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RECLAIMING PROSPERITY IN KHYBER PAKHTUNKHWA

Medium Term Inclusive Growth Strategy
(Summary of Recommendations)



Growing Opportunity

A perspective of sustainable regional development



Planning and Development Department Government of Khyber Pakhtunkhwa

Reclaiming Prosperity in Khyber-Pakhtunkhwa
A Medium Term Strategy for Inclusive Growth
Summary of Recommendations

Table of Contents

PREFACE.....	I
EXECUTIVE SUMMARY.....	III
CHAPTER 1 GROWTH CHALLENGES.....	1
CHAPTER 2 EMERGING GROWTH DRIVERS.....	2
Urbanization.....	2
Regional Trade and Connectivity.....	2
Remittances.....	3
CHAPTER 3 PRIORITY GROWTH SECTORS.....	4
Manufacturing and Construction.....	4
Agriculture.....	4
Energy.....	6
Mining.....	7
Tourism.....	8
CHAPTER 4 INVESTMENT.....	9
Cost of doing Business.....	9
Transport.....	9
CHAPTER 5 GOVERNANCE.....	10
Rule of Law.....	10
CHAPTER 6 E-GOVERNANCE.....	11
CHAPTER 7 INCLUSIVE GROWTH.....	12
Health.....	12
Education.....	12
Skills Development.....	13
CHAPTER 8 FISCAL SPACE.....	15
Expenditure Management.....	15
Revenue Mobilization.....	15

Preface

The government of Khyber Pakhtunkhwa is progressing on its agenda for change by perusing a citizen-centric model for socio economic development, and focusing on reducing poverty and achievement of peace and tranquillity, through an integrated and holistic approach to development enshrined in the Integrated Development Strategy-214-18(IDS).The IDS spells out the broader counters of policy guidelines and strategic direction for growth led development. However, in order to have a detailed research-based and focused road map the Government of KP has developed an Economic Growth Strategy titled as "Reclaiming Prosperity in Khyber Pakhtunkhwa: A Medium Term Inclusive Growth Strategy" which is based on detailed research and viable economic models supported by a very robust data.

The Strategy gives medium term policy level and institutional level intervention as well as capacity building and infrastructure needs in key sectors like energy, construction, agriculture urbanization trade and social sectors. The strategy will be used by the Government as an explanatory companion to the IDS and serving as a detailed guiding document for the growth sectors.

Originally developed by International Growth Centre (IGC), the Strategy was later reviewed by the Planning and Development through a wide range of consultations with stakeholders in the government and as well as the academia, civil society, NGOS and private sectors. Sub-National Governance Programme KP provided technical assistance during the review process and the development of the final draft of the Strategy.

This document summaries the operative part of the Strategy by outlining the key recommendation in all sectors. The main objective of this Summary of Recommendation is to enable the readers and users to have a snap shot of the key interventions to be taken by the government in the short term, medium term and long term. The detailed analysis and allied details on the key recommendations have been given in the main document which can be consulted by the readers.

From within P&D Department, the process of strategy development was led by Additional Chief Secretary, Dr. Hammad Uwais Agha and assisted by Secretary P&D Syed Zafar Ali Shah who was ably supported by Chief Economist Mr. Zahir Shah as well as Chief Economic Analysis Wing Mr. Qaiser Alam and Chief Foreign Aid Mr. Ali Raza Khan. Joint efforts of these officers from P&DD alongside their teams are laudable.

Executive Summary

Despite severe internal and external shocks to KP's economy over time, the per annum economic growth of 4.5% underscores the resilience of KP's citizens and its institutions. Recent events suggest that the province is on the verge of realizing higher economic growth rates than any witnessed earlier. The 'Growth Strategy' is an attempt to take stock of the drivers of the future economic growth and outline challenges in reaching the cherished goals. The objective of the growth strategy is to reverse and improve KP's human development indicators up to the national average. For this to happen, KP's economy will need to grow at a much higher rate, preferably 7.5% per annum in accordance with Vision 2025's target.

The future economic growth rate in KP is likely to be driven by Urbanization, Trade and Connectivity, Remittances and Fiscal Transfers. Urbanization is important in the context of agglomerations, whose importance comes from their potential role in facilitating growth through their high density populations. KP has immense potential when it comes to becoming a regional trade centre as well as prime location in terms of transit trade across geographical locales. Its geographical location makes it especially attractive in terms of Pak-Afghan trade. The potential for reaping cross-border (between Pakistan, Afghanistan, China and Central Asian states) and intra-regional trade is limitless.

