0	41.8	38.7	42.9	43.0
Windfall Levy	0.0	0.0	0.0	91.7	0.0	46.8
<b>Profit from Hydro Electricity (NHP)</b>	<b>47.0</b>	<b>21.0</b>	<b>4.9</b>	<b>85.1</b>	<b>7.0</b>	<b>111.3</b>
Net Hydel Profit (Current Year)	10.2	12.0	0.0	31.5	0.0	33.1
Reconciled Arrears	36.8	9.0	4.9	22.7	7.0	37.1
Unreconciled Arrears (Indexation)	-	-	0.0	30.7	0.0	41.1
NHP as per AGN Kazi formula (KCM)	-	-	0.0	0.1	0.0	0.0
<b>Provincial Own Receipts</b>	<b>59.4</b>	<b>62.2</b>	<b>66.8</b>	<b>85.0</b>	<b>64.4</b>	<b>93.5</b>
Provincial Tax Receipts	33.5	41.8	41.7	56.5	51.7	63.2
Sales Tax on Services (KPRA)	20.8	27.5	30.7	32.0	35.1	39.0
Other Provincial Tax Receipts	12.7	14.3	11.1	24.5	16.6	24.2
Provincial Non-Tax Receipts	25.9	20.3	25.1	28.5	12.7	30.3
<b>Other Receipts</b>	<b>74.5</b>	<b>174.5</b>	<b>246.1</b>	<b>0.3</b>	<b>0.3</b>	<b>31.6</b>
Recovery from Designated Accounts	-	-	10.0	0.0	0.0	0.0
Recovery of Investment & loans	0.2	0.1	0.1	0.3	0.3	0.3
Domestic Loan	6.0	0.0	0.0	0.0	0.0	0.0
Withdrawal of profit from Pension Fund for payment of pensions	-	20.3	10.0	0.0	0.0	0.0
Profit from GPI Fund for interest to the Subscribers	-	-	0.0	0.0	0.0	0.0
Other Revenue Sources	-	-	0.0	0.0	0.0	0.0
Savings from operational shortfall	-	-	0.0	0.0	0.0	0.0
Ways & Means Advance Facility from Fed. Govt.	68.3	154.1	226.0	0.0	0.0	31.3
<b>Grants from Federal Govt. (MDs)</b>	<b>121.2</b>	<b>110.8</b>	<b>99.9</b>	<b>173.9</b>	<b>121.1</b>	<b>259.9</b>
Grants for Current Budget	74.5	66.0	60.0	66.0	72.6	72.6
Additional Financing Demand for Current Budget	-	-	0.0	50.9	0.0	72.0
Development Grant (ADP + AIP)	46.7	44.8	39.9	57.0	48.5	76.0
Additional Financing Demand for Development Budget	-	-	0.0	0.0	0.0	0.0
3% NFC Share - Punjab	-	-	0.0	-	-	23.8
3% NFC Share - Sindh	-	-	0.0	-	-	11.3
3% NFC Share - Balochistan	-	-	0.0	-	-	4.2
<b>Foreign Project Assistance (FPA)</b>	<b>44.9</b>	<b>37.5</b>	<b>58.3</b>	<b>114.4</b>	<b>36.7</b>	<b>130.6</b>
FPA Settled Districts	-	-	57.1	110.6	34.3	126.7
FPA Merged Districts	-	-	1.1	3.8	2.5	3.9
<b>PSDP allocations for provincially executed projects</b>	<b>20.1</b>	<b>31.0</b>	<b>10.1</b>	<b>11.3</b>	<b>3.9</b>	<b>26.4</b>

\*Actuals throughout this document imply 10 months actual and 2 months projected for FY 2023-24

Table 1b.

**Summary: Expenditure**

Unit: Rs. Bn

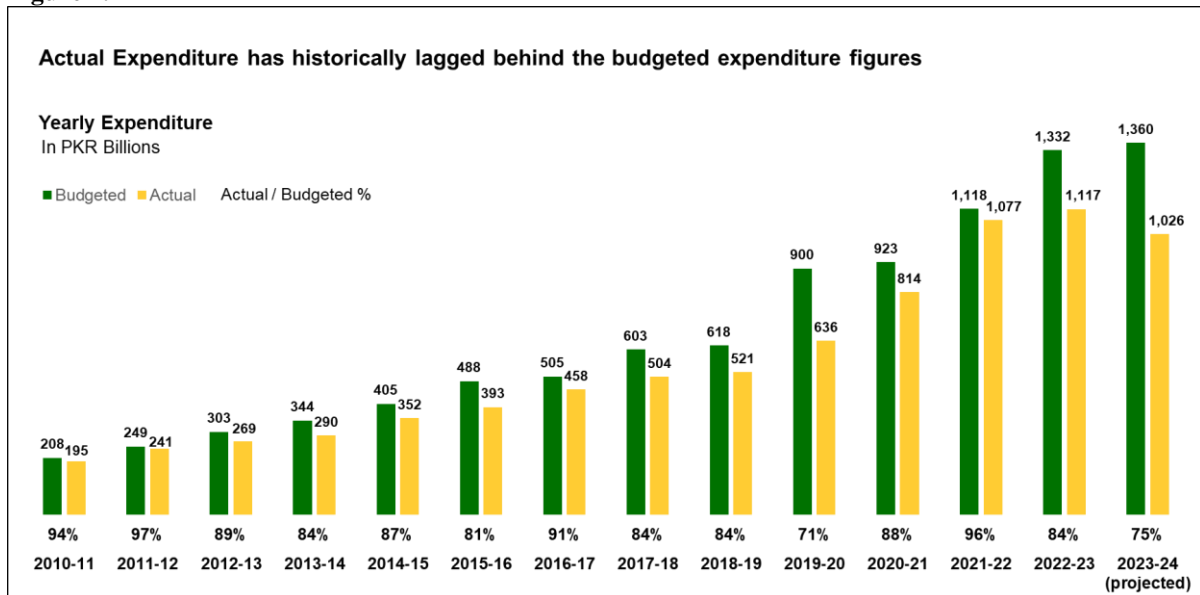
Head	EXPENDITURES							
	Actuals 2018-19	Actuals 2019-20	Actuals 2020-21	Actuals 2021-22	Actuals 2022-23	Budget 2023-24	Actuals* 2023-24	Budget 2024-25
<b>Total Expenditure</b>	<b>520.8</b>	<b>635.2</b>	<b>814.0</b>	<b>1,076.9</b>	<b>1,116.8</b>	<b>1,360.4</b>	<b>1,025.6</b>	<b>1,654.0</b>
<b>Current Revenue Expenditure</b>	<b>377.8</b>	<b>464.9</b>	<b>599.8</b>	<b>817.3</b>	<b>970.4</b>	<b>1,059.3</b>	<b>890.4</b>	<b>1,237.7</b>
<b>Salary</b>	<b>215.0</b>	<b>278.5</b>	<b>287.0</b>	<b>346.4</b>	<b>426.4</b>	<b>560.9</b>	<b>535.4</b>	<b>630.8</b>
Settled - Provincial	71.6	77.8	77.4	93.9	164.3	216.8	199.9	246.0
Settled - Devolved	129.1	145.5	147.0	177.5	182.3	233.3	236.8	263.1
Medical Teaching Institutions ( MTIs )	14.4	14.5	19.4	22.9	18.1	28.2	24.3	27.0
MDs - Provincial	0.0	19.1	20.3	24.7	34.6	45.6	41.0	52.1
MDs - Devolved	0.0	21.6	22.8	27.5	27.1	37.0	33.4	42.6
<b>Pension</b>	<b>67.5</b>	<b>70.1</b>	<b>83.6</b>	<b>91.9</b>	<b>112.3</b>	<b>138.3</b>	<b>137.2</b>	<b>166.8</b>
Pension expenditure funded from taxpayer proceeds	67.5	70.0	82.7	90.6	109.7	134.0	133.8	162.4
Pension expenditure funded from Pension Fund profit	0.0	0.0			0.0	0.0	0.0	0.0
MDs	0.0	0.1	0.9	1.3	2.6	4.3	3.4	4.4
<b>Non-Salary</b>	<b>95.3</b>	<b>116.3</b>	<b>229.2</b>	<b>379.0</b>	<b>431.7</b>	<b>360.1</b>	<b>217.8</b>	<b>440.1</b>
Settled - Provincial O&M and Contingency	58.9	68.1	92.9	123.9	115.0	173.4	109.3	189.5
Settled - Devolved	10.2	9.8	19.7	17.5	12.9	24.0	16.6	29.6
NMAs - Provincial	0.0	13.7	15.4	11.0	6.7	20.9	9.2	35.5
NMAs - Devolved	0.2	2.8	2.6	2.5	2.2	9.0	2.7	9.9
Subsidy	2.9	2.9	9.9	10.0	5.0	47.8	46.6	25.2
Viability Gap Funding	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Investment & Committed Contribution	0.0	3.8	0.0	1.1	0.5	22.0	0.0	23.0
Interest Payments	10.3	1.6	18.6	14.1	23.7	28.3	0.0	44.3
Grants to Local Councils	4.0	3.5	4.3	9.1	6.4	8.9	7.0	11.1
COVID-19 Contingency	0.0	0.0	0.0	0.0	0.1	0.3	0.0	0.3
Polio Eradication Programme					0.0	0.0	0.0	0.0
Pro-Poor Initiatives for Food Support	0.0	0.0	0.0	0.0	0.5	0.0	0.0	0.0
Capital Expenditure (Debt Principal Repayment)	8.8	10.1	65.8	189.8	21.3	25.4	26.3	40.4
Repayment of Ways & Means Advance to Fed. Govt.	0.0	0.0			237.5	0.03	0.03	31.30
<b>Development Expenditure</b>	<b>143.0</b>	<b>170.3</b>	<b>214.2</b>	<b>259.5</b>	<b>146.3</b>	<b>301.1</b>	<b>135.2</b>	<b>416.3</b>
ADP (Provincial - Settled Districts)	83.7	93.1	109.8	151.1	89.8	86.0	49.8	120.0
ADP (Devolved - Settled Districts)	17.0	3.4	7.9	1.8	1.2	17.2	0.0	24.0
ADP (Provincial - Merged Districts)	0.0	38.0	19.2	15.9	6.5	26.0	12.1	30.0
ADP (Devolved - Merged Districts)	0.0	0.0	27.5	36.5	0.0	5.2	0.0	6.0
Accelerated Implementation Plan (AIP - Funded)	0.0	0.0	0.0	0.0	11.5	41.0	31.9	40.0
Accelerated Implementation Plan (AIP - Unfunded)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	39.3
<b>Foreign Project Assistance (FPA)</b>	<b>40.1</b>	<b>22.4</b>	<b>38.1</b>	<b>17.9</b>	<b>24.8</b>	<b>114.4</b>	<b>35.8</b>	<b>130.6</b>
FPA Settled Districts	40.1	22.3	38.1	17.9	23.6	110.6	33.4	126.7
FPA Merged Districts	0.0	0.1			1.1	3.8	2.4	3.9
<b>PSDP expenditure for provincially executed projects</b>	<b>2.2</b>	<b>13.4</b>	<b>11.7</b>	<b>36.4</b>	<b>12.6</b>	<b>11.3</b>	<b>5.6</b>	<b>26.4</b>

Table 1c.  
**Summary: Expenditure**  
 Rs. Bn

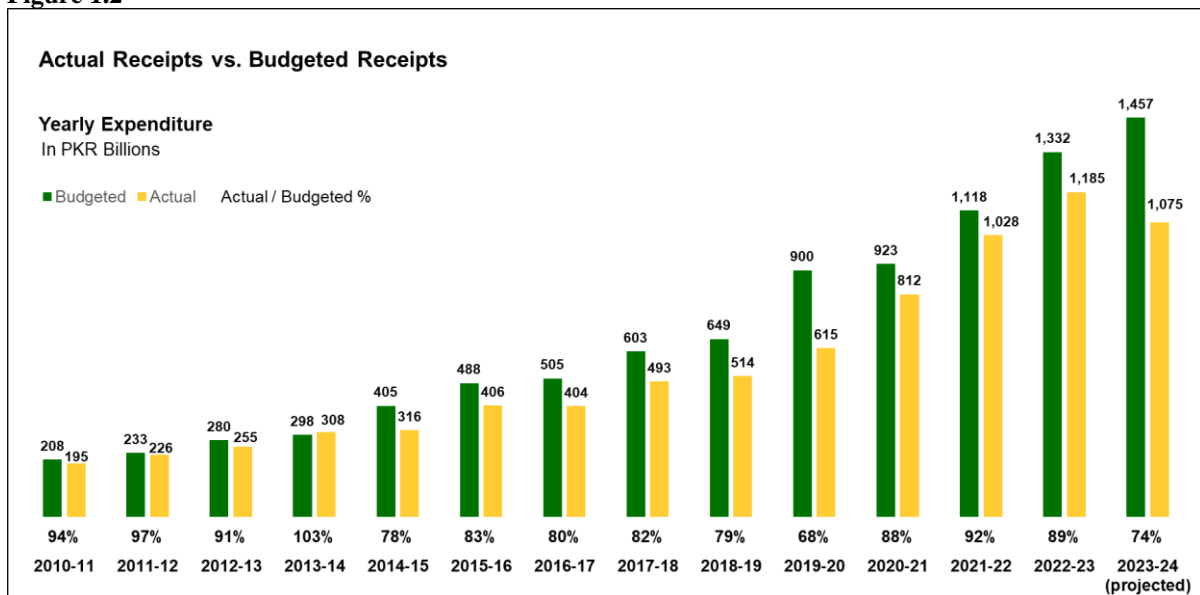
Head	Settled Districts	Merged Districts	Total
<b>Total Expenditure</b>	<b>1,390.2</b>	<b>263.8</b>	<b>1,654.0</b>
<b>Current Expenditure</b>	<b>1,093.1</b>	<b>144.6</b>	<b>1,237.7</b>
Salary	536.1	94.8	630.8
Pension	162.4	4.4	166.8
Subsidy	25.2		25.2
Investment & Committed Contributions	23.0		23.0
Interest Payments	44.3		44.3
Non-Salary	261.8	45.4	307.2
TDP			0.0
Capital Expenditure (debt principal repayment)	40.4		40.4
<b>Total Current Expenditure</b>			
<b>Development Expenditure</b>	<b>144.0</b>	<b>36.0</b>	<b>180.0</b>
ADP (Provincial)	120.0	30.0	150.0
ADP (Devolved)	24.0	6.0	30.0
<b>AIP - Funded</b>	<b>0.0</b>	<b>40.0</b>	<b>40.0</b>
AIP (Federally Funded)		40.0	40.0
AIP (KP Share)			0.0
<b>AIP - Unfunded</b>		<b>39.3</b>	<b>39.3</b>
AIP (Punjab Share)			23.8
AIP (Sindh Share)			11.3
AIP (Balochistan Share)			4.2
FPA	<b>126.7</b>	<b>3.9</b>	<b>130.6</b>
Provincially Executed PSDP Expenditure	26.4	-	26.4
<b>Total Development Expenditure</b>	<b>297.1</b>	<b>119.2</b>	<b>416.3</b>

Due to budgeting conventions, budgeted figures in all categories are not always a reflection of actual spending at the end of the year (Figures 1 and 2). However, the Government of Khyber Pakhtunkhwa has been working on correcting this, by basing the salary budget on actual positions filled rather than on sanctioned positions, and by publishing data on actuals, on an annual basis.

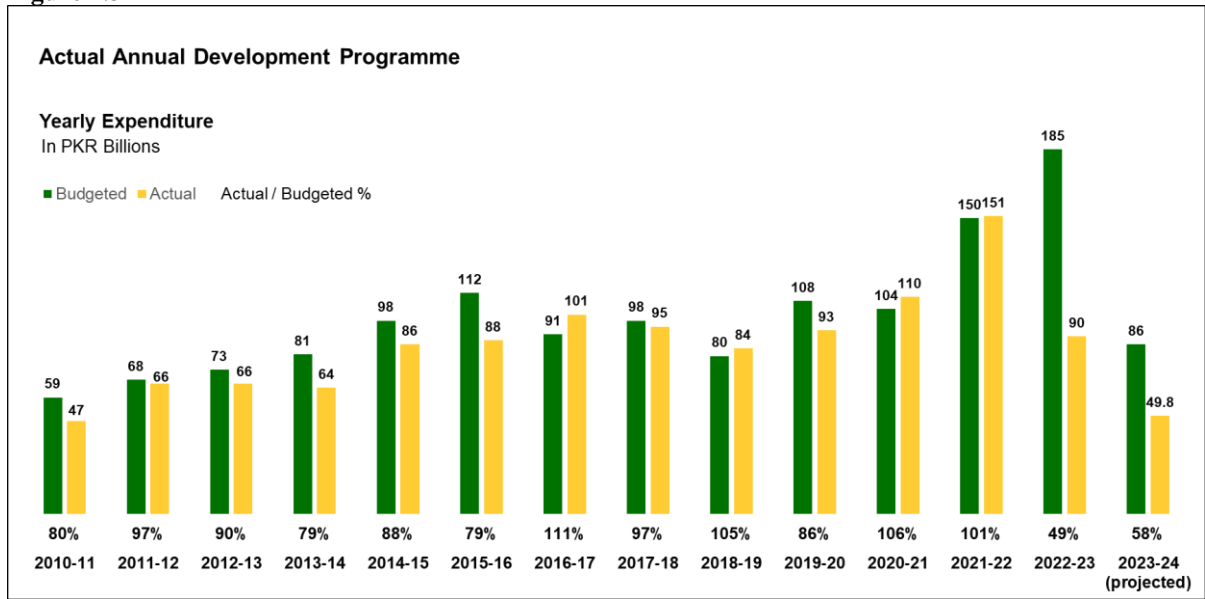
**Figure 1.1**



**Figure 1.2**



**Figure 1.3**





## Chapter 2 – Revenue Estimates

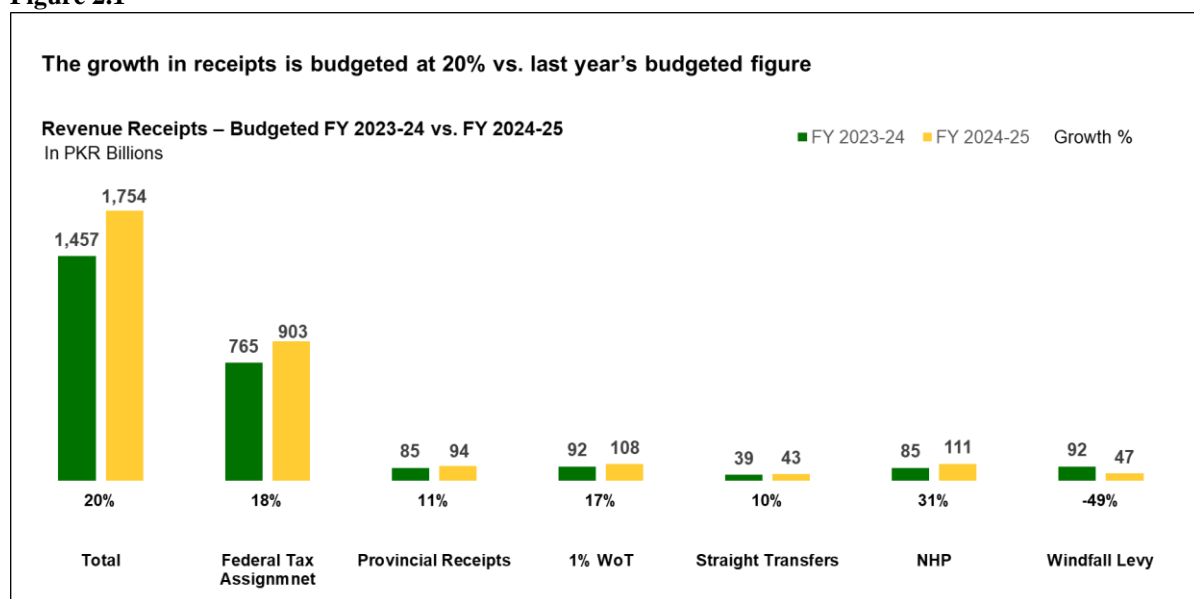
The Receipts, or Revenue of the Province of Khyber Pakhtunkhwa includes three kinds of receipts:

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

For FY 2024-25, total receipts are estimated at **Rs. 1,754.0 billion** for the entire province of Khyber Pakhtunkhwa. This includes **Rs. 902.5 billion** as Federal Tax Assignment, **Rs. 93.5 billion** as Provincial Own Revenue Receipts, **Rs. 111.3 billion** as Net Hydel Profits, **Rs. 108.4 billion** as 1% War on Terror transfer, and **Rs. 259.9 billion** as grants from the Federal Government (to fund the budget of the Merged Districts, prior to the settlement of the NFC award).

**Total budgeted receipts of Rs. 1,754.0 billion** are **20.4%** higher than last year’s budgeted figure of **Rs. 1,456.7 billion**.

Figure 2.1

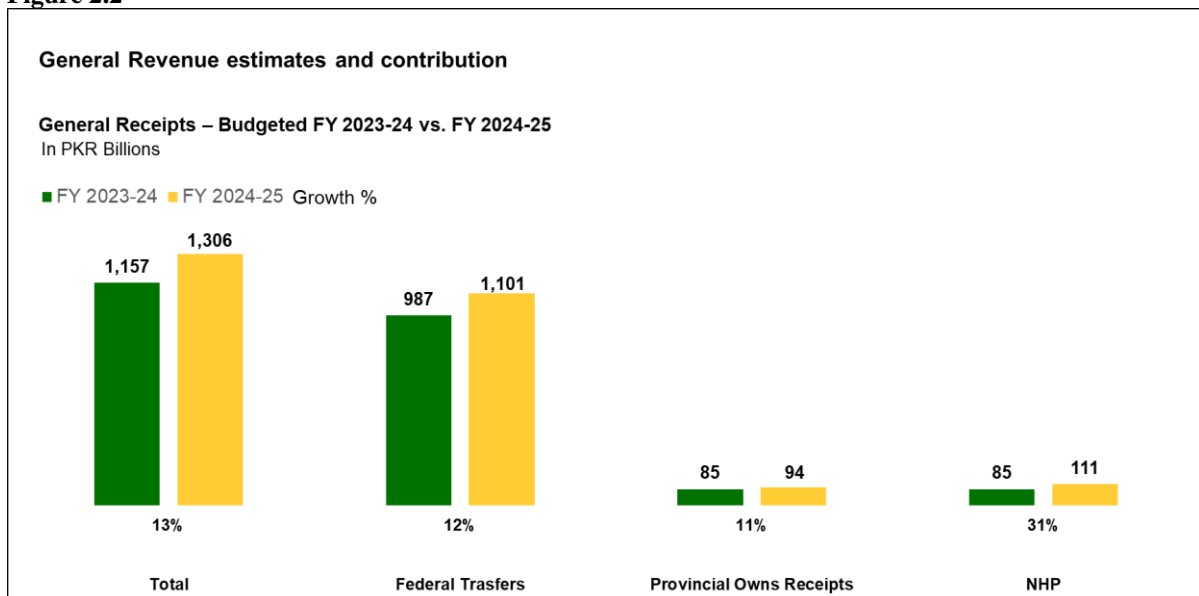


## 2.1 General Revenue Receipts

The General Revenue Receipts consist of Federal Transfers, Net Hydrel Profits (NHP), and Provincial Own Receipts. For the fiscal year 2024-25 the General Revenue Receipts are budgeted at **Rs. 1305.5 billion**, compared to **Rs. 1,156.8 billion** for 2023-24.

Of the total, federal transfers are budgeted at **Rs. 1,100.7 billion**, profits from Net Hydrel Profits (NHP) are budgeted at **Rs. 111.3 billion**, and provincial own-source revenue at **Rs. 93.5 billion**.

Figure 2.2



## 2.1.1 Federal Transfers

Transfers from the Federal Government consist of the following:

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

Together, these transfers constitute **69%** of the total Revenue Receipts of the Province.

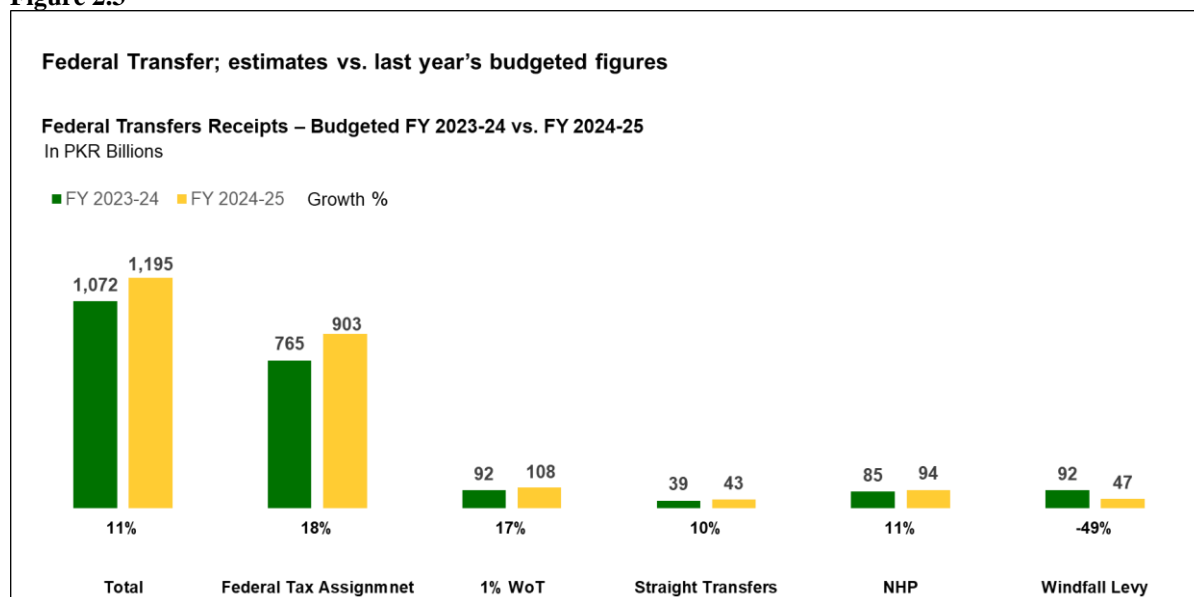
Table 2

### Federal Transfers to Khyber Pakhtunkhwa

Unit: Rs. Bn

Head	Actuals 2020-21	Actuals 2021-22	Actuals 2022-23	Budget 2023-24	Actuals* 2023-24	Budget 2024-25
<b>Total Federal Transfers</b>	<b>492</b>	<b>611</b>	<b>704</b>	<b>980</b>	<b>848</b>	<b>1212</b>
<b>Federal Tax Assignment</b>	<b>373</b>	<b>499</b>	<b>586</b>	<b>765</b>	<b>713</b>	<b>903</b>
Taxes on Income	137	183	267	343	338	405
Custom Duties	60	80	77	99	87	116
Sales Tax	154	210	212	280	244	330
Capital Value Tax (CVT)	0	0	1	0	1	0
Federal Excise	22	25	29	43	43	51
<b>1% of Divisible Pool for WoT</b>	<b>45</b>	<b>60</b>	<b>70</b>	<b>92</b>	<b>86</b>	<b>108</b>
<b>Straight Transfers</b>	<b>27</b>	<b>32</b>	<b>42</b>	<b>39</b>	<b>43</b>	<b>43</b>
Royalty on Crude Oil	15	21	27	24	25	26
Royalty on Natural Gas	8	7	12	10	12	11
Gas Development Surcharge	3	3	1	2	4	3
Excise Duty on Natural Gas	2	1	1	2	1	3
<b>Windfall Levy</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>92</b>	<b>0</b>	<b>47</b>
<b>Profits from Hydro-Electricity</b>	<b>47</b>	<b>21</b>	<b>5</b>	<b>85</b>	<b>7</b>	<b>111</b>
Net Hydel Profit (Current Year)	10	12	0	32	0	33
Reconciled Arrears	37	9	5	23	7	37
Unreconciled Arrears (Indexation)	-	-	0	31	0	41
NHP as per AGN Kazi formula (KCM)	-	-	0	0	0	0

**Figure 2.3**



### 2.1.1a The National Finance Commission

The NFC, through which each province is given its share from the overall divisible pool of resources generated federally, is governed by Part-VI Chapter-1 of the Constitution of Pakistan, which provides a framework for the distribution of resources between the Federal Government and the provinces. An amount of **Rs. 1,011.0 billion** is expected to be transferred from the Federal Government to the Government of Khyber Pakhtunkhwa during the financial year 2024-25, under the head of the NFC award.

Table 3a.

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

Units: Rs Bn

Province	% Share in the 6 <sup>th</sup> Award	% Share in 7 <sup>th</sup> NFC Award				Budget Estimate 2024-25
		Horizontal Share	1% for War on terror*	Grant for Compensation on account of OZ&T	Total % Share	
Federal Share	62.5	42.5				
Provinces	37.5	57.5				
Punjab	53.2	51.74				
Sindh	24.96	24.55				
<b>Khyber Pakhtunkhwa</b>	<b>14.78</b>	<b>14.62</b>	<b>1.80</b>		<b>16.42</b>	<b>1,011.0</b>
Balochistan	7.05	9.09				

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

### Impact of Meger on NFC Award

The National Finance Commission finalized the 7<sup>th</sup> NFC Award on 18<sup>th</sup> March 2010, in which the Federal Government reduced the Federal Board of Revenue's collection charges from 5% to 1%, which significantly benefited the provinces. The share of provinces in vertical distribution also increased from 49% to 56% for 2010-11 and to 57.5% for the remaining years of the 7<sup>th</sup> Award. Under clause 3(A) of Article 160 of the Constitution of the Islamic Republic of Pakistan, inserted through the 18<sup>th</sup> Constitutional Amendment, the share of the provinces in

each future Award of the National Finance Commission shall not be less than the share given to the provinces in the previous Award.

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

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

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

Table 3b.

Share of Provinces in the Divisible Pool as per 7<sup>th</sup> NFC Award

Units: Rs Bn

Province	% Share in the 6 <sup>th</sup> Award	% Share in 7 <sup>th</sup> NFC Award			Budget Estimate 2024-25
		Horizontal Share	1% for War on terror*	Grant for Compensation on account of OZ&T	
Federal Share	62.5	42.5			
Provinces	37.5	57.5			
Punjab	53.2	51.74			3,577.9
Sindh	24.96	24.55			1,697.7
<b>Khyber Pakhtunkhwa</b>	<b>14.78</b>	<b>14.62</b>	<b>1.80</b>	<b>16.42</b>	<b>1,011.0</b>
Balochistan	7.05	9.09			628.6

Ever since the 7<sup>th</sup> NFC Award, there has been a stalemate between the Federal and Provincial Governments over its successor Award. The 8<sup>th</sup> NFC constituted on 21<sup>st</sup> July, 2010 and 9<sup>th</sup> NFC constituted on 24<sup>th</sup> April, 2015, and reconstituted on 10<sup>th</sup> January, 2019 ended their respective five-year terms without making any recommendations. The 7<sup>th</sup> NFC Award took effect from 1<sup>st</sup> July, 2010, and it remains in vogue today.

