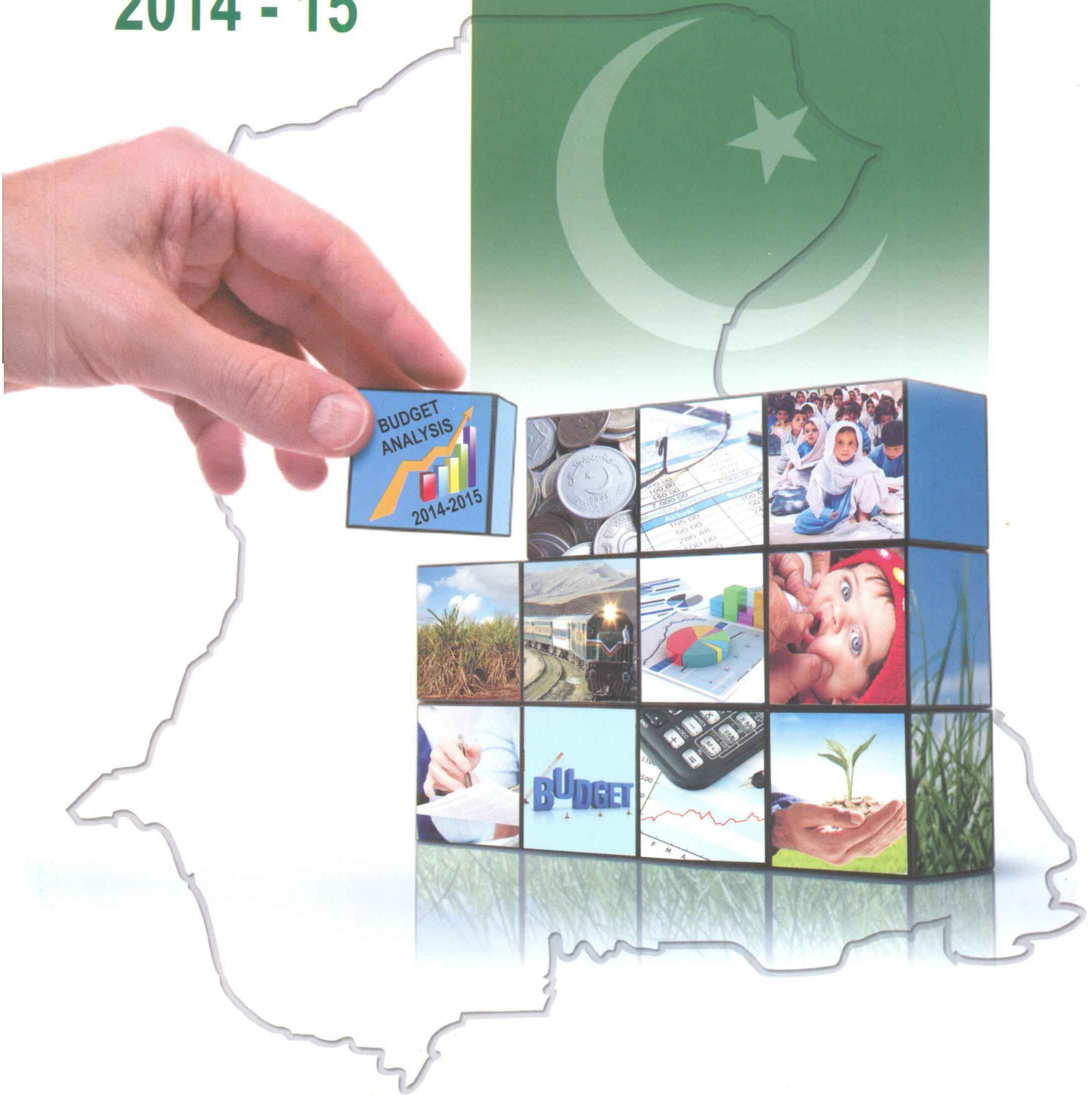
BUDGET ANALYSIS 2014 - 15



Finance Department

Government of Sindh

Foreword

A governments' budget is a pensive reflection of its policy ambitions and future political aims. A benevolent government always strives to render economic capability, meliorate standard of living, develop a healthy society, increase purchasing power and concentrates on bridging the all important gap between a government and its public. The focus of the budget for FY 2014-15 is the optimal utilization of the resources to achieve objectives of socio-economic development. The priority areas for the government in relation to the Budget 2014-15 are improvement in service delivery across all sectors, peace and security through investment in law & order, education and youth development, improvement in health care for the people of Sindh, energy generation, building a robust infrastructure, development of Agriculture, Livestock and Fisheries. In this context, combined efforts are being undertaken to ensure utmost availability of financial resources and the capability to meet all latent expenditure exists.

A number of reform initiatives have been taken with the assistance of development partners during the FY 2013-14. The main objective of these reforms is to accelerate the pace of the provincial economy for better service delivery to the masses. These reforms are being undertaken in various sectors like health, education, revenue mobilization, debt management and revamping of the budgetary system. The purpose of Sindh Public Sector Management Reform Project is to design a framework for engagement of the donors on a multi-year public sector management project which would deepen reforms related to improve efficiency, accountability and transparency in the public sector of the province. A marathon of deliberations with all stake holders has been done and recommendations have been framed up.

With the commencement of FY 2014-15, various measures are being taken to ensure timely implementation of reform programs. Accordingly, the Sindh Tax Revenue Management Program (STRMP) document has been published and hoisted on website. An independent Tax Reform Unit (TRU) and a Debt Management Unit (DMU) have been notified. The TRU and DMU are hopefully become operational during the FY 2014-15.

The budget analysis for 2014-15 demonstrates a broad picture of finances of the government of Sindh. It covers all aspects of the provincial budget. It would be appropriate to say that special attention has been given to current revenue receipts and expenditures, capital receipts and expenditures, development budget, public account, local government finances and debt management. This draft provides a perceptivity on various financial policy issues of the government of Sindh for policy makers, researchers, economists, academicians, students and others for an analytical review of the budget.

It is my pleasure to put on record the precious aid from officers and officials of the Finance Department especially Dr. Noor Alam, Special Finance Secretary (Res), Dr. Khalil-ur-Rahman, Additional Finance Secretary (Res), Syed Shahnawaz Nadir Shah, Chief Investment Specialist, Fund Management House, Mr. Shakeel Ahmed, Deputy Secretary (Res-I) and Mr. Muhammad Pathan Abro, Director IT (Res) in preparing this document.

(MOHAMMAD SOHAIL RAJPUT)
FINANCE SECRETARY

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ABS	Annual Budget Statement
AD	Administrative Department
ADB	Asian Development Bank
ADP	Annual Development Program
BE	Budget Estimate(s)
BF	Benevolent Fund
BHU	Basic Health Unit
CBR	Central Board of Revenue
CCE	Current Capital Expenditure
CCRs	Current Capital Receipts
CDC	Commonwealth Development Corporation
CDLs	Cash Development Loans
CDWP	Central Development Working Party
CE MODE	Central Excise Mode
CFY	Current Financial Year
CoA	Chart of Accounts
CRE	Current Revenue Expenditure
CRRs	Current Revenue Receipts
CVT	Capital Value Tax
DDWP	District Development Working Party
DERA	Drought Emergency Relief Assistance
DeMPA	Debt Management Performance Assessment
DGs	District Governments
DHQH	District Headquarter Hospital
DP	Divisible Pool
DPC	Development Policy Credit (of World Bank)
DS	Debt Servicing
DSG	District Support Grant
DSP	Decentralization Support Program
EAD	Economic Affairs Division
ECNEC	Executive Committee of the National Economic Council
EC	European Commission
ERU	Economic Reforms Unit
FCF	Federal Consolidated Fund
FDP	Federal Divisible Pool
FMH	Fund Management House
FMS	Funds Management System
FPA	Foreign Project Assistance
FY	Financial Year
GA	General Administration
GDS	Gas Development Surcharge
GPF	General Provident Fund
GST	General Sales Tax
HDA	Hyderabad Development Authority

HMIS	Health Management Information System
HRM	Human Resource Management
IBRD	International Bank for Reconstruction and Development
ICAP	Institute of Chartered Accountants of Pakistan
IDA	International Development Association
IFAD	International Fund for Agriculture Development
JICA	Japan International Cooperation Agency
KCDG	Karachi City District Government
KMC	Karachi Metropolitan Corporation (defunt)
KW&SB	Karachi Water and Sewerage Board
LGs	Local Governments
MTBF	Medium Term Budgetary Framework
MTFF	Medium Term Fiscal Framework
NAM	New Accounting Model
NBP	National Bank of Pakistan
NFC	National Finance Commission
OZT	Octroi and Zila Tax (abolished)
PAA	Provincial Allocable Amount
P&D	Planning and Development (Department)
PCF	Provincial Consolidated Fund
PDP	Provincial Divisible Pool
PDWP	Provincial Development Working Party
PGDP	Provincial Gross Domestic Product
PRA	Provincial Retained Amount
PPHI	People Primary Health Initiative
PPP	Public Private Partnership
PSDP	Public Sector Development Program
PWD	Public Works Department
RBOD	Right Bank Outfall Drain
RE	Revised Estimate(s)
RHC	Rural Health Center
SBP	State Bank of Pakistan
SCARP	Salinity Control and Reclamation Project
SDSSP	Sindh Devolved Social Sector Program
SESRP	Sindh Education Sector Reform Program
SGA&CD	Services, General Administration and Coordination Department
SGPIF	Sindh General Provident Investment Fund
SLGB	Sindh Local Government Board
SLGO	Sindh Local Government Ordinance (2001)
SMCs	School Management Committees
SPF	Sindh Pension Fund
SPFB	Sindh Pension Fund Board
SSRF	Sindh Social Relief Fund
SSB	School Specific Budget
STEVTA	Sindh Technical Education & Vocational Training Authority
T-Bills	Treasury Bills

THQH	Taluka Headquarter Hospital
TMAs	Town / Taluka Municipal Administrations
UAs	Union (Council) Administrations
USAID	United States Agency for International Development
UTP	Urban Town Planning
WAPDA	Water and Power Development Authority
WB	World Bank
WT	Wealth Tax

1. INTRODUCTION

The financial year 2013-14 commenced with a positive cash balance of Rs. 18.5 billion. The total budget outlay was of Rs. 457.5 billion with an estimated receipt of Rs. 458.4 billion. Thus the budget projected a small surplus of Rs. 0.9 billion. This financial year Sindh faced another natural calamity in the shape of catastrophic rains that kept the pressure on provincial expenditure upwards during 2011-12 again. The trend in actual Federal Transfers remained uneven as compared to the year 2010-12. Table 1 shows the trend of monthly transfers (divisible pool taxes, straight transfers, & 0.66% grants to offset OZT) during the 4th quarter of 2010-11 and 2011-12. Surprisingly, the trend in Federal Transfers remained lower during 4th quarter of 2011-12 as compared to 2010-11.

Provincial Government is heavily dependent on Federal Government for transfer of receipts. These transfers remained highly unpredictable as targets for FBR were revised downward twice during the outgoing fiscal year. The initial target for FBR was fixed at **Rs.2475 billion**; it was first revised down to **Rs.2345 billion** and then further revised down to **Rs.2275 billion** in **May 2014**. Accordingly, share of Sindh government in Federal transfers as per Budget Estimates **2013-14** of **Rs.409.013** billion was curtailed to **Rs.388.634 billion,** out of which **Rs.327.218billion** have been actually transferred till date, which means a shortfall of Rs. 81.795 billion against the original estimates and **Rs.61.416 billion** against the revised estimates.

The shortfalls in Federal Transfers was the main reason due to which Sindh government was compelled to slash its development expenditure downward and could manage to release only **Rs.115.00 billion** against ADP allocation of **Rs.185.00 billion** during outgoing fiscal year**.** However, Provincial Government devised a strategy to use the available funds efficiently by spending most of them on carefully chosen priority schemes. Through this strategy, it has succeeded in completing a record number of **605 schemes** in the outgoing financial year.

The cash balance position of the province has remained stable for last few financial years and remarkable in the financial year 2013-14. The Government of Sindh never availed such type of facility in financial year 2013-14.The Account I (Non Food) closed with Rs.8 billion by 30th June 2013-14. It is due to good financial management, prudent releases increasing provincial own receipts and improvement in the receipts on account of Federal Transfers in financial year 2013-14 in comparison to financial year 2012-13.

1.1. REVISED ESTIMATES 2013-14

The total budget outlay for the financial year 2013-14 was Rs. 617.213 billion with an estimated receipt of Rs. 595.575 billion projecting a deficit of Rs. 21.638 billion. However, the revised budget outlay reduced to Rs. 550.154 billion and receipt to Rs. 533.716 billion reducing the estimated deficit to the extent of Rs. 16.5 billion. The reason for decrease in budget outlay is the down ward revisions in Revenue Assignment and Provincial Own Receipts. The revised target for Revenue Assignment is fixed to Rs. 308.657 billion as against budget of Rs.332.935 billion and that of Provincial Own Receipts to Rs. 100.079 billion as against budget of Rs.120.183 billion. The Grant to offset losses of abolition of OZT of Rs.8.951 billion is revised to Rs.8.315 billion. The total Federal receipts for the FY 2013-14 are estimated at Rs.388.657 billion against budgetary allocation of Rs. 409.013 billion.

The Current Revenue Expenditure for 2013-14 has been revised upward at Rs.368.403 billion as against Budget Estimates of Rs.355.974 billion. The increase is mainly due to increase in employee related expenditure. The revised estimate for provincial ADP is Rs. 115.0 billion against the budgetary estimate of Rs. 185.0 billion. This significant downward revision is on account of huge shortfall in federal transfers during Fiscal Year 2013-14.

1.2. BUDGET ESTIMATES 2014-15

The details of the Budget 2014-15 have been shown at Table 1.1 and Table 1.2 under:-

Table 1.1

CURRENT REVENUE BUDGET (Rs. In Million)

RECEIPTS AND DISBURSEMENTS	2013-14		2014-15
	BE	RE	BE
A - CURRENT REVENUE RECEIPTS	529,196	488,736	599,321
Federal Revenue Assignment (Divisible Taxes)	332,935	308,414	381,383
Provincial Receipts (excl. Sales Tax on Services)	78,183	58,079	76,061
Sindh Sales Tax on Services	42,000	42,000	49,000
Straight Transfers	67,127	71,928	82,624
Grants to offset lossed of abolition of OZT-(0.66% of Provincial Share)- (incl. Others)	8,951	8,315	10,253
B - CURRENT REVENUE EXPENDITURE	355,974	368,403	436,091
a) Provincial Government	**316,674**	**329,073**	**388,791**
General Public Services	64,098	73,311	82,706
Public Order & Safety Affairs	54,429	63,889	66,611
Economic Affairs	34,373	37,408	47,643
Environment Protection	414	358	1,778
Housing and Community Amenities	2,463	2,726	2,714
Health	36,401	36,210	43,584
Recreational, Culture and Religion	1,790	4,862	5,301
Education Affairs and Services	120,502	107,721	134,378
Social Protection	2,204	2,590	4,076
b) Local Governments/OZT Grant	**39,300**	**39,330**	**47,300**
NET REVENUE ACCOUNT (A - B) (+) SURPLUS / (-) DEFICIT	173,222	120,333	163,230

Estimated Revenue Receipts from Federal Divisible Pool for Financial Year 2014-15 are Rs.381.383 billion, which is a 14.6 per cent increase over Budget Estimates of Rs.332.935 billion for FY 2013-14. Receipts under Straight Transfers are estimated at Rs.82.624 billion, which is higher than last year’s Budget Estimates of Rs.48.448 billion. Provincial own receipts are estimated at Rs.125.061 billion. The estimates for Provincial own receipts include collection of Sales Tax on Services (Provincial) of Rs.49.0 billion.

The Current Revenue Expenditure for Financial Year 2014-15 is estimated at Rs.436.091billion, which is 18.4 per cent increase over the Revised Estimates of Rs.368.403 billion for FY 2013-14.

The focus of this budget is the optimal utilization of the resources to achieve objectives of socio-economic development. To continue march to progress, a historically high allocation of Rs. 185.0 billion has been made for Annual Development Program. This reflects determination to bring significant improvement in the life of common man by investing in Health, Education, Infrastructure and Human Resource Development.

Table 1.2

DEVELOPMENT BUDGET (Rs. In Million)

RECEIPTS AND DISBURSEMENTS	2013-14		2014-15
	BE	RE	BE
A - RECEIPTS	208,300	135,575	201,298
Provincial Contribution	**168,364**	**107,434**	**148,939**
Net Revenue Account	173,222	120,333	163,230
Net Capital Account	-12,859	-17,899	-16,291
Net Public Account	8,000	5,000	2,000
Carryover Cash Balance	-5,000	-6,175	5,000
Drought Emergency Relief Assistance (DERA)	0	0	0
Foreign Project Assistance (FPA)	29,558	23,513	24,885
Federal Grants for Development Projects	15,378	10,803	22,474
B - EXPENDITURE	229,937	152,013	215,359
Provincial ADP	185,000	115,000	168,000
Foreign Project Assistance (FPA)	29,558	23,513	24,885
Federal Grants for Development Projects	15,379	13,500	22,474
NET DEVELOPMENT BUDGET (A - B) (+) SURPLUS / (-) DEFICIT	-21,638	-16,438	-14,061

All sectors are equally important for the government yet keeping in view the financial constraints, certain objectives of development have been placed on priority in terms of resource allocation. The priority areas for the government in relation to the Budget 2014-15 are:

1. Improved service delivery across all sectors

2. Peace and security through investment in law &order
3. Education and Youth Development
4. Improved health care for the people of Sindh
5. Energy generation
6. Building a robust infrastructure.
7. Development of Agriculture, Livestock and Fisheries

1.3. IMPROVED SERVICE DELIVERY

One of the biggest challenges for the government is to keep pace with the demands of growing population and to continue providing quality service to the citizens. As a first step in the direction of improved service delivery, the allocations for non salary budgets have been significantly increased for education and health, grants for municipal bodies, allocation of budgets for maintenance and rehabilitation of public sector infrastructure and introducing grants for public utilities for payments of electricity dues.

