



# ANALYSIS OF ANNUAL DEVELOPMENT PROGRAMME

Khyber Pakhtunkhwa Province  
*Fiscal Years 2011-12 to 2014-15*

*June 2015*

Centre for Governance and Public Accountability (CGPA)  
Web: [www.c-gpa.org](http://www.c-gpa.org)







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## Abbreviation

AA	Administrative Approval
ADP	Annual Development Programme
BE	Budget Estimates
CDS	Comprehensive Development Strategy
CSO	Civil Society Organizations
DDC	District Development Committee
DDAC	District Development Advisory Committee
E & SE	Elementary and Secondary Education
EGS	Economic Growth Strategy
ESP	Education Sector Plan
FPA	Foreign Project Assistance
GDP	Gross Domestic Product
GRB	Gender Responsive Budgeting
GPI	Gender Parity Index
HEC	Higher Education Commission
IMU	Independent Monitoring Unit
IDS	Integrated Development Strategy
KP	Khyber Pakhtunkhwa
LGA	Local Government Act
LGO	Local Government Ordinance
MRC	Medical Reimbursement Charges
MTBF	Medium Term Budgetary Framework
MDG	Millennium Development Goals
NFC	National Finance Commission
NHP	Net Hydel Profit
OSR	Own Source Revenue
PFC	Provincial Finance Commission
PCNA	Post Crisis Need Assessment
SDPF	Strategic Development Partnership Framework
PSDP	Public Sector Development Program
PTR	Pupil Teacher Ratio
PSDP	Public Sector Development Programme
PATA	Provincially Administrated Tribal Areas
FATA	Federally Administrated Tribal Areas
PC	Planning Commission
RE	Revised Estimates
TS	Technical Sanction



## Executive Summary

Importance of development financing for socio-economic development cannot be overlooked. Budgeting determines governments' resolve to put their policies into action. The provincial development budget or Annual Development Programme (ADP) is a true reflection where the governments planned investments through citizens tax money. Ideally, this investment should take into consideration actual needs of social services, addressing acute poverty and backwardness, lowering ingrained gender and geographical disparities. This demands for a holistic policy framework for allocating ADP funds to different areas in the province.

This study aims at demystifying development budgets for citizens' use, and track budget utilization over the last four years, from financial year 2011-12 to financial year 2014-15. The budget tracking takes into consideration the budget utilization vis-à-vis policy framework, which envisions development objectives for Khyber Pakhtunkhwa (KP). KP is the smallest province in terms of area compared to the other three provinces of Pakistan. But the province's economic performance is far from satisfactory. It has an estimated population of 38%<sup>1</sup> living below the poverty line. KP has a 2.82% population growth rate per annum and 47% of the population is below the age of 30 years. There is a wide gap between available and required service delivery infrastructure, especially in the case of education and health. The vast energy, minerals, and tourism potential has remained unexploited, mainly due to inconsistent policies and priorities by different political parties and lack of resources.

The actual utilization of development budget in KP has always remained low compared to estimates in ADP. The actual utilization of ADP was 81% in 2011-12, 73% in 2012-13 and only 59% in 2013-14. The utilization is only a mere 38% by the end of 3rd quarter of the current financial year i.e. from 1st July to 31st March 2015. The Foreign Projects Assistance (FPA) is traditionally reflected on high side to inflate the ADP. However, its actual realization is about 4% of the province's own funded ADP and 12% of the FPA budget estimates during the financial years under review<sup>2</sup>.

The revenue base of the provincial government is mainly dependent on federal government i.e. its share in the federal taxes, royalty on oil & gas and its constitutional right of net profit of hydel power generated in the province. The federal tax assignment always shows a shortfall in actual disbursement by the end of financial year. The projected provincial own receipts have never been realized in full, owing to low collection capacity of the tax collecting departments. Their relative share (7% at present) in total revenue receipts is being squeezed.

The introduction of financing item "shortfall in expenditure" of Rs. 10 billion in 2013-14 and Rs. 12 billion in 2014-15 is in fact deficit financing. The curve of royalty on account of oil and gas is becoming straight and has shown a shortfall in the 3rd quarter of the current financial year 2014-15, mainly due to no further increase in production and decline of oil prices in the international market, which is tantamount to an indicator for the provincial government.

<sup>1</sup> No consensus figure about poverty is available. The estimated population living below poverty line is about 38% and is higher than country average as indicated by PSLM survey 2012-13.

<sup>2</sup> Provincial financial accounts and FABS database

Almost 46% of the ADP is discretionary in nature. The umbrella projects funded through the provincial ADP and executed in the respective districts (like missing facilities in schools etc.) are attributed to the district development. Significant amounts of fund are spent in districts under Chief Minister's directives and other discretionary grants. The poor districts, having no effective voice in politics are getting negligible share in development spending through provincial ADP.

The KP government policy framework is not aligned to the development funding patterns. The Integrated Development Strategy (IDS) represents government's plans and policies for speedy and integrated development. However, financing the proposed activities under the Comprehensive Development Strategy (CDS) are in total disarray and need political will for a paradigm shift in the strategic development financing.

Gender equity is the core objective of the IDS and Sustainable Development Partnership Framework (SDPF) and an obligation under Millennium Development Goals (MDG). But the factual position is different. The allocation for gender specific projects is only 3% in both provincial ADP and foreign project assistance.

The average sector wise development expenditure reveals that a major chunk of the ADP goes to Roads (18%), followed by Elementary and Secondary Education 11%, Higher Education 8%, Health 8%, Regional development 8%, water and sanitation 5%, whereas the economic growth sectors have only a nominal share in the development spending, except Irrigation/water which has a 6% share. Other economic sectors have less than 1% of nominal share in the development outlay e.g Agriculture and livestock are only 1%; the most critical Energy and Power Sector has got only 2% during the last 4 years, Forestry at 1%, Minerals less than 1% and lastly, Industries at 3%.

The district governments were required to get 60% of the provincial resources under the LGO 2001, to be horizontally distributed among the districts, under the Provincial Finance Commission (PFC) resource apportionment formula. But, practically they got actual expenditure on account of salaries and a nominal amount of non-salary and only 2% of ADP as development budget. Only development funds were distributed among the districts under the PFC resource distribution formula. The districts were unable to initiate any big projects due to paucity of funds and a major portion of the funds would always lapse due to lack of capacity and sometimes due to political polarization. This reveals that the local government system was financially handicapped.

There was no incentive for better financial management and savings in non-salary budget was not allowed for development works, conditionalities were often tagged with the development budget coupled with capacity constraints, heavy dependence on provincial level departments for approvals and policy directions, compromising the administrative and financial autonomy of the local governments.

This study will be followed by another study to critically analyze KP ADP vis-à-vis IDS objectives and how IDS objectives tried to meet through output based budgeting at provincial and district levels development budgeting.





## Introduction

The purpose of the study is to track development financing in Khyber Pakhtunkhwa through Annual Development Programmes (ADPs) over the four fiscal years (2011-12 to 2014-15). The study takes into consideration the policy framework of Khyber Pakhtunkhwa vis-à-vis allocation to different sectors. KP government is allocating each year's development budgets for carrying out development activities in the province. But seldom the stakeholders have a chance to critically question the allocations procedures, allocations vis-à-vis objectives, patterns and trends in utilization of ADPs, and objectives being achieved through the development spending.

The review also takes into consideration the provincial development needs and revenue gaps. KP is overwhelmingly dependent on federal transfers. While the federal tax structure is obsolete, it has detrimental impact on the provinces transfers as well. It is very important to realize that KP revenue resources are much more than currently exploited. In the backdrop of the 18th constitutional amendment, General Sales Tax (GST) on services is now considered as provincial revenue. The provincial government needs to resolve outstanding issues with the federal government vis-à-vis GST on services. This can help boost the provincial economy.

The provincial government has very elaborate policy framework for development in different priority sectors. Integrated Development Strategy (IDS) is last in the series of this development policy framework. However, at the time of formulation of ADP, there is hardly any effort to link the development priorities with development spending. Resultantly a sizable development budget goes to block allocations/discretionary funds, which is spent more on political considerations.

While the provincial government is short of monetary resources, the development budget has never been fully utilized. Such trend simply weakens the provincial government's claim for more resources for spending.

## Methodology

The review process took into consideration policy documents, which include, Provincial Reforms Program (PRP) 2001-2012, Comprehensive Development Strategy (CDS) 2010-17, Economic Growth Strategy (EGS), Post Conflict Need Assessment (PCNA) 2010, Strategic Development Partnership Framework (SDPF) 2013, and Integrated Development Strategy (IDS) 2014-18. The main source of the study remained Financial, Accounting and Budgeting System (FABS) database of PIFRA (Project to Improve Financial Recording and Audits). Various issues of ADPs of Khyber Pakhtunkhwa, white papers and budgets speeches were also taken into consideration.

## 1. Analysis of Khyber Pakhtunkhwa Development Policy Framework<sup>3</sup>

The successive governments in Khyber Pakhtunkhwa (KP) have developed various policies for socio-economic uplift of the province. Such strategic documents include:

- a. Provincial Reforms Program (PRP) 2001-2012
- b. Comprehensive Development Strategy (CDS) 2010-17
- c. Economic Growth Strategy (EGS)
- d. Post Conflict Need Assessment (PCNA) 2010
- e. Strategic Development Partnership Framework (SDPF) 2013
- f. Integrated Development Strategy (IDS) 2014-18

### 1.1 Integrated Development Strategy (IDS)

The Integrated Development Strategy (IDS) is the latest development policy document of Khyber Pakhtunkhwa chalking out and strategizing development priorities of the province. IDS is mainly based on the Strategic Development Partnership Framework (SDPF) and Comprehensive Development Strategy (CDS). SDPF was developed in 2013 followed by IDS in 2014, which has reproduced all the seven objectives of SDPF and six policy plans as under:

1. Set out the shared and individual commitments of the government and donors
2. Accelerate and expand the development of programs in KP
3. The Strategic Development Partnership Framework (SDPF) is aligned with policies and vision of the government
4. Linked with sectoral strategies
5. Linking sector strategies with budget
6. Robust M&E mechanism

Implementation mechanism for IDS and SDPF is the same by identifying the quantum of investment required and the reliance on Foreign Projects Assistance (FPA). The IDS and SDPF are aligned with four policy documents e.g. a) Comprehensive Development Strategy (CDS), b) Post Crises Needs Assessment (PCNA), c) Economic Growth Strategy (EGS) and d) Economic Sector Plan (ESP). IDS integrates all the policy priority areas enshrined in the SDPF, CDS, PCNA and international commitments like MDGs and sectoral strategies.

The strategy besides elaborating the drivers of economic growth has picked the 7 core areas of intervention:

1. Economic growth and jobs creation
2. Peace building and rule of law
3. Tangible progress in social service delivery especially education and health
4. Improved citizens' participation
5. Improved transparency and accountability

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<sup>3</sup> Strategic Development Policy Papers



6. Enhanced fiscal space of economic and social development
7. Gender equity

These objectives broadly cover almost all the goals, strategic priorities, and performance indicators pertaining to the respective core area of intervention, summarized as follows:

1. Economic growth and jobs creation
  - a. Millennium Development Goals 1,2 & 3
  - b. Economic Growth Strategic priorities 1,2,3,4,5 & 6
  - c. PCNA strategic objective 2
  - d. CDS outcome indicators 1,2 & 3
2. Peace building and rule of law
  - a. Millennium Development Goals 1, 2 & 3
  - b. PCNA strategic objectives 1 and 4
3. Tangible progress in social service delivery especially education and health
  - a. Millennium Development Goals 1,2,3,4,5 and 6
  - b. Economic growth strategic priority 5
  - c. PCNA strategic objectives 1 and 3
  - d. CDS outcome indicators 4,5,6,7,8,9,11 and 12
4. Improved citizens participation
  - a. Millennium Development Goals 1
  - b. PCNA strategic objectives 1 and 3
5. Improved transparency and accountability
  - a. PCNA strategic objectives 1,2 and 3
6. Enhanced fiscal space of economic and social development
  - a. Economic growth strategic priorities 1 and 3
  - b. PCNA strategic objectives 1,2 and 3
  - c. CDS outcome indicator 13
7. Gender equity
  - a. MDG 1 and 3
  - b. PCNA strategic objectives 1 and 2
  - c. CDS outcome indicators 6 and 9
8. Donor harmonization and efficient use of country system
  - a. CDS outcome indicator 13

The IDS and other strategic development policy framework including SDPF, PCNA, CDS, EGS, and ESP present an ambitious agenda. The plan period is up-to 2018, built upon the targets already set in the papers prepared in 2009-10, which could not be achieved. It's common among all these documents that

these are prepared with no firm commitment for funding or source of funding which could be the reason why socio economic targets have not been expressly defined in the IDS as were defined in the CDS & EGS. The provincial resource base is the same and already front-loaded. The Current budget is taking a major chunk of the pie leaving little for development. The development program is planned and expended with little considered approach to the aforesaid strategies. Thus the agenda has little fiscal space for implementation. Like in the SDPF, some of the core targets to be met by 2018 against the baseline in 2013 are as under (Table-1):

**Table 1: Performance Targets**

S.No	Key performance Indicator	Baseline 2013	Targets 2018
1	Hydro power to be generated	105MW	598 MW
2	Population below Poverty line	39%	30%
3	Net Enrollment Ratio (NER)	67%	100%
4	Infants Mortality Rate (IMR)	76/1000	40/1000
5	Gender Parity Index (GPI)	0.72	1.00
6	Other indicator	No baseline	-

Source: SDPF P&D Department

**Energy:** Mini and Micro hydropower generation projects are part of the ADP with no change in pace and investment to achieve the targets. The 105 MW baseline consists of 81MW from Malakand III project completed in 2007. It should be noted that in the last 5 years only 3 projects have been added, Pehur 18 MW, Sheishi 1.8 MW and Reshun 4.2 MW<sup>4</sup>. Six projects are in the pipeline to add more power to the national grid. For this, heavy investment is required, through Public Private Partnership (PPP), bank borrowing or government investment through the reserve funds (hydel, pension and GP fund). Otherwise the targets are unachievable in the prevailing circumstances.