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

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

1. A recalculation of the provincial share on the basis of the 2023 census.

**Figure 2.4**

The population of KP has risen from 13.5% to 17.08%, highlighting the need for an update to the existing NFC

	Population share according to census		
	1998	2017	2023
Khyber Pakhtunkhwa	13.49%	14.83%	14.15%
Ex-FATA	2.41%	2.43%	2.94%
<b>KP with Ex-FATA</b>	15.90%	17.26%	<b>17.08%</b>

2. The integration of the demographics of the Merged Districts into the province, particularly the 2.94% share of the national population as per 2023 census.
3. A permanent settlement of the issue of Net Hydel Profits determination in line with the Constitution under Article 161, and demand for a constitutional right for the imposition of Federal Excise Duty on Oil as per Article 161 (b) of the Constitution.

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

### 2.1.2b Net Hydel Profits (NHP)

The total NHP budgeted for FY 2024-25 is **Rs. 111.3 billion**. This is split into 4 categories i.e., collection under Net Hydel Profit, reconciled arrears of Net Hydel Profits, unreconciled Net Hydel Profits, and NHP as per the AGN Kazi formula.<sup>2</sup>

<sup>2</sup> Article 161 (2) of the Constitution

Table 4

**Profits from Hydro-Electricity**

Unit: Rs. Bn

Head	Actuals 2020-21	Actuals 2021-22	Actuals 2022-23	Budget 2023-24	Actuals* 2023-24	Budget 2024-25
<b>Total</b>	<b>47.0</b>	<b>21.0</b>	<b>4.9</b>	<b>85.0</b>	<b>7.0</b>	<b>111.3</b>
Net Hydel Profit (Current Year)	10.2	12.0	0.0	31.5	0.0	33.1
Reconciled Arrears	36.8	9.0	4.9	22.7	7.0	37.1
Unreconciled Arrears (Indexation)			0.0	30.7	0.0	41.1
NHP as per AGN Kazi formula (KCM)	-		0.0	0.1	0.0	0.0

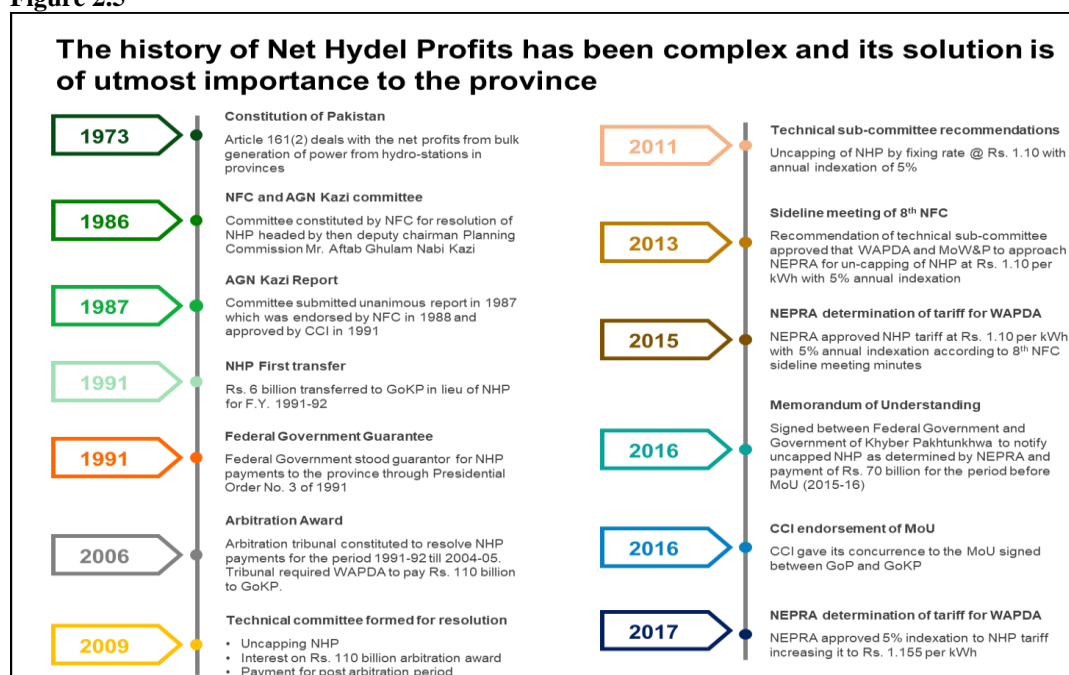
\*\* Net Hydel Profit (Current Year) is budgeted at the increased rates of Rs. 1.441/unit as per the 2016 MoU between the Federal Government and Government of Khyber Pakhtunkhwa.

**NHP's Importance and Way Forward**

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

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

Figure 2.5



Khyber Pakhtunkhwa is in a disadvantageous geographic position due to its land-locked position and proximity to war-torn Afghanistan, and while there remains potential to amplify

returns once peace is established in Afghanistan and trade routes open up to Central Asia, it remains a perennial challenge as stability remains elusive. Compared to KP, Punjab has a large population base with fertile agricultural land as well as a strong industrial base, while Sindh and Baluchistan have port cities promoting trade and commerce. This requires KP to leverage natural resources to its advantage for economic growth and industrial investments.

Despite protection by the constitution to hydro royalties, NHP has been in dispute since 1991. The framework and formula to calculate annual NHP was conceived by a committee headed by the then Deputy Chairman of Planning Commission Mr. A.G.N. Kazi. The committee submitted a unanimous report which was endorsed by the NFC and approved by the Council of Common Interests in 1991. Khyber Pakhtunkhwa, then NWFP, received NHP for the first time in FY 1992 according to the AGN Kazi formula but got capped at Rs. 6 billion afterwards, despite multiple approvals and guarantees of the Federal Government to implement Kazi formula. NHP finally got uncapped in FY 2016 after 24 years according to an interim solution proposed by a technical committee and signed off through an MoU between the Government of Pakistan and the Government of Khyber Pakhtunkhwa. This MoU was endorsed in the same year by CCI. Both the frameworks were formulated to calculate NHP but did not define any modalities regarding mode of payment, penalties in case of late payment or conflict resolution.

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

A committee has been constituted by the Federal Government to work out a solution regarding payment mode according to Kazi formula but till then payments will be made in line with the MoU. The MoU has also been breached by NEPRA unilaterally by reversing its decision of 5% indexation, taken in 2015 and endorsed by CCI. The Government of Khyber Pakhtunkhwa filed a review petition with NEPRA and pleaded its case with facts. NEPRA allowed the indexation with the condition to get it approved by CCI again. The summary for getting approval from the Council of Common Interests has been submitted and will be followed rigorously to safeguard the province's right.

WAPDA has always paid randomly and minimally to GoKP resulting in huge liabilities. Finance department under the leadership of the Finance Minister has recently engaged rigorously with the previous Federal Government, to ensure regular monthly transfers of NHP. The results have been fruitful resulting in Rs. 3 billion transfers every month since November 2020 and a tranche of Rs. 25 billion in July 2021. However, NHP transfers were regular until March 2022. After that, transfers have remained sporadic, and the province has received a meagre Rs. 4.9 billion in NHP during FY 2022-23 in three separate tranches.

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

1. Solution on how to pay NHP to provinces according to AGN Kazi formula.
2. Till then, implementation of 2016 MoU in letter and spirit including annual indexation of 5%.
3. Institutionalizing monthly NHP payments to Khyber Pakhtunkhwa by delinking it with WAPDA.



## 2.1.1c Revenue from Oil and Gas

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

1. Royalty on Oil & Gas<sup>3</sup>
2. Gas Development Surcharge
3. Excise Duty on Gas
4. Excise Duty on Oil
5. Petroleum Development Levy

The status of actual receipts from the Federal Government over the last 5 years and figures budgeted for this year are shown in the table below:

Table 5  
Actual Receipts from Federal Government on account of Oil & Gas  
Units: Rs. Bn

Head	Actuals 2020-21	Actuals 2021-22	Actuals 2022-23	Budget 2023-24	Actuals* 2023-24	Budget 2024-25
<b>Total</b>	<b>26.7</b>	<b>32.0</b>	<b>41.9</b>	<b>130.3</b>	<b>42.9</b>	<b>89.8</b>
Royalty on Crude Oil	14.7	20.9	27.2	23.5	25.1	26.2
Royalty on Natural Gas	7.8	6.9	12.3	10.2	12.5	11.4
Gas Development Surcharge	2.7	2.7	1.0	2.4	4.0	2.7
Excise Duty on Natural Gas	1.5	1.5	1.4	2.4	1.4	2.7
Windfall Levy	-	-	-	91.8	0.0	46.8

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

**Gas Development Surcharge:** Gas Development Surcharge is the margin available to the Government caused by the difference in the sale price for consumers as determined by OGRA and the prescribed price for Gas Companies on the basis of their fixed return, as defined in the Natural Gas (Development Surcharge), Ordinance, 1967. The prescribed price of Sui Northern Gas Pipeline Ltd (SNGPL) and Sui Southern Gas Company Limited (SSGCL) is based on wellhead price of gas, excise duty at wellhead, operation and maintenance cost, depreciation, and returns of gas company (17.5% SNGPL and 17% SSGCL) on assets.

<sup>3</sup> Article 161(1) of the Constitution of Pakistan

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

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

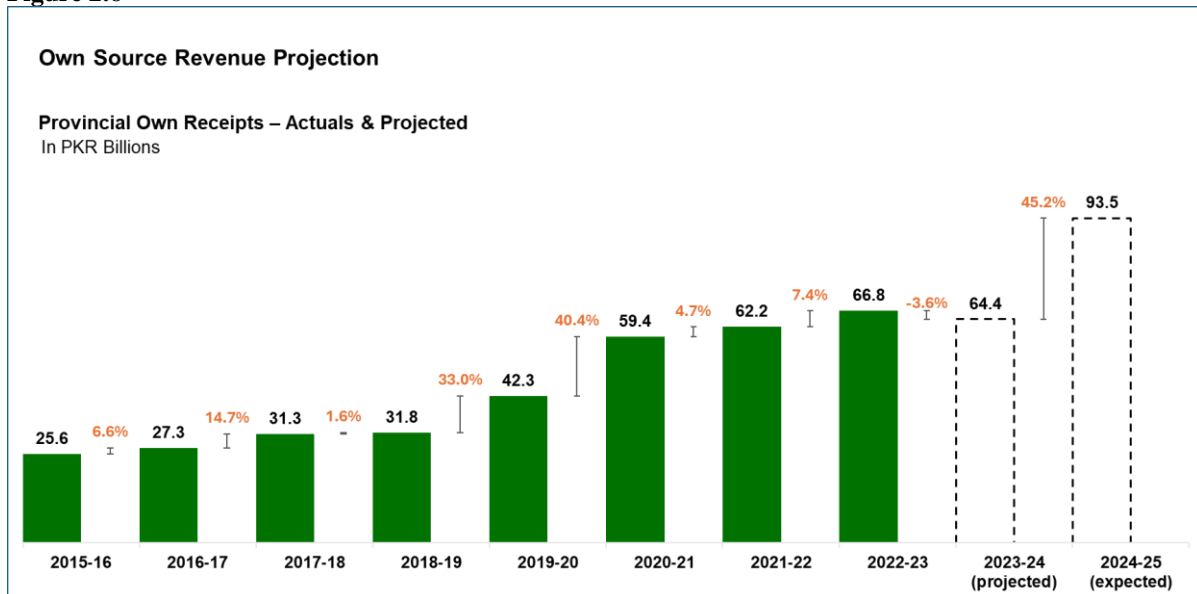
**Excise Duty on Oil:** Excise duty on oil is not paid to the province, as the rate has not been determined yet. Khyber Pakhtunkhwa produces more than 50% of the national oil production which means it absorbs the highest loss from the unavailability of this duty.

**Petroleum Development Levy:** The Federal Government collects Petroleum Development Levy on different petroleum products. This collection is not distributed among the provinces as it is excluded from the Federal Divisible of the NFC, which is a violation of the rights of the provinces. Also, despite multiple efforts, excise duty on oil is not determined despite constitutional provision.

## 2.1.2 Provincial Own Receipts

Provincial Own Source Revenue (OSR) consists of a tax component and a non-tax component, which includes all provincial taxes, fees, and fines collected by departments, for taxation and regulatory purposes. The Government of Khyber Pakhtunkhwa made a concerted effort to augment and revive the overall revenue generation to enhance its own receipts. For this year, an even more aggressive target of **Rs. 93.5 billion** has been set, with the philosophy that stretched target setting will maximize revenue generation and push departments towards better performance. However, the government also conducts periodic third-party surveys to make sure there's no coercion in terms of tax collection to achieve targets.

**Figure 2.6**



The Provincial Own Revenue Receipts for the financial year 2024-25 are estimated at **Rs. 93.5 billion**, comprised of:

- Tax Receipts of **Rs. 63.2 billion** (68%) including Sales Tax on Services **Rs. 39 billion**, and;
- Non-Tax receipts of **Rs. 30.3 billion** (32%)

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

## 2.1.2a Provincial Tax Receipts

Direct Taxes include taxes on Agriculture Income/Land, Urban Immovable Property (UIP) Tax, Tax on Transfer of Property Registration, Land Revenue & Profession, Trade, and Callings, etc. Indirect Taxes, a major component of tax receipts, comprises Sales Tax on Services, Provincial Excise, Motor Vehicle Tax, Stamp Duties, Cess of all types, Electricity Duty, etc.

The budgeted collection for FY 2024-25 is **Rs. 63.2 billion**, which is **12.5%** higher than last year's budgeted figure. The Provincial Tax Receipts budgeted figures for FY 2024-25 are given in the table below.

Table 6  
Provincial Tax Collection  
Unit: Rs. Bn

Tax Head	Actuals 2020-21	Actuals 2021-22	Actuals 2022-23	Budget 2023-24	Actuals* 2023-24	Budget 2024-25
<b>Net Total</b>	<b>33.5</b>	<b>43.4</b>	<b>33.4</b>	<b>56.2</b>	<b>43.0</b>	<b>63.2</b>
<b>Total Direct Taxes</b>	<b>6.0</b>	<b>4.7</b>	<b>2.9</b>	<b>9.4</b>	<b>3.9</b>	<b>9.0</b>
Land Revenue Fee	3.38	2.89	1.2	5.4	1.3	4.6
Property & Wealth Tax	1.62	1.47	1.3	3.0	1.5	2.8
Registration Fee	0.07	0.09	0.0	0.1	0.4	0.4
CVT Fee	0.08	0.02	0.0	0.0	0.1	0.1
Agriculture Income Tax	0.09	0.12	0.1	0.1	0.1	0.1
Professional Tax	0.73	0.13	0.2	0.8	0.5	1.0
<b>Total Indirect Taxes</b>	<b>28.4</b>	<b>38.6</b>	<b>30.5</b>	<b>46.8</b>	<b>39.1</b>	<b>54.2</b>
Sale Tax on Services (GST)	19.4	27.5	21.8	32.0	29.3	39.0
Motor Vehicle Tax	1.7	1.5	1.0	1.3	0.9	1.3
Stamp Duties Fee	3.6	4.9	2.3	4.4	2.7	4.3
Electricity Tax	1.9	1.4	1.7	5.1	2.0	5.1
PTA (Route Permit under MVT)			0.3	0.4	0.3	0.4
Tobacco Development Cess	0.4	0.4	0.3	0.5	0.4	0.5
Infrastructure Development Cess	1.5	2.9	3.0	3.0	4.5	3.0
Motor Vehicle Fitness (MVT)			0.1	0.1	0.1	0.1
Others			0.0	0.0	0.5	0.5
Less: Local Council Share	0.0	0.0	0.0	0.0	-1.6	0.0

## 2.1.2b Provincial Non-Tax Receipts

Non-Tax revenue consists of major heads such as Receipts from General Administration, Economic Services, and Social Services receipts. The total non-tax receipts for FY 2024-25 are estimated at **Rs. 30.3 billion**.

Table 7

### Provincial Non-Tax Revenues

Unit: Rs. Bn

Department	Actuals 2020-21	Actuals 2021-22	Actuals 2022-23	Budget 2023-24	Actuals* 2023-24	Budget 2024-25
<b>Total</b>	<b>25.9</b>	<b>20.3</b>	<b>34.1</b>	<b>28.5</b>	<b>10.6</b>	<b>30.3</b>
Mines & Minerals	5.2	6.3	6.6	7.7	1.5	10.0
Energy and Power	2.3	0.0	0.0	0.0	0.0	0.0
Police	1.8	1.6	1.8	3.6	1.6	2.9
Finance	2.3	1.2	10.1	0.9	0.3	0.9
Home	0.9	1.0	1.4	1.6	0.8	1.6
Health	0.8	0.7	0.5	0.9	0.4	0.9
Others	12.7	9.5	13.7	13.9	6.0	14.0

## 2.2 General Capital Receipts

General Capital Receipts consist of recoveries of investment of Hydel Development Fund, Loans and Advances from Government Servants, SNGPL, Financial Institutions/Non-Financial Institutions & Autonomous/Semi-Autonomous Bodies.

Total general capital receipts for FY 2024-25 are **Rs. 31.6 billion**.

Table 8

### General Capital Receipts

Unit: Rs. Bn

Head	Actuals 2020-21	Actuals 2021-22	Actuals 2022-23	Budget 2023-24	Actuals* 2023-24	Budget 2024-25
<b>Total</b>	<b>74.5</b>	<b>174.5</b>	<b>246.1</b>	<b>0.3</b>	<b>0.3</b>	<b>31.6</b>
Recovery from Designated Accounts	-		10.0	0.0	0.0	0.0
Recovery of Investment & loans	0.2	0.1	0.1	0.3	0.3	0.3
Domestic Loan	6.0	0.0	0.0	0.0	0.0	0.0
Withdrawal of profit from Pension Fund for payment of pensions	-	20.3	10.0	0.0	0.0	0.0
Profit from GPI Fund for interest to the Subscribers		-	0.0	0.0	0.0	0.0
Other Revenue Sources	-	-	0.0	0.0	0.0	0.0
Savings from operational shortfall	-	-	0.0	0.0	0.0	0.0
Ways & Means Advance Facility from Fed. Govt.	68.3	154.1	226.0	0.0	0.0	31.3

## 2.3 Development Receipts

Development Receipts consist of grants received for Merged Districts and the Public Sector Development Programme (PSDP).

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

Table 9

### Development Grants for NMAs & PSDP

Unit: Rs. Bn

Head	Actuals 2020-21	Actuals 2021-22	Actuals 2022-23	Budget 2023-24	Actuals* 2023-24	Budget 2024-25
<b>Total Development Grants</b>	<b>141.3</b>	<b>141.9</b>	<b>110.0</b>	<b>185.2</b>	<b>124.9</b>	<b>286.3</b>
<b>Grants from Federal Govt. (MDs)</b>	<b>121.2</b>	<b>110.8</b>	<b>99.9</b>	<b>173.9</b>	<b>121.1</b>	<b>259.9</b>
Grants for Current Budget	74.5	66.0	60.0	66.0	72.6	72.6
Additional Financing Demand for Current Budget	-	-	0.0	50.9	0.0	72.0
Development Grant (ADP + AIP)	46.7	44.8	39.9	57.0	48.5	76.0
Additional Financing Demand for Development Budget	-	-	0.0	0.0	0.0	0.0
3% NFC Share - Punjab	-	-	0.0	-	-	23.8
3% NFC Share - Sindh	-	-	0.0	-	-	11.3
3% NFC Share - Balochistan	-	-	0.0	-	-	4.2
<b>PSDP allocations for provincially executed projects</b>	<b>20.1</b>	<b>31.0</b>	<b>10.1</b>	<b>11.3</b>	<b>3.9</b>	<b>26.4</b>

In the year 2022-23, the Federal Government has **reduced** the grant for current budget of MDs as compared to the previous year. This has happened for the **first time since the merger** of erstwhile FATA in 2018 following the successful passage of the 25th amendment. The total allocation for the current grants of MDs has been reduced to Rs. 60 billion, which is wholly composed of salary and non-salary, with **zero allocation** for TDPs. The actual expenditure incurred for the year was Rs. 73 billion, Rs. 13 billion more than the budgeted allocation – putting an additional burden on the province.

In FY 2023-24, the Federal Government **increased** the grant for the current budget of MDs as compared to the previous year. The total allocation for the current grant of MDs was increased to Rs. 66 billion, which was wholly composed of salary and non-salary, with **zero allocation** for Temporarily Displaced Persons (TDPs). The Rs. 66 billion allocation is **insufficient** because in the 10 months of the current financial year the actual monthly current expenditure for MDs stands at Rs. 7.5 billion, resulting in actual current expenditure of Rs 75 billion so far. Based on the above, a minimum actual expected expenditure of Rs. 96 billion is projected for FY 2023-24. The complete current budget estimate for FY 2023-24 stood at Rs. 113 billion including TDPs.

In FY 2024-25, to adequately meet the current budget needs of MDs, the provincial budget reflects the requirement of Rs. 145 billion (including Rs. 17 billion for TDPs).

## 2.4 State Trading in Food (Account-II)

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

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

Figure 2.7

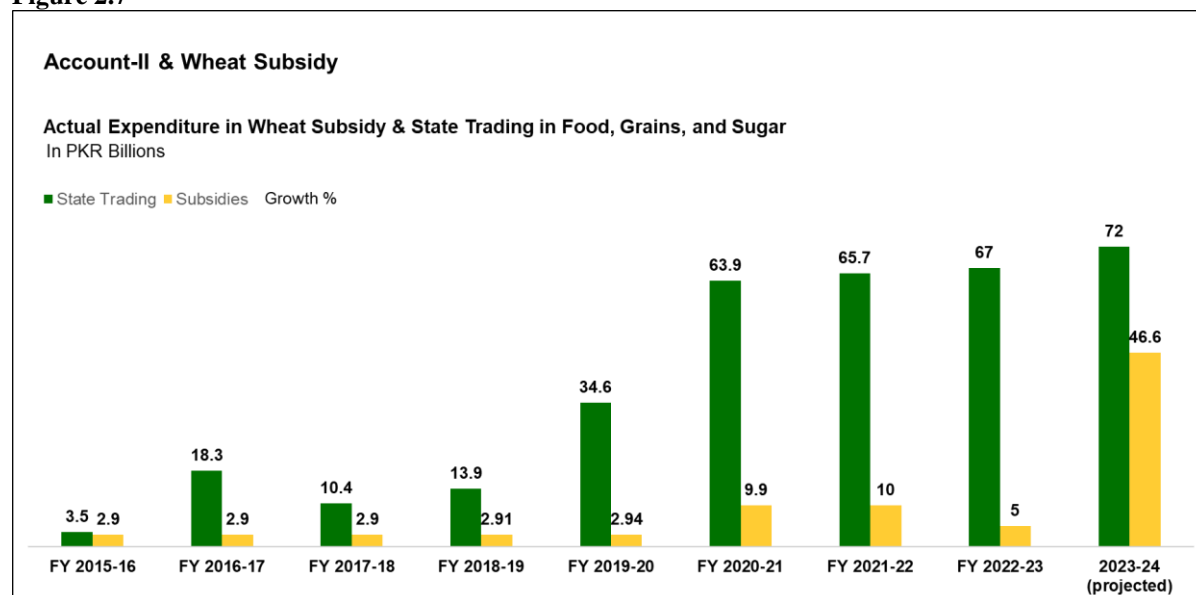


Table 10

### Account II (Food) - including MDs

Unit: Rs. Bn

Head	Actuals 2020-21	Actuals 2021-22	Actuals 2022-23	Budget 2023-24	Actuals* 2023-24	Budget 2024-25
<b>Total</b>	<b>63.9</b>	<b>65.7</b>	<b>67.0</b>	<b>103.1</b>	<b>71.5</b>	<b>102.9</b>
State Trading (Account-II)	63.9	65.7	67.0	103.1	71.5	102.9
Cash Credit Accommodation (Floating Debt)	0.0	0.0	0.0	0.0	0.0	0.0



## Chapter 3 – Expenditure Estimates

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

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

For FY 2024-25, total expenditure is estimated at **Rs. 1,654.0 billion** for the entire province of Khyber Pakhtunkhwa. This includes **Rs. 1,237.7 billion** as Current Expenditure and **Rs. 416.3 billion** as the total Development Expenditure.

In Current Expenditure of **Rs. 1,237.7 billion**, **Rs. 797.6 billion** are the pensions and provincial and district salaries.

The total expenditure of **Rs. 1,654.0 billion** is **21.5%** greater than last year's budgeted figure of **Rs. 1,360.4 billion**. The overall salary bill will rise by **12.5%**, as compared to last year's budgeted figures. Similarly, the pension bill will increase by **20.6%**.

In order to drive the economic recovery forward, the Government of Khyber Pakhtunkhwa has allocated record funds for development this year.

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

Table 11

### Details of Provincial (Settled) Expenditure

Unit: Rs. Bn

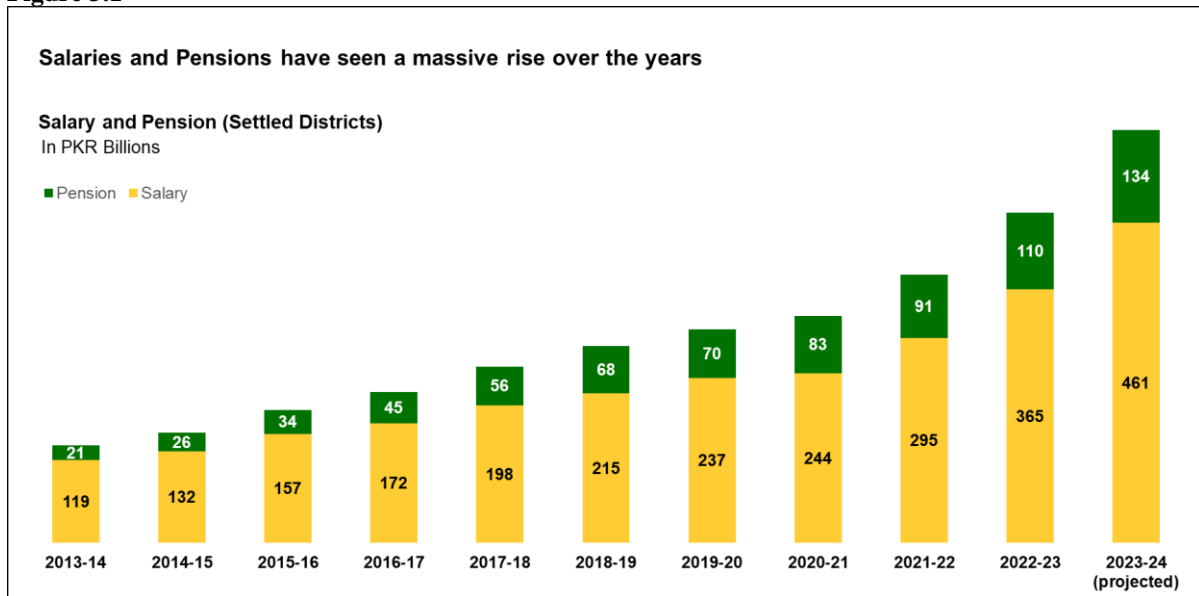
Head	Actuals 2020-21	Actuals 2021-22	Actuals 2022-23	Budget 2023-24	Actuals* 2023-24	Budget 2024-25
<b>Total</b>	<b>814.0</b>	<b>1,076.2</b>	<b>1,116.8</b>	<b>1,360.4</b>	<b>1,025.6</b>	<b>1,654.0</b>
Current Expenditure	599.8	816.7	970.4	1,059.3	890.4	1,237.7
Development Expenditure	214.2	259.5	146.3	301.1	135.2	416.3

A worrying trend for the Government of Khyber Pakhtunkhwa as for all governments in Pakistan, is the unsustainable increase in current expenditure, specifically driven by wages and pensions. The growth in salary and pensions is at a pace that is higher than the increase of overall funds available for expenditure.

### 3.1 Current Expenditure

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

**Figure 3.1**



The table below shows the detailed breakdown of current expenditure as well as actual figures since FY 2020-21. The total sanctioned staff strength of the Provincial Government is now **upwards of 686,546<sup>4</sup>**, with a total projected salary bill amounting to Rs. 535.4 billion in FY 2023-24. This is approximately **149% increase in the salary bill since FY 2018-19** from Rs. 215 billion.

The pension bill in FY 2024-25 is budgeted at Rs. 166.8 billion, including Rs. 4.4 billion for MDs. Together with salary, they form the bulk of the expenditure for the provincial government and the significant rate of increase in these heads comes at the cost of squeezing the development budget, as well as non-salary expenditure, which funds infrastructure improvements, textbooks for children in school and essential medicine for patients.

<sup>4</sup> May 2024 figures from Finance Department, KP

Table 12  
Current Expenditure  
Unit: Rs. Bn

Head	Actuals 2020-21	Actuals 2021-22	Actuals 2022-23	Budget 2023-24	Actuals* 2023-24	Budget 2024-25
<b>Total</b>	<b>370.6</b>	<b>438.3</b>	<b>538.7</b>	<b>699.2</b>	<b>672.6</b>	<b>797.6</b>
<b>Salary</b>	<b>287.0</b>	<b>346.4</b>	<b>426.4</b>	<b>560.9</b>	<b>535.4</b>	<b>630.8</b>
Settled - Provincial	77.4	93.9	164.3	216.8	199.9	246.0
Settled - Devolved	147.0	177.5	182.3	233.3	236.8	263.1
Medical Teaching Institutions ( MTIs )	19.4	22.9	18.1	28.2	24.3	27.0
MDs - Provincial	20.3	24.7	34.6	45.6	41.0	52.1
MDs - Devolved	22.8	27.5	27.1	37.0	33.4	42.6
<b>Pension</b>	<b>83.6</b>	<b>91.9</b>	<b>112.3</b>	<b>138.3</b>	<b>137.2</b>	<b>166.8</b>
Pension expenditure funded from taxpayer proceeds	82.7	90.6	109.7	134.0	133.8	162.4
Pension expenditure funded from Pension Fund profit	0.0		0.0	0.0	0.0	0.0
MDs	0.9	1.3	2.6	4.3	3.4	4.4

### 3.1.1 Revenue Transferred to Local Governments

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

The Provincial Finance Commission in its **12<sup>th</sup> meeting** held on **02 June 2020**, discussed and determined the allocable share(s) for local governments out of the provincial net divisible pool. The horizontal distribution, as recommended by the Commission, enables local governments to meet their expenditure on account of salary, non-salary, grants to local councils and development expenditure. Based on the recommendations of the said Commission, table 13 shows the proposed budget containing shares/grants to Local Governments for Financial Year 2024-25.

Under current expenditure, the local government's share for FY 2024-25 is **Rs 303.7 billion** vs. **Rs. 266.2 billion budgeted** in FY 2023-24. Subcomponents for FY 2024-25 include **Rs. 263.1 billion** for salary, **Rs. 29.6 billion** for non-salary expenditure and **Rs. 11.1 billion** as grants to local councils (for settled districts).