1.3.1 Maintenance of Existing Infrastructures

The allocations for maintenance and rehabilitation of existing infrastructure have not seen significant enhancements in recent years. In this budget, significant increases in allocations for repairs of roads and buildings including schools, hospitals, police stations etc. has been made. The M&R budget for buildings has been increased by **58%** from **Rs.5.771 billion** in FY 2013-14 to **Rs.9.148 billion** FY 2014-15. A mechanism is being devised to ensure that this huge budget for maintenance and repair is used in an efficient and transparent manner that will result in significant improvement in the existing infrastructure. Similarly, the maintenance and repair budget of roads is being increased by **72%** from **Rs.1.45 billion** in FY 2013-14 to **Rs.2.50 billion** FY 2014-15.

1.3.2 Electricity Bill Payments

All the provincial governments in general and the Government of Sindh in particular are accused of defaulting on their electricity bill payments. Often huge figures are quoted as outstanding dues against Government of Sindh and when these figures are reconciled with distribution companies, the amounts get reduced substantially. The distribution companies are in the habit of booking their line losses and thefts on government connections and issuing highly exaggerated bills for these connections. The Government of Sindh, on all relevant forums, has categorically stated that it is willing to pay all its electricity dues, if these are billed correctly. An allocation of **Rs. 26 billion** for payment of electricity bills in budget 2014-15 has been made showing a substantial from B.E. 2013-14 of allocation of **Rs. 9.5 billion.**

The allocation for all government entities for payment of electricity dues are being enhanced by **35%** and grants of **Rs. 5.0 billion and Rs. 800 million** have been kept for the KW&SB and WASA Hyderabad respectively to enable these important public utilities to pay their electricity dues. **Rs. 900 million** have been kept in the budget of Public Health & Engineering Department for payment of electricity dues. An allocation of **Rs. 4.0 billion** have been kept for the municipal bodies of Sindh which will be available for them for payment of their electricity bills only if they provide evidence of payment of their dues in the past month. The Energy Department will monitor these payments.

1.4 LAW & ORDER

The Budget for law enforcement agencies has been increased by **20%** from B.E. 2013-14 of **Rs.44.86 to Rs.54.08 billion** in FY 2014-15. During the year 2013-14, **12,000** new vacancies were created into Police, including **2000** retired army personnel, which has helped in improving quality of our force. Moreover, an outside budget allocation of **Rs.6.238billion, including Rs.5.0 billion** had to be made to provide funds for procurement of vehicles, arms and ammunition, bullet proof jackets and helmets etc. for law enforcement agencies in Sindh, to fully equip them to meet challenges of ongoing operation in Karachi. A special allocation of **Rs.4.65 billion** has been kept for the operational requirements of Police in FY 2014-15. This allocation will be used for new recruitments and procurement of arms, vehicles and other equipment for Police.

1.5. EDUCATION AND YOUTH DEVELOPMENT

Education remains the top priority of the Provincial Government and it receives highest share of resources. In Budget Estimate 2014-15, an allocation of **Rs.134.38 billion** has been kept for non-development expenditure of education, which is **31%** of total current revenue expenditure. The share of non-salary expenditure in total current revenue budget has been increased to **24.5%** for the education in FY 2014-15 as compared to **21%** in the FY 2013-15. For the first time, the Government of Sindh has made school specific budgets for 43,000 schools in Sindh in order to ensure that each school gets its earmarked budget. Another major reform being undertaken is to have separate cadres of managers and teachers. Both these reforms will help in resolving governance related issues of education.

1.5.1 Sindh Education Reform Program

The Provincial Government has started second phase of Sindh Education Reform Program with the assistance of the World Bank. The key targets of this reform are to raise school participation by improving sector governance, accountability, strengthening of administrative systems, measuring student achievements and promoting public private partnerships initiatives for delivering quality education to under-served communities. The allocation for SERP related activities has been kept at **Rs.13.6 billion**, out of which 1500 million will be spent on stipends for girl students, Rs.1540 million on provision of free textbooks to students, Rs.4000 million on improving infrastructure for schools and Rs.1750 million will be transferred to School Management Committees for community identified school improvement investments. Similarly, for the first time in provincial budget, an allocation of **Rs.5.0 billion has been kept** for the Universities functioning in Sindh. These universities are under severe financial stress as their grants from HEC are being squeezed. The Government of Sindh had to come to their rescue by providing them financial assistance of **Rs.1058 million** during the FY 2013-14, most of which was outside budget.

1.5.2 Sindh Technical & Vocational Training Authority

A substantial allocation of **Rs.3.85 billion** has been made for STEVTA. Through this allocation, STEVTA will complete construction work on 32 new institutions, introduce 70 market driven courses, improve infrastructure of 50 institutions and will provide new equipment to existing & new institutions. Special training programs for marginalized and vulnerable groups will also be introduced. In FY 2014-15, STEVTA will enroll 5000 more trainees, to increase its enrollment capacity to a total number of **45,000** trainees.

1.5.3 Benazir Bhutto Shaheed Youth Development Program

Through this signature program of the Peoples' government, **198,503** youth in various employable trades have been trained since 2008. In acknowledgement of the success of BBSYDP, it had been given a permanent structure to the Program through a Bill namely, ***"The Benazir Bhutto Shaheed Human Resource, Research and Development Board***. The Board has now been constituted and is operative to achieve the purpose of the Act. All technical, vocational and skills development trainings are being consolidated under this Board.

An allocation of **Rs.984.20 million** has been made for BBYSDP in Budget 2014-15 with a target of training **65,000** unskilled youth of Sindh in different demand driven trades. The newly constituted Board has planned to improve existing curricula of the trainings with the modules of Business Development and Soft Skills so that youth may qualify for micro finance facilities after the successful completion of their training; which will be offered to them in partnership with Sindh Bank.

1.6 HEALTH AND POPULATION WELFARE

The current revenue budget for Health in Budget Estimate 2014-15 has been increased by **20%** by allocating **Rs.43.583 billion** for this sector. The non salary budget has been increased by a substantial **32%;** which constitute **47%** of the total current budget for Health. The budget for **purchase of drugs and medicines has been increased by 35%**, for **other medical supplies by 166%,for maintenance and repair of major hospitals by 600% and for POL for generators of hospitals by 70%.** The Sindh Institute of Urology and Transplant (SIUT), which is providing excellent free of cost medical facilities to patients from all over the country, will continue to receive a grant of **Rs. 2 billion** from the provincial government. The Indus Hospital, another excellent health facility providing free medical services to citizens, will get a grant of Rs.300 million. The grants have also been kept for the Dialysis and Thalassemia centers operating in various districts of Sindh.

1.6.1 Peoples' Primary Healthcare Initiative

The People's Primary Healthcare Initiative program have healthy allocation of **Rs.2.379 billion** in FY 2014-15. Out of this allocation, Rs.489.30 million is for 458 Mother and Child Health Care Centers and Rs.1.89 billion for management of primary health facilities. The new initiatives under this program are:

- 100 BHUs will be converted into BHU Plus, which will operate round the clock.

- A Nutrition Program to address the issues of malnutrition in women and children.
- EPI program in Tharparkar and Tando Allahyar on pilot basis.
- A special training program for community midwives. A PPHI Midwifery training institute is being established at RHC Bhit Shah for this purpose.
- Smart Phone Monitoring System for health services, which has been introduced on pilot basis in four districts, will be extended to rest of the districts.

1.7 ENERGY

For industrial & economic growth leading towards continuous job creation, provision of uninterrupted energy is imperative. To realize this objective, government of Sindh has introduced **Sindh Power Policy 2014,** besides number of power generation initiatives in renewable energy, coal, and oil & gas sectors. The Sindh Engro Coal Mining Company has already selected the EPC firm for mining project and by July 2014 EPC for power plant will also be finalized. Government of Sindh is making consistent efforts to attract investors. The work on mega infrastructure projects to facilitate mining and power projects in Thar include roads, effluent disposal, R.O. Plants, treatment of LBOD water and an airport.

Government of Sindh has invested more than **Rs. 30 billion** on various projects and studies related to Thar. In FY 2014-15 more than **Rs.20 billion** has been earmarked for Energy sector **(Rs. 13.5 Billion for Thar Coal infrastructure and Rs 7 Billion for power development initiatives).** The Government of Sindh has also initiated important power projects under Public Private Partnership mode which include a gas fired 100 MW project at Nooriabad; Run of the River project at Rohri Canal; Khairpur Waste to Energy project of 20 MW, and 5 projects of solar power of 20 MW each. Besides, a pilot project for solarization of 350 Off-Grid Schools in Nangarparkar and 100 Off-Grid Houses in District Sanghar has also been started. This project will be completed by September 2014. The Government of Sindh has established Sindh Transmission and Despatch Company in order to fill the vacuum left by NTDC. The company will work in tandem with governmental and private partners.

Sindh is also endowed with a rich **wind corridor**. For the first time, provincial government has issued LOIs for wind power development to the power developers. This is the beginning of a new era for the provincial government. With the consistent efforts of Sindh government, NEPRA has finally enhanced the cap for wind power tariff to 1250 MW. Many companies are actively working and wind corridor will soon provide increased generation to the national grid.

To promote development and research in renewable energy and exploit the full potential of wind corridor and solar power, Government of Sindh has incorporated **Sindh Wind Power Development Company** and has also established **Alternative Energy Development Fund**.

Under the 18th Constitutional Amendment, the provincial right in the affairs of Oil & Gas has been duly acknowledged. Consequently, a comprehensive legal and regulatory framework for this sector is being developed. Under the Petroleum Policy **2012,** a working interest of 2.5% in all explorations is being offered to the respective province. For this purpose the Government of Sindh has incorporated the **Sindh Energy Holding Company Limited** with a seed capital of **Rs.250 million** and have acquired 2.5 % working interest with OGDCL and PPL in six concession areas. Allocation of **Rs.750 million** has been kept for this purpose in the FY 2014-15.

For independent commercial operations **Sindh Oil & Gas Company Ltd** has been established. For the first time in the history of Pakistan, Government of Sindh has set up a facility to start Research & Development for Coal Bed Methane in collaboration with universities and leading E&P companies.

1.8. INFRASTRUCTURE DEVELOPMENT

1.8.1 Highways, Roads and Bridges

A total of 149 schemes with a combined length of 2026 km have been completed in road sector during the year 2013-14. 10 bridges have also been constructed. For ADP 2014-15, an allocation of **Rs.9.7 billion** has been made for this sector. Targets have been set for constructing 305 km new roads, improvement of 470 km roads and construction of 11 new bridges.

1.8.2 Public Private Partnership Projects

The PPP Unit of the Finance Department has followed on the successful completion and operation of Hyderabad Mirpurkhas Dual Carriageway with the financial close of **Rs.4.5 billion Jhirk-Mulla Katiar Bridge** project over Indus. This project is at an advance stage of construction and will be completed hopefully in the FY 2014-15.

The Provincial Government has also successfully implemented the management contract based model for outsourcing Security and Safety Services of international standards in the recently devolved National Institute of Child Health. It is a model that can easily be replicated and evolved further in scope and size. Other key projects under PPP are;

- **BRTS Yellow line project**: which is the first of many Metro bus projects for the citizens of Karachi and will operate along the Korangi 8000 road leading upto the city centre

- **Karachi Thatta Dual Carriageway:** The National Highway will be dualized along a 50km stretch, which amongst its other obvious utilities will facilitate the development of Thar Coal and Keenjhar lake resort.

- **Hyderabad-Tando Muhammad Khan road:** Another busy section of a key provincial road will be converted into a dual carriageway under this project.

- **Modern Grain Silos project:** Modern grain storage project, developed with the help of International Finance Corporation, will in the first phase built storage capacity of 60,000 tons.

- **Khairpur Khajoor Mandi Project:** A 88acres modern market for agriculture produce is being established under this project

- **An Inter-city Bus project** to connect all the major district head-quarters of the province

1.9. KARACHI

The Sindh government is giving prime importance to Karachi in its development portfolio and a huge allocation of **Rs. 42 billion** has been kept for Karachi based schemes in ADP 2014-15. **S-III** is one of the major projects for Karachi having a cost of **Rs.7.98 billion.** Another megaproject for Karachi, **K-IV** has been approved by ECNEC at a cost of **Rs.25.552 billion** with 50% share of Government of Sindh. **Rs.849 million** has been allocated for this project in this budget. Through this project 260 MGD additional water will be supplied to residents of Karachi.

The Sindh Government with its limited resources is however taking full cognizance of Karachi problems. In this connection the transport problems of the citizens of Karachi is one of the main issues, the Provincial Government has planned to launch two Bus Rapid Transit Projects. The yellow line will be undertaken in the PPP mode while an allocation of **Rs.3 billion has been kept in the ADP for the Green Line.** The project will be completed in 2 years and the balance allocation for the project will be kept in the budget for FY 2015-16.

1.10. IRRIGATION

Irrigation is the lifeline of agriculture, but it is facing various challenges like floods, water shortage at tail ends, inequitable distribution of water etc. The Sindh government has allocated **Rs.8.62 billion** in ADP 2014-15 for Water & Drainage Sector with main emphasis on improvement of Irrigation and Drainage network and to restore the flood protection embankment on left and right banks of river Indus.

1.11. AGRICULTURE

Agriculture, being the main stay of Sindh's economy, has been given substantial allocation of **Rs.5.18 billion** for its non development expenditure in this budget. The non salary budget for Agriculture has been increased from Rs.763.887 million during last year to Rs.861.645 million in the next financial year which will facilitate the department in providing improved services to farmers.

The allocation for Agriculture sector in development budget is **Rs.4.4 billion.** The major schemes will be initiated for sustainable agriculture development and conservation of **800 watercourses**.

2. CURRENT REVENUE RECEIPTS

2.1. INTRODUCTION

The Current Revenue Receipts (CRRs) of the province comprise of two main sources: federal transfers and provincial own receipts. Federal transfers are received from the Federal Government and consist of Divisible Pool (DP) share and Straight Transfers. The DP includes Revenue Assignment and 0.66% of Provincial share to offset the losses of the abolition of OZT Grant. The vertical (federal & provinces) and horizontal (among provinces) sharing formula for DP is prescribed by the National Finance Commission for a period of five years. The straight transfers are remitted to respective provinces on actual basis. Provincial own receipts are bifurcated into tax receipts and non-tax receipts, generated or collected within the province.

2.2. CURRENT REVENUE RECEIPTS

The Table 2.1 and Figure 2.1 indicate that the share of federal transfers was pitched as B.E Rs.409.0 billion for 2013-14 but at the end of the financial year R.E stood at Rs.388.0 billion which shows decrease from 77% to 80% with corresponding decrease in provincial own receipt from 23% to 20% because of status quo on disposal of state land by the honourable courts. There is increase from 77% to 79% in B.E 2013-14 to B.E 2014-15 for Federal Transfers but decrease from 23% to 21% in B.E 2013-14 to B.E 2014-15 on account of

Table 2.1

CURRENT REVENUE RECEIPTS (Rs. In Million)

	2013-14		2014-15
	BE	RE	BE
Federal Transfers (including Grants)	409,013	388,657	474,260
Provincial Own Receipts	120,183	100,079	125,061
Total Current Revenue Receipts	**529,196**	**488,736**	**599,321**
% Federal Transfers	77%	80%	79%
% Provincial Own Receipts	23%	20%	21%
% Total	**100%**	**100%**	**100%**

provincial own receipts. The larger share of federal transfers has greater influence on CRRs of the province as compared to its own (Provincial) receipts. Decrease in B.E 2014-15 in provincial own receipts is due to preempting that status quo may continue in the financial year

Fig. 2.1 Current Revenue Receipts

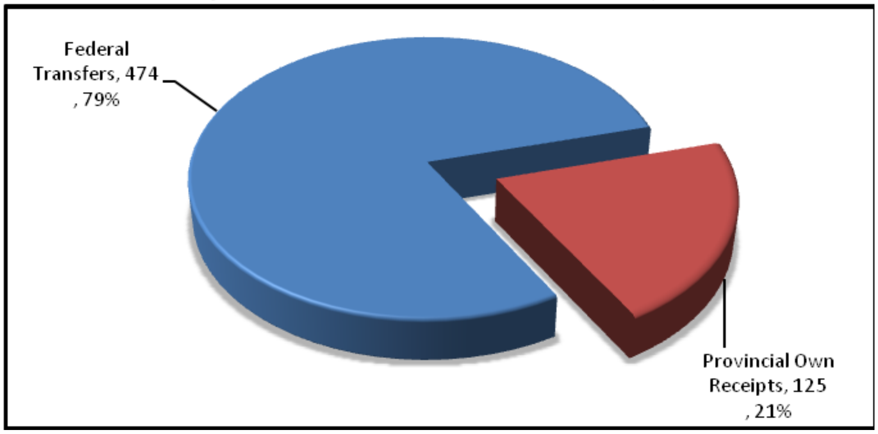


Table 2.2 shows the position of Budget/Revised Estimates 2013-14 and Budget Estimates 2014-15 of General Revenue Receipts (GRR). The GRR includes divisible pool taxes, straight transfers, federal grants, provincial own receipts. During 2013-14, the 9% decrease was recorded in GRR in Revised Estimates against the budgeted amount, which was due to downward revision in federal transfers (Divisible Pool Transfers [-7.9%], 6% increase in Straight Transfers, decrease in 0.66% Grants to offset losses of abolition of OZT [-6.2%], less receipts of development [-6.2%] grants from the Federal Government). However, the Provincial Own Receipts show decrease of 20% in Revised Estimates 2013-14 against the Budget Estimates.

