ASSEMBLY QUESTION NO. 1937

Mover: Mr. Arbab Muhammad Usamn Khan, MPA

Will the Minister for Finance state that:

Question	Answer
(a) What is the status of the Provincial Government's adherence to the IMF's target of maintaining a fiscal surplus of over Rs. 200 billion for Khyber Pakhtunkhwa?	The Government of Khyber Pakhtunkhwa, along with other provincial governments, has entered into a Fiscal Pact with the Federal Government under the IMF Program. In the provincial budget for FY 2025-26, a Fiscal Surplus of Rs. 157 billion has been projected in the approved budget documents. The realization of this surplus remains subject to downside risks, including potential shortfalls in FBR revenue collection, delays in federal transfers, uncertainties related to the ADP and AIP for the Merged Districts, and unforeseen expenditures due natural disasters. Within these constraints, the Provincial Government will continue to exercise fiscal discipline and pursue domestic revenue mobilization measures to strengthen its fiscal position, while supporting the Federal Government in achieving the shared objective of reducing the consolidated fiscal deficit.
(b) Whether an impact analysis or study has been conducted to assess effects of implementing the IMF directives on the Province and public? If yes, please prove a copy of the analysis.	Under the Fiscal Pact agreed with the Federal Government, all provinces, including Khyber Pakhtunkhwa, are required to pursue reforms in revenue mobilization, expenditure management, and good governance. As part of expenditure management, provinces are encouraged to protect and increase spending on priority social sectors, particularly health, education, and social protection, to support effective public service delivery. In this context, the Government of Khyber Pakhtunkhwa has incorporated these requirements into its budget formulation and policy decisions, rather than undertaking a separate standalone impact assessment. **Health Sector:** Spending on the Health Card Program has increased in FY 2025-26. The budget for Medical Teaching Institutions (MTIs) has been raised from Rs. 56.7 billion in FY 2024-25 to Rs. 65.7 billion in FY 2025-26, demonstrating continued priority to healthcare services. In addition, the Province has approved the Facility-Level Budgeting and Expenditure Management Policy (2024) for primary healthcare facilities, which is expected to increase current-year health expenditure by approximately Rs. 2 billion. In some cases, expenditure has remained below potential levels due to vacant positions across health departments.

	The filling of more than 14,000 vacant posts is expected to result in higher expenditure going forward. **Education Sector:** For the first time, the Province has allocated Rs. 10 billion from its own resources to the Higher Education sector, exceeding the federal transfers received for this purpose. This reflects a clear policy choice to prioritize education. Additionally, the Government has approved school-level budgeting, requiring approximately Rs. 6 billion in the current financial year for classroom consumables, minor repairs, and capitation grants. Further expenditure pressures are expected due to ongoing recruitment of around 17,000 teaching staff, which will increase education spending beyond initial estimates. Hence, the IMF-linked fiscal framework has been implemented in a manner that protects social sector spending, while balancing fiscal discipline and service delivery needs.
(c) Which sectors have been specifically targeted? In particular, i. are the agriculture and property/real-estate sectors included among those targets:	i. In line with the agreed reform agenda, the Government of Khyber Pakhtunkhwa has undertaken **legislative reforms in Agriculture Income Tax (AIT)** and aligned its legal framework with other provinces. However, due to the **fragmented pattern of landholdings** in Khyber Pakhtunkhwa, the revenue impact of AIT remains limited. Similarly, **Capital Value Tax (CVT)** on immovable property has been implemented as part of tax harmonization efforts, but it has **not resulted in any major fiscal burden**.
ii. if so, how these sectors were affected: and	ii. The impact on both the **agriculture** and **property/real estate** sectors has been **modest and manageable**. In agriculture, small and subsistence farmers remain largely unaffected due to low taxable thresholds and land fragmentation. In the property sector, CVT implementation has not disrupted market activity and has had only a marginal revenue effect. In addition, the Province has shifted **sales tax on services** from a **positive list to a negative list**, thereby broadening the tax base and improving compliance across service sectors.
iii. whether the IMF objectives have helped us or hurt us? Please provide details.	iii. Overall, the objectives of the IMF program are to **strengthening fiscal discipline and improving revenue sustainability.** In the case of Khyber Pakhtunkhwa, the adopted measures have **not caused adverse impacts** on key economic sectors. While certain adjustments were required, these reforms have supported improved tax harmonization, reduced distortions, and contributed to long-term fiscal stability, without placing undue pressure on the general public.

(d) Where does Khyber Pakhtunkhwa stand compared with other provinces in meeting the IMF objectives? Please provide details.	Khyber Pakhtunkhwa has shown relatively stronger fiscal discipline compared to other provinces and has remained aligned with the agreed macro-fiscal targets. The KP Government achieved a surplus balance of Rs. 178 billion during FY 2024-25, however for example the Punjab Government did not meet the target.