PROVINCIAL ASSEMBLY SECRETARIAT, KHYBER PAKHTUNKHWA

https://www.pakp.gov.pk 0919210489 Ext:1295 www.facebook.com/pakpgov

NOTIFICATION

Dated Peshawar, the 20/08/2026

No.PA/Khyber Pakhtunkhwa/Bills-97/2026/ 2196 In pursuance of the provision contained in Rule 227(6) of the Provincial Assembly of Khyber Pakhtunkhwa Procedure and Conduct of Business Rules, 2025, the Report of Standing Committee No. 10 on Finance Department regarding the Khyber Pakhtunkhwa Fiscal Responsibility and Debt Management (Amendment) Bill, 2026, as presented in the Provincial Assembly of Khyber Pakhtunkhwa on 17th August, 2026 is hereby published for general information.

(Here print as in the accompaniment).

(SYED WIQAR SHAH)
Secretary,
Provincial Assembly of Khyber Pakhtunkhwa

The Manager, Government Printing Press, Peshawar

For publication in the Gazette of Khyber Pakhtunkhwa, extraordinary bearing the same date. One copy may be supplied to this Secretariat

Assistant Secretary,
Provincial Assembly of Khyber Pakhtunkhwa

Endst. No. & Date Even.

Copy of the above is forwarded to:-

1. The Chief Secretary to Government of Khyber Pakhtunkhwa.
2. The Secretary to Government of Khyber Pakhtunkhwa, Law, Parliamentary Affairs and Human Rights Department.
3. The Secretary to Government of Khyber Pakhtunkhwa, Finance Department.
4. The Principal Secretary to Chief Minister, Khyber Pakhtunkhwa for information of the Honourable Chief Minister.
5. The Principal Secretary to Governor, Khyber Pakhtunkhwa, for information of the Honourable Governor.
6. The Principal Secretary to Mr. Speaker, Provincial Assembly of Khyber Pakhtunkhwa.
7. The Deputy PS to Deputy Speaker, Provincial Assembly of Khyber Pakhtunkhwa.
8. The Director I.T, Provincial Assembly of Khyber Pakhtunkhwa, for official website.

Assistant Secretary,
Provincial Assembly of Khyber Pakhtunkhwa

REPORT OF THE STANDING COMMITTEE NO. 10 ON FINANCE DEPARTMENT ON THE KHYBER PAKHTUNKHWA FISCAL RESPONSIBILITY AND DEBT MANAGEMENT (AMENDMENT) BILL, 2026.

I, Chairperson of the Standing Committee No. 10 on Finance Department, have the honour to present this report on **the Khyber Pakhtunkhwa Fiscal Responsibility and Debt Management(Amendment) Bill, 2026** [Government Bill], referred to the Committee on 6th July, 2026.

2. The Committee comprised of the following:

1)	Arbab Muhammad Usman Khan,	Chairperson
2)	Mr. Aurangzeb Khan, MPA	Member
3)	Mr. Anwar Zeb, MPA	Member
4)	Mr. Munir Hussain, MPA	Member
5)	Mr. Sher Ali Afridi, MPA	Member
6)	Mr. Muhammad Nisar Baz, MPA	Member
7)	Mr. Gurpal Singh, MPA	Member
8)	Ms. Sobia Shahid, MPA	Member
9)	Ms. Farah Khan, MPA	Member
10)	Ms. Shazia Tehmas Khan, MPA	Member
11)	Ms. Madina Gul Afridi, MPA	Member

3. The Committee considered the Bill as introduced in the Provincial Assembly, placed at **"Annexure-A"**, in its meetings held on 14th and 23rd July, 2026. The following members were present in the meetings of the Committee held on the dates mentioned against each:-