An increase of 12.8% was estimated in Budget Estimates 2014-15 as against the Budget 2013-14, indicating an increase of 14.5% in divisible pool taxes, 23% in straight transfers and 4% in provincial own receipts. The increase in federal grants is 5.3% and 0.66% Grants to offset losses of abolition of OZT shows 14.5% increase.

Table 2.2				
GENERAL REVENUE RECEIPTS (Rs. In Million)				
		2013-14		BE 2014-15
		BE	RE	BE
I	**Divisible Pool Taxes**	**332,935**	**308,414**	**381,383**
1	Tax on Income	129,930	120,098	159,392
2	Wealth Tax	-	-	-
3	Land Customs	37,217	32,504	37,955
4	Sales Tax	144,185	138,279	161,040
5	GST (CE in Sales Tax Mode)	-	-	-
6	Federal Excise	21,603	17,451	22,903
7	Capital Value Tax	-	82	94
II	**Straight Transfers**	**67,127**	**71,928**	**82,624**
1	Excise Duty on Natural Gas	7,081	7,326	7,692
2	Gas Development Surcharge	20,851	25,802	31,027
3	Royality on Crude Oil	12,822	9,075	12,335
4	Royality on Natural Gas	26,373	29,725	31,570
5	GST (Provincial)	-	-	-
III	**Federal Grants**	**24,366**	**19,094**	**32,727**
1	Grant-in-Aid	-	-	-
2	Other Grants from the Federal Govt. Development	15,415	10,803	22,474
3	Other Grants from the Federal Govt. Non Development	8,951	8,291	10,253
A	**Total Federal Transfers (I+II+III)**	**424,428**	**399,437**	**496,734**
IV	**Provincial Tax Revenue**	**91,370**	**89,220**	**107,025**
1	Direct Taxes	9,500	8,300	9,900
2	Indirect Taxes	57,248	56,680	67,813
3	Indirect Taxes - Others	24,622	24,240	29,312
V	**Provincial Non Tax Revenue**	**28,813**	**10,859**	**18,035**
1	Income from Property and Enterprise	2,578	1,230	1,194
2	Receipts from Civil Administration and Other Functions	3,042	2,498	3,444
4	Extra Ordinary Receipts	6,200	2,000	4,000
5	Others	16,993	5,132	9,397
B	**Total Provincial Own Revnue (IV+V)**	**120,183**	**100,079**	**125,060**
	Total General Revenue Receipts (A+B)	**544,611**	**499,515**	**621,795**

2.2.1. DIVISIBLE POOL TRANSFERS

The Revenue Assignments/Divisible Pool Taxes include the Income Tax, Sales Tax, Custom Duties and Central/Federal Excise. Capital Value Tax on fixed asset has been devolved to the provinces through 18th Amendment. The vertical sharing of these taxes between Federation and Federating Units was 44% and 56% respectively for the year 2010-11 and 42.5% and 57.5% respectively till the terminal year (2014-15) of the 7th NFC. The collection charges have been reduced from 5% to 1% indicating 4% additional benefit for the provinces.

2.2.1.1. MONTHLY TREND IN DIVISIBLE POOL TRANSFERS

Table 2.3 depicts the comparison of monthly federal transfers under DP during last years of 7th NFC and the variation between budgeted and actual transfers. It further shows the trend in actual transfers from July to June of the financial year which usually remains on lower side during the first six months of the year. The maximum transfers take place in the month of June. The comparison given below indicate shortfall of 4.3% in 2011-12 and 9% in 2012-13 respectively.

Table 2.3

Monthly Trend in Divisible Pool Transfers (Rs. in million)

Months	2011-12			2012-13			%age Increase(*)
	Budget	Actual	Variation	Budget	Actual	Variation	
July	20,988	11,158	(9,830)	31,826	13,085	(18,740)	17.3%
August	20,988	12,237	(8,751)	31,826	14,091	(17,735)	15.1%
September	20,988	20,545	(443)	31,826	17,167	(14,659)	-16.4%
October	20,988	14,610	(6,378)	31,826	16,022	(15,804)	9.7%
November	20,988	21,646	658	31,826	25,955	(5,871)	19.9%
Decemer	20,988	20,886	(102)	31,826	27,398	(4,428)	31.2%
January	20,988	25,152	4,164	31,826	22,281	(9,544)	-11.4%
February	20,988	13,511	(7,477)	31,826	15,741	(16,085)	16.5%
March	20,988	27,170	6,182	31,826	26,290	(5,536)	-3.2%
April	20,988	16,611	(4,377)	31,826	22,737	(9,089)	36.9%
May	20,988	18,367	(2,621)	31,826	23,729	(8,096)	29.2%
June	20,988	30,967	9,979	31,826	25,509	(6,317)	-17.6%
Arrears	-	(3,506)	(3,506)	31,826	-	(31,826)	-100.0%
Total	**251,861**	**229,355**	**(22,506)**	**413,737**	**250,006**	**(163,731)**	**9.0%**
Arrears of previous year					**16,181**		
Total		**229,355**			**266,187**		**16.1%**

* Actual 2011-12 vs Actual 2012-13

The trend shows 8.2% growth in 2012-13 over 2011-12 in actual transfers however the shortfalls in actual against budget estimate recorded an increase of 21.5% in 2012-13 against 2011-12.

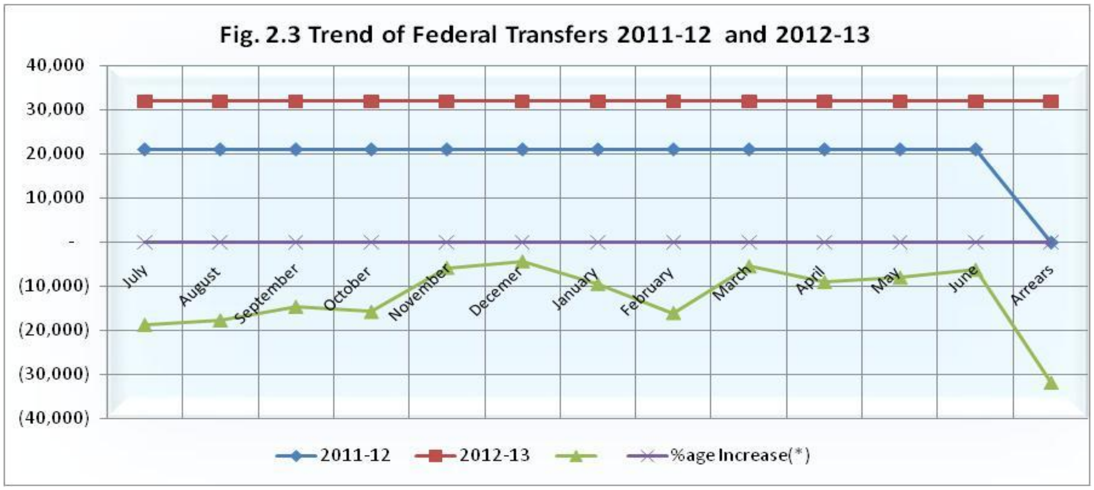


Table 2.4 reflects the monthly trend in federal transfers-straight transfers which include divisible pool taxes, straight transfers and 0.66% grants to offset losses of abolition of OZT. In federal transfers, the divisible pool taxes constitute 79%, straight transfers of 19% and grants to offset losses of abolition of OZT (0.66% of Provincial Share) reflect 2% of total transfer.

Table 2.4
Monthly Trend in Federal Transfers 2012-13 (Rs. in million)

Months	Divisible Pool Taxes	Straight Transfers	Grants to offset losse of abololition of OZT (0.66% of Prov. Share)	Total
July 2012	13,085	2,377	352	15,814
August 2012	14,091	1,334	379	15,804
September 2012	17,167	5,473	462	23,102
October 2012	16,022	3,674	431	20,127
November 2012	25,955	3,124	698	29,777
Decemer 2012	27,398	4,871	737	33,006
January 2013	22,281	7,093	599	29,973
February 2013	15,741	6,948	423	23,112
March 2013	26,290	3,941	707	30,938
April 2013	22,737	4,996	611	28,344
May 2013	23,729	4,080	638	28,448
June 2013	25,509	3,341	686	29,536
Arrears(Previous Yr)	16,181	3,296	435	19,913
Total	**266,187**	**54,550**	**7,156**	**327,893**

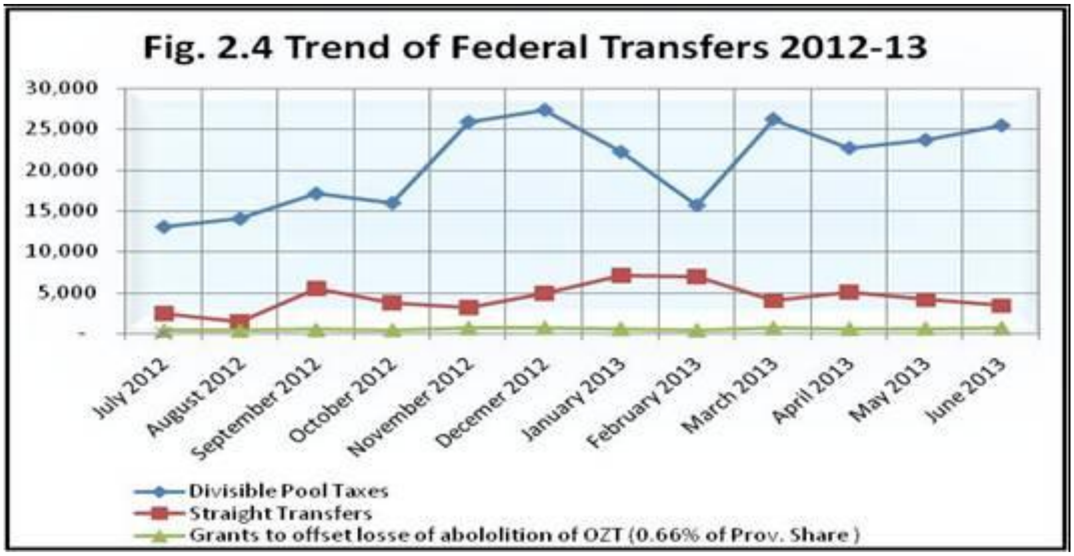


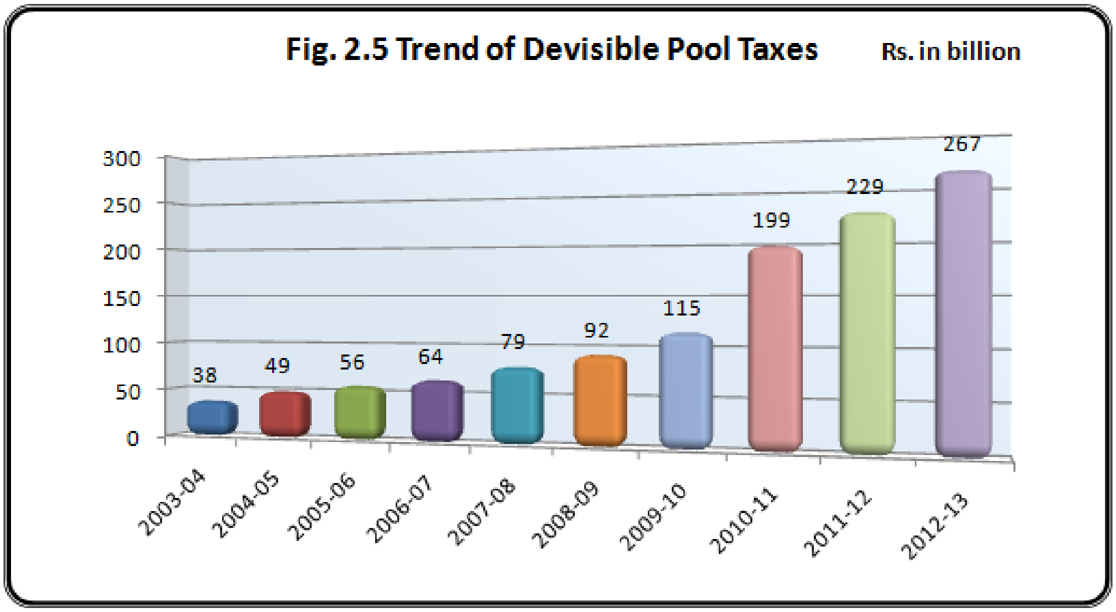
Fig. 2.4 Trend of Federal Transfers 2012-13

Table 2.5 and Figure 2.5 show the composition and the trends in Divisible Pool Taxes during the period 2003-04 to 2012-13. Taxes on sales were the biggest contributor to the revenue assignment until 2005-06, which have been subsequently replaced by taxes on income. The average growth in taxes on income and central excise remained at the first and second position respectively while zero growth was recorded in GST on Services (CE Mode), Capital Value Tax and Wealth Tax.

Table 2.5

Trend in Divisible Pool Taxes (Rs. In Million)

	Actual										Ave (%) Actual
	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2003-12
Taxes on Income	10,678	15,764	17,986	28,560	34,214	39,583	53,037	79,509	88,052	101,581	28.44
Taxes on Sales	16,099	19,105	21,790	13,768	17,122	22,987	26,806	76,654	99,616	116,319	24.57
Custom Duties	7,317	9,902	11,408	11,869	13,980	14,314	11,778	24,252	27,653	32,652	18.08
Central Excise	2,774	4,391	4,227	5,934	8,285	10,718	16,555	17,982	14,018	15,601	21.15
GST (CE Mode)	583	67	919	3,100	4,297	4,114	6,032	0	0	420	0.00
Capital Value Tax	100	200	0	421	682	251	423	121	14	12	0.00
Wealth Tax	26	-36	0	1	10	0	2	2	2		0.00
Total	**37,577**	**49,392**	**56,330**	**63,653**	**78,590**	**91,967**	**114,633**	**198,520**	**229,355**	**266,585**	**24.32**



The Divisible Pool transfers have grown at the average annual rate of 24.32% from 2008-09 to 2012-13. Based on the estimates provided by the Federal Government, the Divisible Pool transfers for 2013-14 has been pitched at Rs. 381.3 billion or 14.5% greater than budgeted estimate for 2012-13.

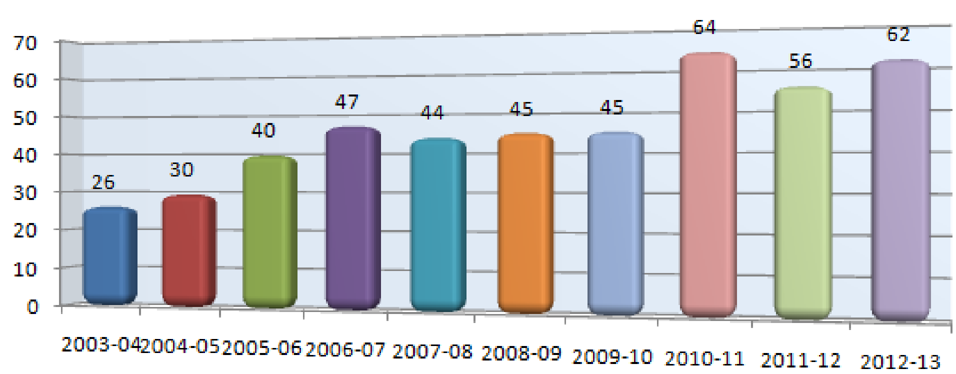
2.2.2. STRAIGHT TRANSFERS

Straight transfers include Royalty on Natural Gas and Crude Oil, Gas Development Surcharge (GDS), Excise Duty on Natural Gas, and GST on Services. These are provincial receipts which are collected by the Federal Government and transferred to Sindh, after deduction of 2% collection charges. However, the GST on Services is being collected by the Government of Sindh with effect from 1st July, 2011. The break-up and trends of straight transfers are given in Table 2.6 and Figure 2.6, respectively.

Table 2.6											
Trend in Straight Transfers (Rs. In Million)											Ave (%)
	Actual										Actual
	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2003-12
Royalty on Natural Gas	7,975	10,480	13,626	15,771	16,773	23,564	17,265	26,881	26,119	28,610	15.25
Gas Development Surcharge	11,595	9,396	15,620	22,398	14,863	8,202	18,270	20,990	10,737	7,637	-4.53
Royalty on Crude Oil	2,379	3,703	4,087	4,170	5,956	8,297	4,414	8,819	7,731	10,130	17.47
Excise Duty on Natural Gas	3,079	4,297	4,099	3,833	5,137	3,807	4,258	7,771	7,262	15,601	19.76
GST (Provincial)*	1,234	1,677	2,301	940	1,288	1,244	1,109	0	4,034	0	0.00
Total	**26,262**	**29,553**	**39,733**	**47,112**	**44,017**	**45,114**	**45,316**	**64,461**	**55,883**	**61,978**	**10.01**
	* Arrears of 2011-12 received in 2012-13.										