**Poverty:** There are different estimates of population living below poverty line. Since 2000, the figure has been around 39% with no significant improvement since. CDS and EGS had similar targets, which could not be achieved. On the other hand inflation is bringing more population below the poverty line. Any progress to alleviate poverty is challenged by higher population growth rate. The available resources are sprinkled among different sectors, which are inadequate to meet the desired needs.

**Net Enrollment Ratio:** The number of out of school children is increasing. The dropout from public schools is alarming. On average, there is a 22% children dropout at Kachi/pre-primary level, where only about 36% complete the primary school cycle and only 9% reach matriculation. This is despite the fact that the private sector is catering for about 33% of the Gross Enrollment Rate (GER) and fast overtaking and supplementing the public sector. Keeping in view the wide gap in infrastructure, almost 7,000 girls' primary schools are required to attain gender parity at primary level. Right to Education (RTE) Act in KP is yet to be enacted. Majority of the schools are multi-grade (1 or 2 rooms) and taught by single or 2 teachers with - Pupil-Teacher Ratio (PTR) of 1:40 - irrespective of the number of classes. Huge investment coupled with institutional strengthening is required to achieve the targets set for 2018.

4 KP-White Paper on Budget 2014-15

Infant Mortality Rate: The health service delivery network has witnessed some improvement due to public private partnership. The private sector is contributing significantly but not for the benefit of the marginalized communities. However owing to the high illiteracy, poverty, access to skilled health attendants, non-responsive health service delivery system and lack of investment required for addressing the health issues of the rising number of population, the Infant Mortality Rate (IMR) targets are hard to be achieved.

Gender Parity Index: Gender issues are deep rooted and will go a long way to balance the Gender Parity Index (GPI). The female members of the parliament, selected on women quota are yet to make their presence felt in policies or development. The gender disparity laws are not implemented in letter and spirit due to cultural, social and economic constraints. Achieving the set GPI target by 2018, would be a dream, without huge investments in female education, female employment and legal support coupled with meaningful representation in elected forums.

There is no similar funding available for the IDS's proposed activities. ADP is still prepared in the traditional manner, lacking link with the objectives and activities outlined in the IDS. The existing number of projects have been enlisted, thinly funded and thus spread over many years with an average 3.5 years throw-forward<sup>5</sup>. Some of them are relevant and supplements the government's agenda for change but cannot significantly influence the economic fabric of the province as envisioned in IDS. The Medium Term Fiscal Framework always revises the financing targets, owing to the arbitrary and inconsistent flow of funds. Major share of the IDS agenda is without specific source of financing marked as "unassigned". Main reliance is on FPA but the trend of actual realization of FPA shows 4% of the provincial actual development spending and 12% of estimated FPA, projected at the start of the financial year.

## 1.2 Comprehensive Development Strategy (CDS)

In 2010, the seven years CDS was issued by KP government, with additional budgetary requirements of Rs. 960 billion over a period of 7 years, 2010-2017, over and above the current annual development budget which means that the Rs. 960 billion were required to be mobilized in addition to the existing resources and the annual development phasing was accordingly made (Annex-III).

The targets set for the CDS period could not be achieved and therefore no such targets have been explicitly fixed in IDS. In order to assess the effectiveness and viability of the IDS plans and strategies, brief analysis of the CDS has been made to establish link between plans and practices. The CDS was good in the context that milestones were given to gauge the performance of the strategy.

The achievements in terms of financing the strategy lagged far behind the targets<sup>6</sup>. Like Rs. 256 billion were required as additional funding during 2010-11 and 2011-12. But the actual utilization of ADP grew by a small fraction and remained Rs. 69.171 billion in 2011-12, which slightly grew to Rs. 70.791 billion in 2012-13 by a small margin of 1.5% only. Similarly an additional investment of Rs. 397 billion was required over the medium term between 2012-13, 2013-14 and 2014-15. But instead of an increase in investment, the actual utilization of ADP in 2013-14 declined from the level of actual expenditure in 2012-13 by Rs.

<sup>5</sup> Provincial Development Budget database in Finance Department-KP

<sup>6</sup> Budget Utilization Reports—KP-Accountant General's Office

2.187 billion i.e. from Rs. 67.308 billion to Rs. 65.121 billion. The trend of sectoral allocation remained the same with little inter sectoral fluctuation in allocation of resources. The trend in the size of ADP shows that no additional resources were channeled and thus the CDS could not be translated into action, and consequently there was no significant improvement in the socio-economic indicators.

The trend in local funding and external assistance is also in significant variance. The foreign project assistance projected was not materialized. The fiscal space to be created for annual development outlay during the plan period and its actual realization was in variance. Like Rs. 168 billion were required as additional FPA funding during 2010-11 and 2011-12. Similarly an additional foreign assistance of Rs. 177 billion was required over the medium term, between 2012-13, 2013-14 and 2014-15. But the actual utilization of FPA remained Rs. 1.83 billion, Rs. 3.49 billion, Rs. 4.03 billion and Rs. 5.318 billion during 2011-12, 2012-13, 2013-14 and 2014-15 respectively. It is likely that the position for the remaining two years 2015-16 and 2016-17 would not be very different from the prevailing traditional trend of FPA (Table-2).

**Table 2: Funding for Full CDS Implementation (Rs. billion)**

	Y1-Y2	Y3-Y5	Y6-Y7	Total
CDS expenditure	256	397	308	960
Domestic revenue available, after NFC award, hydel arrears and non-CDS commitments	88	220	208	516
External assistance and possible additional own sources	168	177	100	444.44

Source: CDS P&D Department

Sectoral allocation under CDS is reflective of the above position and the projections could not materialize as no additional investment is attracted as envisioned (Annex-III). The monitoring indicators as compared to the baseline, shows that the poverty rate was required to drop-down from 39% of the population in 2009 to 30% in 2010 and 20% in 2015. The achievements are nowhere even close to the targets. The target of reduction in poverty to 30% of the population by 2010 has been revised in the SDPF and the goal post has shifted from 2010 to 2015 i.e. by five years, which is still uncertain. The target of reduction in poverty to 20% of the population by 2015 has been skipped altogether in the IDS and SDPF.

Data about indicators like roads in good condition, area brought under cultivation etc. is not available. Literacy rate which was estimated to be 75% by 2015, has slightly improved from 47% in 2010 to only 52% in 2015, with negligible progress compared to target. Primary Net Enrollment Rate (NER) was estimated at 80% which is 70% in 2015. Ratio of girl's and boy's primary schools was planned to be 1:1 by 2015 which is actually 0.57:1 with a huge gap of 7,615 schools which need to be established to attain parity among the boys and girls schools. IMR was supposed to be reduced from 63/1000 live births to 40/1000 live births, which has been shifted forward and may not be achieved. Same is the position of other health indicators including immunization and maternal mortality ratio and contraceptive prevalence.

Donors funding or aid was projected to be 5% of the GDP by 2010 and 3.3% of GDP by 2015, against the baseline of 0.75%, which has further dropped in comparison to provincial GDP. This situation is indicative of the fact that the province is far behind to achieve the MDG targets and has to adopt multi-faceted initiatives, coupled with political will, consistent policies and shift in ADP priorities (Table-3).

**Table 3: Monitoring Indicators**

No	Indicator	MDG	Latest	2010 Target	2015 Target
1	Poverty Rate	MDG 1	39%	30%	20%
2	Roads in good condition	MDG 1	24%	30%	45%
3	Area of land bought into cultivation (hectares)	MDG 1	-	20000	70000
4	Literacy rate	MDG 2	47%	55%	75%
5	Primary net enrolment	MDG 3	49%	60%	80%
6	Ratio of girls boys in primary school	MDG 3	0.52:1	0.70:1	1:1
7	Infant mortality rate (per 1000 live births)	MDG 4	63	60	40
8	Proportion of fully immunized children	MDG 4	47%	60%	>90%
9	Maternal mortality ratio per 100,000 live births	MDG 5	275	250	140
10	Contraceptive prevalence rate	MDG 5	31%	45%	70%
11	Access to drinking water	MDG 7	71%	75%	85%
12	Access to sanitation	MDG 7	66%	72%	85%
13	Aid as a percentage of GDP	MDG 8	0.4%	5.0%	3.3%

Source: CDS P&D Department

### 1.3 The Post Crises Needs Assessment (PCNA) Implementation

During the relief activities in Malakand Division after the Swat Military Operation, Damage and Need Assessment (DNA) was prepared for funding reconstruction and rehabilitation. However a Post Crisis Need Assessment (PCNA) strategic document was prepared in 2010, for long-term sustainable revival of the infrastructure and economic development as a peace building strategy for the Federally Administered Tribal Areas (FATA) and KP, with a focus on Malakand Division in KP, as a result of post military operation. The strategy was envisioned as promoting peace, greater prosperity and tolerance, where the voices of all people would be heard, the rule of law deepened, and the State being increasingly accountable, providing equitable opportunities for better health, education and employment.

A sum of Rs. 270 billion peace building strategic plan for the 10 crisis affected districts of KP, was prepared for nine priority sectors to achieve the aforementioned strategic objectives, namely; governance, rule of law, agricultural and natural resources, non-farm economic development, education, infrastructure (comprising energy, transport and water supply and sanitation), health, social protection and strategic communications. Besides it had three cross cutting subjects, Peace building and crisis sensitivity, gender and capacity development, which runs across the 10 years plan period.

The socio-economic indicators in PCNA were based on the 2008-09 figures, which have changed slightly, owing to the fact that the complete package solution could not be implemented due to shortfall in the resources, pledged/estimated at the time of the preparation of the plan. However reconstruction of the destructed infrastructure remained the main achievement.

## 2. Development Planning Process

Planning and Development (P&D) department of Khyber Pakhtunkhwa province is the principal planning organization at the provincial level in KP. It is headed by Additional Chief Secretary (Development) and is assisted by professional staff of economists and specialists in various fields. It coordinates the programmes prepared by the provincial departments and prepares the overall provincial Five Year Plan and Annual Plans.

Annual Development Programme (ADP) has on-going projects, continued for one or more financial years and new projects, started in the given financial year. Preference is accorded to on-going projects, in the release of funds, for their early completion. At present nearly 70% of the total development budget is allocated to on-going projects and the remainder to new projects.

A Monitoring and Evaluation (M&E) directorate has been established in P&D department for ongoing monitoring of the physical implementation of the development projects. This directorate has field staff all over the province and has significantly improved the implementation process and mid-course correction.

Foreign-Aided Projects are based on donor funding, either loan or grant or partially funded with counterpart funding from the provincial government. It is always ensured that aided projects are duly funded in accordance with the agreement signed with the donor agencies.

The funds allocation policy is devised in light of the resources available and the funds release policy is prepared giving priority to:

- a. The on-going projects at a fairly advanced stage of implementation
- b. Foreign-aided projects with high national priority
- c. Projects dealing with emergencies, such as flood relief, etc. and
- d. Newly approved projects

The development projects follow standard forms like;

- a. PC-I is the basic form indicating details objectives, targets, cost and time frame.
- b. PC-II is required for conducting surveys and feasibility studies, in respect of larger projects, intended to get full justification for undertaking the project before large resources are tied up with them.
- c. PC-III form is designed to furnish information on the progress of on-going projects on quarterly basis and is required to be submitted by the executing agencies/departments, indicating financial as well as physical progress of the schemes with information on any bottlenecks experienced during the execution of a project.
- d. PC-IV form is required to be submitted at the time when the project is adjudged to be complete.
- e. PC-V form is to be furnished on an annual basis for a period of five years by the agencies responsible for operation and maintenance of the projects. But PC-V is very rarely submitted rather impact evaluation is not really in practice.



The umbrella PC-Is are spread over more than one district. Funds are released to the respective districts for their respective components within the project. However delay in timely submission of information affects the overall pace of implementation of the project.

