



KHYBER PAKHTUNKHWA

COMPREHENSIVE DEVELOPMENT STRATEGY 2010-2017

GOVERNMENT OF KHYBER PAKHTUNKHWA



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2010-2017

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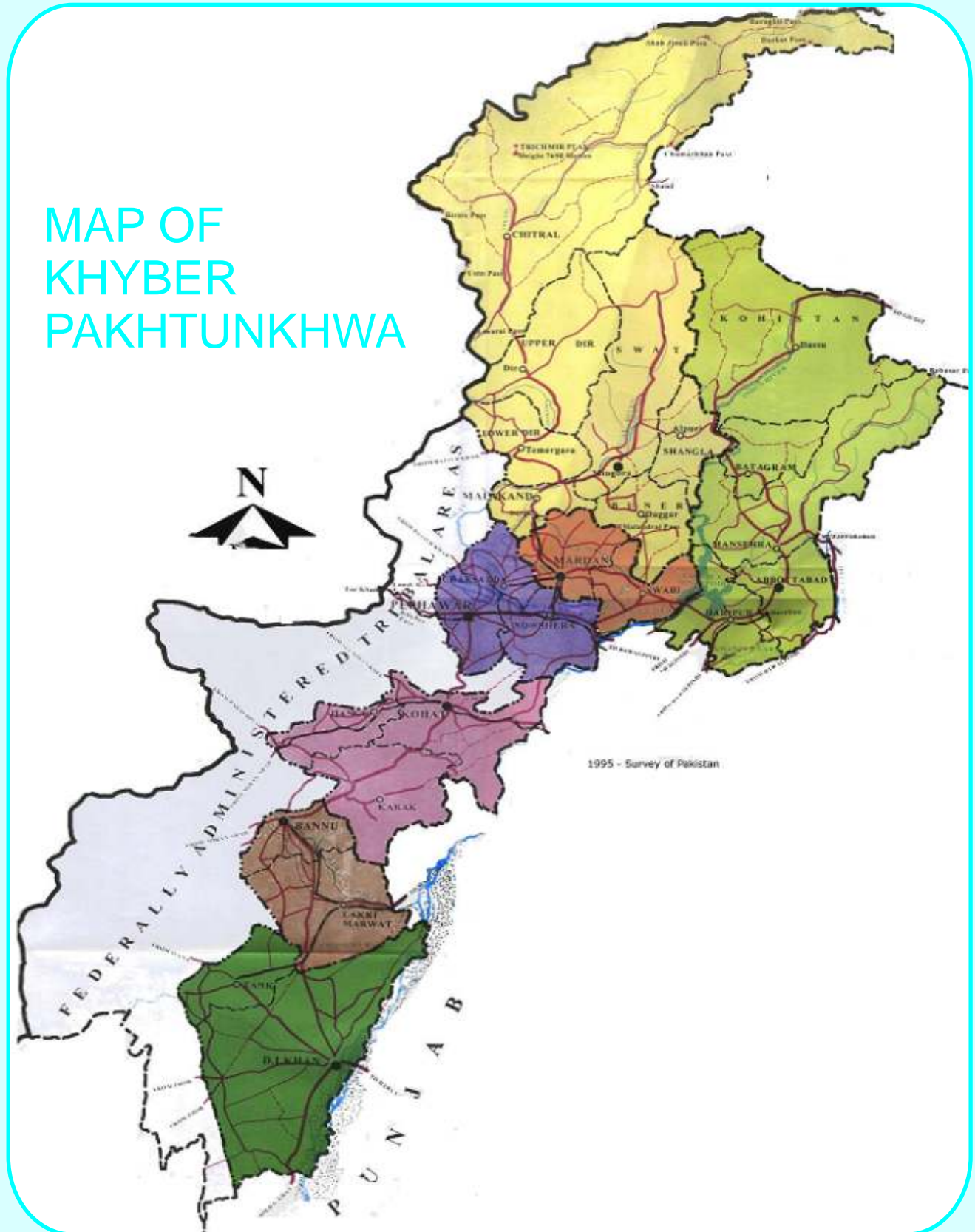
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ABBREVIATIONS

ADP	Annual Development Programme
ANP	Awami National Party
BISP	Benazir Income Support Programme
CDS	Comprehensive Development Strategy
DFID	Department for International Development (United Kingdom)
DSP	Decentralization Support Programme
DNA	Damages Need Assessment
ESED	Elementary and Secondary Education Department
EPD	Energy & Power Department
FD	Finance Department
GoKP	Government of Khyber Pakhtunkhwa
GoP	Government of Pakistan
HD	Health Department
HIES	Household Income and Expenditure Survey
IDP	Internally Dislocated Person
IFI	International Financial Institution
KP	Khyber Pakhtunkhwa
LGRDD	Local Government and Rural Development Department
M&E	Monitoring and Evaluation
MDGs	Millennium Development Goals
MTBF	Medium Term Budgetary Framework
MMD	Mines & Minerals Department
NEPRA	National Electric Power Regulatory Authority
NFC	National Finance Commission
NRM	Natural Resource Management
NWFP	North-West Frontier Province
NTCIP	National Trade Corridor Improvement Programme
O&M	Operation and Maintenance
OPM	Oxford Policy Management
PaRRSA	Provincial Relief, Rehabilitation and Settlement Authority
PASDEC	Pakistan Stone Development Company
PBM	Pakistan Bait-ul-Mal
PCNA	Post Conflict Needs Assessment
P&DD	Planning and Development Department
PHED	Public Health Engineering Department
PIFRA	Project to Improve Financial Reporting and Auditing
PPHI	People's Primary Healthcare Initiative
PRP	Provincial Reforms Program
PRSP	Poverty Reduction Strategy Paper
PSDP	Public Sector Development Programme
RMG	Reforms Management Group
ROZ	Reconstruction Opportunity Zone
WFP	World Food Programme
SWWDD	Social Welfare and Women Development Department
NGO	Non Governmental Organization
RSP	Rural Support Programme
SHYDO	Sarhad Hydrel Development Organization
PSLM	Pakistan Social and Living Standards Measurement
TA	Technical Assistance
TEMPD	Technical Education and Manpower Training Department
TEVT	Technical Education and Vocational Training
TMA	Tehsil/Town Municipal Administrations
GENCO	Generation Companies
NTDC	National Transmission Dispatch Company

MAP OF KHYBER PAKHTUNKHWA



CHIEF MINISTER'S MESSAGE



I am delighted to see the first ever Comprehensive Development Strategy (CDS) for our Province. The approval of this strategy by the Provincial Cabinet came almost at the same time as the agreement on NFC award and renaming of the Province as Khyber Pakhtunkhwa. I firmly believe that enhancement in the quality of our people's lives now serves as the singular focus for my government and CDS very well presents my government's vision for the future of Khyber Pakhtunkhwa.

This strategy builds upon the manifesto of the Awami National Party (ANP) and the Pakistan Peoples' Party. I am aware and appreciate the hard work and the patience demonstrated in negotiating and putting together priorities of various coalition partners so flawlessly into one comprehensive strategy.

In my first address after taking oath of my office, I stressed upon the importance of viewing politics as a public service, particularly to the poor and disadvantaged. I had also mentioned that the coalition government was committed to the eradication of poverty, the protection of human rights, the combating of extremism in all its forms and the creation of equal opportunities for all our citizens. I am pleased to see that CDS follows those directions and concentrates on shifting the focus to the health, education and the private sectors whilst ensuring safety nets for lower income groups. My speech also identified a major increase in police spending and an above average increase in energy sector, local development, roads maintenance and agriculture which are so well reflected in the CDS.

I am pleased to see that CDS has crystallized the Provincial government vision into clear policy directions and priorities. I am sure relevant government agencies will put place an effective monitoring mechanism to ensure proper implementation of CDS and realization of our government's vision.

Amir Haider Khan Hoti
Chief Minister
Khyber Pakhtunkhwa



SENIOR MINISTER'S MESSAGE

The formulation and approval of the CDS for the province of Khyber Pakhtunkhwa is remarkable in many ways. First, its preparation started when the province was going through its worst security phase. It appeared then as a low priority but later proved as an important reference document in securing global support in tackling the menace of militancy. Material from the CDS was also used for a Friends of Pakistan meeting held in Tokyo in 2009. Its preparation also coincided with the Medium Term Budgetary Framework (MTBF) currently being piloted in the province. This Framework is proving useful in our ongoing efforts to link budget making with planning. Moreover, with the CDS in place, the province in the post-NFC agreement scenario is well prepared to spend additional funds judiciously in coming years without fears that these resources may go waste for lack of a strategic plan. Finally, with the renaming of the province as Khyber Pakhtunkhwa it is high time that we, at the helm of affairs, now focus all our efforts to make a concerted push for improvements in ordinary people's lives. This document, therefore, provides an effective strategy in holistically tackling the challenges facing the provinces.

We, at the Planning and Development Department (P&DD), look forward to disseminating this document widely amongst all stakeholders. Its success will lie in its becoming obsolete over the next few years, during which time subsequent changes will be necessitated and, hence, a new document will emerge. This will, however, require a very close watch, monitoring and feedback on the implementation of the CDS by the relevant departments. For us, at P&DD, the challenge is to ensure that the CDS is linked with the Provincial Annual Development Programme (ADP) and that a rigorous monitoring system is in place to ensure that sectoral targets are achieved as planned. I strongly encourage the P&DD, relevant departments and development agencies to ensure fullest implementation of the CDS in their respective areas.

Rahim Dad Khan
Senior Minister for P & D Energy & Power
Khyber Pakhtunkhwa

PREFACE

The province of Khyber Pakhtunkhwa is blessed not only with hard working and enterprising people, but also with rich and diverse natural resources. The province, however, has remained one of the poorest in Pakistan. With a bulging population of about 22.2 million, the province has the most youthful population in Pakistan, with about 30% of the male population between the age of 15 and 29. The large majority of this young male population has fewer employment opportunities. The provincial government realises that, with a growing population with rising levels of expectations, it cannot find sustainability on the basis of a shrinking resource base.

The challenge for the province is, therefore, to embark on a sustained improvement in the life of its citizens by enhancing its resource base. Increasing the resource base in Khyber Pakhtunkhwa is, in turn, faced with challenges such as:

Locational Disadvantage: The considerable distance of the province from seaports generates high transportation costs, resulting in higher input costs and thus affecting the competitiveness of its produce. However, this challenge also serves as an opportunity if provincial exports are geared up towards Afghanistan and Central Asia.

Refugees and Militancy: The province hosted more than three million refugees for over two decades which, besides creating a plethora of socio-economic and environmental challenges, also negatively impacted the security situation. Ensuring security today, therefore, is a huge burden on the public exchequer.

Energy Shortfalls and Impact on Industry: The vast indigenous energy potential has remained untapped, largely due to inadequate policies. Higher fuel and energy costs, together with frequent electricity outages, are another major reason for the remaining industrial units either to shut down or relocate elsewhere.

The Cumulative Impact: As a direct result of higher input costs, electricity shortages and prevailing insecurity in the region, the private sector in the province could not thrive as it did in other parts of the country. Consequently, there are fewer employment opportunities within the province. Many of the young workforce often migrate to other parts of the country or the Middle East in search of employment but, since this workforce is poorly skilled, they are unable to secure better paying jobs.

The progress that was being made in Khyber Pakhtunkhwa before the present conflict demonstrates the potential of the province. Despite the disadvantages of isolation and the difficulties of providing basic education and health services, Khyber Pakhtunkhwa grew faster than the rest of Pakistan. The province has strong agricultural skills, and offers a diverse climate and landscape for a variety of tourism activities. Located at the crossroads of important international trading routes, the people of Khyber Pakhtunkhwa have long traditions of trade and travel. Hydroelectric power, forestry and minerals offer resources for a modern economy.

The provincial government is determined to address the challenges and opportunities facing the province. The CDS reflects the GoKP's vision and strategic direction. The Strategy proposes to achieve key development objectives of poverty reduction and employment creation through:

- the provision of basic public goods (energy, agriculture, roads, irrigation, infrastructure, water & sanitation, education, health and research);
- improving capacities, by ensuring modern regulation to promote competitiveness.
- improving technical and vocational skills; and
- by facilitating the private sector

This will also require the GoKP to disengage itself and increasingly engage the private sector in delivery of services in areas such as education, health and infrastructure, and the like.

The CDS distinguishes between the short term (two years), medium term (three years) and a further period of two years. It defines clear and changing priorities for each of these periods, and assesses the costs of the priority programmes involved. It matches the expected costs with funding from both domestic and foreign sources.

Implementation of the CDS will be co-ordinated by a CDS Co-ordination Cell in the P&DD. This will ensure that the provincial ADP reflects the CDS priorities, and will contribute to the development of annual Budget Strategy Paper at the start of the annual budgetary cycle. Departments will produce progress reports as part of the budget process and report any problem encountered with their sectoral priorities.

The CDS fits clearly within the Vision 2030 prepared by the National Planning Commission in 2007. Khyber Pakhtunkhwa will play its part in the emergence of Pakistan as a middle-income country based on

- skilled use of limited natural resources;
- access to basic public services (including education, health, social protection, water and sanitation); and
- freedom of economic opportunity.

Khyber Pakhtunkhwa will contribute to the national goals of equity, gender mainstreaming and access to justice.

The CDS is comprehensive in scope, depth and sense, and is an important early step in improved public sector planning that will link to new initiatives in transparency, budgeting and participation through the MTBF.

Whilst the CDS presents the priorities of the GoKP, it has made use of the available existing strategies in each sector. Sector chapters have been largely prepared by the relevant departments and discussed with the P&DD.

My appreciation goes to the hard work of my team at P&DD that accepted this huge challenge and helped lay the basis for a sustainable development for our province.

Ghulam Dastgir Akhtar
Additional Chief Secretary
Planning and Development Department
Government of Khyber Pakhtunkhwa

ACKNOWLEDGEMENTS

The Planning and Development Department embarked upon the formulation of the CDS in 2008 on the advice of the then Additional Chief Secretary, Mr Javed Iqbal. Through an intensive and extensive process over the last two years that involved a number of high-level reviews, today, we finally have a first-ever strategic development plan for our province with us, and we express our sincere appreciation for the vision and guidance of Mr Javed Iqbal (Chief Secretary GoKP) and my predecessor, Mr Shakil Qadir Khan, for his initiative and interest.

The formulation of the Strategy itself required input from a large number of people from various provincial departments and agencies. The contributions from the respective administrative secretaries and other officers are gratefully acknowledged as, without their tireless efforts, formulation of this document would not have been possible. We also appreciate the keen interest shown by the respective Ministers who, on various forums, provided their highly valuable input and direction for this strategy. I am particularly grateful to Senior Minister Mr Rahim Dad Khan, Additional Chief Secretary Ghulam Dastgir Akhtar, and the Secretary (Planning and Development) Muhammad Ikram Khan, each of whom played a key role in achieving consensus on priorities, and provided constant patronage, back-up support and guidance.

My sincere gratitude to a large number of representatives from Civil Society Organizations, academia, media and the private sector, who provided significant feedback and contributions to the development and refinement of this Strategy.

It is a pleasure to thank my colleagues at the Reforms Management Group (RMG) for Policy and Co-ordination such as Mr Ali Raza (Chief Foreign Aid), Mr Qaiser Alam (Additional Secretary, Education), and Dr Shabina Raza (Chief Health Sector Reforms Unit). The RMG acted as a central pivot in the formulation of this document, and spent long hours over the last two years in ensuring the production of a high quality document. I am sure that, with this experience, my RMG colleagues will remain engaged in setting up the right course for the province's development. My sincere thanks to Mr Kit Nicholson (International Advisor) and Mr Farooq Khan (National Advisor from the Provincial Reforms Program (PRP/OPM)) who technically supported the entire formulation process, created the form of the document and incorporated numerous improvements and edits.

I owe my deepest gratitude to the PRP/OPM and the Department for International Development (DFID) of the government of the United Kingdom for their technical and financial support. We hope that this high-quality support from DFID will remain available for the people of Khyber Pakhtunkhwa in the future.

The P&DD looks forward to receiving and welcomes any comments, feedback, suggestions and improvements from stakeholders, as it is planned that the CDS should undergo requisite enhancements in due course over the next seven years.

Dr. Amber Ali Khan
Chief Economist
Planning and Development Department
Government of Khyber Pakhtunkhwa

EXECUTIVE SUMMARY

The province of Khyber Pakhtunkhwa stands at a critical point in history. Decades of steady development have been interrupted by a conflict that has spread across the border from Afghanistan. The conflict is patchy, but there are some areas of the province where lives are greatly disrupted and where it is difficult to maintain normal public services.

The progress that was being made in Khyber Pakhtunkhwa before the conflict demonstrates the potential of the province. Despite the disadvantages of isolation and the difficulties of providing basic education and health services, Khyber Pakhtunkhwa grew faster than the rest of Pakistan. The province has strong agricultural skills, well adapted to the unspoiled natural environment. Located at the crossroads of important international trading routes, the people of Khyber Pakhtunkhwa have long traditions of trade and travel. Hydroelectric power and minerals offer resources for a modern economy.

Recognising these challenges and strengths, the GoKP has defined the following vision:

Attainment of a secure, just and prosperous society through socioeconomic and human resource development, creation of equal opportunities, good governance and optimal utilization of resources in a sustainable manner.

To achieve this vision, the GoKP is committed to a major initiative to improve the effectiveness of government services and to further consolidate consensus in the province about the role of government. This initiative will affect public finance, justice, local participation and governance.

Despite the proven potential for development in Khyber Pakhtunkhwa, the province starts from a disadvantaged position arising from decades of partial involvement in national development. This affects levels of poverty and some social development indicators, as presented in Table 1. There are large geographical variations in the nature and severity of poverty and in gender equality.

Table X1 Key indicators for Khyber Pakhtunkhwa and Pakistan

No		Khyber Pakhtunkhwa	Pakistan
1	Population (1998 census)	Rs 17.7 million	Rs 132.4 million
2	Population (March 2009, estimated)	Rs 22.2 million	Rs 165.7 million
3	Population aged under 15 years	47.2%	43.4%
4	GDP growth rate	4.6%	5.8%
5	Population below poverty line	38.1%	34.0%
6	Literacy rate	47.0%	55.0%
7	Rate of attended births	51.0%	61.0%
8	Roads km/sq km	0.16	0.32
9	Households with tap water	47.0%	34.0%
10	Households with safe sanitation	60.8%	62.5%

Sources: NWFP Development Statistics; NWFP White Paper 200809; Demographic Health Survey

The Government of Khyber Pakhtunkhwa (GoKP) receives 83% of its **revenue** from federal sources. The timing and level of federal transfers is difficult to predict, which undermines effective budgeting in the province. As a result, revised estimates for **expenditure** are produced each year, and the changes are often substantial. In recent years, the revisions have had to accommodate changing policy priorities associated with higher security spending and the need to accelerate some high-profile programmes that will build confidence in local communities.

In real terms, revenue and expenditure have increased by 7% per year over the last 10 years. This has allowed the GoKP to improve services and to introduce a programme of decentralisation and other institutional reforms. However, the increasing levels of **conflict** in recent years have had major implications for government finance. The GoKP estimates that damage to public property has amounted (late 2009 estimates) to nearly Rs 68.6 billion, which had earlier been projected at Rs 5 billion (early 2009 estimates). Additional policing costs estimates were Rs 5 billion whilst, by December 2009, the police and other security agencies had actually incurred a cost of Rs 24.9 billion. About Rs 5 billion of revenue has already been lost, and a further Rs 5 billion is expected to be lost through the remainder of the conflict and recovery.

The provincial government is determined to address these challenges/opportunities and has produced the CDS with the consultation and advice from representatives of civil society and the private sector. The CDS has the following priority policies:

Governance and security. Several recent initiatives for improving governance have been launched in the province. This will be particularly important through the short and medium term, when large increases in public expenditure are planned and the absorptive capacity of the GoKP will be improved.

The maintenance of **law and order** has required the diversion of public funds to the police services in recent years, and this will need to be maintained for the next two years. A programme of investment in new police posts, lines, offices and stations is being undertaken to respond to the expansion in the number of districts and to the need for new facilities to be designed and equipped to deal with the conflict. Priority measures in governance and security include:

- deepening the programme of Public Financial Management;
- construction of a police infrastructure, improvement of the police infrastructure in conflict areas, repair of damaged facilities and procurement of equipment, vehicles and ammunition for the police; and
- raising an elite force, police training, capacity building and exposure to new subjects, including counter terrorism.

Social sectors. Education standards in Khyber Pakhtunkhwa have improved markedly in recent years, with literacy increasing from 37% in 1998 to 47% in 2006. However, literacy is still well below the national average of 55%. Low literacy reflects the challenges of providing high-quality schooling in the difficult terrain and complex social traditions of Khyber Pakhtunkhwa. The Gross Enrolment Rate in primary education in Khyber Pakhtunkhwa is currently about 82%, compared with 91% for Pakistan as a whole. Although this rate has improved dramatically from a level of 70% in 1998, the rate of improvement has lagged behind that of Pakistan as a whole, especially in the last few years.

Khyber Pakhtunkhwa has an exceptionally young population and this will lead to a very rapid growth in the demand for education in the next 20 years. The GoKP is planning to address this with an ambitious programme to improve the number of teachers and classrooms. Equally important, the education plan also stresses the need to switch from an approach that is based on knowledge to one that is based on skills, and to be more flexible in co-operating with schools run by civil society and by the private sector.

¹ PaARRSADNA Report, 2009.

² Cost of Conflict Study, GoNWFP, February 2009.

³ Cost of Conflict Study, GoNWFP, February 2009.

The **health** status of Khyber Pakhtunkhwa is complex. Infant mortality indicators are significantly lower for Khyber Pakhtunkhwa than for Pakistan as a whole (at 6.3% and 7.8%, respectively). This is despite relatively low levels of attended birth for Khyber Pakhtunkhwa compared with the national average (51% compared with 61%). Immunisation rates in Khyber Pakhtunkhwa are below those of Punjab, but significantly higher than Sindh or Balochistan. The private sector currently provides between 70% and 80% of health services Khyber Pakhtunkhwa, which is high by international standards but low compared with other provinces.

The Khyber Pakhtunkhwa strategy for health is based on an improvement in access to quality health services, including:

- increasing resources (financial, human, material) so as to address the issues on the supply side of health services;
- strengthening monitoring, supervision and regulatory roles at facility, district and provincial levels;
- regulating the quality and availability of the private health sector; and
- developing stronger partnerships with the community.

In addition, the health strategy includes initiatives for disaster risk reduction and management.

The main programmes of **social protection** are defined at national level; CDS includes measures to ensure that these programmes are implemented more efficiently. In addition, a programme of labour-intensive works is planned, which is designed to provide sustained employment for young men and thereby help reduce antisocial behaviour. There will be some expansion of spending on stipends and on investment in new shelters, centres and refuges for the most vulnerable. The Strategy also aims to stimulate microfinance and to make it an effective tool for poverty reduction in the province.

The CDS attaches a high priority to undertaking high-visibility **local development** activities to build confidence in communities. This programme will build on the successful experience with Rural Support Programmes (RSPs) and other organizations engaged in participatory development in the province, which have developed strong abilities and capacities in social mobilization and participatory development. The CDS aims to give these organizations a role in local development and poverty alleviation. The GoKP will partner some of these organizations, which is a break from usual practice.

Priority measures in the social sectors include:

- increased expenditure on teachers' salaries;
- free textbooks;
- training for teachers;
- construction and rehabilitation of schools;
- improving health facilities;
- increased health staff;
- health equipment, supplies and drugs;
- improvements in emergency response capability; and
- local development programmes including welfare programmes, community infrastructure, education, health and agriculture.

Infrastructure. Over 96% of passengers and 90% of freight in Khyber Pakhtunkhwa travels by road. Demand for **road transport** has been expanding at a rate much greater than economic development as a whole. The majority of the funding for roads has been devoted to expanding the network. Expenditure on road maintenance has been a small fraction of the level required to maintain standards. As a result,

44% of provincial roads and 78% of district roads are in poor or bad condition. The CDS continues with the programme of improving and expanding the road network, but stresses that a much higher proportion of resources will be devoted to increasing recurrent spending on roads.

There are substantial opportunities for expanding the **irrigated area** in Khyber Pakhtunkhwa, and the CDS will accelerate the current programme of investment in new irrigation infrastructure. However, current spending on maintenance of the irrigation system is about a quarter of what is required, and there is an even higher priority in maintaining and rehabilitating existing schemes to increase water efficiency, in view of the constraints on overall water supply. Priority is also given to investment in water efficiency programmes, including small scale schemes, water conservation and regulation of groundwater. Finally, in view of the increasing variability of rainfall and the reduction in natural mountain water storage that is likely to arise from climate change, a significant sum is committed for flood protection.

Regarding **energy and power**, the GoKP will invest a substantial proportion of net hydel profit arrears being received from the federation for implementation of the Rs 353.894 billion Hydel Development Plan 201025. The plan envisages attracting private investors that will also ensure an improved electricity supply and greater contributions to government revenue.

The majority of investment in **water and sanitation** is undertaken through urban development plans and local development in rural areas. The relevant GoKP departments will provide the necessary policy environment to ensure that this investment is effectively allocated and that incentives exist for efficient maintenance.

The lack of availability of **housing** in Khyber Pakhtunkhwa makes it difficult to retain government officials in post, especially in Peshawar and in some of the more remote areas. The GoKP is therefore committed to a programme of rehabilitation and construction of housing for officials. In addition, government is committed to obtaining land for housing for the poorest households in Khyber Pakhtunkhwa.

The priority measures for infrastructure are:

- maintenance and rehabilitation of roads;
- investment and improvement in roads;
- maintenance and construction work on large dams and canals;
- GoKP contributions to publicprivate partnerships in hydroelectricity projects;
- work on small dams;
- flood protection works; and
- housing for GoKP officials and for the poorest households.

Economic Management: About 75% of the population in Khyber Pakhtunkhwa is at least partly dependent on agriculture, and this includes many of the poorest households. Crops account for about 70% of the value of agricultural production and livestock for about 30%. The recent events in world food markets have highlighted the importance of agriculture in Khyber Pakhtunkhwa, both as a way of protecting the population from the impact of increasingly expensive food imports and as an opportunity to make rapid improvements in profits. However, agricultural growth is constrained by fragile natural resources, fragmentation of land holdings, underfunded research and extension, and limited availability of financial services, all of which contribute to low levels of productivity. The GoKP will provide assistance through improved access to inputs and technology, a programme of investment in land levelling and development, and investment in water harvesting that is geared towards increased efficiency and productivity.

Major opportunities exist for the expansion of employment from business creation through **industrial and minerals development**. Public investment in infrastructure will allow these opportunities to expand efficiently. Some assistance with marketing activities will also be provided and better co-ordination between provincial and national level export and investment promotion will be achieved. The relative ease of establishing businesses in Khyber Pakhtunkhwa will be promoted and reforms will be introduced to simplify administrative procedures. The business environment in the province will be made friendlier and efforts will be made to improve the infrastructure for industry in the province.