Fig 2.6 Trend of Straight Transfers

Rs. in billion



Straight transfers to Sindh have grown on average, at the rate of 10% per annum over the period from 2003-04 to 2012-13. During the period, the Royalty on Natural Gas was the biggest contributor followed by Excise Duty on Natural Gas and Royalty on Crude Oil. The trend in Gas Development Surcharge remained up and down during the said period.

2.2.3. PROVINCIAL OWN RECEIPTS

Provincial own revenues include tax and non-tax receipts. Major Provincial Tax receipts are agriculture income tax, stamp duty, registration, provincial excise, motor vehicle, capital value tax, cotton fee, electricity duty, infrastructure development cess and sales tax on services. Major Non-Tax receipts include interest, education, health, works, police, irrigation, mines and minerals, extraordinary and miscellaneous receipts.

Table 2.7 and Figure 2.7 reveal that provincial own receipts have grown at the average rate of 32.4% per annum over the period 2009-10 to 2012-13. RE 2013-14 of Rs. 100 billion shows 20.4% increase in provincial own receipts against actuals of 2012-13 amounting to Rs. 83 billion. The increase is mainly due to the inclusion of GST on Services and Capital Value Tax (CVT) in Provincial Tax receipts. Earlier, the GST on Services was the part of divisible pool taxes (GST -CE Mode) and straight transfers (GST on Services-Provincial). The CVT was devolved to the provinces under 18th Amendment and the collection of GST on Services is being made by the Government of Sindh itself since 2011-12 after 7th NFC Award. Tax receipts have been remained the dominant source of provincial own receipts, contributing sharing of 85.5% for Tax Receipts and 14.4% for Non-Tax Receipts, as shown in Table 2.7 and Figure 2.7.

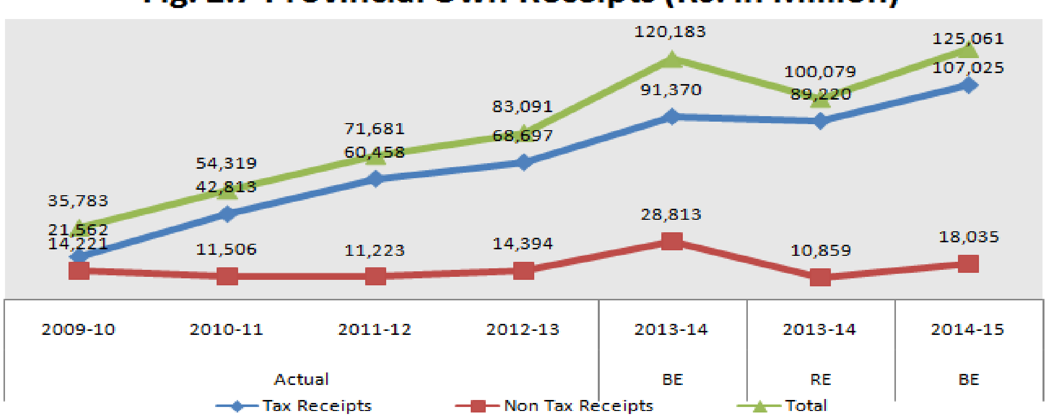
Table 2.7

Provincial Own Receipts (Rs. In Million)								Growth (%)		Ave (%)
	Actual				BE	RE	BE	RE*	BE**	Actual
	2009-10	2010-11	2011-12	2012-13	2013-14	2013-14	2014-15	2013-14	2014-15	2009-12
Tax Receipts	21,562	42,813	60,458	68,697	91,370	89,220	107,025	29.87	17.13	47.15
Non Tax Receipts	14,221	11,506	11,223	14,394	28,813	10,859	18,035	-24.56	-37.40	0.40
Total	**35,783**	**54,319**	**71,681**	**83,091**	**120,183**	**100,079**	**125,061**	**20.44**	**4.06**	**32.42**
Tax Receipts (%)	60.26	78.82	84.34	82.68	76.03	89.15	85.58			
Non Tax Receipts (%)	39.74	21.18	15.66	17.32	23.97	10.85	14.42			

* Represents percentage increase in Revised Estimates 2013-14 over actuals of 2012-13.

** Represents percentage increase in Budget Estimates 2014-15 over Budget Estimates 2013-14.

Fig. 2.7 Provincial Own Receipts (Rs. in Million)



The successful collection of Sales Tax on Services in the financial years 2011-12, 2012-13 and 2013-14 respectively that the province of Sindh is capable to bear the burden of collection of any tax if devolved by Federal Government in future.

2.2.3.1 PROVINCIAL TAX RECEIPTS

As shown in Table 2.8 and Figure 2.8 the overall tax receipts have increased on average at 48.7% during 2009-10 to 2012-13. RE 2013-14 recorded 29.8% increase in tax receipts against Actual 2012-13. However, BE 2014-15 shows increase by 17.1% owing to higher growth in in-direct taxes (18.6%). The total provincial tax receipts have been pitched at Rs. 107 billion for the FY 2014-15.

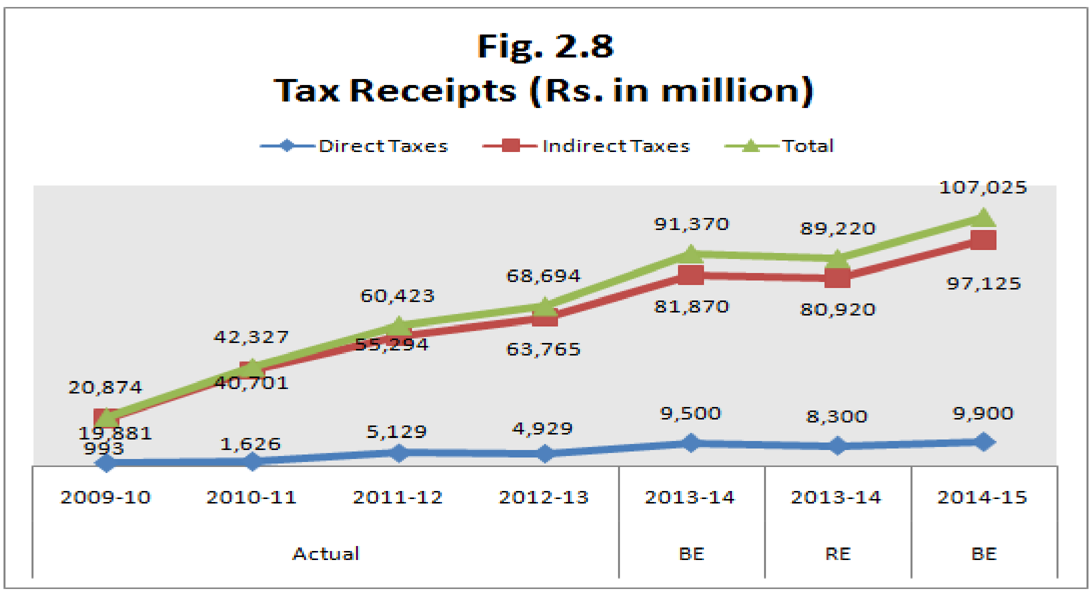
Table 2.8

Tax Receipts (Rs. In Millions)								Growth (%)		Ave (%)
	Actual				BE	RE	BE	RE	BE	Actual
	2009-10	2010-11	2011-12	2012-13	2013-14	2013-14	2014-15	2013-14	2014-15	2009-12
Taxes from Agriculture Income	152	210	123	406	550	500	600	23.15	9.09	38.75
Property Tax (Tax and Registration)	463	839	2,139	1,907	4,500	4,000	4,800	109.75	6.67	60.30
Land Revenue	156	347	208	205	550	500	600	143.90	9.09	9.53
Taxes on Professions, Trades and Callings	222	230	280	265	400	300	400	13.21	0.00	6.08
Capital Value Tax	0	0	2,379	2,146	3,500	3,000	3,500	39.79	0.00	-
Total Direct Taxes	**993**	**1,626**	**5,129**	**4,929**	**9,500**	**8,300**	**9,900**	**68.39**	**4.21**	**70.58**
Sindh Sales Tax on Services	0	16,623	23,924	33,666	42,000	42,000	49,000	24.75	16.67	-
Provincial Excise	2,112	2,948	2,577	3,102	3,800	3,300	3,825	6.38	0.66	13.67
Stamp Duties	3,947	4,274	4,766	5,016	6,500	6,500	9,828	29.59	51.20	8.32
Motor Vehicles	2,169	2,964	3,193	3,327	4,948	4,880	5,160	46.68	4.28	15.33
Tax on Hotels	200	143	160	160	196	0	0	-100.00	-100.00	-7.17
Cotton Fees (Net)	125	163	98	143	300	180	250	25.87	-16.67	4.59
Electricity duty	109	72	74	69	4,040	2,000	4,000	2798.55	-0.99	-14.14
Others-All Types	0	12	11	9	40	20	20	122.22	-50.00	#DIV/0!
Emtertainment	0	0	23	32	46	40	42	25.00	-8.70	-
S.D&M of I Structure	11,219	13,502	20,468	18,241	20,000	22,000	25,000	20.61	25.00	17.59
Total Indirect Taxes	**19,881**	**40,701**	**55,294**	**63,765**	**81,870**	**80,920**	**97,125**	**26.90**	**18.63**	**47.47**
Total Tax Receipts	**20,874**	**42,327**	**60,423**	**68,694**	**91,370**	**89,220**	**107,025**	**29.88**	**17.13**	**48.74**

As shown in above Table and Figure 2.8, the percentage of direct taxes to overall tax receipts is very low and has declined over the years. The direct taxes are shown as 4.2% for the Budget Estimates 2014-15 as against Budget Estimates 2013-14, whereas indirect taxes show increase 18.6% for the Budget Estimates 2014-15 as against Budget Estimates 2013-14 indicating greater reliance on indirect taxes.

Direct taxes of the province are given in Table 2.8 and graphically shown in Figure 2.8. Averagely, direct taxes have shown a growth trend by 70.5% over the four years period (2009-10 to 2012-13).It also shows growth trend of Direct Taxes by 5.5% in 2012-13 over 2011-12. These have been pitched at Rs. 9.9 billion for the year 2014-15 i.e., an increase of 4.2% over BE 2013-14.

Property Tax is the largest component of direct taxes followed by Capital Value Tax (CVT). The latter however has been recording growth in the past four years, primarily due to adding CVT as a new entry in the list of the provincial taxation which was devolved to the provinces under 18th Amendment.



On the other hand, the indirect taxes recorded growth of 47.7% during 2009-10 to 2012-13. The target of indirect taxes for BE 2014-15 has been fixed at Rs. 97.1 billion indicating an increase of 18.6% as against BE 2013-14. Sindh Sales Tax on Services (Provincial) and Sindh Development Maintenance of Infra-Structure Cess (SDM&I) Cess are the two largest components of in-direct taxes. The Sindh Sales

Tax on Services (Provincial) is new entry under 7th NFC and 18th Amendment. The average growth in SD&MI Cess during 2009-10 to 2012-13 is 17.6% which is plausible followed by other all types (16.3%), Motor Vehicle (15.3%) and provincial excise (13.7%)

2.2.3.2 PROVINCIAL NON-TAX RECEIPTS

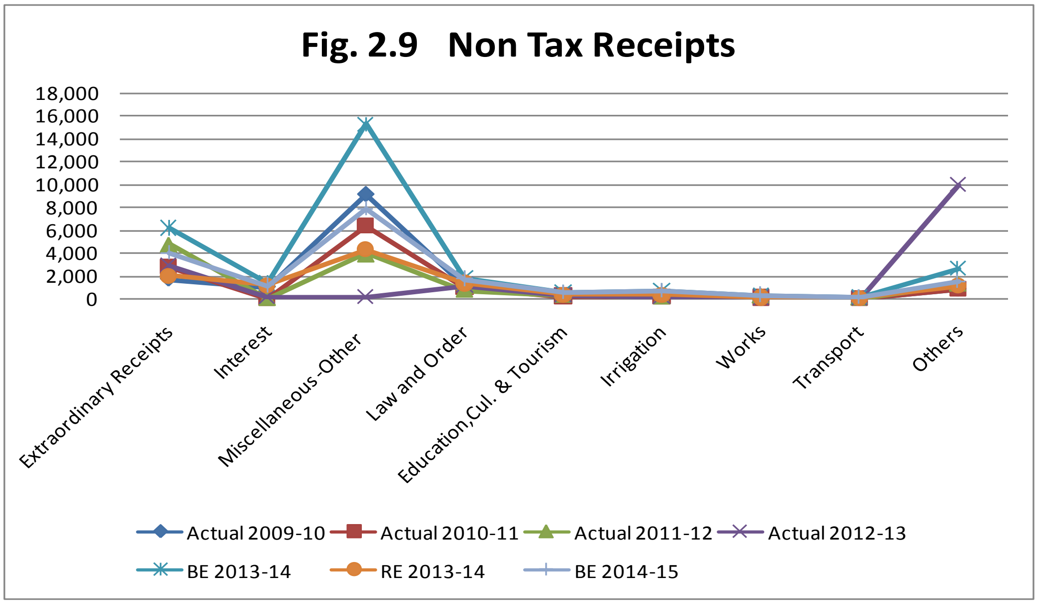
Table 2.9 shows the major contributors of the Province's non tax receipts. This include Extra-Ordinary and Other-Miscellaneous as a major component. All remaining non tax receipts contributing not very significantly. The average growth of 1.3% has been recorded in provincial non-tax receipts during 2009-13. The lower trend in growth was due to substantial decrease in receivables on account of interest, miscellaneous receipts, irrigation and works however 19.8% growth in "Extra-Ordinary" and 129% in "Others" were recorded during the same period. The BE 2014-15 are pitched at Rs. 18 billion which is 65% higher than RE 2013-14 which is pitched at Rs. 10.9 billion.

Table 2.9

Non Tax Receipts (Rs. In Million)								Growth (%)		Ave (%)
	Actual				BE	RE	BE	RE*	BE**	Actual
	2009-10	2010-11	2011-12	2012-13	2013-14	2013-14	2014-15	2013-14	2014-15	2009-12
Extraordinary Receipts	1,703	2,738	4,736	2,935	6,200	2,000	4,000	-31.86	-35.48	19.89
Interest	1,003	19	3	142	1,328	1,189	1,194	737.45	-10.10	-47.88
Miscellaneous -Other	9,144	6,379	3,858	159	15,266	4,306	7,903	2608.18	-48.23	-74.09
Law and Order	1,045	1,024	745	1,158	1,800	1,380	1,720	19.15	-4.46	3.48
Education,Cul. & Tourism	211	203	284	253	523	341	546	34.78	4.40	6.24
Irrigation	234	143	140	154	648	300	650	94.81	0.31	-13.02
Works	65	59	229	47	249	135	350	187.23	40.56	-10.24
Transport			37	24	160	80	160	233.33	0.00	-
Others	816	869	1,280	9,910	2,639	1,128	1,512	-88.62	-42.69	129.86
Total	14,221	11,434	11,312	14,782	28,813	10,859	18,035	-26.54	-37.41	1.30

* Represents percentage increase in Revised Estimates 2013-14 over actual of 2012-13.

** Represents percentage increase in Budget Estimates 2014-15 over Budget Estimates 2013-14.



The trend analysis in Table 2.10 shows that averagely, direct and indirect tax revenues have grown at 23.8% and .07% respectively, over the years 2009-10 to 2012-13. The total average growth showed 18.8% over the four years 2009-10 to 2012-13. The total average growth of provincial direct and indirect tax remained 70.1% and 45.4% respectively for the period from 2009-10 to 2012-13.However, the total growth in direct and indirect tax is 25% and 14.6% respectively for 2009-10 to 2012-13.The province largely depends on indirect taxes for its and overall tax receipts from the federal government.