Remittances play a very important role in Pakistan's economic development. These are an estimated 5 percent of Pakistan's total GDP. Every fourth migrant worker belongs to KP who sends substantial remittances back home. Majority of these remittances, however, end up being used for consumption only. There is a pressing need to come up with incentives to direct the remittance money towards investment rather than consumption. In this regard, the provincial government needs to come up with alternative schemes. Moreover, there is an urgent need to not only upgrade the skills of the existing workforce but also to equip the incoming workers with skills that are in consonance with demand in foreign markets..

The growth sectors getting priority in the context of growth policy consist of Manufacturing, Construction, Agriculture and Livestock, Mining and Tourism. Manufacturing has slowed down, owing to problems of law & order and electricity load shedding. Construction sector's main importance is due to the fact that it is the second largest employer in KP after agriculture.

Agriculture remains the most important sector in KP's economy since it employs the majority of KP's labor force. But it is plagued with several problems like low productivity, incomplete markets, low value added crops, partial access to markets, lack of R&D, etc. In order to fully utilize the potential of this sector, certain steps like diversification of crops, development of seed nurseries, rational water utilization, etc., need to be taken. Mining sector, another important contributor to KP's GDP and revenue, is also plagued by problems. Despite containing gemstones and minerals that are high in demand, problems such as financing mine operations, low level of technology, inappropriate of dispute resolution mechanisms, discretionary power use, etc., have held back this sector. An early redress of these problems will go a long way in propelling this sector's performance.

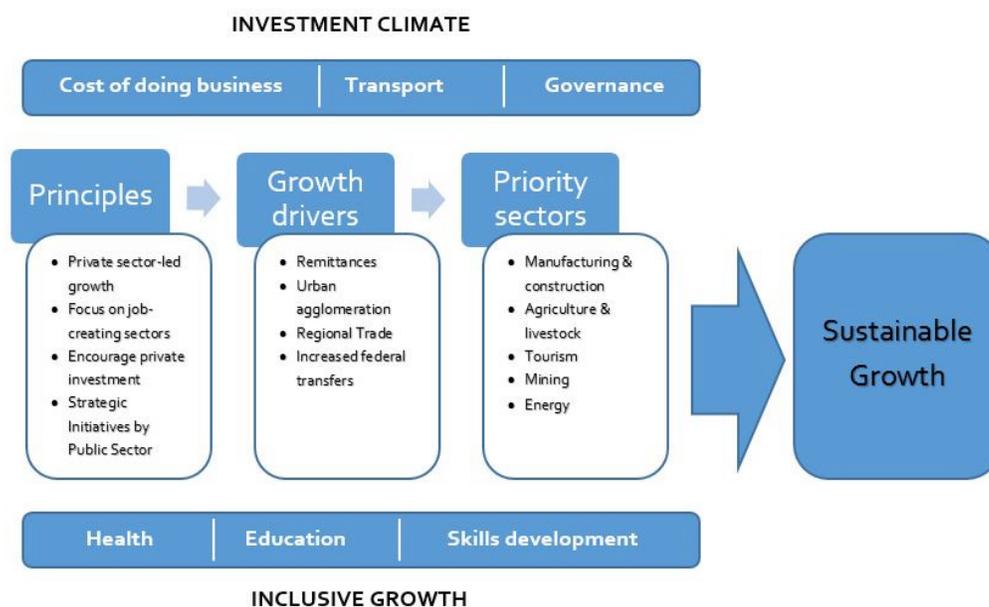
KP has some of the most beautiful tourist spots in Pakistan, and thus the potential of the tourism sector in lieu of this fact is substantial. Yet many factors, especially insurgency and terrorism, have set this industry back substantially. For this industry to revive and excel, steps such as infrastructure development, equipping manpower with skills, standards for quality assurance, etc., are need of the hour.

Realization of goals of enhanced GDP growth cannot come about without improvement in the investment climate. For improvement in the overall investment climate, reduction in transaction costs, increased competitiveness and increased emphasis on hydel power investment must become a priority. Closely tied to investment is Governance- without improvement in governance, improvement in investment is unlikely.

