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Budget Management Analysis in Khyber Pakhtunkhwa for Improved Service Delivery

October 2017

GOVERNANCE

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Abbreviations and Acronyms

ADP	Annual Development Program
C&W	Communication and Works
DDO	Drawing and Disbursement Officer
DDWP	District Development Working Party
DPMS	Development Planning and Monitoring System
FY	Fiscal Year
GFMIS	Government Financial Management Information System
GoKP	Government of Khyber Pakhtunkhwa
KP	Khyber Pakhtunkhwa
KPPRA	Khyber Pakhtunkhwa Public Procurement Regulatory Authority
M&E	Monitoring and evaluation
NFC	National Finance Commission
NHP	Net Hydel Profit
O&M	Operations and Maintenance
P&D	Planning and Development Department
PKHA	Pakhtunkhwa Highway Authority
PKR	Pakistan Rupee
PC	Planning Commission
PDWP	Provincial Development Working Party
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management

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Executive Summary

The role of public financial management (PFM) as a contributory factor in improving service delivery and stimulating economic progress is getting greater attention in the sector-related literature. A robust PFM can provide an enabling environment for improving service delivery and promoting economic growth.

This report acknowledges that PFM and other factors influence the quality of service delivery. It also makes a case for how in the existing dispensation in the Khyber Pakhtunkhwa (KP) province, enhanced budget management can contribute to infrastructure development and improved service delivery. Inherent deficiencies in budget utilization in KP imply that high-budget execution needs to be looked at in combination with the quality of budget formulation in order to make the budget contributions to service delivery more meaningful.

The Government of Khyber Pakhtunkhwa (GoKP) has undertaken significant reform measures to improve PFM and to assess the impact of reform efforts, the GoKP commissioned PFM assessment using the upgraded PEFA Framework (2016). The results of the KP PEFA review (2017) highlighted gaps on the PFM continuum, necessitating scrutiny of the causes resulting in such gaps. The GoKP in formulating its second-generation of PFM reforms considered it an opportune time to diagnose the system and process deficiencies to ensure that the greater resources made available to KP by virtue of the NFC[1] Award (2009) are prudently managed to improve the infrastructure and the quality of service delivery.

In the last decade, GoKP has displayed strong ownership for reforms. The GoKP formulated a PFM reform strategy in 2010; based on this experience, GoKP is devising another and broader strategy to sustain the pace of reforms. In order to provide greater legitimacy and ensure the reform efforts gain traction, the PFM Reforms Oversight Committee was formed chaired by the Minister of Finance with membership of the Senior Minister, Local Government; the Ministers for Health and Education; the Advisor to CM for P&D; Secretaries of Finance, P&D, and local government departments. The participation of key stakeholders and the leadership in brainstorming for prioritization and sequencing of reforms facilitates consensus building and smoother strategy implementation.

Summary of findings and recommendations

The report presents a number of findings and recommendations for reform (See Annex 1 -Action plan). The World Bank has been engaged with the GoKP and particularly since the establishment of the Multi Donor Trust Fund and during the design phase of the Governance and Policy Project (KP) aided the government in problem-articulation. During the course of the PEFA assessment, a government-wide Steering Committee was constituted to provide oversight to the PEFA assessment. The same forum was used to commence a dialogue with the government and engage them in finalizing the recommendations based on the appetite for reforms.

One of the challenges on moving forward with PFM reforms is that the incentives for maintaining the status quo are strong as the existing weaknesses offer officials vast discretions. During the dialogue with the government an action plan was designed taking into account the likelihood of resistance to change, complexity of activities and the time and effort required to sequence and roll out the reform measures. PFM reforms do not carry the incentives to attract the officials; therefore,

[1]Article 160 of the Constitution of the Islamic Republic of Pakistan stipulate the National Finance Commission (NFC) with the objective to recommend to the President of Pakistan the distribution mechanism of the net proceeds of the taxes between the federation and the provinces; the grants in aid to the provincial governments; the exercise of the borrowing powers conferred by the Constitution and any other finance related matter referred to the Commission by the President.

one of the reasons for including the short-term actions was to exhibit the quick wins within the government to sustain the momentum, induce competition amongst the players, and to strengthen the coalition of key players that support the reforms. Implementation will require close monitoring of progress. When actions are stalled or blocked by interests benefiting from the status quo, the Bank and Steering Committee may need to shift quickly to other reform areas, experimenting to see what works, and what is too difficult to pursue at this time. On this basis, some of the key findings and recommendations are as follows.

Policy and strategic framework

A majority of the sectors lack sector-specific investment strategies. There are costed strategies for the health and education sectors; however, the implementation is patchy, as is evident from the gap between commitments for the health sector and actual budget allocated. The infrastructure sector revealed wider gaps. The Communication and Works (C&W) Department, the lead department for infrastructure development, does not have a sector strategy. The GoKP should focus on developing sector strategies and implementing them for informed decision-making and improving the quality of public sector portfolio.

The own source revenue management demands immediate attention and comprehensive response. The current 'resource mobilization measures' submitted to the Cabinet of Ministers annually can hardly be termed a strategy but is an ad hoc response to the lag in revenue-collection performance. As a result, provincial own-source revenue has remained relatively low and erratic, resulting in heavy reliance on federal transfers. The development budget is made of residual resources without any link of the capital investment requirement to the revenue mobilization efforts. Formulating a broader fiscal strategy, detailing explicit time-based quantitative fiscal goals and targets along with qualitative analysis and objectives can contribute to revenue enhancement efforts.

Budget tools

The introduction of modern budget tools in a traditional setting and holding on to the legacy practices tend to frustrate reform efforts. The change in business processes i.e. the introduction of medium-term fiscal and budgeting frameworks and output-based budgeting requires continuous engagement for capacity building. The reported lack of knowledge transfer owing to the consultant dominated reforms offer a limited role for the government officials. The system and procedural deficits have constrained traction and ownership of budget-related reforms. The limited period for budget preparation, the absence of sector wide indicative planning figures, the wide variation in the funds allocated and released, the massive number of projects and thin spread of resources, the expenditure arrears, the lack of commitment accounting and similar other deficiencies undermines the utility of introducing modern budgeting tools.

The legislature, as custodian of public interest can create demand for improvements in budgeting. On the contrary, the lack of quality legislative scrutiny of the budget documents prepared using modern budgeting tools, owing to the weak capacity of the legislators, renders the modern budgeting tools redundant. Consequently, the output-based, medium-term budgeting turns into a mechanical exercise rather than a catalyst for meaningful change.

Procurement management

The regulatory regime in KP has strengthened in a short span of time, but further reforms are needed. Lack of cohesive procurement planning has undermined the efficiency and effectiveness in procurement implementation. The development of procurement plans in isolation and disintegrated from the overall budget-making exercise leads to unrealistic procurement packaging, resulting in unresponsive bids and an elongated procurement process. It also hinders the realization of economies of scale. The deficiencies in bidding documents create ambiguities and result in

protracted procurement processes. Research by agencies like the Pakistan Engineering Council is not utilized to its potential to improve procurement documentation.

Certain redundant procurement practices are followed at advertisement and evaluation stages, which if dispensed with could improve the procurement process efficiency. Dispute settlements have long, drawn-out processes. Introduction of alternate resolution mechanisms will minimize delays in the litigation. Finally, introduction of e-procurement can improve the business processes, despite requiring considerable capacity development. The GoKP could direct efforts to develop a time-bound action plan and ensure its application.

Appraisal, monitoring and evaluation

The lack of project related information for the majority of the projects at the budget preparation stage renders the budget-making exercise redundant. In the absence of a project document, the total cost for the project is not determined; yet budget allocation decisions are taken, rendering the decisions uninformed and arbitrary. Subsequently, in most cases the cost in a project document is different from the subsequent administrative approval, which also is different from the technical sanction. Instances were noted where the project was approved in the budget in a given year but did not have a project proposal until the next fiscal year and its cost could not be ascertained for two years i.e. until its execution commenced. In the given scenario, decisions on budget allocations and cash releases were taken, which reflects on the quality of investment-related decisions.

There exists a project monitoring and evaluation (M&E) function in the GoKP, but its effectiveness, amongst other reasons, is compromised owing to the absence of the project related information. Even in the event the project document (PC 1) is prepared the continuous and revisions in the scope of projects and resultant re-appropriations also undermines the M&E function. Over 90 percent of the schemes, particularly with multi-year duration, have been revised multiple times effecting time and cost overruns. Also, the non-submission of PC-V (project evaluation documents) eliminates feedback from the experiences of projects completed, perpetuating business as usual for project planning and execution.

The GoKP may consider ADP cleansing exercise along with a zero based review of the projects and in future take measures by gradually disallowing the inclusion of unapproved schemes in the provincial budget, or to begin with, at least provide summary information at the budget preparation stage. In order to provide sufficient time for budget planning, GoKP needs to enhance the budget preparation time by advancing the issuance of the budget call circular. Currently, the ADP is prepared without sufficient information on sector wide indicative ceilings for the development budget at the time of issuance of ADP guidelines. Enhancing the time of budget preparation with the current arrangement could be the first step until more robust information on budget ceilings is available.

Payment processes

The entities that operate/own non-lapsable accounts tend to have parked balances. In the absence of access to accounts-related information, the exact size could not be established. However, anecdotal evidence (interviews with Accountant General Office officials) points to significant unspent funds in these accounts. Additionally, in the wake of massive payment arrears eventuated due to erratic cash releases, the existing payment processes accord vast discretion to government officials over contractors, which can promote financial irregularities. Improving the budget planning and cash availability, coupled with instituting funds status monitoring, can address these issues. A key element in this regard is functionalizing the commitment accounting to instill fiscal discipline and at the same time contain the issue of invoice tampering. To address the stock of

arrears, an exercise may be conducted to determine the exact size and draw up a plan detailing the arrears liquidations measures.

Institutional coordination

The project execution function involves jurisdictional considerations with separate departments responsible for project planning, execution, and ancillary functions like the acquisition of land. These jurisdictional considerations also dilute the accountability framework because the department allocated the budget for project implementation is not authorized for the entire gamut of project execution. With separate departments responsible for different functions and the insufficient coordination among the departments leads to delays in project execution.

The decisions with regard to project execution should be discussed during the project appraisal stage and the timeline agreed upon for completion of different formalities like the preparation of project design, procurement operations, and land/site acquisition. This step will contribute toward a robust project appraisal, ensure institutional coordination and assignment of responsibilities, and reflect realism in project proposals, thus translating in effective project and budget execution.

Data systems

Owing to the recording of ADP and project liabilities as per the summary budget submission requirements to the legislature, project classification according to the Chart of Accounts and the nature, type of works, minimum divisibility, or timeliness is not reported, constraining systematic ADP analysis and management. The GoKP can benefit from a centralized and accessible databank of approved project documents with pertinent details and with relevant classification and categorization. This will not only benefit the timely targeted cash release but will also provide information on liabilities, accumulation status vis-à-vis liquidation, and generation through new projects.

The recording of the physical and financial progress in the Development Planning and Monitoring System (DPMS) introduced at the Planning and Development Department and its use for analytical reporting will greatly enhance the quality of the public investment portfolio. The system is nascent and will improve if requisite attention is accorded. In order to make DPMS more meaningful the ancillary procedures also need to be amended like ensuring the availability of PC1[2] and quality cost estimates at the budget approval stage. PEFA 2017 identifies a sizeable development portfolio outside the Accountant General's purview, expenditure arrears and recording of the third party payments as persistent weaknesses. In this backdrop, DPMS relies on the AG data only. It needs to enhance its data sources to mirror accurate results to facilitate ADP preparation and monitoring. Enhancing the current 25 percent coverage for M&E function is vital for ensuring a robust feedback for both managers and policy makers. DPMS is a step in the right direction and its comprehensive application will assist in assessing the fiscal space for new projects and guide policy-making on ADP size, portfolio management, releases, and medium-term planning.

[2] A gradual approach is suggested for availability of PC 1. Prior steps may include like the rationalization of the total number of schemes, adoption of principles of subsidiarity for project inclusion, enhancement of approval ceilings and so on (Please refer to recommendations and action plan)

I. Introduction

The role of PFM as a contributory factor in improving service delivery and stimulating economic progress is getting greater attention in the sector-related literature. Although it is argued that due to other government factors, PFM alone does not have a direct link[3] to improved service delivery, a robust PFM can provide an enabling environment for improving service delivery and promoting economic growth. The discourse on public sector budgeting commonly refers to the budget utilization rates to reflect on budget performance, which could be misleading. In order to have a more informed opinion, it is imperative to have a deeper and holistic view.

This report acknowledges that PFM and other factors influence the quality of service delivery. It also makes a case for how in KP Province, enhanced budget management can contribute to infrastructure development and improved service delivery. The report diagnoses the fascinating paradox in KP of relatively high budget execution rates on the one hand and large throw-forwards,[4] poor condition of existing infrastructure, and quality of service delivery on the other. Inherent deficiencies in budget utilization in KP advocate that high-budget execution should not be viewed in isolation as a performance factor. It is also dependent on how well the budget was formulated in order to make the budget contributions to service delivery more meaningful.

The resource envelope for KP increased more than 200 percent since the National Finance Commission Award (2009). Although the security-related expenditure and the wage bill encumbered a large share of this increase, the additional provincial share offers an opportunity to the GoKP to improve its socioeconomic indicators, provided the resources are prudently managed.

A. Study Rationale

In over a decade, GoKP has rolled out a number of reform measures to strengthen its provincial public financial management (PFM). In order to take stock of the reform measures, GoKP in partnership with development partners commissioned a PFM assessment using the Public Expenditure and Financial Accountability (PEFA) assessment framework. The results of this diagnostic study exhibited weaknesses on all 7 pillars and on the additional subnational government-related dimension i.e. the transfers from the higher-level government.

Several factors steered the demand for this diagnostic study: (a) the lack of an impressive performance[5] on PEFA ratings; and the fact that PEFA assessment offers an overall performance of the PFM systems on a high-level set of indicators and not the causality of the performance; (b) the lack of efficiency in public investments, apparently from the erratic budget execution trend and a greater paradox evident in the large throw-forwards in the development budget[6] besides high-budget execution rates; and (c) the constant increase in the public investments not addressing the disparities in the human development indicators at the pace expected. All the above manifested the need for a deeper diagnostic of the budget processes and systems.

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[3] B. Welham, P. Krause, and E. Hedger. Linking PFM Dimensions to Development Priorities. (ODI Working Paper 380, 2013)

[4] Throw-forward in the development budget refers to the remaining funds required to complete a project. It is calculated by subtracting the accumulated expenditure (until time of calculation) from the total cost. In the Annual Development Program, it is calculated as cumulative expenditure plus budget allocation for the ongoing year less the total cost.