The services in **technical education** are constrained by limited funding, which means that over 90% of expenditure is on salaries and there is limited scope for applied work. Many courses are still run along traditional lines and the GoKP is committed to improving the scope and content of technical education to match more closely the needs of employers in Khyber Pakhtunkhwa.

The priority measures in economic management do not involve the same costs as in other sectors of government intervention, since the role of government is to facilitate. The main areas are:

- land development and the promotion of water harvesting and soil conservation;
- upgrading existing and establishing new industrial zones, and exploiting the opportunities associated with Industrial Development; and
- expansion, restructuring and rehabilitation of the technical education system.

Urban development: The GoKP has developed Urban Development Plans for 22 urban areas in Khyber Pakhtunkhwa. These cover the main public services, including water, sanitation, drainage, streets and the public infrastructure required to accommodate private services in transport, agriculture and trade.

Cross-cutting strategies: The GoKP pursues a number of cross-cutting strategies. The Gender and Environment Strategies provide a statement of government commitment in these areas: these Strategies are implemented by specialised departments and will be guided by a task force. The emphasis on Science and Technology and Information Technology demonstrates government's desire to transform the province into a knowledge-based economy and an example of transparent government.

Implementation: The implementation of the CDS will be assured through the link with the **Medium Term Budgetary Framework**, which will rely on the CDS for the identification of major priorities. Implementation will be co-ordinated by a high-level committee supported by a special development unit in the P&DD. This committee will monitor the level of expenditure on the key priority measures and will ensure that the CDS priorities are reflected in the annual Budget Strategy Paper, at the start of the annual budget cycle. Departments will produce progress reports as part of the budgetary process and will report problems encountered with their priority measures.

Costing: Costing estimates have been made for the CDS, and these distinguish between the short term (over the next two years), when reversing the course of the conflict is the highest priority; the medium term (over the following three years), when the province will be in a phase of recovery; and a further period of two years. The costs have been reviewed and adjusted by the P&DD and by the GoKP departments in the province to reflect the balance of priority across sectors. The available domestic financing takes into consideration the effects of GDP growth and the recent NFC award, and payment of hydelarrears as well as commitments outside the CDS.

The estimates suggest that out of a total amount of Rs 960.43 billion, a sum of Rs 255.9 billion will be required in the next two years, above the current levels of expenditure. Rs 88 billion will be provided by additional domestic revenue, leaving Rs 168 billion (US\$1.98 billion) to be covered by additional domestic resources, if available, or foreign grants and loans. In the medium term, from Year 3 to Year 5, the total additional requirement is Rs 397 billion, of which Rs 220 billion will be provided by increased domestic revenue, leaving Rs 177 billion (US\$2.08 billion) to be covered by other sources and/or increased donor support. From Year 6 to Year 7, an additional Rs 308 billion will be required, with Rs 100 billion (US\$1.18 billion) required from additional resources, if available, and from development partners. This is summarised in Table X2.

Table X2 Funding for Full CDS Implementation (Rs. billion)

	Y1-Y2	Y3-Y5	Y6-Y7	Total
CDS expenditure	256	397	308	960
Domestic revenue available, after NFC award, hydearrears and non-CDS commitments	88	220	208	516.00
External assistance and possible additional own sources	168	177	100	444.44
<i>In US\$ billion (US\$1 = PRs 85)</i>	<i>1.98</i>	<i>2.08</i>	<i>1.18</i>	<i>5.23</i>

Table X3 summarises the sectoral allocation of resources.

Table X3 Sectoral Allocation of Resources (Rs. million)

No.	Measures	Total	Foreign	%
1	Governance	3,372	1,686	50
2	Security	86,822	31,612	36
3	Information and public relations	2,160	912	42
4	Excise and taxation	4,320	1,080	25
5	Elementary and Secondary education	132,839	70,153	53
6	Higher education	6,720	1,392	21
7	Health	105,659	23,259	22
8	Social protection	21,974	10,704	49
9	Population	10,139	2,998	30
10	Religious affairs	9,792	0	0
11	Local development	97,554	50,871	52
12	Roads	67,667	30,859	46
13	Transport	3,931	535	14
14	Irrigation	84,657	30,309	36
15	Energy	93,826	1,440	2
16	Water supply and sanitation	24,782	8,570	35
17	Housing	37,380	0	0
18	Agriculture	50,481	5,519	11
19	Forestry and wildlife	20,928	12,120	58
20	Industries	8,851	1,344	15
21	Minerals development	8,909	2,614	29
22	Privates sector development	976	363	37
23	Technical education	16,800	8,400	50
24	Urban development	39,472	17,279	44
25	Environment	960	480	50
26	Science and Technology; Information Technology	5,136	2,568	50
27	Tourism/culture	14,330	2,821	20
	Total	960,438	319,889	33

Eight sectors require 69% of total support. These are education (15.1%), health (11.0%), local development (10.2%), energy (9.8%), security (9%), irrigation (8.8%), roads (7.0%) and agriculture (5.3%).

Risks. Security provides both the primary objective of the CDS and the main source of risk. To address this risk, there is a high dependency on local implementation. There is also a risk of limited implementation capacity, which is addressed by using local management capacity, following proven methods such as those of the rural support programmes (RSPs), and by provided strong central co-ordination. Khyber Pakhtunkhwa is vulnerable to rapid movements in world food and fuel prices, which could adversely affect the province's poorest households. This is addressed by giving a high priority to agricultural development. Improved agricultural productivity, along with investment in flood protection, will also help increase the province's ability to adapt to the risks associated with climate change. The CDS will require a major increase in donor funding, which will generate risks of duplication and inconsistency. This will be countered by the strengthening of public financial management, in general, and of the Foreign Aid Wing of the P&DD, in particular. Finally, the GoKP is aware of the risks that the recurrent cost implications of the CDS will place pressure on the budget in future. The government has calculated these costs and is confident that the expanding revenue associated with economic growth will be sufficient to meet them.

Monitoring. The overall progress of the province will be monitored using 12 core indicators, focusing on social welfare and economic capability. These indicators are presented in Table X4.

Table X4 Monitoring Indicators

No	Indicator	MDG	Latest	2010 target	2015 target
1	Poverty rate	MDG 1	39%	30%	20%
2	Roads in good condition	MDG 1	24%	30%	45%
3	Area of land bought into cultivation (hectares)	MDG 1	0	20000	70000
4	Literacy rate	MDG 2	47%	55%	75%
5	Primary net enrolment rate	MDG 2	49%	60%	80%
6	Ratio of girls:boys in primary school	MDG 3	0.52:1	0.70:1	1:1
7	Infant mortality rate (per 1,000 live births)	MDG 4	63	60	40
8	Proportion of fully immunised children	MDG 4	47%	60%	>90%
9	Maternal mortality ratio per 100,000 live births	MDG 5	275	250	140
10	Contraceptive prevalence rate	MDG 5	31%	45%	70%
11	Access to drinking water	MDG 7	71%	75%	85%
12	Access to sanitation	MDG 7	66%	72%	85%
13	Aid as a percentage of GDP	MDG 8	0.4%	5.0%	3.3%

The GoKP sees strong monitoring as central to the achievement of the CDS. Only if the key CDS targets are met with, CDS can fully successful. The government is also committed to a programme of proactive evaluation that spreads a culture of evidence based policy-making through departments.



01

Context and Framework



A Context and Framework

The Khyber Pakhtunkhwa CDS presents the GoKP's vision for the future of the province. It is comprehensive in its scope, covering all areas of government policy. It is comprehensive in its depth, moving from overarching strategy to the priority policies and programmes that will implement this strategy. It is also comprehensive, in the sense that it is an important early step in improved public sector planning that will link to new initiatives in transparency, budgeting and participation.



The CDS takes into account the short term 2010 and 2011, the medium term 2012 to 2016, and the long term 2017 to 2030. It defines clear and changing priorities for each of these periods and assesses the costs of the priority programmes involved. It matches the expected costs with funding from both domestic and foreign sources. And, finally, it defines 10 core indicators that will be used to assess the progress of the strategy.

1. Khyber Pakhtunkhwa Strategy

The strategic role of Khyber Pakhtunkhwa in Pakistan has recently been thrown into sharp focus as the province has responded to the threats from outside. But the strength of Khyber Pakhtunkhwa lies in deep traditions that have always given it a unique role in the nation and have guided relations with important neighbours to the North and West and beyond.

The GoKP was elected by a population that has a strong desire to maintain its leading role as a source of dynamism in the Pakistan Nation. The government aims to reflect the wishes of the population through the following vision.

Attainment of a secure, just and prosperous society through socioeconomic and human resource development, creation of equal opportunities, good governance and optimal utilisation of resources in a sustainable manner.

In pursuing this vision, the GoKP recognises the need for strong reforms. The government also recognises that it takes stewardship of the province at a distinctive time in the evolution of governance around the world. Important innovations and trends are spreading amongst developing countries that provide new models and opportunities. These range from public finance and governance to social development, food policy and climate change. All these new challenges and opportunities require great energy from governments to convert the reforming of policy agendas into action. Changes in public financial management are at the heart of these reforms, but they can only be effective when complemented with strong political will and leadership. Thus, the GoKP is determined to provide the necessary conditions and is confident that it can succeed because of the determination of the people of the province.

The strong administrative traditions in Khyber Pakhtunkhwa provide opportunities for the province to introduce many of the reforms more swiftly and more effectively than can be achieved at the national level and in some other provinces. Thus, as in the past, many of these reforms will be pioneered by the province, which will provide models for other provinces.

The GoKP's strategy for Khyber Pakhtunkhwa derives strength from the fact that it fits clearly within national strategies. The Vision 2030 document prepared by the National Planning Commission in 2007

foresees that Pakistan will emerge as a middle-income country based on skilled use of limited natural resources; access to basic public services, including education, health, water and sanitation; and freedom of economic opportunity. The Khyber Pakhtunkhwa Strategy will contribute to this and to the national goals of equity, gender mainstreaming and access to justice that are included in the Poverty Reduction Strategy Paper (PRSP II).

Box 1 National Strategies

The current Federal Poverty Reduction Strategy (PRSP II) is based on ten pillars:

- (i) macroeconomic stability and growth;
- (ii) protecting the poor and the vulnerable;
- (iii) increasing productivity in agriculture;
- (iv) integrated energy development;
- (v) making industry internationally competitive;
- (vi) human development for the twenty-first century;
- (vii) removing infrastructure bottlenecks through public private partnerships;
- (viii) capital and finance for development;
- (ix) housing and land management; and
- (x) governance for a just and fair system.

In addition, PRSP II identifies three priority cross-cutting themes: strong monitoring and evaluation of policy, gender equality, and environmental sustainability.

The Pakistan Planning Commission produced 'Pakistan in the 21st Century: Vision 2030' in 2007, following two years of consultation. Economic growth is expected to be sustained at 7% to 8% per annum, bringing Pakistan into the ranks of middle-income countries by 2030 and leading to the creation of a thriving middle class, through balanced and equitable growth. The Vision foresees strong growth of modern economic activity, with confident engagement in global markets. Natural resources will be managed carefully, to minimise wastage, and the country will prepare for the uncertainties of climate change. Breakthroughs are foreseen in education, employment and energy, with dynamism stemming from the growth of large cities. The Vision concludes by highlighting the role of young people, who will drive the country forward over the next 25 years.

This CDS also builds on the Manifesto of the Awami National Party (ANP) and on the first Policy Speech of the Chief Minister of the current provincial government.

The Chief Minister's first speech stresses the importance of viewing politics as a public service, particularly to the poor and disadvantaged. The present coalition government is committed to democracy and freedom, the eradication of poverty, the protection of human rights, the combating of extremism in all its forms and the creation of equal opportunities for all citizens. The manifestos of both coalition parties include commitments to eliminate corruption and illegal trading, and to narrow the difference between the highest- and lowest-paid officials. Whilst promoting uniform judicial systems, the manifestos also allow some reorganisation of federating units, according to local preferences. The manifestos recognise the importance of negotiating fair arrangements on hydroelectricity profits and on oil and gas royalties. Economic policy concentrates on shifting the focus to the private sector whilst ensuring safety nets for lower income groups. Policy directions are proposed for agriculture, employment, industrial development, banking and investment, urban development, education, health, environment, trade, power and irrigation. In addition, the manifestos make important commitments on women's rights and on external affairs.

The first Budget Speech identified a number of important priorities, including a major increase in police spending, maintenance of the wheat subsidy, and an above average increase in road maintenance and agriculture. The budget for health and education increased roughly in line with total spending. The share of revenue from the provincial government increases more rapidly than revenue from either the federal government or foreign assistance. The focus of the annual development programme (ADP) was on completing existing schemes: the full range of support was maintained, but there was some shift in resources to agriculture and industry, reflecting the importance of these sectors in providing employment in Khyber Pakhtunkhwa. Allocations to police, social protection, forestry and the environment also received an increased share of the ADP. Important new initiatives were supported in education and health.

The CDS defines two phases: in the short term, over the next two years, the focus of all GoKP activity is to bring the current conflict to a rapid resolution in all areas of the province; and, in the medium term, over a further period of five years, the focus is to consolidate this return to security, and to foster the recovery of the province and the return to growth and progress.

In the short term, the priorities are:

- rapid improvements in basic health and education services in all areas of the province, but particularly in areas that have suffered from conflict in recent years;
- providing high visibility improvements in villages, notably for drinking water, with an associated institutional structure involving broad community engagement;
- labour intensive public works providing employment, especially to young men;
- investment in the construction, improvement, rehabilitation and maintenance of schools, health facilities, roads and irrigation infrastructure, with a strong emphasis on maintenance;
- employment generation through opportunities for private sector development, including the Industrial Development and
- technical support to the public sector to ensure that the rapid increase in activity can be implemented without delays and mismanagement.

The medium-term priorities are:

- consolidation of the progress made in the short term;
- public private financing mechanisms, especially for minerals, hydroelectricity and tourism;

- training and skills development, especially for unemployed youths;
- teacher training and incentives to improve the quality of education; and
- strengthening institutions of public sector management, including greater public participation and greater collaboration with institutions at the federal level.

2. The Development Challenges for Khyber Pakhtunkhwa

The GoKP's strategy for Khyber Pakhtunkhwa is based on an assessment of the development opportunities and challenges facing the province. Information on the standard of living in Khyber Pakhtunkhwa is provided by the national Household Income and Expenditure Survey (HIES, 2001/02) and the Pakistan Social and Living Standards Measurement Survey (PSLM 2005/06). The Pakistan Demographic and Health Survey (PDHS, 2006/07) provides additional information and a Multiple Indicator Cluster Survey (MICS) is recently being finalised.

Poverty. Khyber Pakhtunkhwa has a population of about 22.2 million, growing at about 2.8% per annum. The province has the highest incidence of poverty in Pakistan. According to the 2001/02 HIES, 39.2% of the population in Khyber Pakhtunkhwa was poor, compared with 34.0% for Pakistan as a whole. Rates of poverty in rural areas of Khyber Pakhtunkhwa were 41.1% compared with 28.1% for urban areas of Khyber Pakhtunkhwa. The poverty rate amongst women is higher in Khyber Pakhtunkhwa than in other provinces. Statistics on income distribution are unclear, with the HIES and PDHS surveys suggesting that Khyber Pakhtunkhwa has a relatively equal distribution compared with other provinces, and the PSLM 2004/05 data suggesting the opposite. This reflects the complex forces influencing the nature of poverty, associated with land ownership, economic trends, social conventions and natural resources.

Despite the challenges facing Khyber Pakhtunkhwa, the province has had some success in promoting economic development. Between 1998/99 and 2001/02, the level of poverty in Khyber Pakhtunkhwa did not worsen significantly, at a time when national poverty levels were worsening. This was achieved despite high population growth rates. The relative success of Khyber Pakhtunkhwa in protecting itself from declining poverty appears to have been based on increased production of some agricultural crops, especially maize, and a marked increase in remittances. The recent global economic recession will affect the level of remittances received and will place increased pressures on poverty. Since 2001/02, poverty levels are likely to have worsened, through the combined impact of the 2005 earthquake and the increasing insecurity in parts of the province.

Behind the statistics are more complex dimensions of poverty involving gender, health, education, income, environmental pressures, natural disasters and destitution arising from violence.

- Women are strongly disadvantaged in Khyber Pakhtunkhwa. Female poverty is particularly marked when including health and education status. Access to education and health care is low and rates of maternal health care are particularly low, leading to high maternal mortality. There has been an increase in the number of girls going to school, but school attendance is still much lower for girls than boys. Employment rates for women are low, and representation in government and senior decision-making positions is very limited. Most women are subject to economic dependence and are often forced to take on the majority of the manual work of the household. The traditional roles of women have changed little in the last decades and there are serious concerns about violence against women.
- The status of education in Khyber Pakhtunkhwa is described in Section 9. According to household survey data, the incidence of poverty is significantly higher amongst households in which the head has no education.

- The health status of Khyber Pakhtunkhwa is dealt with in Section 10. The link between health and poverty is complex and takes place mainly through the effects of poor nutrition, the tendency of the poor in Khyber Pakhtunkhwa to make fewer visits to health services, poor coverage and quality of public health services, and the high cost of private health services for most of the population.
- The poor are particularly dependent on forest and water resources, both of which are coming under increasing pressure. The increasing rate of forest depletion is already reducing the access of the poor to firewood, both for household use and as a source of income. Declining rainfall and river flows are beginning to threaten productivity on rain-fed and irrigated land.
- As with the other factors affecting poverty, the relationship between poverty and insecurity is complex and works in both directions. High levels of poverty and unemployment, especially amongst young men, have a major effect on insecurity; this insecurity then affects the well-being and incomes of the wider population.
- The 2005 earthquake in Hazara devastated the region, destroying homes and public facilities and having a major impact on sources of livelihoods, including crops, livestock and tourism.
- Finally, insecurity in the wider region has led to large numbers of Afghan refugees living in Khyber Pakhtunkhwa, many of whom are involved in economic activities, such as transport, construction and hotels, thus reducing employment opportunities for the local population.

Table 11 Key Indicators

No.		Khyber Pakhtunkhwa	Pakistan
1	Population (1998 census)	17.7 million	132.4 million
2	Population (March 2009 estimate)	22.2m	165.7m
3	Population aged under 15 years	47.2%	43.4%
4	GDP growth rate	4.6%	5.8%
5	Population below poverty line	38.1%	34.0%
6	Literacy rate	47.0%	55.0%
7	Rate of attended births	51.0%	61.0%
8	Roads km/sq km	0.16	0.32
9	Households with tap water	47.0%	34.0%
10	Households with safe sanitation	60.8%	62.5%

Sources: NWFP Development Statistics; NWFP FD White Paper 200809; Demographic Health Survey

The province of Khyber Pakhtunkhwa faces a particular challenge arising from the fact that it has the most youthful population in Pakistan, with about 30% of the male population being between the age of 15 and 29. The large majority of this young male population has little chance of employment or opportunities for formal income generation. The young male population provides a major resource for economic growth, but also a serious risk to security, if it is unable to find rewarding activities.

Box 2 The Shah Family: A Typical Poor Household in Khyber Pakhtunkhwa

The Shah family comprises 10 people. The head of the family is unemployed and has problems with addiction to hashish. He has no regular source of income. He has two sons and six daughters, many of whom are involved in child labour and barely meet their daily nutritional needs. They are living in a mud house borrowed from a cousin rent-free, and cannot afford to use the health or recreation facilities in the neighbourhood. The mother of the family gave birth to the first six children without a skilled attendant. However, after problems with the seventh child, a neighbour organised some visits from a midwife working with a non-governmental health organisation. The two sons attended primary school and have some basic literacy skills. They now work as casual manual labour on occasional construction and farming jobs. The eldest three daughters did not go to school. The family are frequently affected by health problems associated with malnutrition and drug issues. One of their daughters has heard about the Benazir Income Support Programme (BISP), but they are unaware of how to apply, and there are no contacts that can help in their village.

Security: Khyber Pakhtunkhwa has been severely affected by increasing insecurity in recent years. This has been triggered by insurgency originating in Afghanistan, but has exploited existing sectarian, tribal and factional tensions. The range of security threats is now complex and includes bombings of officials and civilians, kidnapping and increased levels of general crime. The implications of this insecurity are widespread:

- economic opportunity and employment is declining and businesses are closing or moving out;
- it is difficult to maintain basic public services in some areas;
- the costs of maintaining law and order are greatly increased;
- large groups of displaced people require basic support;
- regional trade has been disrupted, reducing employment and revenue; and
- international funding for development has declined markedly.

The situation is not uniform across the province of Khyber Pakhtunkhwa. As a result of the security situation, development programmes need to work closely with local institutions, including governments at province and district levels, and with local communities.

Economic activity and employment: Economic statistics are not yet collected separately for Khyber Pakhtunkhwa. Economic growth was probably about 4.5% for most of the period from 1990 to 2005, which means that per capita income has been increasing by about 1.5% per annum. The large majority of the population earn their livelihoods from farming or from retailing activity (see Table 2), both of which are carried out on a small scale and generate low incomes. Remittances, both from Pakistan and from abroad, are important in Khyber Pakhtunkhwa, accounting for about 18% of GDP.

Table 22 Composition of Employment in Khyber Pakhtunkhwa

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

Source: HIES 2001/02

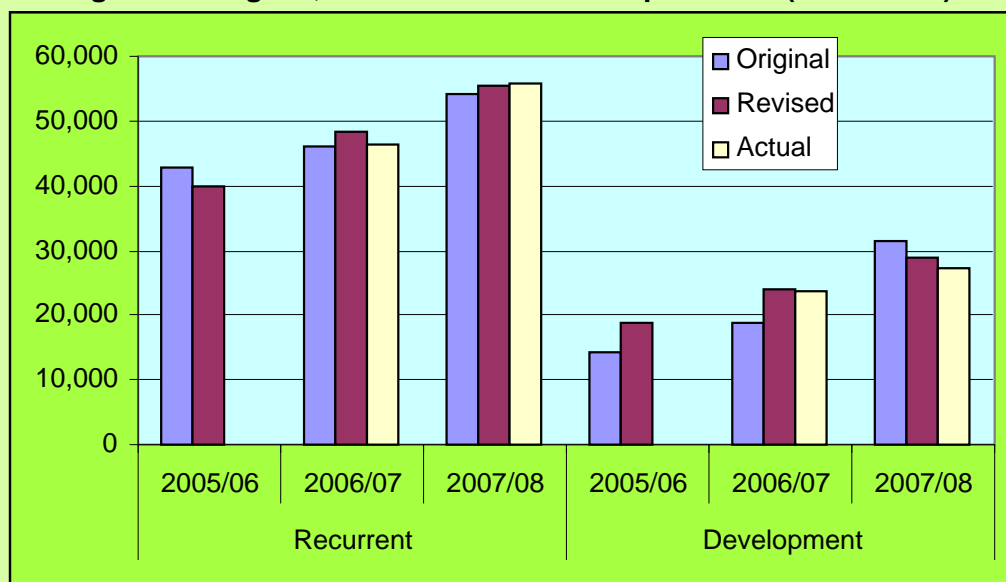
Physical Environment: The province of Khyber Pakhtunkhwa enjoys very valuable natural resources, including good water flows, large forest areas and spectacular scenery. However, the rapidly increasing population places strong pressures on these natural resources and many areas now experience water shortages and deforestation, with the associated problems of soil erosion and vulnerability to floods and other related natural disasters. There are now some areas of the province where natural resource pressures are threatening livelihoods in a dramatic fashion. There are some measures that can be taken to reduce environmental pressures, notably involving more efficient use of water and alternative cooking fuels, and the province has some good experience with these measures. However, the experience and resources available are insufficient to address the scale of the problems.

3. Public Finance

Management. Financial management is currently constrained by a number of challenges. Predicting revenue is difficult for the provincial government largely because of the variability of federal revenue. The GoKP is improving its ability to predict revenue, using a financial programming tool that links revenue to expected economic growth. However, at the federal and provincial levels, elements of revenue are unpredictable, both where they are funded from international assistance and from own revenue.

Major revisions are made to the original budget during the year. Figure 1 shows the original and revised budgets, along with actual expenditure. The figure demonstrates the difficulties that the provincial government has in budgeting. For most departments, the recurrent budget is prepared in an incremental manner and the causes of budget revision are associated with lumpy items that are added to the more routine element of the recurrent budget. In the development budget, revisions are associated more with the need for policy priorities to adapt to the rapidly changing circumstances in the province, and to the unpredictability of federal and donor funding for development programmes.

Figure 14 Original, Revised and Actual Expenditure (Rs. million)



There is great variation between departments in the extent to which actual expenditure exceeds budgets, with some departments overspending and others underspending. Over half of the departments either overspend or underspend the original budget by more than 10%. In general, the revisions in the development budget are larger and less systematic than in the recurrent budget. Key patterns over the last three years are that:

- the police service has consistently exceeded the recurrent budget;
- the Departments of Agriculture and Irrigation have both overspent on development and underspent on recurrent budget items;
- the Health Department has consistently underspent its budget, both in recurrent and development expenditure;
- the Education Department has both over- and underspending, but with no clear pattern;
- special programmes are all development and have underspent in the last two years; and
- public building overspent in 2005/06 and 06/07, but underspent in 2007/08.

Fiscal Balance: The fiscal accounts show a high variation in fiscal balance, which reflects the availability of net financing. In 2005/06, substantial non-project borrowing was available, in the form of a World Bank Development Policy Credit, which allowed expenditure to be significantly higher than would otherwise have been possible. By contrast, in the following two years a surplus was generated, allowing some repayment of debt.

Table 3 Provincial Fiscal Balance

No.		2005/06	2006/07	2007/08
1	Revenue	60,426	80,062	91,818
2	Current expenditure	45,642	46,325	55,758
3	Development expenditure	21,788	29,246	31,956
4	Balance	-7,005	4,491	4,104

Source: Khyber Pakhtunkhwa Finance Department

Provincial revenue in recent years has varied between about 8.2% and 9.7% of provincial GDP. There is some suggestion of an increasing trend, but substantial variation around this trend. About 83% of revenue comes from the federal government, 52% of which is provided from the divisible pool of taxes and 16% from grants in aid. Net profit from hydroelectric power, which is collected at a federal level, providing 6% of revenue. Receipts collected by the GoKP provide about 8% of total revenue, and foreign governments provide the balance of about 5%. Over the past three years, total receipts have risen roughly in line with GDP, although some important elements, such as hydroelectricity profits, have not increased in line with GDP.

Table 4 Revenue (Rs. billion)

No		2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Budget
1	Provincial receipts	5,189	5,733	6,981	8,212
2	Share of federal divisible pool	33,818	42,412	51,804	67,016
3	Transfers on oil and gas	1,307	2,226	4,152	4,429
4	Grant in aid	0	9,766	11,799	14,432
5	Net profit from hydroelectricity	6,000	6,000	6,000	6,000
6	Foreign grants	879	886	646	780
7	Federal grant for Private Sector Development Programme	3,530	7,419	5,755	8,215
8	Foreign loans	9,703	5,621	4,681	4,183
	Total	60,426	80,062	91,818	113,267

Source: Khyber Pakhtunkhwa Finance Department

Current expenditure is dominated by the social sector, which accounts for about 60%. The largest share of development expenditure is allocated to infrastructure, at nearly 40%.