Table 2.10										
Composition (Rs. In Million)								Growth (%)		Ave (%)
	Actual				BE	RE	BE	RE*	BE**	Actual
	2009-10	2010-11	2011-12	2011-12	2013-14	2013-14	2014-15	2013-14	2014-15	2009-12
Direct Taxes										
Tax on Income	53,037	79,509	88,052	101,581	129,930	120,098	159,392	18.23	22.68	24.19
Wealth Tax	2		2		0	0	0	#DIV/0!	-	-
Capital Value Tax	422				0	82	94	-	-	-100.00
Federal Direct Taxes	53,461	79,509	88,054	101,581	129,930	120,180	159,486	18.31	22.75	23.86
Taxes from Agriculture Income	153	210	122	376	550	500	600	32.98	9.09	34.93
Urban Immovable Property Tax	0		1,144	931	2,700	2,200	2,800	136.31	3.70	-
Transfer of Property Tax (Registration)	463	839	995	976	1,800	1,800	2,000	84.43	11.11	28.22
Land Revenue	156	347	208	205	550	500	600	143.90	9.09	9.53
Taxes on Professions, Trades and Callings	222	230	280	265	400	300	400	13.21	0.00	6.08
Capital Value Tax	0	1,907	2,379	2,146	3,500	3,000	3,500	39.79	0.00	-
Provincial Direct Taxes	994	3,533	5,128	4,899	9,500	8,300	9,900	69.42	4.21	70.18
Total Direct Taxes	54,455	83,042	93,182	106,480	139,430	128,480	169,386	20.66	21.48	25.05
Indirect Taxes										
Customs Duties	16,555	24,252	27,653	32,652	37,217	32,504	37,955	-0.45	1.98	25.41
Sales Tax	26,806	76,653	99,616	11,618	144,185	138,279	161,040	1090.22	11.69	-24.32
Sales Tax (Services)	1,109	0	0	420	0	0	0	-	-	-27.65
Sales Tax (CE Mode)	6,032	0	0	0	0	0	0	-	-	-100.00
Federal Excise	11,778	17,982	14,018	15,601	21,603	17,451	22,903	11.86	6.02	9.82
Excise Duty on Natural Gas	4,258	7,771	7,262	7,754	7,081	7,326	7,692	-5.51	8.63	22.12
Federal Indirect Taxes	66,538	126,658	148,549	68,045	210,086	195,561	229,589	187.40	9.28	0.75
Sindh Sales Tax on Services	0	16,623	23,924	33,245	42,000	42,000	49,000	26.33	16.67	-
Provincial Excise	2,453	2,948	2,577	3,102	3,800	3,300	3,825	6.38	0.66	8.14
Stamp Duties	3,598	4,274	4,766	5,016	6,500	6,500	9,828	29.59	51.20	11.71
Motor Vehicles	2,850	2,964	3,230	3,304	4,948	4,880	5,160	47.70	4.28	5.05
Tax on Hotels	166	143	160	160	196	0	0	-100.00	-100.00	-1.22
Cotton Fees (Net)	137	163	98	143	300	180	250	25.87	-16.67	1.44
Electricity duty	67	72	74	70	4,040	2,000	4,000	2757.14	-0.99	1.47
Others-All Types	13	12	11	9	45	20	20	122.22	-55.56	-
Entertainment	0	0	23	32	40	40	42	25.00	5.00	-
S.D&M of I Structure	11,291	13,502	20,468	18,241	20,000	22,000	25,000	20.61	25.00	17.34
Provincial Indirect Taxes	20,575	40,701	55,331	63,322	81,869	80,920	97,125	27.79	18.63	45.46
Total Indirect Taxes	87,113	167,359	203,880	131,367	291,955	276,481	326,715	110.46	11.91	14.67
Total Tax Revenue	141,568	250,401	297,062	237,847	431,385	404,961	496,101	70.26	15.00	18.88
Federal Direct (%)	37.76	31.75	29.64	42.71	30.12	29.68	32.15			
Provincial Direct (%)	0.70	1.41	1.73	2.06	2.20	2.05	2.00			
Total Direct (%)	38.47	33.16	31.37	44.77	32.32	31.73	34.14			
Federal Indirect (%)	47.00	50.58	50.01	28.61	48.70	48.29	46.28			
Provincial Indirect (%)	14.53	16.25	18.63	26.62	18.98	19.98	19.58			
Total Indirect (%)	61.53	66.84	68.63	55.23	67.68	68.27	65.86			
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00			

* Represents percentage increase in Revised Estimates 2013-14 over actuals of 2012-13.

** Represents percentage increase in Budget Estimates 2014-15 over Budget Estimates 2013-14.

3. CURRENT REVENUE EXPENDITURE

Article 121 of the constitution of Islamic Republic of Pakistan provides for expenditure charged upon Provincial Consolidated Fund. The expenditure incurred from the Provincial Consolidated Fund (PCF) is broadly categorized as Non-Development and Development expenditure which further divided into Revenue and Capital components. The Non-Development expenditure is also referred as Current expenditure.

The "Revenue" part of non-development expenditure includes payments of salary bills plus allowances, purchases, repairs and maintenance, interest payments, pension, general provident fund, utilities, and other operational expenses. The "Capital" component includes outflows on account of investments, principal repayments, loans and advances to government servants, local/autonomous bodies etc.

The "Revenue" part of development expenditure comprises of operational expenses such as salaries of contract employees, consultants, purchases etc. The "Capital" component includes expenditures on mortar and bricks.

3.1. CURRENT REVENUE EXPENDITURE (CRE):

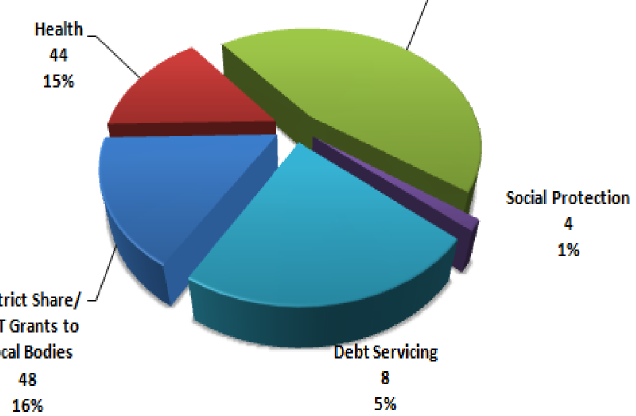
Table 3.1 reflects actual for last four years, Budget Estimates (BE) and Revised Estimates (RE) 2013-14 and BE 2014-15 of CRE with bifurcation of priority and

Table 3.1										
Distribution in Priority and Non-Priority (Rs. In Million)								Growth (%)		Ave (%)
	Actual				BE	RE	BE	RE*	BE**	Actual
	2009-10	2010-11	2011-12	2012-13	2013-14	2013-14	2014-15	2013-14	2014-15	2009-12
PRIORITY EXPENDITURE	**120,437**	**161,175**	**219,741**	**211,508**	**252,498**	**244,528**	**294,253**	**15.61**	**16.54**	**20.65**
District Share/ OZT Grants to Local Bodies	92,030	93,281	74,728	38,538	39,866	39,997	47,836	3.79	19.99	-25.19
Health	8,064	9,458	23,606	32,366	36,401	36,210	43,583	11.88	19.73	58.92
Education Affairs and Services	10,383	14,247	57,436	92,329	120,502	107,721	134,378	16.67	11.52	107.18
Social Protection	572	10,019	19,059	4,213	2,204	2,588	4,076	-38.57	84.94	94.57
Financial and Fiscal Affairs - Debt Servicing	9,388	34,170	44,912	44,062	53,525	58,012	64,380	31.66	20.28	67.43
NON-PRIORITY EXPENDITURE	**77,549**	**93,629**	**88,790**	**104,451**	**103,475**	**123,875**	**141,837**	**18.60**	**37.07**	**10.44**
Other General Public Service	25,069	28,294	8,308	8,200	10,006	14,632	17,790	78.44	77.79	-31.10
Public Order and Safety Affairs	28,158	35,034	45,521	49,613	54,429	63,889	66,611	28.77	22.38	20.78
Economic Affairs	12,878	24,717	30,995	35,898	34,373	37,408	47,643	4.21	38.61	40.74
Environment Protection	52	59	101	89	414	358	1,778	302.25	329.47	19.62
Housing and Community Ammenities	1,921	1,139	1,994	1,350	2,463	2,726	2,714	101.93	10.19	-11.09
Recreational, Culture and Religion	834	855	1,493	2,972	1,790	4,862	5,301	63.59	196.15	52.74
Other various Expenditure	8,637	3,531	378	6,329	0	0	0	-100.00	-	-9.84
Total:	**197,986**	**254,804**	**308,531**	**315,959**	**355,973**	**368,403**	**436,090**	**16.60**	**22.51**	**16.86**
Priority Expenditure (%)	60.83	63.25	71.22	66.94	70.93	66.38	67.48			
Non-priority Expenditure (%)	39.17	36.75	28.78	33.06	29.07	33.62	32.52			
* Represents percentage increase in Revised Estimates 2013-14 over actuals of 2012-13.										
** Represents percentage increase in Budget Estimates 2014-15 over Budget Estimates 2013-14.										

non-priority expenditure. There is an increase tendency in the share of priority expenditure with the passage of time. The average growth during 2009-10 to 2012-13 remained higher in case of priority expenditure. During the aforesaid period, education affairs and services remained at the top in terms of growth at 107.1%, the social protection at 94.5 ranked at second, then came financial and fiscal affairs at 67.4%, health at 58.9% and lastly the OZT share that recorded a negative growth under priority expenditure at (25,1%). Public Order Safety Affairs at 20.7% and Environmental Protection at 19.6% depicted a positive growth during the said period. An average growth of 16.6% was recorded in actual expenditure during 2009-10 to 2012-13 whereas an increase of 16.6% in RE over BE 2013-14 and 22.5% increase in BE 2014-15 over BE 2013-14 were proposed.

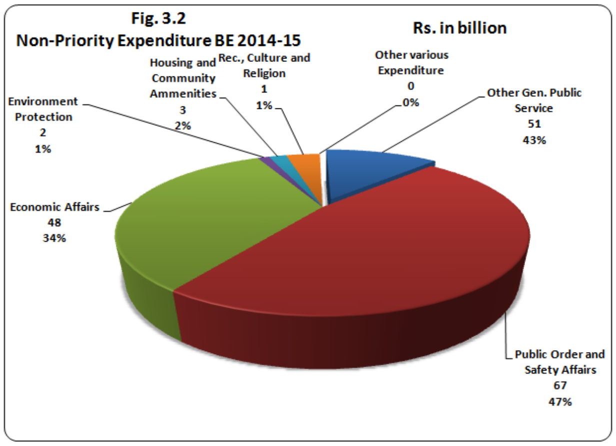
3.1.1. PRIORITY EXPENDITURE:

Fig. 3.1
Priority Expenditure BE 2014-15
Rs. in Billion



The CRE for 2014-15 has grown by 16.8% over BE 2013-14. This is mainly on account of significant increase in the Salary Component and transfers to LGs and usual enhancement of allocations in Public Order Safety Affairs, Recreational, Culture and Religion heads whereas rest of heads show negative growth particularly Other General Public Service, Environment Protection, Housing Community Amenities. The break up is discussed below:

3.1.2. NON-PRIORITY EXPENDITURE:



The CRE for 2014-15 has grown by 37% over BE 2013-14. This is mainly on account of significant increase in the Salary Component and transfers to LGs and usual enhancement of allocations in Public Order Safety Affairs, Economic Affairs and Recreational, Culture and Religion whereas other heads show negative growth particularly Other General Public Service, Environment Protection and Recreational, Culture and Religion. The components of this category are discussed here under:

3.1.3. GENERAL PUBLIC SERVICES

This is the largest head under the CRE. It includes expenditures on a wide variety of services provided by Executive and Legislative establishments of the Provincial Government, discharge of fiscal liabilities in the shape of debt servicing (interest amount) and pension payments. Transfers made to various tiers of the LGs, which constitute the largest component of this classification, are also included in this head of account.

This trend can be attributed to pay revisions for the last several years and rise in prices warranting an increase in salary and contingent expenditures. Further, increasing quantum of transfer payments, particularly to LGs, explains this rising trend. Transfers in general are fixed to Rs. 17.7 billion in BE 2014-15 as against of Rs.10 billion in BE 2013-14 showing 77.7% growth, in a year.

Debt Servicing and Pension Payments fall under the Financial and Fiscal functions performed by the Provincial Government. Chapter 6 includes detailed review of

Debt Servicing on Foreign Loans and Domestic Debt, including interest payable on General Provident Fund (GPF).

3.1.3.1. PUBLIC ORDER AND SAFETY AFFAIRS

This head includes expenditures on courts of law, police, prisons, relief and disaster management, including fire protection, anticorruption establishment and civil defence. The overall growth in this head is 22.3% whereas allocations increased from Rs. 54.4 billion in BE 2013-14 to Rs. 66.6 billion in BE 2014-15.

3.1.3.2. ECONOMIC AFFAIRS

Expenditures on departments / sectors contributing to economic development like Agriculture, Food, Irrigation & Land Reclamation, Forestry, Fisheries, Fuel and Energy, Mining and Manufacturing, Transport (Roads), Works (Construction) and Industries are included under the Economic Affairs of the Provincial Government. The CRE in these sectors also include allocations for research, extension and field services to farmers, maintenance and repair of the irrigation network and vocational training of the labour force. The budgeted expenditure under Economic Affairs for FY 2014-15 (Rs. 47.6 billion) is expected to grow by 38.6% over the budgeted amount in FY 2013-14 (i.e. Rs. 34.3 billion).

It is evident from Table 3.1 that all major infrastructures related to economic activity generating departments are included in this classification. The agriculture sector along with livestock and irrigation comprises the agriculture related portion of the current budget. Similarly the industrial sector is covered separately under mining and manufacturing and comprises departments of Industries, Mines and Minerals. The transport and communication sectors now comprise the major departments of Works & Services and Transport.

3.1.3.3. HEALTH

The health sector was partially devolved to Local Governments (LGs) where District Headquarter Hospitals (DHQs), Rural Health Centers (RHCs), *Taluka* Headquarter Hospitals (THQs) and Basic Health Units (BHUs) remained with them while teaching and other specialized hospitals were and are with the Provincial Government. The abolition of Sindh Local Government Ordinance 2001 has reversed the scenario and now all the hospitals except those with People Primary Healthcare Initiative (PPHI) are under the administrative control of the provincial government. The funding for the CRE under this social service has increased from Rs. 36.7 billion in BE 2013-14 to Rs. 43.5 billion in BE 2014-15 showing an increase of around 43.5%.

3.1.3.4. EDUCATION AFFAIRS AND SERVICES

The bulk of public sector service delivery in education comprise of primary and secondary education. There is a substantial increase of 21.3% in the CRE which rises from Rs. 120.5 billion (BE 2013-14) to Rs. 134.3 billion (BE 2014-15).

3.1.4. REVIEW OF THE CURRENT REVENUE EXPENDITURE SINCE 2009-13

Table 3.2

Current Revenue Expenditure (Rs. In Million)							Growth (%)		Ave (%)
	Revised					BE	RE*	BE**	Revised
	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2013-14	2014-15	2009-13
Employee Related Expenses	49,703	62,025	109,034	174,757	188,663	213,514	7.96	13.17	39.58
Operating Expenses	26,113	27,940	47,934	51,370	46,028	72,062	-10.40	56.56	15.22
Other Miscellaneous	301	172	5	5	580	1,226	11500.00	111.38	17.82
Repair and Maintenance	4,907	11,865	10,574	7,149	8,055	16,251	12.67	101.75	13.19
Purchase of Durable Goods	3,119	3,066	6,545	3,682	9,075	4,530	146.47	-50.08	30.60
Consumption Expenditure	84,143	105,068	174,092	236,963	252,401	307,583	6.51	21.86	31.60
Grant and Subvention***	109,173	131,793	85,212	53,868	58,148	67,919	7.95	16.80	-14.57
Pension	17,966	20,489	21,791	29,645	37,745	42,000	27.32	11.27	20.39
Interest	9,332	9,600	9,857	11,311	13,148	13,102	16.24	-0.35	8.95
Subsidies	2,805	3,073	2,505	3,005	3,060	3,100	1.83	1.31	2.20
Other Transfers	1,418	11,215	15,806	7,318	3,901	2,387	-46.69	-38.81	28.79
Transfer Payments	140,694	176,170	135,171	105,147	116,002	128,508	10.32	10.78	-4.71
Total CRE	224,837	281,238	309,263	342,110	368,403	436,091	7.69	18.37	13.14
Consumption Expenditure (%)	37.42	37.36	56.29	69.27	68.51	70.53			
Transfer Payments (%)	62.58	62.64	43.71	30.73	31.49	29.47			
Total (%)	100.00	100.00	100.00	100.00	100.00	100.00			

* Represents percentage increase in Revised Estimates 2013-14 over Revised Estimates of 2012-13.
** Represents percentage increase in Budget Estimates 2014-15 over Revised Estimates 2013-14.
*** Includes transfers to local governments from 2009-10 to 2013-14.

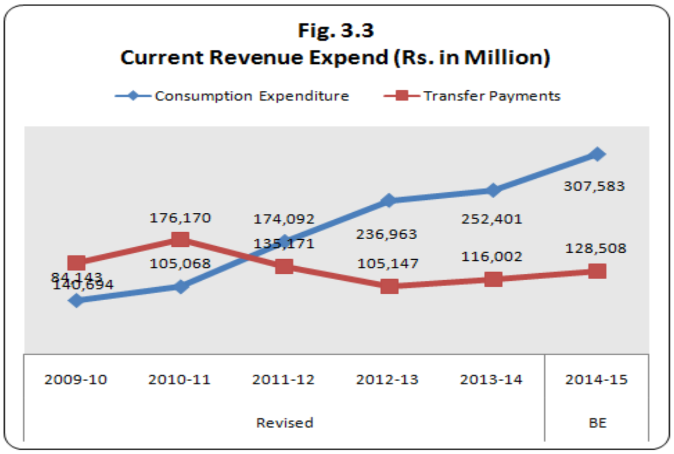


Fig. 3.3
Current Revenue Expend (Rs. in Million)

Table 3.2 and Figure 3.3 present the trend analysis and composition of the CRE, which has grown, on average, at 13.1% per annum over the years from 2009-10 to 2012-13. For the year 2014-15 it has been pitched at Rs. 436 billion which is a 7.6% increase over the revised estimates of 2013-14. Further discussion on the CRE is bifurcated into:

- Consumption / Transfer Payments Mode; and
- Functional Distribution Mode.