For inclusive growth, improvements in the sectors of Education, Health and Skill Development are necessary. KP's health indicators such as IMR and vaccination coverage are low compared to the rest of the country. Improvements are needed in enhanced coordination between various health providing tiers, improved monitoring and evaluation, and larger vaccination coverage, etc. Similarly, education indicators of KP also fall below the national averages. Improvements are needed in the areas of female enrolment, provision of infrastructure in far flung districts, quality improvements and enhanced monitoring, etc. Coming to Skill Development, KP's labor force is not well equipped when it comes to skills. Improvement in curricula, strong linkages between industry and academia, skill up gradation of teachers, infrastructure provision for skill teaching, etc., are some of the steps required for skill enhancement of KP's labor force.

Although provincial fiscal windows got a boost in the form of 18th Amendment, the rise in pay and pensions over the years has resulted in limiting the fiscal space. Improvements in expenditure management are likely to come from steps like development of a debt management system and converting to output-based budget allocations. To improve revenues, the KP government needs to take certain initiatives such as separation of technical matters (valuation) from political decisions (tax rates), upgrade the capacity of its tax collecting machinery, and develop a system for periodic revaluation.

Growth Framework for KP



Economic Growth Framework for KP covers priority sectors of industry and construction, agriculture and livestock, energy, mining and tourism. By following this framework, it is expected that a desired 7.5 % GDP growth rate will be achieved in the medium term leading to reduced poverty, increased prosperity and more jobs in the province.

Chapter 1 Growth Challenges

KP faces numerous challenges in terms of achieving the goal of higher economic growth. Not only is its per capita income growth lower than the rest of Pakistan, the population growth rate is also the highest in the country. The poverty rate, at an estimated 39 percent, is the highest in Pakistan. Moreover, the province has the highest dependency ratio, lowest rate of labor force participation in Pakistan and the highest unemployment rate. To absorb the increase in the labor force, the job creation growth will have to be around 3 percent per annum. This rate can be achieved with at least a 6 percent annual economic growth rate.

The above stated indicators cannot be improved without addressing challenges to economic growth. A major challenge comes in the form of ensuring that growth is inclusive, i.e. the fruits of economic growth are relatively evenly distributed. The outcomes of inclusive growth can be gauged by Millennium Development Goals (MDG's). A look at KP's indicators in this regard shows that it lags behind other provinces in indicators like Infant Mortality Rate (IMR) and Net Enrolment Ratios (NER). In order to bring these indicators up to the national standard (or exceed), sustained economic growth has to be realized. There have been some growth spurts in KP's economic performance that surpassed its trend rate of economic growth over time, but these could not be sustained.

For sustained economic growth, KP government will have to address challenges and optimize upon opportunities. One of the major challenges comes in the form of political violence in KP. Once the most peaceful region in Pakistan, KP and FATA have now got the highest incidences of death due to violence, primarily owing to the fallout of war on terrorism and insurgencies. The overall uncertainty arising due to this adverse situation has dampened the economic activity in KP.

Another potential challenge comes in the form of the withdrawal of ISAF troops from Afghanistan. Since their arrival, they have helped spur economic activity in KP through the transit trade channel. Industries like warehousing grew exponentially on back of the tremendous increase in Pak-Afghan transit trade, and so did the overall consumption. Micro level industries and services, formed in lieu of this trade, created thousands of jobs and opportunities. ISAF cargo movement through KP alone employs an estimated 20,000 individuals. With the withdrawal of ISAF troops, it will be a challenge to sustain the same momentum of trade activity and to ensure that the people employed in this activity remain employed.

Over the course of time, the structure of KP's economy has evolved from primary to tertiary level. Once dominated by agriculture, the provincial share of GDP is now dominated by Services sector (67 percent), followed by Industry (20 percent) and Agriculture (13 percent). It is imperative that policies should be designed in accordance with the evolving nature of economic activity and the respective importance of each sector that contributes to the provincial GDP.

Chapter 2 Emerging Growth Drivers

Urbanization

Policy

- Bringing the dense cluster of populations into the mainstream and analyze their development over time. The Government shall develop a proper policy in this regard

Institutional Improvement

- Need for establishment of an institution like the *Kachi abadi* directorate is recommended that can handle the affairs of these dense population agglomerations.

Infrastructure

- In order to discourage the development of informal clusters (and hence informal economies), there is need for more projects like the New Peshawar City, Peshawar Model Town and Nowshera City project

Regional Trade and Connectivity

Policy

- KP Government shall improve regulation on sale of smuggled goods and promote legal trade to trigger investments that will result in sustainable gains.
- Avenues to enhance domestic trade opportunities shall be explored i.e. in marble and gemstones.
- A more consistent and supportive pricing policy must be put in place. The KP government will have to negotiate strongly with the federal government to streamline their current ad hoc regulation on controlling drug prices.
- The Government of KP will also have to work with the federal government to negotiate a facilitative trade policy on pharmaceutical with India.
- To facilitate the cement industry in KP, land may be provided at subsidized cost to facilitate investments into cement production plants near limestone depositories in the province. An export-processing zone can also be created.