Table 5 Khyber Pakhtunkhwa Government Expenditure (Rs. million)

No		Current			Development	
		2005/06	2006/07	2007/08	2007/08	
		Actual			Budget	
						(%)
1	Security	4,616	5,857	8,229	0	0.0
2	Social sector	18,861	24,654	31,196	5,293	13.4
2.1	Social protection	540	628	2,103	1,040	2.6
2.2	Education	15,270	21,750	25,883	2,403	6.1
2.3	Health	3,051	2,276	3,210	1,849	4.7
3	Infrastructure	1,699	1,886	2,061	15,178	38.5
3.1	Roads	787	510	542	6,565	16.6
3.2	Water	831	1,114	1,180	4,776	12.1
2.2	Urban	81	263	338	3,836	9.7
4	Economy	1,254	1,075	1,292	4,832	12.2
4.1	Agriculture and Natural resource management	1,189	984	1,044	2,836	7.2
4.2	Industry and mines	65	91	248	1,996	5.1
5	Other items	19,212	12,852	12,980	14,159	35.9
	Grand total	45,642	46,325	55,758	39,462	100.0

Source: Khyber Pakhtunkhwa Finance Department and ADP

The fiscal costs of insecurity: The effect of insecurity in the region on GoKP finances is felt both directly and indirectly through the wider impact on society and on the economy. This has been estimated in a recent report by the GoKP on the costs of the conflict. Table 6 summarises the impact.

Table 66 The Direct and Indirect Impact of Insecurity on Government Finances (Rs. billion)

No.		Cost	Period
1	Additional direct costs		
	Displaced people and refugees	0.1	To date
	Additional policing costs	4.9	4 years' conflict
	Replacement of damaged/destroyed public property	13.0	To date
	Compensation to families for death, injury, damage ¹	0.3	To date
2	Lost revenue		
	Lost provincial receipts from lost GDP	2.1	12 year conflict/recovery
	Lost provincial receipts from reduced collection rate	5.6	4 years' conflict
	Federal receipts ²	2.2	12 year conflict/recovery
3	Total direct costs and lost revenue	28.2	
	Donor support reduced by implementation delays	54.0	Last 3 years' conflict
	Conflict resolution/recovery focus of the CDS	60.0	Next 7 years of the CDS
	Total fiscal impact	142.2	

Source: Government of NWFP Cost of Conflict Report April 2009.

¹These costs are met largely by federal government;

4. The Approach used in Developing the Comprehensive Development Strategy

The CDS has been produced by the GoKP to present the priorities of the ANP government and how these will be implemented. The CDS process has been guided by a Policy Reform Management Group, chaired by the Additional Chief Secretary with representation from the largest Departments. The preparation of the CDS has been managed by the Office of the Chief Economist of the GoKP P&DD.

Whilst the CDS presents the priorities of the ANP government, it has made use of the available existing strategies in each sector. Sector chapters have been largely prepared by the relevant departments and discussed with Pⅅ where possible, bilateral discussions have been held with civil society and the private sector.

Costing estimates have been made for the CDS and these distinguish between the short term (over the next two years), when reversing the course of the conflict is the highest priority; the medium term (over the following three years), when the province will be in a phase of recovery; and a further period of two years. The costs have been reviewed and adjusted by the central government departments in Khyber Pakhtunkhwa to reflect the balance of priority across sectors.

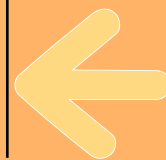
There has been extensive consultation on the CDS within official circles, including discussions with key private individuals and representatives of the private sector and civil society.





02

Governance, Security and Institutional Development



Governance, Security and Institutional Development

5. Governance

The GoKP operates a system of cabinet government that provides the mechanisms for ensuring that overall policy is translated into action and that resources are adjusted to reflect that policy. The GoKP is committed to improving this process and has introduced various initiatives to achieve this.

The budget cycle starts in August, with the preparation of departmental budget proposals, based on the previous year's allocations. The first budget circular is sent out to Departments in December and includes indicative ceilings. Submissions are made by February, with current budget submissions going to the Finance Department and development budget submissions going to the P&DD. Negotiations over the budget then continue until May, when the budget documents are prepared for consideration by the Assembly. The White Paper includes introductory sections describing the broad trends in the budget and explaining the reasons for sectoral shifts in spending. Budget Books provide details of the sectoral budgets, whilst the ADP provides details of the development budget. The budget is presented in the Provincial Assembly in June and approved before 1 July.

Recent Public Expenditure and Financial Accountability analysis suggests that **budget discipline** in Khyber Pakhtunkhwa still faces many challenges. In particular, the variation between actual expenditure and the original and revised budgets is considerable, by international standards. Variations are not dominated by any particular pattern and may be positive or negative in different departments in different years, suggesting that there is no obvious dominant factor that is hampering budget discipline. Improvement in budgeting is one of the four core areas of the ongoing Provincial Reforms Programme (PRP) in Khyber Pakhtunkhwa.

New practices are being developed to improve revenue projections. These should allow for greater accuracy of revenue, which will help budget discipline. Over 83% of Khyber Pakhtunkhwa revenue comes from federal government transfers. The provincial government is improving its capacity to predict federal GDP growth, which will help with projections of revenue from federal sources. However, policy decisions regarding the rates applied to different sources of federal revenue are outside the control of the provincial government, and projections of revenue from federal transfers will remain unpredictable for this reason. Although the province's own receipts are low (roughly 8% of total receipts), there are significant hydel profits that are due from the Federal Government.

The budgeting of **expenditure** is described in Section 3. Most departments suffer from the tendency for salaries to take too high a share of recurrent expenditure, and pensions are also placing pressure on non-personnel expenditure. The GoKP will show firm leadership to achieve the commitments made in the CDS to increase operation and maintenance expenditure.

The GoKP has been piloting the introduction of **performance budgeting** practices that define explicitly the outputs that are expected to be produced from services. The pilots have involved detailed definition of output indicators, and beneficiaries have been involved in assessing the indicators and discussing the conclusions and lessons learnt. Pilots have so far been run in education, health and agriculture with good success. However, the experience with performance budgeting has been problematic and it has not yet had a strong influence on decision-making.

The GoKP is also introducing a new programme of top down performance budgeting that will involve defining the core programmes of each department and the indicators that will be used to monitor the progress of the programmes. This process will start with a **'twin track'** activity that examines past expenditure patterns and how they relate to policies and programmes.

The GoKP is determined to make the budget process one that allows policy to be translated efficiently and effectively into changes in resource allocation and changes in service delivery on the ground. Ultimately, this will be achieved through a rigorous Medium Term Budgeting Framework (MTBF). The current MTBF provides projections on current revenue and spending patterns. As the new MTBF practices are introduced, GoKP departments will associate resources more closely with programmes and policies so that the MTBF will reflect the changing policy environment. In the short term, a **Budget Strategy Paper** will be produced by November each year that will provide the strategic guidance to the budget process.

A Provincial Financial Accountability Assessment was made for Khyber Pakhtunkhwa in 2003 and identified a number of issues. In particular, there is insufficient information about finances through the year to allow the executive to manage the budget effectively. The impact of this is felt particularly on development projects, which have lumpy access to funding through the year; this compounds the existing problems associated with frequent changes in specifications and a shortcoming in monitoring. The Khyber Pakhtunkhwa has a Public Finance Reform Programme, including a Project to Improve Financial Reporting and Auditing (PIFRA), with funding from the World Bank. This has included a programme to introduce an integrated government financial **management system**, including the computerisation of District Accounting Offices. The PIFRA has also supported the piloting of a New Accounting Model in Khyber Pakhtunkhwa which provides a new chart of accounts.

There has been progress in public **procurement** reforms, under a World Bank TA on Public Procurement Regulatory Framework, and a new Procurement Law and associated rules are under preparation. However, further work is needed to implement the regulatory framework and this is guided by Phase 3 of the Procurement Reform Action Plan. The PRP is also supporting improved ability to forecast pension liabilities.

At present, the **Public Accounts Committee** (PAC) takes more than three years to prepare their reports on public accounts. The GoKP is committed to speeding up the preparation of PAC reports and to strengthening the quality of the reports.

The increasing clarity of definition of policies and programmes, combined with analysis of past performance, will build the evidence and capacity to undertake more rigorous evidence-based policy evaluation for new policy options. The GoKP will undertake some pilot policy evaluations and will extend this practice over 2010 and 2011. Over this period, standard practices will be developed, and all major policy initiatives will require Policy Impact Analysis before political decisions are finalised.

Pakistan introduced a major policy of **decentralisation** in 2001. The province has 24 districts, 22 urban areas, 826 rural union councils and 7,373 villages. Khyber Pakhtunkhwa has responded by passing responsibilities for key local services to districts and tehsils. There are, however, constraints in the capability of districts to take over all the responsibilities envisaged in the decentralisation, both with routine expenditure management and with expenditure reconciliation and internal audit. The decentralisation process has been supported by the Essential Institutional Reforms Operationalisation Programme (EIROP), which organised training, workshops, studies and support for information systems in local government. It was also supported by the Decentralization Support Programme (DSP), which was implemented with partial funding from the Asian Development Bank, to carry forward reforms in the areas of decentralisation, fiscal restructuring and local governance. The DSP aimed to improve local government representation, accountability and efficiency, thereby improving service delivery.

The GoKP already maintains websites for all the main Departments, and many key public documents are

available online. The GoKP intends to expand the capacity of e-government to include greater access to public services and provision of monitoring indicators to promote a culture of **customer service** provision.

Monitoring and Evaluation (M&E) in the province of Khyber Pakhtunkhwa is currently undertaken in an ad hoc manner by different GoKP departments, with a strong emphasis on project M&E. The government is implementing a plan for the improvement and co-ordination of monitoring information systems, with support from the PRP. This will involve establishing a standard information system in at least five Departments and at least 50% of districts by 2011. It will also include better co-ordination with the Bureau of Statistics to ensure that data is collected and reported in an efficient manner. This may include an ability to produce estimates of provincial GDP at the same time as the estimates of national GDP.

The GoKP is introducing new guidelines for **human resources management** that will cover recruitment, assessment, promotion, a human resources information system, and training and needs assessment. New job descriptions are being prepared and will be piloted in at least four Departments, leading to a full update of job descriptions in all Departments by 2011. The government is also building greater capacity to forecast pension liabilities.

Foreign assistance to Khyber Pakhtunkhwa is monitored by the **Foreign Aid Wing** of the P&DD. The GoKP is committed to substantial strengthening of the Foreign Aid Wing to make sure that donors are provided with clear directions, and that there is a central source of information on donor activity to reduce the risks of duplication and inconsistency. The Foreign Aid Wing will co-operate with the national aid co-ordination services and, especially, with the Development Assistance Database Pakistan (DADPAK) and will establish a provincial database.

Policy on justice is determined at federal level. There is currently a major initiative to improve **access to justice**. Major improvements have been made in the last five years in the number of cases processed by the courts and in reducing the number of cases pending. In many parts of Khyber Pakhtunkhwa, there are now no cases pending for longer than one year. A system of Member Inspection Teams now monitors all courts in Khyber Pakhtunkhwa, and a reward system has been introduced. A complaints procedure has also been introduced, with a system for responding to complaints. There is now a Justice Development Fund which provides independent funding to the judiciary.

Goals: The GoKP aims to improve the management of public services so that public policy is translated efficiently into action and so that the public can follow the performance of government services.

Priorities: The Khyber Pakhtunkhwa Reform Programme includes the following features:

Resource management:

- more reliable, timely and accurate information on financial flows through the year;
- improvements in internal control and audit, leading to more reliable financial statements;
- improved financial management institutions, including a Provincial Financial Controller, the Public Accounts Committee and publication of Khyber Pakhtunkhwa Annual Reports;
- improved external audit; initiation of internal audit.
- improvements in public procurement with wider knowledge of procurement regulations; and
- improved M&E, extending from project-based activities to cover all GoKP services.

Access to justice:

- providing a legal basis for judicial, policy and administrative reforms;
- improving the efficiency, timeliness and effectiveness of judicial services;
- improving equity of access to judicial services for the most vulnerable;
- ensuring transparency and accountability of the judiciary and justice institutions.
- Capacity building of Secretariat staff.

Table 77 Priority Measures in Governance (Rs. million)

No.	Measures	Y1–Y2	Y3–Y5	Y6–Y7	Total	Donor opportunities
1	Support to the Foreign Aid Wing of the P&DD	58	86	58	202	TA
2	Transparency programmes	96	115	77	288	TA
3	Capacity building for CDS implementation	192	230	154	576	
4	Support to the PRP	192	288	192	672	TA
5	Establishment of Directorate of Human Rights and construction of office buildings for government pleaders	336	336	96	768	Construction
6	Establishment of office of Provincial Ombudsperson	150	150	30	330	Training
7	Capacity building of law department/pleaders etc.	50	100	50	200	
8	Capacity building of Secretariat Officers	96	144	96	336	
	Total	1,170	1,450	752	3,372	

1. Security

The recent wave of militancy and terrorism has spilled over rapidly from FATA to the settled districts of Khyber Pakhtunkhwa, threatening the entire social fabric of the province. The insecurity situation comes at a time when the police are still adjusting to the increase in the number of districts from 12 to 24. As a result, there are 11 districts that do not have basic **infrastructure**, such as police posts, offices and lines. The number of police stations required has doubled and 80 police stations are now located temporarily in other public buildings or in rented buildings. Most of these buildings are poorly located and without the facilities required in police stations. Furthermore, the rehabilitation of police infrastructure following the 2005 earthquake is not yet complete.

Law enforcement personnel are particularly threatened by the **militancy**, as they are seen as legitimate targets by the militants. The Frontier Police Force is not designed to resist these pressures. Lack of sophisticated weapons, equipment and transport are particularly limiting. In addition, police stations and other infrastructure requires substantial upgrading with boundary walls, watch towers, bunkers etc and associated equipment such as radio jammers.

A further implication of the insecurity implication is that police efforts are diverted away from **fighting crime**. As a result, there has been an alarming increase in serious crime, to menacing proportions. The police have been pursuing an active policy of community policing and there is growing use of community policing and awareness in communities of its role. The initiative is currently focused on the creation of Lashkars, or groups of local people who work with the police service to promote law and order in their area. In some districts community level conflict resolution bodies called **Musalihati Anjumans** have

been very successfully piloted which are being replicated elsewhere as well. These community groups work to reduce conflicts at the grassroots level thus reducing the overall burden on formal policing and justice system.

Police activity in Khyber Pakhtunkhwa is governed by a **Police Order** passed in 2002 which brought many important changes in the police. Public participation is now achieved through Public Safety and Police Complaint Commissions, operating at the district, provincial and national levels. In addition, there is a Citizens Police Liaison Committee. The Provincial Police Organisation has 7 Directorates, including: Operations, Prevention, Investigation, Capital Police, Intelligence, Logistics/Training and Traffic.

The police have an active programme of developing e-policing to improve their accessibility to the public. This will gradually incorporate the 25 registers maintained in each police station and will also extend to the Prosecution Branch, the Criminal Records Office, the Police Record and Office MIS, and the Automated Fingerprint Identification System.

Goals: The strategic goals of the GoKP security strategy are to ensure law and order in all areas of Khyber Pakhtunkhwa and to curb current militancy trend from the province within two years.

Priorities: The GoKP has already taken action to recruit new police officers. An expenditure of Rs 24.9 billion has been incurred this financial year (200910) by the Police Department and other security agencies. The priorities are now to make sure that these officers have the proper infrastructure, facilities and equipment to fight terrorism and crime and to ensure their own safety, including:

- improvements in weapons, security and communications equipment and in ammunition and armoured transport equipment
- upgrading police infrastructure and associated equipment, including police lines, police stations, police posts, patrolling posts, offices etc, plus associated and forensic equipment

Table 88 Priority Measures in Security (Rs. million)

No.	Measures	Y1-Y2	Y3-Y5	Y6-Y7	Total	Notes
1	Management information systems	297	815	563	1,675	
2	Elite police	3,197	2,307	2,092	7,596	
3	DCT SB	68	47	28	143	
4	Telecommunication	10,525	3,088	3,554	17,167	
5	Project Co-ordination Unit	8,390	16,440	15,000	39,830	
6	Media and public relations	85	0	0	85	
7	Welfare and PQR	5	8	14	26	
8	Training and operations	8,895	1,200	2,500	12,595	
9	BDS special branch	329	84	292	705	
10	Capacity building of home department	2,000	3,000	2,000	7,000	
	Total	33,791	26,989	26,043	86,822	

7. Information and Public Relations

In Pakistan, too, the old vintage print media has been eclipsed by the electronic media through the emergence of scores of TV and radio channels. There is an increasing realisation that more effective communication initiatives have to be undertaken in order for enhanced and effective projections of the government reforms, plans and efforts. The positive role played by the media, both in print and electronically, in the fight against militancy and in the highlighting of issues of internally dislocated persons (IDPs) was appreciated widely.

Goal: Bridge the GoKP citizenry information gap through more effective communications.

Priorities:

- Restructuring of the Information Department to better manage the modern communication requirements for more effective government;
- Establishment of radio channels (FM) at district level; and
- Establishment of a provincial government TV channel, on a publicprivate Partnership basis, to reach out to unreached communities, better promote local languages, cultures and promote harmony.



Table 99 Priority Measures in Information (Rs. million)

No	Measures	Y1-Y2	Y3-Y5	Y6-Y7	Total	Notes
1	Restructuring and capacity building of Information Department	96	192	48	336	
2	Establishment of 24 FM radio channels	144	144	96	384	
3	Establishment of provincial TV channel	960	480	0	1,440	
	Total	1,200	816	144	2,160	

The term IDP is defined as 'Internally Dislocated Persons' by the Provincial Government

8. Excise and Taxation

The Excise and Taxation Department collects all provincial taxes except the land revenue and Abiana. It is the major contributor of revenue to the provincial tax receipts. Currently, provincial own receipts contribute 8% to the overall revenues of the province, which is meagre when compared with the huge potential that exists through the broadening of the tax base and introduction of taxes in those sectors that have become more productive over the last few years for example, telecommunications, information technology and the like.

The biggest handicap of the Excise and Taxation Department is the lack of capacity to collect all these taxes effectively, both in terms of physical infrastructure and human resources. Various taxes that are currently being collected by the federal government would become the responsibility of the GoKP in the post-NFC agreement scenario. If adequate capacity in the Excise and Taxation department is not built then not only provincial own receipts, but also the inflow from federal taxes may be affected.

Goal: Significant improvement in provincial tax collection by broadening the tax base through efficient and client-friendly collection; identification of newer areas of tax collection by employing modern research and analysis and by the abolition of non-productive taxes.

Priorities:

- Establishment of excise complex;
- Make the Excise and Taxation Department a more tax-payer-friendly organisation by the establishment of tax facilitation centres;
- Enhancement of the capacity of the existing workforce to administer tax collection effectively through capacity building programmes; and
- Build capacity in and institutionalise a culture of informed decision-making, research and analysis to help identify areas of new taxation and to abolish non-productive taxes.

Table 10 Priority Measures in Excise and Taxation (Rs. million)

No.	Measures	Y1-Y2	Y3-Y5	Y6-Y7	Total	Notes
1	Establishment of provincial Directorate of Excise and Taxation	96	192	48	336	
2	Construction and establishment of Tax Facilitation Centres at district level	144	144	96	384	
3	Capacity building	960	480	0	1,440	
4	Establishment of a geographical information system for planning more effective excise and taxation	1,200	816	144	2,160	
	Total	2,400	1,632	288	4,320	



03

The Social Sector



C The Social Sector

9. Education

The GoKP's strategy in Education is defined in the Education Sector Plan, which was prepared in June 2008. Some further work has been undertaken in recent months to estimate the costs of implementing the plan.

Literacy levels in Khyber Pakhtunkhwa are amongst the lowest in Pakistan, and this presents a major challenge to the GoKP. Literacy rates in the province are 64% for men and 30% for women, and vary considerably across the province. Despite the challenges facing the education sector, most statistics show that the literacy rate has been steadily improving.



Participation in primary education is low by international and national standards, with a gross enrolment rate (GER) of 83%, compared with a national average of 87% (see Table 9). The GER for girls is 70%, which is significantly lower than that for boys. About 79% of primary school children attend state schools, 19% attend private schools and 2% attend deeni madaris, although these official figures may underestimate attendance at private schools. The relative importance of public and private schools varies greatly within the province. Dropping out of school and repeated grades are common, with only about 60% of children finishing primary school. This partly reflects the difficulties in maintaining high-quality teaching, with limited teacher training, a high rate of teacher absenteeism, and poor facilities and materials. The current teacher:student ratio in primary schools is about 1:40. In some areas, formal primary education is not supported by local communities and religious leaders, whilst in other areas there is strong interest and support.

Table 11 Enrolment and Literacy Rates for Khyber Pakhtunkhwa and Pakistan

No.		PIHS ¹ 1998–99			PIHS 2001–02			PSLM ² 2005–06			PSLM 2006–07			
		T	M	F	T	M	F	T	M	F	T	M	F	
1	Gross enrolment rate (Classes 1–5, ages 5–9 years)													
2	Pakistan	71	80	61	72	83	61	87	94	80	91	99	81	
3	NWFP	70	84	54	77	97	56	83	93	70	82	96	67	
4	Net enrolment rate (Classes 1–5, ages 5–9 years)													
5	Pakistan	42	47	37	42	46	38	53	56	48	56	60	51	
6	NWFP	39	47	30	41	48	33	49	51	42	49	56	41	
7	Literacy rate (aged 10 years +)													
8	Pakistan	45	59	31	45	58	32	54	65	42	55	67	42	
9	NWFP	37	56	20	38	57	20	46	64	30	47	67	28	

Source: NWFP Elementary and Secondary Education Department

Notes: 1 = Pakistan Integrated Household Survey

2 = Pakistan Social and Living Standards Measurement

The problems of middle, secondary and higher education schools are similar to those of primary schools. The GER for ages 10 to 14 is low at 35% (and only 23% for girls), and private schools cater for over 20% of children. For higher education schools (for children aged 15-16), the GER is less than 5%, with only 30,000 pupils, although many children move directly to post-secondary schooling colleges at aged 15. Attendance in pre-primary classes is relatively high, with a GER of about 80%.

There are currently 26,498 public schools in Khyber Pakhtunkhwa and 60,507 classrooms. Class size is around 40 for most schools, but there are over 200 schools with only one classroom that have average class sizes of 70 to 100 pupils. In rural areas, there are many children that have to travel for more than one hour to reach school. In many of these areas, public transport is non-existent and, when options do exist, they are sometimes not secure. These problems are particularly severe for girls, because of the smaller number of girls' schools, and for secondary education.

Expanding the number of schools to fill major gaps in coverage is one element of GoKP action and has been a strong focus of investment in recent decades. However, the emphasis on new building has led to a neglect of the **maintenance** of existing buildings and of the management of schools that do exist. The GoKP is currently incorporating information on the condition of school infrastructure into the Education management information system and is using remote sensing evidence to help build objectivity into the data and reduce political interference in the prioritisation of maintenance work. The reconstruction of schools, colleges and DESE buildings after the 2005 earthquake has started and a rolling programme has been defined.

Gender disparity between boys' and girls' enrolment is high. Against a total of 26,793 schools, only 9,171 are for girls, which is 34 % of all schools. Incidentally, the number of girls attending school is also 33%, indicating huge gender disparity.

Teacher quality is constrained by limited and poor teacher training programmes and by excessive political interference in postings and transfers. Most teachers have been trained in a system that stresses the dissemination of information, rather than the development of skills. There are problems with encouraging qualified teachers to accept appointments in unattractive areas and in ensuring attendance in these areas. Some districts have 20% to 30% of teaching posts unfilled, which often reflects the state of security in the district.

Private schools are an important source of education, but they are expensive and there is poor co-ordination with public schools. Private schools are limited mainly to urban and semi-urban areas, and there are few private schools in unattractive areas. The GoKP has initiated some schemes to improve co-ordination, including allowing private schools to use public buildings and allowing the private sector to publish textbooks. The Frontier Education Foundation and the Elementary Education Foundation were established primarily to promote education in the private sector, although these foundations have diversified their activities.

The interest of **communities** in supporting education is patchy. The GoKP is attempting to increase the role of Parent Teacher Councils, with funding and training, as a way of improving ownership and mobilising community support. There are cases where communities have contributed land, buildings, teachers' salaries, and materials and supplies (e.g. the Aga Khan Education Service in Chitral and the Society for Advancement of Higher Education).

Budget constraints limit both the physical facilities in schools and the supply of materials and textbooks.

Supervision is poorly funded and there is insufficient capacity to provide the frequency of inspections required. Some training is being provided in management systems, but there is a need for more training of inspectors and for developing systems to improve efficiency and to make the most of the inspection visits that can be made. There are plans to reintroduce the cluster training mechanisms that brought teachers, managers and inspectors in an area together for joint training on a regular basis.

The GoKP aims to improve the **management** of education through a comprehensive Capacity Development Plan, which is currently being prepared. This will focus on the management in E & SED

and will address all levels of education. It will include a clarification of roles, training needs and delivery plans. It will also cover the expansion of monitoring and evaluation activities.

The National Education Foundation and the Elementary Education Foundation are national level initiatives to improve literacy. Nationally, about 772,000 people have received non-formal literacy training in the last three years, of which 72% are women. Literacy centres now exist in 20 Khyber Pakhtunkhwa districts.

Education received nearly 50% of **total current spending** in Khyber Pakhtunkhwa and 14% of **development spending**, as shown in Table 10. About 90% of current spending is in the form of transfers to districts for the payment of teachers' salaries, and the operation and maintenance of schools. During the last 15 years, there has been a steady increase in the education share of the current budget and an increase in the share of primary education in total current expenditure on education. The development budget includes over 100 projects, of which the largest are for the provision of textbooks (Rs 700 million), stipends for girls students (Rs 660 million), construction and reconstruction of classrooms (Rs 2315 million), establishment of colleges (Rs 620 million) and capacity building for teachers (Rs 214 million).

Table 9 Khyber Pakhtunkhwa Expenditure on Education

		Rs million			As % of total Khyber Pakhtunkhwa		
		2006/07	2007/08	2008/09	2006/07	2007/08	2008/09
No.		Actual		Budget	Actual (%)		Budget (%)
1	Current	23,975	29,213	32,399	51.8	52.4	48.1
2	Development	1,325	3,265	5,892	5.6	9.3	14.2

Objectives. The GoKP's education strategy is defined in full in the Education Sector Plan 2006/07 to 2014/15 (ESP), prepared in June 2008 by the Elementary and Secondary Education Department. The vision of the ESP is to ensure quality education, enabling all citizens to reach their maximum potential; to produce responsible, enlightened and skilled citizens; and to integrate Pakistan into the global framework of human-centred economic development.

The total number of children attending school is 3.58 million, of which 1.21 are girls (i.e. 33%).