Table 13

Share of Local Government in Current Expenditure (Settled)

Unit: Rs. Bn

Head	Actuals 2020-21	Actuals 2021-22	Actuals 2022-23	Budget 2023-24	Actuals* 2023-24	Budget 2024-25
<b>Total</b>	<b>171.0</b>	<b>204.1</b>	<b>201.6</b>	<b>266.2</b>	<b>260.4</b>	<b>303.7</b>
Salary	147.0	177.5	182.3	233.3	236.8	263.1
Non Salary	19.7	17.5	12.9	24.0	16.6	29.6
Grant to Local Councils	4.3	9.1	6.4	8.9	7.0	11.1

### 3.2 Capital Expenditure

The Government of Khyber Pakhtunkhwa (GoKP) aims for prudent debt management to bolster the accelerated growth trajectory of the province via focused financing of productive sectors. Pursuant to Article 167 (4) of 1973 Constitution, the borrowing limit for GoKP is fixed at **Rs. 44 billion** as previously communicated by the National Economic Council (NEC). The NEC channels external finances through the Economic Affairs Division (EAD) of the Federal Government. The Capital Expenditure of GoKP primarily consists of loans and advances to Provincial Government employees and **debt principal repayment** as Capital Expenditure for the financial year 2024-25, shown in the table below.

Table 14  
Expenditure on Capital Accounts  
Unit: Rs. Bn

Head	Actuals 2020-21	Actuals 2021-22	Actuals 2022-23	Budget 2023-24	Actuals* 2023-24	Budget 2024-25
<b>Total</b>	<b>12.0</b>	<b>14.9</b>	<b>21.3</b>	<b>25.4</b>	<b>26.6</b>	<b>40.4</b>
Loans & Advances to Provincial Government Employees.	1.3	2.7	0.3	0.3	0.3	0.4
Capital Expenditure (Debt Principal Repayment)	10.6	12.2	21.0	25.1	26.3	40.0

### 3.3 Development Expenditure

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

The development budget for the FY 2024-25 has been budgeted at a Development Expenditure of **Rs. 416.3 billion**. The core focus in FY 2024-25 is to accelerate the economic recovery, generate employment, uplift the Human Development Index, and prioritize service delivery.

**Rs. 119.2 billion** has been set aside for merged districts’ development that includes Annual Development Programme, FPA, and Accelerated Implementation Plan (AIP).

Table 15.

**Development Expenditure**

Unit: Rs. Bn

Head	Actuals 2020-21	Actuals 2021-22	Actuals 2022-23	Budget 2023-24	Actuals* 2023-24	Budget 2024-25
<b>Development Expenditure</b>	<b>214.2</b>	<b>259.5</b>	<b>146.3</b>	<b>301.1</b>	<b>135.2</b>	<b>416.3</b>
<b>Annual Development Programme + Accelerated Implementation Programme</b>	<b>164.4</b>	<b>205.3</b>	<b>109.0</b>	<b>175.4</b>	<b>93.8</b>	<b>259.3</b>
ADP (Provincial - Settled Districts)	109.8	151.1	89.8	86.0	49.8	120.0
ADP (Devolved - Settled Districts)	7.9	1.8	1.2	17.2	0.0	24.0
ADP (Provincial - Merged Districts)	19.2	15.9	6.5	26.0	12.1	30.0
ADP (Devolved - Merged Districts)	27.5	36.5	0.0	5.2	0.0	6.0
Accelerated Implementation Plan (AIP - Funded)	0.0	0.0	11.5	41.0	31.9	79.3
Accelerated Implementation Plan (AIP - Unfunded)	0.0	0.0	0.0	0.0	0.0	0.0
<b>Foreign Project Assistance (FPA)</b>	<b>38.1</b>	<b>17.9</b>	<b>24.8</b>	<b>114.4</b>	<b>35.8</b>	<b>130.6</b>
FPA Settled Districts	38.1	17.9	23.6	110.6	33.4	126.7
FPA Merged Districts			1.1	3.8	2.4	3.9
<b>PSDP expenditure for provincially executed projects</b>	<b>11.7</b>	<b>36.4</b>	<b>12.6</b>	<b>11.3</b>	<b>5.6</b>	<b>26.4</b>

## Chapter 4 – Merged Districts

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

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

At the time of the merger, the development of FATA was acknowledged as a collective national responsibility, and all provinces promised that a due contribution of 3% from the divisible pool will be diverted towards the growth and prosperity of the Merged Districts (MDs). This 3% was promised to bring MDs at par with other regions in terms of economic development. However, the commitment of the other provinces failed to materialize, with KP the only province fulfilling its mandate of diverting its own settled district resources to stimulate economic activity in the Merged Districts.

### 4.1 Budget Numbers 2024-25 for Merged Districts

The overall current and development expenditure of the Merged Districts is around **Rs. 259.9 billion (excluding FPA)**. Current expenditure is expected to be around **Rs. 144.6 billion**, against a budgeted amount of **Rs. 116.9 billion** from last year. The development expenditure is budgeted at **Rs. 115.3 billion** which was around **Rs. 72.2 billion** for the last fiscal year.

Table 16a

#### Expenditure of Merged Districts

Unit: Rs. Bn

HEAD	B.E 2024-25
<b>Total Expenditure</b>	<b>263.8</b>
<b>Current Expenditure</b>	<b>144.63</b>
Salary	94.76
Non-Salary - O&M and Contingencies	49.87
<b>Development Expenditure</b>	<b>115.29</b>
ADP (Provincial - NMDs)	30.00
ADP (Devolved - NMDs)	6.00
Accelerate Implementation Plan (AIP - Funded)	79.29
Accelerate Implementation Plan (AIP - Unfunded)	0.00
<b>FPA</b>	<b>3.90</b>

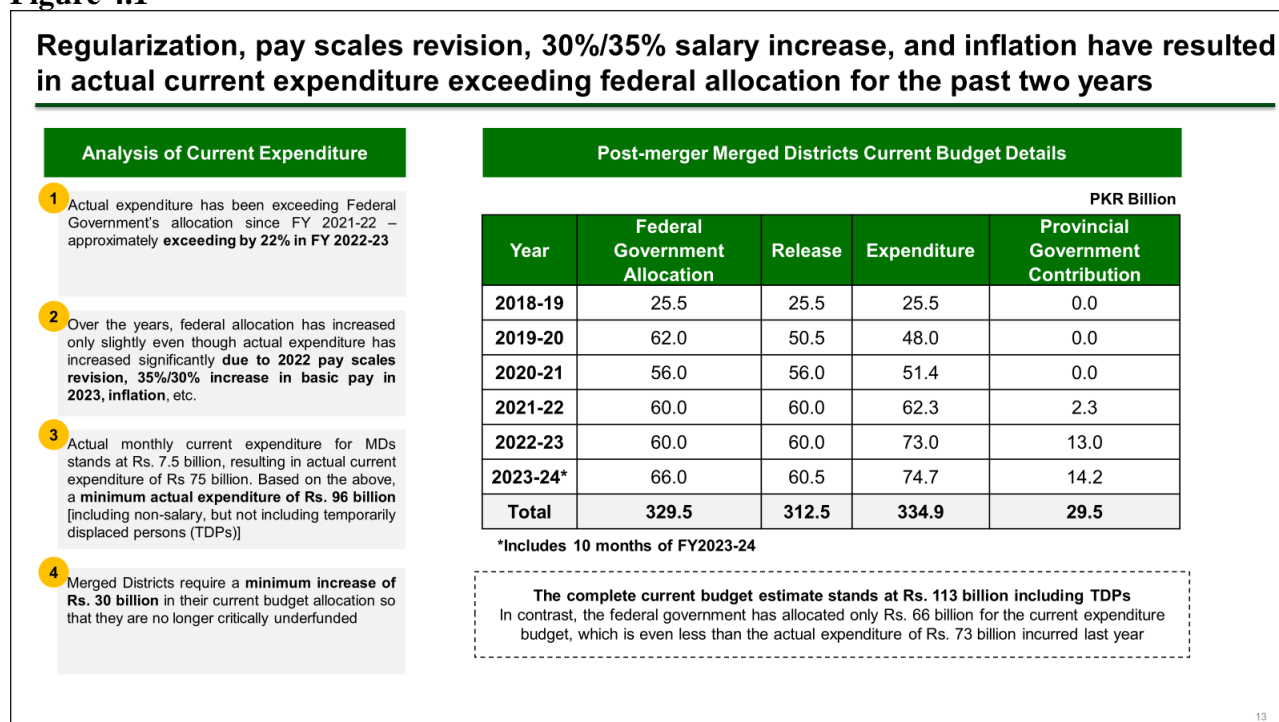
## Underfunding of MDs Current Budget

Since the merger, the multiple unavoidable factors have gradually led to the ballooning of current side expenditures. These factors included expansion of government functions into Merged Districts along with the extension of multiple services such as successfully conducting local government elections, setting up Tehsil Municipal Administrations and Village Councils, and expanding state authority through administrative integration and judiciary extension.

These initiatives required a workforce commensurate with the expanded government functions and service delivery systems. In addition to that, the workforce was considerably expanded because of the absorption of levies and khasadars into regular positions and shifting of human resources engaged in regular functions from project mode to the current side. As a result, the current side budget saw a significant increase.

In recent years, actual current expenditure in Merged Districts has increased significantly due to 2022 pay scales revision, 35%/30% increase in basic pay in 2023, inflation, and other economic factors. Actual expenditure has been exceeding Federal Government's allocation since FY 2021-22 –approximately exceeding by 22% in FY 2022-23.

**Figure 4.1**



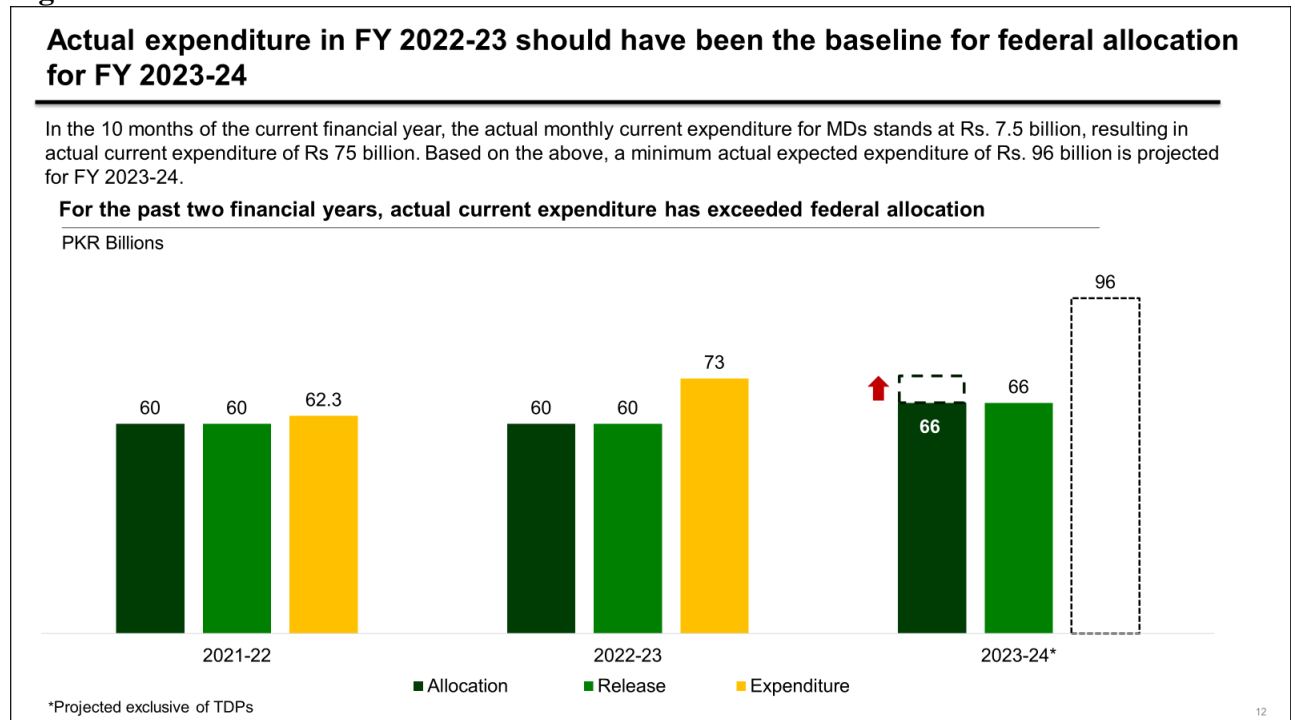
For the current year 2023-24, the Federal Government has **increased** the grant for current budget of MDs as compared to the previous year. The total allocation for the current grant of MDs has been increased to Rs. 66 billion, which is wholly composed of salary and non-salary, with **zero allocation** for TDPs. The Rs. 66 billion allocation is **insufficient** to meet the basic salary and pension needs of MDs as the previous year's actual current side expenditure was Rs. 73 billion.

In the 10 months of the current financial year, the actual monthly current expenditure for MDs stands at Rs. 7.5 billion, resulting in actual current expenditure of Rs 75 billion. Based on the above, a minimum actual expected expenditure of Rs. 96 billion is projected for FY 2023-24. Moreover, Rs. 2.8 billion expenditure for TDPs was incurred during this period, while the



budget allocation for TDPs has been slashed from Rs. 17 billion to zero over the course of the previous five years. The complete current budget estimate for FY 2023-24 stood at Rs. 113 billion including TDPs.

**Figure 4.2**



For FY 2024-25, the complete estimate requirement for the current expenditure is budgeted at **Rs. 145 billion.**

Table 16b.  
Department wise Current Budget Estimates for Merged District 2024-25  
Rs. Bn

DEMAND NO	DEPARTMENTS	BUDGET ESTIMATES 2023-24	REVISED ESTIMATES 2023-24	POSTS 2024-25	BUDGET ESTIMATES 2024-25		
					SALARY	NON SALARY	TOTAL
<b>Total (Revenue Budget)</b>		<b>116,867</b>	<b>116,867</b>	<b>116,169</b>	<b>94,899</b>	<b>49,729</b>	<b>144,628</b>
61	GENERAL ADMINISTRATION	168.11	168.11	100	56.75	90.96	147.70
61	TREASURIES	123.77	123.77	114	123.12	5.94	129.06
61	FINANCE	5,270.66	5,270.66	78	2,850.26	6,021.70	8,871.96
61	PLANNING & DEVELOPMENT	305.40	305.40	292	311.23	4.76	315.99
61	BUREAU OF STATISTICS	7.08	7.08	10	7.02	0.35	7.37
61	REVENUE & ESTATE	38.99	38.99	9	10.09	3.29	13.38
61	EXCISE AND TAXATION DEPARTMENT	46.55	46.55	115	51.44	6.97	58.40
61	HOME & TRIBAL AFFAIRS	695.20	695.20	546	679.38	71.34	750.73
61	JAILS & CONVICTS SETTLEMENT	411.68	411.68	594	422.10	32.53	454.63
61	ADMINISTRATION OF JUSTICE	915.38	915.38	1,016	943.68	88.98	1,032.66
61	HIGHER EDUCATION, ARCHIVES & LIBRARIES	2,388.01	2,388.01	2,337	2,565.47	57.61	2,623.09
61	HEALTH	14,098.70	14,098.70	14,203	10,410.02	4,149.17	14,559.19
61	COMMUNICATION & WORKS	1,669.17	1,669.17	2,613	1,717.44	141.42	1,858.85
61	ROADS HIGHWAYS & BRIDGES (REPAIR)	170.88	170.88	-	-	233.91	233.91
61	BUILDINGS & STRUCTURES (REPAIR)	130.48	130.48	-	-	161.80	161.80
61	PUBLIC HEALTH ENGINEERING	1,455.06	1,455.06	2,643	1,272.74	306.35	1,579.09
61	LOCAL GOVERNMENT	75.46	75.46	59	67.60	16.53	84.13
61	AGRICULTURE	382.32	382.32	516	368.19	66.10	434.29
61	ANIMAL HUSBANDRY	429.90	429.90	151	119.21	352.76	471.97
61	FORESTRY (WILDLIFE)	1,309.32	1,309.32	2,036	1,359.56	123.29	1,482.85
61	FISHERIES	59.27	59.27	78	54.02	10.95	64.97
61	IRRIGATION	319.67	319.67	345	309.50	58.80	368.30
61	INDUSTRIES	38.59	38.59	56	37.38	4.41	41.79
61	MINERAL DEVELOPMENT AND INSPECTORATE OF MINES	134.80	134.80	296	136.92	16.28	153.20
61	POPULATION WELFARE	30.35	30.35	15	15.48	16.12	31.60
61	TECHNICAL EDUCATION AND MANPOWER	370.12	370.12	398	383.62	21.39	405.00
61	LABOUR	36.49	36.49	107	41.82	5.38	47.21
61	INFORMATION & PUBLIC RELATIONS	43.62	43.62	38	42.55	5.09	47.64
61	SOCIAL WELFARE, SPECIAL EDUCATION & WOMEN EMPOWERMENT	420.83	420.83	100	87.72	607.32	695.04
61	ZAKAT & USHER	34.75	34.75	67	33.94	4.63	38.57
61	SPORTS, CULTURE, TOURISM & MUSEUMS	38.53	38.53	42	39.33	2.30	41.63
61	ENERGY & POWER	22.91	22.91	28	24.63	0.39	25.01
61	TRANSPORT & MASS TRANSIT DEPARTMENT	19.23	19.23	104	18.68	2.43	21.11
61	ELEMENTARY & SECONDARY EDUCATION	1,247.28	1,247.28	280	291.43	1,242.20	1,533.63
61	RELIEF REHABILITATION AND SETTLEMENT	5,322.23	5,322.23	1,981	1,126.21	17,094.35	18,220.56
61	POLICE	25,406.87	25,406.87	36,564	26,143.39	867.37	27,010.76
61	GRANT TO LOCAL COUNCILS	1,430.03	1,430.03	-	-	2,148.00	2,148.00
61	PENSION	4,299.54	4,299.54	-	139.46	4,299.45	4,438.91
61	TEHSIL SALARY	37,000.00	37,000.00	48,238	42,637.90	-	42,637.90
61	TEHSIL NON SALARY	9,000.00	9,000.00	-	-	9,886.55	9,886.55
61	SUBSIDIES	1,500.00	1,500.00	-	-	1,500.00	1,500.00
<b>CAPITAL EXPENDITURE - FOOD (ACCOUNT-II)</b>							
66	STATE TRADING IN FOOD GRAINS AND SUGAR	244.48	244.48	120	97.10	256.68	354

## 4.2 Development in Merged Districts

Development funding has grown massively in the MDs after its merger with Khyber Pakhtunkhwa. However, FY 2022-23 saw an unprecedented decline. For FY 2022-23, the total allocation for the development grant was projected to increase to Rs. 95.6 billion (including Rs. 34.618 billion as the 3% NFC share from other provinces and Rs. 6 billion as KP's share.) from Rs. 60 billion in the previous year. Yet, the Federal Government chose to renege on its commitment to the Tribal Decade Strategy and slashed development funding to erstwhile FATA.

Moreover, exacerbating the situation, releases for the year **fell short by Rs. 15.15 billion** compared to the allocated development grant for FY 2022-23 of **Rs. 55 billion**. This reduction in funding severely hampers the progress and development initiatives in the MDs, which have seen significant growth in development funding since their merger with Khyber Pakhtunkhwa. Despite the decreased allocation for development for the fiscal year, the shortfall in releases undermines the government's commitment to development in MDs and jeopardizes crucial development projects in the region. The decline in funding signals a concerning setback in the efforts to address the developmental needs of the MDs and underscores the urgency for the Federal Government to honor its commitments towards their socio-economic upliftment.

This year, the requirement for development spending in MDs is **Rs. 115.3 billion** (including 3% share to be contributed from the provinces), as reflected in the province's budget. This enhanced amount reflects the critical nature of development funding requirements of MDs. The MDs are at risk of falling further behind in crucial infrastructure projects, education, healthcare, and other essential services. The stark contrast between the federal allocated budget and the actual developmental requirements of the MDs highlights the pressing need for increased attention and support from the Federal Government to ensure the sustainable development and prosperity of these regions.

During the merger, Rs. 100 billion was committed annually for 10 years as part of the Tribal Decade Strategy, in addition to the current grant and merged area annual development plan allocations. **Out of the Rs. 500 billion committed for the Accelerated Implementation Program, only Rs. 111.1 billion has been received, resulting in a shortfall of Rs. 388.9 billion from 2018-19 to 2023-24 (10 months up to April).**

## **Key Principles for Utilizing Merged Areas Development Plan Funds**

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

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

## **Chapter 5 – Annual Development Programme (ADP)**

### **5.1 Prospects and Challenges for Khyber Pakhtunkhwa**

Khyber Pakhtunkhwa (KP), with a population exceeding 40 million, contributes 10.10% to Pakistan's national GDP but generates only about 7% of its Own Source Revenue (OSR), making it heavily dependent on federal transfers. The province faces geographical constraints, being landlocked and bordered by Afghanistan, which limits access to sea routes. Additionally, KP has relatively less agricultural land compared to other provinces.

Despite these longstanding challenges, Khyber Pakhtunkhwa is rich in natural resources, including hydropower potential, oil and gas reserves, and substantial deposits of metallic and non-metallic minerals. The province presents huge opportunities for establishing industrial and manufacturing units, particularly in its Special Economic Zones (SEZs).

### **5.2 Public-Private Partnerships in Khyber Pakhtunkhwa**

Following the enactment of the Public-Private Partnerships (PPPs) legislation in 2020, the KP government has embraced PPPs as an alternative procurement model for both social and infrastructure projects. This approach aims to improve innovation, enhance service delivery, reduce the government budget, and distribute risk between the public and private sectors for optimal asset and service utilization.

To facilitate smooth execution of PPP projects, various Units have been established within the Planning & Development Department (P&DD), the Finance Department, and Nodes in other key line Departments. Notably, the Swat Motorway Phase-I and the Rasakai Economic Zone have been successfully completed using the PPP model. Additionally, the Swat Motorway Phase-II has achieved commercial close, with financial close anticipated soon.

Currently, the KP government is advancing numerous projects across sectors such as tourism, C&W, Education, and Health through PPPs. These projects are at various stages of implementation. Upon completion it will contribute to the province's economic development by promoting efficient project execution, introducing innovative solutions, mobilizing additional funding, and supporting the development of critical infrastructure.

1. Daraban Economic Zone: Feasibility under-process
2. Integrated Tourism zones in Ganool, Mankiyal, Thandiani, and Madaklasht: to be retendered.
3. Khyber Pakhtunkhwa Carbon Market Transaction on PPP Mode: feasibility under process
4. Dir Motorway: Feasibility to be revised.
5. D. I. Khan Motorway: To be tendered.
6. Construction of road connecting Indus Highway (N-55) at take-off Bannu link Road with Halka-yarak-D.I. Khan Motorway: To be tendered.
7. Lower Spat Gah hydro project (470MW): feasibility updated to be submitted to PPP Unit.

The pipeline Foreign Aided projects present promising opportunities for continued development. KPCIP-2 is a pipeline project with financing from ADB. The project readiness financing is underway for KPCIP-2 in Swat Matta, D.I.Khan and Bannu. Consultants are on

board and detailed engineering designs are prepared. The Project readiness financing from ADB has been secured for pipeline BRT-Phase 2 project. This Project will be an extension of the existing BRT to Khyber Road, Dalazak, Kohat road and Warsak road.

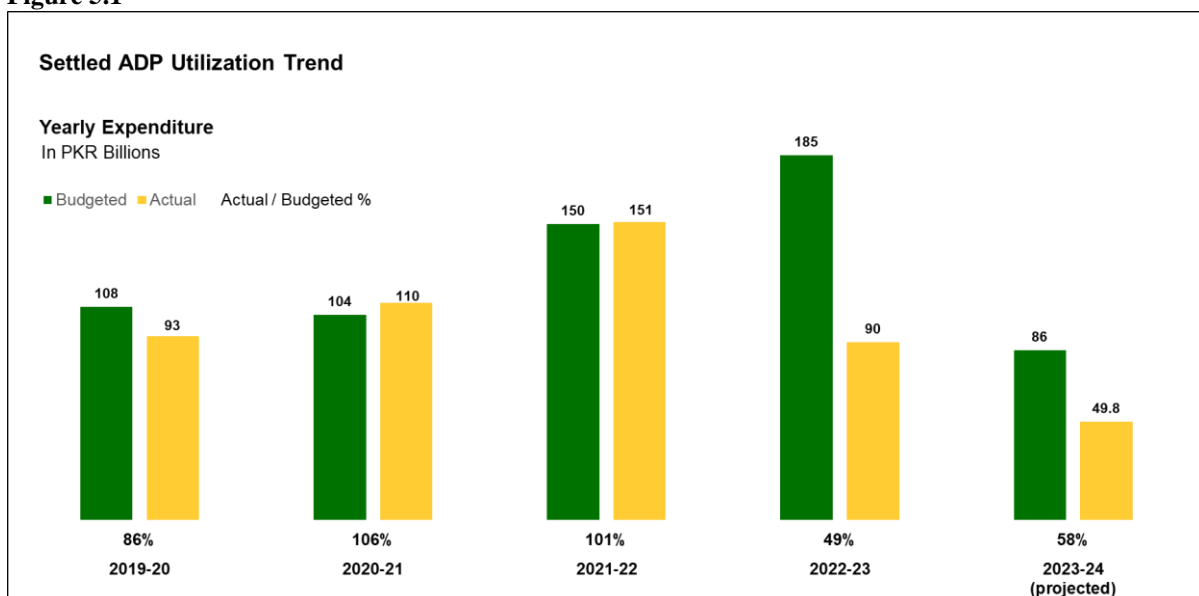
- District M&E Setup is planned to beef up existing Divisional setup
- Revision of M&E Framework is planned to be developed
- Enhancement of DPMIS and its integration with PCFMS will be carried out
- Two major surveys namely Comprehensive Food Security and Livelihood Assessment (CFSLA) and Health & Population Survey, under National Health Support Programme, are planned to be initiated.

### 5.3 Annual Development Programme (ADP)

The Annual Development Programme (ADP) is a key tool for the Government of Khyber Pakhtunkhwa to plan, execute, and monitor development spending in the province. Approved by the provincial assembly as part of the annual budget, the ADP has legal backing under the Constitution of Pakistan. The ADP reflects the government's vision and priorities, aiming to achieve provincial goals. Its formulation considers factors such as policy choices, financial outlay, economic growth, public impact, service delivery, infrastructure improvement, poverty eradication, addressing development lags, and ensuring value for money. This involves making strategic policy and investment decisions.

Over the years, Khyber Pakhtunkhwa has remained committed to these principles of ADP. The province has consistently focused on maximizing economic growth, improving public services, and addressing regional development disparities. The utilization trend of ADP for settled districts, given below, demonstrates the province's dedication to maximizing development and improving the quality of life for its residents.

Figure 5.1



## 5.4 Major Achievements during FY 2023-24

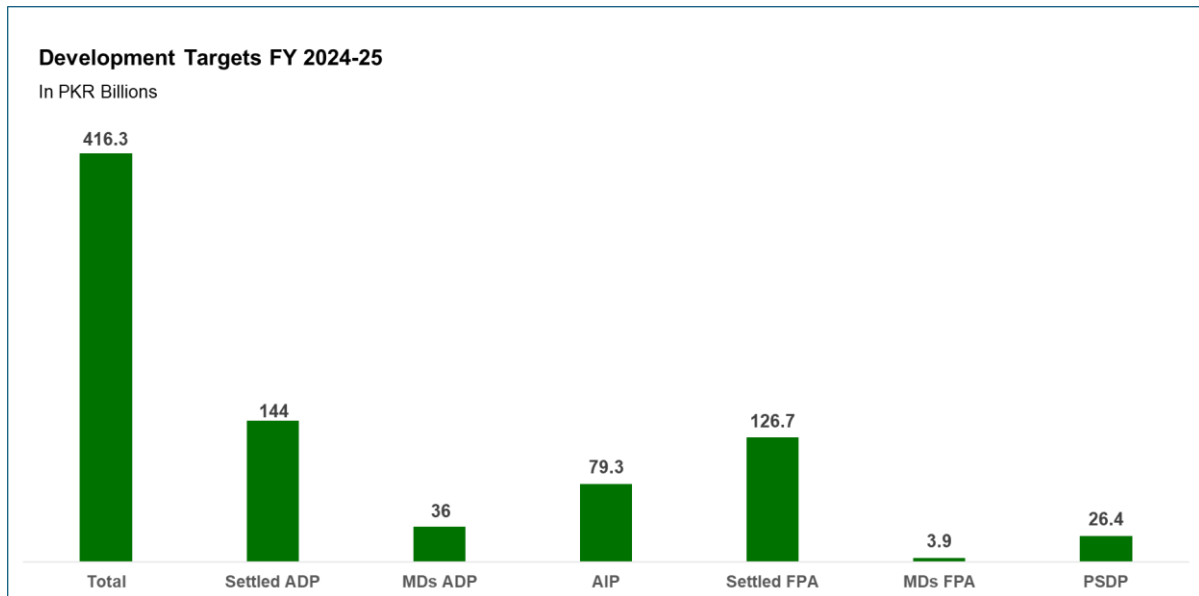
In FY 2023-24, Rs. 175.40 billion was allocated to 2,194 schemes (1,889 ongoing + 305 new), of which 32 schemes have been completed. The following targets have been achieved in FY 2023-24:

- The Planning & Development Department, through its Monitoring & Evaluation (M&E) Directorate, has regularly monitored ADP/PSDP schemes with a 25% sample across the province, including M&R works and donor-funded projects.
- The P&D Department (PPP Unit) was instrumental in processing Special Investment Facilitation Council (SIFC)-backed initiatives, extending assistance to the Agriculture Department in structuring and processing the leasing of agricultural land to Green Corporate Initiative Pvt. Ltd.
- An amount of Rs. 920 million was released to the Kohat Division Development Project for ongoing schemes in Kohat, Karak, and Hangu.
- An amount of Rs. 303 million was released for the Janikhel Development Package, facilitating the early completion of ongoing roads and other basic infrastructure, thus helping the district administration access the area and uplift socio-economic conditions.
- An amount of Rs. 23.926 million was released to the DFC scheme, i.e., Special Development Package for Militancy Hit/Backward Area of Swat, and the scheme was completed during CFY.
- An amount of Rs. 8 billion was released for special forum projects to expedite work on strategic projects like the road from Mamad Gat to Timergara, improvement of the road from Thall Mirali, construction of police posts/stations, a bridge at Tochi River, and de-radicalization centers in North Waziristan, South Waziristan, and Khyber. Funds were also provided for the road from Datta Khel to Dawatoi.
- An amount of Rs. 1.2 billion was released for the Zakhakhel package during CFY, which greatly helped rebuild critical infrastructure in roads, irrigation, DWSS, local government, agriculture, and forestry, severely affected during militancy.
- An amount of Rs. 118 million was provided for the Integrated Area Development Package North Waziristan for TEVTA trainees and youth engagement programs.
- The initiation of the PRF-Water Resource Development Project, supported by an ADB loan since June 2023, marks a significant step toward addressing crucial water resource challenges. The launch of the Food Security Project, funded by ADB and achieving loan effectiveness in 2024, underscores efforts to ensure food sufficiency in KP. The approval of the Rural Roads Development Project by ECNEC in January 2024, financed by ADB, underscores the commitment to enhancing infrastructure and connectivity in rural areas.
- The Billion Tree Afforestation Support Project, backed by a KFW grant, witnessed its inaugural Project Steering Committee meeting in June 2023, signaling progress in combating deforestation and promoting environmental sustainability. Moreover, the endeavor to establish two Excellence Hubs in renewable energy in Peshawar and Swat, funded by KFW, aims to boost capacity-building efforts in solar and micro-hydropower technologies.
- The approval of the KP RIISP, a World Bank-funded project in 2023, is a milestone for rural infrastructure development. Furthermore, the development of a High Economic Impact Plan in collaboration with the MAGP seeks to catalyze investments in productive sectors within the Merged Areas, fostering economic growth and prosperity.