Strategy

- The best strategy to enhance trade is to regularize and facilitate trade with Afghanistan, China and Central Asian states. To address the risks to local economies, coordinate with the MTDK KP and FATA Economic Revitalization Project to channel grants and provide training and support in planning to SMEs affected by the loss of NATO cargo trade. Road-shows or trade fairs should also be used to enhance trade.

Institutional Improvement

- The growth of trade can be ably complemented by proper and efficient information dissemination relating to trade opportunities. In this regard, exclusive trade desks of KPK can be established in the major stock exchanges of the country (like KSE), from where opportunities for trading with KPK will be easily available.
- The credit of Bank of Khyber (BOK), KPK's largest bank, should be diverted towards loans for trade enhancement and facilitation within KP.

Capacity Building

- The provincial government should also assist companies in investing in research and development and in providing the information required for exporting drugs and accessing regional markets. This would require investments in training, human resource development and in pharmaceutical testing laboratories.

Infrastructure

- Important to maintain infrastructure and develop the Peshawar-Torkham corridor. Establish border terminals and steps be taken for freight carriage through Railway wagons that could be very helpful in facilitating trade.

Remittances

Policy

- Gearing up to the current and accelerated shift into higher paid jobs in services, including in the fast growing tourist sector such as hotels, shopping malls, and airport and airline services in which large expansions are planned, and to build on the current major occupation in these countries as drivers and unskilled workers. There is a need to improve the investment climate in the province to convert remittances into productive investment.

Strategy

- Taking advantage of major planned events such as the Dubai World Expo Trade Fair in 2020 and the soccer World Cup in 2022. Take into account the existing and projected demand for skills and professions abroad in formulating its educational plans and training programs and policies. Come up with policies to incentivize trade flow through official channels. There is also a need to come up with out-of-the-box solutions towards the aim of diverting remittances from consumption towards investment.

Institutional Improvement

- Coordination with federal level agencies and organizations that have been set up to regulate, monitor and support overseas migration. The provincial government needs to work closely with these organizations.

Capacity Building

- KP government shall take into account the existing and projected demand for skills and professions abroad in formulating its educational plans and training programmes and policies with a principal aim of moving the current profile of migrants from KP—who fall mainly into the categories of semiskilled and unskilled workers—into higher and better paid skills and professions abroad.

Chapter 3 Priority Growth Sectors

Manufacturing and Construction

The measures needed to improve sector performance include:

Policy

- Some of the successful industrial estate projects such as Hattar and Gadoon should be replicated through an extension project;
- Coming up with an incentive structure to Promote Innovation and Calibrated Industrial Policy;
- Giving priority to sectors that have proximity to markets such as Afghanistan and Central Asia or have easier access to raw materials such as gems, marble, etc. for high risk innovative projects;
- Promoting focused investment in selected sectors with the help of local investors.

Strategy

- Promoting KP as an attractive investment hub: offering reliable gas and electricity supplies and excellent industrial infrastructure through trade shows and stock exchange information desks.
- Government should also focus on enhancing female labor force participation. Government of KP should adopt a targeted policy to address these gaps as well as specific barriers to women participation in labor force, to stimulate economic growth in the province.

Institutional Improvement

- Considering unifying the management of these industrial estates under a new private-led governance regime to make the function of industrial estate management more closely aligned with the private sector needs. Upgrading the redundant technologies employed by some of the industries, replacing them by the state-of-the-art technologies. Providing a shared platform for expensive technology could be a possible solution and industry-specific common facility and training centers (CFTCs) can play a critical role in strengthening various manufacturing sub-sectors.

Capacity Building

- Stock-taking of all the infrastructure improvement needs of all industrial estates of KP. The province of KP should have its own organization for development and support of small and medium enterprises that can coordinate with federal bodies like SMEDA.

Agriculture

Measures to improve Agriculture include:

Policy

- KP should develop a well thought-out medium term agricultural policy to support future growth.
- KP needs to diversify into high value maize from the current focus on wheat. The government should pursue certain private companies, like Rafhan, Pioneer, Monsanto, etc. to start an exchange programme of wheat with maize at a certain fixed proportion along with provision of modern inputs, especially seed and fertilizer.