The strategy reflects the mission of the national Education Sector Reforms of 'developing human resources in Pakistan as a pre-requisite for global peace, progress and prosperity'. It is also consistent with the Millennium Development Goals (MDGs).

The ESP sets three top priority objectives:

- universal primary education;
- gender equality at all education levels; and
- improved educational attainment by strengthened teaching-learning quality.

There are also three further objectives of secondary importance:

- increased participation at middle and secondary grades;
- increased adult literacy; and
- access for all to early childhood education at age 4.

Priorities: To achieve these objectives, particular priority is given in the short term to policies that help to build community confidence.

Strengthen the role of communities in management, rehabilitation and motivation including expanded financial and technical support for Parent Teacher Councils. The Parent Teacher Councils to be given an enhanced role in governance and supervision.

- Ensure that sufficient teachers are available; that staff are rationalized with better co-ordination between provincial and district levels, and use of local contracts; and ensure there is community monitoring of attendance and incentives for difficult areas, especially for female teachers. Provide improved temporary accommodation in isolated areas, especially for female teachers.
- Locate new schools only where there are gaps, especially for girls. Prioritise reconstruction on objective criteria. Utilise low-cost local building materials where possible.
- Introduce second shifts where possible.
- Establish schools in rented buildings instead of consuming huge cost on construction.
- Appoint mostly female teachers in primary schools and, where possible, establish one co-educational school for boys and girls rather than building two separate schools, thereby reducing construction costs.
- Greater collaboration with and regulation of the private sector, building especially on the roles of the various educational foundations active in Khyber Pakhtunkhwa.

Build enrolment in all sectors, including public, private, community, non-governmental organisation (NGO) and mosque schools. Provide GoKP support to NGO schools. Identify certain areas within districts 'education cities' where private schools would be requested to take the lead, to minimise duplication with the public sector. Initiate an innovative programme for areas without schools (e.g. feeder schools).

- Improve teaching quality through the Khyber Pakhtunkhwa Institutional Framework for Teacher Development (IFTD) programme to develop new teaching curricula to move from knowledge-based to skill-based learning; improve teacher training institutes and co-ordination of training; set up teacher support programmes, including Local Circle Offices for cluster training; set up katchi education in all public primary schools; pilot on-site teacher development; provide special support for school heads; and improve classroom assessment. Make teacher training available to teachers in private schools.
- Review of supervision of the schools system, including introducing a centralised exam system and improving the monitoring of exam standards. Gradual introduction of a curriculum-based assessment system instead of a syllabus-based system.
- Strengthen the utilisation of the management information system to provide clearer information on the performance of schools, and involve Parent Teacher Councils in the review of performance information.
- In order to introduce strategic and aligned operational plans, introduce a Human Resource Information System and establish strong linkages with the Project to Improve Financial Reporting and Auditing.
- Review the free textbook programme to improve the availability of books. Continue to improve the quality of textbooks to reflect improvements in the teaching curricula. Organise workshops for private publishers of school books.
- Expand the girls' stipend scheme, and voucher and scholarship schemes.
- Give communities more involvement in non-formal education and adult literacy.
- Improve Early Childhood Education (ECE) through improved training and materials and the provision of a pool of ECE experts to support teachers.
- Develop and regulate private sector and madrassa educational institutions.
- Establish a career path for administrative and teaching staff and provide suitable work-enhancing professional development opportunities.
- Establish a separate teacher training cadre in line with the management cadre.
Empower and enable the decentralized levels of the education system to make decisions regarding their daily operations, including personnel and budgetary decisions.



Table 10 Priority Measures in Elementary and Secondary Education (Rs. million)

No.	Measures	Y1-Y2	Y3-Y5	Y6-Y7	Total	Donor opportunities
1	Incremental teacher salaries	2,826	15,646	10,431	28,904	Budget support
2	Operation and maintenance budget through District (non-salary)	164	908	606	1,678	
3	Provision of free textbooks	2,674	5,553	3,702	11,928	
4	Girls stipend for secondary education	287	1,773	1,182	3,242	
5	Grants to NGO schools	19	23	15	58	
6	School construction and furnishing	10,405	23,964	15,016	49,386	Budget support
7	Rent to communities or schools	108	436	291	835	
8	In-service training for teachers	1,221	2,276	1,517	5,014	
9	Community rehabilitation of schools	8,861	12,209	8,780	29,850	
10	Expand adult literacy activities	10	9	6	24	Project funding
11	Effective sector regulation	192	480	288	960	
12	Promotion of public-private partnership and support <i>madrassa</i> reforms	192	480	288	960	Technical assistance and grants
	Total	26,960	63,758	42,122	132,839	

Notes: Costs data for primary and secondary education are from an analysis of education demand by ESED, taking account of demographic projections; adult literacy costs are assumed to be a 25% increase on the 2008/09 budget.

10. Higher education

In July 2001, the Higher Education, Archives and Libraries Department was separated from the Elementary and Secondary Education Department.

Goal: The GoKP's higher education goal aims to produce highly-skilled, educated and responsible individuals to contribute to the development of a knowledge-based economy in the province.



- To achieve this goal, the Department aims to:
- provide good quality education to each and every individual, with ease and comfort, through established institutions;
- develop human resources in the education sector, keeping in view the global trends;
- maintain and improve the existing educational infrastructure and ensure a higher intake into higher education; and
- establish, manage and monitor higher education institutions in the province.

Priorities: The four broad priority areas for promotion of higher education the province are identified, in order of priority, as:

Academic excellence

- Introduction of market-oriented subjects at college level (e.g. BBA/BCS, BS programmes and MBA/MPA, MCS/MIT) in selected postgraduate colleges;
- Wireless internet connectivity at all colleges;
- Establishment of libraries, and the purchase and dissemination of research journals and initiating new publications;
- Maintaining adequate levels of chemicals, instruments and equipment at laboratories;
- Initiation and promotion of research at college level; and
- Scholarships for students.

Human resource development

- Scholarships for postgraduate level teachers;
- Capacity building of teachers through training, workshops and seminars;
- Rewarding research and publications;
- Teachers exchange programmes; and
- Improve management skills of principals and managers.

Infrastructure development and maintenance

- Repair and maintenance of existing higher education facilities;
- Construction of new colleges, preferably female, in neglected areas;
- Upgrading of degree colleges to postgraduate facilities and postgraduate facilities to universities; and
- Construction of libraries, science and computer laboratories.

Monitoring and evaluation system

- Capacity building for effective monitoring and evaluation.

Table 14 Priority Measures in Higher Education (Rs. million)

No.	Measures	Y1-Y2	Y3-Y5	Y6-Y7	Total	Donor opportunities
1	Academic excellence	432.0	259.2	268.8	960.0	
2	Human resources development	240.0	144.0	192.0	576.0	
3	Infrastructure development and maintenance	1,440.0	1,440.0	960.0	3,840.0	
4	Encourage intake of females in higher education through scholarship and incentives programmes	192.0	384.0	384.0	960.0	
5	Monitoring and evaluation system	96.0	172.8	115.2	384.0	
	Total	2,400.0	2,400.0	1,920.0	6,720.0	

11. Health

The Health Department is mandated by the GoKP to ensure provision of quality health services to the people in Khyber Pakhtunkhwa at an affordable cost. In terms of human resources, it is the second largest Department in the province, with more than 30,000 employees. An extensive infrastructure has been established over the past throughout the province.

A survey of the **quality of health** care and consumer satisfaction was conducted in 2007, which included assessment of primary and secondary health care facilities by trained assessors. On a scale of 1 to 4, the assessors gave primary health facilities an average score of 1.8 and secondary health facilities a score of 1.3. Performance was poorer in management than in service delivery. Key issues included hygiene, staff availability, access, referrals, complaint management, treatment guidelines and the availability of information to the patients.

In light of the survey, keeping in view the MDG health-related targets to be achieved by 2015 and in line with the policy of GoKP, the Health Department has divided health sector strategy into two phases. In the short-term phase (two years), the major focus will be on strengthening management and improving the quality of medical education and health services at primary, secondary and tertiary levels. The strategy for the second phase (the subsequent five years) will be to consolidate the achievements made and extend the services, with emphasis on improving equity and access to health services.

In the recent past, the Health Department has been facing multiple challenges due to the situation regarding law and order. The Department has to respond to the man-made or natural disasters, maintain routine services at district level and provide services to the internally displaced persons (IDPs).



Table 15 Health Status (%)

No.	Indicators	Year	PROVINCE			
			Khyber Pakhtunkhwa	Punjab	Sindh	Baluchistan
1	Percentage of children fully immunized – by recall and record	2005–06	65	81	71	48
		2006–07	76	84	65	54
		2007–08	75	80	67	57
2	Pre-natal consultation	2005–06	43	53	56	36
		2006–07	46	56	56	31
		2007–08	48	59	59	39
3	Pregnant women received tetanus injection	2005–06	61	66	48	25
		2006–07	46	64	62	25
		2007–08	69	70	61	34
4	Post-natal consultation	2005–06	21	21	26	12
		2006–07	22	22	31	17
		2007–08	20	20	24	10

Source: Pakistan Social and Living Standards Measurement Survey

According to the Constitution of Pakistan, health is a provincial subject and the federal government is concerned mainly with policy-making. In practice, the federal level has initiated and funded a number of 'vertical' health programmes that are implemented by the provincial level. The devolution process should have strengthened the role of districts in providing health services. However, the **capacity** to design, deliver and supervise health programmes in districts was limited and hampered by the devolution programme. There are particular problems in finding female health workers, especially in rural areas. Primary health care is provided through a network of primary health care (PHC) facilities that is strengthened by vertical programmes. Due to the constraints on primary health care delivery in rural areas, the demands on secondary health institutions in urban areas are high. However, a lack of funds and optimally skilled staff, together with governance issues, poses challenges for better access to quality services.

Whilst there are 8 teaching/tertiary hospitals in Khyber Pakhtunkhwa, secondary health care is provided through 39 secondary care hospitals. PHC services are provided through 88 RHCs, 790 BHUs and more than 150 other health centres.

The **private sector** provides 70% to 80% of all curative health care services in Khyber Pakhtunkhwa. As a result, those private facilities that do operate in rural areas are often of very low quality, and the population in rural Khyber Pakhtunkhwa is more dependent on public health services than the population in other areas of the country. There are several different models of publicprivate partnerships operating in Khyber Pakhtunkhwa, but these have yet to be evaluated to provide a coherent and consistent model for the province.

Health sector planning is hampered by lack **of information** about health service activities and about the impact these have on the health status of the population.

The Health Department has initiated a series of **reforms** since 1998. In 1998, an initiative was launched that included a focus on improving the quality of health care. The major reform initiatives included measures to improve the quality of management, including the establishment of the Health Regulatory Authority in 2002 and the definition of health standards in 2006. On the agenda for future reform is the strengthening of management in district health services, the strengthening of health information system, health financing and human resources development.

Table 16 Khyber Pakhtunkhwa Health Expenditure (Rs. million)

	Health				As % of total Khyber Pakhtunkhwa expenditure		
		2006/07	2007/08	2008/09	2006/07	2007/08	2008/09
No.		Actual		Budget	Actual (%)		Budget (%)
1	Current	2,276	3,210	2,711	4.9	5.8	4.0
2	Development	656	1,870	2,203	2.8	6.9	5.3

Source: Pakistan Social and Living Standards Measurement Survey

¹For example, the National Programme for Family Planning and Preventive Health Care (FP & PHC), the Maternal, Newborn and Child Health Programme (MNCH); TB control; HIV/AIDS control; Roll Back Malaria; Expanded Programme on Immunisation (EPI) and the Hepatitis Control Programme.

Other programmes include a set of programmatic interventions; improving the quality of care at primary and secondary care levels; rationalisation and standardisation of district hospitals; strengthening autonomy in tertiary care hospitals; creation of management cadres and strengthening stewardship functions; strengthening monitoring and evaluation capacity and working with the private sector. In addition, there is a large development programme for upgrading primary care facilities and improving medical education.

The effectiveness of the health sector service delivery in Khyber Pakhtunkhwa will be monitored, amongst other indicators, against MDG targets. However, the related interventions relating to MDG 6 are financed through federal government's vertical programmes and, as such, have not been reflected in the CDS costing. The Preventive Programmes are either partially or fully funded by federal government and any change in its policies or funding will alter the resource requirement for these programmes at provincial level. The funding requirements for these interventions have been provided in Table 17.

Table 17 Federal Government Supported Interventions and Cost Requirements (Rs. million)

No.	Area	Annual cost	Cost for 7 years
1	TB Project	107	750
2	MNCH Programme	360	2,500
3	HIV/AIDS Control Programme	200	1,400
4	National Programme for FP & PHC	1,400	9,800
5	Roll Back Malaria	50	350
6	EPI	100	700
7	Hepatitis Control Programme	840	5,000
8	Nutrition	71	500

Goals: The Health Department, in partnership with stakeholders, will improve the health status of the population in Khyber Pakhtunkhwa and will ensure access to a high-quality, responsive health care delivery system through acceptable and affordable mechanisms in an equitable manner.

The Health Department aims to provide an essential basic health care package including promotive, preventive, curative and rehabilitative health services to the community. It will use available resources as efficiently and effectively as possible to provide a high standard of care based on research, evidence and relevant international best practices. It will make health affordable and accessible, with preference to the poor and marginalized.

These goals reflect the priorities in the National Health Policy 2001 and the National Health Policy 2009 which stresses the importance of good governance, health care quality, equity of access and reducing the burden of disease.

Priorities: The Khyber Pakhtunkhwa priorities in health are designed to achieve the MDG targets and are to:

Improve Governance and Strengthen Management, with a focus on equitable financing and promoting accountability.

- Development of Comprehensive Health Strategic Plan for the next five years and Business Plans on an annual basis;
- Implementation of the Health Management Cadre;
- Encouragement of publicprivate partnerships; and

- Organizational restructuring of the Health Department and strengthening of the role of the Provincial Health Services Academy and the Directorate General of Health Services.
-

Initiate the Culture of Informed Decision Making: by obtaining evidence and using it to

- Improve policy and practice.
- Strengthening monitoring and evaluation mechanisms;
- Regular analysis of Health Department performance outcomes in priority areas;
- Implementation of District Health Information System;
- Improving the planning process through provision and utilisation of appropriate information and analysis provided from different sources from time to time; and
- Encouraging a regular research culture, focusing on health systems and operational issues.

Improve Regulation and Quality Assurance:

- Ensuring the implementation of quality standards in primary, secondary and tertiary health care facilities;
- Development and implementation of a strategic plan for the Health Regulatory Authority, including human resources and financing needs;
- Encouraging community involvement for effective service delivery and planning; and
- Implementation of a comprehensive communication strategy.

Human Resources Development:

- Improving quality of education at undergraduate and postgraduate levels;
- Improving availability of appropriately skilled human resources for service delivery;
- Induction and on-the-job training for each cadre of health care providers on a regular and needs basis;
- Introduction of continued medical education (CME) and problem-based-learning; and
- Establishing a human resources information system and mechanisms to ensure that the right person is found for the right job.

Preventive Services:

- Ensuring sustainability of the federally-funded vertical programmes;
- Strengthening activities to prevent and control tuberculosis and malaria; and
- Increasing funding to prevent and control the menace of hepatitis B and C.

Disaster Risk Reduction and Management:

- Develop and implement emergency response mechanisms and plans at provincial and district levels;
- Improve the capacity of the province and districts to respond to all the emergencies, epidemics and disasters in an appropriate manner; and
- Cope with the additional burden from federally administered tribal areas (FATA) in the form of emergencies and IDPs.

Improve Accessibility to Health Care:

- Standardisation and upgrading of health facilities, and the establishment of new facilities on a needs basis;
- Recruitment of staff for service delivery, with special emphasis on female health care providers at the primary care level and specialists at secondary care levels;

- Adequate provision of supplies and drugs through adequate funding, monitoring of the performance of partners, and improved management systems;
- Better accessibility to the Essential Health Services Package (EHSP) through availability of funding, strengthening of the Health Foundation, and better co-ordination with the private sector and NGOs; and
- A programme of health insurance and voucher schemes for increasing access of vulnerable groups to health services, which is accounted for under the Social Protection Sector.

Table 18 Priority Measures for Health (Rs. million)

No.	Measures	Y1-Y2	Y3-Y5	Y6-Y7	Total
1	Regulation/quality assurance	2,880	3,840	2,880	9,600
2	Disaster risk reduction and management	1,920	2,880	2,880	7,680
3	Strengthening preventive health services	1,440	2,400	1,920	5,760
4	Facilitating informed decision-making	960	960	960	2,880
5	Improvement of governance and strengthening management	2,400	1,440	1,488	5,328
6	Upgrading of health facilities	9,600	9,600	9,600	28,800
7	Establishment of new infrastructure on a needs basis	1,920	5,280	5,280	12,480
8	Recruitment of staff for service delivery at primary-, secondary- and tertiary-level hospitals	960	1,440	1,440	3,840
9	Strengthening of medical and allied education	1,920	2,880	2,880	7,680
10	Comprehensive eye care services	125	500	300	925
11	Maintenance and repair of health facilities/institutes	2,880	4,032	2,688	9,600
12	Adequate provision of supplies and drugs at primary, secondary and tertiary care levels	2,880	2,880	2,926	8,686
13	Access to EHSP	288	384	288	960
14	Strengthening of electro-medical workshops	96	192	192	480
15	Capacity building of health human resources	288	384	288	960
	Total	30,557	39,092	36,010	105,659

12. Social Protection

Social protection is guided by the Khyber Pakhtunkhwa's Social Protection Strategy, prepared by the Social Protection Reform Unit (SPRU) in the Social Welfare and Women Development Department (SWWDD). The Strategy reflects the National Social Protection Strategy.

The depth of poverty in Khyber Pakhtunkhwa, which runs at a high level, means that social protection alone cannot lift all people out of poverty, given the limited resources available. The GoKP therefore places a high priority on achieving the greatest possible efficiency from the funds that are available. The SPRU aims to design new schemes for vulnerable groups to protect them from the increased costs of living that will arise from the upward trends in world food and fuel prices.

Mostly social protection in Pakistan is organised through schemes that are designed at the national level. Khyber Pakhtunkhwa typically receives 10% to 14% of the benefits from these schemes. The **Benazir Income Support Programme** (BISP) was launched in 2008 with a budget of Rs 34 billion, and is the largest social protection programme providing cash transfers, training, loans, and health and life insurance to 7.5 million vulnerable families, with a focus on women. Support is also provided through **Zakat**, which provides the guzura allowance, education allowances and health care to about 158,000 beneficiaries in Khyber Pakhtunkhwa. **Bait-ul-Mal** (PBM) is another federal programme benefitting about 273,000 people in Khyber Pakhtunkhwa, mainly through the Food Support Programme, as well as

child support and various special institutions. All cash benefit programmes suffer from limited funds and irregular, delayed and lumpy payments. The programmes aim to target the poor, but there are problems with selection: many non-poor households receive benefits and many poor households are excluded. The benefits received provide 5% to 8% of the income of poor beneficiaries and up to 15% of the income of the ultra poor.

Support for **microfinance** is an important element of exit policies. The Khushali Bank was established as a national institution in 2000 to provide microfinance to the poor. It is currently operating in 14 districts of Khyber Pakhtunkhwa, with 21,000 active clients and an average loan size of Rs 7,900. The First Microfinance Bank Ltd was set up in 2001 and offers a variety of individual and group loan options, mostly targeted at the poor. It has 4,700 active clients with an average loan size of Rs 1,000. There are also several NGOs working in microfinance, including the National and Sarhad Rural Support Programmes. Although the microfinance institutions have had some success and have expanded operations whilst remaining financially viable, it is a major challenge to extend microfinance to reach the poorest of the poor, and they are more effective as a tool for economic growth than targeted poverty reduction. Funding is limited and microfinance schemes reach only 2% of the poor.

In addition to the federal schemes, the SWWDD has an annual budget of Rs 108 million, which is used mainly for providing **homes, centres and schools** for vulnerable groups (beggars, children, drug addicts and destitute women), and for registering and guiding NGOs. The Department of Food spends Rs 350 million on wheat subsidies, although the impact of this on market prices is unclear and the benefits are spread across the whole population. The Elementary and Secondary Education Department and the Health Department also have some programmes designed to make their services more accessible to the poor; these are described in other chapters. Other schemes include the various IDP and rehabilitation programmes. There are currently no public works programmes in the province of Khyber Pakhtunkhwa that aim to provide employment for the poor.

The federal government also runs a number of **labour safety nets**, including the Worker Welfare Fund, the Worker Profit Participation Fund, the Employee Social Security Institutions Scheme, the Education Cess Fund and the Employee Old Age Benefits. These programmes account for about 25% of total federal expenditure on social protection. They are only available to support those in formal waged employment and are not available to farmers. As a result, they do not benefit the existing poor in Khyber Pakhtunkhwa, although they may help to prevent unemployment leading to new poverty. Spending on social transfers is dominated by pensions, which are not targeted on the poor.

Table 19 Khyber Pakhtunkhwa Expenditure on Social Protection

	Social protection	Rs million			As % of total Khyber Pakhtunkhwa		
		2006/07	2007/08	2008/09	2006/07	2007/08	2008/09
No.		Actual		Budget	Actual (%)		Budget (%)
1	Current	628	2,103	318	1.4	3.8	0.5
2	Development	48	134	100	0.2	0.5	0.2

International organisations also provide substantial **humanitarian** support, with World Food Programme (WFP) schemes benefiting about 114,000 people, including 19,000 from UNICEF and 5,000 from the International Labour Organization. In addition, there are strong traditions of charitable activity in Pakistan, both from companies and individuals, and it is likely that these provide support that is of a scale roughly equivalent to that provided by the GoKP.

Goals: The Khyber Pakhtunkhwa Social Protection Strategy aims to help vulnerable groups to fight the

rising cost of living, bringing them into the safety net and thus reducing their vulnerability. It aims to support chronically poor households and protect them from adverse shocks, whilst also promoting investment in human and physical assets that will ensure greater resilience against these shocks.

Priorities: The GoKP will develop a co-ordinated and comprehensive approach to social protection, with improved funding and more transparent management. In addition to the complementary activities in health and education, the social protection priorities are to:

- improve stipends for postgraduates undertaking teaching duties and for senior citizens in the most vulnerable regions, as defined in the Khyber Pakhtunkhwa Social Protection Strategy;
- scale up and streamline the existing income support programmes, with improved targeting, eligibility and selection;
- scale up child support programmes and measures for vulnerable children, initially by 25%;
- shelters, centres and refuges for vulnerable groups and displaced people, including orphans, destitute women and the disabled;
- improvements in the efficiency of workers protection schemes, extending support to informal employment;
- a pilot programme of cash transfers in five districts, with effective and transparent targeting on the poorest segments of the population, including the disabled, people on incomes of less than Rs 6,000 per month, elderly female-headed households, orphans, widows, and unemployed and unskilled household heads with large families;
- reforms to the wheat subsidy to ensure that benefits are felt mainly by the most vulnerable groups, either through direct distribution or through price controls;
- improved protection from disaster management through better co-ordination and linkages to other services, such as fire, civil defence, rescue and medical services;
- improvements in administrative arrangements, institutional co-ordination and cabinet leadership, including the introduction of a management information system to monitor transfers and other schemes; and
- design of new workforce schemes targeted at the unemployed youth to provide sustained employment for at least one year, to enable the youth to become stable members of society.

Table 20 Priority Measures for Social Protection (Rs. million)

No.	Measures	Y1-Y2	Y3-Y5	Y6-Y7	Total	Donor opportunities
1	Establishment of social welfare complex	106	40	0	146	
2	Health insurance and voucher Schemes	4,545	6,817	4,545	15,906	Technical assistance
3	Stipends for postgraduate and senior citizens	633	948	633	2,214	
4	Microfinance for income generation	96	115	77	288	Technical assistance, training and funds
5	Income start-up grants for vulnerable women	480	576	384	1,440	Technical assistance, training and funds
6	Expand child support schemes	96	144	96	336	Budget support
7	New labour protection legislation	5	6	4	14	Technical assistance
8	Shelters etc. for the most vulnerable	136	205	136	478	Budget support
9	Establishment of women development centres at district level	576	576	0	1,152	
	Total	6,672	9,428	5,874	21,974	

13. Population Welfare

- The Khyber Pakhtunkhwa Population welfare programme operates within the context of the National Population Policy framework. The programme is wide in scope, touching on poverty reduction and also sustainable development. In essence, the GoKP population welfare strategy recognises the need to:
 - reduce the rate and incidence of unwanted fertility;
 - promote the small family norm;
 - invest in the youth; and
 - achieve this investment by maintaining a focus on the male population vis-à-vis behaviour change and awareness.

Goal: The aim is to achieve a stabilised population by 2020 through expeditious completion of demographic transition that entails decline both in fertility and mortality rates. The GoKP plans to achieve this goal through:

- attaining a balance between resources and the population within the broad parameters of the International Conference on Population and Development (ICPD) paradigm;
- addressing various dimensions of the population issues within national laws and development priorities, whilst remaining within social and cultural norms;
- increasing awareness of the adverse consequences of rapid population growth at all levels;
- promoting family planning as an entitlement based on informed and voluntary choice;
- attaining a reduction in fertility through improvements in access to and quality of reproductive health services; and
- reducing the rate of population increase through delaying in the first birth, changing spacing patterns, and encouraging a reduction of intended family size.

Priorities:

- Population mainstreaming in provincial planning and development programmes;
- Service delivery expansion and improvements in quality;
 - o strengthening community based services;
 - o linkages with institutional service delivery systems;
 - o strengthening and upgrading existing family welfare centres;
 - o publicprivate partnerships;
 - o encouraging male involvement in birth control programmes; and
 - o improving and ensuring the quality of services;
- Advocacy programmes targeting public representatives, policy-makers, leaders of public opinion, religious leaders and the like; and
- Capacity building, human resources, the mapping and co-ordination of monitoring and evaluation, mapping and co-ordination of a geographical information system..

Table 21 Priority Measures for Population Welfare (Rs. million)

No.	Measures	Y1-Y2	Y3-Y5	Y6-Y7	Total	Donor opportunities
1	Institutional strengthening at provincial, regional, district and <i>tehsil</i> level	404	600	529	1,533	
2	Reproductive health centres A Type/NSV	252	480	422	1,155	
3	Mobile services unit (MSU)	163	232	168	564	
4	Family welfare centres	972	2,112	2,016	5,100	
5	Social mobilisers (male and female)	223	600	581	1,404	
6	Communication strategy	24	34	29	86	
7	Advocacy	48	144	96	288	
8	Research and innovations	3	4	3	10	
	Total	2,089	4,206	3,844	10,139	

14. Religious Affairs

The relevant provincial department dealing primarily with religious affairs, including those of minorities, is the Auqaf, Hajj, Religious and Minorities Affairs Department, which was established in 2003. This Department deals with Waqf properties, and the income generated from its resources is utilised for the construction, repair and maintenance of mosques, shrines and other religious, welfare and charitable purposes, besides paying salaries to its staff. The Khyber Pakhtunkhwa Waqf Properties Ordinance (1979) provides the legal cover to the mandate of this Department.