1)	Mr. Anwar Zeb, MPA	14th July, 2026
2)	Mr. Munir Hussain, MPA	14th & 23rd July, 2026
3)	Mr. Sher Ali Afridi, MPA	14th July, 2026
4)	Mr. Gurpal Singh, MPA	14th & 23rd July, 2026
5)	Mr. Muhammad Nisar Baz, MPA	23rd July, 2026
6)	Ms. Sobia Shahid, MPA	14th July, 2026
7)	Ms. Farah Khan, MPA	14th & 23rd July, 2026
8)	Ms. Shazia Tehmas Khan, MPA	14th & 23rd July, 2026
9)	Ms. Madina Gul Afridi, MPA	14th & 23rd July, 2026

4. Apart from the above, Mr. Muzzammil Aslam, Adviser to the Chief Minister, Khyber Pakhtunkhwa for Finance also attended the meeting of the Committee held on 23rd July, 2026.

5. **Officers in Attendance.**-The following officers attended the meeting:

1) Mr. Kamran Afridi, Secretary to Government of Khyber Pakhtunkhwa, Finance Department.
2) Mr. Zubair Ahmad, Special Secretary, Finance Department, Khyber Pakhtunkhwa.
3) Mr. Touseef Khalid, Additional Secretary, Finance Department, Khyber Pakhtunkhwa.
4) Mr. Abdul Haseeb, Additional Secretary, Finance Department, Khyber Pakhtunkhwa.
5) Mr. Muhammad Munaim, Director (Finance), Khyber Pakhtunkhwa IT Board.
6) Mr. Abdul Qayum Khan, CTL Finance Department, Khyber Pakhtunkhwa.
7) Mr. Adnan Jamil, Deputy Secretary, Finance Department, Khyber Pakhtunkhwa.
8) Mr. Masood-ul-Hassan, Legislation Officer, Law Department, Khyber Pakhtunkhwa
9) Mr. Faseeh Ullah, Deputy Legislation Officer, Law, Parliamentary Affairs & Human Rights Department.

6. The Committee held its first meeting on 14th July, 2026, to consider the Khyber Pakhtunkhwa Fiscal Responsibility and Debt Management (Amendment) Bill, 2026. However, owing to the absence of the concerned Minister and Advisor to Chief Minister for Finance, consideration of the Bill was deferred to the next meeting of the Committee. The Committee, nevertheless, directed the Finance Department to furnish the following information for the Committee's consideration at its next meeting:

(1) The total outstanding provincial debt, its ratio to the Provincial revenue, and the debt repayment and rescheduling plan.

(2) The rationale for using the expression "revenue of the Province" in various provisions of the Bill in relation to limitation of net nvestment, debt servicing, stock of total public debt and guarantees.

(3) The Committee further sought views of the Department on the proposal to substitute the aforementioned expression with the expression "total revenue", wherever considered appropriate.

(4) The prescribed qualifications, experience, and eligibility criteria for the appointment of the Director General under the proposed law.

(5) The provision of extracts of the relevant provisions of the principal Act.

7. The second meeting of the Committee on the Bill was held on 23rd July, 2026 wherein the Committee first considered information sought in its previous meeting.

8. The Finance Department informed the Committee that the Province's total outstanding public debt stood at PKR 776.321 billion as on 30 June 2025 and PKR 809.742 billion as on 31 December 2025. It was further informed that the debt-to-revenue ratio for FY 2024-25 was 63.01% calculated on the basis of total revenue of PKR 1,232.10 billion, which remained well within the statutory ceiling prescribed under the Khyber Pakhtunkhwa Fiscal Responsibility

and Debt Management Act, 2022, which provides that the combined stock of public debt and guarantees shall not exceed 150% of the Average Revenue of the Province.

9. It was informed that during FY 2024-25, the Province paid PKR 18.644 billion in interest and PKR 30.706 billion in principal repayments, so total debt servicing was PKR 49.35 billion.

10. The Department further apprised the Committee that the Province's debt portfolio primarily comprised concessional loans obtained from multilateral development partners carrying low interest rates, long maturities and grace periods, and that debt servicing was being carried out strictly in accordance with the agreed amortization schedules.