## 2.1 ADP Formulation Process

Formulation of ADP follows top-down approach, which starts with a circular from P&D department, inviting concept notes of proposals from all provincial departments about new projects. The departments submit list of projects with concept notes, spelling out the rationale, viability and economic and social return of the projects. The proposals are examined in the concerned sections in P&D Department and shortlisted according to suitability, justification, cost, economic return and relevance with the sectoral objectives. The shortlisted proposals are discussed with the line departments and further filtered, bringing them close to the indicative ADP ceiling. The final list of new proposals is discussed in a meeting chaired by Chief Minister and the concerned Secretary where the Minister presents the projects one-by-one and gets it cleared by the Chief Minister. The approved list of projects is incorporated in the ADP, which is communicated to finance department for inclusion in the annual budget. The draft development programme is placed before the Assembly for approval after clearance by the Cabinet<sup>7</sup>.

Detail cost estimate and implementation plan/PC-I is prepared after start of the new financial year from 1st July. The PC-I is approved by the respective forum according to cost of the project. Departmental Development Party can approve projects up to Rs. 60 million and Provincial Development Working Party (PDWP) can approve projects beyond 60 million up to 5,000 million. Administrative Approval (AA) and Technical Sanction (TS) (in case of works) are issued after approval of PC-I. Finance Department releases the funds on receipt of the AA & TS.

Tendering process is initiated in light of KP Public Procurement Regulatory Authority (PPRA) Rules and work orders are issued to the successful bidders, who are supposed to complete the work in the stipulated time. The payments are made in line with contract and payment policy and the procurements of goods, works and services and are subject to post audit by the Auditor General of Pakistan<sup>8</sup>.

The On-going development projects/schemes once approved, get funds every year till completion. Revision of the PC-I is required if the cost exceeds 15% of the original estimated cost or if there is change in the scope of work. On average 70% funds are allocated to ongoing schemes and 30% to fresh new schemes.

## 2.2 Stakeholders' Consultations

Citizens' consultation through their representatives, academia, civil society, business community, legislators makes the budget making process participatory and reflects the needs and aspirations of citizens at large. Every year pre-budget seminars are held for parliamentarians with participants from academia, media and civil society. Last year the consultative workshops were held in the last week of May 2014, separately for male and female parliamentarians. But such recommendations of such

<sup>7</sup> KP-Budget Manual & Official Circulars

<sup>8</sup> KPPRA Rules & GFR

consultations finds very little place in the budget proposals. This weakness is continuously highlighted in Public Financial Management Assessments, Open Budget Initiative (OBI) and other reviews like the recent Budget Transparency Review (BTR). Finance Department has gotten zero score out of 4 in citizen budget and stakeholders consultation.

Major weaknesses in the ADP formulation are:

- a. Overly centralized
- b. Lack of stakeholder need assessment or consultation
- c. Uncertain funding, thinly spread financing
- d. Revisions of PC-Is
- e. Heavy throw forward
- f. Uncertain funds flow of foreign aided project
- g. Politically motivated
- h. Capacity constraints for project formulation and execution
- i. Heavy size of umbrella and block projects (mainly distributed on Chief Minister's directives) leading to discretion
- j. Lack of effective monitoring and evaluation

Consultation at district level is almost nil while ADP is designed for district development with a provincial control. The inputs of those for whom a project is designed is never or seldom accounted. It is expected that after election under KP Local Government Act 2013 on May 30, 2015, there will be at least 30% allocation of ADP to districts, as promised by the government. This will generously reduce delays in implementation of ADP, and will help include voices of citizens at local levels in identification and implementation of development projects.

### 3. Sources of ADP financing

The ADP is financed through a) revenue surplus after meeting the current expenditure and b) foreign project assistance (loans and grants). The revenue surplus comes from the total revenue receipts of the provincial government from all sources, 93% of which comes from the federal transfers. The size of ADP is under pressure due to continuous increase in the recurring expenditure, eating up major share of the pie. One reason is the increase in salaries, cost of operational expenses and creation of new establishment on completion of new development projects such as schools and hospitals. Size of ADP for 2014-15 relative to the current expenditure and size of fiscal space<sup>9</sup> is given in Figure 1.

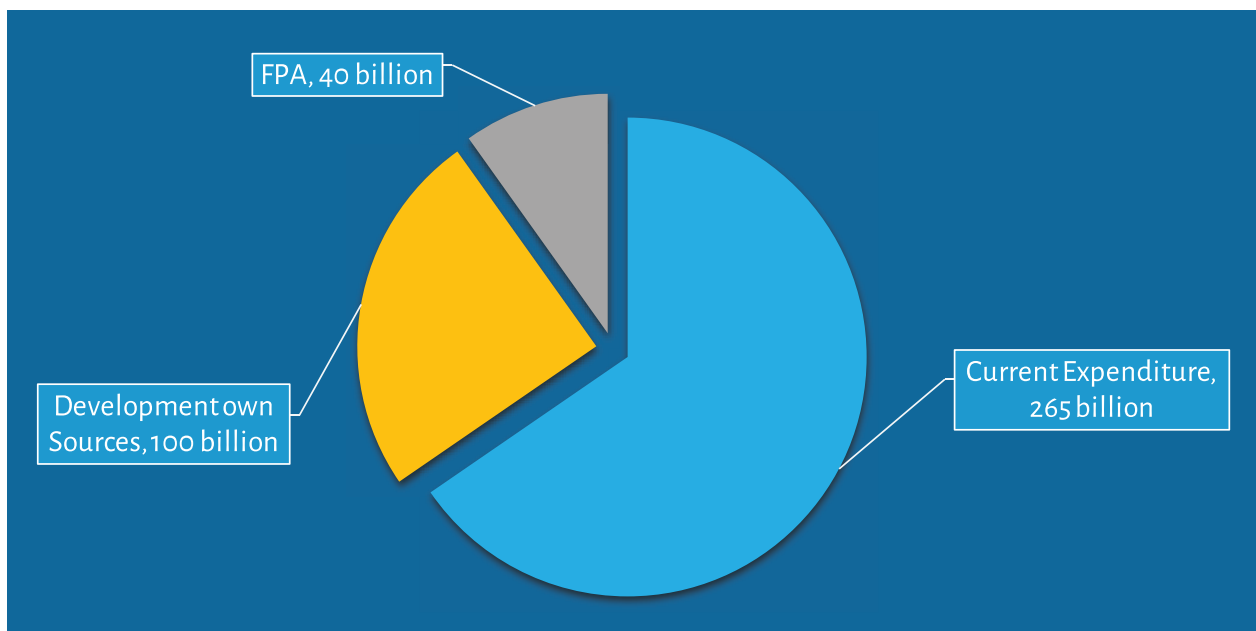


Figure 1: KP Budget 2014-15

#### 3.1 Sources of Provincial Receipts

There are four major categories of provincial revenue receipts namely; federal transfers, provincial own receipts, capital receipts and foreign project assistance.

##### 3.1.1 The Federal Transfers

The federal transfers are further classified as:

- a. Federal tax assignment under NFC Award
- b. 1% grant on account of war on terror
- c. Royalty on oil and gas/straight transfers and net hydel profits

<sup>9</sup> KP-White Paper on Budget 2014-15



- a. Federal Tax Assignment: The Federal Transfers to KP as share in the federal divisible pool, apportioned under the 7th NFC award 2010 has grown by 22% in 2012-13 compared to 2011-2012, 8% in 2013-2014 compared to 2012-2013 and 15% in 2014-15 compared to 2013-14 (KP White papers, various issues). Usually the initially estimated amount of funds is not actually transferred due to ambitious revenue collection targets by Federal Board of Revenue, fixed at the start of the financial year. 1% grant on the account of war on terror amounts to Rs. 27 billion to KP kitty in 2014-15.
- b. 1% grant on account of war on terror: KP is facing a hard situation for maintaining peace in the province due to uncertainty stretching over a decade in the province. Keeping in view, 7th NFC award provides extra 1% financial provision to KP. In FY 2014-15 Rs. 27 billion has been significantly allocated to KP on the account of war on terror.
- c. Royalty on oil and gas/straight transfers and net hydel profits: KP government is getting a sizeable amount on oil and gas reservoirs located in Karak and Kohat districts e.g. 12% of the sale value at the wellhead. Receipts on this account have steadily grown during the last 4-5 years but have slowed-down in 2014-15 owing to the fact that production has attained maximum level and secondly oil prices have significantly dropped in the international market. Likewise the receipts of royalty grew by 60% in 2011-12 and 2012-13, 24% during 2012-13 and 2013-14 but dropped down to 6% during 2013-14 and 2014-15. The Net Hydel Profit (NHP) is capped at Rs. 6 billion per annum since 1992. In a recent development, the federal government has agreed in principal to uncap and enhance the amount from Rs. 6 billion per annum to Rs. 17 billion per annum. Similarly the federal government has also agreed to release (in phases) the arrears of Rs. 138 billion on account of NHP.

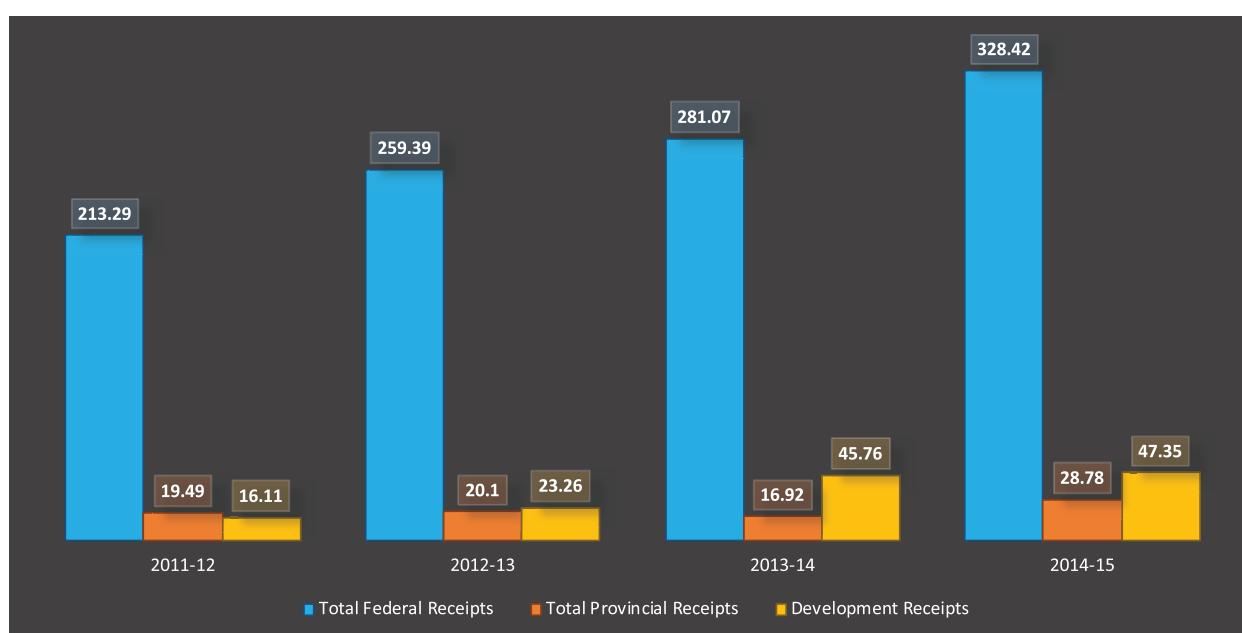
### 3.1.2 Provincial Own Receipts (Local)

The provincial own receipts are grouped as a) Receipts from GST on services b) Provincial tax and non-tax receipts from all the departments c) Sale of own generated electricity.

- a. General Sale Tax on Services: Major source of the provincial own receipts after 18th constitutional amendment is GST on services. The projected provincial own receipts have never been realized. As of May 2015, only 40% of revenue targets were met by the excise and taxation department of KP<sup>10</sup>. However this area can be further improved if proactively pursued. Cellular phone services are the major source of GST on services but the federal government has imposed withholding tax at the import stage of the Telcos's hardware, and the Telcos are claiming Input Tax Adjustment, directly slashing amount of GST on services by 50%. This is a major issue to be taken up by provinces in the forthcoming 9th NFC award. Secondly the tax should be based on the poles of mobile phones and coverage and not on the hubs, mostly located outside KP<sup>11</sup>.
- b. Provincial Taxable and Non-Tax Receipts: Provincial own receipts consist of tax and non-tax receipts from all departments, which inter-alia include land revenue, urban immovable

<sup>10</sup> The News: May 27, 2015 <http://www.thenews.com.pk/Todays-News-7-320422-KP-to-announce-budget-on-June-8>

<sup>11</sup> Non-classified Official circulars and correspondence



**Figure 2: Major Sources of Provincial Receipts**

property tax, minerals, irrigation, motor vehicle tax etc. All of them collectively fetched only 3% of the total estimated receipts during 2011-12-2014-15. The 70% increase in estimated receipts for 2014-15 are on the high side, which are not achievable and hence will be dropped down to the previous level by close of the financial year (Figure-2).

