

# Khyber Pakhtunkhwa

## Introduction

Khyber Pakhtunkhwa government on Friday presented a Rs1,118.3 billion balanced budgets for the financial year 2021-22, with a record allocation of Rs371 billion for the annual development programme (ADP) and Rs747.3 billion for current budget expenditure. The KpK budget is greater in proportion than either Sindh or Punjab, to fuel economic growth. The Provincial finance minister mentioned that current budget is based on five pillars that included.

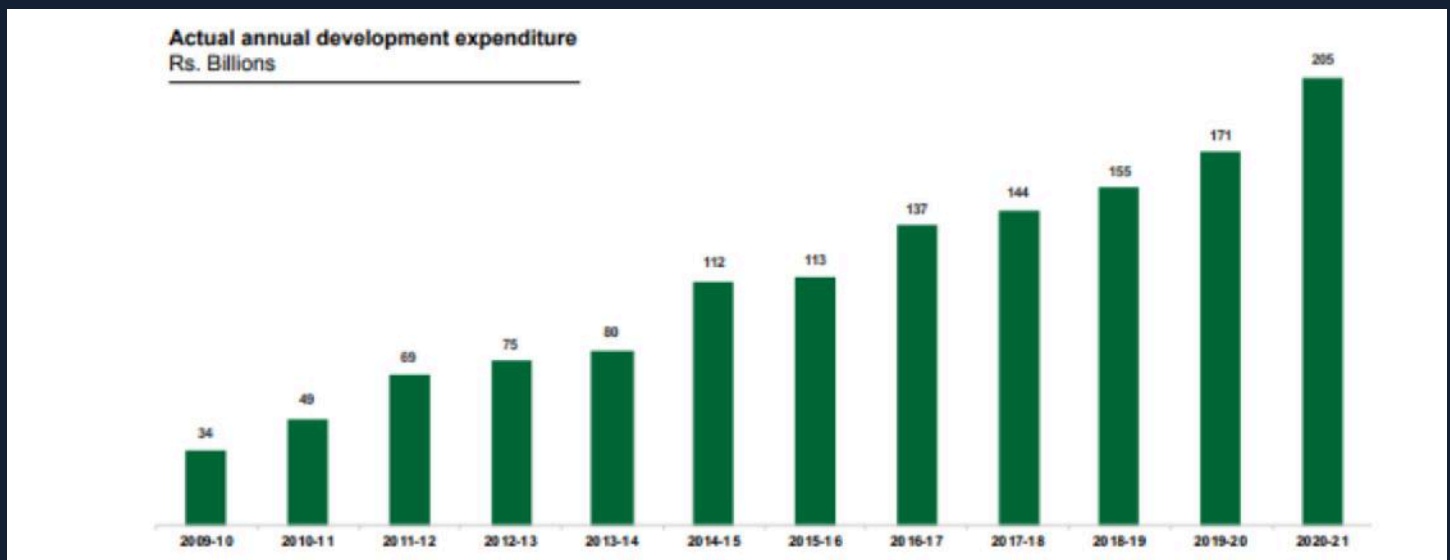
1. Record increase in salaries of Government Employees,
2. Development Budget
3. Devoted service to people
4. Increasing resource revenue generation capacity
5. Introduction of goal-oriented reforms and innovation in the overall governance system



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## 1. Development Expenditure