- The establishment of the Climate Change Cell within the Planning and Development Department, Khyber Pakhtunkhwa, marks a crucial step in addressing climate change. This initiative aims to streamline climate finance and promote green financing. Key projects like the Ten Billion Tree Tsunami and the Billion Tree Afforestation Project exemplify the government's dedication to combating climate change and conserving natural resources.

### 5.5 Future Targets FY 2024-25

The total outlay of development funds for FY 2024-25 is **Rs. 416.3 billion** for, as per details given below:





## 5.6 Sector wise Breakdown Allocations

The detailed breakup of the 2024-45 development budget for each sector is shown in table 17.

Table 17  
Sectorwise Allocation of Development Expenditure 2024-25  
Unit: Rs. Mln

S.No.	Sector	KP				MA				AIP	Total	Sector Share (%)
		Local	F.Aid	PSDP	Total	Local	F.Aid	PSDP	Total			
<b>Grand Total</b>		<b>144,000</b>	<b>126,687</b>	<b>25,839</b>	<b>296,526</b>	<b>36,000</b>	<b>3,899</b>	<b>573</b>	<b>40,472</b>	<b>79,286</b>	<b>416,283</b>	<b>100%</b>
1	Agriculture	3518.86	10960.00	1649.64	16,129	260.98	400.00	0.00	661	850.00	17,639	4.24%
2	Auqaf, Haji, Religious & Minority Affairs	1039.42	0.00	0.00	1,039	18.80	0.00	0.00	19	106.46	1,165	0.28%
3	Board Of Revenue	634.81	0.00	0.00	635	80.84	0.00	0.00	81	790.00	1,506	0.36%
4	Drinking Water & Sanitation	4070.00	800.00	130.70	5,001	1056.00	0.00	0.00	1,056	1550.50	7,607	1.83%
5	Elementary And Secondary Education	4612.00	11200.00	0.00	15,812	2260.67	1499.00	0.00	3,760	3711.00	23,283	5.59%
6	Energy And Power	2517.35	26160.00	871.33	29,549	157.46	0.00	0.00	157	1432.38	31,139	7.48%
7	Environment	67.17	0.00	0.00	67	0.00	0.00	0.00	0	0.00	67	0.02%
8	Establishment & Administration	656.79	0.00	0.00	657	100.00	0.00	0.00	100	0.00	757	0.18%
9	Excise Taxation & Narcotics Control	154.60	0.00	0.00	155	23.00	0.00	0.00	23	0.00	178	0.04%
10	Finance	20.00	2420.00	0.00	2,440	0.00	0.00	0.00	0	0.00	2,440	0.59%
11	Food	199.00	0.00	0.00	199	0.00	0.00	0.00	0	110.00	309	0.07%
12	Forestry	2850.56	859.60	2163.59	5,874	19.12	0.00	0.00	19	255.00	6,148	1.48%
13	Health	9708.55	12700.00	3284.61	25,693	6191.66	0.00	0.00	6,192	3886.19	35,771	8.59%
14	Higher Education	3415.00	0.00	0.00	3,415	482.00	0.00	0.00	482	777.90	4,675	1.12%
15	Home	1587.73	0.00	0.00	1,588	4201.18	0.00	0.00	4,201	737.00	6,526	1.57%
16	Housing	302.01	0.00	0.00	302	0.00	0.00	0.00	0	0.00	302	0.07%
17	Industries	1287.66	0.00	0.00	1,288	323.75	0.00	0.00	324	612.76	2,224	0.53%
18	Information	46.50	0.00	0.00	47	0.00	0.00	0.00	0	25.00	72	0.02%
19	Labour	152.94	0.00	0.00	153	0.00	0.00	0.00	0	0.00	153	0.04%
20	Law & Justice	1449.90	0.00	0.00	1,450	60.00	0.00	0.00	60	637.00	2,147	0.52%
21	Livestock & Dairy Development	2062.77	0.00	0.00	2,063	221.95	0.00	0.00	222	434.00	2,719	0.65%
22	Local Government	3188.54	0.00	0.00	3,189	189.45	0.00	0.00	189	10.00	3,388	0.81%
23	Mines And Minerals	182.66	0.00	0.00	183	35.00	0.00	0.00	35	0.00	218	0.05%
24	Multi Sectoral Development	34777.42	12610.40	87.13	47,475	5795.03	2000.00	0.00	7,795	10737.69	66,008	15.86%
25	Population Welfare	417.00	0.00	0.00	417	13.00	0.00	0.00	13	69.00	499	0.12%
26	Public Private Partnership	224.00	0.00	0.00	224	0.00	0.00	0.00	0	0.00	224	0.05%
27	Relief & Rehabilitation	1593.69	0.00	0.00	1,594	0.00	0.00	0.00	0	47.00	1,641	0.39%
28	Roads	15121.54	18907.00	11203.46	45,232	5283.00	0.00	572.59	5,856	7311.13	58,399	14.03%
29	Social Welfare	1021.68	0.00	0.00	1,022	57.44	0.00	0.00	57	259.80	1,339	0.32%
30	Sports Tourism Archaeology Culture And Youth Affair	5427.95	0.00	0.00	5,428	447.62	0.00	0.00	448	655.00	6,531	1.57%
31	St&it	863.01	500.00	0.00	1,363	14.95	0.00	0.00	15	290.00	1,668	0.40%
32	Tehsils Adp	24000.00	0.00	0.00	24,000	6000.00	0.00	0.00	6,000	0.00	30,000	7.21%
33	Tourism	2915.80	5000.01	0.00	7,916	74.08	0.00	0.00	74	393.00	8,383	2.01%
34	Transport	53.19	0.00	0.00	53	0.00	0.00	0.00	0	51.00	104	0.03%
35	Urban Development	4656.20	15540.00	0.00	20,196	1240.00	0.00	0.00	1,240	1663.85	23,100	5.55%
36	Urban Policy Unit	0.00	500.00	0.00	500	0.00	0.00	0.00	0	0.00	500	0.12%
37	Water	9203.71	8530.00	6448.08	24,182	1393.01	0.00	0.00	1,393	2597.34	28,172	6.77%
38	3% Nfc Other Provinces Share Unfunded	0.00	0.00	0.00	0	0.00	0.00	0.00	0	39286.00	39,286	9.44%

## 5.7 Department-wise Breakdown of Development Budget

A department-wise breakdown of development figures (**excluding PSDP**) is given in table 18 below.

Table 18a.

### Departmental Estimates of Expenditure

Units: Rs. Mln

Department	BE 2024-25 (Settled)	BE 2024-25 (Merged)	Total BE 2024-25
<b>Agriculture</b>			
<b>Current</b>	<b>10,975.2</b>	<b>1,619.7</b>	<b>12,594.8</b>
1 Salary	7,458.6	1,317.3	<b>8,776.0</b>
2 Non Salary	3,516.5	302.3	<b>3,818.9</b>
<b>Development</b>	<b>14,478.9</b>	<b>1,511.0</b>	<b>15,989.8</b>
<b>Auqaf, Hajj, Religious &amp; Minority Affairs</b>			
<b>Current</b>	<b>2,550.6</b>	<b>0.0</b>	<b>2,550.6</b>
1 Salary	72.4		<b>72.4</b>
2 Non Salary	2,478.2		<b>2,478.2</b>
<b>Development</b>	<b>1,039.4</b>	<b>125.3</b>	<b>1,164.7</b>
<b>Communication &amp; Works</b>			
<b>Current</b>	<b>11,659.0</b>	<b>2,254.6</b>	<b>13,913.5</b>
1 Salary	4,865.3	1,717.4	<b>6,582.7</b>
2 Non Salary	6,793.7	537.1	<b>7,330.8</b>
<b>Development</b>	<b>34,028.5</b>	<b>12,594.1</b>	<b>46,622.7</b>
<b>Elementary &amp; Secondary Education</b>			
<b>Current</b>	<b>263,872.0</b>	<b>39,710.2</b>	<b>303,582.2</b>
1 Salary	238,921.9	36,061.2	<b>274,983.1</b>
2 Non Salary	24,950.2	3,648.9	<b>28,599.1</b>
<b>Development</b>	<b>15,862.0</b>	<b>7,420.7</b>	<b>23,282.7</b>
<b>Energy &amp; Power</b>			
<b>Current</b>	<b>381.7</b>	<b>25.0</b>	<b>406.7</b>
1 Salary	249.9	24.6	<b>274.5</b>
2 Non Salary	131.9	0.4	<b>132.2</b>
<b>Development</b>	<b>28,730.5</b>	<b>1,640.8</b>	<b>30,371.4</b>

Table 18b.

**Departmental Estimates of Expenditure**

Units: Rs. Mln

<b>Department</b>	<b>BE 2024-25 (Settled)</b>	<b>BE 2024-25 (Merged)</b>	<b>Total BE 2024-25</b>
<b>Environment &amp; Forestry (Wildlife)</b>			
<b>Current</b>	<b>6,351.3</b>	<b>1,482.8</b>	<b>7,834.1</b>
1 Salary	5,591.0	1,359.6	6,950.5
2 Non Salary	760.3	123.3	883.6
<b>Development</b>	<b>3,777.3</b>	<b>274.1</b>	<b>4,051.5</b>
<b>Establishment &amp; Administration</b>			
<b>Current</b>	<b>7,920.7</b>	<b>147.7</b>	<b>8,068.4</b>
1 Salary	4,288.0	56.7	4,344.7
2 Non Salary	3,632.7	91.0	3,723.7
<b>Development</b>	<b>656.8</b>	<b>100.0</b>	<b>756.8</b>
<b>Excise &amp; Taxation</b>			
<b>Current</b>	<b>1,673.1</b>	<b>58.4</b>	<b>1,731.5</b>
1 Salary	1,361.0	51.4	1,412.4
2 Non Salary	312.1	7.0	319.1
<b>Development</b>	<b>104.6</b>	<b>23.0</b>	<b>127.6</b>
<b>Finance, Treasuries &amp; Local Fund Audit</b>			
<b>Current</b>	<b>26,795.0</b>	<b>9,001.0</b>	<b>35,796.0</b>
1 Salary	1,944.4	2,973.4	4,917.7
2 Non Salary	24,850.6	6,027.6	30,878.2
<b>Development</b>	<b>2,440.0</b>	<b>0.0</b>	<b>2,440.0</b>
<b>Food</b>			
<b>Current</b>	<b>25,199.0</b>	<b>1,500.0</b>	<b>26,699.0</b>
1 Salary			0.0
2 Non Salary	25,199.0	1,500.0	26,699.0
<b>Development</b>	<b>199.0</b>	<b>160.0</b>	<b>359.0</b>

Table 18c.

**Departmental Estimates of Expenditure**

Units: Rs. Mln

<b>Department</b>	<b>BE 2024-25 (Settled)</b>	<b>BE 2024-25 (Merged)</b>	<b>Total BE 2024-25</b>
<b>Health</b>			
<b>Current</b>	<b>181,754.0</b>	<b>14,559.2</b>	<b>196,313.1</b>
1 Salary	89,337.3	10,410.0	<b>99,747.4</b>
2 Non Salary	92,416.6	4,149.2	<b>96,565.8</b>
<b>Development</b>	<b>22,408.6</b>	<b>10,077.9</b>	<b>32,486.4</b>
<b>Higher Education, Archives And Libraries</b>			
<b>Current</b>	<b>28,530.5</b>	<b>2,623.1</b>	<b>31,153.6</b>
1 Salary	23,299.0	2,565.5	<b>25,864.5</b>
2 Non Salary	5,231.5	57.6	<b>5,289.1</b>
<b>Development</b>	<b>3,415.0</b>	<b>1,259.9</b>	<b>4,674.9</b>
<b>Home &amp; Tribal Affairs, Police &amp; Jails</b>			
<b>Current</b>	<b>105,884.1</b>	<b>28,216.1</b>	<b>134,100.2</b>
1 Salary	87,956.7	27,244.9	<b>115,201.5</b>
2 Non Salary	17,927.5	971.2	<b>18,898.7</b>
<b>Development</b>	<b>1,587.7</b>	<b>4,938.2</b>	<b>6,525.9</b>
<b>Housing</b>			
<b>Current</b>	<b>198.1</b>	<b>0.0</b>	<b>198.1</b>
1 Salary	84.7		<b>84.7</b>
2 Non Salary	113.4		<b>113.4</b>
<b>Development</b>	<b>302.0</b>	<b>0.0</b>	<b>302.0</b>
<b>Industries, Commerce, Stationery &amp; Printing And Technical Education</b>			
<b>Current</b>	<b>4,860.7</b>	<b>446.8</b>	<b>5,307.5</b>
1 Salary	3,200.7	421.0	<b>3,621.7</b>
2 Non Salary	1,660.0	25.8	<b>1,685.8</b>
<b>Development</b>	<b>1,287.7</b>	<b>936.5</b>	<b>2,224.2</b>

Table 18d.

**Departmental Estimates of Expenditure**

Units: Rs. Mln

<b>Department</b>	<b>BE 2024-25 (Settled)</b>	<b>BE 2024-25 (Merged)</b>	<b>Total BE 2024-25</b>
<b>Information And Public Relation</b>			
<b>Current</b>	<b>665.9</b>	<b>47.6</b>	<b>713.5</b>
1 Salary	373.9	42.5	416.5
2 Non Salary	291.9	5.1	297.0
<b>Development</b>	<b>46.5</b>	<b>25.0</b>	<b>71.5</b>
<b>Inter Provincial Coordination</b>			
<b>Current</b>	<b>98.1</b>	<b>0.0</b>	<b>98.1</b>
1 Salary	78.7		78.7
2 Non Salary	19.4		19.4
<b>Development</b>			<b>0.0</b>
<b>Irrigation</b>			
<b>Current</b>	<b>8,534.2</b>	<b>368.3</b>	<b>8,902.5</b>
1 Salary	5,592.9	309.5	5,902.4
2 Non Salary	2,941.3	58.8	3,000.1
<b>Development</b>	<b>17,683.7</b>	<b>3,990.4</b>	<b>21,674.1</b>
<b>Labour</b>			
<b>Current</b>	<b>778.2</b>	<b>47.2</b>	<b>825.4</b>
1 Salary	532.1	41.8	573.9
2 Non Salary	246.1	5.4	251.5
<b>Development</b>	<b>152.9</b>	<b>0.0</b>	<b>152.9</b>
<b>Law &amp; Parliamentary Affairs</b>			
<b>Current</b>	<b>15,118.3</b>	<b>1,032.7</b>	<b>16,150.9</b>
1 Salary	12,692.6	943.7	13,636.3
2 Non Salary	2,425.6	89.0	2,514.6
<b>Development</b>	<b>1,449.9</b>	<b>697.0</b>	<b>2,146.9</b>
<b>Livestock &amp; Dairy Development</b>			
<b>Current</b>	<b>8,287.7</b>	<b>2,388.5</b>	<b>10,676.2</b>
1 Salary	5,851.8	1,618.3	7,470.1
2 Non Salary	2,435.8	770.2	3,206.1
<b>Development</b>	<b>2,062.8</b>	<b>655.9</b>	<b>2,718.7</b>
<b>Local Government And Rural Development</b>			
<b>Current</b>	<b>13,550.8</b>	<b>870.4</b>	<b>14,421.1</b>
1 Salary	5,743.5	734.6	6,478.1
2 Non Salary	7,807.3	135.7	7,943.0
<b>Development</b>	<b>23,384.7</b>	<b>3,103.3</b>	<b>26,488.0</b>

Table 18e.

**Departmental Estimates of Expenditure**

Units: Rs. Mln

<b>Department</b>	<b>BE 2024-25 (Settled)</b>	<b>BE 2024-25 (Merged)</b>	<b>Total BE 2024-25</b>
<b>Mines &amp; Mineral Development</b>			
<b>Current</b>	<b>1,687.5</b>	<b>153.2</b>	<b>1,840.7</b>
1 Salary	928.7	136.9	<b>1,065.7</b>
2 Non Salary	758.7	16.3	<b>775.0</b>
<b>Development</b>	<b>182.7</b>	<b>35.0</b>	<b>217.7</b>
<b>Planning &amp; Development And Bureau Of Statistics</b>			
<b>Current</b>	<b>1,193.8</b>	<b>323.4</b>	<b>1,517.2</b>
1 Salary	960.7	318.3	<b>1,278.9</b>
2 Non Salary	233.1	5.1	<b>238.3</b>
<b>Development</b>	<b>48,111.8</b>	<b>16,532.7</b>	<b>64,644.5</b>
<b>Population Welfare</b>			
<b>Current</b>	<b>4,297.0</b>	<b>296.8</b>	<b>4,593.8</b>
1 Salary	3,436.3	226.4	<b>3,662.6</b>
2 Non Salary	860.7	70.4	<b>931.2</b>
<b>Development</b>	<b>417.0</b>	<b>82.0</b>	<b>499.0</b>
<b>Public Health Engineering</b>			
<b>Current</b>	<b>14,633.1</b>	<b>1,579.1</b>	<b>16,212.1</b>
1 Salary	7,834.4	1,272.7	<b>9,107.2</b>
2 Non Salary	6,798.6	306.3	<b>7,105.0</b>
<b>Development</b>	<b>4,870.0</b>	<b>2,606.5</b>	<b>7,476.5</b>
<b>Relief Rehabilitation And Settlement</b>			
<b>Current</b>	<b>11,335.7</b>	<b>18,220.6</b>	<b>29,556.2</b>
1 Salary	4,430.2	1,126.2	<b>5,556.4</b>
2 Non Salary	6,905.5	17,094.3	<b>23,999.9</b>
<b>Development</b>	<b>1,593.7</b>	<b>47.0</b>	<b>1,640.7</b>

Table 18f.

**Departmental Estimates of Expenditure**

Units: Rs. Mln

<b>Department</b>	<b>BE 2024-25 (Settled)</b>	<b>BE 2024-25 (Merged)</b>	<b>Total BE 2024-25</b>
<b>Revenue &amp; Estate</b>			
<b>Current</b>	<b>26,701.4</b>	<b>9,921.7</b>	<b>36,623.0</b>
1 Salary	11,066.4	3,419.4	<b>14,485.8</b>
2 Non Salary	15,635.0	6,502.3	<b>22,137.3</b>
<b>Development</b>	<b>634.8</b>	<b>870.8</b>	<b>1,505.7</b>
<b>Science &amp; Technology And Information Technology</b>			
<b>Current</b>	<b>1,654.9</b>	<b>0.0</b>	<b>1,654.9</b>
1 Salary	159.2		<b>159.2</b>
2 Non Salary	1,495.7		<b>1,495.7</b>
<b>Development</b>	<b>1,363.0</b>	<b>304.9</b>	<b>1,668.0</b>
<b>Sport &amp; Youth Affairs</b>			
<b>Current</b>	<b>2,098.5</b>	<b>315.6</b>	<b>2,414.1</b>
1 Salary	1,282.5	178.9	<b>1,461.3</b>
2 Non Salary	816.1	136.7	<b>952.7</b>
<b>Development</b>	<b>5,477.9</b>	<b>1,102.6</b>	<b>6,580.6</b>
<b>Tourism &amp; Culture</b>			
<b>Current</b>	<b>1,278.1</b>	<b>0.0</b>	<b>1,278.1</b>
1 Salary	439.4		<b>439.4</b>
2 Non Salary	838.7		<b>838.7</b>
<b>Development</b>	<b>7,915.8</b>	<b>467.1</b>	<b>8,382.9</b>
<b>Transport &amp; Mass Transit</b>			
<b>Current</b>	<b>3,689.0</b>	<b>21.1</b>	<b>3,710.1</b>
1 Salary	522.9	18.7	<b>541.6</b>
2 Non Salary	3,166.1	2.4	<b>3,168.6</b>
<b>Development</b>			<b>0.0</b>
<b>Zakat, Ushr, Social Welfare, Special Education And Women Empowerment</b>			
<b>Current</b>	<b>5,963.8</b>	<b>811.5</b>	<b>6,775.2</b>
1 Salary	3,083.7	168.9	<b>3,252.5</b>
2 Non Salary	2,880.1	642.6	<b>3,522.7</b>
<b>Development</b>	<b>1,021.7</b>	<b>317.2</b>	<b>1,338.9</b>

## 5.9 Major Focus Areas of Development Budget FY 2024-25

Some major focus areas of the development budget for FY 2024-25 are given below.

	Rs. Bn
Initiative	Allocation
Khyber Pakhtunkhwa Cities Improvement Project	15.00
Provision for Tehsils.	13.97
Khyber Pakhtunkhwa Human Capital Investment Project.	12.00
Refugees & Host Communities under IDA-18-Regional Sub Window SH: Khyber Pakhtunkhwa Human Capital Investment Project (KPHCIP) Education Component	11.20
Land Acquisition Swat Motorway (Phase-II)	10.72
Khyber Pakhtunkhwa Roads Accessibility Projects (KP RAP)	10.00
Construction of 88MW Gabral-Kalam Hydropower Project, District Swat	10.00
Provision for VCs/NCs.	9.31
Construction of Balakot HPP (300 MW) District Mansehra	8.00
Khyber Pakhtunkhwa Irrigated Agriculture Improvement Project (Agriculture Component)	8.00
Reconstruction and Rehabilitation of irrigation and drainage system and flood protection works in Khyber Pakhtunkhwa (Emergency Flood Assistance Project)	7.00
Khyber Pakhtunkhwa Rural Investment & Institutional Support Project (RIISP)	7.00
Sehat Sahulat Programme Merged Areas Payment of Liabilities and Provision of Funds for Continuation	6.00
Permanent Reconstruction Project -Phase-III	5.00
Khyber Pakhtunkhwa Integrated Tourism Development Project (KITE)	5.00
Provincial Roads Rehabilitation Project	4.90
Technical upgradation of Police in Merged Districts	4.00
Provision for Tehsils in Merged Areas	3.60
Construction of 157MW Madian Hydro Power Project, District Swat	3.00
Economic Infrastructure Development Initiatives	2.88
Khyber Institute of Child Health and Children Hospital KP	2.85
Reforms Initiatives in Merged Areas (AIP)	2.69
Provision for VC/NCs in Merged Areas	2.40
Ten Billion Trees Tsunami Program-Phase-I Up-Scaling Green Pakistan program	2.16
Dualization of Mardan Swabi Road including Swabi Bypass (ADB)	2.01
Integrated Development Initiative through Innovative Interventions	2.00
Project Management Unit FAT Infrastructure Programme SDU [MA]	2.00
Khyber Pakhtunkhwa Food Security Support Project (ADB Assisted)	2.00
Institutional Development through innovative interventions	2.00
Construction of Chashma Right Bank Canal (Lift Cum Gravity) Project D.I Khan	2.00
Khyber Pass Economic Corridor Project (KPEC)	2.00
Khyber Pakhtunkhwa Rural Road Development Project (KP-RRDP)	2.00
Khyber Pakhtunkhwa Revenue Mobilization and Resource Management Programme	2.00



## Chapter 6 – Debt Management

The Government of Khyber Pakhtunkhwa (GoKP) is committed to prudent debt management, seeking to fuel the province's rapid development. This involves targeted investments in key sectors important to economic growth.

With a strong focus on fiscal responsibility, GoKP is carefully managing its debt obligations to ensure optimal utilization of financial resources. By prioritizing investments in sectors important to economic expansion, the government aims to catalyze a dynamic and inclusive growth agenda.

In pursuit of this overarching objective, GoKP is channeling resources into sectors deemed essential for enhancing a dynamic and resilient economy. This entails prudent allocation of funds towards infrastructure development, education, healthcare, agriculture, and innovation-driven initiatives.

### 6.1 Domestic Debt

Currently, there is no domestic debt liability against the Provincial Government as on 1st July 2024.

### 6.2 Foreign Debt

At present, the KP loan portfolio exclusively comprises foreign loans secured from various international lenders at concessional rates. These loans are long-term, with a tenor spanning 20-25 years, including a 5-year grace period followed by a 20-year repayment period. The average interest rate on these loans hovers around 2-3% per annum. The composition of foreign loans is predominantly in US Dollars, representing over 80% of the foreign debt stock.

Foreign currency loans are utilized to finance designated development projects and programs through an agreement between GoKP and the Federal Government. The Federal Government provides sovereign guarantees to international lenders. These loans are then re-lent to the Province under the same terms and conditions agreed upon with the foreign lenders.

These loans primarily support various sectors including transport, energy, urban and rural development, roads infrastructure, health, and education. Below is the breakdown of Khyber Pakhtunkhwa's foreign loan portfolio.

### 6.3 Debt Portfolio

Description	Outstanding Liability	Principal Repayment	Loan Disbursement	Outstanding Liability
	As of 30th June 2023	1 <sup>st</sup> July – 31 <sup>st</sup> December 2023	1 <sup>st</sup> July – 31 <sup>st</sup> December 2023	As of 31 <sup>st</sup> December 2023
Foreign Loans (PKR)	530.72	12.8	37.46	<b>632.45</b>
Exchange Rate (PKR/USD)	249	290	290	290

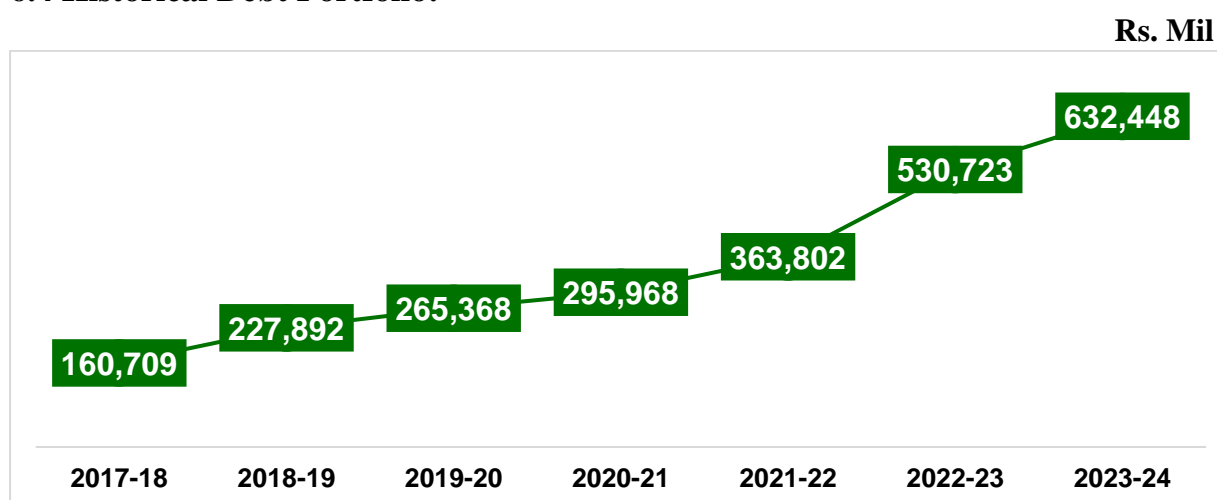
Rs. Bn

The outstanding debt portfolio as of December 31<sup>st</sup> 2023 has increased to Rs.. 632,448 million, representing a 19.17% increase from the outstanding amount of Rs. 530,723 million as of June 30th, 2023. This increased primarily influenced by two key factors:

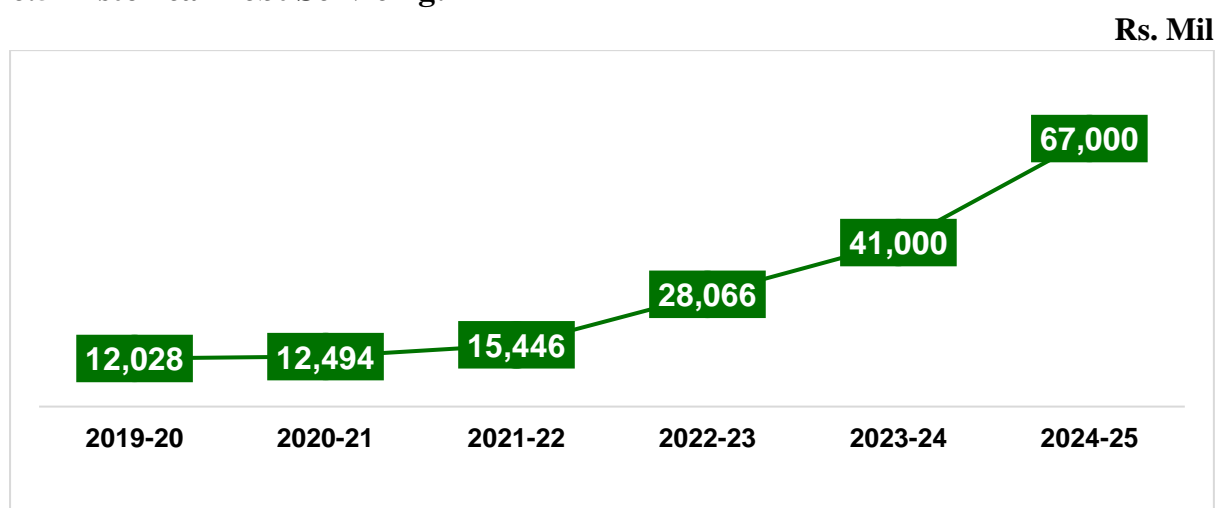
1. The Increase in net receipts (disbursements less principal repayments) was Rs. 24,660 million, which is an increase of 4.65%.
2. Increase in foreign currency exchange rates, which had a weighted average impact of 16.22%.

The outstanding loan portfolio encompasses disbursements made from July 1st, 2023, to December 31st, 2023, reconciled with the Ministry of Economic Affairs, Economic Affairs Division - EAD. Disbursements from January 1st, 2024, to June 30th, 2024, are excluded, as will be included in the annual debt statistical bulletin for the fiscal year 2024-25.