- The cluster approach should be adopted to strengthen the already existing commodity clusters, or to create new clusters after careful analysis of the climate and yield interaction, providing specialized extension to resolve key production constraints, establishing collection centers in the commodity specialized areas, encouraging value addition, and promoting farmers' organization around those crops. Agro-clusters, replicating the successful experiences of growing high quality peach in Swat, should be developed.
- Due to rapid urbanization, cultivated land around major urban centers is rapidly being used for housing purposes by various new settlements and housing societies in KP. The government may frame a land zoning policy to regulate this practice and to preserve agricultural base, to ensure the continued production of agricultural commodities. Such a policy should limit the density of development, restricts non-farm use of land in selected areas and limit construction of buildings and structures unrelated to agricultural land uses and activities in these areas.
- Policies have to be introduced which encourage competition by reducing restriction on supplies and encourage transparent sales. A system of vendor identification, vendor declaration and livestock identification will enable disease identification and limiting contamination and go a long way towards ensuring product integrity. Government should also encourage private sector to establish cold chain infrastructure as well export-oriented meat and other related value-added products processing plants.
- A forage policy shall be developed to support fodder seed production, promotion of silage making, development of feeds, and basic testing facilities for assuring quality of feeds.

Strategy

- In order to fulfil requirements for food security, wheat could be procured from Punjab. Increasing canal irrigation and providing incentives to the farmers for replacement of flood irrigation with high efficiency irrigation systems can go a long way towards enhancing productivity and farm income in KP.
- Possibilities of rain water harvesting by building small dams in high rainfall areas should be identified and appropriate development strategies for water catchment areas of these dams shall be introduced.
- Focus on switching towards water saving crops, like fruit, vegetables, and pulses, and discouraging high-water use crops like rice and sugarcane; the tax and incentive structure can be used for this purpose.
- Reforms shall be introduced to develop disease surveillance and prevention system through livestock health workers and veterinary professionals capacity enhancement; ensuring safe use of medicines; promoting production of commercial supplies by the private sector and reduced production of economically non-viable vaccines for the private sector to produce and sell.

Institutional Improvement

- KP has to develop its own mechanism to ensure seed quality to farmers through seed certification system in the private sector and promote seed sale under truth-in-labelling.
- The Community Based Organizations (CBOs) and Village Organizations (VOs) formed through developmental projects in most parts of KP have to be empowered to play a vital role in improving the social organization of farmers towards the solution of their common problems. KP can adopt the successful experience of Punjab Agricultural Research Board (PARB) to promote modern technologies and systems.
- Linkages and coordination between the Provincial Agriculture Extension Department (AED) with Agricultural Research System (ARS) have historically been weak, thus reducing the

flow of new innovations to the farming community. However, with the setting up of Model Farm Service Centers and District Agriculture Coordination Forums, the functional linkages among Research and Extension in the province are envisioned to improve.

- Efforts must be made to encourage private semen production and ensuring standards for regulating a viable breeding industry, which has expertise in trading in genetics, private semen production, insemination, and ensuring standards of business practice with regard to quality of semen and insemination.

Capacity Building

- To promote certified nurseries, government has to establish mother blocks of original fruits and vegetable varieties from where true-to-type material can be distributed to certified nurseries. The private sector's capability to provide extension services to farmers along the entire value chain needs to be explored and developed to overcome the shortcomings in the public sector.
- Women have traditionally been playing a key yet informal role in livestock rearing at the household level and multiple pilot projects have attempted to capitalize on this role by reaching out to these women, through training and assistance and building their capacity for sector growth. It is necessary to acknowledge these approaches and build on them to link these women with opportunities for value addition at small scale and linking them up with the formal market.

Infrastructure

- There is a dire need to develop new water sector infrastructure, such as building new major canal systems, the construction of small dams for water harvesting and the construction of small irrigation channels.
- To avoid irrigation water shortages at critical stages of crop growth is to minimize seepage losses from un-cemented irrigation channels. If lined, most of the existing kacha irrigation channels and reservoirs are capable of irrigating 2-5 times more land by the same amount of water.
- To make markets more accessible and inclusive, the government can establish farmer-managed collection centers/trading platforms with minimum modern market infrastructures, such as washing, grading, packing, storage. These collection centers can develop forward links with other markets in the country and abroad, and backward links with farmers, input dealers and service providers.
- Government shall provide more storage facilities and improvement in the existing storage facilities. Furthermore, the current wheat quota system to flour mills should also be revisited to encourage them to add and improve their own storage capacity and the local needs. General subsidy on flour may be transferred to targeted subsidy for the poor.