11. The Committee was also informed that the Government had established a dedicated Debt Management Fund to strengthen debt repayment capacity and ensure prudent fiscal management. The Committee took note of the explanation furnished by the Department.

12. In response to a query, regarding the use of the expression "Revenue of the Province" in various provisions of the Bill relating to the limitation of net investment, debt servicing, public debt and guarantees, the Finance Department explained that the expression had been retained in conformity with the Khyber Pakhtunkhwa Fiscal Responsibility and Debt Management Act, 2022, under which "Revenue" includes Federal Tax Assignment, Straight Transfers, Net Hydel Profits, Provincial own-source revenues and other recurring receipts, while excluding debt, loans and foreign assistance. The Department further explained that the principal Act adopts the benchmark of the "Average Revenue of the Province", calculated on the basis of the preceding three financial years, to provide a stable and realistic measure of the Province's revenue capacity for determining fiscal and debt limits.

13. In response to the proposal made by Ms. Shazia Tehmas Khan, MPA, to prescribe the qualifications, experience and eligibility criteria for the appointment of the Director General of the proposed Debt Management Office in the Bill, the Finance Department clarified that the proposed Bill merely sought to align the nomenclature and institutional structure with that of the Federal Government by replacing the designation of "Team Leader" with "Director General" and "Debt Management Unit" with "Debt Management Office". It was further clarified that the amending Bill did not alter the substantive qualifications or experience requirements applicable to the head of the Debt Management Office, as the requisite qualifications, experience and eligibility criteria had already been prescribed under the Market Based Salary (MBS) Policy, 2025, approved by the Provincial Cabinet. Upon the clarification furnished by the Department, the Committee took note of the position and did not press the proposed amendment by the Honorable Member.

14. Mr. Muzzammil Aslam, Advisor to the Chief Minister for Finance, while expressing his views on the Bill, informed the Committee that, based on his personal experience as a macroeconomist spanning more than two decades, he can say that one of the greatest economic challenges faced by governments was the accumulation of public debt and the consequential burden of debt servicing, particularly the payment of interest on borrowed funds. He observed that a significant portion of public resources was consumed in servicing debt, thereby reducing the fiscal space available for development and public welfare.

15. In this context, he stated that the proposed legislation sought to strengthen fiscal discipline by imposing stricter limits on the Province's borrowing powers than those provided under the existing legal framework. He explained that, under the proposed amendments, the Finance Department would be authorized to raise debt up to five per cent of the Average Revenue of the Province. Any borrowing exceeding five percent, but not exceeding seven percent of the total Revenue of the Province, would require the prior approval of the Provincial Cabinet. He further explained that any proposal to exceed the statutory ceiling of seven per cent would necessitate an amendment to the Act, which could only be effected with the approval of the Provincial Assembly.

16. He emphasized that the underlying objective of the Bill was to promote prudent debt management by restricting the borrowing powers of the Government and to safeguard the Provincial budget from an unsustainable debt servicing burden.

17. Mr. Abdul Qayyum Khan, CTL, Finance Department, while presenting a comparative analysis of the principal Act and the proposed amending Bill, informed the Committee that the proposed amendments sought to introduce stricter fiscal safeguards. He explained that, under the principal Act, the Government was authorized to raise debt up to ten percent of the total revenue of the Province, whereas the proposed Bill reduced this limit to five percent. He further informed the Committee that any borrowing exceeding five percent, but not exceeding seven percent of the total Revenue, would require the prior approval of the Provincial Cabinet.

18. He further explained that, under the existing law, the combined stock of public debt and guarantees was capped at one hundred and fifty percent of the total Revenue of the Province. The proposed Bill sought to reduce this threshold to seventy-five percent, while permitting an additional twenty-five percent only with the prior approval of the Provincial Cabinet.

19. In response to the queries raised by the undersigned regarding the Province's internal and external borrowings, the corresponding repayment schedule, subsidies and the short- and long-term implications of such borrowings for the Province's financial position, the Advisor to the Chief Minister for Finance informed the Committee that the Province generally contracted external loans, which ordinarily carried a repayment period of twenty-five years.