3.1.4.1. CONSUMPTION / TRANSFER PAYMENTS MODE

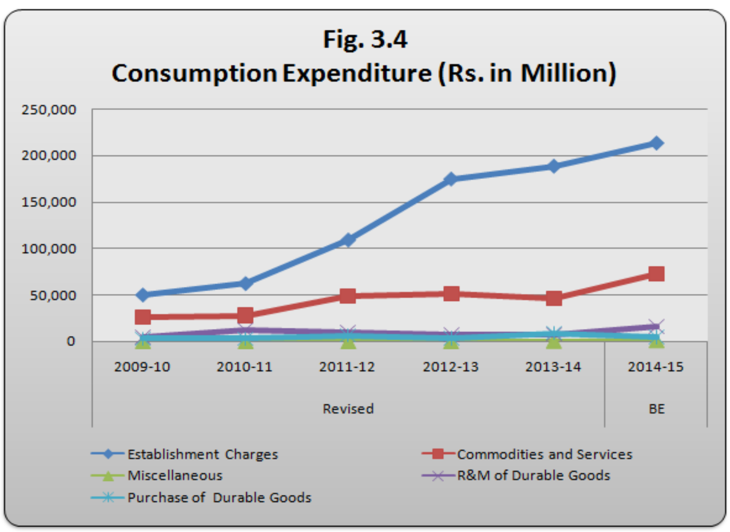


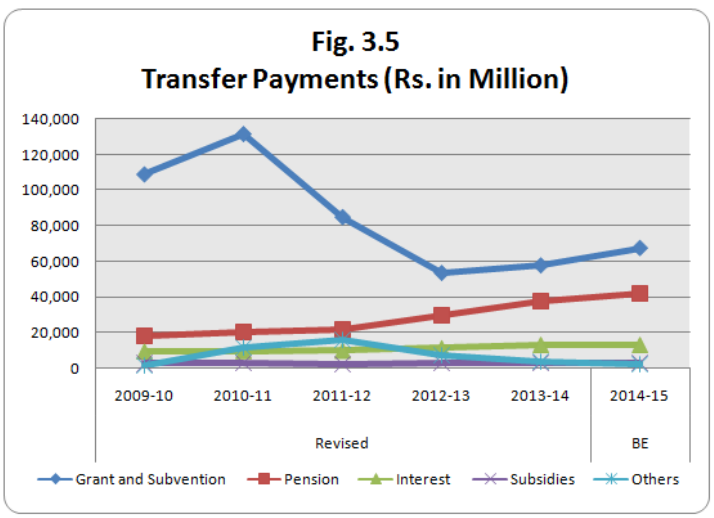
Fig. 3.4
Consumption Expenditure (Rs. in Million)

Table 3.2 shows that the consumption expenditure has grown on average at 16.6% whereas the average decrease of transfer payments is 2.3% over the years (2009-10 to 2012-13). Over the years consumption expenditure has increased as a percentage of total current expenditure from 37.4% in 2009-10, 37% in 2010-11, 56.2% in 2011-12 and 69.2% in 2012-13. Conversely, transfer payments, as a percentage of total current expenditure have slightly decreased from 62.5% in 2009-10 to 62.2% in 2012-13. This has primarily occurred due to the shifting of expenditure on account of Pension Fund, GP Fund component from the Current Revenue Expenditure to Current Capital Expenditure and revival of commissioner system in 2011-12.

3.1.4.1.1. Consumption Expenditure

The consumption expenditure is the actual spending of the government machinery for its functioning. It includes establishment charges, purchase, repairs and maintenance of durable goods, commodities and services and other expenditures. Table 3.2 and Figure 3.4 reflect the trend of various components of consumption expenditure since 2009-10. Establishment charges constitute the largest portion of consumption expenditure followed by commodities and services. Consumption expenditure has been pitched at Rs. 307.5 billion for 2014-15 which is a 6.5% increase over RE 2013-14 which is Rs.252.4 billion.

3.1.4.1.2. Transfer Payments



Expenditures on account of debt servicing (interest payment of foreign loan), grants / subventions, subsidies, pension and other related items are booked under the transfer payments. Table 3.2 and Figure 3.5 reflect the trend of various components of transfer payments since 2009-10. The decrease is noticeable after 2011-12 in Grants and Subvention component which now merged in consumption expenditure from this category. Transfer payments have been pitched at Rs. 128.5 billion for the year 2014-15 as against Rs.116 billion of RE 2013-14 indicating an increase of 10.3% over RE 2013-14.

Subsidies constitute an important component of transfer payments. Although subsidy allocations have been increased at an average of 2.2% from 2009-10 to 2012-13. The allocation for BE 2014-15 is Rs. 3.1 billion which represents an increase of 1.8% over RE 2013-14. The allocations include subsidies for wheat procurement and other miscellaneous expenditure etc.

3.1.4.1.2.1. Social Services

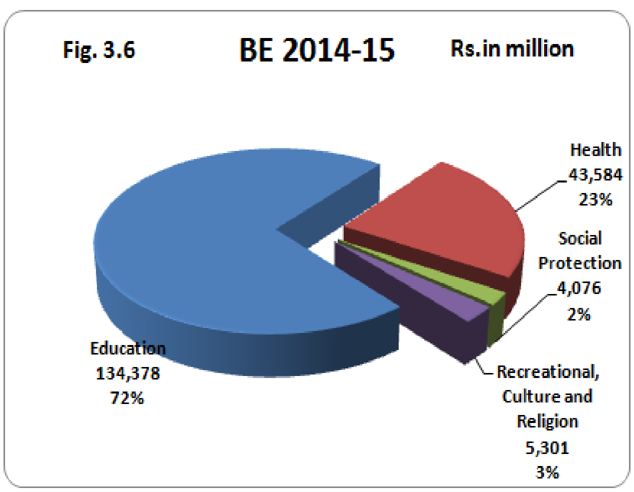
Table 3.3 depicts that expenditure on social services has increased on an average by 88% annually in the past four years. It has been pitched at Rs. 187.3 billion for the year 2014-15, which is a 16.4% increase over Rs. 151.3 billion in BE 2013-14.

Table 3.3

Social Services (Rs. In Million)								Growth (%)		Ave (%)
	Actual				BE	RE	BE	RE*	BE**	Actual
	2009-10	2010-11	2011-12	2012-13	2013-14	2013-14	2014-15	2013-14	2014-15	2009-12
Education	10,383	14,246	57,436	92,399	120,502	107,721	134,378	16.58	11.52	107.23
Health	8,064	9,458	23,606	32,366	36,400	36,210	43,584	11.88	19.74	58.92
Social Protection	572	10,019	19,059	4,214	2,204	2,588	4,076	-38.59	84.94	94.58
Recreational, Culture and Religion	835	855	1,493	2,972	1,790	4,862	5,301	63.59	196.15	52.68
Total	**19,854**	**34,578**	**101,594**	**131,951**	**160,896**	**151,381**	**187,339**	**14.73**	**16.43**	**88.01**

* Represents percentage increase in Revised Estimates 2013-14 over actuals of 2012-13.

** Represents percentage increase in Budget Estimates 2014-15 over Budget Estimates 2013-14.



Looking at the components of social services in the Table 3.3 and Figure 3.4, we find that *education expenditure* is the biggest component of this head and which recorded an average increase of 107% per annum during 2009-10 to 2012-13. The reason for this increase is due to the increase in salary component. Education is followed by *health expenditure*, which has increased on an average by 58.9% during the same period and because of same reason. The other sub-components of social services constitute less than or around 2% to 3% of the total allocations for the sector.

3.1.4.1.2.2. Public Order and Safety Affairs

It involves expenditures on administration of Justice, Police, Civil Armed Forces, Jails, Civil Defense, etc. as reflected in Table 3.4. Law and order expenditure has increased on average at 24.9% in the past four years and has been pitched at Rs.66.6 billion for the year 2014-15 which is 22.4% increase over Rs. 54.4billion provided under BE 2013-14.

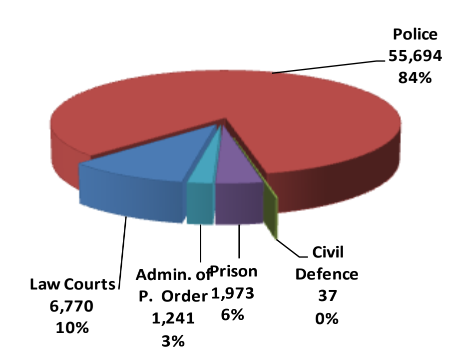
Table 3.4

Public Order and Safety Affairs (Rs. In Million)								Growth (%)		Ave (%)
	Actual				BE	RE	BE	RE*	BE**	Actual
	2009-10	2010-11	2011-12	2012-13	2013-14	2013-14	2014-15	2013-14	2014-15	2009-12
Law Courts	2,274	2,761	3,667	5,398	4,042	7,103	6,770	31.59	67.49	33.40
Police	24,148	29,964	39,001	41,208	46,164	52,705	55,694	27.90	20.64	19.50
Civil Defence and Related Affairs	8	7	35	55	113	70	97	27.27	-14.16	90.15
Prison Administration and Operation	1,238	1,636	1,801	1,997	2,299	2,679	2,622	34.15	14.05	17.28
Administration of Public Order	490	728	1,015	955	1,810	1,332	1,427	39.48	-21.16	24.91
Total	28,158	35,096	45,519	49,613	54,428	63,889	66,610	28.77	22.38	20.78

* Represents percentage increase in Revised Estimates 2013-14 over actuals of 2012-13.

** Represents percentage increase in Budget Estimates 2014-15 over Budget Estimates 2013-14.

Fig. 3.7 **BE 2013-14** Rs. in million



One can notice from Table 3.4 and Figure 3.7, that the biggest chunk of law and order expenditure for 2014-15 is allocated to police, which has been budgeted at Rs. 55.9 billion. Police consumes around 85% of the total expenditure allocation under law and order component.

3.1.4.1.2.3. Housing and Community Services

Table 3.5

Housing and Community Amenities (Rs. In Million)	Actual				BE	RE	BE	Growth (%) RE*	Growth (%) BE**	Ave (%) Actual
	2009-10	2010-11	2011-12	2012-13	2013-14	2013-14	2014-15	2013-14	2014-15	2009-12
Housing Development	1,054	441	50	15	1,077	393	1,095	2520.00	1.67	-75.77
Urban Development	21	0	11	54	17	14	20	-74.07	17.65	37.00
Rural Development	182	240	24	362	504	405	599	11.88	18.85	25.76
Water Supply	664	857	1,637	1,350	864	1,913	1,003	41.70	16.09	26.68
Total	1,921	1,538	1,722	1,781	2,462	2,725	2,717	53.00	10.36	-2.49

* Represents percentage increase in Revised Estimates 2013-14 over actuals of 2012-13.

** Represents percentage increase in Budget Estimates 2014-15 over Budget Estimates 2013-14.

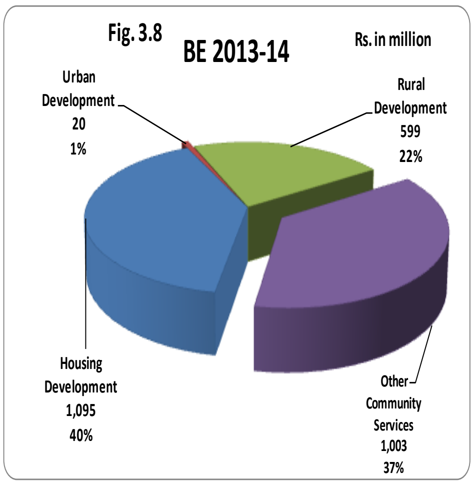


Table 3.5 shows various components of community services. One can notice from the table and Figure 3.6 that in the past the major portion of community services was spent on Housing Development Other Community Services whereas expenditure on Urban Development and Rural Development remained at 22% and 1% respectively. The expenditure under this category has been decreased averagely by 2.4% in 2009-10 to 2012-13, however, have been substantially increased at 16% in year 2014-15, over B.E 2013-14, because of program of housing for the poor in Sindh & providing facilities under the head of Water Supply. For the next year 2014-15 total allocation under Urban Town Planning & Community Services has been pitched at Rs. 2.7 billion which is 38.7% increase over the BE 2013-14.

3.1.4.1.2.4. Economic Services

Table 3.6										
Economic Services (Rs. In Million)								Growth (%)		Ave (%)
	Actual				BE	RE	BE	RE*	BE**	Actual
	2009-10	2010-11	2011-12	2012-13	2013-14	2013-14	2014-15	2013-14	2014-15	2009-12
Commercial and Labour Affairs	380	486	643	749	887	901	922	20.29	3.95	25.38
Agiculture	4,134	6,238	9,170	6,346	10,162	10,327	10,922	62.73	7.48	15.36
Irrigation	4,092	11,038	8,793	8,209	9,211	9,288	9,654	13.14	4.81	26.12
Land Reclamation	1,810	3,378	4,039	4,547	5,147	5,148	6,320	13.22	22.79	35.94
Forestry and Fishing	109	141	894	1,228	1,685	1,687	1,609	37.38	-4.51	124.18
Mining and Manufacturing	136	285	334	394	568	737	340	87.06	-40.14	42.56
Constrcution and Transport	1,627	2,602	4,137	3,840	6,055	5,879	11,155	53.10	84.23	33.14
Trades, Storage and Warehouses	61	94	123	1,293	351	276	298	-78.65	-15.10	176.75
Others	529	454	2,363	198	233	3,037	6,110	1433.84	2522.32	-27.93
Total	**12,878**	**24,716**	**30,496**	**26,804**	**34,299**	**37,280**	**47,330**	**39.08**	**37.99**	**27.68**

* Represents percentage increase in Revised Estimates 2013-14 over actuals of 2012-13.

** Represents percentage increase in Budget Estimates 2014-15 over Budget Estimates 2013-14.

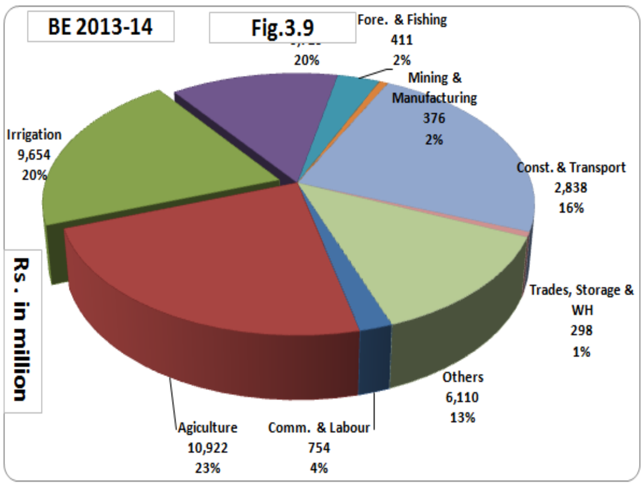


Table 3.6 shows various components of expenditure on Economic Services. Expenditure in this category has increased at an average rate of 27.6% in past four years. However, the budget estimates for the years 2014-15 have been pitched at Rs.47.3 billion against Rs.34.3 billion allocated under BE 2013-14, showing a growth of 37.9%. Trades, Storage and Warehouses, Forestry and Fishing and Manufacturing, Land Reclamation and Construction and Transport together take away the major chunk (over 75%) of expenditure under this category. Trades, Storage and Warehouses are leading the group which has increased at an average rate of 176.7% during the past four years while its growth in BE 2014-15 decreased 15.1% over BE 2013-14. Likewise, Forestry and Fishing expenditure has increased by 124.1% during the last four years however its growth decreased by 4.5% in BE 2014-15.Construction and Transport, Agriculture, Irrigation and Land Reclamation have been prioritized by the government as we can see increasing allocations under these heads.

4. CURRENT CAPITAL BUDGET

4.1. INTRODUCTION

There are two main components of Current Capital Budget which are “Current Capital Receipts” and “Current Capital Expenditure”. The former are non-recurring receipts but beneficial for a long time. Such receipts include domestic loan, sale proceeds of fixed assets, external loan and investment etc. Latter relates to expenditure to be incurred for capital items.

4.2. CURRENT CAPITAL RECEIPTS (CCRs)

The CCRs of the province of Sindh consist of the following:

- Funds received on account of New loans; and
- Recoveries of loans extended to Provincial Autonomous Bodies/Agencies and employees of Government of Sindh.

The Government of Sindh has two accounts which deals other transactions including loans. These are Account-I (Non-Food) and Account-II (Food). During the financial year under analysis the Provincial Government of Sindh received loans either in Provincial Government’s Account No I (Non-Food) or Account No II (Food), depending on the nature of receipts. Broadly, receipts on account of new loan (borrowing through bilateral i.e., Foreign Government/Foreign Donors having single source of funds or multilateral i.e., Foreign Donors having multiple source of funding/Consortium channels) and recoveries of old loans (extended by GoS) go to Non Food Account, whereas receipts on account of State Trading in food commodities are deposited in Account No II.

Table 4.1 and Figure 4.1 illustrate the category-wise breakup of the CCRs, followed by a brief explanation of each category. The CCRs have been pitched at Rs. 57.4 billion in 2014-15. Averagely CCRs of the province have decreased at 8.3% per annum over 2009-10 to 2012-13. Receipts on account of foreign debt has been decreased by 39% per annum for Fiscal Year 2009-10 to 2012-13 and floating debt (Cash Credit

Accommodation) for State Trading decreased to 3.1% of the CCRs during the same period. However, estimated receipts in these accounts in 2014-15 as compared to BE 2013-14 translate less disbursement from Donors for the Budgetary Support Grants/recovery for the FY 2014-15.