- c. Sale on own generated electricity: The provincial government has initiated few small hydel power generation projects. One such project is Malakand-III, which is fetching about Rs. 2.8 billion per annum to the provincial kitty. Other small schemes are Sheshi and Reshun in Chitral and some other in the pipeline but bold decisions are required to build bigger hydel stations, which have a guaranteed return on investment.

There is great potential in widening and revamping the tax net and reforms in taxation. But the provincial revenue authority being in its infancy lacks capacity and has yet to bring some visible improvement in the tax revenue (Table-4):

**Table 4: Sources of Provincial Receipts in 2014-15 (Rs. in Million)**

Receipts Head	2011-12	2012-13	2013-14	2014-15
A-Federal Transfers	213,294.178	259,390.941	281,065.590	328,424.223
B-Provincial Own Receipts	19,494.122	20,101.059	16,920.519	28,780.777
C-Capital Receipts	250.000	250.000	250.000	250.000
D-Development Receipts	16,112.700	23,258.000	45,763.891	47,350.000
Total (A+B+C+D)	249,151.000	303,000.000	344,000.000	404,805.000

Source: Provincial FABS Database

### 3.2 Foreign Project Assistance (FPA)

Foreign Project Assistance (FPA) is foreign lending or donation. On average FPA is projected as 25% of the total ADP, during the last 4 years. In the revised estimates it has dropped to 14% and the actual expenditure has remained a mere 4% of the total development expenditure during 2011-12-2013-14. Only 13.4% of the estimated FPA has been utilized up till 31st March, 2015 of the 2014-15 fiscal year. But as per past trend, the actual utilization may not be different. This year the bulk of the utilization is the unspent DFID/UK-AID grant of Rs. 4 billion for education under the conditional grants to PTCs<sup>12</sup>.

### 3.3 Revenue Shortfall

The revenue position of the provincial government is predominantly reliant on federal government i.e. its share in the federal taxes, royalty and its constitutional right of net profit of hydel power generated in the province. The federal tax assignment always shows shortfall in actual disbursement. The federal government retains its undue share and also does not give the province its constitutional right, by imposing the general sales tax on crude oil, which could fetch up to about Rs. 20 billion per annum to the provincial exchequer. Windfall levy is another issue, where the federal government does not transfer due right of the province on this account.

Despite having Constitutional protection the federal government is reluctant to pay the Net Hydel Profit (NHP) to KP and the province is badly suffering on this account. The NHP paid for the first time in 1992 is capped at the same level of Rs. 6 billion per annum. It was 35%<sup>13</sup> of the total receipts in 1992 but now it is a mere 1.48% of the total estimated receipts. On the other hand, the long drawn issue of payment of arrears on this account is still pending and an amount of Rs. 645 billion is outstanding against the federal government/ WAPDA on the basis of AGN Kazi methodology. Even Rs. 138 billion agreed by the federal government are not being released, which is adversely affecting the current account of the provincial government and resultant implementation of its development agenda.

### 3.4 The Impact of 18th Amendment

40 out of 47 departments on the concurrent list were devolved to the province. A huge legislative and financial management work was involved at the time of devolution in 2010, which required a lot of policy measures and preparations. Details of Ministries already devolved in 1st phase, 2nd phase and 3rd phase along with financial implications and financial liability of Khyber Pakhtunkhwa are given in Annex-I<sup>14</sup>. About 2700 from the staff of the Population Welfare Directorate was a major responsibility transferred to the province. Their expenditure in all the provinces is being reimbursed till the end of 7th NFC Award i.e. 30th June 2015. Besides universities related expenditure is being borne by the Federal Government during the current NFC Award period and may be shifted to the province in the 8th NFC, adding about Rs. 12 billion to its financial liability.

<sup>12</sup> KP-White Paper on Budget 2014-15

<sup>13</sup> Budget Data Archives Finance Department

<sup>14</sup> KP-White Paper on Budget 2012-13 and 2013-14

### 3.5 Employment in KP

The economic growth in the provinces is quite slow and need paradigm shift from traditional ways of agricultural farming to market oriented mechanized agriculture, local small and medium businesses development and of course industrialization. The province is already short of cultural command area, confronted with land fragmentation, housing needs is fast eroding fertile land, access from farm to market, under utilization of agrarian economy and subsistence level unpaid family farming. KP economy is predominantly dependent on agriculture and livestock and only 3.3% is associated with technical and professional jobs (Table-5).

**Table 5: Composition of Employment in KP**

No	Occupation	%
1	Agriculture and fisheries	38.0
2	Of which unpaid	17.6
3	Services, shops and market sales	32.0
4	Professionals	3.5
5	Technicians and associate professionals	3.3

Source: CDS P&D Department

## 4. Provincial ADP Analysis

Khyber Pakhtunkhwa total budget for year 2014-15 was Rs. 404.8 billion. Out of total budget, Rs. 139.8 billion was development budget or Annual Development Programme (ADP). ADP comprises three components namely; development program funded through provincial own resources typically called ADP, foreign project assistance (FPA) or donor funded development projects and development projects funded through Federal Public Sector Development Program (PSDP). ADP is funded through the fiscal space between the total estimated revenues and current expenditure. This space is squeezing both in real and absolute terms, rather shrinking due to inflation. PSDP is not part of the ADP at start of the year when ADP is formulated but becomes the counter part in terms of releases through provincial government. PSDP is planned, funded and budgeted by the federal government but released through provincial government and accounted for as supplementary budget in the provincial accounts.

Annual increase in the combined three constituent components of development outlay (ADP, FPA and PSDP) between 2011-12-2012-13 and 2012-13-2013-14 and 2013-14-2014-15 has remained 14%, 21% and 18% respectively<sup>15</sup>. The size of development budget is usually revised downward in the revised estimates. The actual total utilization including ADP, FPA and PSDP between 2011-12-2012-13, 2012-13-2013-14 and 2013-14-2014-15 has remained 88%, 76% and 61% respectively, of the budget allocations. Conversely an amount of 12% was lapsed in 2011-12, 24% in 2012-13 and 39% funds were lapsed in 2013-14. Utilization has remained 41% by end of 3rd quarter of the current financial year 2014-15 (Table-6).

**Table 6: Total Development Portfolio (including Provincial funded ADP, Foreign Project Assistance and PSDP) 2011-12 to 2014-15 (Rs. in Million)**

Year	BE	RE	Actual	% Actual as % of BE
2011-12	85,141	84,474	74,560	88%
2012-13	97,458	88,131	73,770	76%
2013-14	118,000	104,848	71,860	61%
2014-15	139,805	-	42,700	31%

Source: Provincial Budget Finance Accounts Budgets System (FABS) Database

### 4.1 Provincial Own Funded ADP

Utilization of provincial own funded development programme – local ADP is much higher as compared to FPA. Table 7 depicts the picture of actual utilization of ADP, which is 98% in 2011-12, 91% in 2012-13 and 78% in 2013-14. The utilization remains slow at the start of the financial year but gets momentum in the last quarter and shoots up in June every year. Procurement process is accelerated in May/June every year.

**Table 7: Provincial own funded Development Program-ADP (Rs. in Million)**

Year	BE	RE	Actual	Actual as % of BE
2011-12	69,028	71,583	67,340	98%
2012-13	74,200	73,650	67,308	91%

<sup>15</sup> KP-Budget online Database-Finance Department



Year	BE	RE	Actual	Actual as % of BE
2013-14	83,000	80,154	65,121	78%
2014-15	100,050	-	37,420	37%

Source: Provincial Budget FABS Database

## 4.2 Foreign Projects Assistance (FPA)

There is a general perception in the public that the government is reliant on foreign funding support and have very little of its own to spend on the development works. Table 8 reveals that on average FPA has been projected as 25% of the total ADP during the last 4 years. In the revised estimates it has dropped to 14% and the actual expenditure has remained a mere 4% of the total development expenditure during 2011-12-2013-14. The actual utilization of FPA for 2014-15 will be available by the end of this year. Major reason of this paradox is that the original allocation are indicative of inflated projections, to inflate the size of ADP and the slow utilization of FPA is due to conditionalities associated with the funds and the complexity of procedure. A lot of paper work, meetings and reviews are involved in actual realization of the expenditure. The finding provides a good reason for the provincial policy planners to focus on the own funded development program and make its rational, prioritized and optimal use.

**Table 8: Provincial Annual Development Program-Comparison of expenditure from Own Resources and FPA (Rs. in Million)**

Year	Budget Estimates	Budget Estimates	FPA as % of Total	Revised Estimates	Revised Estimates	FPA as % of Total	Actual Expenditure	Actual Expenditure	FPA as % of Total
	Own Resources	FPA		Own Resources	FPA		Own Resources	FPA	
2011-12	69,028	16,113	19%	71,583	7,515	10%	67340	1830	3%
2012-13	74,200	23,258	24%	73,650	10,760	13%	67308	3483	5%
2013-14	83,000	35,000	30%	80,154	21,060	21%	65121	4029	6%
2014-15	100,050	39,755	28%				37,420	5319	14%

Source: Provincial Budget FABS Database

## 4.3 Capital and Revenue Expenditure

Development budget has two components namely; capital and revenue. Capital expenditure is meant for civil works or addition to the assets like construction of buildings, roads, irrigation canals, dams, water supply schemes etc. whereas revenue expenditure is meant for salaries, capacity building, consultancies, consumables and other operational requirements for the implementation of the project. The Capital-Revenue distribution of the development budget is quite revealing. Allocation for capital expenditure is in the range of 80% of total ADP, which has always been further enhanced in the revised budget and remained in the range of 82%, whereas actual expenditure is further tilted in favour of capital expenditure. Revenue expenditure is always short of the allocation whereas capital expenditure can sometimes surpass the allocation. Main reasons for this are a) Executive engineers of the works departments like Communication and Works (C&W), Irrigation and Public Health Engineering (PHE) have the power of cheque issuing authority and have in-house pre-audit facility, having Divisional Accountants and thus can swiftly draw the amount b) in many cases the funds are drawn and paid to the contractor prior to

completion of work, especially in June, to avoid lapsing of the funds and c) commission is associated with payments. The original allocation for capital expenditure in 2011-12 was 81% of total provincial ADP, which was raised to 82% in the revised budget and the actual expenditure further went up to 83% of total spending. In 2012-13 the actual expenditure on capital side remained 87% of total expenditure. On the other hand, revenue expenditure is spread over all departments and involve many codal formalities to be fulfilled prior to payment and hence significant amount of the funds are re-appropriated to capital side or lapsed. This trend is almost uniform (Table-9).

**Table 9: Provincial Annual Development Program-Revenue & Capital (Rs. in Million)**

Year	Budget Estimates	Budget Estimates	Capital as % of Total	Revised Estimates	Revised Estimates	Capital as % of Total	Actual Expenditure	Actual Expenditure	Capital as % of Total
	Revenue	Capital		Revenue	Capital		Revenue	Capital	
2011-12	13,148	55,881	81%	12,820	58763	82%	11163	56178	83%
2012-13	14,045	60,155	81%	12,789	60861	83%	8665	58643	87%
2013-14	17,883	65,117	78%	16,158	63996	80%	11980	53141	82%
2014-15	28,378	71,672	72%	*			5732*	20967	79%

\* Revised budget is not yet finalized and the utilization is up to February 2015

Source: Provincial Budget FABS Database

## 4.4 Sectoral Allocation

The four years average sector wise development expenditures reveal that major chunk of the ADP goes to Roads (18%), followed by Elementary and Secondary Education (11%), Higher Education, Finance and Board of Revenue, Regional Development and Health each 8%, water and sanitation has consumed 5%, Home and Police have spent 3% on development side, and District ADP is only 2%. (See Annex V for details).

Contrary to the IDS and SDPF priorities, the economic growth sectors have got nominal share in the development spending, except Irrigation/water which has a 6% share. Other economic sectors have less than 1% or nominal share in the development outlay, like Agriculture and livestock are only 1%, the most critical Energy and Power Sector has got only 2% during the last 4 years, Forestry is 1%, Minerals are less than 1%, Housing is 1% and Industries are 3%.

## 4.5 Gender Responsive Budgeting

Gender Responsive Budgeting (GRB) is a tool to increase resource allocation, accountability and gender-responsiveness in economic governance. The purpose is to transform budget policies and processes to reflect gender equality, resource allocation and development of tools for gender budget adaptation by government at national and local levels. GRB does not imply that 50 per cent of spending on each programme should accrue to females and 50 per cent should accrue to males, because women and girls and men and boys are present in different proportions in the groups relevant to different programmes. The labour of women in the house, certainly enables men to produce more wealth than they otherwise could: and in this way women are economic factors in society.

Gender equity is core objective 6 of the IDS and SDPF and an obligation under MDG 1 and 3, reinvigorated in PCNA strategic objectives 1 and 2 and CDS outcome indicators 6 and 9. But the factual position is different. The allocation for gender specific projects is only 3% in both provincial ADP and foreign project assistance and this is the trend all along the development sector, reflective of the variance in policy plans and priorities (Table-10). The actual utilization of the 3% allocated funds is further slashed due to capacity issues in the stakeholder departments and the funds thus re-appropriated to other sectors. Detail of the gender specific projects can be observed at Annex-II.