[5] The upgraded PEFA Framework (PEFA 2016) with additional dimensions and stricter criteria has also impacted the results.

[6] In this report the term development budget is used for its relevance to the local context. The development budget is the investment budget or appropriation for items other than the recurrent budget. Although the development budget largely included investments in the infrastructure, gradually the ADP now includes allocations for repair and maintenance of infrastructure and other similar expenditure items not belonging to investment budget category.

Table 1: Pillar-level rating

Pillars	*Rating*
Transfers from Higher-level Government	**D+**
I. Budget Reliability	**D**
II. Transparency of Public Finance	**C+**
III. Management of Asset and Liabilities	C
IV. Policy-Based Fiscal Strategy and Budgeting	C
V. Predictability and Control in Budget Execution	**C**
VI. Accounting and Reporting	B
VII. External Scrutiny and Audit	C

Note: Author's calculation based on aggregation of pillar-level scores in KP-PEFA draft report (2017).

With the Government's unwavering commitment toward strengthening PFM, a sequel to the KP PEFA assessment (2017) was commissioned to diagnose the bottlenecks in the budget formulation and execution and improve the budget management to provide an enabling environment for improved infrastructure development and service delivery. The PEFA findings will aid in formulating the second round of the PFM reform strategy and reinforce it with an action plan incorporating tangible measures for improvement. The scope of the assessment is limited to the jurisdictional precincts of a provincial government under the federal structure and focuses on the expenditure side only.

B. Study Methodology

Appreciating the complexity of PFM in Pakistan and by extension in KP, its presentation for this report has been simplified by categorizing the subcomponents of the budget formulation and execution:

(a) The budget formulation includes:

- Policy and strategy preparation, which is the starting point;
- Budgeting framework, which forms the core, explaining the systems available for public sector budgeting;
- Project preparation and prioritization;
- Project appraisal; and
- Legislative scrutiny.

(b) The budget execution process for this report begins after the legislature enacts the budget and includes:

- Cash releases defined in terms of authorization or budget releases order;
- Procurement and contract management;
- Payment.

The focal departments for this report are the Health and of Communication and Works. The latter is responsible for infrastructure development (roads, buildings, and civil works for the line departments) effected through the design, procurement of contractors, and the monitoring and quality assurance of civil works. The rationale for selecting the two departments was to reflect on the budget-related systems, processes, and procedures in the infrastructure and social sectors. The systems and processes are similar across the government, barring any administrative structure nuances. Therefore, diagnosing these two departments brings out common issues across government, and recommendations applicable across government.

This report in its theoretical precepts relies on the principles of sound budgeting and financial management enunciated in PFM literature and good practice approaches; however, the dictums are adapted given the scope of functional assignments in the *provincial government context*. It outlines

elements for analysis of budget management creating a linkage between the theoretical precepts and the assessment application model.

The linkage between the principles of sound budgeting and the assessment application is established by drawing up the key parameters relevant to the public expenditure systems and processes, which are categorized functionally among central departments (Finance and Planning) and line departments (Health, and Communication and Works). The report identifies the gaps and strengths in public expenditure management in Khyber Pakhtunkhwa on the following key parameters:

(a) ***Policy formulation*** – Does it properly steer public investments?
(b) ***Planning and budgeting*** – Is it policy based, methodical, and forward looking?
(c) ***Resource availability and predictability*** – Is it sufficient and timely?
(d) ***Operational framework*** – Is it facilitative or adversarial?
(e) ***Management decision support system*** – How informed is the decision making?

The approach adopted for the report was to map out the budget formulation and execution processes that aided in identifying the budget processes, the key work products, and the institutional linkages among different entities. The process mapping was conducted with a detailed review of the relevant instruments and interviews with stakeholders. District visits (other than Peshawar) could not be conducted due to restricted movement allowed in the province at the time of the fieldwork. Alternatively, information was gathered from the central offices of the relevant departments.

Development budget datasets provided the overall (provincial) budgetary data and segregated data of the focal sectors. Then schemes were identified to explore allocative efficiency. For selected schemes, the data collected comprised details on scheme cost, approval, source of financing, cumulative release and utilization, year of completion, and patterns of yearly releases. For the procurement section, the report covers analysis of procurements from the development budget of the C&W Department, the key department responsible for infrastructure development. The section includes a review and mapping of the procurement processes and is based on a mix of open-ended and structured interviews, field visits, and analysis of financial data.

Local Governments were established in 2014 under the Local Governments Act (2013) and have not completed the budget cycle;[7] therefore, the report mainly focuses on the provincial-level processes and systems. In the recurrent budget for the health sector, procurement of medicine and equipment consumes significant portion of the budget and has a direct impact on the quality of service delivery; however, with recent revisions in procurement procedures (re-centralization), efficiency and effectiveness of the changes could only be assessed after the datasets have been established

The key information sources used for this report were the annual development programs, budget call circulars, project progress reports, sample project proposals, budget documents, and civil accounts. The datasets were analyzed to assess the allocative efficiency such as funds distribution trend and the shifts between ongoing and new schemes (project), project execution vis-à-vis completion rates, and efficiency or otherwise in the screening mechanism. The budget execution process was analyzed from the perspective of the cash releases after budget approval, procurement, and payment process. The findings were used to formulate recommendations that would lead to strengthening budget formulation and execution in order to provide an enabling environment for improved service delivery.

[7] Local Government elections were held in 2014. The elected members were administered oath in October 2015. The first fiscal year when Local Governments would have approved budget and expended under the Local Government Act 2013 would start July 01, 2015.

The report does not reflect on the quality of the feasibility reports (PC-1) and the costing of the project. Important to consider, it is one dimension that needs to be explored separately given the opinions made on the quality of feasibility studies and the project cost estimates. Also, a combination of factors contributes toward expenditure inefficiencies, which may not be viewed in terms of budget misspending that also contribute to poor infrastructure and service delivery. Although both quality of feasibility reporting and project costing are highly significant, the two factors are not addressed since they are beyond the scope of this report. Political economy issues, particularly corruption, hidden incentives and the aspects of civil services recruitment and pay, have a high degree of influence on the performance of the PFM systems. This report, acknowledging its over-arching influence, does not explicitly explore the political economy aspects, being a matter of wider debate given its multiple dimensions. It would be beneficial to conduct a separate assessment to reflect on the political economy perspective. GoKP is finalizing its PFM reforms strategy and commissioned this study to offer evidence on the strengths and weaknesses in budget management to link the options and recommendations of this report to its action plan for the implementation of the PFM reform strategy. Finally, a formal capacity assessment is not part of this report, however capacity constraints have been referenced in the causality analysis based on the feedback from interviews with the government officials and staff.

C. Report Structure

This report is divided into five sections. Following the introduction, Section II covers the provincial context with a glimpse of opportunities and challenges while juxtaposing the socioeconomic backdrop of the province. Section III looks at the provincial resource envelope and its usage trend followed by the focal sectors fiscal performance and trend analysis. It unfolds the budget execution trend by taking an all-inclusive view with the assessment of the budget utilization trend from different dimensions, exploring how high-budget execution is not translating in the requisite infrastructure development. Section IV extrapolates the causality and uses the available evidence to identify the gaps in budget formulation and execution. Section V builds on the preceding section to offer recommendations for bridging the gaps. A proposed action plan recommending measures for improvement with timeline is provided at Annex 1.

II. Khyber Pakhtunkhwa at a Glance

The Government of Khyber Pakhtunkhwa has directed its efforts toward improving governance in the province and formulated a governance action plan (2015-25) to make the state institutions responsive to citizens' needs. In the wake of enhanced resources (courtesy of greater federal transfers), GoKP undertook to strengthen PFM and improve budget formulation, execution, and fiscal disclosures. This assessment is part of GoKP's endeavor to improve PFM in order to facilitate infrastructure development for better service delivery.

Of Pakistan's four provinces, Khyber Pakhtunkhwa is the smallest in land area at 74,521 square kilometers representing 9.36 percent of Pakistan's total landmass. And its estimated population of 26.36 million represents 13.4 percent of the total national population (Pakistan Economic Survey 2015-16).[8] The topography of KP comprises mountains to the north, fertile land at the center, and arid land in the south. Of KP's 1,100-kilometer shared border with Afghanistan, the stretch bordering the southern part has been the traditional trade route for thousands of years for different civilizations – the Persians, Aryans, Mongols, Pathans, Sikhs, and British.

The geostrategic location of Khyber Pakhtunkhwa (KP) that should have been a source of prosperity turned otherwise. The earthquake of 2005 and the floods of 2010 added to the series of shocks resulting in infrastructure destruction and governance challenges and deeply affecting the quality of living in the province. Although the province responded to the challenges and the resilience of the people and institutions contributed toward improvement of socio-economic indicators, the challenges for improving the infrastructure and service delivery were abounding.

According to data released by the Bureau of Statistics, Planning and Development Department (GoKP), the literacy rate in KP is 53 percent. The primary-level Gross Enrolment Ratio is 62 percent while the number of non-functional primary schools is 305. The schools are yet to be provided with basic facilities. A total of 4,473 schools do not have a boundary wall; 8,219 are without water supply; 10,213 are without electricity; and 3,900 are without a toilet. And among all these categories, over 85 percent are primary schools that lack the basic facilities that make schools a welcoming start to a child's education.

There are around 1,597 health institutions; that breaks down to 17,738 persons per health institution. The average for tertiary care is even greater with 180,700 persons per hospital. The Pakistan Bureau of Statistics documents the highest unemployment rate and the lowest labor participation rate in KP among the four provinces of Pakistan. High unemployment and the economic growth rate at 4.5 percent (Economic Growth Strategy, 2015) poses serious challenges for GoKP.

[8] The last KP (then NWFP) population census, conducted in 1998, documented 17.74 million people.

III. Public Sector Expenditure - Trend and Performance Analysis

A. KP Fiscal Resources Trend and Composition

Like other provinces in Pakistan, the federal government transfers constitute a large chunk of the KP resource base while the provincial contribution to the revenue resources has remained in single digit percentages. An increase reflected in provincial revenues is largely attributed to the devolution of the General Sales Tax (services) to the provinces from the central government; and in the current composition of own source revenue, General Sales Tax constitute over half of the own source revenue (direct and indirect taxes). Given the erratic trend in the federal transfers, improving own source revenue is critical for GoKP in order to augment its resource base and have greater flexibility and autonomy in expenditure. Table 2 offers a snapshot of the overall resource availability trend, underscoring the reliance on the transfers from the higher-level government.

Table 2: Fiscal trend

RECEIPTS	*Percentage (%)*		
	2013-14	*2014-15*	*2015-16*
Federal transfers (including NHP arrears)	86	81	85
Provincial tax and non-tax revenues	4	9	6
Foreign and federal development receipts	10	10	5
Capital receipts	0.2	0.3	4

Source: Annual Budget Statements and White Papers
Notes: (a) Receipts do not reflect savings. Figures are based on revised estimates. NHP refers to net hydel profit. (b) Federal transfers also include NHP arrears and General Sales Tax, the latter in the pre devolved period)

In the last 5 years, the total resource envelope of KP more than doubled, increasing from PKR 215 billion in FY2010-11 to PKR 431 billion in FY2015-16 (Table 3). Of which the current (recurrent) budget consumes almost 70 percent of the total resources; and within recurrent budget, the wage bill accounts for a large portion. The GoKP wage bill increased from PKR 49 billion in FY2009-10 to PKR 159 billion in FY2015-16 owing to the devolution of functions from the federal government, salary revisions, and staff recruitment.

Table 3: Provincial budget and expenditure trend

FY	***PKR millions***		
	Recurrent budget	***Development budget***	***Total budget***
2010-11	149,828	64,978	214,805
2011-12	175,669	84,474	260,143
2012-13	208,942	88,131	297,073
2013-14	237,000	104,848	341,848
2014-15	263,000	134,737	397,737
2015-16	295,904	135,099	431,002

Source: Annual Budget Statement and Civil Accounts, GoKP.
Note: Budget data is based on revised estimates.

The budgetary allocations (2011-16) for the overall Health sector have remained linear ranging while the C&W allocations have fluctuated 8 to 5 percent (Figure 1). Given the nature of services performed, the Health sector has a relatively larger share in the recurrent budget, averaged at 7 percent of the total provincial budget (2011-2016), while the C&W consumes 2 percent of the total provincial budget. The C&W Department is responsible for infrastructure development therefore it has a larger share of the development budget averaged at 31 percent of the total provincial budget (2015-16) in comparison with the Health sector averaged at 2 percent for the similar period (Figure

1 b). Within C&W budget allocations, the last five years average revealed that the Roads sector received the largest share, 88% of the total development budget of the C&W Department (Figure 1 a).