20. He further informed the Committee that, unlike the previous practice, the Provincial Government had, since 2024, adopted a prudent debt management strategy by establishing a dedicated Debt Management Fund for the repayment of public debt. He stated that an amount of approximately PKR 210 billion had so far been accumulated through investments, and that the Fund was being utilized to meet the Province's debt servicing and repayment obligations. He added that the Fund also served as a financial guarantee for mega projects undertaken under the Public-Private Partnership (PPP) framework.

21. The Advisor further apprised the Committee that the Provincial Government was placing greater emphasis on obtaining income-generating loans to finance projects capable of generating sustainable returns, thereby reducing the long-term fiscal burden on the Province and strengthening its debt repayment capacity. He further observed that, notwithstanding this approach, the Government bears fiscal burden in extending subsidies to provide support to the public.

22. After detailed deliberations, the Committee agreed with the underlying intent and objectives of the proposed legislation and thereupon commenced clause-by-clause consideration of the Bill.

23. While considering clause (a) of Clause 2, the Committee observed that the expression "special circumstances" was broad and undefined and, if left unqualified, could be susceptible to misuse. The Committee was of the view that the exercise of the power contemplated under the provision should be confined to objectively ascertainable circumstances and made subject to an appropriate statutory criterion. Accordingly, after detailed deliberations and upon conclusion of the clause-by-clause consideration of the Bill, the Committee proposed the following amendment:

i. In Clause 2, in clause (a), for the words "if any special circumstances arise", the words "if any unavoidable special circumstances arise in the public interest" were substituted.

RECOMMENDATIONS:

24. The Committee recommended that **the Khyber Pakhtunkhwa Fiscal Responsibility and Debt Management (Amendment) Bill, 2026**, as amended and reported by the Committee at **"Annexure-B"**, may be taken into consideration by the Assembly.

(ARBAB MUHAMMAD USMAN KHAN)
CHAIRPERSON,
STANDING COMMITTEE NO. 10 ON
FINANCE DEPARTMENT

ANNEXURE- A

A
Bill

further to amend the Khyber Pakhtunkhwa Fiscal Responsibility and Debt Management Act, 2022.

WHEREAS it is expedient to amend the Khyber Pakhtunkhwa Fiscal Responsibility and Debt Management Act, 2022 (Khyber Pakhtunkhwa Act No. XVI of 2022), for the purposes hereinafter appearing;

It is hereby enacted by the Provincial Assembly of Khyber Pakhtunkhwa as follows:

1. **Short title and commencement.**---(1) This Act may be called the Khyber Pakhtunkhwa Fiscal Responsibility and Debt Management (Amendment) Act, 2026.

(2) It shall come into force at once.

2. **Amendment of section 5 of the Khyber Pakhtunkhwa Act No. XVI of 2022.**---In the Khyber Pakhtunkhwa Fiscal Responsibility and Debt Management Act, 2022 (Khyber Pakhtunkhwa Act No. XVI of 2022), hereinafter referred to as the said Act, in section 5,-

(a) in clause (a), after the word "deficit", the words and comma ", if any special circumstances arise" shall be inserted: and

(b) clause (c) shall be deleted.

3. **Substitution of section 9 of the Khyber Pakhtunkhwa Act No. XVI of 2022.**---In the said Act, for section 9, the following shall be substituted, namely:

"9. **Fiscal limitations.**---Government shall take appropriate measures to ensure adherence to the fiscal limitations, in any financial year, net investment in non-financial assets, which shall not be less than twenty (20) percent of average revenue of the Province:

Provided that where the net investment falls below twenty percent (20%) of the average revenue of the Province, prior approval of Government shall be mandatory.