**Table 10: Gender Specific ADP**

S. No	Development Portfolio	Budget Estimates 2013-14 (Rs. in Billions)	Gender Specific Allocation as % of Total Allocation
1	Total ADP	83.00	
2	Gender Specific Projects	2.587	3%
3	Total FPA	35.00	
4	Gender Specific projects	1.00	3%
5	Total (ADP+FPA)	118.00	
6	Gender Specific projects	3.587	3%

Source: Provincial Budget FABS Database

## 4.6 District ADP and District Development Budget

Under LGO 2001, about 60% funds were required to be transferred to the district governments. The Provincial Finance Commission, a statutory body was responsible for vertical distribution of provincial monetary resources between the provincial government and the district governments, as well as horizontal distribution of the funds earmarked for the districts, between the districts. After deducting the mandatory payments like charged expenditure, debt servicing, allocations for meeting the deferred liabilities like GP Fund and Pension and food subsidy, 60% of the remaining amount called provincial allocable amount was for districts and 40% for the non-devolved functions.

In practice, salary budget was released as per actual expenditure and the power of creation or abolition of posts was with the provincial government. The non-salary current budget was nominal, hardly meeting the operational expenses, which was also not formula based because the government infrastructure varied from district to district. Even the districts were not allowed to divert the savings on account of effective human resource management or savings in non-salary expenditure. The 60% share was never provided to the districts and the combined amount of current budget (salary and non-salary) and small amount of development budget would club to show the share of districts.

The formula for inter-district resource distribution (PFC) had three factors namely; population 60%, lag in infrastructure (20%) and poverty (20%). Under LGO 2001, when the district governments were in place, only development funds were distributed among the districts under the above resource distribution formula.

The District development allocation was a mere 2-3% of the provincial development program. The district governments got Rs. 1.5 billion and Rs. 1.6 billion in the last years of devolution i.e. 2010-11 & 2011-

12 respectively. This amount was distributed among the districts on the basis of PFC formula referred to above. The districts were unable to initiate any big projects and a major portion of the funds would always lapse due to lack of capacity and sometimes due to political polarization. This reveals that the local governments system was financially handicapped.

When the local governments were not in place under LGA 2012, the districts' share of ADP (about Rs. 1.67 billion) was expended by the MPAs through DDAC and DDC. This type of districts development share in ADP was only 2%, which was directly transferred to districts and spent on local needs by the local administration through DDC and DDAC<sup>16</sup>.

The umbrella projects funded through the provincial ADP and executed in the respective districts (like missing facilities in schools etc.) and attributed to the district development. Some provincial projects like construction of a hospital or college in a district are also attributed to the district development. Besides the significant amount of funds are spent in districts under Chief Minister's Directives and other discretionary grants. But the districts or local governments have no say in such projects. The inter district and within district inter sectoral allocation is arbitrary in nature, mostly dependent on the political influence at a given time.

The position of such provincially funded projects, executed in districts is explained in the succeeding sections, covering five districts namely; Peshawar, Swabi, Mardan, Charsadda and Swabi. The Analysis covers three important sectors in the said districts namely; drinking water and sanitation, elementary and secondary education and health. The spending through umbrella or project specific funding is politically motivated as evident from the trend in the succeeding sections. Some poor districts, having no effective voice in politics are getting negligible share in development spending through provincial ADP.

About 20,000 posts are created every year in KP. The intensity of retirement is also on the rise, having a double-edged effect, due to pension and commutation and their substitution. The current budget is continuously growing steadily. Salary and pension expenditure are growing at an alarming, rate eating up about 71% of the current budget. Almost 60% of the ADP is discretionary so to say. The special development initiatives in education, health etc. have stopped diverting the funds to "social safety net" scheme of "Susta Atta and Ghee" package. Youth employment schemes of micro credit are drying up as reflected in the following Table-11.

**Table 11: Special Pro-Poor Initiatives which have been stopped in 2014-15 (Rs. in Million)**

S. No	Department	No. of Initiatives	Allocation 2013-14	Allocation 2014-15
1	E & S Education Department	6	1175	
2	Health Department	5	2025	
3	Industries & Technical Education Department	5	1670	
4	Higher Education Department	2	1000	
5	Energy & Power Department	1	10	
6	Sports & Youth Affairs Department	1	70	

<sup>16</sup> Non-classified circulars and Notifications KP-Finance Department

S. No	Department	No. of Initiatives	Allocation 2013-14	Allocation 2014-15
7	Information Department	1	50	
8	Susta Atta and Ghee Package	1	-	7900
	Total	21	6000	7900

Source: Various Issues of ADPs, P&D department

Education sector is the priority sector of the provincial government and donors. Almost 36% of the provincial expenditure is education related. The need is quite big and the resources are limited and reasonable funds are channeled to education, though short of the projected figures in IDS and ESP. Schools sector was required to get Rs. 132 billion additional funds during the CDS, Rs. 91 billion during the first five years, between 2010-11 and 2014-15. But so far the actual development utilization between 2010-11, 2011-12, 2012-13 and 2013-14 is Rs. 9.592 billion, Rs. 12.226 billion, Rs. 15.925 billion and Rs. 14.468 billion respectively. There are about 14.7%<sup>17</sup> children out of school in KP, the gender disparity in enrollment and infrastructure is quite visible, the literacy rate is yet to touch even 55%, and the quality/ learning outcomes are dismal.

#### 4.7 Local Development and Poverty Alleviation

The local development and poverty alleviation factor has slowed down on the reversal of local government system, established under LGO 2001 and replaced with LGA 2012, a sort of local councils system 1979. Though the LGA 2012 has been repealed and replaced with LGA 2013 by the present PTI government but the new local government system will take effect after the local government elections - scheduled to be held on 30th May 2015. A sum of Rs. 95.5 billion, mostly donor assistance was estimated for the local development and poverty alleviation sector over the 7 years CDS life. This amount was Rs. 67 billion during the first 5 years between 2010-11 and 2014-15, (See Annex-IV). But in real terms the sector could not attract the desired investment. The district ADP remained in the range of Rs. 1.514 Billion in 2010-11, Rs. 1.641 billion in 2011-12, Rs. 1.480 billion in 2013-14 and Rs. 1.6 billion in 2014-15. The funds during the last two financial years have been spent through the Chief Ministers' directives mostly assigned to MPAs. The pro-poor Bacha Khan Khpal Rozgar micro credit scheme has since been stopped. However a food subsidy program has been initiated by giving subsidy vouchers to about 8 lac households, giving a subsidy of Rs. 200/pm on edible oil and Rs. 400/pm on wheat flour. The funds envisaged in Table-12 for local development and poverty alleviation could not be mobilized during the plan period.

Table 12: Local Development and Poverty Alleviation (Rs. million)

S. No	Measures	Y1-Y2	Y3-Y5	Y6-Y7	Total	Donor Opportunities
1	Social mobilization and capacity building	1,032	1,547	1,032	3,610	Technical assistance
2	Income generating grants for the destitute	314	702	468	1,484	Technical assistance, training and grants
3	Income generating grants for the very poor	494	1,107	738	2,339	Technical assistance, training and grants

S. No	Measures	Y1-Y2	Y3-Y5	Y6-Y7	Total	Donor Opportunities
4	Microcredit for the poor	2,499	5,594	3,729	11,822	Technical assistance, training and grants
5	Community physical infrastructure	9,357	20,948	13,965	44,270	Grants
6	Access to health	241	539	360	1,140	NGOs
7	Access to education	2,313	5,177	3,452	10,942	NGOs
8	Agricultural inputs	4,514	10,105	6,737	21,355	Technical assistance, training and grants
9	Local government capacity building and establishment of local government school for local governance and municipal development	432	112	48	592	Technical assistance and training
Total		21,194	45,832	30,528	97,554	

Source: CDS P&D Department

## 5. Development Spending in Selected Districts

This section provides details of the development fund utilization trends in health, education and water and sanitation sectors in five districts, Mardan, Peshawar, Nowshera, Swabi and Charsadda. This analysis will feed into the community social audit component of the project ‘Strengthening Voices of Women and Excluded Groups for Transparent and Accountable Public Service Delivery’.

### 5.1 District Charsadda

The direct spending in case of district Charsadda has steadily dropped. In all the three departments i.e. Education, Health and drinking water, the allocation has significantly dropped e.g. in the first year after LGA 2012, the allocation for drinking water dropped from 64 million in 2012-13 to Rs. 11 million or 83% in 2013-14. Same is the general trend in education and health. The intra-sectoral distribution of budget reveals that on average only 1%, 3% and 2% of the total provincial budget pertaining to water and sanitation, education and health respectively has been utilized in Charsadda. This trend is not commensurate with any formula or any indicator.

**Table 13: Development Expenditure on Selected Sectors in Charsadda (in million)**

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15 (march)
<b>TOTAL DRINKING WATER &amp; SANITATION</b>	<b>1,477</b>	<b>1,831</b>	<b>3,637</b>	<b>3,529</b>	<b>1,364</b>	<b>1,973</b>
Expenditure in Charsadda	46	23	51	64	11	23
% of Total expenditure	3%	1%	1%	2%	1%	1%
<b>TOTAL ELEMENTARY AND SECONDARY EDUCATION</b>	<b>6,568</b>	<b>6,664</b>	<b>8,548</b>	<b>9,491</b>	<b>9,280</b>	<b>5,442</b>
Expenditure in Charsadda	237	204	550	405	99	133
% of Total expenditure	4%	3%	6%	4%	1%	2%
<b>TOTAL HEALTH</b>	<b>3,661</b>	<b>4,656</b>	<b>6,456</b>	<b>4,864</b>	<b>5,029</b>	<b>3,152</b>
Expenditure in Charsadda	135	85	127	65	9	25
% of Total expenditure	4%	2%	2%	1%	0%	1%

Source: Provincial Budget FABS Database

### 5.2 District Peshawar

Peshawar is the provincial headquarter and metropolitan city and the developmental expenditure is mostly on schemes of provincial nature, executed at the Secretariat and Directorates levels. These funds are not exclusively meant for district government. The intra-sectoral distribution of budget shows a very high share of Peshawar in total budget due to the aforesaid reason and may not be construed as spending in district Peshawar and hence Peshawar cannot be compared with other districts. It also transpires the provincialized nature of ADP, which is centralized, discretionary and less equitable.

**Table 14: Development Expenditure on Selected Sectors in Peshawar (in million)**

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15 (march)
<b>DRINKING WATER &amp; SANITATION</b>	1,477	1,831	3,637	3,529	1,364	1,973
Expenditure in Peshawar	178	137	158	226	250	533
% of Total expenditure	12%	7%	4%	6%	18%	27%
<b>ELEMENTARY AND SECONDARY EDUCATION</b>	6,568	6,664	8,548	9,491	9,280	5,442
Expenditure in Peshawar	2,090	1,981	2,514	2,508	3,110	2,083
% of Total expenditure	32%	30%	29%	26%	34%	38%
<b>HEALTH</b>	3,661	4,656	6,456	4,864	5,029	3,152
Expenditure in Peshawar	1,821	1,983	2,632	2,230	2,145	1,352
% of Total expenditure	50%	43%	41%	46%	43%	43%

Source: Provincial Budget FABS Database

### 5.3 District Nowshera

The pace of allocation for Nowshera is mostly uniform owing to the fact that influential political figures in the previous government along with the present Chief Minister belong to district Nowshera. The spending is more than any other corresponding district of identical size. The intra-sectoral distribution of budget reveals that on average 5%, 3% and 4% of total budget utilized in Nowshera, pertains to water and sanitation, education and health respectively. However the spending has surged during the last 2 years, owing to the fact that the Chief Minister has diverted major spending to the district e.g. the establishment of a new medical college with liberal funds provided to other sectors (7% of total funds in water and sanitation are spent in Nowshera and 13% of health sector development funds were spent in Nowshera last year).

**Table 15: Development Expenditure on Selected Sectors in Nowshera (in million)**

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15 (march)
<b>DRINKING WATER &amp; SANITATION</b>	1,477	1,831	3,637	3,529	1,364	1,973
Expenditure in Nowshera	54	67	167	572	68	142
% of Total expenditure	4%	4%	5%	16%	5%	7%
<b>ELEMENTARY AND SECONDARY EDUCATION</b>	6,568	6,664	8,548	9,491	9,280	5,442
Expenditure in Nowshera	200	183	253	376	262	121
% of Total expenditure	3%	3%	3%	4%	3%	2%
<b>HEALTH</b>	3,661	4,656	6,456	4,864	5,029	3,152
Expenditure in Nowshera	165	211	196	156	647	219
% of Total expenditure	5%	5%	3%	3%	13%	7%

Source: Provincial Budget FABS Database



## 5.4 District Mardan

Huge amount of funds were invested in Mardan during the previous government. Though there is an evident dip in the expenditure in 2014-15 but still the allocation is reasonable which is due to the fact that some ongoing schemes of the previous government are still under implementation and hence the comparatively larger amount of allocation. The intra-sectoral distribution of budget reveals that on average 11%, 9% and 15% of the total budget pertaining to water and sanitation, education and health respectively has been utilized in Mardan. The Minister of Education is from Mardan and hence 9% of the total education development budget (schools sector) was spent in Mardan last year and 11% is spent during the current financial year 2014-15. In health 15% of total development spending was spent in Mardan and 8% spent this year, which may increase by the end of year, due to re-appropriation of funds from other districts and sectors.