Figure 1: Overall budget allocation trend – Health and Infrastructure

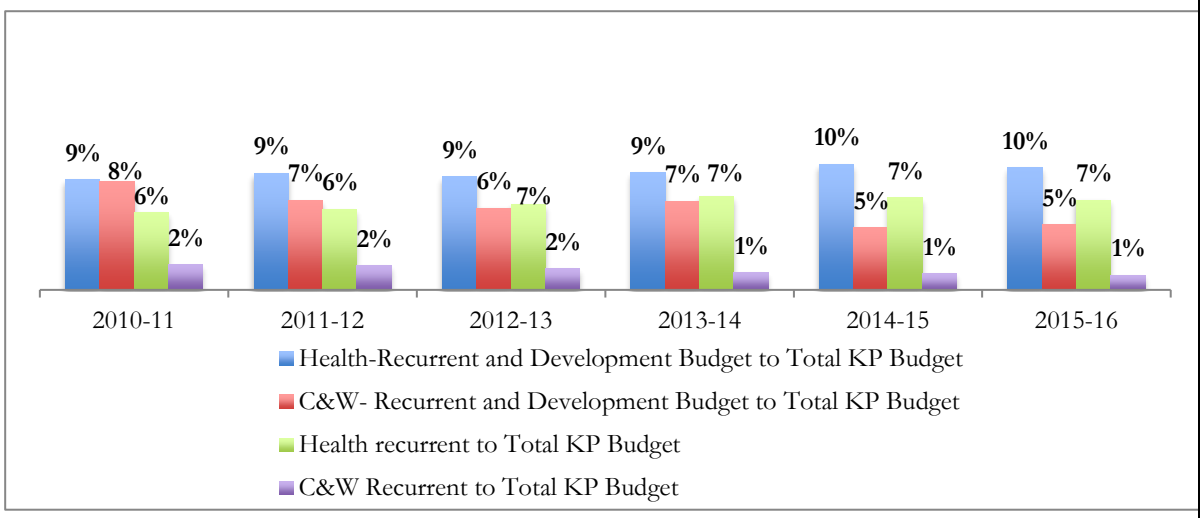


Figure 1 a: Development budget allocation trend C&W and roads share

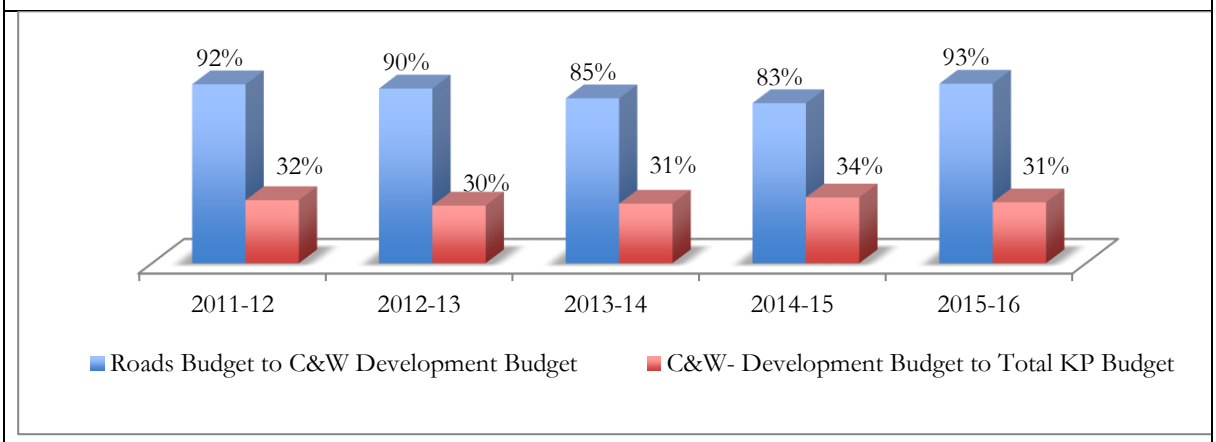
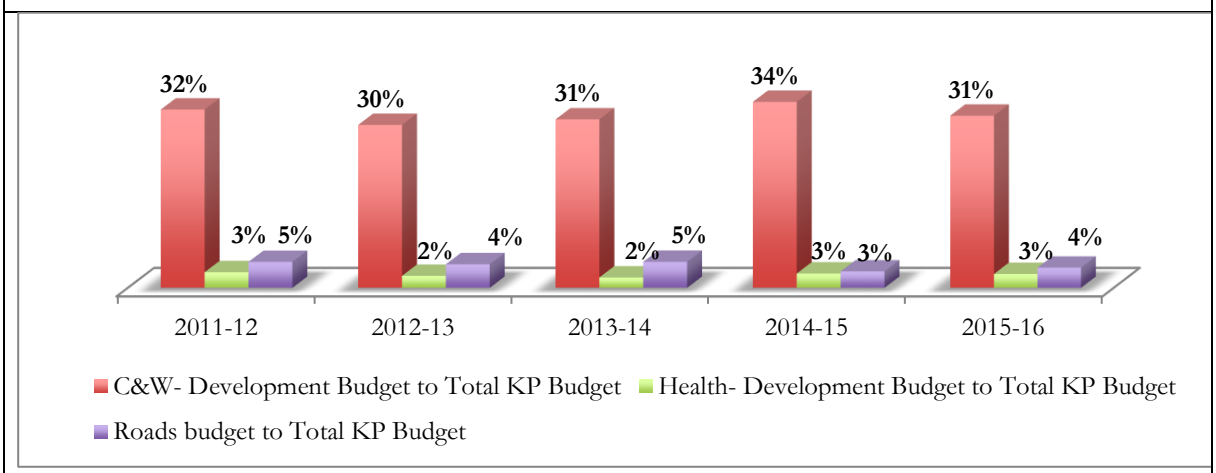


Figure 1 b: Development Budget allocation trend health and infrastructure



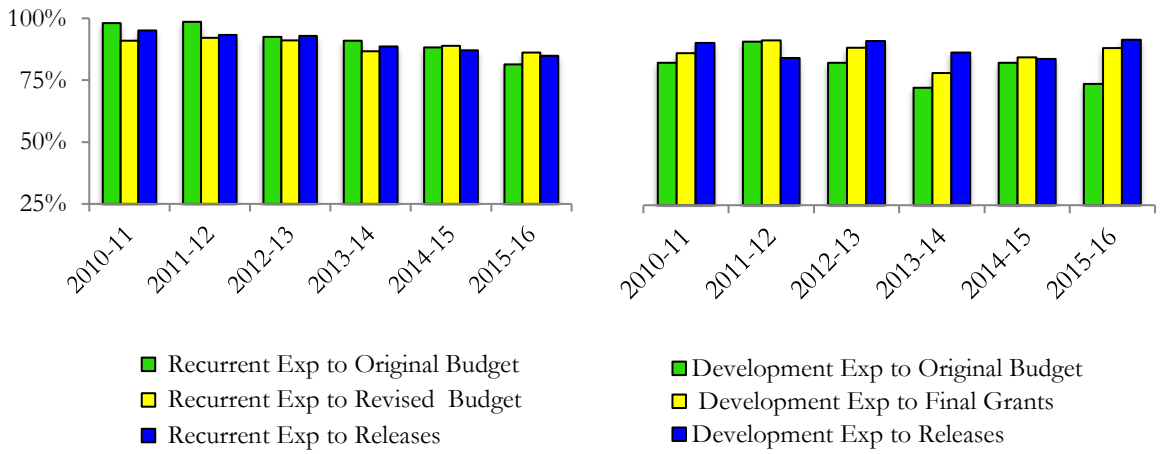
Source: Annual Development Program and C&W Progress Report.

B. Budget utilization performance

To offer a holistic view, budget execution performance is analyzed from three dimensions: (a) original budget estimates, (b) revised budget, and (c) cash releases. This differentiation was deemed essential to echo the point of view of the line departments and control departments (Finance and Planning and Development). Interviews with the two sides reflected competing views: C&W Department was of the opinion that it has the capacity to utilize funds only if cash releases are sufficient and timely. The contrary view was that weak capacity and poor project formulation would result in parked funds due to poor project cost estimation and the capacity to spend according to estimates. The delay in the federal transfers is also a reason for erratic cash-release pattern.

The development budget utilization from 2010/11 to 2015/16 fluctuated while the recurrent budget recorded a declining trend (Figure 2) for the corresponding period. The latter was largely due to the austerity measures adopted to curtail unnecessary expenditure and the variation in the sanctioned strength and actual staff (e.g., salary budget of the Health Department is a case in point). The analysis against the three dimensions (original, revised, and actual release) is instructive. The Line departments point at the deficiencies in fund management (cash availability) that leads to poor execution and defend the view with efficient budget execution against funds made available (Figure 2). However, the high-budget claim is not as straightforward as it appears. Therefore, the expenditure performance was assessed against the original budget (development) to provide an all-inclusive outlook and insight into the quality of planning. In comparing original budget allocations, the expenditure efficiency is as high as 88 percent in FY2011-12 and the lowest recorded at 63 percent in FY2013-14; and the last three fiscal years' average (2013-14, 2014-15, and 2015-16) has remained at 68 percent.

Figure 2: Budget Execution Performance



Source: Annual Budget Statements and Civil Accounts data, GoKP.

The analysis of development budget execution against budget released for the C&W Department shows an even higher performance at 100 percent. In many cases, the amount released versus the amount spent showed similarity to the last digit (Table 4). This coincidence was a result of the payment arrears accumulation. When the funds are released, the liability created by the C&W Department is far greater than the funds made available; that results in 100 percent fund utilization and hence ditto figures of utilization and cash releases.

Table 4: Scheme utilization status

b. Allocation, Releases and Utilization

Sector: Roads

Sub Sector	Status	Nos of Schemes	Orig. Allocation	Revised Allocation	Releases	Utilization	%age Util against Releases
District Roads	OG	158	5462.789	7567.820	7567.820	7567.820	100%
PKHA Roads & Bridges	OG	24	4283.149	5476.849	5476.849	5476.849	100%
Roads & Bridges (Provincial)	OG	10	1157.054	1300.853	1300.853	1300.853	100%
TOTAL (Ongoing):		192	10902.992	14345.522	14345.522	14345.522	100%
District Roads	New	150	2495.717	1421.932	1421.932	1421.932	100%
PKHA Roads & Bridges	New	3	101.291	0.000	0.000	0.000	0%
TOTAL (New):		153	2597.008	1421.932	1421.932	1421.932	100%
GRAND TOTAL:		345	13500.000	15767.454	15767.454	15767.454	100%

Source: C&W Progress Report (June 2016).

Further analysis was conducted on development budget performance segregating the 'new' and 'ongoing' schemes (projects).[9] New schemes must comply with a stipulated process of administrative approvals and other processes in the design and procurement phases; all include a time lag. Unless there exists a compelling need, the completion of ongoing schemes and allocation for repair and maintenance for the existing infrastructure should be the priority before considering new schemes.

However, the current practice suggests otherwise. Not only is infrastructure development delayed the existing infrastructure starts to dilapidate creating further liabilities for the Government in addition to undermining the quality of service delivery. The inclusion of new schemes stifles the ongoing schemes of the resources needed that results in increased liability for the Government with cost escalations and delays. The utilization rate for new schemes is 100 percent against the revised budget (Figures 3 and 4); however, against original budget allocations, the utilization rate ranges from a mere 26 percent and peaking at 62 percent in the roads sector during 2013-14 to 2015-16. In the buildings sector, the performance is even worse with 2 and 37 percent in the corresponding period.

Figure 3: Utilization trend of new and ongoing schemes - Roads

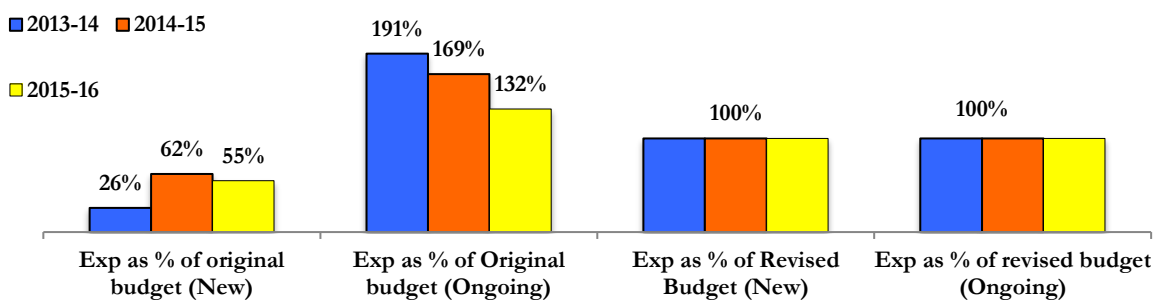
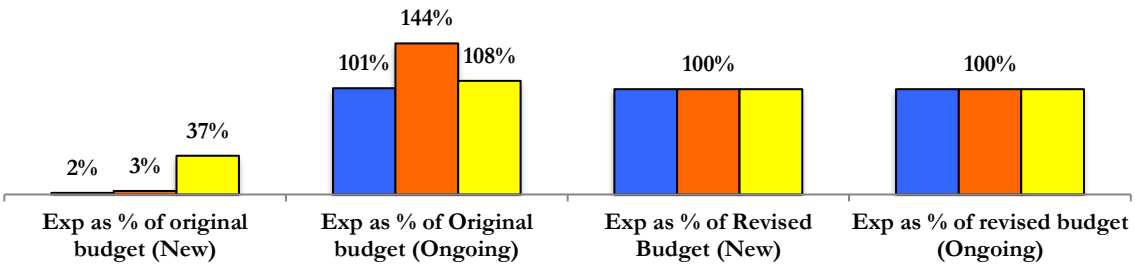


Figure 4: Utilization trend of new and ongoing schemes - Buildings

[9] Scheme is locally referred to as project or an initiative for which a planning document (PC-I or PC-II) is prepared for inclusion in the Annual Development Program.



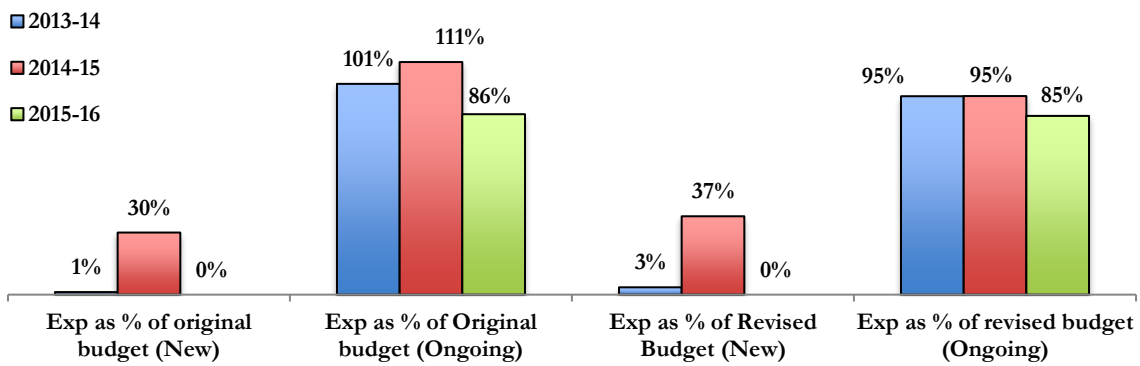
Source: Calculations based on C&W progress reports for the month of June 2011-2016.

In KP, like other provinces and the federal (central) government, the revised budget estimates are presented to the legislature in the month of June (fiscal year begins July 1) along with the next year's budget proposals. With revised budget estimates presented to the legislature after almost 11 months into the fiscal year and the funds released and expenditure documented on actual basis, the budget utilization would reflect a perfect performance. However, a more holistic view (i.e., assessing the expenditure performance against 'original budget allocations') records wide variation in forward estimates and actual expenditure. The aggregate analysis also overshadows those new schemes that are allocated budget but have zero utilization in the entire fiscal year.[10]

The above trend is for projects in those subsectors for which C&W is directly responsible as the executing agency and administrative department. In case of other line departments, the budget is allocated to the line department that going forward requests the C&W Department for its infrastructure development. For instance, in the Health Department, development budget allocations reflect the health sector portfolio and not that of C&W; therefore, the health sector infrastructure projects (assigned to C&W by the Health Department) do not carry the same priority as do roads and buildings.

The roads and buildings recorded 100 percent utilization against revised estimates for new schemes (Figures 5 and 6) while the expenditure against revised estimates in the health's new schemes recorded 0-37 percent (Figure 5), manifesting the significance accorded to the schemes accorded related to other sectors.