4. **Substitution of section 10 of the Khyber Pakhtunkhwa Act No. XVI of 2022.**---In the said Act, for section 10, the following shall be substituted, namely:

"10. **Debt limitations.**---(1) Government shall manage total public debt and guarantees, in a manner that the following debt limitations are adhered to:

(a) debt servicing, in a financial year, shall not exceed five (05%) percent of the average revenue of the Province:

Provided that where the debt servicing exceeds five percent (05%) of the average revenue of the Province, prior approval of Government shall be mandatory, which shall not exceed seven percent (07%) of the average revenue of the Province; and

(b) the combined stock of total public debt and guarantees does not, at any time, exceed seventy-five percent (75%) of the average revenue of the Province:

Provided that where the combined stock of total public debt and guarantees exceeds seventy-five percent (75%) of the average revenue of the Province, prior approval of Government shall be mandatory, which shall not exceed one hundred percent (100%) of the average revenue of the Province.

(2) Autonomous or semi-autonomous bodies shall not be authorized to raise any loan, incur any debt or give any guarantee for any purpose, except with the prior approval of Government.".

5. **Amendment of section 11 of the Khyber Pakhtunkhwa Act No. XVI of 2022.**---In the said Act, in section 11,-

(a) for the words "Debt Management Unit", wherever occurring, the words "Debt Management Office" shall respectively be substituted;

(b) for sub-sections (1), (2) and (3), the following shall respectively be substituted, namely:

"(1) There shall be a Debt Management Office within the Department, which shall be headed by a Director General, who shall be assisted by such number of staff members as may be determined by the Department. The Director General and staff members shall be appointed on contractual basis for a period of three years through a competitive hiring process:

Provided that the tenure of Director General and staff members may be extended for another term of three years, or a further period as may deem appropriate, subject to satisfactory performance.

(2) The Director General shall report to the Secretary of the Department in performance of his functions under this Act.

(3) The qualification, experience and other terms and conditions of service of the Director General and the staff members shall be such as may be prescribed.".

STATEMENT OF OBJECTS AND REASONS

The proposed amendments in the Khyber Pakhtunkhwa Fiscal Responsibility and Debt Management Act, 2022, seek to further strengthen the Province's fiscal responsibility framework and improve public debt management in light of changing fiscal needs. The purpose of the amendments is to improve the existing fiscal and debt limits, promote financial discipline and keep public borrowing sustainable, transparent and consistent with the broader objective of maintaining macro-fiscal stability. The proposed amendments also encourage productive and development-focused use of public resources while reducing excessive dependence on borrowing and the burden of debt servicing.

2. The Bill also seeks to improve the institutional structure for debt management through the establishment of a dedicated Debt Management Office within Finance Department, in line with modern public financial management practices. The proposed amendments are expected to improve oversight, coordination, and accountability in debt operations and support better fiscal decision-making. Accordingly, these amendments are considered necessary in the public interest for sound fiscal governance, sustainable debt management, and efficient financial administration in the Province. Hence, this Bill.

MINISTER-IN-CHARGE.

Peshawar,
dated the
, 2026.

ANNEXURE-B

THE KHYBER PAKHTUNKHWA FISCAL RESPONSIBILITY AND DEBT MANAGEMENT (AMENDMENT) BILL, 2026 AS REPORTED BY THE COMMITTEE.

A
Bill

further to amend the Khyber Pakhtunkhwa Fiscal Responsibility and Debt Management Act, 2022.

WHEREAS it is expedient to amend the Khyber Pakhtunkhwa Fiscal Responsibility and Debt Management Act, 2022 (Khyber Pakhtunkhwa Act No. XVI of 2022), for the purposes hereinafter appearing;

It is hereby enacted by the Provincial Assembly of Khyber Pakhtunkhwa as follows:

1. **Short title and commencement**.---(1) This Act may be called the Khyber Pakhtunkhwa Fiscal Responsibility and Debt Management (Amendment) Act, 2026.

(2) It shall come into force at once.