The Department has a limited presence at the district level through a khateeb at the district level in each district and 15 tehsil-level khateeb in major cities and towns.

Goal: To look after the Waqf properties and judiciously use the revenues from these to expand and maintain sites of religious importance, including those of minorities, besides managing Hajj affairs.

Priorities:

- Capacity building of the Auqaf, Hajj, Religious and Minority Affairs Department;
- Registration of deeni madaris;
- Mainstreaming of darul ulloms/deeni madaris through the provision of:
 - o computers;
 - o furniture;
 - o health and sanitation facilities;
 - o better accommodation and transportation facilities; and
 - o trained teaching staff for religious and modern science education;
- Facilitate minorities in the observance of their religion, promote their skills and facilitation of access to justice.



Table 22 Priority Measures in Religious Affairs (Rs. million)

No.	Measures	Y1-Y2	Y3-Y5	Y6-Y7	Total	Notes
1	Capacity building	864	480	480	1,824	Systems, equipment and training
2	Registration and mainstreaming of <i>deeni madaris</i>	480	912	1,152	2,544	
3	Establishment of <i>madrassa</i> board	480	384	576	1,440	
4	Establishment of modern <i>madrassas</i> in each district HQ	192	192	240	624	
5	Religious events (<i>Qirat</i> competitions, <i>Seerat</i> conferences etc.)	19	38	38	96	
6	Conservation/renovation of religious buildings/graveyards etc.	288	307	490	1,085	
7	Human rights promotion of minorities	48	77	96	221	
8	Minorities database	48	48	10	106	
9	Establishment of religious places for minorities (<i>shamshangats</i> /graveyards etc.)	384	288	192	864	
10	Minorities skills enhancements	192	240	288	720	
11	Facilitate minorities' easier access to justice	77	96	96	269	
	Total	3,072	3,062	3,658	9,792	

15. Local Development and Poverty Alleviation

Whilst poverty is rampant in Khyber Pakhtunkhwa in general, there are pockets where it is more acute. The GoKP has constituted a special development unit (SDU) to plan, design and implement special area development programmes targeting poverty-stricken areas (primarily former opium cultivating areas) by promoting agricultural development, rural roads, irrigation and water supplies. Over the past decades several such area development programmes have been implemented. Some of these projects are still current, together with a number of other regional and local development programmes with a total budget of about Rs 8 billion.



In addition to the area development programmes, a number of other programmes and projects have recently been completed that target poverty through participatory grassroots interventions. These projects include the **Community Infrastructure Programme** (CIP II), the North-West Frontier Province Urban Development Project (National Urban Development Policy NUDP) and the **Rural Water Supply and Sanitation Project** (RWSSP). These projects support investment in sanitation, water supply, treatment of solid waste, productive infrastructure, social infrastructure and institutional strengthening of Tehsil Municipal Administrations and Community Citizen Boards (CCBs).

The **Tameer-e-Sarhad** Programme (TSP) was launched by the GoKP in 2002/03 to provide equal opportunities for better physical infrastructure facilities throughout Khyber Pakhtunkhwa at the grassroots level. Eligible works include water supply, roads, sanitation, waste collection points, irrigation, flood protection, schools, civic amenities and gas and electricity to rural areas.

The **Bacha Khan Poverty Alleviation Programme** is being implemented through the Rural Support Programmes (RSPs), including the Sarhad RSP which started operations in 2005. This operates through the principles of social mobilisation and has involved the formation of community organisations that have been provided credit, with an average loan size of Rs 10,000. Village banks have also been created. The GoKP plans to scale up this initiative to bring additional districts under its implementation.

Goals: The objective of the GoKP in local development and poverty alleviation is to provide increased employment opportunities through community infrastructure schemes, self-employment through microfinance and cash transfers, and skills development for future development of the communities.

For example, the Kohistan Area Development Project, the Dir District Development Project, the Kala Dhaka Area Development Project, the Malakand Rural Development Project, the Barani Area Development Project, the Dir Areas Support Project, and the Buner Area Development Project.

A six-year World Bank funded programme implemented by the Local Government and Rural Development Department, with a total investment of Rs 3.1 billion. This began in 2003/04.

A DFID funded project implemented by the Local Government and Rural Development Department.

The schemes under the TSP must have a cost of between Rs 30,000 and Rs 2 million. The programme requires all recurrent cost implications to be met by local government. Project management is preferably to involve local communities. Proposals are submitted by the Member of the Provincial Assembly to the DCO and include a feasibility report. The District office prepares standard PC1 forms for all applications and decisions are made at the District Development Committee. Implementation is undertaken by the relevant public agency, monitored by the DCO and audited by the Director General Audit of the North-West Frontier Province. Overall co-ordination is provided by a Provincial Steering Committee, which holds quarterly meetings.

Priorities: The important role of local development in recent years will continue and will be boosted through the following priorities:

- capacity building of at least 30 community and women's organisations and local support organisations in each union council;
- income generating grants and technical skills with linkages with social safety nets for the destitute and very poor;
- microcredit, self-employment, small scale enterprise development, and technical & vocational skills;
- small-scale infrastructure schemes built and maintained by communities, including roads, small water supply projects and sanitation, building on the experience of RSPs;
- assistance with access and referral to BHUs and micro-insurance;
- improving school facilities, teacher training and district education plans; and
- improvement in the quality of seeds, fertilizers, training and equipment.

Table 23 Local Development and Poverty Alleviation (Rs. million)

No.	Measures	Y1-Y2	Y3-Y5	Y6-Y7	Total	Donor opportunities
1	Social mobilization and capacity building	1,032	1,547	1,032	3,610	Technical assistance
2	Income generating grants for the destitute	314	702	468	1,484	Technical assistance, training and grants
3	Income generating grants for the very poor	494	1,107	738	2,339	Technical assistance, training and grants
4	Microcredit for the poor	2,499	5,594	3,729	11,822	Technical assistance, training and grants
5	Community physical infrastructure	9,357	20,948	13,965	44,270	Grants
6	Access to health	241	539	360	1,140	NGOs
7	Access to education	2,313	5,177	3,452	10,942	NGOs
8	Agricultural inputs	4,514	10,105	6,737	21,355	Technical assistance, training and grants
9	Local government capacity building and establishment of local government school for local governance and municipal development	432	112	48	592	Technical assistance and training
	Total	21,194	45,832	30,528	97,554	



04

Infrastructure



D Infrastructure

16. Access & Roads

Roads account for over 91% of passenger transport and 96% of freight transport in Khyber Pakhtunkhwa. Demand for transport has been exceeding GDP growth rates. At present, 20% of people have no access to an all-weather road (compared with 15% for Pakistan), and 40% have no access to any form of passenger services (compared with 30% for the country as a whole). Poor households are more likely to live in areas with no access to transport, seriously limiting their prospects for improving their livelihoods and their access to key social services. Road construction typically receives between 10% and 15% of the development budget, which is low by international standards.



There are about 25,000 km of roads in Khyber Pakhtunkhwa, with 2,173 km of national roads, 1,450 km of provincial roads, 18,711 km of district roads and 2,624 km of other roads. About 44% of the roads maintained by the province are in poor condition, and 78% of the roads maintained by the districts are in poor or bad condition. This has arisen as a result of inadequate funding for road maintenance over many years, and because of a failure to enforce rules on axle loads. To restore all non-national roads to good or fair condition would require about Rs 114 billion, in addition to the normal annual requirement of about Rs 1.4 billion. The current budget allocation for road maintenance is Rs 250 million, which is about 18% of the level required to prevent further deterioration of roads.

Table 24 Khyber Pakhtunkhwa Expenditure on Roads

No.	Roads	Rs million			As % of total Khyber Pakhtunkhwa expenditure		
		2006/07	2007/08	2008/09	2006/07	2007/08	2008/09
		Actual		Budget	Actual (%)		Budget (%)
1	Current	510	542	1,182	1.1	1.0	1.8
2	Development	2,895	7,201	6,991	12.3	26.4	16.8

Goals: The objective of the GoKP is to improve the quality of the existing road network to reduce the costs of transport, and to add new connections to high priority areas where roads will contribute to welfare and to reduced conflict.

Priorities: The GoKP has the following priorities.

- sustainable maintenance, with a major increase in funding through a road asset management system; user pays principle; and a road maintenance fund;
- involvement of communities in road development and maintenance;
- optimal utilisation of existing capacity through rehabilitation and upgrading;
- innovative private/public financing mechanisms in construction and maintenance;
- adequate incentive-based funding for districts to maintain roads;
- strengthening of provincial and district road institutions;
- ensuring effective co-ordination between the Frontier Highway Authority and National Highway

- Authority;
- priorities for new roads, to include bypasses and improved road links to industrial zones; and
- longer-term planning for improved regional transport links.

Table 25 Priority Measures in Access and Roads (Rs. million)

No.	Measures	Y1–Y2	Y3–Y5	Y6–Y7	Total	Donor opportunities
1	Asset management system	192	144	96	432	Technical assistance
2	Institutional strengthening of department and community institutions	144	240	106	490	Technical assistance, training, grants
3	Maintenance for district/provincial roads	1,815	2,304	1,536	5,655	Budget support
4	Rehabilitation of district/provincial roads	4,935	6,908	4,606	16,450	Investment project
5	Improvement of district/provincial roads	14,400	17,280	6,720	38,400	Investment project
6	Development of new roads	1,920	2,880	1,440	6,240	
	Total	23,407	29,756	14,504	67,667	

17. Transport

Provision of basic access is a prerequisite for organizing all kinds of social or economic activities. This places transport at the heart of development strategy, cutting across every element of the socioeconomic system. Transport plays a crucial role in generating growth by facilitating both domestic and international trade, and by increasing access to other social infrastructures such as schools, hospitals, parks and so on. Transport investment has the potential to raise social returns to both public and private capital, and also significantly contributes to lowering the cost of production. Transport sector investment generates growth on multiple fronts, and enables an economy to expand its horizons. The quality of transport infrastructure and level of services is therefore among the key factors that determine the overall efficiency of an economy.

In the wake of increasing globalization and economic interdependence, a National Trade Corridor Improvement Programme (NTCIP) has been developed by the Ministry of Communication. The NTCIP envisages two main arteries – one traversing Khyber Pakhtunkhwa to Afghanistan and Central Asian states; the other to China, Kazakhstan and Kyrgyzstan. An elaborate trucking policy has been conceived by the Ministry of Industries, Petroleum and Special Initiatives (MOIP & SI). Modernization of the trucking sector is required, as the dependence on road freight constitutes almost 96% of total ton/km movement of goods. Nationally, the transport sector provides 10.3% of GDP (2008/09). Provincially, services account for just over half of economic activity, with transport providing about 11%. The people of the province have a knack for transport businesses and, to tap that potential and capitalize on opportunities, the level of preparedness is to be increased. Therefore, the capacity and capabilities of the transport sector need to be developed accordingly.

Against this back drop, the GoKP has realized the importance of transport sector development and has created an independent Transport Department.

Goal: The effective promotion and regulation of the transport sector to ensure socioeconomic development in the province.

Priorities:

- Development and rehabilitation of infrastructure;
- Capacity building of individuals and the setting up of organizations or units in public service, and institutional development;
- Capacity building of the private sector through private sector involvement;
- Initiatives for the strengthening of the t-business value chain;
- Enabling of t-businesses to enter the formal sector;
- Supporting initiatives for the provision of environmentally-friendly transport options;
- Initiatives for the upgrading of t-business networks, such as Good Forwarding Agencies, rented vehicle business and so on;
- Modernization and regulation of driver training schools;
- Drivers' and road users' education/training and awareness;
- Improvement of transport operations, maintenance systems and processes; and
- Improving the safety of vehicles, passengers and other road users.

Table 23 Priority Measures in Transport (Rs. million)

No.	Measures	Y1-Y2	Y3-Y5	Y6-Y7	Total	Donor opportunities
1	Development and rehabilitation of infrastructure	240	336	144	720	Studies, construction, rehabilitation, improvement, maintenance and investment
2	Capacity building of individuals, setting-up of organizations or units in public service and institutional development	120	48	24	192	Studies, trainings, workshops, seminars, technical assistance
3	Capacity building of private sector through private sector involvement.	29	58	19	106	Studies, trainings, workshops, seminars, technical assistance
4	Initiatives for strengthening of t-business value chain	192	192	96	480	Studies, surveys, technical assistance
5	Enabling of t-businesses to enter formal sector	38	115	115	269	Studies, surveys, credits, skills improvement, trainings and workshop
6	Supporting initiatives for provision of environmentally-friendly transport alternatives	144	120	58	321	Studies, technical assistance, training, credit support
7	Initiatives for upgrading of t-business networks (Good Forwarding Agencies, rented vehicles etc.)	96	144	48	288	Studies, technical assistance, infrastructure
8	Modernization and regulation of driver training schools	120	125	58	302	Studies, technical assistance, machinery and equipment, human resources development
9	Drivers and road-users education/training and awareness	192	240	90	522	Promotion, media, workshop, seminar, community participation

10	Improvement of transport operations/maintenance systems and processes	58	106	24	187	Studies, TA, training, skill development
11	Improving the safety of vehicles, passengers and other road-users	200	250	94	544	Studies, surveys, machinery & equipment, technical assistance, non-bank financial institution support for insurance
Total		1,429	1,733	770	3,931	

18. Irrigation and Water Resource Management

The Irrigation Department has recently produced a paper that defines its vision and mission. The Department has a Business Plan for Integrated Water Resources Development that identifies constraints and priorities covering irrigation, water resources, environment, flood protection, and rainwater harvesting and small dams. The Irrigation Department has also produced a list of key larger projects. The national Food Security Task Force includes important statements on irrigation priorities.



The allocation of Pakistan's water resources to provinces was agreed in the Water Apportionment Accord (1991). About 25% of the area of Khyber Pakhtunkhwa is irrigable, with about one third of this potential currently utilised. More than 50% of the land that could be irrigated, but is not yet irrigated, is in the southern districts of Lakki Marwat, D.I.Khan and Tank.

The minimum requirements for **maintenance** of the irrigation system are between Rs 600 million and Rs 900 million per year. The budget allocation in the last five years has varied between Rs 160 million and Rs 300 million. As a result of the shortfall in funding for routine maintenance, the Irrigation Department relies on funding from the development budget for large rehabilitation projects, to rescue the infrastructure from disrepair. Unless facilities are due for major upgrading, this is not usually the most efficient way of keeping the system in operation.

Table 27 Khyber Pakhtunkhwa Expenditure on Irrigation

	Irrigation	Rs million			As % of total Khyber Pakhtunkhwa expenditure		
		2006/07	2007/08	2008/09	2006/07	2007/08	2008/09
No.		Actual		Budget	Actual (%)		Budget (%)
1	Current	1,114	1,180	2,320	2.4	2.1	3.4
2	Development	2,077	6,148	3,603	8.8	22.5	8.7

The Irrigation Department is also responsible for the collection of **Abiana**. This is assessed on the basis of expected crop production, and the total assessment value increased from about Rs 200 million in 2002/03 to Rs 341 million in 2007/08, is an increase of 20% in real terms. The actual collection of Abiana has varied from 50% to 60% of the assessed value.

Integrated water resources management suffers serious technical challenges arising from **increasing**

demand for water from all users. As a result, the quality of water is declining and groundwater reserves are falling. Storage capacity is not increasing sufficiently to deal with this situation, and the losses in the system are growing because of deferred maintenance.

In addition to the problems arising from the security situation, the main operational constraints facing water resources in Khyber Pakhtunkhwa are associated with lack of funding, inadequate cost recovery, capacity constraints, limited stakeholder participation, and poor awareness and information.

- In water resources, there have been problems with the slow growth of interest, with project implementation and with financing;
- In irrigation and drainage there is now a scarcity of water and a lack of effort in water conservation. Water supply distribution is inequitable and cost recovery is low, which has resulted in deferred maintenance. There is limited institutional capacity to manage irrigation systems, inadequate information and a lack of consensus and co-operation. Procurement and project implementation are also a problem;
- Environmental standards are hampered by low political priority, inadequate institutional capacity, governance problems and low stakeholder and private sector participation. Funding is limited and the existing legislation is punitive, rather than supportive.
- Flood protection suffers from the lack of a realistic and holistic approach. There are also problems with encroachment due to urbanisation and limited financing available; and
- Rainwater harvesting also suffers from limited finances and implementation capacity, and lack of stakeholder participation.

Goals: The GoKP's goals in irrigation are to provide adequate water for irrigation, both through conservation and development, to meet the food and fibre requirements of the growing population. This is consistent with the National Water Vision, which states:

- By 2025, Pakistan should have adequate water available, through proper conservation and development. Water supplies should be of good quality, equitably distributed and meet the needs of all users through an efficient management, institutional and legal system that would ensure the sustainable utilisation of the water resources and support economic and social development with due consideration to the environment, quality of life, economic value of resources, ability to pay and participation of all stakeholders.

Each subsector has the following objectives:

- In water resources development: to provide sufficient water supply for all users, and promote water conservation through effective planning and decision-making; to regulate groundwater extraction and improve water quality; and to develop an information base and increased public awareness of the importance of water;
- In irrigation and drainage: to increase efficiency from 40% to 45%; to achieve equity in water distribution; to increase the irrigated area; to achieve financial sustainability; to promote stakeholder participation; to reduce waterlogging; to improve capacity; and to introduce an asset management system;
- With regard to the environment: to improve the quality of surface and groundwater to acceptable standards by 2025;
- In flood protection: to focus attention on areas of highest population and economic importance; preparing flood and drought management strategies for major towns and cities; and clearly delineate risk zones in the water infrastructure; and
- In rainwater harvesting and small dams: to harness unused flood water and run this off from hill torrents; to conserve rainwater; and to improve watershed management and flood mitigation.

Priorities: The short-term strategic priorities are to:

- implement the Third Flood Sector Project and the 10-Year Comprehensive Flood Protection Plan;
- implement small dams, rainwater harvesting ponds and actions to harness hill torrents, with appropriate feasibility studies;
- rehabilitate and improve existing irrigation schemes;
- undertake a feasibility study for an Asset Management System;
- plan a comprehensive water quality management programme, including specific actions, studies, awareness raising and legislation requirements;
- upgrade the capacity for integrated water resources management and produce a water resources master plan and management information system;
- promote water conservation;
- expand large- and medium-scale water storage capacity;
- develop a water quality monitoring programme;
- update the feasibility study on groundwater potential and regulatory mechanisms;
- prepare a plan for the financial sustainability of irrigation and drainage;
- implement actions to improve farmer participation and cost recovery in irrigation and drainage; and
- prepare a plan to expand the irrigated area on all scales.

Many of the short-term priorities will need to be sustained into the medium term. Additional medium-term priorities are to:

- implement the plan to increase the irrigated area;
- improve the integration of different aspects of water resources management;
- implement a water quality improvement programme;
- implement a regulatory framework for groundwater use;
- pilot modern irrigation technologies;
- modernise barrages;
- support municipal waste water control measures;
- implement the national water quality monitoring programme; and
- capacity building in GoKP institutions.

In addition to these short- and medium-term priorities, there are longer-term priorities, including improvements in rain-fed farming systems; developing new cultivars with greater water efficiency; and building capacity to respond to climate change, including the ability to optimise water use when supplies are variable. Many of these require a significant increase in spending on research.

There are five major irrigation investment projects in Khyber Pakhtunkhwa that are sufficiently large to require national approval. These include the CRBC Lift and Gravity system in D.I.Khan; the Gomal Zam Dam in South Waziristan, Tank and D.I.Khan; the Kurram Tangi dam in North Waziristan; the Munda dam in Mohmand Agency; and the Warsak Canal system in Peshawar and Nowshera districts. These projects would involve over 1 million acres of new or improved irrigated area, with 840MW electricity generation. The total cost is estimated at Rs 200 billion.

Table 28 Priority Measures in Irrigation (Rs. million)

No.	Measures	Y1-Y2	Y3-Y5	Y6-Y7	Total	Donor opportunities
1	Integrated water resources master plan	96	144	96	336	Technical assistance
2	Capacity building for Department of Irrigation	256	77	51	384	Technical assistance, training
3	Management information system; geographical information system; asset management; water quality monitoring systems, for more effective planning and monitoring	864	672	480	2,016	
4	Feasibility study and revamping of revenue system	96	48	29	173	
5	Stronger regulation of groundwater use	144	240	96	480	Technical assistance, implementation
6	Flood protection (10 years' comprehensive flood protection plan)	5,000	8,000	9,407	22,407	Studies and construction
7	Rainwater harvesting, construction of small ponds	960	1,920	1,920	4,800	Study, pilot projects, construction
8	Rehabilitation of irrigation system	960	1,920	1,920	4,800	Studies, and construction and rehabilitation etc.
9	Rehabilitation and construction of civil <i>khatas</i> and channels	960	1,920	1,920	4,800	
10	Urban/rural waste management systems	288	96	58	442	Waste management systems in rural/urban areas
11	Restoration and upgrading of drainage system	480	672	768	1,920	
12	Small and medium-sized dams	15,000	8,000	5,000	28,000	
13	Construction of canals	1,100	7,000	6,000	14,100	
	Total	26,204	30,709	27,744	84,657	

19. Energy and Power

Pakistan is blessed with a hydroelectricity potential of more than 50,000MW. However, only 15% of this hydroelectric potential has been harnessed so far. The remaining untapped potential, if properly exploited, can effectively meet Pakistan's ever-increasing demand for electricity in a cost-effective way.

Pakistan currently has a total installed power generation capacity of about 20,000MW, of which about 30% to 35% comes from hydroelectricity, the balance coming from thermal generation. Electricity distribution in Karachi is managed by KESC. In the rest of the country, it is managed by WAPDA, except for some parts in Chitral and Kohistan, where it is managed by SHYDO. Since 1999, WAPDA has been split into two distinct entities: WAPDA and the Pakistan Electric Power Company (PEPCO). WAPDA is responsible for water and hydroelectric power development, whereas PEPCO is vested with the responsibility of thermal power generation, transmission, distribution and billing. PEPCO is responsible for the management of all the affairs of the



nine corporatized distribution companies (DISCOs), four generation companies (GENCOs) and a national transmission dispatch company (NTDC).

The National Electric Power Regulatory Authority (NEPRA) was established under Act No. XL (1997). Its function is to provide for the **regulation** of the generation, transmission and distribution of electric power. NEPRA's main responsibilities are to:

- issue licences for the generation, transmission and distribution of electric power;
- establish and enforce standards to ensure the quality and safety of operation and the supply of electric power to consumers;
- approve the investment and power acquisition programmes of the utility companies; and
- determine tariffs for the generation, transmission and distribution of electric power.

A Private Power and Infrastructure Board (PPIB) under the Ministry of Water and Power was established to promote and facilitate **private sector** participation in the Pakistan Power Sector in an efficient, fair and transparent manner, with coherent efforts of key stakeholders. This is in line with the Private Power Policies of the Government of Pakistan and responds to the electricity demand/supply projections, after taking into account the planned public sector power projects. PPIB deals with private sponsors for the generation of power, irrespective of its sources.

The total hydroelectricity generation capacity in Khyber Pakhtunkhwa is estimated to be more than 25,000MW. WAPDA and private sponsors are exploiting this potential. In order to tap the indigenous available resources in the hydroelectricity sector, the provincial government has established the Energy and Power Department (EPD). The goal of the EPD is to explore and develop the indigenous resources available in the province to ensure sustainable economic development. The mandate of the Department also includes oil and gas. The EPD is an administrative department of the Sarhad Hydel Development Organisation (SHYDO). SHYDO framed a power policy for Khyber Pakhtunkhwa in 2006. SHYDO is responsible for the management and development of hydroelectric power generation plants in Khyber Pakhtunkhwa. Electricity supply in Khyber Pakhtunkhwa is provided mainly by the Peshawar Electric Supply Company and the NTDC is looking after the transmission and distribution network.

The Government of Pakistan introduced a power policy in 2001 that concentrated on plants of up to 20MW that were intended to supply captive industrial customers. This provided limited incentives and placed unrealistic constraints on investors. The 2006 Power Policy supplemented this.

To exploit Pakistan's hydroelectric resource productively, huge investments are necessary. Considering the limitations and financial constraints of the public sector, the Government of Pakistan announced a 'Policy for Power Generation Projects 2002'. This aims to attract overseas investment, and to facilitate the use of the domestic capital market to raise local financing for power projects. The main characteristics of this package are internationally competitive terms, an attractive framework for domestic investors, simplification of procedures, and steps to create and encourage a domestic corporate debt securities market.

The 2002 Policy allows provinces to manage investments of up to 50MW capacity. The GoKP has responded to the opportunities provided in the national policy by offering additional incentives to attract private investment in smaller hydropower plants up to 50MW. The GoKP invites investors to invest in the hydroelectric power sector, and assures them of its fullest possible support in the implementation of their projects.

The main objectives of the Khyber Pakhtunkhwa power policy are to:

- provide sufficient opportunities for power generation at the lowest costs;
- encourage and ensure exploitation of indigenous resources, which include renewable energy resources, human resources and participation of local engineering and manufacturing capabilities;
- ensure that all stakeholders are looked after in the process;
- be attuned to safeguarding the environment; and
- encourage the private sector to develop hydroelectric potential and utilise power generation for industry, as well as for other entities.

Goal: To develop and utilise energy and power potential for industry and the welfare of the people by providing sufficient opportunities at low cost through encouraging and ensuring exploitation of indigenous renewable energy resources.

Priorities: For hydroelectric facilities between 1MW and 50MW, the procedures to be used in developing these sites are defined in the 2006 policy and include the following:

- all new private sector projects will be on a Build-Own-Operate-Transfer basis;
- all projects above 5MW will be offered for tender on a competitive basis;
- SHYDO will also welcome interest from private investors at sites that do not yet have official feasibility studies;
- a twin pricing policy for tariff determination is applied including a fixed and a variable element;
- Khyber Pakhtunkhwa will not impose taxes or levies on power generation companies; and
- promotion of alternative energy sources.

The policy defines the rules that will apply during the transition period, whilst full privatisation is achieved.

Large hydroelectric power facilities are governed by the Hydropower Development Plan 'Vision 2025' prepared by WAPDA. This is kept updated with potential projects for the short, medium and long term. The plan envisages a combination of public investment, private investment and publicprivate partnership. There are seven hydroelectric power schemes in the process of commissioning in Khyber Pakhtunkhwa (Allai Khwar, Duber Khwar, Khan Khwar, Keyal Khwar, Golen Gol, Kurram Tangi, and the Gomal Zam and Tarbela 4th Extension Hydropower Project), and these will add about 1,500MW to the national system to strengthen the economy and enhance the share of electricity generated to the national grid by 201112.