Figure 5: Utilization trend of ongoing and new schemes - Health



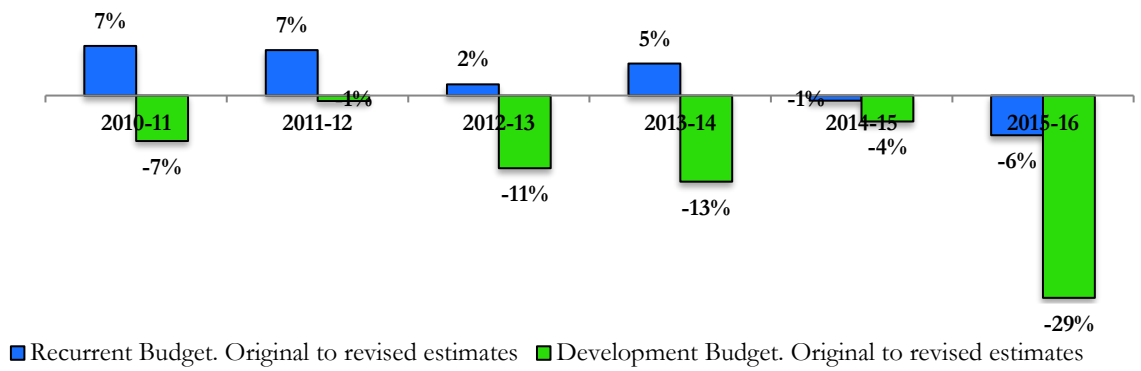
Source: C&W progress reports.

[10] PKR 101.29 million allocated for the roads in FY 2015-16 but had zero utilization (C&W Progress Report for roads sector, June 2016).

Figure 6 exhibits the modest quality of planning at the beginning of the fiscal year. The original budget estimates in the case of development budget has been continuously revised downwards, largely owing to the uninformed budget allocations and variations in the federal transfers and provincial revenue collection. The revisions in the development budget have ranged from 1 to a massive 29 percent. Such massive variations tend to influence the fund availability for the projects impacting the project execution.

The approach for planning for the development budget is fundamentally flawed, as the size of the public sector development program is essentially an outcome of the residual revenues after accounting for the recurrent expenditure. This measure may facilitate laying down the size of the development portfolio for a fiscal year. However, in the absence of linkage with the revenue mobilization targets and options, it sets no urgency for resource generation; rather, available resources are shifted toward investments arbitrarily from time to time.

Figure 6: Deviation in overall budget allocations



Source: Annual Budget Statements & Civil Accounts, GoKP.

Poor planning, like system and capacity deficits, is also caused by the lack of appropriate time assigned for planning for development budget. The budget process commences late; and when it does, not only are the guidelines ambiguous (particularly in the development budget) but the issue is aggravated with the lack of compliance with the policy guidelines. The budget process begins with issuance of the Budget Call Circular followed by the issuance of Guidelines for formulation of the Annual Development Program (ADP) indicating the dual budgeting process followed in KP. The Finance Department and Planning and Development Department have issued, respectively, Budget Call Circulars and Guidelines for formulation of ADP at the beginning and the end of December of each year.

Table 5 shows the inadequacy of time for the project formulation, screening, and prioritization at the line department level and for the external appraisal by the Planning and Development Department.

Table 5: ADP preparation calendar 2015-16

DATE	ACTION
December 2014	Circulation of guidelines for preparation of the draft ADP 2015-16 to all departments.
March 31,2015	Submission of draft ADP 2015-16, proposals by concerned departments to the Planning and Development Department.
April 8, 2015	All chiefs of sections will have to submit the draft ADP 2015-16 to Computer Section for processing after scrutiny and examination of the proposal received from counterpart line department(s).
April 15, 2015	Computer Section will furnish the consolidated report of draft ADP 2015-16 to the Chief Economist, Planning and Development Department.
April 20, 2015 to May 9, 2015	Meetings with departments to discuss and finalize the draft ADP 2015-16
May 15, 2015	Submission of 2nd draft ADP 2015-16 by the concerned departments to the Planning and Development Department.
May 22, 2015	Meeting of Additional Chief Secretary with departments finalize the draft ADP 2015-16.
June 3, 2015	Submission of draft ADP 2015-16 to Chief Minister for approval.
June 7, 2015	Final draft ADP 2015-16 sent to printer with copy to Finance Department for budgeting.
July 2, 2015	Circulation of ADP 2015-16 to all concerned departments.

Source: Planning and Development Department. http://www.pndkp.gov.pk

The issuance of ADP formulation Guidelines by Planning and Development triggers the development budget preparation process. The Guidelines are routinely issued by end of December, and the first draft ADP submission is due for submission by end of March and submission to the Chief Minister by June 1. This timeframe allows around 70 working days for the development of project documents (PC-I) by line departments and, if within the threshold of the Departmental Development Working Party[11] (DDWP), screening by DDWP and, if beyond the threshold the project proposals (PC-I), review by the Planning and Development for final approval by the Provincial Development Working Party (PDWP). Many schemes convert the task into a daunting challenge for completion within the stipulated time (Table 6).

Table 6: Workload of the screening forums

FY	*Total new schemes*	*Number of new schemes for approval by DDWP*	*Number of new schemes for approval by PDWP*	*Other forums**
2013-14	378	154	211	13
2014-15	541	184	350	7
2015-16	614	162	435	17

Source: ADPs (respective years), Planning and Development Department.
* *Notes:* Other forums refer to project steering, district development, and federal-level approval committees.

In addition to limited time available to the line departments (about 70 days) for project planning, the lack of compliance with Planning and Development guidelines (distribution ratio) further compounds the issue, which is evident from the many new schemes included in ADP (Table 6). The yearly guidelines for the development budget issued by the Planning and Development

[11] DDWP and PDWP are the screening forums for project proposals (PC I) at the line department and provincial levels, respectively. PDWP is the highest provincial-level forum chaired by the Additional Chief Secretary with membership of heads of the Finance and the relevant line departments.

Department stipulate a resource distribution ratio of 70:30 for ongoing to new schemes: however, the trend shows this ratio has not been complied with (Table 7).

Although the cost of schemes vary depending on the sector, scope, and type, a rudimentary analysis, uniformly applying the total yearly allocation to the extra schemes, points to the sizeable funds allocated to those schemes that were included in ADP as a result of noncompliance of the stipulated ratio. This action led to stifling of ongoing schemes with thin spread of resources to accommodate extra new schemes in ADP. Had the 70:30 ratios been complied with, a minimum of PKR 8.388 million (FY2014-15) up to a maximum of PKR 22,735 million (FY2015-16) would have been available to GoKP to ensure sizeable and requisite allocations for the development schemes (Table 7).

Table 7: Impact of noncompliance with ADP guidelines

FY	*Ongoing schemes*	*New schemes*	*Number of extra new schemes due to non-compliance of distribution ratio*	*PKR millions*	
				Amount that could have been available for ongoing schemes	*Total developmen t budget*
2011-12	58%	42%	128	10,217	85,141
2012-13	61%	39%	83	8,771	97,458
2013-14	55%	45%	146	17,700	118,000
2014-15	64%	36%	78	8,388	139,805
2015-16	57%	43%	201	22,735	174,884

Source: Calculation based on the respective years ADP and guidelines for ADP formulation.

IV. Causality Analysis

The quality of planning directly impacts budget execution. This section provides evidence in this regard.

A. Development Planning Framework

Deficiencies in project planning and the mismatch in financing requirements, budget allocations, and cash releases can delay project execution leading to enormous throw-forwards. Many projects have had multiple revisions in cost as well as completion time during the course of project implementation. Even projects with high-budget utilization have an inherent flaw, as the budget allocations do not correspond with financing requirements. Such projects have a high-budget execution rate largely owing to arrears accumulation rather than system efficiency.

Anemic project formulation, appraisal, and allocations have had a direct impact on budget execution and project completion, snowballing the cost escalations into massive government liabilities. Not only the Government ends up paying many times more than the anticipated costs, the delays in infrastructure development undermine the service delivery and delays economic growth.

1. Public investment budgeting process – At a glance

The GoKP follows dual budgeting with the development budget responsibility of the Planning and Development Department and recurrent budget of the Finance Department. The responsibility of compilation and consolidation of the budget and submission to the legislature rests with the Finance Department. It issues a Budget Call Circular to commence the annual budgeting process; thereafter, Planning and Development issues guidelines for the formulation of the Annual Development Program - the development budget. The project proposals are prepared by the line departments and submitted to section chiefs within Planning and Development,[12] which ensures technical appraisal of the project proposals. Projects funded below PKR 60 million are submitted to DDWP (within the line departments and chaired by the Secretary of the line department) and projects costing above PKR 60 million up to PKR 5,000 million are submitted to PDWP (chaired by the Additional Chief Secretary, Planning and Development).[13]

Development budget allocation has two streams: (a) targeted projects (b) undefined or partially defined allocations. The targeted projects should principally lead to project identification that is then taken up by the concerned department and Planning and Development (subject to the aforementioned approval ceiling). Contrary to this, the block allocations are created for financing projects that either will be identified during the year or for financing new schemes included in ADP without financial allocation or projects that have been functionally identified but its geographic spread has not been defined.

In cases of Government-priority projects, project proposals are given initial reviews, and feedback is provided on the viability. Once the projects are formally identified, the next stage is project formulation. At this stage again, initial proposals may go through a number of revisions, including change in scope, adoption of alternative means to achieve the results, or abandoning the proposal altogether.

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[12] Different Sections at the Planning and Development are assigned responsibility for one or more sectors.

[13] Projects funded beyond PKR 5,000 million and/or with foreign currency component are submitted to the federal government for approval. District- and project-level screening takes place by the District Development Committee and the Project Screening Committee.

According to the Rules of Business, Planning and Development should apply appraisal techniques to determine scheme feasibility. However, the technical review does not formally adopt a project ranking system based on the cost benefit analysis or internal rates of return for the selection of schemes. For many proposed projects (new schemes), the project document (PC-I) is neither prepared nor appraised for inclusion in ADP. The technical, managerial, financial viability, desirability, beneficiary, and similar assessments are not carried out, rendering the projects devoid of the obligatory screening mechanism at the budget formulation stage. As a result, neither the best-ranked projects nor alternative options for public investments are available to the decision-makers overseeing the prudent use of public investments.

2. Policy formulation and implementation – Gaps in theory and practice

The GoKP set forth its strategic direction through a number of cross-cutting/multi-sectoral, provincial-level strategies, mainly the Strategic Development Partnership Framework 2013-18, the Integrated Development Strategy 2014-18, and the Medium-Term Inclusive Growth Strategy 2015-18. These strategies provide an overarching framework for subsequent sectoral strategies;[14] however, in KP only the Education and Health Departments developed costed sector strategies. The C&W Department that is responsible for development of specific infrastructure does not however have a strategy to steer its investments. The proposals for public investments are not based on clear and realistic priorities, cost estimates, and objectives of the sector. As a result, the public investment decisions in key subsectors, for which C&W is responsible, are arbitrary.

The Health Department developed its Health Sector Strategy (2010-17) in line with the Government's commitment for provision of quality and responsive health services. Key limitations hindering the optimal operationalization of the Health Sector Strategy include weak intersecting linkages with provincial strategies (Table 8). These are further accentuated with allocative and operational inefficiencies due to gaps between policy, planning, and budgeting manifested in the in-year budgetary adjustments and budget outturns. Compensating for lack of evaluation of sector strategy to reflect on what works and what doesn't work, GoKP introduced medium-term frameworks. However, the existing business processes with a focus on annual planning and budgeting attenuates the integration with medium-term planning and results-based approach for output-based budgeting.

The constant experimentation with systems and procedures undermines policy implementation and its effectiveness. Frequent changes in the procedure for procurement of medicines and equipment, for example, from decentralized then to recentralization, coupled with rolling back of the local government system (2009) and then its reintroduction (2014), created confusion and undermined the policy implementation. The frequent changes particularly had an impact on the health and education sectors. Primary and secondary health is a local government function and at the core of these experiments, which implied adaptations to the budgeting process for these sectors. Similarly, GoKP had outsourced basic health units and rural health centers in 19 out of a total 25 districts to nongovernment organization with complete autonomy in financial and procurement management. In 2016, the arrangement was amended and the Government assumed management of the health units, changing the entire financial management system again.

The Operational Plan 2013-16 assumes increase in the share of health sector in government revenues by 1 percent and donor funding by 20 percent to partly cover the additional cost of implementing the activities in the operational plan.[15] But, the share of health sector budget during FY 2013-14 to FY2015-16 remained at 9 percent, which was the same in preceding FY2009-10 to FY2012-13.

[14] Comprehensive Development Strategy, Economic Growth Strategy, and Post Crises Needs Assessment
[15] Costed Operational Plan for Health Sector Strategy Khyber Pakhtunkhwa – 2013-16

The development portfolio of health sector realized a decline of 5 percent during FY2013-14 to FY2015-16 with a cumulative 30 percent share in health sector budget against the share of about 35 percent during preceding five years (2008-09 to 2012-13). Substantial in-year budgetary adjustments took place in the recurrent budget, manifested in supplementary grants of about 51 percent and re-appropriations of about 57 percent of the originally approved recurrent budget for FY2013-14 to 2015-16. The development portfolio witnessed revisions at 18 and 12 percent of the approved development budgets for the same period as supplementary grants and re-appropriations, respectively. The variation in performance benchmarking (Table 8) also points at the quality of policy or strategy formulation.

Table 8: Performance benchmarking variation

Key performance indicators	***SDPF target 2013-18***	***IDS target 2014-18***	***HSS target 2010-17***	***Operational plan target 2013-16***
Infant mortality rate	40 per 1,000 by 2018	60 per 1,000 by 2016	38 per 1,000 by 2016	40 per 1,000 by 2016
Maternal mortality rate	140 per 1,000 by 2018	200 per 1,000 by 2016	138 per 1,000 by 2016	140 per 1,000 by 2016
% of births attended by SBAs	Nil	68% by 2016	90% by 2016	90% by 2016

Source: SDPF (Strategic Development Partnership Framework), IDS (Integrated Development Strategy, and HSS (Health Sector Strategy).

3. Budgeting framework – Disintegrated and with unrealistic forward estimates

Khyber Pakhtunkhwa, like other provinces, follows dual budgeting with recurrent and development budgeting responsibilities shared between two administrative departments. The Finance Department is responsible for recurrent budget, and Planning and Development for the development budget. Although disintegrated budgeting helps in tracking the public investments, it does not provide an overall picture (i.e., the impact on the recurrent side) of public sector expenditure when the project implementation is completed. As a result, the infrastructure projects are completed but cannot become functional since the recurrent budget allocation is either delayed or not wholly allocated for the facility to become operational.