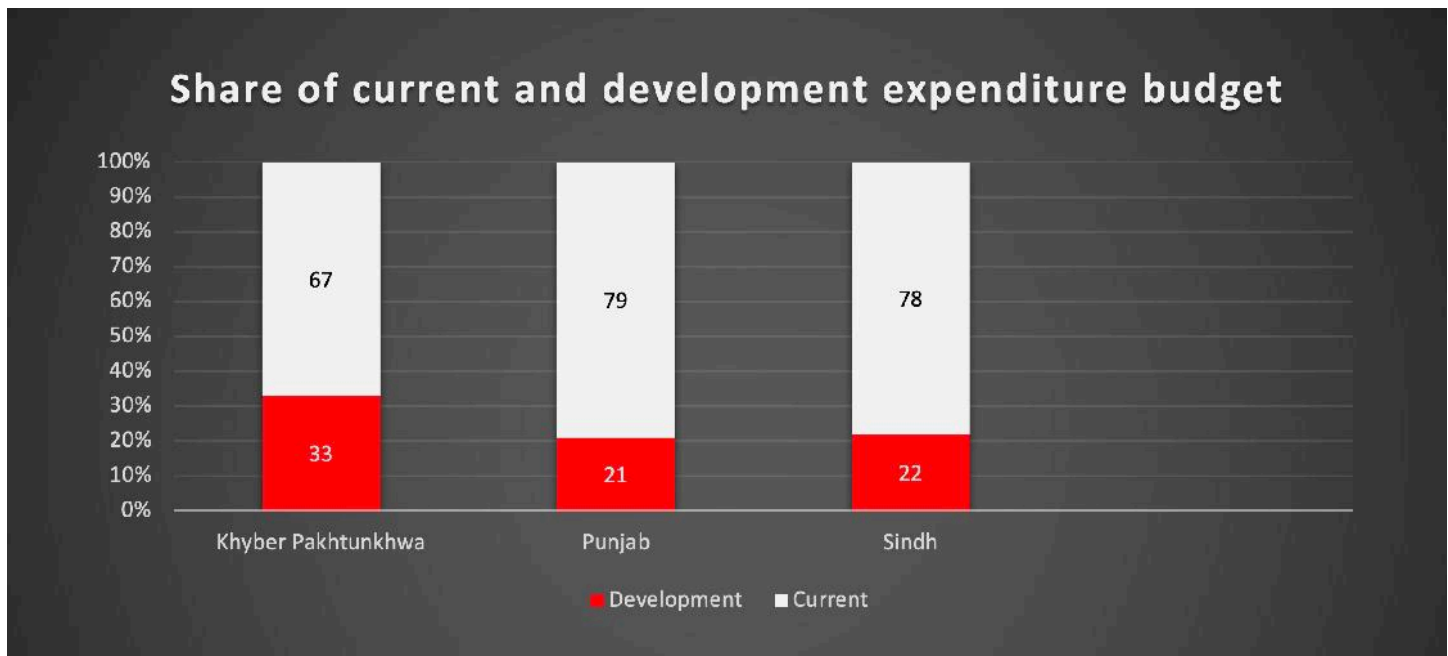
Development expenditure is the most important part of the government's budget. The Government of Khyber Pakhtunkhwa is keen to spend a hefty amount on the development of the province and structuring of it in a systematic way. Efforts have been made over past two years, to streamline and enhance Annual

Development Programme (ADP) allocations. Certain reforms need to be implemented that includes multiple initiatives of introducing a new ADP policy, issuing new ADP guidelines, reducing the throw-forward through ADP rationalization. All these above-mentioned steps must be taken in order to ensure that

spending is done in a more responsible manner across the year.

The provincial government's actual development expenditure shows that it has increased by over 6 times over the past decade. The total amount of budget allocated by KpK Government for FY2021-22 is RS 118.3 billion. Current year fiscal budget is almost 21

percent higher than last year's budget allocation. The current budget for the fiscal year 2021-22 includes the record development outlay of Rs371 billion to mitigate the impact of Covid-19 and boost economic development. KpK is the only province that has kept the highest percentage of its budget on development. The share of development budget for KpK is 33% of its total budget that is 10 percentage points greater than



## Expenditure on Healthcare

KpK will become the first province for providing the healthcare facility to its every citizen. RS 23 billion ha been allocated for FY2021-22 budget in which 7 million households in 35 districts will receive healthcare services. Every citizen will have equal

access to empanelled public and private hospitals. Around 160000 people have used the new sehat Card since its launch and costing Rs 4.3 billion to Kpk government in FY 2020-21.

## Expenditure on Education

Khyber Pakhtunkhwa The government of Khyber Pakhtunkhwa has allocated Rs 30.1 billion in 2020-21 for 188 on-going and 61 new development projects. Out of which an amount of Rs 6.3 billion has been allocated for primary education, Rs 9.7 billion for secondary education and Rs 9.0 billion for higher education. This amount is 94 percent higher than the last year allocation. Rs230 million allocated for education scholarship for merged areas in Higher Education Department and Rs100million administrative budget for supply of furniture and other necessary items and 300 colleges would be given premier status and construction of ongoing 40 colleges would be completed.