Energy

Measures to improve the energy situation include:

Policy

- Government of Khyber Pakhtunkhwa should promote energy conservation and efficiency in the province through targeted policy measures such as providing low-interest financing for introducing energy saving measures in residential and industrial facilities; having agreements in place with specific industries to gradually move towards energy efficient solutions through government or donor support; adopting energy conservation measures in

all government-run facilities, etc. Government of KP should also promote alternative sources of energy such as small-scale solutions for solar energy.

- Encouraging and incentivizing construction of micro hydel projects throughout KP.
- Reduce taxes or custom duty on all the imported machinery that is used in micro hydropower projects can facilitate MHP projects at community level.
- Encourage investment in small hydro power generation plants especially in the range of 10-50 MW.

Strategy

- In order to address the problems like load shedding and bill recoveries, KP government should acquire management of PESCO, starting with selected divisions. There is a need to launch investment road shows to draw private investors, through equity and debt, who can easily finance the construction of dams and earn a sizeable return on investment.

Institutional Improvement

- Carry out an exhaustive identification survey, including proper geological survey at UC-level to find out the overall potential available for micro hydropower projects; availability of stream-flow data of major and minor streams/canals in will help the investors.
- Encourage financial institutions to facilitate MHP-based projects by delivering small business loans on easy terms and conditions for local business groups, interested to invest in MHP projects, including production of electricity as well as instalment of small industrial units in local areas.
- PESCO may be bifurcated by setting up another independent company on the basis of geography, or consumers' mix.

Capacity Building

- Ensure that implementing agencies have in-house capacity to design and implement the project for a known lifetime with Least Cost Life Cycle Approach (LCCA).

Infrastructure

- Build link roads to insure access to difficult sites for micro hydropower projects in rural and mountainous areas.

Mining

Specific measures for improving this sector include:

Policy

- Reducing discretion in awarding mining rights. In order to mitigate transaction costs, devising procedures for out-of-court settlements should be prioritized. Reducing the area under discretion of the lease holder in order to enhance production from mines could be another crucial step.

Strategy

- Coming up with regulatory strategies (like empowering the inspectors) for taking care of illegal explosives use.

Capacity Building

- Besides zero tax on imported machinery (already implemented), government needs to come up with easier financing options for procurement of state of the art equipment.

Tourism

The measures needed to improve sector performance include:

Policy

- Providing land on long lease at subsidized rates for tourism projects in less developed areas; Introducing a law on public private partnerships (PPPs) to facilitate the private sector to invest in tourism.

Strategy

- Fast track clearance for investments in such projects that are above PKR 100 million; attracting foreign investors for larger projects such as chairlift/cable car resorts, four and five star hotels/adventure activity centers and recreational parks etc. Developing a multi-pronged branding strategy; promoting and developing PPPs for tourism marketing and joint branding campaigns.

Institutional Improvement

- Creating a tourism development committee to spearhead implementation of sectoral reforms. The committee shall nominate tourism reform leaders for each of the strategic areas; these will be provincial legislators and will ensure removal of hurdles in implementation of tourism-related reforms.

Capacity Building

- Introducing standards and a quality regime for hotels, restaurants, tour operators, travel agencies and other tourism service providers.

Infrastructure

- Rehabilitating existing facilities and infrastructure, besides also seeking new opportunities for development, such as improving or building access roads to tourist towns and attraction places.

Chapter 4 Investment

Cost of doing Business

The measures needed to improve the existing environment of doing business include the following:

Policy

- Reducing the number of days for starting a business by developing online processes, and streamlining procedures for construction permits and registering property.

Strategy

- Simplifying procedures for paying taxes and reduce the number of taxes. Also, reducing the time and money cost of contract enforcement.

Infrastructure

- It will be easier and cost effective to promote trade across borders through better facilities such as dry ports etc.

Transport

The measures needed to improve Transport sector's performance include:

Policy

- The government should focus on completing existing initiative on regulatory and reform sides as well as those dealing with infrastructure.

Strategy

- There is a need for investment in road networks in less developed regions to better connect with the rest of the province and the country. This will open up the relatively remote and economically depressed areas and facilitate inter and intra-provincial flow of goods, local investment and labor.