Over a period of time, efforts were made at the central level for capturing the impact of the development scheme (project) on the recurrent budget. The PC-I (planning document) was revised to estimate ex ante the recurrent financial impact of a completed project. However, in practice, most planning documents reviewed did not provide sufficient description and some failed to provide any information at all. The Finance Department, being a member of PDWP and with administrative set-up dedicated to the development budget, has an integral role in the project screening process. One purpose of the development section at Finance is to anticipate the financial impact of development projects on the recurrent budget; however, with the absence of information, the impact cannot be ascertained. As a result, the schedule of new expenditure remains contested owing to the limited resources.

The GoKP reformed its budgeting process by introducing the medium-term fiscal framework and the output-based budgeting with a medium-term perspective. Both reform measures are a recent introduction and, besides strong GoKP commitment, have yet to mature because of the slow pace of affecting change. Arguments for and against these reforms have been voiced. The key observation has been that the reforms are donor led and consultant dependent. The argument in

favor is that, as a first step, the reforms have been introduced and efforts now need to be directed to ensure reforms gain traction.

The key issues with the output-based budgeting are the lack of capacity in the line departments to identify outputs, outcomes, and performance indicators. An even greater issue is with the application of these tools. The budget documents currently prepared are more as a result of compliance of instructions than intended for quality improvements. Also these budget documents are not utilized to their potential during the legislative scrutiny. Lack of application of these documents during legislative scrutiny and by department-level management has stagnated the improvements in the budget-related reforms.

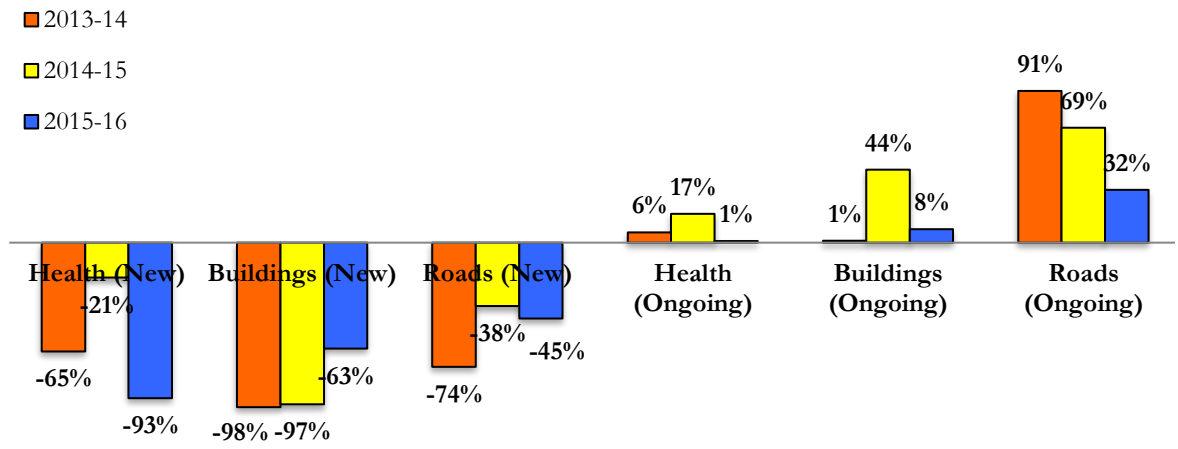
The efforts toward entrenchment of the medium-term frameworks are also undermined with the existing practices of resource allocation and budgeting. The lack of sector wide indicative ceilings for the development budget and the absence of commitment accounting in order to ascertain the expenditure arrears of line departments render budget forecasting redundant. Also, the medium-term frameworks are prepared without sufficient regard to the causes of deviation in forward estimates and actual expenditure. The lessons learned are intended to inform the subsequent round of estimates but more importantly act as flag-raisers for managers and policy-makers to identity issues in budget estimation. However, currently it is more of a mechanical exercise than a productive tool for improving the budget processes and outcomes.

4. Budget allocations – With schemes galore, the portfolio is bulging at the seams

The preference for brick and mortar adds up to the public sector portfolio reflected in the large number schemes (projects) in each year's ADP (Table 9). With scant fiscal resources and the obligation to accommodate new schemes result in token allocations[16]. Budget allocations particularly in those new schemes that have not been appraised or approved (Table 9) are quite arbitrary and inhibit the budget allocations for ongoing schemes, resulting in time and cost overruns. The new schemes must comply with the necessary approvals at the design and procurement stages, but with time consumed to obtain the approvals at each step, most new schemes do not reach the execution stage in the first fiscal year. As a result, the budget allocated to the new schemes in the first fiscal year largely remains unspent. Figure 7 illustrates the continuous cut in budget allocations for new schemes, re-appropriated to the ongoing schemes.

[16] Owing to various reasons like the technical exigency or political expediency the development schemes (project proposals) are accommodated in the annual development program (ADP) with meager (token) allocations to pave way for the scheme's inclusion in the ADP. Although undesired but the practice of token allocations is common in all provinces

Figure 7: Budget re-appropriation trend



Source: C&W Department progress reports.

The allocative efficiency is compromised for a number of factors, beginning with the inclusion of a large number of schemes in ADP (Table 9). The majority of these schemes has neither a project document (PC-I) nor has been prioritized or screened. Such practices undermine the fiscal discipline and allocative efficiency in budget allocations. Since the project formulation process is not followed, the budget allocations remain uninformed and, consequently, stifle resources from those schemes that are already being executed or ready to be executed. Also, the volume of uninformed budgetary allocations is massive, creating an imbalance between the new and ongoing schemes allocations (Table 9). The resource diversion from existing (ongoing) projects delays completion, hence impacting the infrastructure availability for service delivery.

Table 9: Un-appraised projects in enacted ADP

FY	*Total number of ADP schemes*	*New unapproved schemes to total schemes in ADP*	*New unapproved schemes to total new schemes in ADP*	*Budget allocated to New unapproved schemes to total ADP allocation*
2010-11	972	34%	99.7%	30%
2011-12	1,035	37%	97.7%	40%
2012-13	941	28%	97.8%	31%
2013-14	989	38%	98.1%	42%
2014-15	1,251	43%	99.4%	36%
2015-16	1,525	39%	97.4%	28%

Source: Provincial Annual Development Program, Planning & Development Department.

The last 6-years average shows that one out of three schemes included in ADP are umbrella[17] schemes while almost half of the total budget allocations are directed to umbrella schemes (Table 10).

While the 'umbrella scheme' practice should allow the requisite flexibility and facilitate in achieving the economies of scale, the way it is practiced in the government undermines the entire project cycle and compromises the economies of scale. In the Government, all those schemes (proposed projects) for which a district code is not allotted implying the site or beneficiary district is not

identified are referred to as the umbrella scheme[18]. All such schemes are coded PS (provincial system) and cannot be executed unless cost centers are created and district code is allotted (in addition to other administrative and codal formalities). Some of these umbrella schemes in the ADP can at best be categorized as ad hoc block allocations while others though functionally defined do not have a site identified.

A similar period average brings the total number of ADP schemes to 1,175 schemes in the provincial ADP on yearly basis. This large number of umbrella schemes and accounting for the preparation of additional PC-1s for some of the umbrella schemes renders the ADP execution a cumbersome process and a challenging task.[19] Budget allocations for most of the umbrella schemes are carried out randomly because neither the total cost nor yearly budget allocation requirements are known.

[18] The report uses the term umbrella scheme to identify the schemes categorized in the government system as umbrella schemes. Please refer to GoKP Cash release policy (Finance Department), ADP formulation guidelines (P&D) and the provincial ADP

[19] The analysis have not taken into account the non ADP schemes defined as those schemes that are prepared after the budget is passed and executed (completed) within the fiscal year (in some cases) and in others beyond the fiscal year. The scheme either ways is reflected in the revised estimates submitted to the legislature towards the end of the fiscal year.

Table 10: Growth of umbrella schemes in provincial ADP

Year	*Number of schemes in ADP - new and ongoing*	*Total number of umbrella schemes in ADP - new and ongoing*	*% of new umbrella schemes to total umbrella new and ongoing schemes*	*% budget allocation for new umbrella schemes to total ADP allocation*	*% budget allocation for new umbrella schemes to total new and ongoing umbrella schemes*
2011-12	1,035	515	43%	34%	49%
2012-13	941	462	30%	28%	46%
2013-14	989	495	37%	36%	51%
2014-15	1,251	547	37%	29%	41%
2015-16	1,525	621	34%	37%	50%
2016-17	1,516	615	25%	36%	50%
Average	***1,175***	***543***	***34%***	***33%***	***48%***

Source: Provincial Annual Development Program (ADP), Planning & Development Department

Similarly, as seen in Table 10, a large number of 'new schemes' included in ADP are un-approved (i.e., these schemes do not complete the project formulation, prioritization, and appraisal processes but are included in ADP and enacted by the legislature). It not only undermines the legislative scrutiny but has a domino effect on the project execution; the delay in completing the administrative approvals pushes back the project preparation requirements that in turn delays the procurement processes, hence the late project start-up. Most of the new schemes included in ADP are un-approved, and a sizeable amount is allocated without ascertaining the projects' yearly financing requirements.

On an average, 35 percent of the total development budget allocations are not based on robust technical (financial, economic, social) requirements. Deficiencies in project screening and budget allocation mechanism and accommodating new schemes in ADP for different imperatives lead to token allocations that allow the vicious cycle to set in. Token allocations (Table 11) stifle resources from ongoing development initiatives; constraining timely completion of those schemes that in turn leads to cost escalations and delays timely infrastructure development.

Table 11: Development budget allocation trend

FY	*Average allocation size (PKR million)*[/a]	*Number of schemes allocated (Less than PKR 100 million)*	*Number of schemes allocated (less than PKR 10 million)*	*Number of schemes allocated (Less than PKR 1 million)*	*Number of schemes allocated (less than PKR 0.1 million)*	*Schemes with less than 5% allocations of total project size*[/b]
2014-15	112	963	216	51	39	68
2015-16	115	1239	185	24	32	108
2016-17	106	1289	379	87	66	94

Source: Annual Development Programs, Planning and Development Department.
[/a] Average allocation size equals total ADP divided by number of schemes.
[/b] Excludes ongoing schemes with zero throw-forward.

5. Project formulation – Desk-based exercise during budget stage

The development schemes (projects) analyzed reflect a standard pattern of constant revisions in the project estimations during the project's life. Most schemes have had one or more-than-one revisions (cost escalations) and in certain cases three revisions within the project life largely owing to a change in scope ordered at the highest level that renders upward revision of cost unavoidable. The arbitrary and sudden change in scope reflects random decision-making and lack of robust planning. The lack of sector strategies to guide the project-level investments leads to arbitrary demands by the executive and in the political milieu, eventuating in the never-ending project execution.

The ADP 2016-17 includes projects conceived in 2005, 2007, and 2009 (Table 12). Other than arbitrary changes in the scope of work, some cost revisions were due to lack of reflection of ground

realities in the project documents, manifesting reproduction of PC-1s of prior projects with desk-based customization. As a result, activities' costs in some cases were understated and in others overestimated, largely owing to the project proposals being developed without surveying the site.

Table 12: Impact of random decisions on project cost and duration

Project title	*FY project included in ADP*	*Originally planned completion time (number of months)*	*Status of expenditure incurred (%) as of June 2016*	*Cost escalation (%)*
Construction of 14 kms of road, Kohistan	2005-06	12	55	500
Chitral Bypass Road renamed Wali Khan Bypass	2007-08	24	86	225
Abdul Wali Khan Multiplex, Peshawar	2009-10	36	69	89
Shaheed Benazir Bhutto Children Hospital, Mardan	2010-11	30	25	170
Improvement of DHQ Hospital, Batkhela	2010-11	24	55	650
Construction of dormitories, KP House, Islamabad	2010-11	36	50	108

Source: Annual Development Programs, C&W progress reports and M&E Directorate reports

The delay in project formulation (proposal development) also influences the budget allocations decisions. The ADP 2016-17 provides cumulative expenditure on schemes until the close of FY2015-16. Out of 57 schemes reviewed, 11 schemes were allocated token budget (PKR 1,000-11,000 or approximately US$9-104); and 46 schemes were allocated substantive budget but had zero expenditure. The breakdown shows schemes approved 2-5 years earlier had zero expenditure owing to the lack of project documents to approve and execute the schemes. Table 13 includes both umbrella and targeted schemes and 8 feasibility studies. In case of roads and buildings 8 schemes are within DDWP mandate and the remaining within PDWP. By and large, delays are primarily attributed to the lack of timely submission of project documents.

Table 13: Schemes with zero expenditure in ADP 2016-17

FY	***Total number of schemes in ADP with zero expenditure***	***Number of schemes in the roads and buildings sector***
2011-12	1	0
2012-13	1	0
2013-14	2	1
2014-15	16	6
2015-16	69	25

Source: ADP and progress reports.
Note: Table 13 presents a cumulative status as on June 2016, therefore shows nil for FY11-12 and FY12-13. A similar analysis in earlier years would give a greater number of schemes with zero expenditure

6. Project monitoring and evaluation – Yet to be institutionalized

The Planning Commission (federal government), when notifying of the proformas for project cycle, made completion of PC-V (project evaluation template) mandatory, which is used to reflect on the annual project performance for 5 years after completion of the project. Planning and Development Department (provincial government) adopted the Planning Commission proformas with the associated obligations; however, non-compliance in terms of preparation of the PC-V have rendered the decision-making void of feedback from the completed projects. As a result, the lessons learned from prior infrastructure development does not feed into the subsequent initiatives, perpetuating the gaps and challenges in project planning execution and its contribution to the socioeconomic development.

The ex post evaluation is the responsibility of the Directorate of Monitoring and Evaluation (M&E) of the Planning and Development Department. The provincial M&E Directorate operates in project modality rather than institutionalized as a statutory agency, putting into question the

commitment toward M&E. In addition to capacity constraints, the lack of robust ex ante project appraisal and ex post project evaluation has influenced the quality of policymaking and public investment decisions.

7. Institutional jurisdictions – Creating critical path drag

The Health Department relies on the C&W Department for preparation of feasibilities, hiring of consultants for preparation of PC-1s, hiring of contractors (for scheme's execution), progress monitoring, and payment processing. That also implies another tier of external authorization (called administrative approvals). The development of roads and buildings is the responsibility of the C&W Department, therefore the administrative responsibilities rest within the Department. However, in case of health sector projects, the C&W Department has to seek approval from the Health Department, which adds another tier to processing and time consumption.

In case of C&W, roads and buildings are priority; and with a significantly large roads sector portfolio, the processing of health sector projects becomes secondary. Table 14 provides evidence of the priority accorded to the schemes (projects). Approved C&W schemes ranged from 85-99 percent over a three-year period while for Health it was 48-66 percent.