#### 6.4 Historical Debt Portfolio:



#### 6.5 Historical Debt Servicing:



## 6.5 Sector Wise Composition of Outstanding Debt Stock:

Rs. Bn

S.NO	Sectors	Outstanding Loan Stock	Percentage
1	Transport and Communication	215.56	34.10%
2	Economic Development	88.15	13.90%
3	Energy & Power	68.78	10.90%
4	Health & Education	63.1	10.00%
5	Regional Development	26.81	4.20%
6	Irrigation	38.57	6.10%
7	Agriculture	30.37	4.80%
8	Finance	25.76	4.10%
9	Education	13.12	2.10%
10	Tourism	11.07	1.80%
11	Social Welfare	5.4	0.90%
12	Environment	4.48	0.70%
13	Health	15.36	2.40%
14	Water and Sanitation	-	0.00%
15	Industries	0.38	0.10%
16	Urban & Rural Development	0.07	0.00%
17	Forestry	0.01	0.00%
18	Water and Urban Infrastructure	24.55	3.90%
19	Rural Development	0.94	0.10%
	<b>Total</b>	<b>632.48</b>	<b>100%</b>

## 6.6 Risk Indicators:

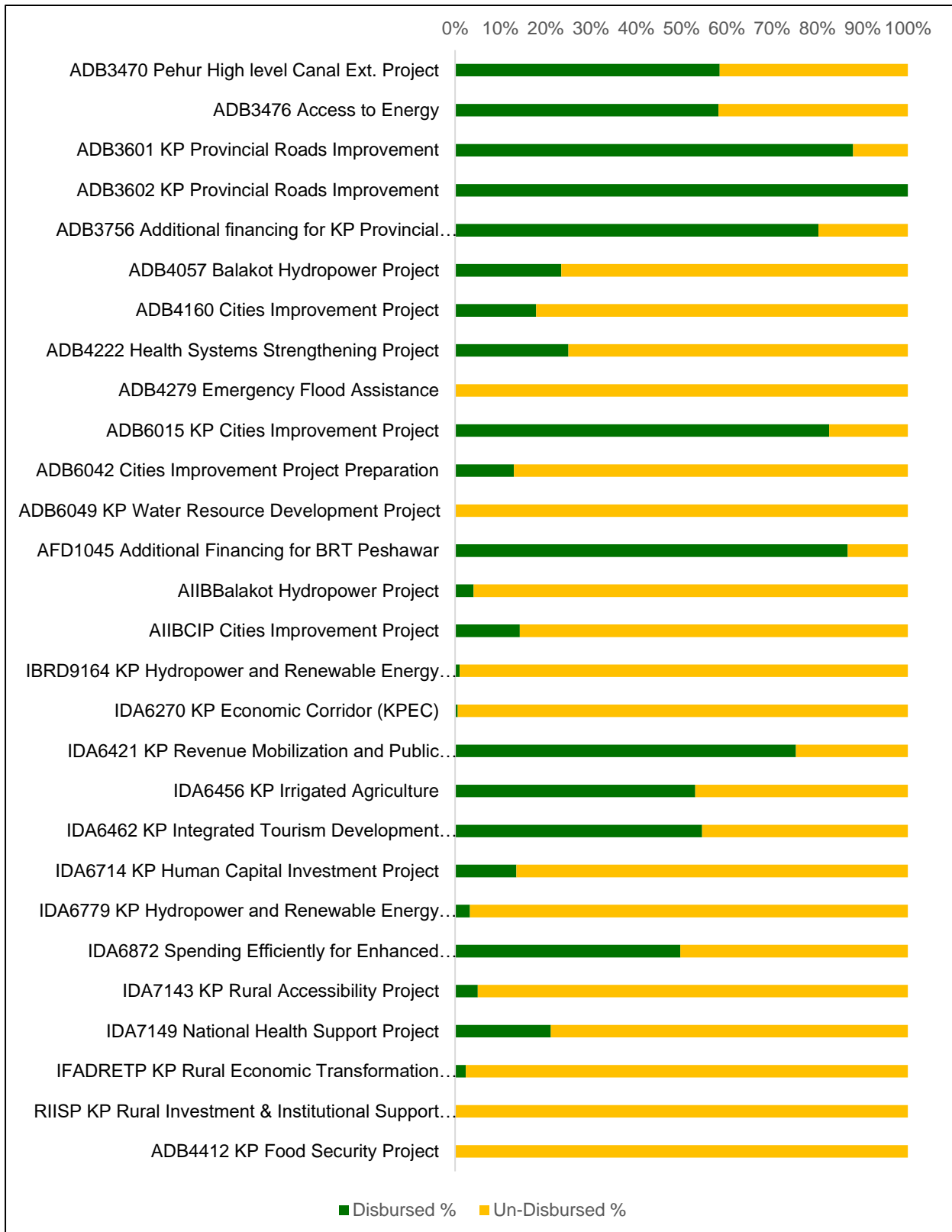
Risk Indicators		30 <sup>th</sup> June 2023	31 <sup>st</sup> December 2023
Outstanding Loan Stock to KP's Total Revenue		69.10%	81.10%
Debt Service to KP Total Revenues		3.60%	5.10%
Cost of Debt	Weight Average Interest Rate (Range)	1.26%	2.25%
Refinancing Risk	ATM (Years)	10.3	10.74
	Loan Maturing in 1 Year as % of total debt	9.03%	8.20%
Interest Rate Risk	ATR (years)	5.55	5.58
	Loan re-fixing in 1 Year (as % of total loan)	5.33%	5.43
	Fixed rate loan (as % of total loan)	56%	58.70%
Fx – Risks	Foreign exchange loan (as a % of total Loan)	99.20%	98.50%

\*KP's total revenues are derived from multiple sources. They are taken as a sum of Federal Transfers, which encompass Federal Tax Assignments and the 1% War on Terror allocation, Straight Transfers such as Royalties on Oil and Gas, Net Hydrel Profits, and KP's Own Source Receipts, both tax and non-tax.

Details regarding principal repayment and interest payment are as follows:

<b>Rs. Bn</b>			
<b>Nomenclature</b>	<b>BE 2023-24</b>	<b>RE 2023-24</b>	<b>BE 2024-25</b>
Principal	25.1	26.0	40.0
Interest	13.0	15.0	27.0
<b>Debt Servicing</b>	<b>38.1</b>	<b>41.0</b>	<b>67.0</b>

## 6.7 Active Loans Disbursements Status As of 31<sup>st</sup> December 2023



## Chapter 7 – Planning Ahead: Challenges and Budget Strategy

### 7.1 Key Challenges to the Budget 2024-27

In June 2019, Khyber Pakhtunkhwa's loan portfolio stood at Rs. 236 billion. Over the next four years, this figure surged to Rs. 531 billion by June 2023, and it's projected to further increase to Rs. 635 billion by June 2024. Concurrently, debt servicing also ballooned from Rs. 11 billion in June 2019 to Rs. 28 billion by June 2023, with a projected rise to Rs. 67 billion by June 2024.

Looking ahead, medium-term projections spread a concerning picture. By 2030, the KP loan portfolio is expected to soar over **Rs. 2,300 billion**, with debt servicing surpassing Rs. 194 billion. Additionally, it's anticipated that **development expenditure will be exhausted post FY30**, with current expenditure exceeding total revenue by FY33, ultimately leading to a negative primary balance by the same fiscal year.

These trends signify critical financial challenges for the province. By 2030, there may be no funds left for development expenditure, and by 2033, there might be an inability to service debt. In response, potential actions could include salary and pension cuts or seeking additional borrowing.

To mitigate these risks and foster financial sustainability, several strategies are proposed, including:

1. Implementation of proactive measures to diversify revenue streams, reducing dependence on traditional sources. This could involve expanding tax bases, incentivizing compliance, and tapping into untapped economic potentials within the province. An evaluation of current expenditure, particularly on salaries, pensions, and non-salary expenditures, is necessary to identify inefficiencies. Reforms may be initiated to streamline expenditure and enhance fiscal efficiency.
2. Minimize reliance on foreign loans by prioritizing projects with high revenue generation potential. Borrowed funds may be allocated to financially sustainable projects capable of servicing debt independently. Utilizing Public-Private Partnerships (PPPs) strategically can facilitate infrastructure development and service delivery. This approach can help alleviate the burden on public finances by leveraging private sector resources and expertise. By implementing these measures, Khyber Pakhtunkhwa can work towards achieving fiscal stability, ensuring sustainable development, and averting potential financial crises in the future.

## 7.2 Medium-term Fiscal Framework 2024-25 Khyber Pakhtunkhwa

**Note:** It is essential to recognize that the following forecasts are based on projections from the Budget Strategy Paper (BSP) 2024-27, which is prepared in advance of the budget. The aim of the BSP is to predict the broad fiscal parameters over the medium term, assess the economic landscape in future years, and serve as a foundation for efficient fiscal planning. In this context, the actual budget estimates for FY 2024-25 and projections for actual receipts and expenditure figures for FY 2023-24 presented before may differ from the forecasts presented in this chapter. Nonetheless, the information offers a reasonable projection of how the province's revenues and expenditures are expected to change in the coming years.

### 7.3 Combined Khyber Pakhtunkhwa Budget

Total Budget for FY2023-24 was Rs.1,359 billion both for settled and merged districts. Forecasts for the budget estimates for FY2024-5-FY2026-27 are elaborated in the table below.

Head	Rs. Bn				
	Budget Estimates 2023-24	Projected Actual 2023-24	Budget Estimate 2024-25	Forecast 2025-26	Forecast 2026-27
Current -Settled	941.3	784.6	972.5	1,069.8	1,176.8
Development – Settled	224.1	92.6	352.7	388.0	426.8
Current - Merged Districts	116.9	89.6	138.6	152.4	167.7
Development - Merged Districts	77.0	49.5	116.2	127.8	140.6
<b>Total</b>	<b>1,359.2</b>	<b>1,016.3</b>	<b>1,580.0</b>	<b>1,738.0</b>	<b>1,911.8</b>

### 7.4 Budget Forecasts FY 2024-25 – Settled Areas

For FY 2024-25, total budget estimate for settled district is projected to Rs.1,325 billion, against Rs.1,165 budget estimates of FY 2023-24. The current budget forecast for 2024-25 for salary heads under current side is increased by 7% in comparison to the budget estimates of FY 2023-24 whereas pension increased by 5% and non-salary has decreased by 3%. While on the development side provincial ADP increased by 53% Tehsil ADP increased by 92% FPA increased by 60% whereas PSDP increased by 10%, overall development increase is 14%. Forecast for FY 2024-25 is elaborated in below mentioned table:

Head	Rs. Bn				
	Budget Estimates 2023-24	Projected Actual 2023-24	Budget Estimate 2024-25	Forecast 2025-26	Forecast 2026-27
<b>Current – Settled</b>	<b>941.3</b>	<b>784.6</b>	<b>972.5</b>	<b>1,069.8</b>	<b>1,176.8</b>
Salary	478.5	436.1	512.9	564.2	620.6
Pension	134.0	132.7	140.7	154.8	170.3
Non Salary	328.7	215.8	319.0	350.9	386.0
<b>Development – Settled</b>	<b>224.1</b>	<b>92.6</b>	<b>352.7</b>	<b>388.0</b>	<b>426.8</b>
Provincial	86.0	54.6	131.9	145.1	159.6
Tehsil/District	17.2	-	33.0	36.3	39.9
FPA	110.6	32.0	176.6	194.2	213.6
PSDP	10.3	6.0	11.3	12.4	13.7
<b>Total Settled</b>	<b>1,165.4</b>	<b>877.2</b>	<b>1,325.2</b>	<b>1,457.8</b>	<b>1,603.5</b>

### 7.5 Budget Forecasts FY 2024-25 Merged Areas

Expenditure of Merged Areas (MDs) are maintained separately by the government with two broader classifications i.e. Current Expenditure and Development Expenditure of MDs. Total budget estimate for MDs of FY 2024-25 is estimated at Rs. 255 billion which is 31% higher than the last year's tentative budget estimate. On the current side, budgets for salary, pension

and non-salary are above 9%, 5% and 48% respectively from the previous year's budget estimates, whereas overall increase in current budget is 5%. Forecast for FY 2024-25 is elaborated in below mentioned table:

Head	Rs. Bn				
	Budget Estimates 2023-24	Projected Actual 2023-24	Budget Estimate 2024-25	Forecast 2025-26	Forecast 2026-27
<b>Current - Merged Districts</b>	<b>116.9</b>	<b>89.6</b>	<b>138.6</b>	<b>152.4</b>	<b>167.7</b>
Salary	82.6	74.3	89.7	98.7	108.5
Pension	4.3	3.4	4.5	5.0	5.5
Non Salary	29.9	12.0	44.4	48.8	53.7
<b>Development - Merged Districts</b>	<b>77.0</b>	<b>49.5</b>	<b>116.2</b>	<b>127.8</b>	<b>140.6</b>
MDs ADP	31.2	13.2	27.0	29.7	32.7
AIP	41.0	35.0	80.0	88.0	96.8
FPA	3.8	1.3	9.2	10.1	11.1
PSDP	1.0	-	-	-	-
<b>Total</b>	<b>193.9</b>	<b>139.2</b>	<b>254.8</b>	<b>280.2</b>	<b>308.3</b>

## 7.6 Receipt Forecasts for FY 2024-25:

The projections for total receipts during FY 2023-24 based on actual receipts (nine months July 2023 to March 2024) so far shows materialization of Rs. 1,053 billion tentatively against the budget estimates of Rs. 1,456). Receipt targets for FY 2024-25 and forecast for FY 2025-27 are elaborated in below mentioned table.

S.No.	Head	Rs. Bn							
		Budget Estimates 2023-24	Actuals 2023-24 (9 months)	Projected Actuals 2023-24 (3 months)	Projected Actuals 2023-24	Forecast 2024-25	%age Change against BE 2023-24	Forecast 2025-26	Forecast 2026-27
<b>A</b>	<b>Federal Transfers</b>	<b>1,070,751.0</b>	<b>626,838.0</b>	<b>208,946.0</b>	<b>835,784.0</b>	<b>1,155,600.0</b>	<b>0.1</b>	<b>1,271.2</b>	<b>1,398.3</b>
i	Federal Tax Assignment	764,610.0	524,687.0	174,896.0	699,583.0	893,902.0	0.2	983.3	1,081.6
ii	1 % for War on Terror	91,873.0	63,045.0	21,015.0	84,060.0	107,439.0	0.2	118.2	130.0
iii	Straight Transfers	38,661.0	32,106.0	10,702.0	42,808.0	42,955.0	0.1	47.3	52.0
iv	Windfall Levy	90,645.0	0.0	0.0	0.0	0.0	-	-	-
v	Net Hydel Profit	31,519.0	0.0	0.0	0.0	33,090.0	0.1	36.4	40.0
vi	Arrears of NHP	53,442.0	7,000.0	2,333.0	9,333.0	78,213.0	0.5	86.0	94.6
<b>B</b>	<b>Provincial Own Receipts</b>	<b>85,000.0</b>	<b>46,918.0</b>	<b>15,704.0</b>	<b>62,815.0</b>	<b>85,000.0</b>	<b>0.0</b>	<b>93.5</b>	<b>102.9</b>
i	Tax Receipts	56,490.0	38,442.0	12,814.0	51,256.0	56,490.0	0.0	62.1	68.4
ii	Non-tax Receipts	28,511.0	8,476.0	2,825.0	11,302.0	28,511.0	0.0	31.4	34.5
<b>C</b>	<b>Others</b>	<b>250.0</b>	<b>97.0</b>	<b>32.0</b>	<b>129.0</b>	<b>250.0</b>	<b>0.0</b>	<b>0.3</b>	<b>0.3</b>
i	Recovery from Designated Accounts	0.0	0.0	0.0	0.0	0.0	-	-	-
ii	Capital Receipts	250.0	97.0	32.0	129.0	250.0	0.0	0.3	0.3
iii	Domestic Loan	0.0	0.0	0.0	0.0	0.0	-	-	-
iv	Withdrawal of Profit from Pension Fund	0.0	0.0	0.0	0.0	0.0	-	-	-
v	Profit from GPI Fund for interest to the Subscribers	0.0	0.0	0.0	0.0	0.0	-	-	-
vi	Other Revenue Source	0.0	0.0	0.0	0.0	0.0	-	-	-
vii	Operational Shortfall/Savings	0.0	0.0	0.0	0.0	0.0	-	-	-
viii	Ways & Means Advance KP	0.0	0.0	0.0	0.0	0.0	-	-	-
<b>D</b>	<b>NMAs</b>	<b>173,867.0</b>	<b>89,190.0</b>	<b>29,730.0</b>	<b>118,920.0</b>	<b>238,428.0</b>	<b>0.4</b>	<b>262.3</b>	<b>288.5</b>
i	Non Development Grant	66,000.0	54,990.0	18,330.0	73,320.0	72,600.0	0.1	79.9	87.9
ii	Additional Demand for Current Budget	50,867.0	0.0	0.0	0.0	48,542.0	-0.1	53.4	58.7
iii	ADP	26,000.0	15,600.0	5,200.0	20,800.0	27,000.0	0.0	29.7	32.7
iv	AIP	31,000.0	18,600.0	6,200.0	24,800.0	34,000.0	0.1	37.4	41.1
iv	3% Share	0.0	0.0	0.0	0.0	39,286.0	-	43.2	47.5
v	TDPs	0.0	0.0	0.0	0.0	17,000.0	-	18.7	20.6
<b>Total (A+B+C+D)</b>		<b>1,329,868.0</b>	<b>763,043.0</b>	<b>254,412.0</b>	<b>1,017,649.0</b>	<b>1,479,277.0</b>	<b>0.1</b>	<b>1,627.2</b>	<b>1,789.9</b>
E	Foreign Projects Assistance	114,384.0	24,992.0	8,331.0	33,322.0	185,730.0	0.6	204.3	224.7
	Loans	103,325.0	19,855.0	6,618.0	26,474.0	172,472.0	0.7	189.7	208.7
	Grants	11,059.0	5,137.0	1,712.0	6,849.0	13,258.0	0.2	14.6	16.0
F	Dev. + Non Dev Grants (PSDP etc.)	11,310.0	1,761.0	587.0	2,348.0	11,310.0	0.0	12.4	13.7
<b>Grand Total</b>		<b>1,455,562.0</b>	<b>789,796.0</b>	<b>263,330.0</b>	<b>1,053,319.0</b>	<b>1,676,318.0</b>	<b>0.2</b>	<b>1,844.0</b>	<b>2,028.3</b>



## **Chapter 8 – Reforms Undertaken**

### **8.1 Public Financial Management Reforms**

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

#### **Performance Based Budgeting (PBB)**

Output-Based Budgeting (OBB)/Performance-Based Budgeting (PBB) is a crucial approach that enhances the effectiveness, efficiency, and accountability of public sector spending. It links resource allocation to measurable outcomes and performance metrics, ensuring that government agencies are accountable for their use of public funds. PBB promotes efficiency by encouraging the reallocation of resources from less effective to more effective programs, optimizing the use of public resources. It provides decision-makers with data-driven insights, enabling informed and rational budgeting decisions that prioritize successful and impactful programs. By aligning budgeting decisions with strategic goals and priorities, PBB translates strategic plans into actionable programs with clear objectives and performance indicators. It enhances transparency by providing clear information on fund usage and achieved outcomes, fostering public trust. Additionally, PBB encourages continuous improvement by regularly assessing program performance and incentivizing Government to innovate for better results.

In 2010, Government of Khyber Pakhtunkhwa (GoKP) embarked on a transformative journey by embracing OBB/PBB, marking a significant shift from traditional input-oriented budgeting practices. The initial phase of OBB implementation resulted in the development of the first OBB report for 12 departments. By the fiscal year 2012, OBB had been fully integrated into all departments, reflecting a comprehensive adoption of this innovative budgeting approach.

However, OBB in Khyber Pakhtunkhwa was facing many challenges, including issues with data quality, alignment of sectoral plans with OBB principles, and lacks clear linkage between outputs and the responsible offices etc. In FY 2021-22, the Government of Khyber Pakhtunkhwa made significant improvements to the OBB structure, enhancing its clarity and comprehensibility, however, ongoing refinements were necessary, and it's essential to involve line departments to ensure their ownership and active participation.

A critical challenge was the subpar quality of Key Performance Indicators (KPIs) related to service delivery. Many KPIs predominantly focused on activities and inputs rather than actual service delivery. Additionally, these KPIs often lacked crucial dimensions, such as gender disaggregation, climate change impact, social protection, and A&I considerations, among others. This deficiency made it difficult to assess the true impact of budget allocations on broader policy goals. Concerns also persisted regarding the accuracy of KPI targets and baselines, necessitating a thorough reassessment for their effectiveness.

Additionally, there was a need to establish clear linkages between outputs and their respective attached departments. This practice facilitates the introduction of responsibility accounting into the system, ensuring that each output has a designated office held accountable.

In a recent legislative milestone, Khyber Pakhtunkhwa enacted the "Public Financial Management Act 2022", featuring a dedicated chapter on performance orientation in planning, budgeting, and monitoring. This legislation mandates to develop, publish, and present the "Performance-Based Budget (PBB) Report," to the provincial assembly alongside other budgetary documents.

In response to this mandate, the Government of Khyber Pakhtunkhwa organized extensive deliberation sessions with key departments, encompassing 80% of the province's total budget. These sessions were dedicated to a thorough evaluation of the Performance Based Budgeting (PBB) Report with the primary goal of enhancing outputs and refining Key Performance Indicators (KPIs) related to service delivery. The approach strategically integrated Responsibility Accounting into the PBB framework and expanded the scope of KPIs to include critical dimensions such as Gender, Climate Change, and Social Protection. The deliberations focused on several key areas:

### **Review and Enhancement of Output Quality**

This involved a detailed examination of current outputs to ensure they are accurate, relevant, and aligned with the province's strategic goals. The aim was to improve the quality of public services by making sure that each output is effectively contributing to the desired outcomes.

### **Refinement of Key Performance Indicators (KPIs)**

KPIs related to service delivery were meticulously refined to better measure and reflect the performance and impact of various initiatives. This included the development of more precise and meaningful indicators that can provide clear insights into the effectiveness of public programs.

### **Establishment of Clear Linkages Between Outputs and Departments**

The deliberations aimed to create well-defined connections between specific outputs and the departments responsible for them. This ensures that each department is fully aware of its responsibilities and is held accountable for the delivery of specific outcomes.

To support these goals, the sessions emphasized the integration of Responsibility Accounting into the PBB system. This approach assigns specific accountability for each output and KPI to designated offices, ensuring that performance is tracked and managed more effectively. The inclusion of Gender, Climate Change, and Social Protection dimensions into the KPIs adds a comprehensive perspective to the budgeting process, aligning it with broader social and environmental objectives.

As a result of these reforms, the Performance based Budget Report for FY 2024-25 is prepared based on the revised framework. This new approach is expected to significantly strengthen the budgeting process in Khyber Pakhtunkhwa. By ensuring that budget allocations are directly tied to measurable outcomes, the province can better align its financial resources with its policy priorities. The commitment to continuous improvement, along with the active involvement of

all stakeholders, fosters a more transparent, efficient, and accountable public financial management system.

### **Gender Budget Tagging**

An institutionalized system to tag gender-related budget allocations and expenditures is needed to accurately report against national and international targets and commitments and to help measure efficiency of public expenditures. A systematic methodology for budget tagging and tracking that would enable regular reporting on gender related investments was never developed in Pakistan. The National Gender Policy Framework as well as Khyber Pakhtunkhwa Women Empowerment Policies emphasize the need for gender equality and key measures (including budgets and budgetary process related) to be taken to promote gender equality and women's empowerment. Hence, it is important to establish an evidentiary basis for comparing the expenditure cost of investments to promote gender equality against the cost of inaction. The Government of Khyber Pakhtunkhwa aim to provide a consistent system of budget tagging and tracking for gender-related expenditures specific to the needs of the province but also largely replicable at the national level.

Pakistan introduced gender budgeting in 2001 under the Poverty Reduction Growth Facility package from the IMF, leading to various reforms and initiatives like the Gender Reform Action Plan (GRAP) and the Strengthening Poverty Reduction Strategy Monitoring (SPRSM). Countries like India, Bangladesh, and Rwanda have successfully adopted GRB, with Bangladesh institutionalizing a database to facilitate regular reporting on gender budgets.

The Government of Khyber Pakhtunkhwa has focused on improving service delivery in health and education, integrating gender concerns into development efforts, and enhancing employment and environmental sustainability. Recognizing the importance of gender budget tagging (GBT) for monitoring government budget allocations and expenditures related to gender, the Government of Khyber Pakhtunkhwa initiated this reform in 2023 and structured the implementation plan into four phases:

- **Phase I:** Develop a GBT methodology and analyze provincial budgets to identify trends in government spending on women over the last three years.
- **Phase II:** Develop a roadmap and methodology for integration into provincial financial systems.
- **Phase III:** Integrate GBT into the provincial and national budget-related architecture and any analytics software available for post-budget analysis and for ex-ante analysis of the Annual Development Program (ADP) to inform provincial planning.
- **Phase IV:** Integrate GBT into the federal Integrated Financial Management Information System (IFMIS), which will also enable GBT by the remaining provinces.

In March 2023, the Government of Khyber Pakhtunkhwa formed and notified a joint review committee to implement and institutionalize the Gender Budget Tracking system. The committee was mandated to define the methodology for identification, classification, and weighting of cost centers, define typology themes, and conduct data analysis on historical data by implementing the defined methodology. The committee comprises members from the Finance Department, Planning & Development Department, Zakat Ushr Social Welfare and Women Development Department, and other stakeholders.

The Government of Khyber Pakhtunkhwa conducted various deliberation sessions with all relevant stakeholders to devise the Gener Budget Tagging methodology which was approved by the joint committee in FY 2023-24. The methodology classifies the budget based on:

- i. Identification of budgets that have gender relevance,
- ii. Classification of identified budget in six gender-relevant categories distinguished by codes,
- iii. Assigning weightages which ranges from high relevance to no-relevance to ascertain relevance, and
- iv. Indicating benefit by including numbers of beneficiaries where possible.

Based on that methodology, the historical budgets for the years 2020-2023 was tagged. In January 2024, the Government of Khyber Pakhtunkhwa conducted training workshops to familiarize government officials with the concepts of GRB and GBT, and the analysis of the provincial budgets using the GBT methodology. The methodology used six themes to register the gender-related budget:

- Social Services
- ♀ Economic Empowerment (WEE)
- Climate Change
- Gender Based Violence (GBV)
- Social Protection
- Institutions advancing gender equality & ♀'s empowerment

The first phase of this reform has been successfully completed, demonstrating the Government of Khyber Pakhtunkhwa's commitment to advancing gender-responsive budgeting. The government remains dedicated to implementing the subsequent phases, ensuring the full realization of this reform. Continuous efforts will be made to complete the remaining phases, reinforcing the province's dedication to gender equality and efficient resource allocation.

## **8.2 Implementation Roadmap of Public Financial Management Act 2022**

The Public Financial Management (PFM) Act, 2022 is a critical legislative framework designed to ensure sound financial management practices in public sector institutions. It establishes clear guidelines for financial reporting, promoting transparency by ensuring that revenues and expenditures are documented and available for public scrutiny. Additionally, the PFM Act provides a framework for budgeting that aligns with government priorities and development goals, ensuring that resources are allocated efficiently and effectively to sectors that need them most. By setting procedures for budget formulation, execution, and monitoring, the Act helps minimize losses and optimize the use of public funds, which is essential for achieving desired national outcomes. The PFM Act provides a legal and institutional framework that delineates the roles and responsibilities of various government entities involved in financial management.

The Article 119 of the Pakistani Constitution mandates the provincial governments to enact a Public Financial Management (PFM) Act. The necessity for this Act is also established by several globally recognized PFM assessment studies, including those from the Finance Department's 2018 assessment, the KP government's Open Budget Index (OBI) assessment, and the Public Expenditure and Financial Accountability (PEFA) review in 2017.

Khyber Pakhtunkhwa enacted the PFM Act in June 2022 meeting a key constitutional requirement pending since 1973. The passage of the PFM Act marks the beginning of a journey to enhance fiscal sustainability, transparency, and accountability in the PFM systems in Khyber Pakhtunkhwa. The Act specifies regulations that are in line with good international practices covering the entire planning, budgeting, and accounting cycle.

The Government of Khyber Pakhtunkhwa has devised a comprehensive strategy for implementing the PFM Act 2022, underscoring its commitment to robust financial management reforms. This strategy includes the formation of a committee chaired by the Finance Secretary, tasked with designing a responsibility matrix and developing a detailed implementation roadmap. This roadmap delineates the specific steps required, categorized as immediate, intermediate, and long-term actions, along with deadlines and the assigned responsibilities of various government agencies.

To ensure effective monitoring and accountability, the Government of Khyber Pakhtunkhwa has developed a dashboard that tracks the progress of the implementation roadmap. Regular review sessions are conducted under the implementation review committee to assess and guide the reform process. These progress reviews identified seventy reform actions within the scope of the PFM Act 2022, of which thirty-three have been successfully implemented.

The Government of Khyber Pakhtunkhwa is actively working on advancing twenty-six reform actions with the support of an in-house team and technical assistance from donor-funded programs such as the Sub-National Governance (SNG) Programme, the Khyber Pakhtunkhwa Revenue Mobilization and Public Resource Management Program (KPRMP), and the Sustainable Energy and Economic Development (SPEED) project, among others.

This structured and well-coordinated approach reflects the government's dedication to enhancing fiscal sustainability, transparency, and accountability. By adhering to the PFM Act's regulations, which are aligned with international best practices, Khyber Pakhtunkhwa aims to strengthen its financial management systems comprehensively. The successful implementation

of these reforms ensures the availability of funds for critical services such as healthcare, education, and infrastructure development, thereby improving overall service delivery and fostering economic stability and growth.

### **Strengthening and Institutionalization of Integrated Budgeting through Joint Review**

The joint review process aligns budget objectives and service delivery strategies between Finance Department, Planning & Development Department and the line departments. The joint review of the Current and Development Budget of the Government of Khyber Pakhtunkhwa (KP) is of paramount importance due to several reasons:

#### **Enhanced Fiscal Oversight**

Conducting a joint review ensures comprehensive oversight of both the Current and Development Budgets by relevant stakeholders, including representatives from the Finance Department, Planning & Development Department, and other key departments. This multi-departmental approach facilitates a thorough examination of budgetary allocations, expenditures, and performance indicators.

#### **Alignment with Policy Objectives**

The joint review allows for an assessment of the extent to which budgetary allocations align with the government's policy objectives and development priorities. By evaluating the effectiveness of budgetary spending in achieving desired outcomes, policymakers make informed decisions about resource allocation and policy adjustments.

#### **Identification of Efficiency Gaps**

Through the joint review process, inefficiencies and gaps in budget implementation are identified and addressed. This includes areas where funds are underutilized or misallocated, as well as opportunities to optimize resource allocation for maximum impact.

#### **Risk Management and Mitigation**

By reviewing both the Current and Development Budgets together, potential fiscal risks are identified and mitigated more effectively. This includes risks related to revenue shortfalls, expenditure overruns, and external factors that impact budgetary performance.

#### **Promotion of Accountability and Transparency**

The joint review promotes accountability and transparency in fiscal management by providing a platform for stakeholders to assess budgetary performance openly and transparently. This helps build trust with citizens, investors, and international partners by demonstrating a commitment to responsible fiscal governance.