2. **Amendment of section 5 of the Khyber Pakhtunkhwa Act No. XVI of 2022**.---In the Khyber Pakhtunkhwa Fiscal Responsibility and Debt Management Act, 2022 (Khyber Pakhtunkhwa Act No. XVI of 2022), hereinafter referred to as the said Act, in section 5,-

(a) in clause (a), after the word "deficit", the words and comma ", if any unavoidable special circumstances arise in the public interest" shall be inserted; and

(b) clause (c) shall be deleted.

3. **Substitution of section 9 of the Khyber Pakhtunkhwa Act No. XVI of 2022**.---In the said Act, for section 9, the following shall be substituted, namely:

"9. **Fiscal limitations**.---Government shall take appropriate measures to ensure adherence to the fiscal limitations, in any financial year, net investment in non-financial assets, which shall not be less than twenty (20) percent of average revenue of the Province:

Provided that where the net investment falls below twenty percent (20%) of the average revenue of the Province, prior approval of Government shall be mandatory.

4. Substitution of section 10 of the Khyber Pakhtunkhwa Act No. XVI of 2022.---In the said Act, for section 10, the following shall be substituted, namely:

"**10. Debt limitations.**---(1) Government shall manage total public debt and guarantees, in a manner that the following debt limitations are adhered to:

(a) debt servicing, in a financial year, shall not exceed five (05%) percent of the average revenue of the Province:

Provided that where the debt servicing exceeds five percent (05%) of the average revenue of the Province, prior approval of Government shall be mandatory, which shall not exceed seven percent (07%) of the average revenue of the Province; and

(b) the combined stock of total public debt and guarantees does not, at any time, exceed seventy-five percent (75%) of the average revenue of the Province:

Provided that where the combined stock of total public debt and guarantees exceeds seventy-five percent (75%) of the average revenue of the Province, prior approval of Government shall be mandatory, which shall not exceed one hundred percent (100%) of the average revenue of the Province.

(2) Autonomous or semi-autonomous bodies shall not be authorized to raise any loan, incur any debt or give any guarantee for any purpose, except with the prior approval of Government.".

5. Amendment of section 11 of the Khyber Pakhtunkhwa Act No. XVI of 2022.---In the said Act, in section 11,-

(a) for the words "Debt Management Unit", wherever occurring, the words "Debt Management Office" shall respectively be substituted;

(b) for sub-sections (1), (2) and (3), the following shall respectively be substituted, namely:

"(1) There shall be a Debt Management Office within the Department, which shall be headed by a Director General, who shall be assisted by such number of staff members as may be determined by the Department. The Director General and staff members shall be appointed on contractual basis for a period of three years through a competitive hiring process:

Provided that the tenure of Director General and staff members may be extended for another term of three years, or a further period as may deem appropriate, subject to satisfactory performance.

(2) The Director General shall report to the Secretary of the Department in performance of his functions under this Act.

(3) The qualification, experience and other terms and conditions of service of the Director General and the staff members shall be such as may be prescribed.".

STATEMENT OF OBJECTS AND REASONS

The proposed amendments in the Khyber Pakhtunkhwa Fiscal Responsibility and Debt Management Act, 2022, seek to further strengthen the Province's fiscal responsibility framework and improve public debt management in light of changing fiscal needs. The purpose of the amendments is to improve the existing fiscal and debt limits, promote financial discipline and keep public borrowing sustainable, transparent and consistent with the broader objective of maintaining macro-fiscal stability. The proposed amendments also encourage productive and development-focused use of public resources while reducing excessive dependence on borrowing and the burden of debt servicing.

2. The Bill also seeks to improve the institutional structure for debt management through the establishment of a dedicated Debt Management

Office within Finance Department, in line with modern public financial management practices. The proposed amendments are expected to improve oversight, coordination, and accountability in debt operations and support better fiscal decision-making. Accordingly, these amendments are considered necessary in the public interest for sound fiscal governance, sustainable debt management, and efficient financial administration in the Province. Hence, this Bill.

Peshawar,
dated the
, 2026.

MINISTER-IN-CHARGE.