Table 14: Comparison of project proposal development – Health and C&W projects

Department	*FY 2013-14*		*FY 2014-15*		*FY 2015-16*	
	Number of new schemes in ADP	*% of project documents prepared and approved*	*Number of new schemes in ADP*	*% of project documents prepared and approved*	*Number of new schemes in ADP*	*% of project documents prepared and approved*
Health	45	53%	41	66%	33	48%
C&W	40	85%	175	99%	148	96%

Source: Annual Development Program and information collected during interviews with the Health and C&W staff

Similarly, the Board of Revenue is responsible for land acquisition in its jurisdiction. Most rural land falls under the Board's mandate. Instances were noted where delays took place due to site identification and land acquisition. New schemes-site identification was carried out typically after approval of the scheme in ADP, which resulted in approximate delays of 1-5 years in project completion (Annex 2).

8. Budgetary procedures and data – Deficiencies and irreconcilability

The classification of development budget during the budget-making stage is not carried out according to the New Accounting Model and the Chart of Accounts but is submitted to the legislature as a one-line budget item. This practice may allow flexibility but undermines transparency and results in delays in budget execution. Project proposal templates (PC-I) provide for inclusion of details as per spending unit; and, if not available, Planning and Development is required (as per requirements of the New Accounting Model) to make available the provision at the profit center level.[20] However, in the absence of project document (PC-I) and the urgency of submitting the budget to the legislature, the practice follows composite budget allocation for umbrella schemes.

Since the geographical segregation of the umbrella schemes is not reflected in the ADP by Planning and Development, the Finance Department generally categorizes all such budget allocations at provincial level, and consequently the cash releases are made on general categorization, referred to as PS (provincial system) in ADP. This practice undermines the budget utilization performance because the cash released by the Finance Department is made at PS level; however, expenditure

[20] Each district has one profit center (comprising multiple cost centers) for Provincial Account I and one for District Account IV

cannot be incurred by the executing agencies because the accounting system requires the completion of codal formalities and identification of the drawing and disbursing officer (DDO) of the appropriated budget.[21]

The non-segregated submission of development budget as a one-line item eclipses the budget categorization as per the chart of accounts. Within the development budget, ex ante analysis of budget allocations cannot be conducted to determine the sectors portfolio. For instance, the budget books would not reflect the exact estimates in a particular sector owing to the mechanism of block allocations defined in terms of multi-sector allocations in ADP. During execution, these multi-sector allocations can be directed to any of the defined sectors in ADP.

Similarly, the absence of major object head-wise detail will constrain ascertaining the exact size of the Government's wage bill. Salaries are paid from the recurrent budget and also from the development budget for project staff. However, at the budget preparation stage when the development budget is submitted as a one-line item, the impact or volume of salary and non-salary payment cannot be determined form the budget documents. When the budget is passed, the project authorities do classify its expenditure as per the chart of accounts or as per the donors' requirements (in case of foreign-funded projects), however the budget document (ADP) only reflects a one-line item.

Finally, the revised budget estimates submitted to the legislature are not the final budget allocations because after the submission of the revised estimates the process of re-appropriation, excesses, and surrenders continue to be processed. The final grants are prepared manually and with non-inclusion of all supplementary grants on GFMIS, variations in the data exist and the final grant data may not reflect the final budgetary allocations as per GFMIS.

Direct submission of recurrent budget estimates to the Finance Department by the drawing and disbursing officers and in isolation of the administrative department not only disrupts the budget formulation framework but also results in unrealistic budgeting. Estimates so requested remain under-utilized and have to be re-appropriated. Salary budget was consistently overestimated despite significant under-utilizations of 38, 40 and 45 percent during FY2013-14, FY2014-15, and FY2015-16, respectively, whereas in contrast the hospitals' budget was consistently underestimated by 578, 615, and 714 percent during the same periods, resulting in significant re-appropriations.

Due to the fragmented nature of budget-making exercise, the Health Department was unable to compile and submit a realistic consolidated budget proposal defining its priorities within the available resources leading to budget outturns throughout the last three fiscal years, exceeding 15 percent.

B. Budget Execution

This subsection is segregated to reflect the causal analysis after enactment of the money bill and covers three key areas: (1) cash or fund flow mechanism, (2) procurement and contract operations, and (3) payment process.

[21] Drawing and disbursing officers are responsible for the accounting, cash, and personnel functions of specific entities within line departments. Each district has several entities each having a DDO. The DDOs have the authority to submit bills for pre-audit to the district accounting office.

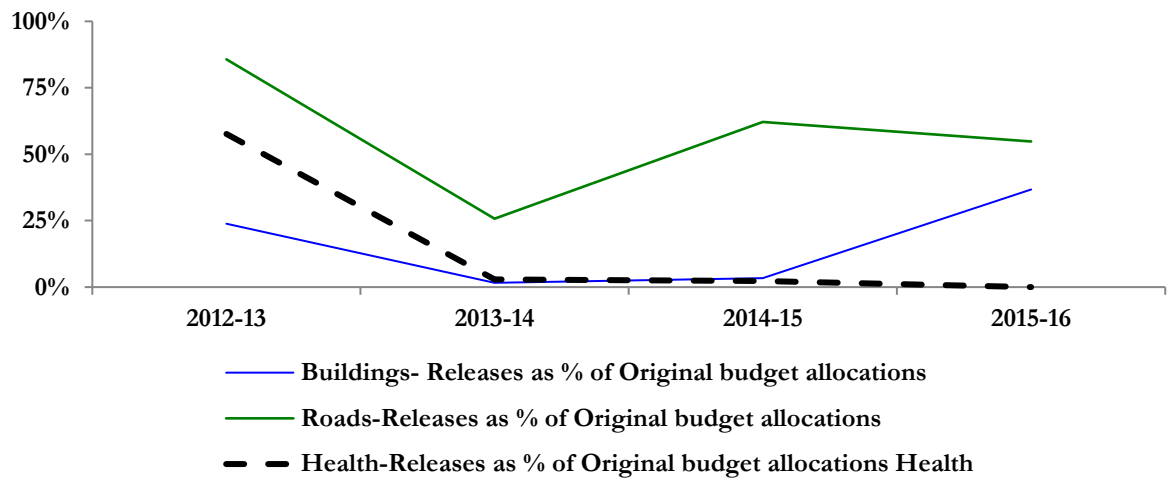
1. Cash release mechanism – Constrained by pulsating transfers and lack of policy review

The step after enactment of the Finance Bill (Budget) is the cash releases (budget release order) by the Finance Department to the line departments based on cash availability. The GoKP issues a release policy at the beginning of July for recurrent and development budget that triggers the budget utilization process.

The GoKP notifies an elaborate fund management (cash release) policy; however, the mechanism is influenced by two key considerations: (a) The recurrent budget, and within it the priority items like charged expenditure, salaries, and related expenditure, precedes any consideration for releases for the development budget; and (b) with heavy reliance on transfers from the federal government and inherent delays in the transfers owing to the realization of tax revenues also impacts the cash releases. At the provincial level, the Finance Department notifies an elaborate framework at the beginning of the fiscal year for cash release management; however, no evidence was found in the Finance Department to reflect on the usefulness of the policy and to bring out lessons for improvement in the subsequent policy pronouncements.

Although the projects are committed fund releases, the actual transfers do not correspond with the policy largely owing to the priority accorded to the recurrent expenditure. The cash releases in the first quarter of July are invariably adjusted in the subsequent quarter because the releases made for umbrella schemes or block allocations remain unspent. Figure 8 is a graph reflecting the annual releases pattern. A more instructive pattern can be revealed if real-time analysis is conducted for the in-year cash releases against original budget allocations.

Illustration 8: Cash releases pattern for new schemes



Source: C&W progress reports.

Neither the budget allocation mechanism nor the cash release takes into account the actual requirement of the project's financial phasing identified in PC-I. As a result, the project completion gets delayed. The cash release mechanism is entirely guided by the resource availability rather than the project allocation requirements or Planning and Development review and recommendations.

2. Procurement - Marred with disintegrated planning and redundant processes

Procurement regulatory regime

In KP, the regulatory regime primarily comprises Khyber Pakhtunkhwa Public Procurement Regulatory Act (2012) and Khyber Pakhtunkhwa Public Procurement of Goods, Works and Services Rules (2014). Khyber Pakhtunkhwa Public Procurement Regulatory Authority (KPPRA) has initiated many substantive measures to establish a procurement regulatory regime that fosters transparent, economic, efficient, traceable, and accountable procurements. However, procurement regulatory regime could benefit from amendments to render them more contextually relevant and free from inconsistencies. The interpretational nuances result in an increased procurement cycle time and also cause incorrect application of rules.

Redundancies in procurement practices

The KP Public Procurement Rules states that the single-stage, two-envelope method should be used for "large and complex contracts".[22] However, empirical evidence suggests that this be a default method and also used for other routine procurements. Similarly, prequalification needs to be clearly prescribed for high-value and complex procurements only. There have been instances when prequalification has been used to restrict competition in favor of preferred suppliers. The actual processing time for prequalification is just as time-consuming as a full competitive procurement process, thus in essence the procurement entity spends double the time. The publication of Requests for Proposals (RFP) to invite submission of technical and financial proposals only from shortlisted consultants is a redundant process since RFP is being issued to shortlisted consultants only.

The existing approach of providing estimated costs of work in Notice Inviting Tenders (in backdrop of the published Market Rate System Document that provides detailed itemized costs) essentially makes the fixed budget approach a default procurement approach. However, contracts are awarded with an overriding cost focus thereby being in violation of the value-for-money consideration in accordance with KPPRA Rules on one hand and being source of potential governance issues during contract management on the other.

Process of enlistment and pre-registration is being rigorously used for all categories of procurements. The presence of a process that has a legacy of fostering bid rigging and collusion should be dispensed thus reducing an unnecessary step. It should be noted that, as per law, the evaluation criteria for each category of procurement is required to be provided in each bidding document thereby adding a redundant step. There is a potential entry barrier and a means to foster bid rigging and collusion, with an overall impact on development effectiveness.

Procurement planning

The procurement planning does not inform budget preparation. Also, procurement planning by procurement teams is carried out in isolation with limited or no role of the user and budget departments. Consequently, the economies of scale are lost. Rather than bottom-up planning approach a top-down approach is followed whereby an estimate is either expanded or contracted on the basis of ADP allocations. Finally, the absence of linkage of the procurement package to the market leads to multiple publication of procurement advertisement, resulting in delays in completion of the procurement process.

[22] Rule 14 (2) (b) (i) of KP Procurement of Goods, Works, and Services Rules 2014

Procurement documentation

Poorly prepared bidding documents not only delay the completion of procurement process, but it undermines the quality of procurement because it results in sharing of insufficient and ambiguous information. Ambiguities in procurement documents result in nonresponsive bids. Evidence was found where an activity had to be rebid several times, even 6-7 times in certain cases. The internal administrative process for re-advertisement is time consuming and can take up to 10 days in delaying the procurement completion process.

Although in certain cases, the expression of interest for procurement of consultancy services for roads and buildings was lumped together. The procurement process experienced delays due to lack of sufficient information in the expression of interest. Both being distinct, specialty assignments demand separate disclosure and outreach requirements.

In 2013, the C&W Department introduced an e-Tendering process to facilitate and encourage stronger competition among potential contractors. The contractors are instructed in Notice Inviting Tenders to download the bid documents from the Department's website. This is encouraging; but in order to keep e-tendering as a subset of e-procurement in perspective, use of e-tendering merely for downloading Notice Inviting Tenders cannot de called e-tendering. This creates distortion in the minds of potential bidders who are not e-procurement ready and could potentially create an entry barrier

A scoring approach is being followed for every type of procurement. For non-complex routine procurement, the most vulnerable evaluation systems are those that convert evaluation criteria and sometimes, inexplicably, even price itself into notional points. These points are then awarded to each bid by one or more evaluator based on subjective assessment of the worth of the bid against each criterion. Under such evaluation systems, there is often no right or wrong answer in the decision-making process as the winning bid is simply the one that receives the most points. In such a situation, the decision is wide open to corrupt influence, and it becomes all but impossible to hold the evaluators accountable for the correctness of their decision.

3. Payment process – Voluminous arrears and limited cash induces executive discretion

This subsection does not take into account the payment processes at the Accountant General Office but does those within C&W and the transactions related to the selected projects only. The lead-time analysis did not identify delays in payment; however, this finding cannot be generalized for the entire payment process owing to the lack of access to the deposit accounts maintained by C&W. There are 5 different types of C&W maintained special deposit accounts of which Deposit Account III does not lapse every year. The provincial Accountant General reported parked balances in Deposit Account III; however, lack of access to such accounts constrained the volume of parked balances and the budget execution efficiency.

Similarly, the parked balances and the budget execution efficiency analysis were not conducted for the Pakhtunkhwa Highway Authority (PKHA) due to lack of access. A significant proportion of C&W development budget is released to PKHA (Table 15), which is considered spent upon release, resulting in high-budget execution for C&W. Section 21 of PKHA Ordinance 2001 provides for a non-lapsable account to extend financial autonomy to PKHA.

Table 15 - Transfers to PKHA account and percentage of C&W portfolio

	2013/14	2014/15	2015/16
PKHA expenditure (million)	9,258	3,203	5,673
Total C&W expenditure (million)	15,867	11,529	17,123
PKHA expenditure as % of total C&W	58%	28%	33%

Source: FABS Reports from PIFRA SAP System

The key issue observed, though supported with anecdotal evidence only, is the prevalence of large expenditure arrears vis-à-vis limited cash releases that can induce executive discretions that could promote unethical practices. Also, as the budget lapses at the close of the fiscal year and with large expenditure arrears, all invoices that cannot be paid are returned and the contractors are asked to submit fresh invoices with new dates pertaining to the next fiscal year. This practice undermines the fiduciary controls and can result in malpractice.

V. Recommendations

In addition to budget execution processes, this report provides evidence on how a gamut of budget planning activities influences the budget execution performance and has also tried to unravel the dichotomy in the high-budget execution rates vis-à-vis the large throw-forwards. High-budget execution in the given context does not necessarily translate in the improved infrastructure or efficient service delivery because of the planning deficiencies. With less than required cash releases, if the budget utilization reflects high performance, it does not reflect systems efficiency; but it is rather a harbinger of grave issues manifested in large throw-forwards and expenditure arrears further encumbering the Government's already scant resources.

The story however does not end here. Further unfurling of the budget execution enigma pointed at weak budget utilization for the new schemes. These schemes logically have to comply with a number of steps for screening and other administrative approvals. As a result, the new schemes closed the year with zero budget utilization. With many new schemes in each ADP and without accounting for the time in the start-up process, the budget utilization for most of the new schemes has remained poor.