SHYDO is not directly constructing small-scale hydroelectric projects; rather, it is trying to award these projects to private sponsors in accordance with the Khyber Pakhtunkhwa Power Policy 2006. SHYDO has constructed medium-sized projects, including Malakand-III HPP, Pehur HPP in Swabi, and Rashun HPP and Shishi HPP (near completion) in Chitra, with a total capacity of 105MW. These projects are helping the province to cope with the power shortages. Another 23 projects having an accumulated capacity of 2038MW have been included in the Hydel Development Plan 201025 at a cost of Rs 353.894 billion.

With the resolution of the net hydroelectricity profit arrears issue with the federal government, the provincial government expects to receive a total of Rs 100 billion over four years. Of this amount, at least 60% is planned to be invested back into hydroelectric development, thus ensuring the availability of Rs 60 billion for the financing of the Hydel Development Plan 201015.

The seven-year (201017) funding requirements of the Hydel Development Plan 201025 are Rs 189.470 t

billion. Since these projects are planned to be financed by public-private joint ventures, at least 50% of Rs 189.47 (i.e. Rs 94.735 billion) are expected to come from the private sector.

Table 29 Priority Measures in Energy and Power (Rs. million)

No.	Measures	Y1-Y2	Y3-Y5	Y6-Y7	Total	Donor opportunities
1	Public sector financing of hydroelectricity projects	6,509	32,363	52,073	90,946	50% of Rs 189.47 billion (i.e. Rs 94.7 billion) will come from the private sector
2	Promotion of alternate energy	480	1,440	960	2,880	Technical assistance and grants
	Total	6,989	33,803	53,033	93,826	

20. Water and Sanitation

Overall, about 71% of Khyber Pakhtunkhwa has access **to an improved water supply**. In urban areas, the coverage stands at 92%. The coverage varies greatly from district to district and in some districts, such as Kohistan, the coverage is as low as 11%. Most rural supplies are managed privately or by NGOs, whilst the GoKP is the main supplier of water in urban areas. Many improved water supplies are not considered safe for human consumption.

Access to sanitation is also poor: only 66% of the population has access to sanitation and only 39% of the latrines are considered sanitary. Open defecation is rampant in rural areas. Access to sanitation in urban areas is much higher, at over 90%, but the wastewater from the majority of households discharges untreated into the open. It can be safely assumed that there is no village or towns in Khyber Pakhtunkhwa that can be considered as 'free from exposure to human excreta'. Hence, poor sanitation is a serious public health risk for the entire population of Khyber Pakhtunkhwa.

As part of the **devolution** policy in 2001, water supply and sanitation services, including sewerage and drainage, were transferred from the Public Health Engineering (PHE) Department to Tehsil Municipal Administrations (TMAs). Thus, TMAs are not only responsible for water and sanitation, but also for a plethora of other municipal services, such as roads, streets, lighting fire fighting and park services. Monitoring and mentoring support is provided at the provincial level by the Local Government and Rural Development Department to these TMAs but, however, requires significant beefing up.

Various surveys have established that a large number (~ one third) of existing communal drinking water schemes provided by various governmental agencies and handed over to communities are either defunct and abandoned or remain non-operational for long periods of time due to lack of timely maintenance. The problem, if left unaddressed, will cause a huge loss to the public investment and, as



GIS for Drinking Water Supply Schemes in FATA and Four Districts of NWFP, Abt Associates/North West Development Associates (NWDA), 2008, Pakistan.

such, demands a serious response to ensure the realisation of the GoKP's 'safe water for all' goal in the province.

The province has yet to draft its own Drinking Water Supply Policy/Strategy. The National Water Policy exists, which establishes a number of principles, including that:

- water is a basic human right;
- domestic water takes precedence over other uses of water;
- existing disparities in access to water need addressing;
- women, as the main users of water, need special roles in planning water supply; and
- local authorities will take the lead responsibility in water supply.

The GoKP's support for sanitation is guided by a provincial draft Sanitation Strategy, which reflects the National Sanitation Policy prepared in 2006. The provincial strategy recognises three principles, that:

Households are already meeting the high costs of poor sanitation through very high expenditure on health services;

- there is growing experience in Pakistan and elsewhere in South Asia that communities are capable of building and maintaining sanitation systems, given the right facilitation and support from NGOs and government; and
- local governments are the right level for sanitation improvements to be managed.

The strategy adopts a 'total sanitation' approach, covering hygiene, excreta, drainage and solid waste, with the most urgent priorities being hygiene and excreta. Again, building on international experience, the strategy adopts an outcome-based approach relying on the declaration of Excreta Safe Unions, Litter Free Unions, Foul Water Free Unions and the Cleanest Unions. Funding will be linked to rewards for achieving outcomes using a number of different models, to be determined at local level by TMAs. It relies on popular participation and changed perceptions.

Goals: The GoKP's strategic goals in water and sanitation are to expand the availability of clean water, especially in areas threatened by conflict, and to ensure that all people in Khyber Pakhtunkhwa have access to safe sanitation.

Priorities: Priorities in water and sanitation are to:

- provide new access to safe drinking water, with appropriate supervision of quality, especially in areas that are currently either unserved or underserved, and improve maintenance and reliability of existing supplies;
- rehabilitate the existing non-functional water supply schemes according to the provisions of the national policy guidelines to ensure sustainability;
- rationalise user charges for water supplies;
- strengthen the regulation of groundwater use;
- promote water saving measures and local water harvesting schemes, reducing unaccounted for water, promoting metering and so on;
- promote new arrangements for collaboration with communities and for publicprivate partnership in water supply;
- prepare the provincial Drinking Water Supply Strategy;
- refine and finalise the Provincial Sanitation Strategy and prepare for implementation, including a programme of incentives, giving 20% match funding to the national programme;
- build sector capacity, to include performance benchmarking of all TMAs; assistance to TMAs in the development of customers/civic education and Behavioural Change Communication (BCC) plans; establishment of a local government training institute, promotion of Community and School Led Total Sanitation (C/SLTS) approaches to help achieve sanitation MDGs;

- develop improved institutional structures for water and sanitation, including regulations, institutions, social conventions and public health attitudes;
- improve co-ordination and networking amongst departments and with the private sector; and
- co-ordinate and facilitate the Emergency Preparedness and Response (EPRP)

Table 30 Priority Measures in Water and Sanitation (Rs. million)

No.	Measures	Y1-Y2	Y3-Y5	Y6-Y7	Total	Donor opportunities
1	Sector institutions' strengthening and capacity building	96	144	48	288	Technical assistance, training, equipment
2	Provincial Drinking Water Supply Strategy	10	0	0	10	Technical assistance
3	Supply of water and sanitation to new areas	2,880	2,976	4,512	10,368	
4	Rehabilitation of existing water supply schemes	960	1,920	2,880	5,760	
5	Incentives programme for Sanitation Strategy	96	288	288	672	
6	Water-saving measures	48	96	48	192	Promotion, media
7	Drinking water supply regulation, including ground water	48	96	48	192	Technical assistance, and operation and maintenance
8	Emergency Preparedness Response	72	144	96	312	Technical assistance, training, procurement
9	Greater water supply scheme for Peshawar	480	1,440	960	2,880	
10	Abbottabad gravity water supply scheme	2,650	1,459	0	4,109	
	Total	7,339	8,563	8,880	24,782	



¹²Khan Farooq et al 2008, source:

[http://www.watersanitationhygiene.org/References/EH_KEY_REFERENCES/SANITATION/Latrine%20Design%20and%20Construction/Beyond%20Construction%20\(IRC\).pdf](http://www.watersanitationhygiene.org/References/EH_KEY_REFERENCES/SANITATION/Latrine%20Design%20and%20Construction/Beyond%20Construction%20(IRC).pdf)

21. Housing and Public Building

The Provincial Housing Authority (PHA) in Khyber Pakhtunkhwa was created in 2005 to implement the National Housing Policy announced by the federal government in 2001. The main theme of the policy is to regulate housing-related activities in a proper and well co-ordinated manner. This should encourage systematic growth in the housing sector in collaboration with government, as well as the private sector, and encourage publicprivate partnership for providing affordable housing facilities to the general public, as well as to government employees. The Policy also aims at fostering publicprivate partnership and unleashing private sector response to address the housing demand in both the public and private sector, whilst the government role is envisaged primarily as remaining that of a regulator.

Goal: The objectives of the PHA are to establish a comprehensive system of town planning at different levels in the province to ensure systematic integrated growth of urban and rural areas, and to achieve the object of 'Housing for All', including housing for GoKP servants lacking accommodation.

Priorities: The GoKP's short-term priorities are:

- strengthening the Housing Department (HD), Communication and Works (C&W) and Provincial Housing Authority (PHA);
- establishment of PMU for provincial land use planning;
- provision of essential staff for HD/PHA;
- establishment of PMU in PHA for preparation of land use plans;
- fast-track construction of flats in Hayatabad;
- immediate commencement of a feasibility study and the planning of housing schemes:
 - o in selected districts of Khyber Pakhtunkhwa (i.e. Peshawar, Nowshera, Charsadda, Mardan, Swabi, Swat, and Abbottabad);
 - o development of small housing on sites already acquired for the purpose;
- feasibility and construction of flats at a civil quarters site in Peshawar.

In the medium term, the priorities are to:

- acquire land for housing, both for GoKP officials and for the poor, funded by government and by banks and international finance institutions (IFIs);
- reconsider hiring of consultants for selection/planning of six sites in six districts within six months;
- Housing for All Programme, to guarantee civil servants a house in retirement, with the costs of the housing recovered through deductions from civil servant salaries;
- provide housing plots for the poor whose certified income is less than Rs 5,000 per month, through public auction;
- construct and reconstruct flats for existing civil service employees;
- partnership with the banks, development finance institutions and private developers; and
- reconstruction of flats at Kohat Road, Peshawar.

Table 31 Priority Measures in Housing and Public Building (Rs. million)

No	Measures	Y1–Y2	Y3–Y5	Y6–Y7	Total	Donor opportunities
1	Strengthening of HD/C&W/ PHA and establishment of PMU for provincial land use planning	144	288	192	624	Technical assistance, capacity building, equipment
2	Acquisition of land for housing schemes for GoKP servants and the general public in various districts	1,846	1,920	2,880	6,646	
3	Development of housing schemes for GoKP servants and the general public in various districts	2,400	3,648	2,880	8,928	
4	Construction of houses for GoKP servants and plots for poor segments at Hayatabad, Mulazai/Peshawar, Deri Zardad and Behram Dehri/Charsaad and at available land in other districts	1,138	768	672	2,578	
5	Construction of flats and housing at the existing site of civil quarters and irrigation colony	768	864	576	2,208	
6	Maintenance, reconstruction, rehabilitation and furnishing of GoKP residential buildings	3,629	7,680	5,088	16,397	
	Total	9,924	15,168	12,288	37,380	



05

Economic Management



E Economic Management

22. Agriculture, Livestock and Food Security

The strategy of the GoKP is based on the Agricultural Policy (2005) prepared by the Agriculture, Livestock and Co-operatives Department (ALCD), supplemented with the report of the national Task Force on Food Security, published in February 2009 by the Planning Commission. A Livestock Development Plan has recently been approved. An earlier Khyber Pakhtunkhwa Agricultural Strategy was produced in 2003 and provides further context.



Agriculture is critical for Khyber Pakhtunkhwa as over 75% of the population are at least partly dependent on agriculture for their livelihood. In addition, the high levels of poverty in rural areas mean that agricultural growth is a very effective way of reducing poverty. There are just over 1 million farms, with 60% comprising less than 2.5 acres and 37% less than 1 acre. About 16.6% of land is cultivable, of which over half is already irrigated, about 15% is used for rain-fed crops and about 30% is fallow. Nearly 40% of Khyber Pakhtunkhwa is uncultivated, but used productively, mainly for livestock. A further 12.6% is forested, with the remainder being wasteland.

Crops account for about 70% of agricultural production by value, with the most important crops being wheat (22% of total value), maize (18%), sugar cane (13%) and tobacco (9%). Livestock accounts for the remaining 30%, with cattle, buffalo, and milk and eggs having roughly equal importance.

Growth in agriculture for Pakistan averaged over 4% per annum between 1970 and 2000, but has slipped to less than 3% since 2000. This pattern reflects the changes in the terms of trade through these periods and the lack of any technical advance in recent decades that can match the impact of the Green Revolution of the 1960s.

The terms of trade are influenced by the national system of **intervention buying** that provides a floor price for the main agricultural products. The GoKP also operates policies to keep prices low for agricultural inputs. Intervention buying has been important in the past, but has not been active for most crops in recent years, although the floor price may help some farmers in negotiations with traders, in areas where trade competition is low. The index of agricultural terms of trade rose from 100 in 1990/91 to 132 in 1998/99, and then fell back to 97 by 2005/06. The large increase in world food prices in 2007/08 has helped to reverse this decline, pushing the index back up to 114, with food price rises more than offsetting the large rise in input prices, especially for fertiliser and fuel. The high demand for food products from Afghanistan has contributed to the high food prices and has fostered a strong transit trade in food products. An impact assessment by UN agencies in July 2008 concluded that the price changes in Pakistan following the increase in world prices pushed about 10 million people below 1,700 calories per day.

Although the advances in **agronomy** in recent years have not matched those of the green revolution, there are still many opportunities to improve agricultural production. In Pakistan, progressive farmers achieve yields that are roughly double the national average for wheat and maize, and are four times the average for sugar cane. Key technical solutions to bridging this gap include the increased use of certified

seed, balanced use of fertiliser, farm mechanisation, water use efficiency and expansion, and increased livestock productivity.

Key problems in agriculture include:

- natural resources pressures rain-fed agriculture, inefficient use of irrigation, ecological fragility of uncultivated land;
- fragmentation of holdings;
- low productivity low quality of seed and fertiliser, low livestock productivity, post-harvest losses of more than 10%, and an irrigation system that has received inadequate maintenance for several decades;
- limited GoKP institutional capacity, especially for extension and research;
- economic disincentives non-existence of regulated markets, poorly developed markets, low agri-processing activity, and a high tax burden;
- limitation on financial services only 4% of total institutional credit goes to agriculture; loans are falling 36% below the targets set in the MDGs, at a national level; and a high spread between savings and lending rates of over 7%, nationally; and
- social constraints limited co-operative activities, and low attention to the role of women in agriculture.

The GoKP's role in agriculture is different to its role in other economic activities, as a result of:

- the disbursed nature of agricultural production;
- the volatility of markets and the critical importance of food prices to basic welfare; and
- the needs for co-operation over natural resource use and disease and pest control.

Existing GoKP activity focuses on the construction and maintenance of irrigation infrastructures, along with support for extension, veterinary services and research. The total budget for agriculture is Rs 7.8 billion, of which Rs 7 billion is for development, mainly for the construction of irrigation (Rs 5.8 billion). There are also over 60 smaller projects in the Annual Development Plan providing support for specific initiatives, costing a total of Rs 0.7 billion. In addition to the agriculture budget, there are about 80 forestry, fisheries and wildlife projects with a total value of Rs 0.5 billion.

Table 29 Khyber Pakhtunkhwa Expenditure on Agriculture, Forestry, Fisheries and the Environment

No.	Agriculture and natural resource management	Rs million			As % total of Khyber Pakhtunkhwa expenditure		
		2006/07	2007/08	2008/09	2006/07	2007/08	2008/09
		Actual		Budget	Actual (%)		Budget (%)
1	Current	984	1,044	2,053	2.1	1.9	3.1
2	Development	3,099	3,988	3,489	13.1	14.6	8.4

Goals: To ensure food security by enhancing agricultural and livestock productivity through improved and integrated public support, publicprivate partnership, conservation, tax relief and gender mainstreaming. The target set by the national Task Force on Food Security is to achieve real agricultural growth of at least 4% per year over the next decade, and Khyber Pakhtunkhwa aims to match this target. The province of Khyber Pakhtunkhwa will participate in national initiatives on targets for a Food Security Index and a Terms of Trade Index.

Priorities: The strategy defines the following short-term priority policies:

- agriculture policy reforms, including enhanced regulations and capacity building of the Agriculture Department;
- improved extension and research services, with rationalisation to allow greater independence to research institutes and introduction of a performance monitoring system;
- expanded availability of certified seed to the private seed companies that supply most of the improved seed in Khyber Pakhtunkhwa;
- higher priority to providing foreign exchange for the import of fertiliser, and rationalisation of the co-operation between government and private fertiliser distributors, to reduce distortions in distribution
- improved efficiency of agricultural markets and maximised incentives for farmers, with prioritised publicprivate investment in market, processing and storage facilities;
- exemption from or reduction in taxes, affecting land tax, inheritance tax and Abiana;
- strengthened ability of government-financed procurement, storage and distribution, to provide timely purchase, and efficient and equitable distribution;
- increased farmer co-operation and participation in government services;
- facilitated private investment in livestock, fruit, water management and dairy;
- expanded agricultural credit, with the introduction of the passbook system in northern areas;
- diversification to higher value products, with investment in post-harvest handling, and diversification into non-farm employment in rural areas to facilitate consolidation of holdings
- greater attention to the efficiency of water use; and
- the bringing of cultivable wasteland into farming, through provision of irrigation and land development with the help of bulldozers and tractors.

The GoKP recognises that proper storage of food grain is a strategic investment ensuring some leverage in controlling the fluctuations in market prices and, hence, through its Food Department, the GoKP will pursue:

- the enhancement in wheat storage capacity from the current 0.333 million tonnes to 0.635 million tonnes by building 302 new godowns/gallows, each of 1,000 tonnes capacity; and
- the strengthening of the Food Department and the development of a database to ensure monitoring and evidence-based planning.

The GoKP recognises that the livestock sector contributes about half of total agricultural GDP and will pursue the:

- rationalisation of research and extension, improvement in co-ordination, and the strengthening of capacity;
- removal of duplication in funding;
- efficient collection of revenue and establish sustainable revolving funds;
- abolition of establishment charges in a phased manner;

- increased commercialisation of the sector through the establishment of joint ventures with the private sector and the establishment of milk, meat and egg processing industries through local and foreign investment, and creation of a Livestock Commercialisation Board and Network; and
- enhancement of livestock productivity through an improved breeding programme and the conservation of indigenous breeds.

Table 30 Priority Measures in Agriculture, Livestock and Food Security (Rs. million)

No.	Measures	Y1-Y2	Y3-Y5	Y6-Y7	Total	Notes
1	Agriculture policy reforms, including enhanced regulations and capacity building of Agriculture Department	96	192	96	384	Technical assistance
2	Land development	2,784	2,400	998	6,182	Technical assistance
3	Farmer participation in extension and research	192	288	192	672	Technical assistance, and operation and maintenance
4	Exemption or reduction from taxes	708	1,061	708	2,476	
5	Extension, seeds, fertiliser, machinery	960	1,440	960	3,360	Technical assistance, grants
6	Procurement of bulldozers etc. for land levelling	960	960	480	2,400	
7	Cultivable waste land development	432	864	432	1,728	
8	Agricultural research	3,216	5,424	4,800	13,440	Technical assistance, and operation and maintenance
9	Revising market standards and trade legislation	10	0	0	10	Technical assistance
10	Livestock and dairy development	1,008	3,192	1,920	6,120	
11	Horticulture development	768	1,440	768	2,976	Technical assistance
12	Water harvesting	480	864	576	1,920	Technical assistance, construction
13	Enhancement in wheat storage capacity from the current 0.333 million tonnes to 0.635 million tonnes by building 302 new godowns/ gallows, each of 1,000 tonnes capacity	2,880	4,800	1,018	8,698	
14	Strengthening of food department (construction of directorate and establishment of planning cell) and development of a database to ensure monitoring and evidence based planning.	67	38	10	115	
	Total	14,560	22,963	12,957	50,481	

23. Forestry, Wildlife and Fisheries

The Forestry Strategy of Khyber Pakhtunkhwa has been formulated to implement the Khyber Pakhtunkhwa Forest Policy (1999), the National Forest Policy, the National Environment Policy (2005), the Biodiversity Action Plan and Wetlands Action Plan for Pakistan, the Pakistan Poverty Reduction Strategy and the obligation of the Government of Pakistan to implement the provision of various international environmental agreements (the Framework Convention on Climate Change, the Convention on Biological Diversity, the Convention on Desertification Control and so on), and to achieve Goal 7 (Environmental Sustainability) of the Millennium Development Goals.



Khyber Pakhtunkhwa has a comparative advantage in the forestry sector vis-à-vis other parts of Pakistan. Forests and range lands are a major land use in the province (65% of the total land area of Khyber Pakhtunkhwa falls within the management responsibility of the forestry sector). Around 40% of Pakistan's forests are located in this province. Forestry-related activities are labour intensive, and therefore play a very important

role in employment generation on the doorsteps of local communities. Major segments of the rural population depend on the forestry sector for their employment, livelihoods and income. It is therefore a key sector for alleviating poverty and ensuring sustainable livelihoods in Khyber Pakhtunkhwa, especially rural poverty and rural livelihoods.

Due to great variation in topography, climate and altitude, the province is blessed with rich variety of fauna and flora, spreading from desert plains in the south up to snow-bound peaks in the north. The richness of biodiversity can be judged from the fact that, besides the seasonal migrant species, the province has 98 species of mammals, 466 species of birds and 56 species of reptiles. The province has earned an international reputation for framing an effective community-based trophy-hunting programme of Markhor (*Capra falconeri*) and the conservation of globally endangered species of snow leopard and western tragopan pheasant.



Nationally, our watersheds are critical for water inflow into hydroelectric power reservoirs, which are the life blood of Pakistan due to water and power generation for agriculture and industries. The forests are internationally important for the conservation of biodiversity, carbon sequestration and climate change mitigation functions. Both Khyber Pakhtunkhwa and Pakistan are committed to the realization of MDGs. Goal 7 of the MDGs (Environmental Sustainability) is directly related to forestry and the environment. Most other MDGs are also very heavily dependent on the sustainable management of the environment.

Moreover, investments in the forestry sector have higher, broad-based, pro-poor and pro-environment returns compared with many other sectors. Investments in the sector are therefore crucial for future economic, social and environmental development of the province. The direct costs and opportunity costs of environmental neglect are far too high.

The GoKP strategy for forestry and wildlife translates the provisions of the provincial and national policies, and international obligations. This strategy recognizes the importance of forests and the sustainable conservation of biological resources at the local, national and international levels. It also recognizes the vital role played by the forests of Khyber Pakhtunkhwa in maintaining ecological processes; in protecting fragile ecosystems, watersheds and fresh water resources; and as a rich storehouse of biodiversity. The strategy for the fisheries sector aims to facilitate conservation, protection, development and management of fisheries resources in the province for the sustainable provision of food, income, sports and health values.

Goal: To serve the people of Khyber Pakhtunkhwa by protecting, managing and promoting stewardship of the province's forests, wildlife, fisheries and environmental resources so as to enhance the environmental, economic and social welfare of the communities and the sustainability of the resource base across the landscape and over time.

Priorities: The strategy defines the following priority measures:

- rehabilitation of degraded natural forests;
- rehabilitation and development of range and pasture lands;
- development of forests for carbon sequestration and climate change mitigation;
- promotion of non-timber forest products;
- sustainable management of the critical ecosystem;
- promotion of energy plantations;
- watershed rehabilitation and management;
- establishment of a biodiversity conservation programme;
- establishment of a community participation programme in wildlife conservation; and
- development of fisheries and the promotion of aquaculture.

Table 31 Priority Measures in Forestry, Wildlife and Fisheries (Rs. millions)

No.	Measures	Y1–Y2	Y3–Y5	Y6–Y7	Total	Donor opportunities
1	Rehabilitation of degraded natural forests	576	768	384	1,728	
2	Rehabilitation and development of range and pasture lands	288	480	192	960	
3	Development of forests for carbon sequestration and climate change mitigation	480	1,440	960	2,880	Technical assistance for accessing global funds for carbon trade
4	Promotion of non-timber forest products	192	768	384	1,344	Technical assistance
5	Sustainable management of the critical ecosystem	192	576	192	960	
6	Promotion of energy plantations	192	576	192	960	Technical assistance
7	Watershed rehabilitation and management	192	480	192	864	
8	Biodiversity conservation programme	576	1,152	960	2,688	
9	Community participation and other programmes in wildlife conservation	1,008	1,872	960	3,840	
10	Fisheries development and the promotion of aquaculture	1,152	2,016	1,536	4,704	
	Total	4,848	10,128	5,952	20,928	

24. Industrial Development

Besides facing the dire problems of security and energy, industries located in Khyber Pakhtunkhwa suffer from locational disadvantage. Therefore, any serious effort to promote industry has to respond to these challenges effectively, and has to build upon the advantage the province has, such as industries involved in dimensional stones, furniture, agriculture and livestock in areas etc.

Goals: To regulate, co-ordinate and facilitate the development of industrial infrastructure, and to create employment opportunities to reduce unemployment and poverty and to divert people away from activities associated with the conflict.

Priorities: In the short term, the GoKP will establish a dedicated Programme Management Office (PMO) in the Sarhad Development Agency (SDA), with experienced staff. The PMO will be responsible for regulatory activities, co-ordinating infrastructure development and all facilitation and marketing functions.

In the first phase, all industrial estates in Khyber Pakhtunkhwa will be facilitated. Currently, there are 13 industrial estates and 11 small industrial estates. The second phase will involve the creation of new estates. Preference will be given to estates that are close to Federally Administered Tribal Areas (FATA), and these estates will include quotas for the proportion of employees that must come from FATA. The support to these estates will focus a range of support activities for businesses, including:

-
- improvement of infrastructure;
- removal of administrative barriers;
- support for promotional activities, including advice on succeeding in US markets; and
- technical support to firms.

In addition, all incentives that are currently available in Export Processing Zones will be available to businesses in these zones. These incentives include:

- simplified procedures;
- full repatriation of profits;
- duty free import of machinery, vehicles, equipment and materials and the ability to sell in local markets after a set period and payment of a duty equivalent;
- no sales tax on inputs, including utilities;
- freedom from any national import restrictions and from foreign exchange regulations;
- duty- and tax-free trade within zones;
- the ability to sell in Pakistan on the same terms as any importer;
- production-oriented labour laws; and
- unlimited subcontracting within and outside the zones.

Key priorities, in summary, are:

- capacity building;
- promotional activities;
- the upgrading of existing industrial estates;
- new industrial estates;
- the revival of sick industrial units;
- public private partnership joint ventures;
- technical support to firms and businesses; and
- Establishment of an SDA complex.

Table 35 Priority Measures in Industrial Development (Rs. million)

No.	Measures	Y1-Y2	Y3-Y5	Y6-Y7	Total	Donor opportunities
1	Capacity building	150	100	50	300	
2	Promotional activities	150	100	75	325	Technical assistance
3	Upgrading of existing industrial estates	500	400	500	1,400	
4	New industrial estates	1,500	1,000	1,000	3,500	
5	Revival of sick industrial units	1,000	500	500	2,000	
6	Public-private partnership joint ventures	144	288	144	576	Technical assistance
7	Technical support to firms and businesses	100	150	100	350	Technical assistance
8	Establishment of SDA complex	200	150	50	400	
	Total	3,744	2,688	2,419	8,851	

25. Minerals Development

Khyber Pakhtunkhwa has important resources of dimensional stones (especially marble and granite), precious stones and metals, some industrial minerals, energy minerals and salt. Dimensional stones are of particular importance: there are six different types of marble block with known reserves of more than 100 million tonnes and two of more than 1 billion tonnes; and granite resources are widespread in the northern districts of Khyber Pakhtunkhwa. There are currently nearly 900 prospecting licences granted and about 430 mining leases. Industrial rocks and minerals account for just over half the licences, with dimensional stone accounting for nearly one third.