#### **Facilitation of Evidence-Based Decision Making**

Through the joint review, policymakers have access to data and analysis that inform evidence-based decision-making. This includes evaluations of program effectiveness, cost-benefit analyses, and assessments of the overall impact of budgetary interventions on socio-economic development.

## **Continuous Improvement of Budgetary Processes**

The joint review process facilitates continuous improvement of budgetary processes and procedures. Lessons learned from past budget cycles can inform future budget planning, implementation, and monitoring, leading to greater efficiency and effectiveness in resource management.

## **Stakeholder Engagement and Collaboration**

Engaging relevant stakeholders in the joint review process fosters collaboration and coordination among government departments, fostering a collective commitment to achieving budgetary objectives and development goals.

The Government of Khyber Pakhtunkhwa nominated Joint Budget Priority Committee in 2021. For the first time a series of Joint Budget Priority Committee meetings (chaired by Finance Minister) were held during 26th April 2021 to 7th May, 2021 to review development and recurrent budgets and budget execution of the 8 major line departments. These departments account for almost 50% of the total provincial budget of FY 2021-22. The joint review meetings resulted in a 34% increase in recurrent expenditure and a 42% increase in development expenditure across eight line departments, compared to the same period last year. The process allocated funds to priority and near-completion projects, targeting 107 projects totaling Rs. 19 billion. In the health sector this included the prioritization of a 250-bed hospital ‘Peshawar Institute of Cardiology’; a new 90-room Khyber Teaching Hospital; and a 200-bed Women and Children Hospital in Charsadda. In the education sector, priorities for funding included Rs. 12 billion for hiring new teachers, Rs.3 billion for education scholarships, and Rs. 2.5 billion for free school books. 31 of the 107 priority projects were completed in the first seven months of the financial year, amounting to Rs. 3.5 billion.

Finance and Planning & Development departments continued the joint review of development and recurrent budget proposals. Budget proposals from selected departments were reviewed by the Joint Priority Committee to improve alignment between the development and recurrent budgets. In FY 2022-23 Joint review covers 67% of the total provincial budget Rs. 446 billion. In result of these reviews projects nearing completion received 100% funding, followed by early release to projects earmarked for completion. Projects receiving full funding for completion in FY 2022-23 included 171 girls’ schools, 97 social protection interventions, two women hospitals; and the upgrading of nine nursing schools. The PFM Act provides the legal framework for the joint budget review process.

The joint review of the Current and Development Budgets of the Government of Khyber Pakhtunkhwa serves as a foundation for fostering fiscal oversight, policy coherence, operational efficiency, accountability, transparency, evidence-based decision-making, process refinement, and stakeholder engagement. In line with the objective of institutionalizing this reform and ensuring the integration of all departments, the Joint Budget Priority Committee conducted a comprehensive review of the integrated budget for FY 2024-25, covering all departments, during sessions held on May 21st and 22nd, 2024. Major funds were allocated to projects related to the priority areas which includes social protection, law and order, health and education.

## **Social welfare department**

A total of 32 projects have been proposed in the ADP 2024-25 with a total allocation of Rs. 803.236 million, out of which 21 projects for Khyber Pakhtunkhwa (Settled Area), 07 Projects for Merged Area Districts and 04 Projects for AIP-Merged Districts. The projects are related to establishment of Panahgahs, model institutes (Zamung Kor), drug rehabilitation centres, Center of Excellence for Special Children with Autism, business facilitation centres for skilled women force, and schools for visually impaired. Other projects are provision of missing facilities in special education complexes and gender mainstreaming and empowerment programmes.

## **Livestock and Dairy Development Department**

- Rs. 500 million funds proposed in ADP 2024-25 for interventions by Livestock Research Laboratories to tackle the changing pattern of infectious pathogens (the duration of the project will be 3 years from 2024-25 to 2026-27).
- Rs.433 million funds proposed in ADP 2024-25 for the genetic improvement of local poultry breeds through modern breeding practices (the duration of the project will be 3 years from 2024-25 to 2026-27).

## **Energy and Power Department**

- The provincial government after the 18th Constitution amendment has to establish a Transmission and dispatch company. The Energy & Power Department initiated the process for the establishment of Provincial regulator and distribution company through ADP schemes.
- The Energy & Power Department is in process for the establishment of a hydrogen plant which represents a strategic move towards a sustainable and resilient future.
- 5 MW hydropower station will be constructed at Naran District Mansehra with estimated cost of Rs. 1800 million to boost tourism in the Naran by providing cheap and uninterrupted electricity supply with radial supply by PEDO as Reshun Modal.
- Solarization of Provincial Assembly Secretariat, MPA Hostel, Speaker House, Governor House, KP House Islamabad and PEDO House Peshawar. These will be Solarized with an estimated cost Rs. 200 million and connected with PESCO system through net-metering.



### 8.3 Policy Framework for Fiscal Risk Management Khyber Pakhtunkhwa

Khyber Pakhtunkhwa faces a range of fiscal challenges, with pension liabilities, disaster risks, fiscal dependencies, implicit guarantees, General Provident Fund and other contingent liabilities, and regular debt management among the key concerns. The Khyber Pakhtunkhwa Public Financial Management (PFM) Act and Fiscal Risk and Debt Management Act (FRDMA) 2022 mandate the Government of Khyber Pakhtunkhwa to develop a ‘Statement of Fiscal Risk and Contingent Liabilities’, and this requires the development of a ‘fiscal risk management framework’. Lacks of fiscal risk framework or the fiscal risk statement for comprehensive fiscal risk assessment hampers the province's ability to proactively manage fiscal risks. A framework for fiscal risk assessment and management, will ensure transparent and accountable reporting on the matter as well as enable proper legislative scrutiny of fiscal risks before agreeing on the next year budget outlay, as also required by the PFM Act FRDMA.

To meet the legislative requirements the Government of Khyber Pakhtunkhwa initiated a thorough desk review of relevant documents, including existing policy frameworks, reports on fiscal risks at the provincial and federal levels, and the framework's components to identify potential risks and mitigation strategies. In February 2024 Government of Khyber Pakhtunkhwa initiated consultation sessions with key stakeholders, to discuss the draft FRS and collect historical and projected fiscal data to conduct in-depth analysis to identify, categorize, and assess potential fiscal risks to develop short-term and long-term risk mitigation strategies. After successful deliberation and in-depth analysis Government of Khyber Pakhtunkhwa developed Fiscal Risk Statement 2024-25 complying section 7 sub section 2 of the FRDMA 2022, these are:

- review the actual fiscal outcomes of last completed financial year with the budget estimates of that year and the projections made in medium term fiscal framework in respect of that year and identify the reasons of deviation
- identify the major sources of risk that can result in significant deviations between actual and expected fiscal outcomes
- review the measures already taken by Government to address the fiscal risks
- identify the measures needed to strengthen the management of fiscal risks
- contain discussion on fiscal risks posed by explicit as well as implicit contingent liabilities

The FRS framework encapsulates three primary categories: general economic risks, specific fiscal risks, and structural or institutional risks, each with distinct characteristics and implications for the province's fiscal health. Under each of these three broad pillars, the statement categorized fiscal risks into seven major areas, each representing distinct challenges and implications for the Khyber Pakhtunkhwa's fiscal management and sustainability. They are outlined as follows:

**Macro-economic Risks and Risks from Federal Transfers:** These encompass the uncertainties stemming from global and national economic fluctuations that affect macroeconomic variables like GDP growth, inflation, exchange rates, and commodity prices as well as risks from lower-than-expected federal transfers. These risks have direct repercussions on provincial revenues.

**Risks in Development Spending:** This area focuses on the uncertainties associated with the allocation, execution, and outcomes of development expenditures, primarily execution of Annual Development Plan (ADP) and the ensuing large throw-forwards. Variabilities in development spending can influence the province's economic growth prospects, infrastructure development, and service delivery.

**Public-sector Enterprises:** Fiscal risks here are tied to the financial performance and management of autonomous bodies (ABs). Higher annual allocation to PSEs than allocated budget (largely through Grant in Aid), PSE inefficiencies, operational losses, or weak governance can impose significant financial burden on KP finances.

**Debt Management:** This category addresses the risks associated with managing the province's debt portfolio, including changes in interest rates, pricing risks, debt sustainability, currency fluctuation risk, and repayment obligations, which are critical for maintaining fiscal discipline.

**Climate and Natural Disasters:** KP's vulnerability to climate change and natural disasters poses significant fiscal risks, affecting infrastructure, livelihoods, and necessitating unplanned expenditure on relief, rehabilitation, and reconstruction, impacting the province's finances.

**Pension Payments:** The growing burden of pension liabilities, existing stock of defined benefit scheme, influenced by demographic changes, pension policies, and economic conditions, along with unplanned hiring and hiring based on political agendas than actual requirements on the ground represent a significant long-term fiscal challenge for KP, and require effective management strategies to ensure sustainability.

**Public-Private Partnerships (PPPs):** PPPs carry their own set of fiscal risks related to contractual obligations, contingent liabilities (both explicit and implicit), and the financial performance of these partnerships, necessitating careful evaluation and management to safeguard the province's financial interests.

For the first time, the Government of Khyber Pakhtunkhwa will publish its Fiscal Risk Statement, marking a significant step towards enhanced financial transparency and accountability. This reform aims to improve the fiscal framework by incorporating robust risk identification and quantification activities. By systematically identifying and quantifying potential fiscal risks, the government will anticipate and mitigate financial uncertainties, ensuring more resilient and informed decision-making processes. This proactive approach not only strengthens the overall fiscal management but also fosters greater confidence among stakeholders in the government's financial stewardship.

## 8.4 Implementation of Fiscal Responsibility and Debt Management Act (FRDMA) 2022 in Government of Khyber Pakhtunkhwa

The Government of Khyber Pakhtunkhwa has taken significant strides towards enhancing its public financial management (PFM) framework with the enactment of the Fiscal Responsibility and Debt Management Act (FRDMA) 2022. This legislation aims to establish a robust fiscal discipline mechanism, ensure sustainable debt management, and promote transparency and accountability in fiscal operations. The primary objectives of the FRDMA 2022 are to:

- a. **Ensure Fiscal Discipline:** Set clear fiscal targets and rules to contain fiscal deficits and debt accumulation.
- b. **Enhance Transparency:** Mandate comprehensive and regular reporting on fiscal performance and debt management.
- c. **Promote Accountability:** Establish oversight mechanisms to monitor compliance with fiscal rules.
- d. **Sustainable Debt Management:** Ensure prudent borrowing and efficient debt servicing to maintain debt sustainability.
- e. **Mitigate Fiscal Risks:** Identify, monitor, and manage fiscal risks and contingent liabilities effectively.

### Key Provisions of FRDMA 2022

The FRDMA 2022 includes several key provisions designed to achieve its objectives:

- a. **Medium Term Debt Management Strategy:** Government shall approve a medium-term debt management strategy for managing the public debt and guarantees, covering a minimum of three years.
- b. **Deficit Reduction:** The Act mandates a gradual reduction in the fiscal deficit to a sustainable level.
- c. **Debt Limitation:** It sets a cap on the total public debt relative to the average revenue of the province under section 10 of FRDMA 2022.
- d. **Transparency and Reporting: Mid-Year Review:** A mid-year review of fiscal performance under section 12 of FRDMA to ensure alignment with targets and make necessary adjustments.
- e. **Fiscal Risks and Contingent Liabilities Report:** An annual report identifying fiscal risks and contingent liabilities, providing detailed analysis and mitigation strategies.
- f. **Public Disclosure:** Regular disclosure of fiscal data, including debt statistics and fiscal risks, to enhance public transparency.
- g. **Institutional Framework: Debt Management Unit:** Creation of a dedicated office responsible for managing public debt and advising on borrowing strategies.

To effectively implement the FRDMA 2022 and the accompanying Fiscal Risk Framework, the Government of Khyber Pakhtunkhwa has adopted a comprehensive strategy involving several key steps including establishing and operationalizing the Debt Management unit under section 11 of the FRDMA 2022 to strengthen the provincial finance department to better coordinate fiscal policy and management in the Finance Department.

In accordance with the requirement of the FRDMA 2022 Debt Management unit of Government of Khyber Pakhtunkhwa is prepared and published mid-year Debt Statistical Bulletin's.

FRDMA 2022 Section 7 states that that government shall approve fiscal risk statement on annual basis and present it to provincial Government along with annual budget. The Government of Khyber Pakhtunkhwa has prepared an annual Fiscal Risks Statement (FRS), this FRS is prepared to comply with Section 5, Sub-Section (v) and Section 10 Sub-Section (n) of Khyber Pakhtunkhwa Public Finance Management Act, 2022. The primary objective of the FRS is to provide a comprehensive exploration of fiscal risks and contingent liabilities relevant to the GoKP, shedding light on their nature, significance, and implications for public finances. By delving into these intricacies, we aim to equip policymakers, financial professionals, and stakeholders with the knowledge necessary to understand, assess, and manage these critical aspects of fiscal governance.

The FRDMA 2022, along with the Fiscal Risk Framework and the Fiscal Risks and Contingent Liabilities Report for FY 2023-24, represents a landmark legislative and policy initiative aimed at enhancing fiscal responsibility, debt management, and risk mitigation in Khyber Pakhtunkhwa. By systematically identifying and quantifying potential fiscal risks, the government will anticipate and mitigate financial uncertainties, ensuring more resilient and informed decision-making processes. This proactive approach not only strengthens the overall fiscal management but also fosters greater confidence among stakeholders in the government's financial stewardship.

## 8.5 Reforms by the Government of Khyber Pakhtunkhwa for Public Sector Entities

The Government of Khyber Pakhtunkhwa (GoKP) owns and oversees 170 Public Sector Entities (PSEs), which include 14 companies. The Public Sector Companies (PSCs) and Autonomous Bodies (ABs) play an important role in providing essential products and services that the government wants to deliver to the people. The PSCs/ABs function under various administrative departments to increase efficiency, reduce costs, and improve the effectiveness of public service delivery across its various sectors. These entities have direct budgetary support aggregating to nearly Rs. 60 billion (almost 4 percent of total provincial budgeted expenditure for FY2024-25) in addition to off-budget support in terms of loans provided for development projects.

Recognizing the challenges related to performance evaluation, effectiveness, and operational efficiencies, the GoKP has initiated several key reforms.

The Corporate Governance Unit (CGU) was established in 2019 with the primary objectives of:

- **Enhancing Board Effectiveness:** Revamping board practices and processes by developing comprehensive policy frameworks.
- **Governance and Self-Sustainability Assessments:** The CGU conducts thorough governance assessments and evaluates the self-sustainability of PSEs.
- **Performance Management:** The development and monitoring of performance management tools ensure PSEs operate efficiently.

The Finance Department developed Policy Frameworks in compliance with the Public Financial Management Act, 2022. These policies frameworks were approved by the Provincial Government and include:

- **Board of Directors/Governors:** Policies to ensure effective governance and strategic oversight.
- **Chief Executive Officer (CEO):** Guidelines for the appointment, roles, and responsibilities of CEOs.
- **Finance & Accounting:** Standards and practices to ensure financial integrity and transparency.
- **Internal Audit:** Establishing robust internal audit functions to enhance accountability.
- **Risk Management:** Policies to identify, assess, and mitigate risks effectively.

Training sessions to the 120+ board of directors, CXOs, and other officials were provided to appraise them on the policy frameworks approved by the Provincial Government. These Policy Frameworks serve as building blocks for achieving consistency in practices and adopting international best practices in the governance and financial management of the PSEs.

One of the critical challenges for PSEs is ensuring visibility and transparency. The Finance Department and the Administrative Department had no information regarding the financial position and performance and the governance structure of the PSEs. To address this, the Finance Department developed and hosts an online web-based application, providing a platform for stakeholders to access relevant information about the performance and governance of PSEs. The application has two different modules.

The first module is the financial management and reporting tool. The implementation of this module necessitates PSEs to consistently update and upload their financial data, ideally every month. This initiative offers several advantages to the stakeholders including the Government of Khyber Pakhtunkhwa (GOKP).

Firstly, regular updating and uploading of financial data ensure that decision-makers have access to the most current and accurate information regarding the financial health and performance of the PSEs. This real-time data enables informed decision-making and facilitates timely interventions in cases of financial discrepancies or concerns.

Furthermore, the tool automates the generation of various essential reports, including the income statement, balance sheet, statement of cash flows, variance analysis report, and a Dashboard featuring key financial indicators. These reports provide decision-makers with comprehensive insights into the financial status, trends, and performance metrics of the PSEs.

The availability of automated reports not only saves time and effort but also enhances the efficiency of financial analysis processes. Decision-makers can quickly assess financial performance, identify areas of improvement or concern, and take proactive measures to address them.

Moreover, the standardized format of reports ensures uniformity and consistency in financial reporting across all PSEs. This standardized approach facilitates comparison and benchmarking of financial performance among different entities, enabling decision-makers to identify best practices, trends, and areas for improvement across the sector.

The primary obstacle lies in ensuring the consistent updating of the application. Nonetheless, the Finance Department is committed to addressing this challenge and has taken significant steps in this regard. As part of these efforts, the Finance Department has made the updating of the finance module of the web-based application a prerequisite for releasing grants to major PSEs.

The next module encompasses a centralized database containing information on directors, CXOs, and staff, along with their profiles and performance records, especially regarding their service on established public entity boards. The administrative department seeks improved insight into individual member performance and board conduct to facilitate recommendations to the Government for board nominations.

By establishing and sustaining a comprehensive database that not only catalogs director profiles but also incorporates mechanisms for evaluating individual and collective board performance, the Government can effectively identify suitable candidates for board nominations across public entities.

Furthermore, alongside the reforms, the Finance Department has furnished Governance Assessments and Financial Sustainability Reports to about 20 entities. These reports outline identified gaps and offer recommendations aimed at aiding Administrative Secretaries and Boards of Directors in harmonizing their endeavors.

## Annexures

### Budget Estimates 2024-25 (Current Expenditure)

DEMAND NO	DEPARTMENTS	BUDGET ESTIMATES 2023-24	REVISED ESTIMATES 2023-24	POSTS 2024-25	BUDGET ESTIMATES 2024-25		
					SALARY	NON-SALARY	TOTAL
1	PROVINCIAL ASSEMBLY	2,115,224,000	2,115,224,000	713	2,370,685,000	635,405,000	3,006,090,000
2	GENERAL ADMINISTRATION	6,257,396,000	6,257,396,000	3,102	4,287,976,000	3,632,749,000	7,920,725,000
3	FINANCE, TREASURIES AND LOCAL FUND AUDIT	3,269,182,000	3,269,182,000	1,572	1,944,365,000	1,840,601,000	3,784,966,000
4	PLANNING & DEVELOPMENT AND BUREAU OF STATISTICS	1,123,635,000	1,123,635,000	708	960,688,000	233,143,000	1,193,831,000
5	INFORMATION TECHNOLOGY	1,224,117,000	1,224,117,000	143	159,230,000	1,495,708,000	1,654,938,000
6	REVENUE & ESTATE	2,389,060,000	2,389,060,000	1,517	1,416,658,000	839,972,000	2,256,630,000
7	EXCISE, TAXATION & NARCOTICS CONTROL	1,451,406,000	1,451,406,000	1,623	1,360,967,000	312,091,000	1,673,058,000
8	HOME & TRIBAL AFFAIRS	2,604,424,000	2,604,424,000	1,910	2,010,319,000	764,432,000	2,774,751,000
9	JAILS & CONVICTS SETTLEMENT	6,432,348,000	6,432,348,000	6,463	4,001,647,000	2,950,241,000	6,951,888,000
10	POLICE	88,410,423,000	88,410,423,000	99,705	81,944,684,000	14,212,797,000	96,157,481,000
11	ADMINISTRATION OF JUSTICE	13,961,989,000	13,961,989,000	9,076	12,692,638,000	2,425,637,000	15,118,275,000
12	HIGHER EDUCATION, ARCHIVES & LIBRARIES	24,502,175,000	24,502,175,000	19,736	23,299,041,000	5,231,478,000	28,530,519,000
13	HEALTH	164,158,587,000	164,158,587,000	61,894	89,337,334,000	92,116,621,000	181,453,955,000
14	COMMUNICATION & WORKS	4,828,058,000	4,828,058,000	6,913	4,865,302,000	659,089,000	5,524,391,000
15	ROADS HIGHWAYS & BRIDGES (REPAIR) AND BUILDINGS & STRUCTURES (REPAIR)	5,474,876,000	5,474,876,000	-	-	6,134,600,000	6,134,600,000

16	PUBLIC HEALTH ENGINEERING	13,538,883,000	13,538,883,000	12,465	7,834,443,000	6,798,611,000	14,633,054,000
17	LOCAL GOVERNMENT *	7,957,404,000	7,957,404,000	198	406,935,000	7,378,402,000	7,785,337,000
18	AGRICULTURE	4,690,084,000	4,690,084,000	3,954	3,400,859,000	2,600,176,500	6,001,035,500
19	ANIMAL HUSBANDRY	3,254,793,000	3,254,793,000	2,856	2,245,669,000	1,670,217,500	3,915,886,500
20	CO-OPERATION	58,752,000	58,752,000	44	46,418,000	25,201,000	71,619,000
21	ENVIRONMENT & FORESTRY	4,298,248,000	4,298,248,000	6,990	4,327,829,000	483,729,000	4,811,558,000
22	FORESTRY (WILDLIFE)	1,381,891,000	1,381,891,000	1,703	1,263,150,000	276,550,000	1,539,700,000
23	FISHERIES	378,343,000	378,343,000	511	320,957,000	110,902,000	431,859,000
24	IRRIGATION	8,037,916,000	8,037,916,000	8,097	5,592,873,000	2,941,343,000	8,534,216,000
25	INDUSTRIES	810,950,000	810,950,000	743	692,192,000	275,937,000	968,129,000
26	MINERAL DEVELOPMENT AND INSPECTORATE OF MINES	1,783,502,000	1,783,502,000	1,404	928,735,000	758,725,000	1,687,460,000
27	STATIONERY AND PRINTING	320,603,000	320,603,000	235	155,110,000	185,375,000	340,485,000
28	POPULATION WELFARE	597,350,000	597,350,000	345	413,485,000	415,219,000	828,704,000
29	TECHNICAL EDUCATION AND MANPOWER	3,051,021,000	3,051,021,000	2,372	2,353,399,000	1,198,691,000	3,552,090,000
30	LABOUR	669,865,000	669,865,000	658	532,100,000	246,105,000	778,205,000
31	INFORMATION & PUBLIC RELATIONS	621,409,000	621,409,000	375	373,922,000	291,940,000	665,862,000
32	SOCIAL WELFARE, SPECIAL EDUCATION & WOMEN EMPOWERMENT	4,081,234,000	4,081,234,000	1,450	1,547,323,000	2,061,265,000	3,608,588,000
33	ZAKAT & USHER	412,216,000	412,216,000	375	387,865,000	92,176,000	480,041,000
34	PENSION	134,000,000,000	134,000,000,000	-	-	162,402,956,000	162,402,956,000
35	SUBSIDIES	47,753,013,000	47,753,013,000	-	-	25,199,013,000	25,199,013,000
36	GOVERNMENT INVESTMENT & COMMITTED CONTRIBUTION	22,000,000,000	22,000,000,000	-	-	23,000,000,000	23,000,000,000



37	AUQAF, RELIGIOUS, MINORITY & HAJJ AFFAIRS	2,478,213,000	2,478,213,000	49	72,365,000	2,478,218,000	2,550,583,000
38	SPORTS, CULTURE, TOURISM & MUSEUMS	620,608,000	620,608,000	530	439,470,000	301,771,000	741,241,000
39	TEHSIL GOVERNMENT NON- SALARY	24,000,000,000	24,000,000,000	-	-	29,587,390,000	29,587,390,000
40	GRANT TO LOCAL COUNCILS	8,922,936,000	8,922,936,000	-	-	11,065,551,000	11,065,551,000
41	HOUSING	196,793,000	196,793,000	49	84,722,000	113,398,000	198,120,000
42	TEHSIL GOVERNMENT SALARY	233,295,000,000	233,295,000,000	297,881	263,072,910,000	-	263,072,910,000
43	INTER PROVINCIAL COORDINATION	82,089,000	82,089,000	56	78,689,000	19,446,000	98,135,000
44	ENERGY AND POWER	354,427,000	354,427,000	225	249,851,000	131,855,000	381,706,000
45	TRANSPORT & MASS TRANSIT	2,007,577,000	2,007,577,000	659	522,879,000	3,166,147,000	3,689,026,000
46	ELEMENTARY & SECONDARY EDUCATION	19,307,654,000	19,307,654,000	1,282	3,184,265,000	14,262,841,000	17,447,106,000
47	RELIEF REHABILITATION AND SETTLEMENT	8,299,991,000	8,299,991,000	7,439	4,430,158,000	6,905,506,000	11,335,664,000
62	COVID-19 CONTINGENCIES	300,000,000	300,000,000	-	-	300,000,000	300,000,000
64	VIABILITY GAP FUND	10,000,000	10,000,000	-	-	10,000,000	10,000,000
65	TOURISM	900,175,000	900,175,000	790	439,370,000	838,726,000	1,278,096,000
--	DEBT SERVICING (INTEREST PAYMENT )	28,300,000,000	30,300,000,000	-	-	44,300,000,000	44,300,000,000
<b>TOTAL (REVENUE BUDGET)</b>		<b>916,975,840,000</b>	<b>918,975,840,000</b>	<b>568,810</b>	<b>536,049,477,000</b>	<b>485,377,947,000</b>	<b>1,021,427,424,000</b>
<b>CAPITAL EXPENDITURE</b>							
48	LOANS AND ADVANCES	300,000,000	300,000,000	-	-	360,000,000	360,000,000
--	DEBT SERVICING (LOAN FROM FEDERAL GOVT.DISCHARGED)	25,132,824,000	26,032,824,000	-	-	71,300,000,000	71,300,000,000
<b>TOTAL (Capital Budget)</b>		<b>25,432,824,000</b>	<b>26,032,824,000</b>	<b>-</b>	<b>-</b>	<b>71,660,000,000</b>	<b>71,660,000,000</b>

<b>GRAND TOTAL (Revenue + Capital)</b>		<b>942,408,664,000</b>	<b>945,008,664,000</b>	<b>568,810</b>	<b>536,049,477,000</b>	<b>557,037,947,000</b>	<b>1,093,087,424,000</b>
<b>NEWLY MERGED AREAS (MDs)</b>							
61	PROVINCIAL	69,437,193,000	69,437,193,000	67,931	52,261,375,000	37,694,608,000	89,955,983,000
61	DISTRICT	46,000,000,000	46,000,000,000	48,238	42,637,897,000	9,886,551,000	52,524,448,000
61	GRANT TO LOCAL COUNCILS	1,430,031,000	1,430,031,000	-	-	2,148,000,000	2,148,000,000
<b>TOTAL NMAs</b>		<b>116,867,224,000</b>	<b>116,867,224,000</b>	<b>116,169</b>	<b>94,899,272,000</b>	<b>49,729,159,000</b>	<b>144,628,431,000</b>
<b>GRAND TOTAL (Provincial + MDs)</b>		<b>1,059,275,888,000</b>	<b>1,061,275,888,000</b>	<b>684,979</b>	<b>630,948,749,000</b>	<b>606,767,106,000</b>	<b>1,237,715,855,000</b>
<b>CAPITAL EXPENDITURE - FOOD (ACCOUNT-II)</b>							
49	STATE TRADING IN FOOD GRAINS AND SUGAR	102,835,995,000	102,835,995,000	1,447	868,113,000	102,105,005,000	102,973,118,000
66	STATE TRADING IN FOOD GRAINS AND SUGAR	244,477,000	244,477,000	120	97,097,000	256,679,000	353,776,000
<b>TOTAL Capital Budget (Account-II)</b>		<b>103,080,472,000</b>	<b>103,080,472,000</b>	<b>1,567</b>	<b>965,210,000</b>	<b>102,361,684,000</b>	<b>103,326,894,000</b>

\*Local Government Department is Administrative Department by service delivery institutions like TMA, VCS/NCs etc. These institutions are funded multiple funding such as PFC Award, Grant to Local Councils and UIPT share.

## **Funds Management**

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

1. The Khyber Pakhtunkhwa Pension Fund Act, 1999
2. The Khyber Pakhtunkhwa General Provident Investment Fund Act, 1999
3. The Khyber Pakhtunkhwa Hydel Development Fund Ordinance, 2001
4. The Khyber Pakhtunkhwa Retirement Benefit and Death Compensation Act, 2014

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

The professional staff of the Funds, under the Finance Department, is responsible for efficiently managing the province's pension and development funds.

### **Objective & Strategy**

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

### **Asset Allocation**

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

Following is a brief on each fund

#### **1- General Provident Investment Fund (GPIF)**

GoKP had established GPIF in the year 1991-92 with an initial allocation of Rs. 200 million as equity. Now, total fund size is Rs. 108,752 million out of which Rs.28,428 million is contributed by the Government of Khyber Pakhtunkhwa. The fund is governed by an Act and Rules made thereunder for running the affairs of the Fund.

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

Moreover, the Board operates through various committees, of which the prominent one is the Investment Committee. This committee is chaired by the Finance Secretary and is mandated to

work out investments and recommend such to the Board. The fund receives injections from the GoKP in addition to the fund returns. Although provident contributions are deducted from the provincial government employees, such are transferred only in varying amounts to GPIF. The GPIF size has grown over time and the following table presents an overall position:

#### GP Fund

Units: Rs. Bn

Year	Opening Balance	Government Equity	Profit Earned	Closing Balance
Till 30.06.2013	18.5	6.9	2.2	27.7
2013-14	27.7	5.5	3.0	36.2
2014-15	36.2	0.0	4.3	40.5
2015-16	40.5	2.0	4.5	47.0
2016-17	47.0	3.0	3.7	53.7
2017-18	53.7	4.2	3.7	61.6
2018-19	61.3	0.0	6.2	67.4
2019-20	69.0	0.0	8.5	77.5
2020-21	77.5	0.0	7.1	84.6
2021-22	84.6	0.0	8.3	92.9
2022-23	92.9	0.0	2.9	95.8
2023-24*	95.8	0.0	12.9	108.8

\*Projected

## 2- Pension Fund (PF)

GoKP had established the Pension Fund (PF) in the year 1997-98 with an initial allocation of Rs. 150 million as equity. Now, total fund size is Rs. 51,704 million (approximately) out of which Rs.22,847 million contributed by the Government of Khyber Pakhtunkhwa. The fund is governed by an Act and Rules made there under for running the affairs of the fund.