The World Bank has been engaged with the GoKP and since the establishment of the Multi Donor Trust Fund; particularly during the design phase of the Governance and Policy Project (KP) it aided the government in problem-articulation and elicit contextual solutions. Towards the end of 2015, it was agreed to conduct a PEFA assessment and the causality of the problems would be articulated with a focused budget management diagnostics. During the course of this study, the Government-wide Steering Committee was constituted to provide oversight to the PEFA assessment. The same forum was used to commence a dialogue with the government and engage them in finalizing the recommendations based on the government's appetite for reforms.

One of the challenges on moving forward with PFM reforms is that the incentives for maintaining the status quo are strong. The existing payment processes accords vast discretion to government officials over contractors. The prevalence of sizeable expenditure arrears vis-à-vis limited cash releases can induce executive discretions that could promote financial irregularities, hence the need to improve commitment accounting to instill fiscal discipline and at the same time address the issue of invoice tampering.

During the dialogue with the government an action plan was formulated taking into account the likelihood of resistance to change, complexity of activities and the time and effort required to sequence and roll out the reform measures. PFM reforms do not carry the incentives to attract the officials; therefore, one of the reasons for including the short-term actions was to exhibit the quick wins within the government to sustain the momentum, induce competition amongst the players, and to strengthen the coalition of key players that support the reforms. Implementation will require close monitoring of progress. When actions are stalled or blocked by interests benefiting from the status quo, the Bank and Steering Committee may need to shift quickly to other reform areas, experimenting to see what works, and what is too difficult to pursue at this time. On this basis, the following recommendations are suggested to strengthen the budget formulation and execution mechanism.

A. PFM Reform Strategy and Action Plan

The GoKP in a bid to strengthen public financial management (PFM) in the province formulated an integrated PFM Reform Strategy in 2010 and is currently formulating a second round of the strategy based on the lessons learned. The key gap in the implementation of the prior reform strategy was the lack of continued dialogue between the MOF and the line departments to keep

the stakeholders within the government onboard and elicit timely remedial actions where gaps are found during the course of implementation. In the second round of reform efforts GoKP would benefit from the formulation of a monitoring mechanism and the annual stocktaking in consultation with line departments to ensure seamless implementation of the reforms' action plan.

The draft of the second round of the PFM reforms strategy provides an elaborate coverage of the PFM-related areas. However translating the strategy into concrete actions requires a detailed follow-up plan to monitor the progress. The entrenchment of reforms is dependent on government officials' ownership and the capacity to apply the tools introduced. The GoKP would benefit from developing an integrated training strategy at the line department level and monitor its application during the implementation period. This would help in creating a database of beneficiaries (at the line department level) and aid in establishing performance trajectories to guide the subsequent capacity development initiatives.

B. Ensuring Robust ADP Management

1. Linking ADP to revenue collection performance

The recurrent budget is needed to run and manage day-to-day government operations and therefore takes precedence over development budget. Setting the size of the development portfolio with the revenue residue might be the first step but not the end-all. Instead of relegating the development budget to the residual revenues, it is important to link the ADP size with demand for public investment, followed by the review of the key sectors and priorities to identify important projects. The additions to ADP size should then be linked back to revenue mobilization targets and options. Depending upon the provincial targets of investment in public infrastructure derived from development policy objectives, the corresponding revenue mobilization options may be worked out by the Finance Department in collaboration with the Revenue Authorities, Planning and Development Department, and key sector departments to ensure a more predictable financing for ADP. Besides, the involvement of the key sectors would contribute toward more realistic demand articulation for public investments.

2. Alternatives for integrating development budget with recurrent

Owing to the dual budgeting in KP, the jurisdictions for development and recurrent budget are well established but result in a mismatch between existing and prospective liabilities generated from ADP execution. In the case of the schedule for new expenditure and operations and management (O&M) allocations, Planning and Development has a limited-to-no role. These issues need to be thrashed out as concrete agenda items among Planning and Development, Finance, and relevant line departments. The interim solution for a robust linkage between the development and recurrent expenditure is the strengthening of the role of the Finance Department in broader PDWP deliberations and more specifically on questions of recurrent liabilities flowing from approved projects. Similarly, Planning and Development's role needs strengthening in cash releases to ensure the project/schemes monitoring results feed into the cash release mechanism.

C. Improving Project Formulation

1. Phased approach for making project proposal submission mandatory

Project proposal development should be strengthened. As a first step, the Planning and Development Department should ensure that line departments submit a complete and robust PC-I during the ADP formulation stage. This measure may take a phased approach in the short to medium term with an agreement between line departments and Planning and Development on the percentage of new schemes that have an approved PC-I and, by the end of the agreed term, all new schemes to have a PC-I prepared. This action also needs an agreement at the Cabinet level to ensure that political imperatives do not undermine the agreed measures. Also, this action could be

constrained if the budget calendar is effectively restricted to three months (i.e., issuance of Planning and Development guidelines at end of December and submissions by end of March).

2. Timely initiation of budgeting process

The development budget is formulated with an incremental increase indicated in the guidelines. With that practice the budget process can be initiated at the beginning of the fiscal year rather than in December. Efforts should be directed for issuance of sector wide indicative ceilings for development budget but that would require strengthening the medium-term perspective in the budgeting process with greater focus on own-source revenue mobilization.

3. Delegation of responsibility for development of proposals for routine projects

The project proposal (PC-I) development, particularly for infrastructure, should reflect reality at the planning stage rather than being carried out as a desk job to avoid time and cost overruns. The C&W Department in most cases prepares project proposals for the line departments; and with C&W's own massive portfolio of roads and buildings, the line departments' proposals gets queued up waiting their turn. The GoKP can notify the yardsticks and standards for the average run-of-the-mill projects and delegate the responsibility of the project proposal development to the line departments and ensure scrutiny at the appraisal stage for compliance of the standards. This measure will not only contribute toward capacity development in line departments but also improve budget planning, timely completion of codal formalities, and project execution leading to improved budget utilization of the new schemes.

D. Institutional Coordination

The infrastructure development schemes in cases where land acquisition is required have experienced delays. For projects implemented in the jurisdiction under the Board of Revenue (mainly rural areas), the land acquisition rests with the Board and the priority tend to dilute when more than one department is involved. The resultant delays lead to poor budget utilization and the cyclical revisions in cost and time durations. In the interim period (i.e., until the Government adopts a more integrated/delegated approach), arrangements may be put in place to ensure participation and concrete discussion at PDWP and DDWP regarding the timeframe for site identification and land acquisition with the Board of Revenue (or related agency). This also entails that the agreed timeframe incorporated in project implementation and financial planning reflects realistic project duration to guide the budget allocation decisions.

E. Portfolio revamping

1. Rationalizing the approval limits and the number of schemes in the ADP

The planning, appraisal, and monitoring of ADP and the projects can consume a great deal of time, effort, and energy. The size of ADP, in terms of the number of schemes, has taken a toll on the aforementioned three functions and influenced the quality of public sector investments. The current size of ADP has led to thinly spread resources stifling the performing projects and adding to the time and costs overruns. The GoKP can improve the quality of planning, appraisal, and monitoring functions by rationalizing the size of ADP and the approval ceilings of the departmental-level screening. The latter with sanctioning authority of PKR 60 million lends a large number of schemes to PDWP. However, of greater importance for GoKP is to make a policy decision that includes only those projects in ADP that are large and complex with intra-provincial externalities. The remaining projects, on the basis of the principle of subsidiarity, may become part of the local government's development portfolio. This measure will accord greater time to policy-

level deliberations, reflection on policy and development initiatives implementation, and improving quality of appraisal and monitoring of the public sector development portfolio.

2. ADP Cleansing

For the current and subsequent year's ADP, Planning and Development should review the existing portfolio establishing the current status of all schemes, determine the sunk costs (if any) for the ADP cleansing exercise, and make recommendations to the Cabinet to effect notification on avoiding token allocations for subsequent projects and ensuring compliance by line departments with Planning and Development guidelines, in general, and for the distribution ratio of the new and ongoing schemes, in particular.

F. Fund Management

1. Policy evaluation for its effectiveness

The GoKP formulates and notifies an elaborate cash release policy at the beginning of the fiscal year. However, implementation of the policy is largely dependent on the fiscal transfers taking into consideration the GoKP reliance on federal transfers is over 85 percent of the total provincial receipts. The delay in realization of revenues by federal agencies and the subsequent transfers to the province delays the timely availability of funds for projects. From the operational perspective, the Finance Department should conduct an annual review of the policy implementation to assess the existing policy's effectiveness.

2. Alternate sources of revenue mobilization

Given the constraints stemming from the heavy reliance on federal transfers, the Finance Department would benefit from developing alternative options for resource mobilization in addition to focusing on generating own-source revenue to ensure greater predictability and autonomy.

3. Integrating cash release with project financing plan

The releases mechanism should be aligned with project financing requirements. As evidenced in the invariable adjustments in the first-quarter cash releases, particularly owing to the undefined or partially defined schemes that lack the classification as per chart of accounts, the line departments cannot expend given the classification requirements in GFMIS. Therefore, the Finance Department may pre-conditions of the releases to an adequate or at least summary classification at the budget formulation stage.

4. Use of GFMIS for development budget data compilation

The Finance Department should put in place a mechanism for generation of final grant (development) data from the system rather than manual data compilation. The ascertainment of final grants, releases, and expenditure data at the Finance Department and its reconciliation with the line department will help in establishing an accurate project-execution status and facilitate channeling the funds to performing projects. The reconciliation process will also help in establishing the volume of parked (unutilized) funds in the assignment accounts and self-accounting entities. The report generated by the Finance Department should be shared with Planning and Development and the end-of-year reports should feed into the calculation of the liabilities and the throw-forward. The calculated throw-forward assumes budget allocations as expenditure whereas expenditure data is different from the revised budget estimates as well as the releases. This measure will help in determining the exact liability position.

The recent delegation of powers for re-appropriation to heads of the administrative departments appears to be a positive step and is a recent measure to review its effectiveness toward improving project execution and budget utilization.

G. Procurement management

1. Procurement planning

The procurement plan development needs integration among relevant stakeholders to ensure the budget allocations correspond with the needs articulated. The integration of procurement planners, end users, and budget departments will ensure a realistic effort in the procurement plans and facilitate timely procurements by ensuring the procurement packaging is realistic and not according to incoherent budget allocations.

2. Improvements in bidding documents

The research and development by the Pakistan Engineering Council and others should trickle down to improving bidding documents. Benefitting from such research will help improve the bidding documents and facilitate timely completion of procurement processes leading to enhanced budget utilization.

3. Strengthening procurement practices

For medical equipment, a two-pronged approach should be instituted: (a) a robust assets management policy and (b) long-term operation and maintenance contracts. The combined effect is likely to lead to budget savings. The staff should be retrained on using appropriate procurement methods. In case of frequently procured routine medicines, performance-based framework contracts could be instituted for a period of 18 months with a realistic price adjustment clause. This would reduce the transactional burden and would ensure availability of medicines against cancellations, thereby reducing the risks of reduced shelf life and inadequate storage.

Publication of Request for Proposal (RFP) for procuring consulting services is a redundant process as the Request is issued to shortlisted consultants only. The publication of the Request adds unnecessary steps to the procurement process and could be done away with.

Pre-bid meeting and pre-proposal conferences can be a useful forum to critically review and realign the procurement process. Potential bidders and consultants might be specifically advised to identify any deficiency in the process, and procuring entities should walk through the entire evaluation process with the bidders and consultants to ensure an increase in the number of responsive bids and proposals.

Both KPPRA and auditors need to ensure that procurement methods are aligned with the complexity of contracts. The single, stage-two envelope method should be used only for large and complex contracts and should be disallowed for simple and low-value procurements. Moreover, a compliance-based rather than scoring criteria could be reinforced for routine, noncomplex procurements.

4. Alternate dispute resolution

Contracts should include alternate dispute resolution procedures to provide for an efficient and fair process outside of litigation when resolving disputes arising during the performance of the contract. Arbitration is a mechanism for alternative dispute resolution (the others being mediation and conciliation) that is normally covered by a separate law. Alternate dispute resolution will minimize delays faced by long, drawn-out litigation processes.

5. E-procurement

E-procurement includes not only the mode of conducting procurement through electronic media but also the introduction of methods that are facilitated by use of the electronic media. The use of new information technologies and new media supports the procedural aspects of procurement

(advertisement, bid submission, publication of awards), which enhance transparency and administrative efficiency. E-procurement is a considerable undertaking, and GoKP would benefit from partnering with donor agencies to devise a strategy for systems and capacity development for e procurements.

H. Data Improvements to Facilitate Statistical Analysis

1. Data systems

The key issue identified in this report was the timely availability of relevant quality data, particularly for long-running projects and those that have had more than two revisions in cost, scope, or time. The lead-time analysis of such projects was hindered due to data quality at the executing agencies, irreconcilability of interdepartmental data, and the availability of original documents (PC I) particularly for those projects that had multiple revisions. The focus of the data availability in the Planning and Development Department (P&D) for public domain is geared towards producing the ADP-related documents. A key objective embedded in ADP and its allocations is seeking project completion for development. The Development Planning and Monitoring System (DPMS) introduced[23] at P&D needs to be fully functionalized and integrated to rationalize budget allocations, facilitate systematic releases for projects placed in completion category and place line departments (implementing agencies) on higher responsiveness for such projects in order to avoid slippages.

The M&E is Directorate is represented at Pre-PDWP and PDWP meetings, however its feedback needs to be made more comprehensive and meaningful by increasing the system based data availability from the current 25 percent of the total development projects. With regard to financial progress, GoKP decided to include in DPMS the expenditure data generated from the AG office. As identified in the PEFA report the data availability of AG office has issues particularly with regard to the third party payments and those development budget related expenditure that are not within the Treasury Single Account (TSA).

The source of financial information needs to be enhanced to include data from the projects offices and C&W Department to ensure timely reporting of expenditure, reflection of the third party payments and the expenditure incurred by projects using special accounts outside TSA. Planning and Development maintains ADP-related data; however, the data comparison with the C&W progress reports and the PC-1s showed inconsistencies. Improving the data availability and its quality is integral to a more comprehensive portfolio management system to facilitate statistical analysis with accurate, timely, and adequate information on ADP projects to support decision-making during ex ante and ex post evaluations.