Mineral extraction has been one of the sectors that have grown in recent years, despite the security constraint, partly because it is highly concentrated and thus easier to protect from disturbances. Its contribution to GDP is still small (at 0.1% of GDP), but it has the potential to grow rapidly. Furthermore, most of the mineral resources are located in relatively poor areas of the province, and mineral extraction is therefore likely to benefit the poorest members of society, both through direct employment and through the spillover benefits of the infrastructure provided for quarrying and mining. It is also a sector in which the GoKP can provide strong support without undermining private sector activity.

At the provincial level, the Mines and Minerals Department (MMD) is responsible for the management of mineral resources in the province, in terms of:

- regulating the grant of licences and mining leases;
- exploration and development of mineral resources, including assessment and evaluation of mineral areas; and
- welfare of mine workers and enforcement of laws related to safety of mines and workers.

The MMD also provides facilitation activities, including:

- laboratory facilities in mineral sample testing, analysis and processing;
- environmental management of mines sites; and

- information services to facilitate and attract investment in the mineral sector.

The MMD is also responsible for research and development (R&D) projects, technical support for smaller mining concessions and the evaluation of mineral tenements for the possible grant of licenses. There are 10 minerals projects in the current Annual Development Programme, including four surveys, two training programmes, two R&D projects and two geographical information systems. Since the formation of the MMD, it has created new concession rules, established a safety and rescue training centre, supported small-scale gemstone prospecting, and raised awareness about mining issues in the district legal system. Exploration work has covered dimensional stones, gemstone resources, and gold and related minerals; work is ongoing on various mapping activities.

Box 3 The PASDEC Public Private Partnership

The Pakistan Stone Development Company provides a range of publicly-funded services that aim to improve the production and reduce the wastage of dimensional stones, so that Pakistan can achieve international standards of efficiency by 2015. The partnership will implement a total of 43 projects, of which 11 will be in Khyber Pakhtunkhwa. These will include model quarries, the upgrading of selected quarries, a machinery pool, training centres and programmes, warehouses for key materials, and marble cities. In Khyber Pakhtunkhwa, PASDEC has already established a machinery pool, upgraded one quarry and trained 10 quarry masters. There are also plans to establish a Pakistan Gem and Jewellery Development Company, along similar lines

The key challenges to the sector are:

- lack of capacity building of the MMD in the management of mineral resources, including regulations;
- lack of mining skills and mine management, leading to wastage of mineral resources and harming the recoverability of mineral reserves;
- lack of investors having the requisite financial and technical soundness;
- problems associated with obtaining permission from local communities and land-owners creating difficulties in access to land in mineral bearing areas;
- litigation amongst mineral licensees and mining lessees;
- low level of value-added to minerals;
- lack of adaptation of production to match market demand, creating periods of fluctuating prices; and
- lack of co-ordination between the Environment Department and MMD in declaring reserved forest in areas of mineral potential.

Goals: The strategic objective of the GoKP in the minerals sector is to facilitate a rapid increase in mining activity that uses natural resources efficiently, whilst providing employment to local people and revenue to government.

Priorities: The MMD will champion the development of the minerals sector, and will pursue the following priorities:

- strengthening the institutional set-up of the MMD, including logistical support and capacity building;
- regional mineral exploration of Khyber Pakhtunkhwa to facilitate mineral development and private sector development;
- establishing an Institute of Mineral Management for training professionals (geologists, mining engineers and other geoscientists, as well as information technology, legal and regulatory

- experts and the like) to cater for the needs of the MMD and the private sector;
- provision of roads and electricity in selected mineral bearing areas that are also of importance to the local population;
- set up model ropeways to demonstrate the transportation of minerals to roads in rugged terrain;
- discourage the granting of licenses and leases to applicants with limited financial resources and with no technical resources or experience of the mining business;
- legislative measures to resolve problems with land owners and local communities' representatives;
- support and training for a value-added element to indigenous minerals and gemstones;
- incentives in the transport of mineral products to compensate for the remoteness of the area;
- incentives in obtaining foreign technical assistance and mining machinery; and
- establishment of a formalized gemstone business.

Table 36 Priority Measures in Minerals Development (Rs. million)

No	Measures	Y1-Y2	Y3-Y5	Y6-Y7	Total	Donor opportunities
1	Development projects for institutional strengthening	384	518	29	931	Technical assistance, training
2	Regional mineral exploration	984	1,800	864	3,648	Technical assistance, investment project
3	Infrastructure development projects (access roads etc.) in mining areas to facilitate mining	845	1,344	595	2,784	
4	Mine safety and welfare projects	461	317	768	1,546	
	Total	2,674	3,979	2,256	8,909	

26. Facilitating Private Sector Development in Khyber Pakhtunkhwa

Khyber Pakhtunkhwa has a long and distinguished tradition as a centre of international trade. It has valuable natural resources, notably for hydroelectric power and mineral development, and well-established agricultural traditions. The structure of economic activity reflects these assets.

- Agriculture accounts for between 20% and 25% of economic activity and, whilst there was some tendency for this share to decline between 2000 and 2005, this is likely to have been reversed in the last year, when prices have increased substantially.
- The share of industry in economic activity has remained at roughly 25% throughout the period. This is comprised of large-scale manufacturing (9.5% of GDP in 2005), small-scale manufacturing (6.9%), construction (3.7%), utilities (3.4%) and minerals (0.1%). The share of large-scale manufacturing has been growing in recent years.
- Services account for just over 50% of economic activity, with transport (10.9%), trade (17.1%) and public administration (11.1%) being the largest elements.



Economic development faces a number of challenges in Khyber Pakhtunkhwa:

- the skills of the population are adapted to local activities and not to the sorts of modern economic activities that are likely to provide the main sources of economic growth in the province;

- many parts of the region are isolated, as a result of the difficult terrain and inadequately maintained infrastructure;
- there is a strong tradition of informal economic activity and little respect for the potential benefits of formalisation, including access to formal sources of finance; and
- the recent increase in insecurity has undermined confidence amongst entrepreneurs.

The most recent survey of investment climate was undertaken in 2004 and covered the whole of Pakistan. The survey reported on seven categories of obstacles to growth.

The most important obstacle to growth in Khyber Pakhtunkhwa, according to respondents in the survey, was policy uncertainty. This concern focused particularly on the role of the state, and the possibility that state-owned operations could compete unfairly with the private sector. There is a long history of state ownership in Khyber Pakhtunkhwa, reflecting the longstanding policy of the federal government to promote new industry in the remote areas of Pakistan. Sectors in which state ownership may concern the private sector include trading and transport, banking, real estate and tourism. Nearly 60% of businesses considered policy uncertainty to be a problem, compared with less than 40% in Punjab, reflecting the smaller market and relatively large involvement of government in commercial activities in Khyber Pakhtunkhwa.

Nearly 60% of businesses reported that tax administration was a major or severe obstacle to business. Although many of the tax rules are set at federal level, they were still considered major or severe by a much higher proportion of businesses in Khyber Pakhtunkhwa than in Punjab. Business registration in Khyber Pakhtunkhwa is, in fact, efficient, compared with other provinces, in terms of both cost and speed. However, the number of firms that register is relatively low and the level of informal business is high. This reflects the major problems that exist with taxation, where a typical business will face nine different taxes. Problems related to tax administration were also considered severe in Punjab, but the situation in Khyber Pakhtunkhwa was worse.

Access to electricity supply and corruption were considered major or severe by about 50% of respondents, and were worse in Khyber Pakhtunkhwa than in Punjab, especially for electricity.

Access to finance was considered a major or severe obstacle to growth by only about 25% of respondents. For smaller and medium-sized enterprises, the rapid growth of remittances will help to reduce financial constraints. Finance is still a constraint for larger businesses, especially in view of the poorly developed mortgage market. However, the constraint may be felt not because banks do not have the resources but, rather, because banks are not prepared to lend whilst the other obstacles are so severe. The cost of enforcing contracts is higher in Khyber Pakhtunkhwa than in other parts of Pakistan, which affects the ability of medium-sized companies to grow and to obtain finance.

In 2004, concerns about insecurity were relatively minor and only about 15% of respondents considered them major or severe, compared with 20% in Punjab. This demonstrates that the current situation regarding insecurity is a relatively recent phenomenon and that Khyber Pakhtunkhwa has traditionally been a relatively safe place to live and work.

Transportation was considered the least significant constraint, perhaps reflecting the fact that many businesses are located around Peshawar, which has good links to the national road network. However, even in rural areas, a survey of rural enterprises in 2006 suggested that transportation is not the most significant constraint, particularly in comparison with Sindh. However, four years of neglected road maintenance has increased the costs of transport in Khyber Pakhtunkhwa substantially and this is now a more serious constraint.

Goals: Halting the tendency of local enterprises to relocate outside the province, and creating a spirit of confidence amongst entrepreneurs in Khyber Pakhtunkhwa that will also attract outside investors.

Priorities:

- highlight the success of Khyber Pakhtunkhwa in establishing business registration systems that are the easiest to use in Pakistan;
- simplify the administration of taxation to reduce the red tape and other obstacles connected with inefficient taxation;
- market Khyber Pakhtunkhwa as an excellent place to do business in the rest of Pakistan, in neighbouring countries and internationally;
- support business networks, such as chambers of commerce, in local communities; and develop a strong brand image for products from Khyber Pakhtunkhwa.

Table 37 Priority Measures in Private Sector Development (Rs. million)

No.	Measures	Y1–Y2	Y3–Y5	Y6–Y7	Total	Donor opportunities
1	Promoting the ease of setting up businesses	48	144	48	240	Technical assistance, and operation and maintenance
2	Conduct analysis of Khyber Pakhtunkhwa's business/industrial potential/strengths	50	0	0	50	Study
3	Entrepreneurship development	50	30	20	100	Technical assistance, and operation and maintenance
4	Simplify the tax administration system	10	0	0	10	Grants
5	Marketing Khyber Pakhtunkhwa	96	192	96	384	
6	Support business networks	48	96	48	192	
	Total	302	462	212	976	

27. Technical Education

Technical education and vocational training (TEVT) is provided largely by nine polytechnic institutions, 11 colleges of technology and 42 vocational training centres. This provides a low coverage of TEVT opportunities, compared with other provinces. In addition, there is a need to include new subjects in the options offered to reflect current opportunities, including, for example, in mining and quarrying. Most of the TEVT institutions were established between 20 and 40 years ago, and few have had significant maintenance and updating of equipment.

Table 38 Technical Education and Vocational Training Facilities in Khyber Pakhtunkhwa

No	Institution	No.	Major courses, technologies, trades	Level	Seating Capacity
1	GCTs	9	Electrical, civil, mechanical	B.Tech Hons 4 years Diploma: 3 years	240 9,500
2	GPIs	11	Electrical, civil, mechanical, chemical, automobiles, electronics, telecommunications, food, IT, RAC, architecture	Diploma: 3 years	15,000
3	GVTCs (male/female)	42	Electricians, RAC, machinist, welding, plumber, carpentry, tailoring, fancy leather work, embroidery, secretarial, beautician, fabrication	Certificate level training (6 months, 1 year, 2 years)	7,500
4	GCMSs/GCCs	18	D.Com, B.Com, BBA, M.Com and DIT	Degree and diploma	11,500
5	Apprenticeship units	27	As per available facility	Industrial workers	1,500
6	Employment exchanges	9		Registration of job seekers	

Source: NWFP TEMPD

Notes: GCT = Government Colleges of Technology; GPI = Government Polytechnic Institutes; GVTC = Government Vocational Training Centres; GCMS = Government Colleges of Management Sciences; GCC = Government College of Commerce.

TEVT institutions have traditionally been supply-oriented, delivering a centrally determined range of subjects and curricula. In a bid to improve linkages with industry and the TEVT institutions, Centre Management Committees have been established to allow the end users of TEVT to influence the courses offered. However, to date, these committees have been largely ineffective, and require training and promotion to function. To address this weakness and undertake more structured labour market analysis, the Technical Education and Manpower Training Department (TEMPD) established an R&D Cell. This has had some success, but has limited experience and funding.

Funding for the TEMPD is severely constrained and accounts for only 7% of education funding, with over 90% being used for salaries. This means that there is very little scope for developing new courses and for training staff. Many courses require equipment and materials, if they are to be effective, and the TEMPD courses are therefore unable to offer a satisfactory level of practical experience. User charges are less than 10% of recurrent costs and are not expected to make a contribution to investment.

The key challenges in the TEVT system are:

- the scope of the TEVT system in Khyber Pakhtunkhwa is very narrow and supply-driven, does not cover sectoral needs, is not based on labour market information and has limited relevance with the local, regional or international labour market;
- the system is unable to create sufficient employment and self-employment opportunities to overcome the unemployment situation in the province, and has limited impact on the economic and social conditions of trainees;
- old skill standards and curricula, and old and obsolete machinery and equipment;
- accreditation and certification comprise the other area that has not gained credence to play its

- due role in quality assurance, improving competency standards, recognition and employability of TEVT graduates in the international workplace;
- lack of co-ordination amongst the training providers and end users of the products;
- ill-trained instructional staff, with no facilities for on-the-job training;
- lack of publicprivate partnership;
- lack of financial and administrative autonomy;
- financial constraints to meet the training requirements; and
- limited effectiveness of the skill evaluation and examination system;



The national policy in technical education is described in 'Skilling Pakistan: A Vision for the National Skills Strategy, 200812'. This defines three main objectives:

- providing relevant skills for industrial and economic development;
- improving access, equity and employability; and
- assuring quality for skills development.

This is matched in Khyber Pakhtunkhwa, which aims to increase the income levels of the poor population of Khyber Pakhtunkhwa by enabling them to earn their livelihoods through decent means as a result of human resource development and skills training. Particular emphasis is placed on exploring the potential of disadvantaged people in Khyber Pakhtunkhwa, including women. There is also a strong emphasis on meeting the employment needs in key growth sectors, such as industry, timber, electrical, mechanical, information technology and construction.

Goal: To provide relevant skills for industrial and economic development; improving access, equity and employability; and assuring quality for skills development, with an aim to increase the income levels of the poor population of Khyber Pakhtunkhwa and enabling them to earn their livelihoods through reasonable means.

Priorities: The following priorities are being pursued to revamp, expand and strengthen the existing TEVT system in Khyber Pakhtunkhwa:

- restructuring of the technical education and vocational training system and the management science education system;
- improved access and the enhancement of geographical and sectoral coverage by 100%;
- development of special programmes for disadvantaged and marginalised groups, and the informal sector;
- development of a Labour Market Indicators Analysis System to determine the sectoral needs of training, level and modules;
- introduction of new trades, technologies and courses to meet the needs of industrial development.
- building the capacity of the teaching and management cadre;
- introduction of market-oriented training courses to generate revenues;

- introduction of market-oriented training courses to generate revenues;
- introduction of apprenticeship training system in small and medium-sized enterprises;
- R&D, surveys and evaluations for regular course corrections and more effective TEVT;
- establishment of a university of management sciences;
- establishment of a technical university;
- establishment of a centre of excellence in technology and management sciences; and
- support to investors by provision of a relevant skilled workforce for hydroelectric power projects, including support to the Basha dam project.
- accreditation and certification of International student Strengthening the Technical Board.

The TEMPD will promote the interests of Khyber Pakhtunkhwa in benefiting from the national commitment to expand access to technical education for women and for disadvantaged regions.

Table 39 Priority Measures in Technical Education (Rs. million)

No.	Measures	Y1-Y2	Y3-Y5	Y6-Y7	Total	Donor opportunities
1	Improving TEVT access through enhanced geographical and sectoral coverage	1,500	3,000	2,500	7,000	Technical assistance
2	Special initiatives and outreach to the disadvantaged/marginalised, including women/street children/prisoners/minorities	250	300	350	900	Technical assistance, investment
3	Rehabilitation/modernization and upgrading of existing facilities including libraries and workshops	300	400	350	1,050	
4	TAVE system reforms and revamping capacity development	150	250	350	750	
5	R&D, surveys, studies and evaluations for better planning and result accreditation and certification of International student Strengthening the Technical Board	50	150	100	300	
6	University of management sciences	500	700	650	1,850	
7	Technical university	700	900	850	2,450	
8	Centre of excellence in technology and management sciences	250	450	300	1,000	
9	Support to investors by provision of relevant skilled workforce for hydroelectricity power projects including support to the Basha dam project	300	700	500	1,500	
	Total	4,000	6,850	5,950	16,800	



06

URBAN DEVELOPMENT



F Urban Development

There are 46 towns and cities in Khyber Pakhtunkhwa. Peshawar has a population of about 1.5 million, and there are eight larger towns, with populations of between 100,000 and 300,000. About 20 towns have a population of between 25,000 and 100,000, with the remaining towns having populations of between 5,000 and 25,000. The growth of the urban population is much higher than average, which is partly a reflection of the larger number of people displaced by the insecurity in the province. High urban growth, combined with slow development of the urban sector, has resulted in uncontrolled and unplanned development of the cities and towns, a deteriorating urban environment, and deficiencies in all forms of urban services.

Levels of urban services within Khyber Pakhtunkhwa urban centres are generally low, especially in comparison with other South Asian countries. Coverage and service levels vary greatly from town to town. Due to lack of maintenance and poor initial construction, water losses are high in existing piped systems. Service levels in the sanitation sector are low. However, a large percentage of households have individual sewage disposal systems, consisting mainly of pit latrines and, to a lesser extent, septic tanks. These systems are often in poor condition, with overflows discharging into open canals and drainage networks, and infiltrating the surrounding groundwater aquifers. Drainage systems in the towns are dependent on open canals serving as both drainage and sewage collection points. Secondary and tertiary drainage systems are virtually non-existent. Whilst limited solid waste collection systems exist in most of the towns, waste is commonly disposed of in open fields and unsanitary dump sites. Whilst urban road networks are reasonably extensive, they are all in extremely poor condition and maintenance is inadequate. Municipal facilities such as public markets, bus shelters, slaughterhouses, and community buildings are inadequate.

Against this background, the provincial government realizes the urgent need to improve the urban environment, thus enabling the major cities to become engines of growth for the province. In 1999, the GoKP conceived the Khyber Pakhtunkhwa Urban Development Project with the support of the Asian Development Bank. Under this programme, Outline Structure Plans (OSPs), or Urban Development Plans, were prepared for 27 urban centres, defining the priorities for infrastructure and urban services for each town. The OSP is a written statement accompanied by spatial plans, and introduces a measure of flexibility into the system. The OSPs translate national economic, social and environmental policies into a local context, and define the development controls that can be applied.

Goals: To transform urban centres into engines of growth and improve the quality of life of urban residents by providing facilities required for the growth of businesses and industry.

Priorities:

- Improvement in the spatial planning and management of urban land;
- Organisation of municipal financial systems;
- Improved planning for urban transportation systems;
- Options for public private partnerships and community involvement; and
- Updating of the Urban Plans for the seven Divisional Headquarters..

Table 40 Priority Measures in Urban Development (Rs. million)

No.	Measures	Y1-Y2	Y3-Y5	Y6-Y7	Total	Donor opportunities
1	Water supply	1,877	3,840	853	6,570	
2	Sewerage/sanitation	1,637	3,360	731	5,727	
3	Drainage	818	1,440	605	2,863	
4	Solid waste management	1,800	3,840	660	6,300	
5	Roads/streets	1,878	3,840	852	6,570	
6	Graveyards	163	384	25	572	
7	Firefighting	229	480	95	804	
8	Parks	306	576	190	1,072	
9	Street lighting	383	768	189	1,340	
10	Market	92	192	37	322	
11	Slaughterhouses	229	480	94	804	
12	Urban and fringe development of the Seven Divisional Hqs	960	1,152	768	2,880	
13	Peshawar mass transit	288	1,440	960	2,688	
14	Comprehensive land use planning	480	288	192	960	
	Total	11,141	22,080	6,252	39,472	





07

CROSS-SECTORAL STRATEGIES



G Cross-Sectoral Strategies

This section of the CDS describes strategies that cut across several sectors. Each cross-cutting sector has a lead department, but programmes are implemented by a variety of departments. The costs of the various programmes are included under the implementing departments.

28. Gender

The GoKP is committed to ensure equal opportunities to all citizens. Each of the sector strategies is sensitive to gender, and many have priorities that are designed to give particular attention to women and girls. The lead department is the Social Welfare and Women's Development Department (SWWDD). Key gender features in the CDS include:

- support for security benefits all genders. However, the vulnerability of women in some areas of Khyber Pakhtunkhwa means that improved security will be of particular benefit to women;
- improving access of girls to education is a central element of the education strategy, which includes commitments to improve the coverage of girls' schools, to expand the girls' stipend scheme and to provide incentives for female teachers, especially in isolated areas;
- in health, the main focus of the primary health care service is on maternal and infant health, and four of the five health indicators reflect this focus;
- the social welfare strategy recognises the disadvantaged state of women in Khyber Pakhtunkhwa. Expanding the child support programme will assist women in their household roles, and the pilot cash transfer scheme will target widows and households with elderly female heads. In addition, there are priority measures to support income generation for women, to provide refuges for vulnerable women and to provide legal aid to women;
- the major commitment to local development relies on local communities to identify and implement initiatives. Some existing programmes work with women's community groups, and the expansion of support for local development will build on this experience to ensure that women have an equal role in local development work;
- the strategies for roads, irrigation and power will provide clear benefits for women, as well as for men: improved roads will help women, in particular in accessing social services, whilst improved electricity supply will help women in household roles;
- the water and sanitation strategy includes a strong emphasis on working with communities to improve sanitation practices and the management of local facilities. Women's groups will be included in these activities;
- the commitments to provide housing land and plots for the poor will target poor households headed by women. Women civil servants will also benefit from the public housing;
- whilst decision-making in agriculture is often dominated by men, much of the work is done by women, who will therefore benefit from improvements in productivity;
- companies seeking to locate in Industrial zone will be required to operate employment practices that give equal access to women, thus ensuring that the employment benefits are not restricted to men; and the Khyber Pakhtunkhwa strategy for technical education and vocational training

¹³The Government of NWFP has created PaRRSA to facilitate, co-ordinate and supervise development activities across the NWFP. It will serve as the main mechanism for the implementation of this strategy.

¹⁴A Post Crisis Needs Assessment in the affected areas is being undertaken to develop a crisis risk management framework to harmonize the DNA recommendations with the medium- to long-term development needs of the affected areas.

¹⁵PRELIMINARY DAMAGE AND NEEDS ASSESSMENT – Immediate Restoration and Medium Term Reconstruction in Crisis Affected Areas, prepared by the Asian Development Bank and the World Bank for the Government of Pakistan Islamabad, Pakistan, November 2009.

- follows the national strategy in giving a high priority to disadvantaged people, including women. New courses will be matched to the needs of women, and the establishment of new training institutions will make it possible to offer more services for women.

GoKP has established a Gender Development Group, chaired by the SWWDD, which will Monitor progress reports from all departments to ensure that the commitments are carried out. The group will prepare a section on gender in the Annual Performance Report for Khyber Pakhtunkhwa. In addition, the group will assess all new policy commitments to ensure that they donot miss any opportunities to improve the situation of women in Khyber Pakhtunkhwa.

29. Environment

Khyber Pakhtunkhwa, historically, has established a high profile in the environmental arena in Pakistan. The province was the first to begin the implementation of Pakistan's National Conservation Strategy, and formulated the first-ever Sarhad Provincial Conservation Strategy in 1992.

The provincial Environment Department (ED) oversees the affairs of the Environmental Protection Agency (EPA), which is the key agency dealing with the environmental agenda in the province. The ED also oversees affairs concerning fisheries, forests and wildlife, and transport sub-sectors.

Amongst the most pressing environmental problems in the Khyber Pakhtunkhwa are a higher population growth rate and population density; a narrow rural economic base; an exodus to urban centres; congestion and pollution; the brunt of Afghan refugees; water-borne diseases; lack of awareness, education and research; and inadequate institutional infrastructure.



Almost all CDS proposed priority measures will be required to be environmentally assessed to ensure their compliance with environmental regulations. These assessment measures include the modification of the PC-I to include environmental impact, and the use of the PC-II for financing the Environmental Investigation Agency (EIA). There is also a large number of measures, proposed under various sectors in the CDS that, once implemented, will directly contribute to the environmental improvements in the province. Key measures are:

- Improvement of the spatial planning and management of urban land;
- Improvement in planning for urban transportation systems;
- updating of the Urban Development Plans;
- the bringing of cultivable wasteland into farming, through the provision of irrigation and land development with the help of bulldozers and tractors;
- provision of new access to safe drinking water, with appropriate supervision of quality, especially in unserved or underserved areas, and improved maintenance and reliability of existing supplies;
- for the irrigation and drinking water supply strategy (DWSS), promotion of water saving measures and local water harvesting schemes, reducing unaccounted for water, promoting metering and so on;
- promotion of new arrangements for collaboration with communities and for publicprivate partnership in water supply;
- preparation of the provincial DWSS;
- refining and finalising the Provincial Sanitation Strategy and preparing for its implementation,

- including a programme of incentives, giving 20% match funding to the national programme;
 - for the irrigation and DWSS, establishing a management information system to ensure evidence-based municipal planning;
 - promotion of alternative energy sources;
 - implementation of the Third Flood Sector Project and 10-Year Comprehensive Flood Protection Plan;
 - implementation of small dams, rainwater harvesting ponds and actions to harness hill torrents;
 - rehabilitation and improvements to existing irrigation schemes;
 - for the irrigation and DWSS, establishment of water quality management and monitoring;
 - upgrading of capacity in integrated water resources management and production of a master plan;
 - expansion of large- and medium-scale water storage capacity;
 - for the irrigation and DWSS, a feasibility study on groundwater potential and regulatory mechanisms; and
 - preparation of a plan for the financial sustainability of irrigation and drainage.
- Together with these measure, however, the Environmental Protection Agency (EPA) of the Environment Department will require resources to continue strengthening its capacity in the areas of environmental awareness raising, environmental monitoring and litigation, and strengthening of review processes (e.g. IEE and EIA) in the province.

Table 38 Priority Measures in the Environment (Rs. million)

No	Measures	Y1-Y2	Y3-Y5	Y6-Y7	Total	Donor opportunities
1	Environmental awareness raising programme	96	288	96	480	
2	Strengthening of environmental monitoring and the litigation system in Khyber Pakhtunkhwa	96	96	96	288	
3	Strengthening of the review process of IEE/EIA in Khyber Pakhtunkhwa	48	96	48	192	
	Total	240	480	240	960	



30. Tourism, Sports, Youth, Culture and Archaeology

The relevant provincial government department dealing with these subjects is the Department of Sports, Culture, Tourism, Youth Affairs, Archaeology and Museums.