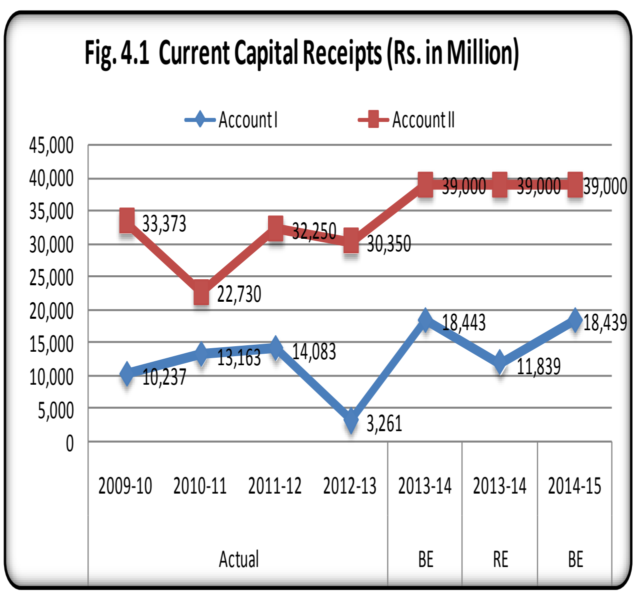
Table 4.1

Current Capital Receipts (Rs. In Million)								Growth (%)		Ave (%)
	Actual				BE	RE	BE	RE*	BE**	Actual
	2009-10	2010-11	2011-12	2012-13	2013-14	2013-14	2014-15	2013-14	2014-15	2009-12
Investment Receipts	311	27			105	0	105	-	0.00	-
Recoveries of Loans and Advances								-	-	-
From Distrcit Government/TMAs					713	843	830	-	16.38	-
From Non-Financial Institions					298	298	508	-	70.47	-
From Financial Institions	70							-	-	-
From Government Servants	113	76	70	57	52	45	48	-21.05	-7.69	-20.40
From Private Sector (Cultivators)	0							-	-	-100.00
Subtotal	183	76	70	57	1,063	1,186	1,386	1980.78	30.37	-32.22
Public Debt										
Domestic Debt (Permanent)	0			1,000	6,000			-	-	-
Floating Debt (Account No.I)	0							-	-	-
Foreign Debt (Permanent)	9,743	13,060	14,013	2,204	11,275	10,653	16,948	383.33	50.31	-39.07
Subtotal (A/C-I)	10,237	13,163	14,083	3,261	18,443	11,839	18,439	263.03	-0.02	-31.70
Floating Debt-Account No.II	33,373	22,730	32,250	30,350	39,000	39,000	39,000	28.50	0.00	-3.12
Current Capital Receipts	43,610	35,893	46,333	33,611	57,443	50,839	57,439	51.26	-0.01	-8.31

* Represents percentage increase in Revised Estimates 2013-14 over actuals of 2012-13.

** Represents percentage increase in Budget Estimates 2014-15 over Budget Estimates 2013-14.

4.2.1. INVESTMENT RECEIPTS



Receipts under this head constitute a very small portion of the total CCRs and comprise mainly of the proceeds received from disinvestment of various state owned concerns where Sindh Government had invested its capital. Such concerns include Thatta Sugar Mill and Dadu Sugar Mill. The Government of Sindh expects every year a few receipts as the disinvestment of these mills is under process. However, due to non-completion of privatization process these estimates are revised towards the end of the year to show nil recovery and give cushion to receive funds in case of sale of assets of the sugar mills. Accordingly, Government of Sindh expects Rs. 105 million on account of disinvestment of these Mills in the current financial year 2014-15.

4.2.2. RECOVERIES OF LOANS AND ADVANCES

The Government of Sindh extended loans to its employees on account of House Purchase Advance and former District Governments (DGs). Though the policy of House Purchase loan has been discontinued and there are no more DGs but the Government of Sindh receives money on account of loans already extended. Moreover, the loans are also being extended to the autonomous bodies like Sui Southern Gas Company Limited (SSGCL), Karachi Water & Sewerage Board (KW&SB),Hyderabad Development Authority (HDA) and the local councils like Karachi Metropolitan Corporation (KMC). In addition to it, the Government of Sindh also extends loans to the financial and non-financial institutions and private sector from time to time. These loans payback principal amount of loans and advances to the provincial exchequer of Sindh. It is also expected that recoverable amount of SCARP is to be received which is included in this head. The Government of Sindh expects to recover Rs. 8.3 billion in 2014-15 under this head, against the revised estimates of Rs. 8.4 billion in 2013-14.

There is low trend of recovery of loans from Local Government (LG) bodies and autonomous bodies in the last few years. There are various reasons of low pace of repayment of such loans which include their fragile financial position, large budgetary deficits, gap in their resources versus expenditure and institutional weaknesses. However, sufficient amount is expected to be recovered during 2014-15 from SSGCL against loans provided by the Government of Sindh. It is pertinent to point out that

SSGCL paid Rs.**2345 million**, KMC returned **Rs.444** million and KW&CB paid back **Rs.8888** million to the Government of Sindh in the financial year 2013-14. According to one Agreement KW&SB will also retire its loan through adjustment of dues of the various offices of the Public Health Engineering Department, Government of Sindh.

4.2.2.1. DOMESTIC DEBT (PERMANENT)

The Federal Government extended Cash Development Loans to Provinces under two categories i.e., Normal and SCARP CDLs. Normal CDLs are extended to provinces for its development programmes in case of any resource gap and SCARP CDLs are meant for the Salinity Control and Reclamation Project. Former constitutes the amount given to Government of Sindh directly while latter is being remitted by the Federal Government to WAPDA for the execution of the SCARP in Sindh.

4.2.2.2. FLOATING DEBT (ACCOUNT- I (NON-FOOD)

Floating Debt is a short term borrowing extended by such loans are received from State Bank of Pakistan to Government of Sindh to meet its cash shortages, if any, in day to day business. The Government of Sindh is receiving such loan in pursuance of the Agreement signed with State Bank of Pakistan under State Bank of Pakistan Act 1951. The Ways & Means Advance to the Sindh Government were increased to Rs.15billion. It is popularly known as ***SBP's Overdraft***. According to agreement with SBP the Sindh Government will pay the interest/mark up on the outstanding amount of current account as calculated by the Bank at a rate equivalent to the quarterly average rate of six months Market Treasury Bills (MTBs). If the Cash Account of the Sindh Government might have exceeded the agreed Ways & Means Advance Limit. In such case, the SBP shall charge the additional markup/interest on the excess amount at the rate of 4% over and above the quarterly average rate of six months' of Monthly Treasury Bills (MTBs).

4.2.2.3. FOREIGN DEBT (PERMANENT)

Permanent foreign debt is received for budgetary support loans or from various donor agencies such as the World Bank, Asian Development Bank, Japan International Cooperation Agency and European Commission etc.The donors extend loans on account of various programs such as Sindh Education Sector Reforms Program (SESRP) and Sindh Basic Education Program etc. Foreign debt is the second highest component of the CCRs and has been pitched at Rs. 18.4 billion for the year 2014-15. The estimated receipts on account of foreign loan for the next financial year include Rs. 9.3 billion Development Policy Credit (DPC) of the World Bank (budgetary support) under SERSP, Rs. 1.9 billion European Commission (EC) grant for Education sector.

4.2.2.4. FLOATING DEBT (ACCOUNT NO- II (FOOD)

This type of debt is exclusively being maintained for transactions on account of State Trading in food commodities by the Food Department, Government of Sindh. Account - II (Food) is maintained with State Bank of Pakistan on a similar pattern of Account No I (Non-Food) of the Government of Sindh. The Provincial Government obtains loans from commercial banks under counter-finance arrangement with the SBP for financing operation of State Trading in food grains (wheat procurement). Once the procured wheat is released from public godowns, the sale proceeds are directly deposited in Account No II to retire the loan taken from the consortium of banks. The amount of floating debt (Account No II) has been pitched at Rs. 39 billion for the financial year 2014-15.

4.3. CURRENT CAPITAL EXPENDITURE (CCE)

Current capital expenditure comprises following three major components:

- Debt servicing

  This component comprises two parts i.e., Debt Servicing and Repayments. Former deals with payment of interest whereas latter pays back principal amount against Domestic/ Foreign Loans to the Federal Government and all other loans.

- Loans and Advances,

  Funds, under this budgetary classification, have been provided for Non-Development activities of Local Bodies and Non-Financial Institutions. The Loans to these Local Bodies / Institutions etc; are advanced on certain specified terms and conditions under which the loans are repayable.

- Investment

  Allocations are made for the investment purposes to generate capital assets and earning of returns to meet future liabilities on account of various funds i.e. Sindh Social Relief Fund, Viability Gap Fund, Coal Development Fund and Education City Fund etc.

The trend over the past four years and current estimates of the CCE are illustrated as below:

Table 4.2

Current Capital Expenditure (Rs. In Million)								Growth (%)		Ave (%)
	Actual				BE	RE	BE	RE*	BE**	Actual
	2009-10	2010-11	2011-12	2012-13	2013-14	2013-14	2014-15	2013-14	2014-15	2009-12
Repayments/Loans and Adv.	5,922	5,947	9,275	13,120	18,127	19,036	12,055	45.09	-33.50	30.36
Government Investmnt	7,587	9,116	17,030	3,813	12,465	10,000	21,865	162.26	75.41	-20.49
Employee Related Benefits	28	78		194	710	700	810	-	14.08	90.64
Total	13,537	15,141	26,305	17,127	31,302	29,736	34,730	73.62	10.95	8.16
Repayments Account-II	23,156	28,570	27,250	30,350	39,000	39,000	39,000	28.50	0.00	9.44

* Represents percentage increase in Revised Estimates 2013-14 over actuals of 2012-13.

** Represents percentage increase in Budget Estimates 2014-15 over Budget Estimates 2013-14.

The CCE has increased by an average growth of 9.4% during 2009-10 to 2012-13. The decrease is 10.9% with an allocation of Rs. 34.7 billion for BE 2014-15 over the BE 2013-14 of Rs.31.3 billion.

The Table 4.2 indicates that the debt servicing, on an average, has remained the largest component of the CCE in the past. For the financial year 2014-15, the Government Investment for the various Funds is the major component of total CCE. This shows a position in terms of meeting the future liabilities of the government under these heads.

5. DEVELOPMENT BUDGET

5.1. INTRODUCTION

The government spending on development sector plays a very important role in the economic growth of a country. Development Sector generates employment opportunities, rotates capital in the economy and creates development activities etc. Thus policy makers always attach priority to the development sector. However, this depends on the availability of funds after the allocation of operational expenditures of a government such as payment of salaries and utilities etc. In this regard the most important initiative of a government is the establishment of basic infrastructures of the country that acts as a catalyst for the domestic and foreign investments.

There are two development programs in Pakistan namely Public Sector Development Program (PSDP) and Annual Development Program (ADP). PSDP encompasses federal development program whereas provincial development program is shaped in ADP. The federal and provincial governments have established various forums for approval of development schemes having ceiling for each. These include Executive Committee of the National Economic Council (ECNEC), Central Development Working Party (CDWP), Provincial Development Working Party (PDWP) and District Development Working Party (DDWP) for approving the development plans. The development programs help the governments to achieve its short and long term goals and socio-economic objectives. The development program of the province of Sindh is funded through its own resources, funds provided by Federal Government and counterpart funding by international donors either in shape of grants or soft loans.

Table 5.1 shows the trend in actual expenditure incurred by Government of Sindh in development sector during last four years (2009-13) and estimation for BE/RE 2013-14 and BE 2014-15. An average growth of 35.98% in revised allocation under provincial ADP during 2009-13 was quite significant and spelled out that the Provincial Government remained actively engaged in development activities in Sindh.

Table 5.1

Total PSDP (Rs. In Million)								Growth (%)		Ave (%)
	Revised Allocations					Allocations		*Revised Allocation	**Allocation	Revised Allocation
Year	**2009-10**	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2013-14**	**2014-15**	**2013-14**	**2014-15**	**2009-13**
Provincial ADP	60,018	56,394	102,000	97,500	115,000	185,000	168,000	60.87	-9.19	35.98
District ADP***	15,000	18,000	20,000	0	0	0	0	-	-	-20.00
Total ADP	**75,018**	**74,394**	**122,000**	**97,500**	**115,000**	**185,000**	**168,000**	**60.87**	**-9.19**	**24.79**
Federal / Donor Funding	**15,045**	**23,497**	**33,860**	**22,837**	**37,013**	**44,937**	**47,359**	**21.41**	**5.39**	**42.96**
Total PSDP	**90,063**	**97,891**	**155,860**	**120,337**	**152,013**	**229,937**	**215,359**	**51.26**	**-6.34**	**27.82**

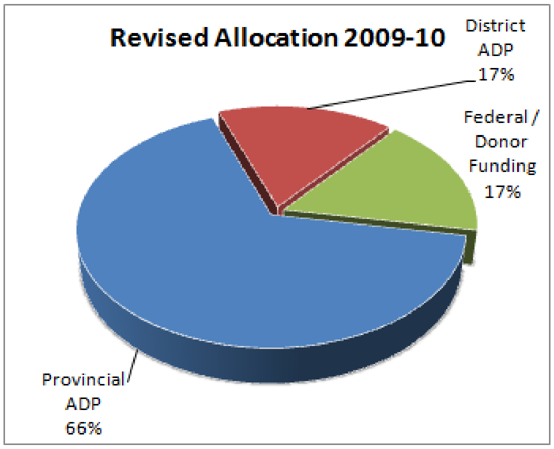
* Represents percentage increase in 2013-14 Allocations over 2013-14 Revised Allocations.

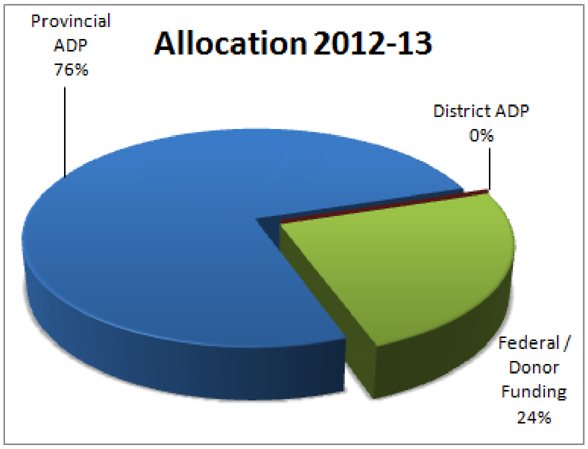
** Represents percentage increase in 2014-15 Allocations over 2013-14 original Allocations.

*** Average Percentage shows the result for the Year 2009-10 to 2012-13. Since 2013-14 onward the Distrcit ADP has been merged in Provincial ADP.

The summary position of the total revised development allocations for last five years (2009-10 to 2013-14) has been illustrated in Table 5.1. The size of ADP has increased from Rs. 60.0 billion in 2009-10 to Rs. 97.5 billion in 2012-13, which shows an average annual growth of 36%. Federally funded schemes come through vertical programs of the Federal Government and it includes all sector related schemes. The major contributors under Donor funding are the World Bank and Asian Development Bank etc. The Combined growth in federal and donor funding recorded 43% during 2009-13. The aggregate look of PSDP depicts a significant growth of 27.82% during the same period. In absolute term, the size of total PSDP grew from Rs.90.1 billion in 2009-10 to Rs.152 billion in 2013-14. However, the total Development portfolio has been earmarked Rs.215.4 billion during 2014-15 as against of Rs.229.9 billion in FY 2013-14. This shows minor decline of 6.3% which is due to less estimation against Donor funding.

Above figures is shown graphically as below:





5.2. DEVELOPMENT BUDGET:

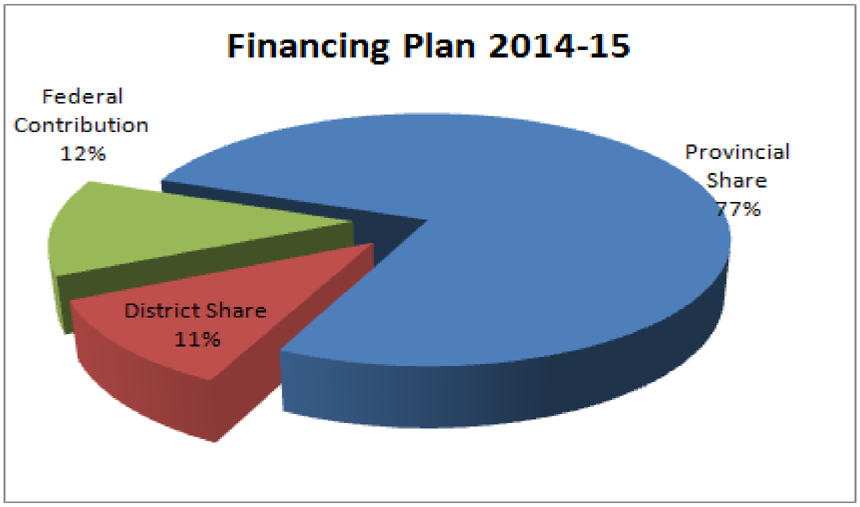
The Government of Sindh allocates bulk amount from its own resources for carrying out development activities.