2. Data classification for budget preparation

The projects in ADP should have the requisite data with relevant classification and categorization to the one-line item currently submitted in the budget documents. The classification will not only benefit the timely targeted cash release but will also provide information on liabilities, accumulation status vis-à-vis liquidation, and generation through new projects. Currently, owing to absent or inadequate specifications for liability creation through project implementation, project classification—according to the nature, type of works, minimum divisibility, or timeliness—is not maintained. This is due largely to the inadequate quality of project documents (PC1) and recording of ADP and project liabilities as per the summary budgetary submission requirements, constraining systematic ADP management. Feeding the approved project documents into a centralized and

[23] The Resource Wing of the P&D Department uses the DPMS for ADP formulation and the M&E directorate uses it for its functions. For users, the DPMS dash board reflects the ADP summary information and another is dedicated for M&E related information.

accessible databank with the aforementioned level of detail rather than summary information would improve ADP management.

Improving the datasets would assist in assessing the fiscal space for new projects. The projects completing or dropping from ADP, while achieving utilization below or above threshold, or utilization equal to a minimum or maximum percentage of approved cost will be reviewed to highlight causes for dropping or learn from methods used to achieve cost savings. The system should be able to generate an annual report to guide policy-making on ADP size, portfolio management, releases, and medium-term planning.

I. Monitoring and evaluation

The GoKP should provide a robust, institutional arrangement for M&E instead of keeping the M&E Directorate in project modality. Functionally, the M&E Directorate conducts monitoring and evaluation of projects and has identified causes of poor project execution. However, the key issues constraining quality improvements are delays in the feedback from the M&E Directorate (reports) and the contestations by the C&W Department on observations related to infrastructure. The timely feedback from the M&E Directorate with respect to project execution efficiency for PDWP deliberations can lead to informed decision-making with regard to budgetary allocations translating in improved budget execution.

The enforcement of the decision with respect to submission of PC-V is vital to improving public investments. Based on the pattern of federal government, the provincial government can institute a mechanism for PC-V preparation like withholding cash releases to subsequent projects if the PC-V documents are not prepared and submitted.

Currently, project monitoring and progress reporting largely based on finances rather than the physical progress and the inconsistency in final grant and expenditure data constrain the quality of monitoring. The purpose of the PC-III form is to facilitate the funds allocation with cash and physical plans and review of the financial and physical progress of the projects by Planning and Development. The submission of PC-III should be made mandatory to improve the project monitoring and budget allocations. Finally, the third party project evaluations piloted by Planning and Development should be enhanced to allow independent feedback on the projects and policies to improve future public investments.

Annex 1: Action Plan

Short term refers to within 1 year.
Medium term refers to more than 1 to 3 years.
Long term refers to more than 3 years

Finding	***Recommendation***	***Responsible agency***	***Timeline***
GoKP in line with its commitment to reform PFM in KP notified an integrated PFM reform strategy, which lapsed in 2015 constraining the reform efforts.	With developments in international standards, changes in roles and responsibilities after the 18th amendment to the Constitution and the NFC Award, another round of PFM reform strategy continues the process of strengthening PFM in KP. Finance Department in consultation with Planning and Development and line departments/authorities should develop a capacity-building strategy to ensure capacity-building initiatives embraces the relevant staff.	PFM reforms oversight committee. FD in collaboration with P&D and LDs/ authorities	Strategy formulation – Short term. Monitoring of reform strategy continuous.
Development budget lacks linkage with revenue collection, thus the size of ADP is relegated to residual revenues.	Link ADP size with demand for public investment: (a) link the review of key sectors and priorities to identify important projects; and (b) additions to ADP size should be linked back to revenue mobilization targets and options. Involvement of key line departments and revenue authorities would result in realistic demand articulation.	PFM reforms oversight committee. FD in collaboration with P&D and Revenue authorities	Medium to long term.
Dual budgeting eclipses liabilities toward recurrent expenditure, created by development budget execution.	Indigenize integration of development budget with recurrent. In case of Schedule for New Expenditure and O&M allocations, Planning and Development has limited-to-no role. These issues need to be thrashed out as concrete agenda items among Planning and Development, Finance, and relevant line departments. The interim solution for a robust linkage between development and recurrent expenditure is strengthening the role of the Finance Department in broader PDWP deliberations and more specifically on questions of recurrent liabilities flowing from approved projects. Similarly Planning and Development's role needs strengthening in cash releases for development budget to ensure the project/schemes monitoring results feed into the cash release mechanism. Ensure sufficient time for budget preparation by advancing the issuance of the Budget call circular and the ADP preparation guidelines.	Finance and Planning and Development Departments	Medium term.
Project formulation is deficient owing to lack of development of project proposals for new schemes projects at the budget preparation stage.	As a start up measure the Planning and Development should make it mandatory that line departments submit a summary proposal for the proposed ADP projects and graduate to the submission of complete and PC-I during the ADP formulation stage. In this regard, Planning and Development may take a phased approach in the short to medium term with an agreement between the line departments and Planning and Development to settle on the percentage of new schemes to have an approved project document; and by end of the agreed term, all new schemes to have a PC-I prepared. Endorsement of the above action by the Cabinet would ensure the political imperatives do not undermine the agreed measures. Ensure sufficient time for project formulation by timely issuance of budget call circular and Planning and Development guidelines. Delegate responsibility of development of proposals for mundane projects to line departments.	Planning and Development Department	Short to medium term

Finding	*Recommendation*	*Responsible agency*	*Timeline*
Lack of institutional coordination delays project start-ups.	Ensure participation and concrete discussion at PDWP and DDWP regarding the timeframe for site identification and land acquisition with Board of Revenue (or related agency) and the agreed timeframe incorporated in project implementation and financial plan to reflect realistic project duration to guide budget allocation decisions.	Planning and Development Department	Short term
Large number of schemes lead to thin spread of resources making ADP implementation challenging.	ADP size and approval ceilings at departmental-level screening need rationalization. For the current and subsequent year's ADP, Planning and Development should review the existing portfolio, establishing the current status of all schemes, and determine the sunk costs (if any) for the ADP cleansing exercise. Put up recommendations to the Cabinet to effect notification on avoiding token allocations for projects (schemes) and ensuring compliance by the line departments with Planning and Development guidelines for the distribution ratio of the new and ongoing schemes. GoKP may take a policy decision to include only those projects in the ADP that are large and complex or with intra-provincial externalities. The remaining projects, on the basis of the principle of subsidiarity, may become part of the local government's development portfolio.	Planning and Development Department	Short to medium term
Policy formulated but its effectiveness not assessed.	GoKP largely relies on federal transfers that reportedly are erratic, leading to unpredictable cash releases for projects. Finance Department should conduct an annual review of the policy implementation to assess the existing policy's effectiveness. The review would help in integrating the cash releases with project's financial plan. The review would also aid in reducing the block allocations or partially defined umbrella schemes or at least predefining the schemes' requirements at the budget preparation stage.	Finance Department	Short term
Manual data compilation for development budget.	Finance Department should put in place a mechanism for generation of final grant (development) data from the system rather than manual data compilation. This measure would help in establishing accurate project execution status and facilitate channeling funds to performing projects. It would also help tracking parked (unutilized) funds in assignment accounts and self-accounting entities, which in turn will help in calculation of exact liabilities and throw-forward. Currently, the calculated throw -forward assumes budget allocations as expenditure whereas the expenditure data is different from the revised budget estimates as well as the releases. Ensuring expenditure related information from GFMIS and other data sources (project offices) will help in determining the exact liability position.	Finance Department	Short term
For recurrent budget, the submission of budget estimates directly to Finance Department by the drawing and disbursing officers and in isolation of the administrative department not only	The Health Department should develop a realistic and accurate budget based on actual needs under each head of account, including one-line budget for hospitals (medical teaching institutes). In addition, the recent changes in health sector financial management requires capacity-building initiatives for the drawing and disbursing officers of the Health Departments.	Health Department	Short to medium term

Finding	*Recommendation*	*Responsible agency*	*Timeline*
disrupts the budget formulation framework but also results in unrealistic budgeting and estimates, and so requested funds remain unutilized and have to be re-appropriated.			
The quality of data has undermined effective portfolio (ADP) management. The lack of availability of historic data particularly for those projects that have had more than two revisions in its scope hindered lead-time analysis of such projects. The inconsistencies in data (e.g., project cost in PC-I differs from cost mentioned in ADP) and non-availability of original PC-Is (for aforementioned projects) undermined the data reconciliation and liability determination.	DPMS introduced at Planning and Development should function to rationalize budget allocations and facilitate systematic cash releases to avoid slippages. Planning and Development can target utilization of DPMS for a more comprehensive portfolio management system to facilitate statistical analysis with accurate, timely and adequate information on ADP projects to support decision- making during ex ante and ex post evaluations. The projects in ADP should have backup data with relevant classification and categorization to the one-line item submitted in the budget documents. The classification will not only benefit in predefining the schemes at the budget preparation stage but also facilitate timely and targeted cash releases and provide information on liabilities, accumulation status vis-à-vis liquidation, and generation through new projects.	Planning and Development Department	Short to medium term
Disintegrated procurement planning results in incoherent procurement packaging that leads to multiple publications and delays.	The procurement plan development needs integration among the relevant stakeholders to ensure budget allocations correspond with the needs articulated in the procurement plans.		Medium to long term
Information in the procurement documents is ambiguous, leading to unresponsive bids.	Research and development by the Pakistan Engineering Council and others needs to trickle down to improve bidding documents.		Short to medium term
Lack of performance-based contracts has enhanced the transactional burden and impacted the timely availability and quality procurement of medicine.	For medical equipment, a two-pronged approach needs to be instituted: (i) a robust asset management policy and (ii) long-term operation and maintenance contracts. In case of frequently procured routine medicines, performance-based framework contracts can be instituted for a period of 18 months with realistic price adjustment clauses to reduce the transactional burden and ensure availability of medicines against call-offs thereby reducing risks of reduced shelf life and inadequate storage.		Short to medium term
Publication of Request for Proposal in procurement of consulting services is a redundant process since they are issued to shortlisted consultants only.	The practice should be done away with to increase procurement efficiency		Short term

Finding	*Recommendation*	*Responsible agency*	*Timeline*
Lack of feedback from the beneficiaries keeps the business processes inimical.	Pre-bid meeting and pre-proposal conferences could be held to critically review and realign the procurement process. Potential bidders and consultants would be specifically advised to identify any deficiency in the process.		Short to medium term
Use of single stage-two envelope method for routine procurements incurs delays.	Single stage-two envelope method to be used only for large and complex contracts.		Short term
Delays results due to long drawn-out litigations.	Contracts should include dispute resolution procedures to provide for an efficient and fair process outside of litigation to resolve disputes arising during performance of the contract. Arbitration is a mechanism for alternative dispute resolution (the others being mediation and conciliation) that is normally covered by a separate law. The alternate dispute resolution will minimize the delays faced by long drawn-out litigation processes.		Medium to long term
Lack of automation, and inadequate use of IT and media under-mines transparency and efficiency in procurement.	Use of new information technologies and media sources would enhance transparency and administrative efficiency. Devise a strategy for systems and capacity development for e-procurements.		Medium to long term
Lack of a robust M&E has impacted the quality of public policy and investments.	GoKP could consider providing a robust institutional arrangement for M&E instead of keeping the M&E Directorate in project modality. Functionally, the M&E Directorate has identified causes of poor project execution; however, key issues constraining quality improvements are delay in feedback from the M&E Directorate (reports) and contestations by the C&W Department on observations related to infrastructure. The timely feedback from M&E Directorate with respect to project execution efficiency for PDWP deliberations can lead to informed decision-making with regard to budgetary allocations translating in improved budget execution. P&D may ensure enforcement of its decisions with respect to submission of PC-V upon project (scheme) completion. Planning and Development might consider making submission of PC-III mandatory to improve project monitoring and budget allocations.	Planning and Development Department	Medium term

Annex 2: Jurisdictional Roles Influencing Project Completion

Sr. No	*Description of the schemes*	*Issues encountered and resultant delays*
1	Up gradation of Khuwazakhela Hospital to Category C (Swat),	• Scheme approved by PDWP on 28/03/2009 at a cost of PKR198 million. • Main building completed during 2013/14. • Approved cost included purchase of 10 kanals land for residential portion of hospital. • Land payment made by the C&W to BoR on 03/06/2010. • 1st site section IV issued on 04/10/2010 however de-notified on 23/11/2011 due to portion of it being washed away by floods. • 2nd site section IV issued on 22/03/2012 but was de-notified on 28/05/2012 due to presence of madrassa occupied by army and motor bargain near by. • 3rd site section IV issued however de-notified on 06/12/2013 because the planning officer found the site unfeasible. • **Ultimate delays due to site identification and finalization: over 5 years.**
2	Up gradation of 10 RHC's to Category D hospitals in KPK	• Scheme approved by PDWP on 19/09/2012. • Up gradation of RHC Gara Tajak was part of the umbrella schemes. • The hospital portion was completed by 2014-15. • Approved cost included purchase of 16 kanals land for residential portion of hospital. • Section IV, V, VI, XVII issued. • Work could not be initiated on the residential portion as of date due to non-handing over of site to C&W due to wrong issuance of land acquisition and court case. • **Ultimate delays due to site identification and finalization: over 4 years.**
3	Rehabilitation and reconstruction of health facilities washed away in 2010 floods	• Scheme approved by PDWP on 16/02/2012. • Reconstruction of civil hospital Maydan at a new site was a component of this scheme. • Approved cost included purchase of 63 kanals of land for the hospital. • PKR 80 million was paid to BoR by C&W for purchase of land on 14/06/2012. • Section IV, V, VI issued. • Work could not be initiated until 02/01/2014 because the owners filed written objections under land acquisition act and the matter was referred to DC court on 02/01/2014. • **Ultimate delays due to site identification and finalization: over 3 years.**
4	Establishment of children and maternity hospital at Charsadda	• Scheme approved by PDWP on 07/05/2012. • Approved cost included purchase of 18 kanals of land for the hospital. • Section IV on 04/04/2013. • **Ultimate delays due to site identification and finalization: over 1 year.**
5	Establishment of 15 BHU's in KPK on need basis	• Scheme approved by PDWP on 25/02/2010. • Until 2014-15 work on 13 components was near completion. • Work on two BHUs, Buner and Katkala, not yet started due to non-identification of sites for the respective BHUs. • **Ultimate delays due to site identification and finalization: over 5 years.**
6	Balance civil works and purchase of equipment for RHCs (Phase II)	• The scheme was approved by PDWP on 06/03/2012. • Up gradation of BHU Patwar Bala Peshawar to RHC is part of this scheme. • Main building was completed during 2014-15. • The scheme cost includes purchase of 6 kanals land for residential building. • Award was made of land in 2014-15 however the landowner approached the court for rate enhancement. The land owner did not let the contractor to start its work. • First court hearing was on 08/01/2014. • **Ultimate delays due to site identification and finalization: over 3 years.**

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