**Table 16: Development Expenditure on Selected Sectors in Mardan (in million)**

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15 (march)
<b>DRINKING WATER &amp; SANITATION</b>	1,477	1,831	3,637	3,529	1,364	1,973
Expenditure in Mardan	198	172	584	376	66	111
% of Total expenditure	13%	9%	16%	11%	5%	6%
<b>ELEMENTARY AND SECONDARY EDUCATION</b>	6,568	6,664	8,548	9,491	9,280	5,442
Expenditure in Mardan	418	494	853	1,047	846	615
% of Total expenditure	6%	7%	10%	11%	9%	11%
<b>HEALTH</b>	3,661	4,656	6,456	4,864	5,029	3,152
Expenditure in Mardan	313	209	1,018	991	737	262
% of Total expenditure	9%	4%	16%	20%	15%	8%

Source: Provincial Budget FABS Database

## 5.5 District Swabi

In District Swabi, the budget allocation is almost uniform, though internally the allocation for education has dropped and increased for drinking water and health. The intra-sectoral distribution of budget reveals that on average only 2%, 5% and 2% of the total budget pertaining to water and sanitation, education and health respectively has been utilized in Swabi. The allocation has surged in 2014-15 due to the political stalwarts hailing from the district.

**Table 17: Development Expenditure on Selected Sectors in Swabi (in million)**

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15 (march)
<b>DRINKING WATER &amp; SANITATION</b>	1,477	1,831	3,637	3,529	1,364	1,973
Expenditure in Swabi	65	38	79	102	105	218
% of Total expenditure	4%	2%	2%	3%	8%	11%

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15 (march)
<b>ELEMENTARY AND SECONDARY EDUCATION</b>	6,568	6,664	8,548	9,491	9,280	5,442
Expenditure in Swabi	276	281	524	452	507	236
% of Total expenditure	4%	4%	6%	5%	5%	4%
<b>HEALTH</b>	3,661	4,656	6,456	4,864	5,029	3,152
Expenditure in Swabi	46	148	163	45	70	158
% of Total expenditure	1%	3%	3%	1%	1%	5%

Source: Provincial Budget FABS Database

Since the planning process in Khyber Pakhtunkhwa is overly centralized, it is very challenging to track social spending in districts. Other districts funds are also reflected in Peshawar district development budget. The districts were practically getting only salaries and a nominal amount of non-salary and only 2% of the development budget. The district level direct development, generally called district ADP, was a mere formality as the provincial government retained 98% development budget. However, after the local government election in KP, it is expected that all districts in KP will have their development plan which will reflect all sources of funding and utilizations accordingly. There are also wide disparities within districts in terms of development infrastructure and social indicators, which should also be taken into consideration in district development plans.

The spending's in districts appear to be politically motivated. The constituencies and districts having ministers consume more funds compared to those districts which have opposition members of provincial assemblies. On the other hand, there is no incentive for better financial management e.g. savings in salaries due to effective human resource management and savings in non-salary was not allowed for development works and conditionalities were often tagged with the development budget - a practical handicap of the system and hence leading to a collapse. This situation was coupled with capacity constraints, heavy dependence on provincial level departments for approvals and policy directions. The power of postings and transfers of officers and their promotion was also with the provincial government, compromising their administrative and financial autonomy.

With the local governments' elections held on 30th May 2015, hopefully the local governments will be in place by 1st July 2015. The number of devolved functions has been reduced in LGA 2013, like DHQ Hospitals, Police & District Admin etc. The current budget for the districts is being prepared at the provincial level and shall be passed by the district councils as a formality. Salary with 5% of total non-salary is proposed to be transferred to districts. 30% of the development funds shall be transferred to districts in light of LGA 2013 but the same may not be true in real terms as 50% of ADP may be retained for ongoing projects. Some portion of development budget is without financing items and such portion if excluded will leave only 20% of the ADP 2015-16 for sharing with the districts. 30% of the said 20% leftover amount may be transferred to the districts, out of which about 80% may be retained at district level and 20% given to TMAs. A sum of Rs. 2 million per village/neighborhood councils will be provided with total size of Rs. 12 billion. Thus at the outset the system will face similar constraints as confronted by the previous local governments.



An addition to the provincial and district ADP spending in districts, some districts are getting a handsome amount as special share in the net hydel profit (affectees of Turbela dam like Haripur, Swabi, Abbottabad, Mansehra and Tor Ghar), share in royalty on oil and gas (Karak and Kohat) and Tobacco cess (Mardan and Swabi). This amount is utilized through special committees in case of royalty of oil and gas and through DDAC in other districts.

## 6. Findings

1. There is hardly any link between the development policy framework and the ADP allocations. Each penny under the ADP should be allocated to specific objective of the IDS and sector plans. However, there does not seem to be a visible connection between the development policy framework of KP and development spending.
2. Huge allocations under the umbrella projects and under the discretion of Chief Minister of the province just undermines the efforts behind the development policy framework. Funds under the umbrella projects are utilized with political consideration rather than meeting the objectives of the policy documents.
3. KP has the highest population growth rate in the country and burgeoning population of about 26 Million inhabitants. The province has the most youthful population in Pakistan, with about 30% of the male population between the ages of 15 and 29. The large majority of this young male population has fewer employment opportunities. Many of the young workforce migrate to other parts of the country or the Middle East in search of employment but, since this workforce is poorly skilled, they are unable to secure better paying jobs.
4. Formulation of Annual Development Program follows top-down approach, which starts with a circular from Planning & Development Department, inviting concept notes of proposals from the Govt. Departments about new projects. The Chief Minister clears the final list of new proposals before presentation in the Assembly for approval. Citizens or the Civil Society do not have a say in the matters which leads to no meaningful consultation with any of the parliamentarians.
5. The revenue base of the provincial government is predominantly reliant on federal government i.e. its share in the federal taxes, royalty and its constitutional right of net profit of hydel power generated in the province. The federal tax assignment always shows shortfall in actual disbursement.
6. Expenditure related to Higher Education is borne by the Federal Government funded through the Higher Education Commission (HEC) during the current NFC Award and which may be shifted to provinces in the 8th NFC, adding about Rs. 12 billion to the financial liability.
7. The IDS is representing the government plans and policies for speedy and integrated development. However present trend of financing the proposed activities and availability of funds for the proposed activities are in disarray. Major share of the IDS agenda is without specific source of financing and marked as “unassigned”.
8. The trend of FPA shows that its actual utilization is only 4% of the provincial actual development spending and 12% of estimated FPA (88% of FPA never realized). That source is also uncertain e.g Rs. 168 billion of FPA were required as additional funding during 2010-11 and 2011-12 and an additional foreign assistance of Rs. 177 billion was required over the medium term between 2012-13, 2013-14 and 2014-15, but the actual utilization of FPA remained Rs. 1.83 billion, Rs. 3.49 billion, Rs. 4.03 billion and Rs. 4.35 billion during 2011-12, 2012-13, 2013-14 and 2014-15 respectively.
9. The key performance indicators set in SDPF, PCNA, CDS, EGS, and ESP are not achieved and hence no targets are expressly defined in the IDS.
10. There are different estimates of population living below poverty line. This situation revolves around 39% poverty since 2000 with no significant improvement. CDS and EGS had set



reduction of poverty target to 20% by 2015, which could not be achieved. On the one hand inflation is bringing more population below the poverty line - further intensified with exploding population - and on the other hand the quantum of investment envisaged is not available.

11. There is a wide gap in boys and girls schools' infrastructure; almost 7000 girls' primary schools are required to attain gender parity. RTE Act in KP is yet to be promulgated. Majority of the schools are multi-grade (1 or 2 rooms) and taught by single or 2 teachers with PTR criterion of 1:40, irrespective of the number of classes. Huge investment coupled with many institutional reforms are required to achieve the targets set for 2018.
12. The health service delivery network has improved due to public private partnership (President Primary Health Initiative and Multi-Donor Trust Fund). But owing to the high illiteracy, poverty, access to skilled health attendants, non-responsive health service delivery system and lack of investment required for addressing the health issues of the rising number of population, the IMR targets are hard to be achieved.
13. Gender issues are deep rooted and will go a long way to balance the GPI.
14. The projected provincial own receipts are never realized. Their relative share (presently 7%) in total receipts is being squeezed.
15. The 1% compensation grant on account of war on terror may not be continued in the 8th NFC, effective financial year 2015-16, which can confront the province with a major dip in receipts.
16. The introduction of financing item "shortfall in expenditure" of Rs. 10 billion in 2013-14 and Rs. 12 billion in 2014-15 is deficit financing and such funds are not available for funding of ADP.
17. The curve of royalty on account of oil and gas is becoming straight, which can be an indicator for the provincial government.
18. On average, about 20,000 posts are either created or vacated due to retirement. The current budget is continuously growing with a steady growth in salary and pension, both eating up about 71% of the current budget. Almost 46% of the ADP is discretionary so to say. The FPA is traditionally reflected on the high side to inflate the ADP for optics and public consumption but its actual realization is about 4% of the provincial own funded ADP.
19. The actual utilization of ADP has remained 81% in 2011-12, 73% in 2012-13 and 59% in 2013-14. The utilization is a mere 38% by the end of 3rd quarter of the current financial year i.e. from 1st July to 31st March 2015.
20. Gender equity is the core objective of the IDS and SDPF and an obligation under MDG 1 and 3, reinvigorated in PCNA strategic objectives 1 and 2 and CDS outcome indicators 6 and 9. But the factual position is different. The allocation for gender specific projects is only 3% in both provincial ADP and foreign project assistance.
21. The district governments under LGO 2001 were required to get 60% of the provincial resources under the PFC resource apportionment formula. But practically they were getting salaries and a nominal amount of non-salary and a small amount of development budget. There was no incentive for better financial management like savings in salaries by effective human resource management and savings in non-salary was not allowed for development works and conditionalities were tagged with the development budget, a practical handicap of the system and hence failed.
22. The vast local energy, minerals, and tourism potential have remained unexploited, mainly due to inconsistent policies and priorities, political commitment and lack of investment.

## 7. Recommendations

1. Every penny allocated under ADP shall be tied up to the objectives of IDS. This will help in evolving output based budgeting under ADP. There should be a monitoring mechanism to track progress in achieving the IDS objectives vis-à-vis fund allocated and utilized. Achieving the policy framework chalked out by the government should be the sole priority of the government. The development funding targets may be set within the ambit of likely availability of resources and then synergy may be maintained between ADP and policies, plans and priorities set in strategic development partnership framework and IDS.
2. Stakeholders should be meaningfully consulted in the formulation of ADP by following international best practices (even no meaningful consultation takes place with the parliamentarians).
3. The districts' specific share in ADP may be reasonably increased and adhered-to or made non-lapsable. The district level spending through the provincial ADP may be based on equitable formula or socio-economic indicators, preferably HDI as there is huge variation among the districts in development spending.
4. The ADP should be formulated through the gender lenses. Every project funded under ADP has to cover the needs of men and women alike. The UNDP has developed a very good Gender Responsive Budgeting (GRB) framework, which should be taken into consideration while development ADP.
5. The current expenditure, particularly the size of establishment may be contained in a limit (presently eating-up 71% of the current budget) and development portfolio enlarged with focus on economic growth and employment generation.
6. Public-private partnership may be encouraged in education, at the pattern of health sector to fill the huge capacity gap and improve quality (7000 primary schools for girls are required to attain gender parity).
7. Major chunk of development outlay goes to social sector and regional development. Economic growth sectors, creating employment opportunities for youth such as energy and power (public-private partnership), minerals development (infrastructure and enabling facilitation), Agriculture (subsidies and on-farm water management, diversification), industries (subsidies and lending facility) and tourism (infrastructure) are thinly funded, which may be increased adequately.
8. FPA projection for ADP is always very high but actual realization is in the range of 3-4% percent only of the total annual development utilization, which may be rationalized and the budget estimates may be maintained closer to reality.
9. Keeping in view the relative size and strings associated with FPA, the policy planners may focus on own funded development program and make its rational, prioritized and optimal use.
10. The "operational shortfall" is deficit financing, pitched to inflate the size of ADP, leading to sprinkling of funds and heavy throw-forward. It should not be included in development receipts as never practically realized.
11. Capacity of funds utilization is already weak which has been compounded with e-tendering, appointment of consultants in works sector and undue involvement of KPPRA in every tender. Even NAB is associated in procurement committees. The technical and administrative approval further consumes a month. The office of Accountant General is out of the influence of the provincial government and thus unnecessary piecemeal observations in accounts offices is a



routine affair. These complexities need to be removed or streamlined to speed-up the pace of funds utilization.