Goals: The sub-sector for Sports primarily aims at promotion of all kinds of sport by providing playing facilities at the grassroots level in order to ensure availability of healthy and constructive activities. The sub-sector of Culture aims to promote the rich and ancient culture of Khyber Pakhtunkhwa and the preservation of its cultural heritage, together with the promotion and encouragement of artists and intellectual work in the field of arts, crafts, music and folk lore. The Department also makes efforts to provide assistance to the artistic community which has, for the last few years, suffered badly as a result of an ongoing wave of militancy in the province that has seen a large number of artists leaving the province or abandoning their art altogether.

Tourism is the province's key strength and has over the decades provided a livelihood to a large number of the population in districts such as Swat, Chitral, Abbottabad and Mansehra. This sector, too, has suffered badly as a result of deterioration of security in the province. However, there is a general realisation that, subject to improvements in security, this sector has huge potential in terms of employment and revenue generation, provided essential infrastructure is planned and created in time.

Linked to tourism is the Museums and Archaeology sub-sector. Primarily because of its rich Buddhist heritage, well preserved in a number of museums and heritage sites, Khyber Pakhtunkhwa provides an attractive destination to tourists from South Asia and the Far East.

Priorities:

- Institutional strengthening and capacity building of the Department, including STC;
- Studies and research;
- Organization of sport events: national, provincial and regional events, including promotion of traditional sports and games;
- Construction of stadia/grounds, indoor halls, purchase of land for playgrounds, establishment of academies and face-lifting of existing facilities;
- Procurement of sports equipment for the promotion of sports at grassroots level;
- Construction of cultural exhibition halls at divisional level and art display galleries;
- Holding of cultural shows and activities, and display of handicrafts;
- Assistance to drama artists, poets, musicians, artists, printing publication of literary and artistic works and allied activities;
- Installation of chairlifts in key tourist destinations;
- Commissioning and leasing of GoKP guest houses;
- Holding of festivals and tourism promotion events;
- Creation of transport fleet;
- Creation of tourists hostels and centres;



- Development of publicity and promotional material;
- Operationalisation and transfer of federal government properties in Khyber Pakhtunkhwa to STC;
- Promotion of Khyber Pakhtunkhwa tourism abroad;
- Exploring virgin tourist sites in Khyber Pakhtunkhwa;
- Creation of water and air transportation;
- Subsidies in various heads for the private sector from the tourism and hotel sector, thus making tourism an income-generating activity for the masses;
- Procurement of caravans/mobile homes and log cabins for installation and utilisation at tourist sites;
- Skiing facilities and water sports in feasible areas;
- Construction of youth development centres and hostels, and the purchase of land at divisional level;
- Cash awards to talented youth, and youth exchange programmes;
- Conservation and rehabilitation of historical sites in Khyber Pakhtunkhwa;
- Upgrading and maintenance of existing museums, and the construction of new museums;
- Promotion of cultural heritage, domestically and abroad; and
- Exploration and excavation and documentation of archeological sites, and publication of reports.



Table 39 Priority Measures in Tourism, Sports, Youth, Culture and Archaeology (Rs. million)

No.	Measures	Y1- Y2	Y3- Y5	Y6- Y7	Total	Donor opportunities
1	Institutional strengthening and capacity building of the department, including STC	200	150	100	450	
2	Studies and research	100	50	50	200	
3	Organisation of sport events: national, provincial and regional events, including promotion of traditional sports and games	100	50	50	200	
4	Construction of stadia/grounds, indoor halls, purchase of land for playgrounds, establishment of academies and face-lifting of existing facilities	1,020	980	400	2,400	
5	Procurement of sports equipment for promotion of sports at the grassroots level	80	80	80	240	
6	Construction of cultural exhibition halls at divisional level and art display galleries	120	150	60	330	
7	Holding of cultural shows/activities and display of handicrafts	20	15	15	50	
8	Assistance to drama artists, poets, musicians, artists, printing publication of literary/artistic work and allied activities	50	40	35	125	

9	Installation of chairlifts in key tourist destinations	2,000	1,500	0	3,500	
10	Commissioning and leasing of GoKP guest houses	200	150	100	450	
11	Holding of festivals and tourism promotion events	250	200	150	600	
12	Creation of transport fleet	200	180	90	470	
13	Creation of tourists hostels/centres	145	110	65	320	
14	Development of publicity/promotional material	150	100	75	325	
15	Operationalisation and transfer of federal government properties in Khyber Pakhtunkhwa to STC	200	150	50	400	
16	Promotion of Khyber Pakhtunkhwa tourism abroad	34	86	58	178	
17	Exploring virgin tourist sites in Khyber Pakhtunkhwa	14	58	53	125	
18	Creation of water and air transportation	400	400	200	1,000	
19	Subsidies in various heads for the private sector from tourism and hotel sector, thus making tourism an income-generating activity for the masses	150	150	20	320	
20	Procurement of caravans/mobile homes and log cabins for installation and utilisation at tourist sites	600	100	100	800	
21	Skiing facilities and water sports in feasible areas	500	300	200	1,000	
22	Construction of youth development centres/hostels and purchase of land at divisional level	90	70	40	200	
23	Cash award to talented youth and youth exchange programmes	20	30	20	70	
24	Conservation and rehabilitation of historical sites in Khyber Pakhtunkhwa	150	150	100	400	
25	Upgrading and maintenance of existing museums, and construction of new museums	30	30	20	80	
26	Promotion of cultural heritage domestically and abroad	20	30	20	70	
27	Exploration/excavation and documentation of archeological sites and publication of reports	10	10	8	28	
	Total	6,853	5,319	2,158	14,330	

31. Science and Technology, and Information Technology

The GoKP Science and Technology Strategy realises that the province is under-prepared for the challenges posed by global advancements in science and technology. Allocation of resources are inadequate, whilst changes in attitude towards science and technology (S&T) have just begun. The government also realises that, for the province to ensure sustainable economic growth and development, achievements in S&T are vital. Having an agriculture base, the vistas of biotechnology offer a good starting point on the road to excellence in S&T.



The Information Technology (IT) revolution holds huge promise for the public sector, and also for governance. Like the rest of the world, the GoKP is also investing increasingly in Information and Communication Technology (ICT) across a range of applications to enable it to better connect to its citizens and to promote better interactions within the broader society, thus leading to better societal integration. This is expected to lead to a more participatory, fair, transparent, accountable and efficient society.

Goal: The IT vision of the GoKP is to enhance delivery of public services to citizens in an efficient and cost effective manner; improve the quality of government services and management; enhance the collaboration of the internal departments, and the interactions between the government and public; optimise the government business process; and, finally, to construct an honest, diligent, transparent and efficient government, using information and communication technology as the means to that end.

Priorities:

- S&T promotion and science parks;
- Promotion of IT literacy, awareness and human resource development (HRD):
 - development of IT capacity building plan;
 - establishment of IT university; equipping of high schools and colleges with computer laboratories; and
 - training of GoKP employees in relevant IT skills
 - Establishment of IT examination Board.
- Establishment of e-government infrastructure and initiatives
 - establishment of secure and high speed online data centre for GoKP;
 - computerisation of all GoKP departments;
 - establishment of IT departments at district level;
 - identification and provision of e-services to the general public, including online applications, form-filling, and so on; and
 - development of government-to-business (G2B)
 - To establish online non-commercial interaction between local and central governments and the commercial business sector;
- Promotion of the software industry and related activities, and the establishment of IT parks:
 - outsourcing of e-governance and IT projects to local software houses on a priority basis;
 - promotion of local software houses;
 - provision of grant loans for the establishment of new software houses;
 - establishment of IT parks;

- o attraction of international projects; and
- o attraction of private sector investment.

Table 40 Priority Measures in Science and Technology, and Information

No.	Measures	Y1- Y2	Y3- Y5	Y6- Y7	Total	Donor opportunities
1	Technology promotion/development/diffusion and regulation programmes, technology foresight	192	480	192	864	
2	Science and IT parks incubation centres and IT exam Board	192	960	288	1,440	
3	R&D and innovation initiatives, linkage strengthening, R&D, HRD, sectoral co-ordination and communications	144	576	240	960	
4	Climate change response initiatives, environmental technologies and CDM facilitation	96	384	144	624	
5	Knowledge creation, dissemination, and management initiatives	48	288	96	432	
6	Science education for all initiatives; knowledge networks creating laboratories network; monitoring and evaluation for effective planning; mapping of R&D, HRD, etc.	96	528	192	816	
	Total	768	3,216	1,152	5,136	



08

Implementing the Comprehensive Development Strategy



H Implementing the Comprehensive Development Strategy

32. Managing the Comprehensive Development Strategy

Co-ordination of the Comprehensive Development Strategy. The implementation of the CDS will be carried out by the concerned line departments, using their normal procedures and benefiting from the reforms and institutional strengthening included in the CDS. Annual and medium-term budgeting will refer to the CDS for strategic orientation of resources. In many sectors, implementation will benefit from co-operation with the private sector and with civil society, building on existing experience, as defined in the sectoral policies. The programming of the CDS has allowed for a phased build-up of implementation capacity, and the rate of increase of funding has generally been limited to 100% in one year in each sector.

The co-ordination and monitoring of implementation of the CDS will be done by a cell in the office of the Chief Economist located in the Planning and Development Department (P&DD), as part of the continuing strategic management of GoKP policy. The annual Medium Term Budgetary Framework (MTBF) process will use the CDS as the basis for definition and prioritisation of the budget. The identification of priority measures in the CDS also provides guidance for priorities within sectors, at least during the next few years. The MTBF will lead into the budget cycle and guide the detailed preparation of annual budgets.

The first important output of the budget cycle will be the Budget Strategy Paper, which will provide the broad strategic orientation of the budget in November. The Budget Strategy Paper will also serve as a summary Progress Report of the CDS, and will include references to the progress in matching expenditure commitments on priority measures, as well as progress with the key indicators.

Revenue projections. Table 44 presents the provincial revenue projections. In the post NFC agreement scenario, the provincial revenues are expected to see a significant rise. However, with the finalisation of the constitutional reforms package, expected to lead to more provincial autonomy by doing away with the 'concurrent list' and decentralisation of some of the federal subjects to the provinces, more financial liabilities will also be created.

Table 42 Domestic Revenue Projection

Heads	Budget estimates	Projections						
	2009–10	2010–11	2011–12	2012–13	2013–14	2014–15	2015–16	2016–17
Provincial own receipts	7,537	6,827	7,237	7,671	8,132	8,620	9,137	9,685
GST provincial	2,110	5,750	6,613	7,604	8,745	10,057	11,565	13,300
Share of federal divisible pool	75,670	113,850	30,928	150,567	173,152	199,124	228,993	263,342
War on terror support	–	14,030	16,135	18,555	21,338	24,539	28,219	32,452
Transfers on oil and gas	7,549	5,093	5,857	6,736	7,746	8,908	10,245	11,781
Grant in aid	14,823							
Net hydroelectricity profit	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Net hydroelectricity profit Arrears	–	25,000	25,000	25,000	25,000			
Total	113,689	176,550	97,770	222,133	250,113	257,248	294,159	336,560

Source: Finance Department, Letter No. MO-III/1-1/FD/2009-10/MTBF, dated 5 March 2010

Expenditure Projections. The costs of implementing the CDS have been presented in previous sections. The costs are presented as the additional costs required above the current levels, and are expressed in 2010 prices. These are summarised in Table 43:

**Table 44 Costs of Full Implementation of the Comprehensive Development Strategy
above Current Costs (Rs. billion)**

Sector	Y1-Y2	Y3-Y5	Y6-Y7	Total	Total (%)	Recurrent	Development	Total
Governance	1,170	1,450	752	3,372	0.4	2,460	911	3,372
Security	33,791	26,989	26,043	86,822	9.0	8,855	77,967	86,822
Information and public relations	1,200	816	144	2,160	0.2	1,704	456	2,160
Excise and Taxation	2,400	1,632	288	4,320	0.4	3,060	1,260	4,320
Elementary and secondary education	26,960	63,758	42,122	132,839	13.8	53,597	79,242	132,839
Higher education	2,400	2,400	1,920	6,720	0.7	3,072	3,648	6,720
Health	30,557	39,092	36,010	105,659	11.0	47,012	58,647	105,659
Social protection	6,672	9,428	5,874	21,974	2.3	20,554	1,421	21,974
Population	2,089	4,206	3,844	10,139	1.1	8,623	1,515	10,139
Religious affairs	3,072	3,062	3,658	9,792	1.0	6,204	3,588	9,792
Local development	21,194	45,832	30,528	97,554	10.2	41,221	56,333	97,554
Roads	23,407	29,756	14,504	67,667	7.0	15,241	52,425	67,667
Transport	1,429	1,733	770	3,931	0.4	2,623	1,308	3,931
Irrigation	26,204	30,709	27,744	84,657	8.8	14,050	70,607	84,657
Energy	6,989	33,803	53,033	93,826	9.8	1,440	92,386	93,826
Water and sanitation	7,339	8,563	8,880	24,782	2.6	6,053	18,729	24,782
Housing	9,924	15,168	12,288	37,380	3.9	10,848	26,532	37,380
Agriculture	14,560	22,963	12,957	50,481	5.3	19,776	30,704	50,481
Forestry and wildlife	4,848	10,128	5,952	20,928	2.2	12,576	8,352	20,928
Industries	3,744	2,688	2,419	8,851	0.9	1,653	7,198	8,851
Minerals development	2,674	3,979	2,256	8,909	0.9	4,886	4,022	8,909
Private sector	302	462	212	976	0.1	976	0	976
Technical education	4,000	6,850	5,950	16,800	1.7	6,105	10,695	16,800
Urban development	11,141	22,080	6,252	39,472	4.1	10,098	29,375	39,472
Environment	240	480	240	960	0.1	960	0	960
S&T and IT	768	3,216	1,152	5,136	0.5	3,557	1,579	5,136
Tourism/culture	6,853	5,319	2,158	14,330	1.5	4,288	10,043	14,330
Total	255,926	396,563	307,949	960,438	100.0	311,494	648,944	960,438

33. Financing the Comprehensive Development Strategy

The CDS will be financed partly from the fiscal space in the domestically financed budget and partly from donor support. The latest estimates of fiscal transfers prepared by the Finance Department take into account the effects of the recent NFC award and the payment of arrears in hydroelectricity profits. These projections suggest that fiscal transfers from federal government are likely to amount to more than Rs 1,700 billion in nominal prices, and about Rs 1,500 billion in real prices over the next seven years. However, there are a number of commitments that are not covered in the CDS, including:

- the fact that substantial additional responsibilities will be transferred from federal to provincial level, as part of the implications of the new NFC award; and
- policy governing salaries and pensions.

The full implications of the transfer of responsibilities under the NFC settlement is still being worked out,

and final estimates of the cost implications have not yet been produced. The GoKP is currently assigning about Rs 984 billion for the combined costs of the transfer of responsibilities under the NFC and the impact of the pay and pensions policy. Taking these factors into consideration, it is estimated that Rs 516 billion will be available from domestic resources to fund CDS activities over the seven years of the strategy. The estimates for fiscal space available for the CDS are presented in Table 46.

Table 45 Funding for full Comprehensive Development Strategy Implementation (Rs. billion; Real Prices)

	Y1–Y2	Y3–Y5	Y6–Y7	Total
CDS expenditure	256.00	397.00	308.00	960.00
Domestic revenue available, after NFC award, hydroelectricity arrears and non -CDS commitments	88.00	220.00	208.00	516.00
External assistance and possible additional own sources	168.00	177.00	100.00	444.44
<i>in US\$ B (1 US\$ =85 PRs)</i>	<i>1.98</i>	<i>2.08</i>	<i>1.18</i>	<i>5.23</i>

Affordability of the Comprehensive Development Strategy: About 68% of the CDS costs are investment costs (see Table 45) and these amount to about Rs 648.94 billion over the whole seven-year period. This investment has significant implications for operation and maintenance costs. For health and education, the recurrent costs are already included in the estimates of the costs of the policy commitments to improve services. Local development and poverty alleviation involves investments that will be largely maintained by communities. The roads sector policy commitments include a major increase in commitment to the maintenance of roads within the CDS. The irrigation, energy and housing sector strategies have not included any recurrent costs, because the costs of maintenance will be borne by users through cost recovery charges.

The total recurrent costs are about Rs 311.49 billion, which compares with total additional domestic revenue of Rs 516 billion. The CDS does not assume that donors will be limited to funding investment costs, but the analysis demonstrates that the additional recurrent costs could be met by domestic revenue, if necessary.

Focus for International Support: Table 46 demonstrates that international support for the Khyber Pakhtunkhwa Comprehensive Development Plan is expected to total about US\$ 5.23 billion over the seven years. The table shows that the gap between domestic revenue and CDS costs would reduce sharply by the end of the period. However, the GoKP believes that international partners will continue to have an important role to play in Khyber Pakhtunkhwa, even when domestic revenue improves, because of their comparative advantage in providing international expertise and support for institution building, as well as their experience in promoting international private investment.

Table 47 gives some indication of the programmes where the GoKP feels that international funding has the highest comparative advantage. This assessment is based on the GoKP's assessment of the programmes that would benefit most from donor expertise and from the ability to combine funding with technical support.

The GoKP believes that project support will continue to be an important method of donor support. However, the GoKP also believes that some international assistance is best provided through budget support, with associated phasing and links to target sectoral and general indicators.

Table 46 Indicative Sectoral Use of International Support (Rs. million)

No.	Measures	Total	Foreign	%
1	Governance	3,372	1,686	50
2	Security	86,822	31,612	36
3	Information and public relations	2,160	912	42
4	Excise and taxation	4,320	1,080	25
5	Elementary and secondary education	132,839	70,153	53
6	Higher education	6,720	1,392	21
7	Health	105,659	23,259	22
8	Social protection	21,974	10,704	49
9	Population	10,139	2,998	30
10	Religious affairs	9,792	0	0
11	Local development	97,554	50,871	52
12	Roads	67,667	30,859	46
13	Transport	3,931	535	14
14	Irrigation	84,657	30,309	36
15	Energy	93,826	1,440	2
16	Water and sanitation	24,782	8,570	35
17	Housing	37,380	0	0
18	Agriculture	50,481	5,519	11
19	Forestry and wildlife	20,928	12,120	58
20	Industries	8,851	1,344	15
21	Minerals development	8,909	2,614	29
22	Private sector	976	363	37
23	Technical education	16,800	8,400	50
24	Urban development	39,472	17,279	44
25	Environment	960	480	50
26	S&T and IT	5,136	2,568	50
27	Tourism/culture	14,330	2,821	20
	Total	960,438	319,889	33

Priority programmes. The priority measures with total costs of more than Rs 5 billion are listed in Table 48, and account for over 76% of the additional spending required.

Table 47 Priority Measures with Total Costs of over Rs. 5 billion

No.	Sector	Title	Y1-Y2	Y3- Y5	Y6- Y7	Total
1	Energy	Public sector joint financing for hydro electricity investment	6,509	32,363	52,073	90,946
2	Education	School construction and furnishing	10,405	23,964	15,016	49,386
3	Local development	Community physical infrastructure	9,357	20,948	13,965	44,270
4	Security	Project Co-ordination Unit	8,390	16,440	15,000	39,830
5	Roads	Improvement of district/provincial roads	14,400	17,280	6,720	38,400
6	Education	Community rehabilitation of schools	8,861	12,209	8,780	29,850
7	Education	Incremental teacher salaries	2,826	15,646	10,431	28,904
8	Health	Upgrading of health facilities	9,600	9,600	9,600	28,800
9	Irrigation	Small and medium -sized dams	15,000	8,000	5,000	28,000
10	Irrigation	Flood protection (10-year comprehensive flood protection plan)	5,000	8,000	9,407	22,407
11	Local development	Agricultural inputs	4,514	10,105	6,737	21,355
12	Security	Telecommunications	10,525	3,088	3,554	17,167
13	Roads	Rehabilitation of district/provincial roads	4,935	6,908	4,606	16,450
14	Housing	Maintenance, reconstruction, rehabilitation and furnishing of GoKP residential buildings	3,629	7,680	5,088	16,397
15	Social protection	Health insurance and voucher schemes	4,545	6,817	4,545	15,906
16	Irrigation	Construction of canals	1,100	7,000	6,000	14,100
17	Agriculture	Agricultural research	3,216	5,424	4,800	13,440
18	Security	Training and operations	8,895	1,200	2,500	12,595
19	Health	Establishment of new infrastructure on a needs basis	1,920	5,280	5,280	12,480
20	Education	Provision of free textbooks	2,674	5,553	3,702	11,928
21	Local development	Microcredit for the poor	2,499	5,594	3,729	11,822
22	Local development	Access to education	2,313	5,177	3,452	10,942
23	Water and sanitation	Supply of water and sanitation to new areas	2,880	2,976	4,512	10,368
24	Health	Regulation/quality assurance	2,880	3,840	2,880	9,600
25	Health	Maintenance and repair of health facilities/ institutes	2,880	4,032	2,688	9,600

26	Housing	Development of housing schemes for GoKP servants and the general public in various districts	2,400	3,648	2,880	8,928
27	Agriculture	Enhancement in wheat storage capacity from the current 0.333 million tonnes to 0.635 million tonnes by building 302 new go-downs, each of 1,000 tonnes capacity	2,880	4,800	1,018	8,698
28	Health	Adequate provision of supplies and drugs at primary, secondary and tertiary care levels	2,880	2,880	2,926	8,686
29	Health	Disaster risk reduction and management	1,920	2,880	2,880	7,680
30	Health	Strengthening of medical and allied education	1,920	2,880	2,880	7,680
31	Security	Elite police	3,197	2,307	2,092	7,596
32	Security	Capacity building of home department	2,000	3,000	2,000	7,000
33	Housing	Acquisition of land for housing schemes for government servants and the general public in various districts	1,846	1,920	2,880	6,646
34	Urban development	Water supply	1,877	3,840	853	6,570
35	Urban development	Roads/streets	1,878	3,840	852	6,570
36	Urban development	Solidw astem anagement	1,800	3,840	660	6,300
37	Roads	Development of new roads	1,920	2,880	1,440	6,240
38	Agriculture	Land development	2,784	2,400	998	6,182
39	Agriculture	Livestock and dairy development	1,008	3,192	1,920	6,120
40	Health	Strengthening preventive health services	1,440	2,400	1,920	5,760
41	Water and sanitation	Rehabilitation of existing water supply schemes	960	1,920	2,880	5,760
42	Urban development	Sewerage/sanitation	1,637	3,360	731	5,727
43	Roads	Maintenance for district/provincial roads	1,815	2,304	1,536	5,655
44	Health	Improvement of governance and strengthening management	2,400	1,440	1,488	5,328
Total			188,313	300,856	244,899	734,069

34. Risk Management

Table 49 describes the main risks facing Khyber Pakhtunkhwa, along with the measures adopted in the CDS to address these risks.

Table 48 Main Risks and Measures to Reduce Risk

No	Risks	Measures to Manage Risks
1	The security situation takes longer than expected to improve.	The CDS is designed to provide a rapid improvement in employment and living standards in Khyber Pakhtunkhwa as the most effective solution to reducing conflict. The methods used stress the involvement of communities in improvements in public services, to maximise ownership and minimise the risks of local disruption from insecurity. Support for high-visibility local infrastructure, and employment for young men and women are important elements of the promotion of security.
2	The large increase in GoKP spending leads to blockages and delays in government service delivery and increases the risks of mismanagement.	There will be a substantial increase in spending and delivery of services. At the same time, the GoKP will not be able to increase employment dramatically. The CDS envisages that services will be outsourced wherever possible, especially for development activities.
3	World food shortages inflate prices and create severe poverty.	It will not be possible to protect Khyber Pakhtunkhwa from high world food prices. The importance of agriculture in Khyber Pakhtunkhwa means that many people will benefit from higher food prices. However, the urban poor will be hard hit. The CDS will help to counteract this, as much of the benefits of employment generation will be felt in on near towns.
4	Large increase in donor support leads to duplication and inconsistency.	The Foreign Aid Wing of the P&DD will be strengthened to provide a central source of information to international partners, and strong co-operation with the national DADPAK aid co-ordination activity will be maintained.
5	Climate change leads to increased flooding and drought, creating hardship in some areas and large displacements of people.	Improved disaster management capabilities will help manage displaced people as efficiently as possible, and the Department of Agriculture will assist farmers with technologies that allow them to deal with increased variability in rainfall.
6	Decentralisation and local solutions to social tensions lead to wide variations in the standards of living and access to services.	Social services (including education, health and social protection) are all introducing programmes that aim to improve collaboration with civil society and the private sector to allow for diversity of service delivery whilst also promoting consistency.

34. Monitoring and Evaluation Progress under the Comprehensive Development Strategy

The GoKP is currently engaged in a programme to strengthen monitoring and evaluation work that will affect all the main departments, and will be linked to the reforms in budgeting. Current monitoring and evaluation activities are focused primarily on monitoring the outputs of projects and schemes. The new system will introduce a more comprehensive system that includes a wider group of indicators covering all elements of the services provided. It will also include greater use of evaluations, both of projects and of policies. The framework will define target levels for the indicators that are related to the policies of government, and that will help assess the effectiveness of government intervention

The progress of the CDS will be monitored through a small number of indicators as presented in Table 50. These indicators are selected from the more detailed indicators being developed in the monitoring and evaluation framework. Where possible, these indicators have been selected to monitor the impact of GoKP intervention. However, this is not possible in all the major sectors, and some compromises are made to ensure that the indicators used can also be collected without investing in additional primary data collection, specifically for the CDS.

The preliminary list of indicators also aims to include indicators that reflect the key MDG indicator groups, as described in the table.

Table 49 Preliminary Comprehensive Development Strategy Monitoring Indicators

No.	Indicator	MDG	Latest	2010 target	2015 target
1	Poverty rate	MDG 1	39%	30%	20%
2	Roads in good condition	MDG 1	24%	30%	45%
3	Area of land bought into cultivation (hectares)	MDG 1	0	20000	70000
4	Literacy rate	MDG 2	47%	55%	75%
5	Primary net enrolment rate	MDG 2	49%	60%	80%
6	Ratio of girls:boys in primary school	MDG 3	0.52:1	0.70:1	1:1
7	Infant mortality rate (per 1,000 live births)	MDG 4	63	60	40
8	Proportion of fully immunised children	MDG 4	47%	60%	>90%
9	Maternal mortality ratio (per 100,000 live births)	MDG 5	275	250	140
10	Contraceptive prevalence rate	MDG 5	31%	45%	70%
	HIV prevalence among vulnerable groups	MDG 6	<1%	<1%	<1%
	Proportion of TB cases detected and cured under DOTS	MDG6	>70%	>70%	>70%
	Reduce prevalence rate of hepatitis B and C in the general population of Khyber Pakhtunkhwa	MDG6	N/A	N/A	<5%
11	Access to drinking water	MDG 7	71%	75%	85%
12	Access to sanitation	MDG 7	66%	72%	85%
13	Aid as a % of GDP	MDG 8	0.4%	5.0%	3.3%



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