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

Despite promised pension benefits, GoKP does not deduct contributions from the provincial government employee's salaries and hence is the sole contributor to the PF. As such GoKP becomes exclusively liable for the funded status of this fund. As per Section 4 (2) of Pension Fund Act, 1999, Rs. 26,000 million was transferred from Pension Fund to Provincial Government for payment of Pension to Government Employees during Financial Year 2020-23. The PF size has also grown over time and the following table presents an overall position:

## Pension Fund

Units: Rs. Bn

Year	Opening Balance	Government Equity	Profit Earned	Closing Balance
Till 30.06.2013	13.0	2.0	1.6	16.6
2013-14	16.6	3.0	1.9	21.5
2014-15	21.5	2.5	2.6	26.5
2015-16	26.5	2.0	2.7	31.1
2016-17	31.1	3.0	2.3	36.4
2017-18	36.4	3.5	2.6	42.5
2018-19	42.5	0.0	3.8	46.4
2019-20	46.4	3.0	5.4	54.7
2020-21	54.7	0.0	6.1	53.7
2021-22	53.7	0.0	4.6	48.3
2022-23	48.3	0.0	6.4	44.7
2023-24*	44.7	0.0	12.9	51.7

\*Projected

### 3- Hydel Development Fund (HDF)

The Hydel Development Fund (HDF) was established by the Government of Khyber Pakhtunkhwa (GoKP) in 1992 with an initial allocation of Rs. 50 million. The Fund is governed by an Act and Rules made thereunder to manage its affairs.

Unlike the General Provident Investment Fund (GPIF) and Pension Fund (PF), which are intended to fund GoKP's growing pension liabilities, HDF has a different mandate. HDF's objective is to develop hydel electricity generation capacity in the Khyber Pakhtunkhwa, primarily by funding projects executed by the Pakhtunkhwa Energy Development Organization (PEDO).

HDF is controlled by a Board, which is currently composed of ten members. The Board is dominated by nine ex-officio members; out of which, eight come from GoKP. Two members are from private sector; namely Managing Director Bank of Khyber, and one provincial chief of public sector bank or development financial institution, stationed at Peshawar. The Chief Minister Khyber Pakhtunkhwa is the chairman of the Board. Similar to GPIF and PF, the HDF also has an investment committee, but headed by the Chief Secretary, Khyber Pakhtunkhwa.

The HDF is funded from the GoKP's own resources and as such the fund do not receive automatic deductions or tax receipts. Its size, inflows, and outflows over time are presented in the table below:

**HDF**

Units: Rs. Bn

Year	Opening Balance	Government Equity	Profit Earned	Fund Utilized	Closing Balance
Till 30.06.2013	20.2	3.0	2.3	2.0	23.6
2013-14	23.6	3.0	2.3	5.3	23.6
2014-15	23.6	3.0	2.4	2.8	26.2
2015-16	26.2	10.2	2.0	15.0	23.3
2016-17	23.3	16.5	2.3	27.7	14.4
2017-18	14.4	15.0	0.9	7.3	23.0
2018-19	25.0	0.0	2.1	7.1	20.0
2019-20	20.0	0.0	1.7	9.2	12.6
2020-21	12.6	2.0	1.2	9.6	6.2
2021-22	6.2	3.3	0.3	10.2	30.0
2022-23	0.03	7.2	0.4	5.4	2.2
2023-24*	2.2	4.0	1.0	4.0	3.2

\*Projected

**4- Retirement Benefit and Death Compensation Fund (RBDC)**

The Government of Khyber Pakhtunkhwa introduced the Retirement Benefit and Death Compensation (RB&DC) Fund under RB&DC Act, 2014 w.e.f. 06.11.2014. The scheme offers another layer of social protection and enhances benefits from only death compensation to retirement benefit as well for employees of the Government of Khyber Pakhtunkhwa. The fund is governed by the Khyber Pakhtunkhwa Civil Servants Retirement Benefits and Death Compensation Act, 2014 and Rules made thereunder for running the affairs of the fund. Unlike the other three funds, which are funded by the Government of Khyber Pakhtunkhwa on behalf of subscribers. The RBDC Fund made up of contributions from the provincial government employees like Benevolent Fund. The Fund is managed by Fund Management Unit, Finance Department.

Total contribution made by the employees of Khyber Pakhtunkhwa is Rs. 25,966 million out of which Rs. 14,511 million was paid to claimants on retirement and death during service of civil servants.

Here again, the Board controls overall affairs and is headed by the Chief Secretary. The Board is the largest of all-four fund Boards, comprising of 12 members; out of which 10 are ex-officio members and two are representatives of the civil servants. There is also a management committee, chaired by the Secretary Finance, for speedy disposal of the benefit claims. RBDC fund's size, inflows, and outflows over time are presented in the table below:

**Retirement Benefit and Death Compensation**

Units: Rs. Bn

<b>Year</b>	<b>Opening Balance</b>	<b>Released during the year</b>	<b>Total</b>	<b>Profit Earned</b>	<b>Fund Utilized</b>	<b>Cumulative Total</b>
2016-17	-	-	-	-	-	0.0
2017-18	0.0	3.4	3.4	0.1	1.3	2.2
2018-19	3.1	4.2	7.3	0.5	1.7	6.0
2019-20	6.0	3.8	9.9	0.8	1.3	9.3
2020-21	9.3	3.5	12.7	0.7	2.9	10.6
2021-22	10.6	3.5	14.1	1.0	2.7	12.4
2022-23	12.4	3.5	15.9	2.1	2.7	15.6
2023-24	15.6	3.4	19.1	3.6	2.3	20.3
2024-25*	20.3	3.5	23.8	4.3	2.7	25.4

\*Projected

## Chronological Annexures

### General Revenue and Receipts

Unit: In Rs. Mn

Year	Provinci al Tax Receipts	Provinci al Others Receipts	Total Provincial Own Receipts		Federal Tax Assignment	Net Profits	Grants from Federal Govt.	Total Provincial Receipts	Current Revenue Expenditure	Deficit/Su r plus Revenue Account	Non- Obligat ory Grant	Receiva ble as per Arbitrati on Award
75-76												
B.E	51.6	104.9	156.5	7.1	305.3	---	110.7	579.6	699.5	(-) 119.9	---	119.9
R.E	72.2	113.1	185.3	7.9	329.3	---	151.3	673.8	705.4	(-) 31.6	31.6	---
76-77												
B.E	74.5	120.1	194.6	6.9	367.7	---	104.8	674	862.2	(-) 188.2	138.2	50
R.E	83.7	93.1	176.8	2.2	373.6	---	123.3	675.9	955.9	(-) 280.0	223.6	56.4
77-78												
B.E	88.7	127.2	215.9	(-) 6.8	401.1	---	104.8	715	1,149.10	(-) 434.1	398.7	35.4
R.E	93.4	119.4	212.8	14.8	426.9	---	107.6	762.1	1,137.00	(-) 374.9	352.6	22.3
78-79												
B.E	96.8	135.5	232.3	12.7	461.8	---	104.8	811.6	1,314.30	(-) 502.7	456.8	45.9
R.E	96.6	201.3	297.9	(-)10.8	512.3	---	108.5	907.9	1,391.20	(-) 483.3	468.4	14.9
79-80												
B.E	101.3	162.8	264.1	11.2	562.8	---	104.8	942.9	1,557.10	(-) 614.2	566.9	47.3
R.E	123	209.9	332.9	14.8	736.9	---	104.8	1,189.40	1,674.80	(-) 485.4	475	10.4
80-81												
B.E	127.4	250	377.4	12.3	881.3	---	104.8	1,375.80	1,877.60	(-) 501.8	445.8	56
R.E	143.2	260.7	403.9	13.2	1,060.40	---	107.3	1,584.80	2,031.80	(-) 447.0	447	---
81-82												
B.E	154.4	276.6	431	12.3	1,203.10	---	104.7	1,751.10	2,292.90	(-)541.8	531.6	10.2
R.E	174.7	282.6	457.3	37	1,132.60	---	106.4	1,733.30	2,538.90	(-) 805.6	805.6	---
82-83												
B.E	188.7	296.2	484.9	16.6	1,223.60	---	104.8	1,829.90	2,714.70	(-) 884.8	874.8	10
R.E	212	308	520	24.8	1,223.60	---	105.4	1,873.80	2,989.70	(-) 1115.9	1,115.90	---
83-84												
B.E	212	340.2	552.2	16	1,364.30	---	104.8	2,037.30	3,454.30	(-) 1417.0	1,396.00	21
R.E	238.3	374.6	612.9	50.7	1,374.60	---	116.6	2,154.80	3,705.20	(-) 1550.4	1,550.40	---
84-85												
B.E	257.5	375.4	632.9	66.8	1,537.40	---	104.8	2,341.90	4,334.70	(-)1992.8	1,992.80	---
R.E	264.3	395.9	660.2	70.1	1,457.00	---	119.3	2,306.60	4,512.10	(-) 2205.5	2,205.50	---
85-86												
B.E	288.9	412.3	701.2	75	1,622.00	---	104.7	2,502.90	5,201.00	(-) 2698.1	2,698.10	---
R.E	284.1	414.1	698.2	51.8	1,622.00	---	130.7	2,502.70	5,453.70	(-) 2951.0	2,951.00	---
86-87												
B.E	307.2	430.2	737.4	52.8	1,622.00	---	104.8	2,517.00	6,466.30	(-) 3949.3	3,949.30	---
R.E	303.6	434.5	738.1	34.6	1,615.60	---	130.3	2,518.60	6,811.80	(-) 4293.2	4,293.20	---
87-88												
B.E	309.3	466.1	775.4	34.6	1,831.30	---	104.7	2,746.00	7,382.90	(-) 4636.9	4,636.90	---
R.E	338.6	619.5	958.1	72.5	1,988.60	---	111.4	3,130.60	7,997.10	(-) 4866.5	4,866.50	---
88-89												
B.E	369.2	531.1	900.3	74.6	2,204.50	---	104.8	3,284.20	8,685.10	(-) 5400.9	5,400.90	---
R.E	374.7	556.3	931	174.8	3,030.50	---	136.9	4,273.20	8,607.40	(-) 4334.2	4,022.60	311.6
89-90												
B.E	369.3	581.8	951.1	159.6	3,330.20	---	104.8	4,545.70	9,291.20	(-) 4745.5	3,735.80	1,009.70
R.E	405.6	714.5	1,120.10	197.4	3,934.00	---	134.8	5,386.30	9,385.60	(-) 3999.3	3,574.70	424.6
90-91												
B.E	391.6	691.6	1,083.20	202.4	4,356.00	---	104.8	5,746.40	10,558.70	(-) 4812.3	3,475.60	1,336.70
R.E	430.5	759.8	1,190.30	72.8	4,301.60	---	132	5,696.70	10,281.70	(-) 4585.0	4,029.70	555.3
91-92												
B.E	440.3	799.7	1,240.00	25.4	6,582.40	5,987.50	204.8	14,040.10	12,732.30	(+) 1307.8	---	---
R.E	435.7	864.3	1,300.00	20.7	6,444.10	5,999.90	402.5	14,154.80	12,737.30	(+) 1417.5	---	926.4
92-93												
B.E	527.2	972.8	1,500.00	19.6	7,304.00	6,800.00	204.8	15,828.40	14,370.80	(+) 1457.6	---	---
R.E	688.8	958.8	1,647.60	19.7	7,366.00	5,680.00	205.2	16,038.50	14,579.00	(+) 1459.5	---	1,938.90
93-94												
B.E	639	1,031.00	1,670.00	9.3	8,277.20	7,500.00	204.8	17,661.30	16,511.30	(+) 1150.0	---	---
R.E	634.2	1,040.80	1,675.00	9.3	9,392.10	5,482.00	209.5	17,785.90	16,635.90	(+) 1150.0	---	2,898.80
94-95												
B.E	686.4	1,128.00	1,814.40	11.7	11,139.00	7,800.00	4.8	20,769.90	19,189.90	(+) 1580.0	---	---
R.E	724.3	1,272.70	1,997.00	17.6	11,454.70	6,500.00	10	21,279.30	19,404.50	(+) 1874.8	---	2,718.90





2015-16	22,594.50	31,830.30	54,424.80	---	315,452.20	68,873.00	2,000.00	425,750.00	298,000.00	(+) 127750.0	---	---
B.E												
R.E	14,319.90	11,161.10	25,481.00	---	301,262.20	34,000.00	7,401.70	368,144.90	280,903.80	(+) 87241.2	---	---
2016-17	18,171.10	31,335.90	49,507.00	---	346,183.80	33,704.00	300	429,694.80	333,000.00	(+) 96694.8	---	---
B.E												
R.E	18,204.30	14,263.70	32,468.00	---	343,547.20	33,704.00	50	409,769.20	338,601.00	(+) 71168.2	---	---
2017-18	22,306.90	22,908.10	45,215.00	---	389,854.50	35,785.00	---	470,854.50	388,000.00	(+) 82854.5	---	---
B.E												
R.E	19,405.00	14,852.00	34,257.00	---	381,031.90	63,050.90	---	478,339.80	389,000.00	(+) 89339.8	---	---
2018-19	23,823.00	17,439.00	41,262.00	---	426,095.50	65,277.90	---	532,635.30	430,000.00	(+)102635.3	---	---
B.E												
R.E	19,765.00	14,875.00	34,640.00	---	403,958.60	54,491.80	---	493,090.40	410,000.00	(+) 83,090.4	---	---
2019-20	33,022.60	20,381.50	53,404.10	---	533,261.50	55,674.80	79,000.00	721,340.40	526,300.00	(+) 195,040.4	---	---
B.E												
R.E	27,583	19,238	46,821	---	379,097.30	512.70	66,000	543,188.30	532,550	(+)10,638.3		
2020-21	28,147	21,087	49,234.00	---	477,518.60	58,288.40	88,000.00	673,019.00	593,129			
B.E										(+)79,890	---	----
R.E	31,779	20,623	52,402	---	456,129	58,266	83,800	650,597	619,345	(+)		
2021-22	43,189	31,811	75,000	---	559,257	74,701	99,000	807,958	747,240	(+)		
B.E										60,718	---	----
R.E	44,580	32,420	77,000	---	591,512	42,220	94,590	805,322	894,090	(-)88,768		
2022-23	52,667	32,333	85,000	---	670,451	61,800	124,000	941,251	913,843	(+)27,408		
B.E												
R.E	53,148	42,147	95,295		699,170	4,900	60,000	859,365	1,017,070			
2023-24	56,490	28,510	85,000		895,145	84,961	116,867	1,181,973	1,059,276			
B.E												
R.E	56,040	28,960	85,000		895,145	84,961	116,867	1,181,973	1,062,176			
2024-25	63,188	30,312	93,500		1,053,906	111,303	144,628	1,403,337	1,237,716			
B.E												

## Annual Development Programme Since 1973/74

Unit: in Rs Mln

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

2017-18	208,000.00	150,158.80
2018-19	180,000.00	175,599.56
<b>2019-20</b>	319,000.00	220,130.70
<b>2020-21</b>	317,857.00	249,992.00
<b>2021-22</b>	371,074.60	420,907.00
<b>2022-23</b>	418,157.50	220,283.92
<b>2023-24</b>	301,094.50	301,094.50
<b>2024-25*</b>	416,284.00	
<b>(*Includes PSDP)</b>		

## KP Foreign Loans

S.No	Loan ID	Loan Projects	Currency	Outstanding 2023-2024 (Foreign Currency)	Outstanding 2023-2024 (PKR Million)
1	IDA678	3rd Education Project	USD	60,840	17.64
2	IDA683	Flood damages restoration Project	USD	231,167	67.04
3	IDA755	Hazara Forestry Project	USD	46,956	13.62
4	IDA877	Salinity Control & Reclamation Project Mardan	USD	3,327,750	965.05
5	IDA892	4th Primary Education Project	USD	199,155	57.75
6	IDA1113	Bannu Leather goods services control Project	USD	195,750	56.77
7	IDA1163	On-Farm Water Management Project	USD	460,575	133.57
8	IDA1239	Irrigation System Rehab: Project	USD	689,934	200.08
9	IDA1487	Command Water Management Project	USD	1,009,433	292.74
10	IDA1499	Small Industries Dev. Board Project	USD	49,500	14.36
11	IDA1602	2nd Primary Education Project	USD	4,312,780	1250.71
12	IDA1603	On-Farm Water Management Project	USD	1,031,550	299.15
13	IDA2003	1988 Flood Damages Restoration Project	USD	74,466	21.60
14	IDA2154	2nd Agriculture Research Project	USD	309,448	89.74
15	IDA2240	Family Health Project	USD	1,777,828	515.57
16	IDA2245	On-Farm Water Management Project	USD	573,534	166.32
17	IDA2383	Environmental Protection and resource conservation Project	USD	543,712	157.68
18	IDA2468	1992 Flood Damages Restoration Project	USD	500,481	145.14
19	IDA2593	Social Action Program	USD	1,401,527	406.44
20	IDA2687	Primary Education Project	USD	28,888,685	8377.72
21	IDA2829	KP Community Infrastructure Project	USD	6,248,067	1811.94
22	IDA2999	National Drainage Programme	USD	731,850	212.24
23	IDA3050	Social Action Program II	USD	3,411,245	989.26
24	IDA35161	Investment Programme-I)/KP water farm management project	USD	8,076,869	2342.29
25	IDA3516	NWFP Emergency Rehabilitation Project	USD	12,485,831	3620.89
26	IDA3687	KP Structural Adjustment SAC I	PKR	3,855,035,900	3855.04
27	IDA3776	Provincial HIV AIDS Control	USD	2,421,903	702.35
28	IDA3906	Second KP Community Infrastructure Project	USD	28,471,288	8256.67
29	IDA39321	KP Structural Adjustment Credit SAC II	USD	38,125,000	11056.25
30	IDA3932	KP Structural Adjustment Credit SAC II	USD	68,625,000	19901.25
31	IDA4177	Development Policy Credit-I	USD	75,594,413	21922.38
32	IDA4316	Development Policy Credit-II	USD	108,338,558	31418.18
33	IDA5786	National Immunization Support Project	USD	3,167,532	918.58
34	IDA6270	KP Economic Corridor (KPEC)	USD	2,157,526	625.68
35	IDA6421	KP Revenue Mobilization and Public Resource Management	USD	88,821,251	25758.16
36	IDA6456	KP Irrigated Agriculture	USD	92,830,000	26920.70
37	IDA6462	KP Integrated Tourism Development Project	USD	38,165,971	11068.13

38	IDA6714	KP Human Capital Investment Project	USD	18,595,615	5392.73
39	IDA6779	KP Hydropower and Renewable Energy Development	USD	5,985,851	1735.90
40	IDA6872	Spending Efficiently for Enhanced Development	USD	198,991,926	57707.66
41	IDA6590	Pandemic response effectiveness in Pakistan (Federal loan with KP Share)	USD	5,000,000	1450.00
42	IDA7143	KP Rural Accessibility Project	JPY	287,480,236	594.22
43	IDA7149	National Health Support Project	USD	10,963,400	3179.39
44	IBRD9164	KP Hydropower and Renewable Energy Development Project	USD	1,678,886	486.88
45	IBRD3327	On-Farm Water Mgt. Project Phase-III	USD	287,500	83.38
46	IFAD18	4th Agriculture Dev. Project	USD	130,271	37.78
47	IFAD83	On-Farm Water Mgt: Project	USD	111,444	32.32
48	IFAD558	NWFP Barani Area Development Project	USD	5,436,991	1576.73
49	IFADRETP	KP Rural Economic Transformation Project (RETP)	Euro	1,100,000	341.77
50	IDARIISP	KP Rural Investment & Institutional Support Project	USD	-	0.00
51	ADB723	Chasma Command Area Development Project	USD	776,460	225.17
52	ADB758	Farm to Market Roads Project	USD	196,343	56.94
53	ADB759	Science Education for Secondary School Project	USD	137,247	39.80
54	ADB838	Chitral Area Dev. Project	USD	3,019,100	875.54
55	ADB957	1988-Flood Damages Restoration Project	USD	83,697	24.27
56	ADB973	Livestock Development Project	USD	118,900	34.48
57	ADB976	Swabi Salinity Control and Reclamation Project	USD	601,163	174.34
58	ADB977	Primary Education Girls Project	USD	281,071	81.51
59	ADB1004	2nd Urban Dev: Project	USD	3,300,000	957.00
60	ADB1146	Chasma Right Bank Irr: Project Stage III	USD	10,673,446	3095.30
61	ADB1179	Barani Area Dev: Project	USD	4,657,813	1350.77
62	ADB1185	Provincial Highway Project	USD	1,947,056	564.65
63	ADB1200	Healthcare Dev: Project	USD	614,629	178.24
64	ADB1209	Flood Damages Restoration Sectors Project	USD	3,027,777	878.06
65	ADB1210	Teacher Training Project	USD	1,198,864	347.67
66	ADB1278	Middle School Project	USD	3,900,035	1131.01
67	ADB1294	Pehur High Level Canal Project	USD	31,900,000	9251.00
68	ADB1301	Social Action Program-I	USD	3,763,119	1091.30
69	ADB1373	Technical Edu: Project	USD	1,077,923	312.60
70	ADB1401	Rural Access Road Project	USD	9,147,924	2652.90
71	ADB1403	Forestry Sector Project	USD	14,910,000	4323.90
72	ADB1454	Primary Education Girls Project-II	USD	1,449,810	420.44
73	ADB1493	Social Action Program-II	USD	10,034,244	2909.93
74	ADB1534	Second Science Education Project	USD	3,688,614	1069.70
75	ADB1671	Women's Health Project	USD	2,072,204	600.94
76	ADB1672	Malakand Rural Dev. Project	USD	19,858,999	5759.11
77	ADB1787	Barani Areas Dev. Project	USD	19,500,010	5655.00
78	ADB1854	NWFP Urban Dev Sector Project	USD	1,943,400	563.59
79	ADB1877	Agriculture Sector Program II	USD	1,184,602	343.53

80	ADB1900	Reproductive Health Project	USD	139,516	40.46
81	ADB2103	Pak WFP Road Dev. Project	JPY	6,116,894,442	12643.62
82	ADB2104	KP Road Development Structural Credit	USD	1,254,003	363.66
83	ADB2135	Restructuring of the Technical and Vocational Training System Project	USD	1,049,808	304.44
84	ADB2286	Renewable Energy Dev Sector Investment Program project	JPY	2,655,478,299	5488.87
85	ADB2287	Renewable Energy Development Sector Investment Program Project-1	USD	1,768,265	512.80
86	ADB3470	Pehur High level Canal Ext. Project	USD	36,094,632	10467.44
87	ADB3476	Access to Energy	USD	121,757,496	35309.67
88	ADB3543	Peshawar Sustainable Bus Rapid Transit	USD	315,716,002	91557.64
89	ADB3601	KP Provincial Roads Improvement	USD	106,362,373	30845.09
90	ADB3602	KP Provincial Roads Improvement	USD	17,575,000	5096.75
91	ADB3756	Additional financing for KP Provincial Roads Improvement Project-Dualization of Mardan Swabi Road	USD	60,163,556	17447.43
92	ADB4057	Balakot Hydropower Project	USD	66,556,377	19301.35
93	ADB4160	Cities Improvement Project	Euro	48,147,587	14959.55
94	ADB4222	Health Systems Strengthening Project	USD	25,000,000	7250.00
95	ADB4279	Emergency Flood Assistance	USD	42,695,581	12381.72
96	ADB6015	KP Cities Improvement Project	USD	5,081,374	1473.60
97	ADB6042	Cities Improvement Project Preparation	USD	1,693,187	491.02
98	ADB6049	KP Water Resource Development Project	USD	425,929	123.52
99	KFWG7528	Hospital Equipment in KP- German	DM	1,350,000	214.45
100	KFWG7585	Drinking Water Supply in Refugees Camps in KP- German	DM	1,974,000	313.57
101	PK62	KP Emergency Road Rehabilitation Project	JPY	13,114,384,810	27107.43
102	AFD1045	Additional Financing for BRT Peshawar	Euro	85,579,858	26589.83
103	AIIBBalakot8397	Balakot Hydropower Project	USD	8,018,380	2325.33
104	AIIBCIP8412	Cities Improvement Project	Euro	24,535,133	7623.11
105	ADB4412	Food Security Project	JPY	-	

Units: Mil

Currency	Outstanding in FC (Millions)	Exchange Rate	Outstanding in PKR
USD	1,836.89	290.00	532,699
Euro	159.42	310.70	49,532
PKR	3,855.04	1.00	3,855
DM	3.32	158.90	528
JPY	22,174.24	2.07	45,834
<b>TOTAL</b>			<b>632,448</b>

## **The Bank Of Khyber**

### **On The Road To Transformation**

The Bank of Khyber ('BOK' or 'the Bank') was established in 1991 through an Act of the Provincial Assembly of Khyber Pakhtunkhwa (formerly N.W.F.P.). The Bank started its commercial operations in November 1991 and became a scheduled Bank with the State Bank of Pakistan in 1994. The Bank was listed on the Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange Ltd) in 2006.

The Bank of Khyber has embarked upon a transformation journey and investing in strengthening of its foundations, deepening of products & services offering, building of network and digital capacity in order to achieve strong and sustainable profit growth. The core objective of this journey is to serve all the stakeholders including our customers and patrons with an agile, accessible, and accelerated banking experience.

### **Economic Review**

In 2023, global growth was relatively sluggish due to several key factors: higher-than-expected inflation, global output contraction, the impacts of climate change, and tightened financial conditions. These challenges continued to affect economies worldwide, including Pakistan. The year was particularly volatile for Pakistan, marked by political uncertainty, high interest rates, soaring inflation, and challenging economic conditions.

### **Performance Review**

Despite the challenging and competitive operating environment due to fragile economic activities, the Bank maintained its focus on a long-term, multi-pronged strategy. This strategy emphasized continuous enhancement of technology-based services for customers through improved digital platforms, strengthened risk management, and optimized operational efficiencies.

The Bank's profit before tax was Rs. 6,702 million, while net profit after tax stood at Rs. 3,481 million. The Bank achieved historic profitability in 2023, primarily due to significant repositioning of its balance sheet, considering prevailing interest rates and economic conditions. This resulted in higher Net Markup and Non-markup income, with earnings per share recorded at Rs. 3.16 for FY 2023. As of 31st December 2023, the Bank's total assets amounted to Rs. 383,186 million.

### **Key Performance Indicators**

- Net Mark-up / Interest Income for 2023 stood at Rs. 13,893 million, compared to Rs. 7,149 million in the previous year
- Non-Markup / Interest Income increased by Rs. 724 million due to an increase in FX income and was Rs. 2,109 million, compared to Rs. 1,385 million in 2022
- Total Deposits of the Bank experienced a growth of 16%, reaching Rs. 289,292 million by December 2023, up from Rs. 248,906 million in December 2022
- Net Advances decreased by 20% to Rs. 101,588 million by December 2023, as compared to Rs. 127,515 million in the previous year, reflecting a deliberate and prudent strategy adopted under prevailing economic conditions



- Investments (net) witnessed a substantial increase of 29% to Rs. 223,348 million by December 2023, up from Rs. 173,669 million in December 2022
- The Return on Assets (ROA) for the year stood at 0.96%, while the Return on Equity (ROE) was recorded at 18.96%

### Summary of Bank's Historical Performance

The six years highlights of operating and financial data is appended below.

Rs. Bn

	2018	2019	2020	2021	2022	2023
<b>Deposits</b>	171.17	182.17	203.07	221.88	248.91	<b>282.29</b>
<b>Advances (net)</b>	95.01	109.74	129.06	124.55	127.52	<b>101.59</b>
<b>Investments (net)</b>	94.23	146.91	113.48	184.40	173.67	<b>223.35</b>
<b>Total Assets</b>	223.10	306.31	288.30	358.61	344.98	<b>383.19</b>
<b>Capital &amp; Reserves</b>	13.81	14.98	16.61	16.22	16.66	<b>20.18</b>
<b>Profit before Tax</b>	0.707	2.26	3.81	1.68	0.920	<b>6.70</b>
<b>Profit after Tax</b>	0.466	1.31	2.15	1.10	0.455	<b>3.48</b>

### Capital Compliances

As of December 31, 2023, the Bank's capital base is strong, and predominantly comprises of Tier-1 capital, which signifies its high quality. The Bank is fully compliant with the minimum capital requirements stipulated by the State Bank of Pakistan (SBP).

### Cash Dividend & Bonus Shares for FY 2023

The Board of Directors in their meeting held on 07 March 2024 announced a cash dividend of Rs.1.5 per share and issue of 5% bonus shares for the financial year ended 31 December 2023.

### Key Current Initiatives

In order to achieve a successful transformation journey, following is the summary of some of the key ongoing initiatives of the Bank:

#### Branch Expansion

As per its branch expansion strategy, the Bank has opened more branches during FY 2023 both within and outside KP to increase the outreach. As of December 31, 2023, the Bank was operating with 238 branches (including 164 in KP) out of which 115 branches (including 62 in KP) were functioning as Conventional Banking Branches while 123 (including 102 in KP) are Islamic Banking Branches. Through this network, the Bank is able to offer wide range of products and services to its valued customers both in conventional and Islamic banking segments.

Moreover, performance of the new branches is being strictly monitored to ensure that these branches meet their assigned business targets.

### **Digital Banking**

The Bank is strategically prioritizing digital banking initiatives in alignment with the latest trends in the industry. The Bank is advancing digital financial services tailored for various business segments. Notable efforts include:

- Introducing its inaugural mobile application in 2021, followed by a comprehensive overhaul in 2023 aimed at enhancing user experience and performance.
- The ATM monitoring unit has been established in adherence to the mandates set forth by the State Bank of Pakistan (SBP). This unit ensures strict compliance with regulatory requirements and maintains oversight over ATM operations to uphold the highest standards of security and efficiency.
- The Bank has recently introduced WhatsApp Banking services.
- The new MIS unit has been successfully established under the digital banking group, bolstering Bank's data management and analysis capabilities for efficient decision making and enhancement of operational efficiency through comprehensive information systems.
- Establishing an in-house debit card production facility to expedite issuance, reducing turnaround time for customer convenience.
- Launching an in-house call center to elevate service quality, addressing the limitations of third-party support and broadening the spectrum of services offered.
- Implementing process automation for streamlined and efficient operations.

These endeavors have yielded tangible success, evidenced by a remarkable surge in registered digital users and substantial growth in digital transaction volumes. Further, the Bank is actively developing several pivotal initiatives to augment digital financial service capabilities for its customer base.