12. Executive Engineers are mostly the cheque issuing authority, funds at the end of the financial year are drawn and paid to the contractors in advance while the actual work is carried out during the next financial year.
13. PFC amplifies the formulae for the fund distribution among the districts but rarely followed largely due to the absence of local government structure and development funds being allocated on political reasoning.
14. Budget consultations at district level are merely done, which creates a larger gap between the citizens and district departments. District level budget and planning consultations should be arranged for the better planning and needs prioritization.

# Annexures



## Annex I: Functions Transferred to Provinces under 18th Constitutional Amendment

(Rs. in Million)

S. No	Departments/Ministries	Recurring Liability	Khyber Pakhtunkhwa Liability
<b>FIRST PHASE</b>			
1.	Local Govt. & Rural Development	143.698	
2.	Population Welfare	242.505	
3.	Special Education	55.984	
4.	Youth Affairs	3707.663	480.000
5.	Zakat & Ushr	90.000	
<b>SECOND PHASE</b>			
6.	Culture	649.037	19.572
7.	Education (HEC)	4316.158 23220.000	2974.497
8.	Livestock/Dairy Development	213.767	4.080
9.	Social Welfare/Special Education	2840.542	55.749
10.	Tourism	238.328	10.787
<b>THIRD PHASE</b>			
11.	Environmental	325.449	88.793
12.	Food & Agriculture	1959.329	..
13.	Health	5435.494	25.495
14.	Labour & Manpower	396.408	15.893
15.	Minorities Affairs	237.284	1.200
16.	Statistics Division	867.970	60.981
17.	Women Development	99.802	..

Source: White Paper on Budget KP

## Annex II: Gender Specific Projects - ADP 2013-14

S. No		Budget Estimates 2013-14 (Rs in Million)
<b>ELEMENTARY AND SECONDARY EDUCATION</b>		
1	Up gradation of 50 Girls Primary Schools to Middle level in Khyber Pakhtunkhwa	200
2	Girls Education Projects at Bumburate Chitral	63
3	Construction of 5 Cluster Hostels (Female) in Khyber Pakhtunkhwa on need basis (Phase-III)	80
4	Construction of District Education Offices in 10 Districts (For Female). (If land available)	80
	<b>Total</b>	<b>423</b>
	<b>Total E&amp;S Education</b>	<b>8,107</b>
	<b>As % of Total</b>	<b>5%</b>
<b>HEALTH</b>		
1	Women & Children Hospital at Former Roadways House, Peshawar (Balance Works)	113
2	Strengthening of Post-Graduate Nursing College, Peshawar	50
3	Improvement/Rehabilitation of Women & Children Hospital, Karak	7.3
4	Establishment of Children & Maternity Hospital Charsadda	50
5	Improvement/Rehabilitation of Women & Children Hospital, Karak	35.8
7	Establishment of Paeds Surgery Ward at Gynae Block in Lady Reading Hospital Peshawar	8
8	Establishment of KMU Institute of Nursing & Medical Technology	75
9	Integration of Health Services Delivery with special focus on MNCH, LHW and Nutrition Program (Aus Aid & DFID Assisted) (PSDP: 8156.583, Provincial:1010.357, Donor:7920)	550
	<b>Total</b>	<b>939</b>
	<b>Total Health</b>	<b>7,998</b>
	<b>As % of Total</b>	<b>12%</b>
<b>POPULATION WELFARE</b>		
1	Demolishing & Reconstruction of Reproductive Health Services Center-A Mardan	6.5
2	Construction of Reproductive Health Service Center A Type Buner	4
3	Innovative Pilot Projects for Promotion of Population Welfare Program	4
4	Renovation and Construction of Regional Training Institute, Peshawar	15.8
	<b>Total</b>	<b>30.33</b>
	<b>Total Population Welfare</b>	<b>224</b>
	<b>As % of Total</b>	<b>14%</b>
<b>HIGHER EDUCATION</b>		
1	Establishment of 15 Govt Colleges in Khyber Pakhtunkhwa for Boys and Girls (Phase-IV)	327
2	Establishment of 15 Govt Colleges in Khyber Pakhtunkhwa for Boys and Girls (Phase-IV)	50
3	Reconstruction of GGDC Mansehra damaged due to earthquake	61
4	Establishment of 18 Govt. Colleges Male& Female in Khyber Pakhtunkhwa (Phase-V)	275
5	Establishment of Women University Campus in Swabi	100

S. No		Budget Estimates 2013-14 (Rs in Million)
6	Purchase of buses for University of Science & Technology Bannu, Benazir Shaheed Women University Peshawar and Swat University	50
	<b>Total</b>	<b>863 (15%)</b>
<b>SOCIAL WELFARE</b>		
1	Reconstruction of Deaf & Dumb School for Girls at Yakatoot Peshawar	15.67
2	Establishment of Working Women Hostel at Hayatabad Peshawar (JICA Assisted)	60.2
3	Establishment of Dastakari Centers two at Mardan (Liandi, U/C Shehbaz Ghari & Dheri Killi U/C Manga) and 3 at Lakki Marwat	3.196
4	Establishment of a Dastakari Centre at Shabqadar Fort, District Charsadda and two Dastakari Centers at Nowshera (U/C Kahi & U/C Mandoori)	3.061
5	Establishment of 25 Handicrafts/Dastkari Centers in Khyber Pakhtunkhwa	10
6	Establishment of 15 Nos. Dastakari Centers in Khyber Pakhtunkhwa	8
7	Establishment of Working Women Hostel at Hayatabad Peshawar (CVF Japan Assisted)	0.001
8	Construction of Working Women Hostels in Khyber Pakhtunkhwa	7
9	Strengthening of Women Skill Dev./Dastakari centers in Khyber Pakhtunkhwa	10
	<b>Total</b>	<b>117</b>
	<b>Total Social Welfare</b>	<b>492</b>
	<b>As % of Total</b>	<b>24%</b>
<b>INDUSTRIES</b>		
1	Establishment of GPI for women at Timergara	40
2	Establishment of Govt. Commerce College for Women at Rani, Dir Lower.(Land Available)	40
3	Re-construction of building for GTVC(Women) D.I.Khan	25.585
4	Establishment of Commerce College for Women at Mardan	12.481
5	Block Allocation for Establishment & Operation of SIDB Readymade Garments Centers for female in Khyber PakhtunKhwa	20
6	Establishment of Govt. College of Commerce for women at Abbottabad. (Land available)	40
7	Establishment of Skill Development Centre for Male & Female in all the 3 Minority Vallies at Chitral	7.456
8	Establishment of GTVC (Women) at Torder, Mardan	30
	<b>Total</b>	<b>215 (7%)</b>
<b>DONOR FUNDED --ELEMENTARY AND SECONDARY EDUCATION</b>		
1	Provision of Stipends to Secondary Schools Girls students of Khyber Pakhtunkhwa (Phase-V) (DFID Assisted 2nd tranche)	1000
	<b>Total</b>	<b>1000</b>

## Annex III: Implementation of the Comprehensive Development Strategy above Current Costs

(Rs. in Million)

S. No	Sector	Y1-Y2	Y3-Y5	Y6-Y7	Total	Total (%)	Recurrent	Development	Total
1	Governance	1,170	1,450	752	3,372	0.4	2,460	911	3,371
2	Security	33,791	26,989	26,043	86,822	9.0	8,855	77,967	86,822
3	Information and Public Relations	1,200	816	144	2,160	0.2	1,704	456	2,160
4	Excise and Taxation	2,400	1,632	288	4,320	0.4	3,060	1,260	4,320
5	Elementary and Secondary Education	26,960	63,758	42,122	132,839	13.8	53,597	79,242	132,839
6	Higher Education	2,400	2,400	1,920	6,720	0.7	3,072	3,648	6,720
7	Health	30,557	39,092	36,010	105,659	11.0	47,012	58,647	105,659
8	Social Protection	6,672	9,428	5,874	21,974	2.3	20,554	1,421	21,974
9	Population	2,089	4,206	3,844	10,139	1.1	8,623	1,515	10,139
10	Religious Affairs	3,072	3,062	3,658	9,792	1.0	6,204	3,588	9,792
11	Local Development	21,194	45,832	30,528	97,554	10.2	41,221	56,333	97,554
12	Roads	23,407	29,756	14,504	67,667	7.0	15,241	52,425	67,667
13	Transport	1,429	1,733	770	3,931	0.4	2,623	1,308	3,931
14	Irrigation	26,204	30,709	27,744	84,657	8.8	14,050	70,607	84,657
15	Energy	6,989	33,803	53,033	93,826	9.8	1,440	92,386	93,826
16	Water Supply and Sanitation	7,339	8,563	8,880	24,782	2.6	6,053	18,729	24,782
17	Housing	9,924	15,168	12,288	37,380	3.9	10,848	26,532	37,380
18	Agriculture	14,560	22,963	12,957	50,481	5.3	19,776	30,704	50,481
19	Forestry and Wildlife	4,848	10,128	5,952	20,928	2.2	12,576	8,352	20,928
20	Industries	3,744	2,688	2,419	8,851	0.9	1,653	7,198	8,851
21	Minerals Development	2,674	3,979	2,256	8,909	0.9	4,886	4,022	8,909
22	Private Sector Development	302	462	212	976	0.1	976	-	976
23	Technical Education	4,000	6,850	5,950	16,800	1.7	6,105	10,695	16,800
24	Urban Development	11,141	22,080	6,252	39,472	4.1	10,098	29,375	39,472
25	Environment	240	480	240	960	0.1	960	-	960
26	Science and Technology, Information Technology	768	3,216	1,152	5,136	0.5	3,557	1,579	5,136
27	Tourism, Culture	6,853	5,319	2,158	14,330	1.5	4,288	10,043	14,330
<b>Total</b>		<b>255,926</b>	<b>396,563</b>	<b>307,949</b>	<b>960,438</b>	<b>100.0</b>	<b>311,494</b>	<b>648,943</b>	<b>960,438</b>

## Annex IV: Indicative Sectoral Use of International Support under CDS

No.	Measures	Total	Foreign	% (Foreign)
1	Governance	3,372	1,686	50
2	Security	86,822	31,612	36
3	Information and Public Relations	2,160	912	42
4	Excise and Taxation	4,320	1,080	25
5	Elementary and Secondary Education	132,839	70,153	53
6	Higher Education	6,720	1,392	21
7	Health	105,659	23,259	22
8	Social Protection	21,974	10,704	49
9	Population	10,139	2,998	30
10	Religious Affairs	9,792	-	-
11	Local Development	97,554	50,871	52
12	Roads	67,667	30,859	46
13	Transport	3,931	535	14
14	Irrigation	84,657	30,309	36
15	Energy	93,826	1,440	2
16	Water Supply and Sanitation	24,782	8,570	35
17	Housing	37,380	-	-
18	Agriculture	50,481	5,519	11
19	Forestry and Wildlife	20,928	12,120	58
20	Industries	8,851	1,344	15
21	Minerals Development	8,909	2,614	29
22	Private Sector Development	976	363	37
23	Technical Education	16,800	8,400	50
24	Urban Development	39,472	17,279	44
25	Environment	960	480	50
26	Science and Technology, Information Technology	5,136	2,568	50
27	Tourism, Culture	14,330	2,821	20
<b>Total</b>		<b>960,438</b>	<b>319,889</b>	<b>33</b>