Institutional Improvement

- Establishment of Khyber Pakhtunkhwa Urban Mobility Authority (KPUMA) to look after the policy formulation and regulatory affairs of Urban Transport and Mass Transit affairs.

Capacity Building

- Strengthening Transport Department and establishing the district offices through which the general public will be facilitated at their door step for effective regulation of transport affairs.

Infrastructure

- To mitigate the deterioration of road and transport infrastructure due to heavy traffic, the existing network needs to be improved with special emphasis on transport infrastructure up-gradation and maintenance. In this regard, the establishment of Mass transit system (MTS) in Peshawar for better and convenient travel will be an important step. Establishment of Trucking Terminals at Peshawar and Dera Ismail Khan to serve as focal point for trucks & containers and assist the government to better regulate the trucking and goods freight industry in the province is also required for infrastructure. An Establishment of a Transport complex at Peshawar would serve as Transport Facilitation Centre to provide operations under one roof, where all the disintegrated field offices of the Transport will be integrated in the complex for public facilitation.

Chapter 5 Governance

Rule of Law

The measures needed to improve the rule of law in KP include:

Policy

- Instituting a Police and Prosecution Reform Committee that proposes implementable reforms and build on the Police Order 2002. The Reform Committee should also suggest reforms to the Police Rules 1934; Framing holistic crime prevention policy that consolidates and coordinates the divergent legal and regulatory frameworks for provision of security and information gathering.

Strategy

- Proposing a framework for strengthening linkages between the formal justice system, the local government system and informal dispute resolution mechanisms and framing a modern sentencing law in coordination with local government authorities ; Putting in place an evaluation model for free legal aid with in-built scale-up options for more successful designs.

Institutional Improvement

- Coming up with a legal framework that institutionalizes an independent and autonomous prosecution service. There is also a need to introduce a performance management pilot for the Capital City Police and prosecution along with an independent case review board.

Capacity Building

- Police rules need to be revised to institutionalize modern protocols of securing and preserving scenes of crime and chain of custody protocols. These efforts need to be complemented by programmes that train officers in modern investigation techniques and besides institutionalization of a system for witness protection. Adequate budgetary provisions need to be made to enable institutionalization of a modern investigation and prosecution system. There is also a need to establish an effective case and docket management system at the level of courts that is integrated with the policing and prosecution system.

Infrastructure

- There is a need to invest in a forensic science laboratory in KP along with the establishment of a Command and Control System (with first responder capacity) and Crime Scene Units in the capital city.

Chapter 6 E-governance

The measures needed to improve E-governance in KP include:

Policy

- Setting up an autonomous and empowered Provincial IT Board Computerizing government records and the process of issuing vital documents for citizens Automating government systems such as procurement processes, public college admissions, crime investigation, land records, and birth certificates etc.

Strategy

- Putting in operation an ICT-based Complaint Redressal System for the Province.

Capacity Building

- Restructuring the Provincial Information Department to better manage modern communication tools for more effective governance.

Chapter 7 Inclusive Growth

Health

The measures needed to improve the situation regarding Health in KP include:

Policy

- Have a localized communication strategy; Government to set aside a specialized unit along with necessary resources for running the polio campaigns and letting the EPI cells focus only on routine immunization.

Strategy

- Rural Health Centers and Tehsil hospitals should be handed over to local governments with the authority to outsource the management of these hospitals on the model of PPHI. The government can also provide some subsidy on per patient basis to reduce the burden on poor families. Provincial government should form partnership with BISP to identify the families that can benefit from the transfer of additional cash if the vaccination and maternal health conditions are met and expand “waseela-e-sehat” health insurance programme in the province.

Institutional Improvement

- A similar system to the one implemented in Punjab can be pilot tested whereby smartphones are used to monitor health facilities. This system should then be adapted to the needs of the health department in KP.

Capacity Building

- To reduce the burden on provincial and district health departments the government should expand the engagement on Basic Health Units with Peoples Primary Health Initiative (PPHI) to remaining districts.

Infrastructure

- A specialized ambulance or transport system should be started in partnership with private sector that can shuttle the patients between hospitals for a minimum user fee.

Education

The measures needed to improve the situation regarding overall education in KP include:

Policy

- KP needs to re-evaluate its policy of higher levels of investment in secondary and tertiary subsectors. Primary education should be the focus of provincial investments to improve enrolment rates and learning outcomes. By linking social protection programmes such as the Benazir Income Support Programme with school attendance levels and increasing the amounts provided for education, their impact could be enhanced.