### **Lead Bank for Agricultural financing in KP**

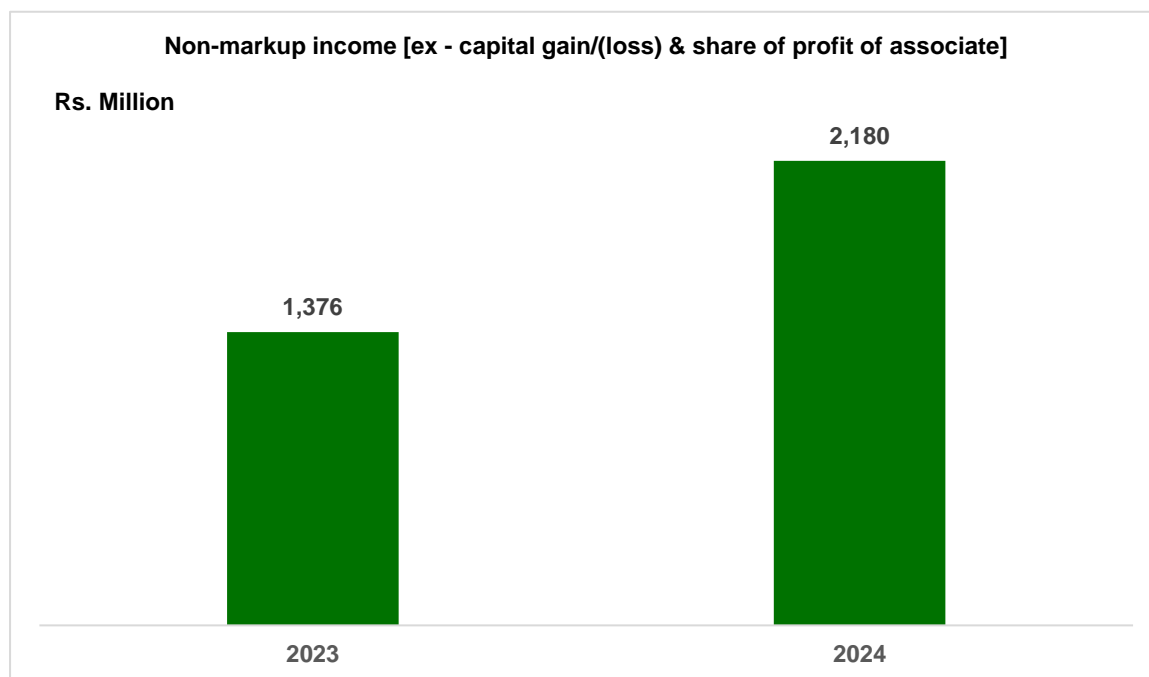
- Taking a lead role in the banking industry to increase availability of agricultural financing in KP. BOK with the support of SBP and other agriculture lending banks of KP are working towards increasing the agriculture financing facilities in the province.

### **Value added salary accounts for KP public sector employees**

- The Bank has offered a special bank account for KP public sector employees with very attractive features as well as consumer loan products at discounted rates. This has also resulted in an increase of number of bank accounts.

### **Focus on improvement of non-mark up income**

- The focus is on growing non-markup income to improve the Bank’s return on capital. Following is the progress in this regard:



### **Focus on channeling home remittances**

Special focus is being given on facilitating home remittances from migrant workers to their families in KP through their bank accounts.

### **Female Employment**

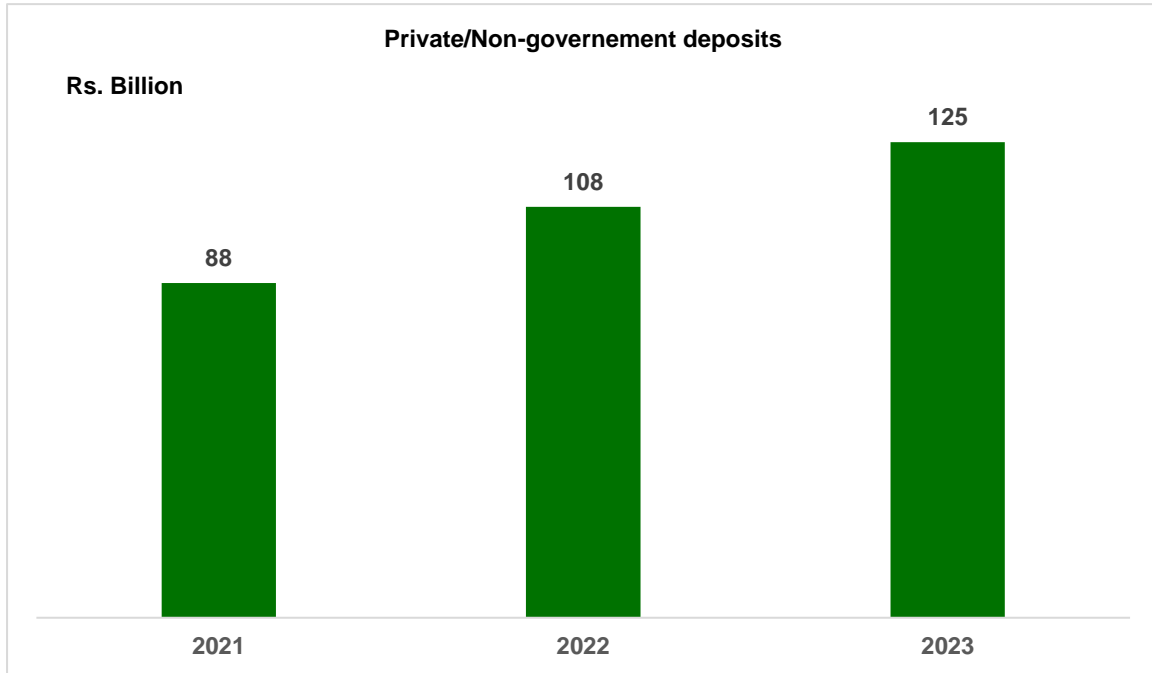
The Bank is continuously supporting gender diversity and providing equal opportunities and a welcoming environment for women. This can be witnessed through further increase in the Bank’s female employment ratio that grew to 12.5% as of Dec 2023 from 9.9% in 2022. Opportunities are being created for women for career advancement to more senior roles.

### **Capacity building**

The Bank is continuously working towards enhancing the skill set and productivity of its human resources by imparting professional and advanced training.

### **Customer Experience & Product Range Enhancement**

Focus is on improving the range of products and services offered by the Bank as well as the quality of the customer experience to better compete with other banks. Additionally, to mitigate the risk of impact of TSA (Treasury Single Account), the Bank is focusing on increasing private sector deposits. Moreover, efforts are underway to improve the deposit composition. This has resulted in following positive changes:



### **Focus on brand awareness and corporate communication**

The Bank has made significant progress in strengthening BoK's brand through digital and conventional channels. Our reach via digital media has grown very significantly, showing that our communication is resonating with our intended audience.

### **Other Areas:**

#### **Conventional Banking**

Progress on some of the key initiatives of the Conventional Banking Group (CBG) includes:

- There has been a significant increase in the number of Pay Plus Current Accounts. This growth is expected to continue in 2024 as CBG has successfully onboarded institutions such as FC North and KP Police, among others.
- Insurance claims amounting to over Rs. 3 million have been settled and paid to the families of deceased KP government employees who used the BOK Pay Plus Current Account for their salaries.
- Due to the success and popularity of the Pay Plus Current Account, this product will soon be available to other provincial government employees.
- BOK is facilitating the digital transformation of provincial government institutions and departments by introducing innovative products and services. This includes signing an MOU with SBP, KP Government Finance Department, KP-IT Board, and KP Government Revenue Department for the revolutionary e-Stamping project of the KP Government, aimed at ensuring transparency, safeguarding public interest, and providing convenience to the public.
- Another digitization initiative includes the digitization of admission registration and fee collection for public sector universities. BOK is also developing a customized system for E-Bidding for the KP Mines & Minerals Department and introducing a cash collection and management system for all TMAs across KP. Additionally, BOK is

providing tailored fee collection solutions for almost all public sector universities in KP, which facilitates both university administration and the general public.

- After successfully establishing its presence in nearly all public sector universities and hospitals in KP, CBG is now targeting private sector universities and hospitals with innovative products and services
- For the first time in history, the SBP has awarded a bank other than NBP the status of collecting agent for the provincial government, and BOK has received this privilege.

### **Islamic Banking**

The BOK management is dedicated to further promoting the Islamic banking business. Key initiatives and progress by the Islamic Banking Group (IBG) are as follows:

- In 2023, IBG successfully added 4 new full-fledged branches, 3 sub-branches, and 2 permanent booths in KP and the Federal Capital
- By 31 December 2023, the Islamic Banking Network had expanded to 123 full-fledged branches and 8 sub-branches
- As a provincial government bank in KP, BOK's expansion strategy focuses on facilitating financial inclusion across the province, reaching both urban centers and remote rural areas
- Total deposits of the Islamic Banking Group grew from Rs. 82 billion in 2022 to Rs. 89 billion in 2023, an increase of 8% over the base figure of 31 December 2022
- Bank of Khyber Raast Islamic Banking has signed MOUs with government and private entities. Through these agreements, BOK Raast Islamic Banking will offer its corporate and digital platforms for various collections and services and provide Shariah-compliant financing to KP Government employees. These MOUs aim to enhance corporate governance, support financial inclusion, and provide Islamic banking facilities to the general public

### **Agricultural Financing**

- Agriculture financing has been one of the important areas of the Bank. Over the years, the agriculture financing portfolio of the Bank has witnessed remarkable growth.
- In recognition of the efforts put in by the Agriculture Finance Division of the Bank, SBP has nominated BOK to be the lead bank of KP for agriculture finance. BOK along with the support of SBP and other agriculture lending banks of KP are working towards increase in the agriculture financing in the province.
- The Bank's vision is to expand Agriculture financing under both Conventional and Islamic Banking modes through development of innovative product line and low-cost financing modes.
- The Bank ventured in new avenues like the introduction and usage of drone technology for the farmers of KP, conversion of traditional tube wells into solarized ones, grafting of the wild olives with high yielding, Mushroom farming in idle tobacco barns are some of the initiatives taken by the Bank.
- Agriculture Value Chain financing was initiated with corporates for onboarding sugarcane growers in remote areas. The results of this intervention have been excellent and we have been able to provide financial services to growers of distant areas.
- BOK represented KP in the last Agriculture Credit Advisory Committee (ACAC) meeting chaired by the Governor SBP held at Lahore on December 14, 2023.

- The Bank is a reliable partner of State Bank of Pakistan in various Refinance Schemes and the Agriculture Finance Literacy Program (AFLP).
- BOK has been in the forefront in supporting the flood affected farmers by catering their financial needs.
- The Bank is committed to support the farming community of not only KP but also the adjoining agriculture areas of other provinces as well.
- Agricultural finance division is also focusing on improving our female client base and the small and marginalized farming community.

### **Consumer and SNE Financing**

- In the dynamic landscape of business, Small & Medium Enterprises (SMEs) play a pivotal role. These entities contribute significantly to economic growth, job creation, and technological advancement. Recognizing their importance, Bank of Khyber has remained steadfast in its commitment to meet the financing needs of SMEs throughout the year 2023.
- The Bank's comprehensive range of financial products and services are tailored to address the specific requirements of SMEs. These offerings will include but are not limited to Working Capital Loans, Machinery and Equipment Financing, Trade Finance Facilities and Business Expansion Loans.
- The Bank's SME Finance Division conducts the seminars/awareness sessions in coordination with "Khyber Pakhtunkhwa Economic Zones", which serve as a proactive approach to reach out to potential customers, build relationships, and contribute to the overall economic development of the region by supporting the growth and success of SMEs.
- The Bank of Khyber SME Finance Division actively participates in Schemes launched by State Bank of Pakistan (SBP). Notably, in 2023, under the Kamyab Jawan (Tier III) initiative, SME Finance division disbursed a substantial amount of approx. Rs.491 million—from Jan 2023 to Dec 2023. This infusion of capital directly supports SMEs, fostering their resilience and innovation.
- The Bank of Khyber has been disbursed approx. Rs.77 million under Insaf Rozgar Scheme (IRS) in Merge Districts from Jan 2023 to Dec 2023.
- The Bank is presently implementing PM youth entrepreneur and Agriculture finance [PMYA&ALS] wherein under Conventional Banking an amount of approx. Rs.1,131 million disbursed to customers while Islamic Banking disbursed an amount of approx. Rs.291 million under Islamic finance.
- BOK under Consumer Financing is providing financing facilities to general public for housing, auto and domestic needs. In KP, the Bank has disbursed Rs. 222.3 million for low-cost housing scheme initiated by Provincial Housing Authority KP at Jaloza Dist. Nowshera. Besides that, under Renewable Energy scheme (solar energy for residential houses) BOK has disbursed Rs. 79 Million in KP.
- As of December 31, 2023, the SME Finance Division (Conventional) achieved notable milestones in its key metrics. The division reported a funded outstanding position of Rs. 6.301 billion. These figures underscore the substantial impact of our SME Finance Division in supporting businesses, facilitating trade activities, and driving overall economic growth.

## **Technological Advancement**

The Bank is making continuous progress towards advancement of its technological platform for better customer experience through secure and efficient processes.

At present the Bank of Khyber is at the forefront of digital banking innovation, transforming the customer experience with:

- **Modern Core Banking:** A state-of-the-art core banking system empowers customers with 24/7 access to internet, mobile, and WhatsApp banking. This allows them to manage finances seamlessly, anytime, anywhere.
- **Frictionless Payments:** Embracing the latest trends, BoK integrates contactless payments and QR code technology, offering increased transaction speed, security, and convenience.
- **Security at the Core:** Bank of Khyber prioritizes customer data security through robust cybersecurity measures and industry-standard certifications like ISO 27001 and PCI-DSS. This commitment ensures complete peace of mind while experiencing the power of innovative financial services.

## **Investment in Human Capital and Capacity Building**

The Bank duly recognizes that human resources are among its one the most important assets. Therefore, the Bank is making continuous investment in hiring and retaining good quality human resources. Additionally, new teams are being built to expand the range of products and services offered by the Bank, which is expected to yield better results in future.

## **Future Outlook**

- The Bank will focus on ensuring that banking needs of customers are duly met in a technologically advanced, secure and convenient manner.
- The aim is to diversify the deposit base and grow the share of low cost private deposits.
- The Bank is geared up to capitalize on the Home Remittance business opportunity for channeling forex through the formal sector. This will be aided through broadening of product suite and further supported through the Bank's digital banking platform.
- On the asset side, the Bank will continue its efforts towards diversification of financing portfolio backed by lending to good credit quality private sector borrowers with potential of ancillary business and trade finance opportunities.
- The Bank will make necessary investment in human capital. Ensuring a conducive and caring culture for its human resource will remain a key priority.
- The Bank would be focusing on enhancing revenue growth and profitability through cross selling various financial products.
- To save energy for the future, the Bank of Khyber is adopting renewable energy options. A total of 13 branches have successfully been converted to Solar energy. Similar energy conservation measures will be explored in future as well.
- The Bank will continue to support gender diversity and offers equal employment opportunities to females and candidates belonging to minority groups across the country. The Bank had already inducted a batch of female Management Training Officers (MTOs) and Batch Trainee Officers (BTOs) and further inductions will be considered in the future as well.
- The Bank will continue with its strategic initiatives of capturing the market of public sector hospitals, medical colleges and universities by having footprint there. It is based

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

- The Bank is fully committed towards earliest launch of the digital debit card integrated with the Mastercard payment scheme. Necessary work is underway for the same.
- The Bank remains cognizant of the challenging business environment and stands committed to its strategy of steady growth through diversification in products, services and outreach. The Bank is also focusing on increasing its customer base and mobilizing cost effective deposit mix with an emphasis on prudent lending and investment strategy to maintain stable profitability. The Bank is committed to continue with its active role in all Government and SBP initiatives aimed at improving the economic activities of the KP province as well other parts of the country.



## **Sustainable Energy and Economic Development (SEED)**

Sustainable Energy and Economic Development (SEED) is a six-year, £15 million programme, funded by the U.K.'s Foreign, Commonwealth & Development Office. The programme aims to leverage public and private investments to enhance economic, social, and environmental benefits, fostering growth, job creation, and prosperity in KP.

To facilitate these outcomes, the programme focuses on two key areas: improving institutional capacity and policy outcomes to attract investment and establish a viable investment pipeline, including climate finance, and enhancing PIM practices, particularly for climate-resilient infrastructure, alongside policy and institutional reforms aimed at increasing fiscal space.

### **Interventions by SEED:**

Working closely with the GoKP, some of the programme's key achievements to date include:

- Support to the Finance Department in the design and ongoing implementation of the Defined Contribution Pension Scheme applicable to all civil servants joining after June 2022. This transition to the new scheme is expected to save Rs. 700 billion by 2049. More recently a revised Pension roadmap has been developed and is approved by finance to develop an end-to-end DCS system, and its implementation will be supported by SEED.
- Comprehensive technical assistance to GoKP in devising the required legal framework of PPP framework, establishing institutions to implement PPPs, developing a pipeline of 14 PPP projects worth Rs. 742 billion, and helping build capacities for PPPs. Since SEED's inception, PPP transactions worth over Rs. 52.5 billion of private investment have reached advanced stages and investment in one transaction – Swat Expressway-2 – comprising of Rs. 24 billion private investment has been facilitated.
- Support to the P&D and C&W Departments to enhance its technical capacity for managing infrastructure project cycles more efficiently and effectively. Five public investment management (PIM) tools developed by SEED to streamline the current planning systems for efficient planning and effective implementation have been adopted by C&WD and applied to projects worth over Rs. 133 billion and 21% of total ADP projects in FY23. These include, Technical Appraisal Checklists, Standardized Modular Designs, Model TORs and Budget Allocation Guidelines, Qualifications Testing Protocols, Materials Testing Policy, and Project Implementation Policy. First homegrown, legally binding Highway Bridge Design Code is being developed to specify minimum compulsory design requirements to uphold standards for bridge construction in KP.
- Working with both the private sector and government to increase private investment, including climate finance for reduced emissions and better climate adaptation. This includes Corporate Finance Facility (worth Rs. 7.2 billion) for PEDO, PEDO HPPs transition to captive power mode transaction, assessment of PEDO energy portfolios potential for carbon markets (estimated at Rs. 5 billion over the next 15 years), solarization of economic zones, and tariff modifications. Rs. 4 billion funding for GoKP has already been unlocked through the resolution of tariff issues with NEPRA for the Daral Khwar, Pehur, and Machai hydropower plants.
- Support to the Climate Change, Forestry, Environment & Wildlife Department in implementation of the KP Climate Change Action Plan and development of a first-of-

its-kind forest-based carbon markets transaction in PPP mode. Additionally, SEED is collaborating with the World Bank to formulate a climate change programme for KP.

- Collaboration with C&W to enhance climate resilience of KP's infrastructure after the 2022 floods. Inputs gathered from community engagement with flood-affected marginalized groups are now incorporated into the PC-Is of 10 infrastructure projects (worth Rs. 660 million). Additionally, 24 PC-IIs (Rs. 130 million) have been formulated, leading to new PC-Is (Rs. 3.5 billion) for climate resilience in KP. SEED is now building the capacities of GoKP engineers in building more resilient infrastructure. In addition, a Climate Resilient handbook has been developed and hydrology studies for all river basins of KP have been undertaken to forecast river flow and climate data.

## List of Public Sector Companies and Autonomous Bodies

<b>Public Sector Companies (PSCs)</b>		
<b>S. No.</b>	<b>Entity Name</b>	<b>Department Name</b>
1	Khyber Pakhtunkhwa Oil and Gas Company Limited	Energy & Power
2	Bank of Khyber	Finance
3	Khyber Pakhtunkhwa Economic Zones Development and Management Company	Industries, Commerce, Technical Education
4	Sarhad Mineral (Private) Limited	Industries, Commerce, Technical Education
5	Water and Sanitation Services Company Peshawar	Local Government, Elections and Rural Development
6	Water and Sanitation Services Company Mardan	Local Government, Elections and Rural Development
7	Water and Sanitation Services Company Swat	Local Government, Elections and Rural Development
8	Water and Sanitation Services Company Kohat	Local Government, Elections and Rural Development
9	Water and Sanitation Services Company Dera Ismail Khan	Local Government, Elections and Rural Development
10	Water and Sanitation Services Company Abbottabad	Local Government, Elections and Rural Development
11	Water and Sanitation Services Company Bannu	Local Government, Elections and Rural Development
12	Trans Peshawar Company	Transport and Mass Transit
13	Khyber Pakhtunkhwa Skills Development Fund	Industries, Commerce, Technical Education
14	Khyber Pakhtunkhwa Transmission and Grid System Company (KPT&GSC)	Energy & Power

<b>Autonomous Bodies (ABs)</b>		
<b>S. No.</b>	<b>Entity Name</b>	<b>Department Name</b>
1	Khyber Pakhtunkhwa Highway Authority	Communication & Works
2	Khyber Pakhtunkhwa Text Book Board	Elementary & Secondary Education
3	Board of Intermediate and Secondary Education Peshawar	Elementary & Secondary Education
4	Board of Intermediate and Secondary Education Mardan	Elementary & Secondary Education
5	Board of Intermediate and Secondary Education Bannu	Elementary & Secondary Education
6	Board of Intermediate and Secondary Education Kohat	Elementary & Secondary Education
7	Board of Intermediate and Secondary Education D.I Khan	Elementary & Secondary Education
8	Board of Intermediate and Secondary Education Swat	Elementary & Secondary Education
9	Board of Intermediate and Secondary Education Abbottabad	Elementary & Secondary Education
10	Board of Intermediate and Secondary Education Malakand	Elementary & Secondary Education
11	Elementary and Secondary Education Foundation, Khyber Pakhtunkhwa	Elementary & Secondary Education
12	Abbottabad Public School	Elementary & Secondary Education
13	Akram Khan Durrani College Bannu	Elementary & Secondary Education

14	Bacha Khan Model School	Elementary & Secondary Education
15	Bacha Khan Model School	Elementary & Secondary Education
16	Jandool Model School	Elementary & Secondary Education
17	Swabi Model School	Elementary & Secondary Education
18	Mufti Mehmood Public School	Elementary & Secondary Education
19	Mansehra Model School	Elementary & Secondary Education
20	Peshawar Public School and College (Boys)	Elementary & Secondary Education
21	Peshawar public School and College (Girls)	Elementary & Secondary Education
22	Langland's School and College	Elementary & Secondary Education
23	Excelsior College	Elementary & Secondary Education
24	Fazl e Haq College Mardan	Elementary & Secondary Education
25	Residential Girls Primary-cum-Secondary Model School (Ecole Fatima Al Fehri)	Elementary & Secondary Education
26	Cadet College Kohat	Elementary & Secondary Education
27	Garrison Cadet College Kohat	Elementary & Secondary Education
28	Cadet College Swat	Elementary & Secondary Education

29	Kernal Sher Khan Cadet College Swabi	Elementary & Secondary Education
30	Girls Cadet College Mardan	Elementary & Secondary Education
31	Cadet College Razmak	Elementary & Secondary Education
32	Wapda Cadet College Tarbela	Elementary & Secondary Education
33	Pakistan Scouts Cadet College Batrasi Mansehra	Elementary & Secondary Education
34	Manjanbazam Cadet College Tarbela	Elementary & Secondary Education
35	Manjanbazam Cadet College Cherat	Elementary & Secondary Education
36	Khyber Pakhtunkhwa Private Schools Regulatory Authority	Elementary & Secondary Education
37	Khyber Pakhtunkhwa Education Monitoring Authority	Elementary & Secondary Education
38	Cadet College Warsak Peshawar	Elementary & Secondary Education
39	Bacha Khan Model School	Elementary & Secondary Education
40	Pakhtunkhwa Energy Development Organization	Energy & Power
41	Khyber Pakhtunkhwa Provincial Services Academy	Establishment & Administration
42	Right to Public Services Commission	Establishment & Administration
43	Khyber Pakhtunkhwa Right to Information Commission	Establishment & Administration

44	Khyber Pakhtunkhwa Public Procurement Regulatory Authority	Finance
45	Khyber Pakhtunkhwa Revenue Authority	Finance
46	Khyber Pakhtunkhwa Forest Development Corporation	Forestry, Environment & Wild Life
47	Khyber Pakhtunkhwa Environmental Protection Agency	Forestry, Environment & Wild Life
48	Khyber Pakhtunkhwa Food Safety and Halal Food Authority	Health
49	Post Graduate Medical Institute	Health
50	Lady Reading Hospital	Health
51	Khyber Teaching Hospital	Health
52	Hayatabad Medical Complex	Health
53	Ayub Teaching Hospital	Health
54	Mardan Medical Complex	Health
55	Qazi Hussain Ahmad Medical Complex	Health
56	Khalifa Gul Nawaz Teaching Hospital	Health
57	Mufti Mehmood Memorial Teaching Hospital	Health
58	Bacha Khan Medical Complex	Health

59	Peshawar Institute of Cardiology	Health
60	Saidu Medical College	Health
61	Timergara Medical College	Health
62	Pakistan Institute of Prosthetic & Orthotic Sciences	Health
63	Paraplegic Centre	Health
64	Khyber Pakhtunkhwa Health Care Commission	Health
65	Khyber Medical University	Health
66	Institute of Medical Sciences	Health
67	Khyber Pakhtunkhwa Medical Transplantation Regulatory Authority	Health
68	Khyber Pakhtunkhwa Health Foundation	Health
69	Khyber Pakhtunkhwa Faculty of Paramedical and Allied Health Sciences	Health
70	University of Peshawar	Higher Education, Archives and Library
71	Gomal University	Higher Education, Archives and Library
72	University of Engineering and Technology Peshawar	Higher Education, Archives and Library
73	Agriculture University	Agriculture



74	Kohat University of Science and Technology	Higher Education, Archives and Library
75	University of Malakand	Higher Education, Archives and Library
76	Hazara University	Higher Education, Archives and Library
77	Shaheed Benazir Bhutto Women University	Higher Education, Archives and Library
78	University of Engineering and Technology	Higher Education, Archives and Library
79	Islamia College University	Higher Education, Archives and Library
80	Abdul Wali Khan University	Higher Education, Archives and Library
81	Shaheed Benazir Bhutto University Sheringal	Higher Education, Archives and Library
82	University of Swat	Higher Education, Archives and Library
83	Bacha Khan University	Higher Education, Archives and Library
84	Khushal Khan Khattak University	Higher Education, Archives and Library
85	University of Haripur	Higher Education, Archives and Library
86	University of Swabi	Higher Education, Archives and Library
87	Abbottabad University of Science and Technology	Higher Education, Archives and Library
88	Women University Mardan	Higher Education, Archives and Library

89	Women University Swabi	Higher Education, Archives and Library
90	Shuhada-e- APS University of Technology	Industries, Commerce, Technical Education
91	University of Buner	Higher Education, Archives and Library
92	University of Chitral	Higher Education, Archives and Library
93	University of Engineering & Technology Mardan	Higher Education, Archives and Library
94	University of Agriculture D.I. Khan	Agriculture
95	University of Lakki Marwat	Higher Education, Archives and Library
96	Higher Education Regulatory Authority	Higher Education, Archives and Library
97	Edwardes College Peshawar	Higher Education, Archives and Library
98	Khyber Pakhtunkhwa Educational Testing and Evaluation Agency	Higher Education, Archives and Library
99	IMSciences	Higher Education, Archives and Library
100	Khyber Pakhtunkhwa Housing Authority	Housing
101	Khyber Pakhtunkhwa Board of Investment and Trade	Industries, Commerce, Technical Education
102	Khyber Pakhtunkhwa Board of Technical Education	Industries, Commerce, Technical Education
103	Khyber Pakhtunkhwa Technical Educational and Vocational Training Authority	Industries, Commerce, Technical Education

104	Khyber Pakhtunkhwa Child Protection and Welfare Commission	Social Welfare
105	Khyber Pakhtunkhwa Judicial Academy	Law, Parliamentary Affairs & Human Affairs
106	Peshawar Development Authority	Local Government, Elections and Rural Development
107	Galiyat Development Authority	Culture, Tourism, Archaeology & Museums Department
108	Bannu Development Authority	Local Government, Elections and Rural Development
109	Kohat Development Authority	Local Government, Elections and Rural Development
110	Dera Ismail Khan Development Authority	Local Government, Elections and Rural Development
111	Swat District Development Authority	Local Government, Elections and Rural Development
112	Kaghan Development Authority	Culture, Tourism, Archaeology & Museums Department
113	Abbottabad Development Authority	Local Government, Elections and Rural Development
114	Mansehra Development Authority	Local Government, Elections and Rural Development
115	Mardan Development Authority	Local Government, Elections and Rural Development
116	Swabi Development Authority	Local Government, Elections and Rural Development
117	Karak Development Authority	Local Government, Elections and Rural Development
118	Provincial Disaster Management Authority	Relief & Rehabilitation Department

119	Khyber Pakhtunkhwa Information Technology Board	Science & Technology and Information Technology
120	Khyber Pakhtunkhwa Culture and Tourism Authority	Culture, Tourism, Archaeology & Museums Department
121	Khyber Pakhtunkhwa Urban Mobility Authority	Transport and Mass Transit
122	Urban Area Development Authority (UADA) Haripur	Local Government, Elections and Rural Development
123	Upper Swat Development Authority	Culture, Tourism, Archaeology & Museums Department
124	Special Purpose Kumrat Development Authority	Culture, Tourism, Archaeology & Museums Department
125	Special Purpose Kalash Valleys Development Authority	Culture, Tourism, Archaeology & Museums Department
126	Merged Area, Elementary and Secondary Education Foundation	Elementary & Secondary Education
127	Fatima Jinah Model School Mansehra	Elementary & Secondary Education
128	Bacha Khan Model School Pabbi Nowshera	Elementary & Secondary Education
129	Cadet College Spinkai, South Waziristan	Elementary & Secondary Education
130	Cadet College Wana South Waziristan	Elementary & Secondary Education
131	Cadet College Mamad Gat Mohmand	Elementary & Secondary Education
132	Governer's Model School (Boys) Khar Bajaur	Elementary & Secondary Education
133	Governer's Model School (Girls) Khar Bajaur	Elementary & Secondary Education

134	Governer's Model School for (Boys) Ghallanai Mohamand	Elementary & Secondary Education
135	Governer's Model School for (Boys) Mamad Gat Mohmand	Elementary & Secondary Education
136	Governer's Model School for (Boys & Girls) Parachinar Kurram	Elementary & Secondary Education
137	Governer's Model School for (Boys&Girls) Sadda Kurram	Elementary & Secondary Education
138	Governer's Model School for (Boys) Miransha North Waziristan	Elementary & Secondary Education
139	Governer's Model School for (Boys) South Waziristan at Tank	Elementary & Secondary Education
140	Governer's Model School for (Boys) Wana South Waziristan	Elementary & Secondary Education
141	Small Industries Development Board	Industries, Commerce, Technical Education
142	Provincial Transport Authority Peshawar	Transport and Mass Transit
143	University of Engineering & Applied Sciences Swat	Higher Education, Archives and Library
144	University of Shangla	Higher Education, Archives and Library
145	FATA University	Higher Education, Archives and Library
146	Pak-Austria Fachhochschule Institute of Applied Sciences and Technology	Higher Education, Archives and Library
147	University of Agriculture Swat	Agriculture
148	University of Veterinary & Animal Sciences Swat	Livestock, Fisheries and cooperative department

149	Khyber Pakhtunkhwa Education Foundation	Higher Education, Archives and Library
150	Employees Education Foundation	Higher Education, Archives and Library
151	Khyber Pakhtunkhwa Center of Excellence on Countering Violent Extremism	Higher Education, Archives and Library
152	Khyber Pakhtunkhwa Trade Testing Board	Industries, Commerce, Technical Education
153	Employees Social Security Institution (ESSI)	Labour
154	Workers Welfare Board	Labour
155	Workers Children Education Board (WCEB)	Labour
156	Emergency Rescue Service (Rescue-1122)	Relief & Rehabilitation Department