## Annex V: KP ADP Allocations for Different Sectors/Sub-Sectors From 2011-12 to 2014-15

Sector/Sub Sector	2011-12 Budget	2012-13 Budget	2013-14 Budget	2014-15 Budget
<b>AGRICULTURE</b>	<b>1,355,001,000</b>	<b>1,470,300,000</b>	<b>2,003,952,000</b>	<b>2,455,440,000</b>
Agricultural Planning	6,067,000	8,138,000	577,666,000	899,681,000
Agriculture Extension	117,647,000	61,352,000	131,082,000	239,351,000
Agriculture Mechanization	224,000,000	371,950,000	389,394,000	104,886,000
Agriculture Research Systems	217,573,000	154,940,000	209,610,000	251,453,000
Fisheries	-	84,880,000	179,870,000	184,399,000
Foreign Project Assistance	1,000			
Livestock Research & Development	489,400,000	311,623,000	253,206,000	411,996,000
On-Farm Water Management	153,809,000	318,429,000	165,000,000	260,000,000
Soil Conservation	63,000,000	91,136,000	64,000,000	58,674,000
Veterinary Research(Institute)	83,504,000	67,852,000	34,124,000	45,000,000
<b>AUQAF, HAJJ, RELIGIOUS &amp; MINORITY AFFAIRS</b>	<b>78,000,000</b>	<b>100,000,000</b>	<b>106,000,000</b>	<b>149,000,000</b>
Minority Affairs	48,730,000	56,626,000	47,340,000	77,305,000
Religious Affairs	29,270,000	43,374,000	58,660,000	71,695,000
<b>BOARD OF REVENUE</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Board of Revenue	-	-	-	-
<b>BUILDING</b>	<b>800,000,000</b>	<b>1,036,400,000</b>	<b>1,215,655,000</b>	<b>1,271,000,000</b>
District Programme	136,411,000	437,067,000	478,787,000	451,892,000
Flood-Building	28,863,000			
Jails	-	-	-	
PBMC	41,400,000	8,251,000		
<b>POLICE</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Provincial Programme	593,326,000	591,082,000	736,868,000	819,108,000
<b>DISTRICTS ADP</b>	<b>1,520,300,000</b>	<b>1,672,330,000</b>	<b>1,672,330,000</b>	<b>1,672,000,000</b>
Districts ADP	1,520,300,000	1,672,330,000	1,672,330,000	1,672,000,000
<b>DRINKING WATER &amp; SANITATION</b>	<b>3,642,000,000</b>	<b>4,336,642,000</b>	<b>3,550,998,000</b>	<b>5,851,100,000</b>
Drinking Water & Sanitation(District Programme)	1,151,801,000	1,130,372,000	395,384,000	727,996,000
Drinking Water Supply (Provincial)	736,925,000	1,833,303,000	2,766,272,000	5,123,104,000
DWSS (Foreign Aided)	200,000,000	230,808,000	100,100,000	
Flood-DWSS	303,274,000			
Foreign Project Assistance	1,250,000,000	1,142,159,000	289,242,000	
<b>ELEMENTARY AND SECONDARY EDUCATION</b>	<b>10,179,646,000</b>	<b>17,088,889,000</b>	<b>24,076,426,000</b>	<b>19,926,580,000</b>
E&SE (Flood)	1,000	20,000		
Foreign Project Assistance	3,068,657,000	9,972,029,000	15,858,957,000	
Primary Education	1,108,727,000	1,829,020,000	1,743,444,000	1,942,683,000
Secondary Education	6,002,261,000	5,287,820,000	6,474,025,000	17,983,897,000

Sector/Sub Sector	2011-12 Budget	2012-13 Budget	2013-14 Budget	2014-15 Budget
<b>ENERGY AND POWER</b>	<b>2,188,220,000</b>	<b>1,832,750,000</b>	<b>2,222,601,000</b>	<b>5,657,080,000</b>
Energy and Power	1,320,000,000	1,137,396,000	1,417,881,000	5,657,080,000
Foreign Project Assistance	868,220,000	695,354,000	804,720,000	
<b>ENVIRONMENT</b>	<b>74,000,000</b>	<b>57,000,000</b>	<b>56,999,000</b>	<b>57,000,000</b>
Environment	74,000,000	57,000,000	56,999,000	57,000,000
<b>FINANCE</b>	<b>7,164,000,000</b>	<b>8,159,772,000</b>	<b>5,029,293,000</b>	<b>5,374,000,000</b>
BOR	286,000,000	416,843,000	416,560,000	963,007,000
E&T	126,492,000	396,205,000	347,744,000	241,400,000
Finance	6,751,508,000	7,346,724,000	4,264,989,000	4,169,593,000
<b>FOOD</b>	<b>540,000,000</b>	<b>437,503,000</b>	<b>500,233,000</b>	<b>501,000,000</b>
Food	482,702,000	437,503,000	500,233,000	501,000,000
Food (Flood)	57,298,000			
<b>FORESTRY</b>	<b>823,507,000</b>	<b>719,998,000</b>	<b>719,459,000</b>	<b>1,365,720,000</b>
Fisheries	175,356,000	-	-	
Foreign Project Assistance	31,507,000	150,000,000	150,000,000	
Forestry	406,638,000	327,354,000	329,047,000	1,027,335,000
Pakistan Forest Institute (PFI)		79,697,000	90,081,000	88,297,000
Sericulture/NTFP	27,255,000	33,072,000	33,006,000	34,705,000
Wildlife	182,751,000	129,875,000	117,325,000	215,383,000
<b>HEALTH</b>	<b>7,825,110,000</b>	<b>9,933,277,000</b>	<b>10,088,226,000</b>	<b>11,210,544,000</b>
Basic Health	1,428,415,000	699,307,000	2,434,480,000	3,036,566,000
General Hospitals	2,968,418,000	4,216,221,000	3,867,392,000	4,090,300,000
Hayat Abad Medical Complex	57,700,000	72,620,000	110,000,000	
Khyber Teaching Hospital, Peshawar	285,189,000	197,000,000	200,000,000	
Lady Reading Hospital Peshawar	208,350,000	378,980,000	359,360,000	
Medical Education and Training	1,066,615,000	1,629,408,000	1,814,627,000	1,445,949,000
Preventive Programme	1,810,423,000	2,739,741,000	1,302,367,000	1,640,324,000
Teaching Hospitals				997,405,000
<b>HIGHER EDUCATION</b>	<b>3,027,000,000</b>	<b>5,064,000,000</b>	<b>5,722,546,000</b>	<b>6,180,000,000</b>
Archives & Libraries	124,966,000	153,000,000	175,000,000	280,199,000
College Education	2,644,963,000	3,394,200,000	3,527,846,000	3,970,314,000
Higher Education Flood	104,071,000			
University Education	153,000,000	1,516,800,000	2,019,700,000	1,929,487,000
<b>HOME</b>	<b>4,446,000,000</b>	<b>4,497,183,000</b>	<b>6,684,186,000</b>	<b>7,114,028,000</b>
Home Flood	2,514,000			
HTAs	101,835,000	261,699,000	2,398,842,000	3,596,711,000
Police	3,133,853,000	2,695,399,000	2,572,447,000	2,275,379,000
Prisons	857,788,000	1,540,085,000	1,712,897,000	1,241,938,000
Prosecution	350,010,000			
<b>HOUSING</b>	<b>1,740,000,000</b>	<b>1,854,000,000</b>	<b>949,001,000</b>	<b>956,000,000</b>
Housing	1,740,000,000	1,854,000,000	949,001,000	956,000,000

Sector/Sub Sector	2011-12 Budget	2012-13 Budget	2013-14 Budget	2014-15 Budget
<b>INDUSTRIES</b>	<b>2,757,000,000</b>	<b>2,812,038,000</b>	<b>4,458,355,000</b>	<b>5,077,205,000</b>
Industries Department	380,001,000	243,500,000	1,013,100,000	1,464,967,000
Printing and Stationary	45,000,000	25,000,000	75,000,000	398,000,000
Sarhad Development Authority	468,956,000	297,500,000	478,001,000	703,500,000
Small Industries Development Board	369,596,000	394,375,000	163,475,000	316,692,000
Technical Education & Manpower Trg.	1,493,447,000	1,851,663,000	2,728,779,000	2,194,046,000
<b>INFORMATION</b>	<b>112,000,000</b>	<b>210,578,000</b>	<b>210,538,000</b>	<b>224,000,000</b>
Culture	-	50,640,000	5,000,000	63,501,000
Environment			-	
Information Department	112,000,000	159,938,000	205,538,000	160,499,000
<b>LABOUR</b>	<b>96,000,000</b>	<b>72,290,000</b>	<b>22,500,000</b>	<b>26,000,000</b>
Labour	96,000,000	72,290,000	22,500,000	26,000,000
<b>LAW &amp; JUSTICE</b>	<b>273,000,000</b>	<b>684,750,000</b>	<b>1,043,677,000</b>	<b>1,344,841,000</b>
Law & Justice	62,863,000	296,033,000	304,271,000	379,118,000
Peshawar High Court	210,137,000	388,717,000	739,406,000	965,723,000
<b>MINES AND MINERALS</b>	<b>661,000,000</b>	<b>517,147,000</b>	<b>586,499,000</b>	<b>626,000,000</b>
Mines and Minerals	661,000,000	517,147,000	586,499,000	626,000,000
<b>PEOPLE WORKS PROGRAMME</b>				
People Works Programme				
<b>POPULATION WELFARE</b>	<b>165,000,000</b>	<b>183,000,000</b>	<b>224,801,000</b>	<b>330,000,000</b>
Population Welfare	165,000,000	183,000,000	224,801,000	330,000,000
<b>PRO-POOR SPECIAL INITIATIVES</b>				<b>7,900,120,000</b>
Pro-poor Special Initiatives				7,900,120,000
<b>PSDP Devolved Projects</b>	<b>4,500,000,000</b>			
PSDP Devolved Projects/Vertical Projects	4,500,000,000			
<b>REGIONAL DEVELOPMENT</b>	<b>6,846,940,000</b>	<b>5,904,274,000</b>	<b>17,349,458,000</b>	<b>16,993,514,000</b>
Foreign Project Assistance	370,000,000			
Law & Order	-	-	-	
Local Development	2,314,210,000	3,076,082,000	2,592,145,000	6,465,601,000
Multi Sectoral Development	3,632,210,000	2,577,972,000	13,757,303,000	10,527,913,000
Poverty Alleviation Programme	530,520,000	250,220,000	1,000,010,000	
<b>RELIEF &amp; REHABILITATION</b>		<b>1,215,479,000</b>	<b>1,447,435,000</b>	<b>2,053,000,000</b>
Relief and Rehabilitation		1,215,479,000	1,447,435,000	2,053,000,000
<b>RESEARCH &amp; DEVELOPMENT</b>	<b>719,175,000</b>	<b>1,876,895,000</b>	<b>1,648,657,000</b>	<b>1,620,099,000</b>
Foreign Project Assistance	406,175,000	1,163,660,000	-	
Research and Development	313,000,000	713,235,000	1,648,657,000	1,620,099,000
<b>ROADS</b>	<b>12,570,000,000</b>	<b>13,869,669,000</b>	<b>15,695,909,000</b>	<b>17,266,626,000</b>
District Roads	1,786,602,000	3,358,609,000	3,378,145,000	4,393,510,000
Flood-Roads	1,226,682,000	701,393,000	363,259,000	
Foreign Project Assistance	3,800,000,000	4,133,328,000	5,437,580,000	



Sector/Sub Sector	2011-12 Budget	2012-13 Budget	2013-14 Budget	2014-15 Budget
Pakhtunkhwa Highways and Bridges (PKHA)	3,409,269,000	3,431,291,000	4,157,459,000	4,880,972,000
R & B (PSDP)	100,000,000	59,468,000	60,000,000	
Roads & Bridges (F. Aided)	350,100,000	205,580,000	682,849,000	
Roads & Bridges (Provincial)	1,897,347,000	1,980,000,000	1,616,617,000	7,992,144,000
<b>SOCIAL WELFARE</b>	<b>440,101,000</b>	<b>642,005,000</b>	<b>606,005,000</b>	<b>556,183,000</b>
Social Welfare	121,478,000	453,508,000	470,643,000	377,801,000
Women Development	318,623,000	188,497,000	135,362,000	178,382,000
<b>SPECIAL PROGRAMME</b>				
Water				
<b>SPORTS TOURISM ARCHEOLOGY</b>	<b>1,225,000,000</b>	<b>685,000,000</b>	<b>871,000,000</b>	<b>1,350,000,000</b>
Archaeology	112,125,000	117,652,000	69,280,000	100,396,000
Culture	18,132,000	-		
Population Welfare				
Sports	549,588,000	396,348,000	470,516,000	1,007,599,000
Sports (PSDP)		18,000,000		
Tourism	540,155,000	123,000,000	311,204,000	223,005,000
Youth Affairs	5,000,000	30,000,000	20,000,000	19,000,000
<b>ST&amp;IT</b>	<b>356,000,000</b>	<b>593,792,000</b>	<b>571,150,000</b>	<b>1,000,000,000</b>
Information Technology	260,980,000	474,472,000	423,842,000	799,593,000
Science and Technology	95,020,000	119,320,000	147,308,000	200,407,000
<b>TAMEER-I-KHYBER PAKHTUNKHWA PROGRAMME</b>	<b>2,480,000,000</b>	<b>2,480,000,000</b>		
Tamee-i-Khyber Pakhtunkhwa Programme	2,480,000,000	2,480,000,000		
<b>Transport</b>	<b>65,000,000</b>	<b>199,750,000</b>	<b>166,276,000</b>	<b>200,000,000</b>
Transport	65,000,000	199,750,000	166,276,000	200,000,000
<b>URBAN DEVELOPMENT</b>	<b>3,041,000,000</b>	<b>4,206,000,000</b>	<b>5,229,342,000</b>	<b>8,759,920,000</b>
Urban Development	3,041,000,000	4,206,000,000	4,209,672,000	6,862,734,000
Urban Policy Unit (UPU)			1,019,670,000	1,897,186,000
<b>WATER</b>	<b>3,431,000,000</b>	<b>3,045,289,000</b>	<b>3,270,493,000</b>	<b>4,737,000,000</b>
Flood-Water		-		
Water	3,431,000,000	3,045,289,000	3,270,493,000	4,737,000,000
<b>Grand Total</b>	<b>85,141,000,000</b>	<b>97,458,000,000</b>	<b>118,000,000,000</b>	<b>139,805,000,000</b>







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