Strategy

- One key intervention that the government can make is to increase the number of female teachers, since this hugely increases parents’ confidence with respect to sending their daughters to school. Girls’ access to school is still limited by safety concerns. Schools should therefore be built in those areas where they do not exist in order to reduce travelling time. Provision of education in emergencies, particularly floods, must become a core part of any education policy/strategy of the government of KP.

Institutional Improvement

- School Mapping should be done to ensure that enough schools are present in far-flung and remote areas and not just concentrated in certain regions. This will ensure accessibility.

Capacity Building

- Improving monitoring of teacher performance in the education sector by giving increased importance to the Education Management Information System (EMIS) so that the school infrastructure conditions can be appropriately reflected. Improve existing primary schools in all provinces to middle level so that children have opportunities to transit from primary to middle and then to secondary levels of education.

Infrastructure

- It is important the resources over the next 5 to 10 years are spent in higher proportions in the most deprived districts. This will help reduce the stark disparities in the education sector.

Skills Development

The measures needed to improve the skill development in KP include:

Policy

- An immediate initiative is to improve institutional governance in the public sector by reviving idle capacity, setting clearly defined performance standards and monitoring performance of outcomes and outputs through third parties. .

Strategy

- To be effective, any increase in budget has to be accompanied by the formulation of a provincial Skills Policy and the formation of a high level Policy and Advisory Committee with representation from key members of Cabinet, the business community, leading and supporting departments, skills experts and private providers. The Committee must align skills initiatives with growth priorities, set medium to long-term targets and monitor progress on the agenda. The Fund should adopt competitive bidding with an output-based payment system linked with outsourced monitoring. The Fund should also support demand-side interventions (for example, stipends) that enable access for marginalized populations. It should also incentivize providers to complement skills training with on-job components and job placement services. Since KP is an important source of export of manpower, research may be commissioned to assess skills gaps in national and international sectors that engage labor from the province.

Institutional Improvement

- The Committee must also make a case for the institutionalization of a national accreditation system that ensures quality of training.

Capacity Building

- A high level Advisory Committee should be formed, which must be given the task of coordinating provincial, donor and federal skills programmes and strengthening industry linkages. It should also ensure linkages between skills initiatives and programmes to augment jobs and catalyze self-employment. Corporatizing KP-TEVTA and inducting private sector management is an important component of this task. This initiative should be complemented by the institutionalization of a Skills Development Fund with the objective of seeding quality supply by incentivizing the private sector to contribute to the supply of training. These initiatives need to be supported by the establishment of research capacity in

the government that provides context-specific evidence on skills shortages and gaps in the province.

Chapter 8 Fiscal Space

Expenditure Management

The measures needed to improve expenditure management in KP include:

Policy

- Develop a well-designed debt-management strategy. Given the borrowing powers conferred to provinces in 18th Amendment, KP may consider revisiting its debt recording and management system in collaboration with the EAD at the federal level. Implement output-based budget allocation for all new schemes. This will move away from the current practice of artificially splitting current and development budget allocation. It should start by initiating a process of consultative agreement between the Finance Department, Planning & Development department and the line department to achieve measurable output indicators.

Strategy

- Given the large expected pension liability, KP may consider improving pension fund management, which would help reduce the claim on the budget of pension payments. Improve effectiveness of public expenditure by improving the balance between development and O&M expenditure.

Institutional Improvement

- Strengthen project design of new schemes by empowering Planning & Development department so that no new large activity can be budgeted for implementation without an approved feasibility study

Capacity Building

- Revise “release procedures” to ensure smooth implementation of the budget. It may be appropriate to adapt the federal government's “New System of Financial Control and Budgeting” to streamline releases for recurrent and development budgets.

Revenue Mobilization

The measures needed to improve revenue mobilization in KP include:

Policy

- Separate valuation from rate setting; the former is a technical matter and the latter a political decision. The valuation tables, which report tax liability per unit of property and are implicitly a product of property value and tax rate, should distinguish between the tax base and the tax rate. Broad-basing the tax payer network by eliminating tax exemptions, taxing vacant plots and removing tax preference for owner-occupiers. Decentralize property tax policy and administration to local governments.

Strategy

- Develop a system of periodic revaluation of properties. Allowing natural growth in the property tax base by indexing the tax rate to the rate of inflation.

Capacity Building

- Upgrade the skills and size of the staff that assess and collect UIPT.