In elementary and secondary education. 10,000 model schools would be constructed under early childhood education program in KP and Rs4.5billion to be spent on supply of furniture to government's schools, 97 IT laboratories equipped with IT equipment's, 276 science laboratories would be constructed while 4,300 school teachers to be recruited in merged areas. Similarly, 20,000 school teachers and 30,000 school leaders would be appointed in Khyber Pakhtunkhwa and that 21000 schools would be constructed, rehabilitated and up-graded that would create enrolment space for 120,000 student.

## 2. Revenue Generation

For the first time in the history of the province Kpk actual receipts have outperformed the budgeted figures for the fiscal year 2020-21. The Target was set at RS 49 billion, but provincial government was able

to receive Rs 53 billion that 8% higher than the set target. The details for the FY 2021-22 receipts have been shared in the below table.

Revenue Heads	Amount (Billion Rupee)
Federal Tax Assignments	Rs 476.5
1% of the divisible pool to the province on war on terror	Rs 57.2
Oil & Gas Royalties Surcharge	Rs 26.5
NHP as per 2015-16 including arrears	Rs 74.7
Provincial Tax and Non Tax Revenue	Rs 75
Foreign Project Assistance (Settled Districts)	Rs 85.8
Foreign Project Assistance (MA)	Rs 3.3
Grants for the merged Tribal Districts	Rs 187.7
Other receipts	Rs 132.5
Total Receipts	Rs 1118.3

Revenue estimates showed that the province will receive Rs559bn from the federal divisible pool, Rs74.5bn net hydel profit on hydroelectricity produced in the province and Rs75bn own revenue. The Centre would provide Rs187.7bn in lieu

of federal grants for merged districts with a transfer of Rs34.6bn from the divisible pool. Foreign assistance for development projects has been pitched at Rs85.8 bn.

## Tax Reforms

For the budget preparation and forecast of FY 2020-21, every tax head across the province was analysed and scrutinized by the key principles. Following tax reforms were institutionalized after discussion.

1. Sales tax on services (STS) reduced for 26 categories. This was an all-encompassing reduction for sectors where economic activity had dampened directly impacting cash flow and liquidity.
2. Removal of Duplication of Taxes:
  - a. Entertainment and Hotel Tax was removed from Excise and Taxation department's portfolio, to encourage recreation and entertainment.
  - b. Professional Tax was phased out to Khyber Pakhtunkhwa Revenue Authority dovetailed with tax breaks and concessions for a year to remove duplicity of taxes.
3. Rates for the Urban Immovable Property Tax (UIPT) were rationalized, and compliant taxpayers were offered a rebate of 35%.
4. Board of Revenue reduced both Capital Value Tax and Stamp duty for the construction sector, under the Federal Amnesty Scheme.

## Other Key Interventions

As the budget was being formed, public was hoping to get some relief in these tough times of COVID 19. The KpK government therefore announced the increase of 37% for employees not withdrawing any special allowances. The public servants for all grades were provided to withdraw 10% ad-hoc relief allowance with a 20% increase in functional or sectoral allowance for all employees not withdrawing any special allowance. Moreover, the minimum wage was also revised for the provincial

laborers and was at at Rs 21000. If completely enforced, it will help in improving the livelihood of many labourers. Relief in health sector has also been provided by the government in which every individual of the province will be granted with free healthcare facility under sehat card program. Revenue generation capacity of province is also being improved by bringing reform in taxation structure and removing certain taxes.

## Relief in times of COVID19

During the last three years of the present Government, has faced numerous economic challenges, aggravated by the Covid 19 Pandemic. The Government has successfully progressed from recovery and stabilization to sustainable growth and to mitigate the socio-economic impact of covid 19 Rs 155 billion have been allocated in the current fiscal year. The provincial government

has tried to satisfy the growing concern of citizens by salary increase and other healthcare facilities. Government is realizing the impact of covid-19 on individuals lives and is trying to provide relief in terms of tax concessions and extending relief to the most affected sectors.

## Conclusion

The KpK governments budget is a true reflection of the budget for common man and that is why the KpK government called it “**The Citizens Budget**”. Certain policy intervention has been suggested in the provincial

budget but these policies will be translated into sustainable economic growth if followed by immediate targeted reforms.