5.2.1. FINANCING ARRANGEMENT (RESOURCES)

PSDP of Sindh for the FY 2014-15 has been financed through provincial contribution, foreign / donor assistance and federal grants. Table 5.2 depicts the details of financing for FY 2014-15. Graphical depiction of the above figures shows that the major chunk of development funding i.e., 76.47% comes from the Provincial Government, followed by 12.36% by federal contribution and 11.16% of donor/external assistance.

Table 5.2

FINANCING PLAN	2013-14		2014-15	% Share
	Allocation	Revised Allocation	Allocation	
Provincial Share	**163,362**	**101,259**	**153,939**	**76.47**
Carryover Cash Balance	-5,000	-6,175	5,000	
Provincial Contribution	168,362	107,434	148,939	
Net Current Account	173,221	120,333	163,230	
Net Capital Account	-12,859	-17,899	-16,291	
Net Public Account	8,000	5,000	2,000	
Donor / External Assistance	**29,558**	**23,513**	**22,474**	**11.16**
Foreign Project Assistance (FPA)	29,558	23,513	22,474	
Federal Contribution	**15,379**	**10,803**	**24,885**	**12.36**
DERA	0	0	0	
Other Federal Grants	15,379	10,803	24,885	
Total Development Financing	**208,299**	**135,575**	**201,298**	**100.00**



The above graph shows that the Government of Sindh provides major chunk of funds for development sector.

5.2.2. SPENDING PLAN (EXPENDITURE)

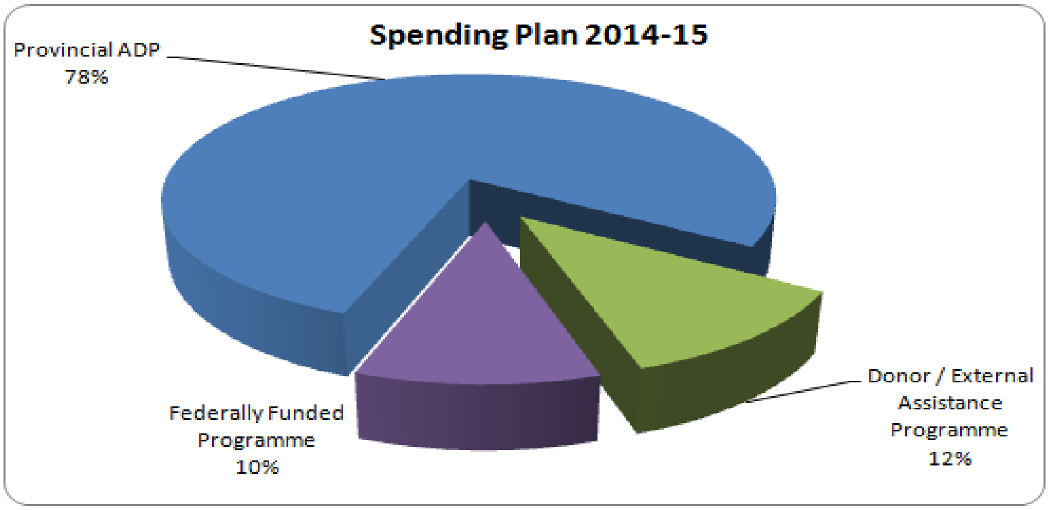
Table 5.3

SPENDING PLAN	2013-14		2014-15
	Allocation	Revised Allocation	Allocation
Provincial ADP	**185,000**	**115,000**	**168,000**
Donor / External Assistance Programme	**29,558**	**23,513**	**24,885**
FPA Sectoral Allocations	29,558	23,513	24,885
Federally Funded Programme	**15,379**	**13,500**	**22,474**
DERA Projects	0	0	0
Other Federally Funded Projects	15,379	13,500	22,474
Total Sindh PSDP	**229,937**	**152,013**	**215,359**

Table 5.3 shows broad categorization of Sindh's PSDP 2014-15. The development outlay of Sindh consists of Rs. 168.0 billion including Rs. 25.0 billion of District ADP Rs.24.8 billion External/ Donor Assisted component and Rs.22.5 billion Federally Funded Projects.

Figure 5.4 reflects the share of each component of the total development outlay graphically:

Figure 5.4



5.2.3. NET DEVELOPMENT BUDGET

The comparison of Table 5.2 and Table 5.3 reveals that the development outlay for the next financial year 2014-15 will rationalize its financing; however, the overall trend in budget deficit revised down from Rs. 21.637 billion to Rs. 16.438 billion in 2013-14 and has been estimated at Rs. 14.061 billion in Financial Year in 2014-15.

5.3. SALIENT FEATURES OF PROVINCIAL ADP 2014-15

The Provincial Government pays special attention and gives priority to the development sector. The allocation focuses on providing services and initiate programs to give relief and move towards long term economic consolidation and growth. In the financial year 2014-15, the Government of Sindh has allocated funds to more than thirty five sectors including Social, Economic, Mines, Education and Investment sectors. The major features of Development Portfolio for FY 2014-15 are as under:

- The total size of Development Portfolio is amounting to **Rs. 215.4 billion**. Its bifurcation is as under:
  - Provincial ADP Rs. 143.0 billion
  - District ADP Rs. 25.0 billion
  - Federal Development Grants Rs. 14.5 billion
  - Foreign Project Assistance Rs. 24.9 billion
- Rs.168.0 billion has been earmarked for Provincial and District ADP for 2014-15 against Rs.185.0 billion in Financial Year 2013-14, indicating a decrease of 9%.
- In terms of sectoral allocation; the biggest share of 32% has gone to Economic Sector where budget allocation has been raised from Rs.68.9 billion in Financial Year 2013-14 to Rs.54.2 billion in Financial Year 2014-15. This includes Labour, Agriculture, Irrigation, Land Reclamation, Forestry, Fishing, Construction, Roads etc.
- The allocation provides funds for 2937 schemes include 1658 on-going and 1279 new schemes covering a road network and improvement in bridges in the province of Sindh.

5.4. REVIEW AND ANALYSIS OF PROVINCIAL ADP 2014-15:

Sector wise allocations of the Provincial Annual Development Plan for 2014-15 have been reflected in Table 5.4. Although the Provincial ADP for FY 2014-15 has been reduced by 9% over Provincial ADP 2013-14, yet a huge allocation of Rs.10.7 billion for education sector has been kept. Through this allocation a large number of schemes which include establishment of 10 news Public Schools and 8 new cadet colleges will be completed. Completion of these schemes will have far-reaching benefits to individuals and society and will help achieve sustainable economic development of Sindh.

Health Sector has been given a very handsome allocation of Rs.13.2 billion. Through this allocation not only the pace of on-going schemes will be increased but also 84 new key schemes will be started. Their completion will have a salutary effect on economic development.

Provision of uninterrupted energy is imperative for economic development. To realize this objective, a very significant allocation of Rs.20.47 billion has been made.
Irrigation is the lifeline of agriculture. Rs.8.62 billion has been allocated for irrigation sector for improvement of irrigation and drainage network and restoration of flood protection embankment on left and right banks of the river Indus.

Agriculture, being the mainstay of Sindh's economy, has been given a substantial allocation of Rs.4.4 billion for its development budget. The major schemes will be initiated for sustainable agriculture development and conservation of 800 water courses.

Livestock & Fisheries sectors have been allocated Rs.2.07 billion from development budget, with overall focus on improving per unit animal productivity and moving from subsistence to market oriented and then to commercial livestock, poultry and fish farming in the Province.
The development in various sectors will help increase the economic growth of the country in general and of Sindh in particular.

Table 5.4								
Annual Development Programme(ADP)								
S.#	**SECTOR**	**No. of Schemes for 2014-15**			**Allocation for 2014-15**			
		On-Going	**New**	**Total**	**On-Going**	**New**	**Total**
	A- PROVINCIAL PROGRAMME						
1	Agriculture	22	9	31	3,260	1,216	4,476
2	Auqaf,Zakat & Religious Affairs	9	10	19	183	53	236
3	Board of Revenue	7	0	7	3,150	0	3,150
4	Chief Minister Secretriat	0	2	2	0	130	130
5	Cooperative	1	0	1	27	0	27
6	Culture,Tourism & Antiquities	80	19	99	1,362	240	1,602
7	New Development Initiatives	0	1	1	0	5,000	5,000
8	Education	116	263	379	8,519	2,190	10,709
9	Energy	24	13	37	13,780	6,695	20,475
10	Excise & Taxation	2	5	7	107	70	176
11	Finance	1	3	4	15	16	31
12	Food	1	1	2	250	110	360
13	Forest, Environment & Wildlife	19	4	23	838	128	966
14	Governor Secretriat	3	1	4	104	10	114
15	Health	125	84	209	11,197	2,027	13,224
16	Home	36	47	83	1,252	330	1,582
17	Industries	4	7	11	101	24	125
18	Information and Archives	2	9	11	84	156	240
19	Information Technology	8	8	16	407	347	754
20	Irrigation	160	150	310	6,991	1,629	8,620
21	Katchi Abadies	1	1	2	30	57	87
22	Labour	5	3	8	83	20	103
23	Law P.A. Prosecution & Human Rights	24	28	52	424	91	515
24	Livestock & Fisheries	22	4	26	1,976	94	2,070
25	LG. RD, PHE and HTP	357	297	654	12,309	9,577	21,886
26	Matching Allocation	2	1	3	1,151	849	2,000
27	Mega Projects/Flagship Schemes	0	1	1	0	6,000	6,000
28	Mines & Mineral Development	6	2	8	191	88	279
29	Minorities Affairs	6	7	13	424	143	567
30	Planning & Development	13	4	17	1,873	2,341	4,214
31	Population Welfare	2	1	3	1,060	700	1,760
32	Provincial Assembly	3	1	4	880	2	882
33	Provincial Ombudsman	1	0	1	17	0	17
34	Rehabilitation (PDMA)	1	3	4	79	281	360
35	Services,General Administartion and Cord.	17	27	44	1,325	320	1,645
36	Sindh Board of Investment	6	2	8	375	2,001	2,376
37	Sindh Revenue Board	0	2	2	0	480	480
38	Social Welfare	6	2	8	135	18	153
39	Special Education	0	2	2	0	180	180
40	Special Initiatives	7	4	11	6,300	3,900	10,200
41	Sports & Youth Affairs	48	20	68	957	195	1,152
42	STEVTA	6	9	15	560	160	720
43	Transport	2	2	4	157	3,059	3,216
44	Women Development	11	5	16	268	45	313
45	Works and Services	491	215	706	7,793	1,951	9,744
46	Allocation for 21 Schemes of ADP 2013-14	1	0	1	42	42	84
47	Block Allocation for Districts Development	0	0	0	0	0	25,000
	GRAND TOTAL	**1,658**	**1,279**	**2,937**	**90,035**	**52,965**	**168,000**

5.5 ANALYSIS OF THE DEVELOPMENT EXPENDITURE:

Table 5.5 shows development expenditures in Chart of Classification which remained in vogue from the financial years 2008-09. Now the same has been replaced by New Accounting Model (NAM). Table 5.5 shows increase in expenditure to Rs.67.2 billion Financial Year 2009-10 to Rs. 102.2 billion in Financial Year 2012-13.

As mentioned earlier, the governmental development expenditure plays a catalytic role towards the economy of the country. The trend in Provincial ADP and PSDP shows that Government of Sindh is fully aware of this. The Provincial Government is giving high priority to its various development programs. Energy, Water and Power, Agriculture, Education and Health sectors are especially on the top of the agenda of the Government.

TheTable 5.5 also depicts the scenario of PSDP expenditure (functional distribution) from Financial Year 2009-10 to 2012-13. Higher share went to Economic Affairs followed by Social Protection, Health and Education sectors.

Table 5.5

Total PSDP Expenditure (Functional Distribution) (Rs. In Million)

	Actual				Ave (%)
	2009-10	**2010-11**	**2011-12**	**2012-13**	**2009-12**
Transfers	66	9,407	18,864	0	**-100.00**
Personal Services		15	0	0	**#DIV/0!**
Population Planning	920	1,144	1,409	1,811	**25.33**
Informaton Technoloyg	355	140	1,029	1,182	**49.32**
Statistics	1,742	0	372	1,095	**-14.34**
General Public Services not elsewhere defined	33	32	65	225	**89.62**
General Public Services	3,116	10,738	21,739	4,313	11.45
Courts/Justice	35		160	0	-100.00
Police				0	#DIV/0!
Jails and Convict Settlement				0	#DIV/0!
Public Order and Safety Affairs	35	0	160	0	-100.00
Commercial and Labour Affairs	25	4	4	51	26.83
Agriculture	4,691	4,066	5,444	3,987	-5.28
Irrigation	5,234	4,534	226	14,624	40.85
Land Reclamation	0			35	#DIV/0!
Forestry	393	414	493	365	-2.43
Fishing	620	448	1,059	240	-27.12
Food	108				-100.00
Fuel and Energy	1,502	164	13,144	7,653	72.08
Minining and Manufacturirng	2,325	4,250	5,581	6,997	44.38
Construciton and Transport	16,430	12,338	22,676	8,988	-18.21
Economic Affairs	31,328	26,218	48,627	42,940	11.08
Waste Water Managemnt	2,262	1,104	1,457	1,541	-12.01
Administration of Environment	53	173	780	877	154.82
Environment Protection	2,315	1,277	2,237	2,418	1.46
Rural Works Programme			2,189	0	#DIV/0!
Works (Construciton) & Operation	3,086	1,413	2,523	1,922	-14.60
Hosing and Community Ammenities	3,086	1,413	4,712	1,922	-14.60
General Hospital Services	4,242	2,230	6,109	6,182	13.38
Population Planning	18		1,591	4,252	518.17
Other Health Facilities	74	1,601			-100.00
Research and Dev. Health		31	78		#DIV/0!
PHC Administration/Training	3		6	5	18.56
Health	4,337	3,862	7,784	10,439	34.02
Promotion of Cultural Activities	593	465	997	612	1.06
Broadcasting and Publishing	6				-100.00
Recreational, Culture and Religion	599	465	997	612	0.72
Pre-Primary	0	8,309	8,309	4,150	#DIV/0!
Secondary Educatin	3,662	68	68		-100.00
General Universities,Colleges,Inst.	3	337	337	435	425.36
Professional/Tech. Univer./Coll./In.		1,294	1,294	942	#DIV/0!
Others	1,551	124	124		-100.00
Administration					#DIV/0!
Education	5,216	10,132	10,132	5,527	1.95
Social Welfare	869	14,556			-100.00
Other Social Protection	16,328		21,114	34,082	27.80
Social Protection	17,197	14,556	21,114	34,082	25.61
Grand Total	**67,229**	**68,661**	**117,502**	**102,253**	15.00

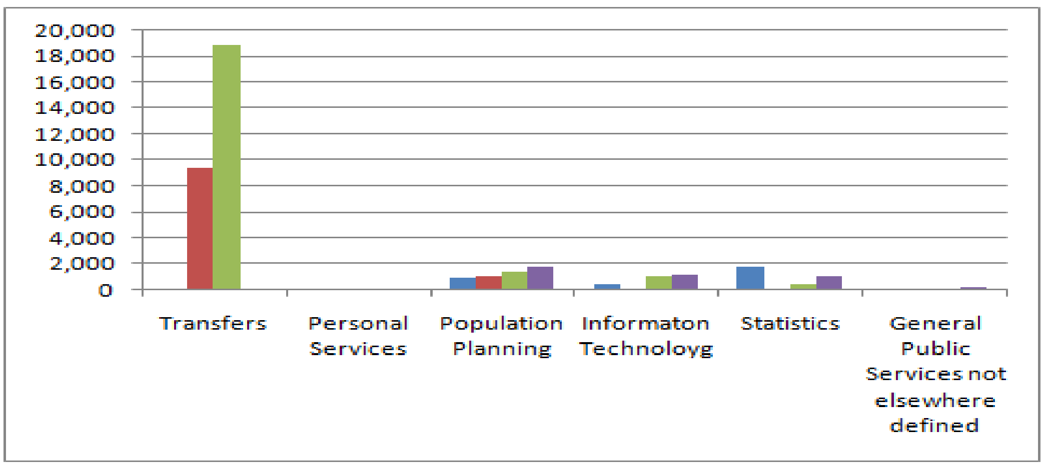
Note:- Actual Figures includes Federal Grants.

5.5.1 GENERAL PUBLIC SERVICES

In terms of sectoral allocation and as per table 5.6 the total amounting of Rs.4.3 billion was pitched in 2012-13 ADP which was less in comparison to that of Financial Year 2011-12 which stood to Rs.21.7 billion. The sector includes transfers, personal services, population planning and Information Technology etc.

Table 5.6

General Public Service (Rs. In Millions)					Ave (%)
	Actual				Actual
	2009-10	2010-11	2011-12	2012-13	2009-12
Transfers	66	9,407	18,864	0	-100.00
Personal Services	0	15	0	0	#DIV/0!
Population Planning	920	1,144	1,409	1,811	
Informaton Technoloyg	355	140	1,029	1,182	
Statistics	1,742	0	372	1,095	-14.34
General Public Services not elsewhere defined	33	32	65	225	
General Public Services	**3,116**	**10,738**	**21,739**	**4,313**	**11.45**



5.5.2 PUBLIC ORDER & SAFETY

The sector includes courts/justice, police and jails and convict settlement. No allocation was made in Financial Year 2010-11 to Financial Year 2012-13.

Table 5.7

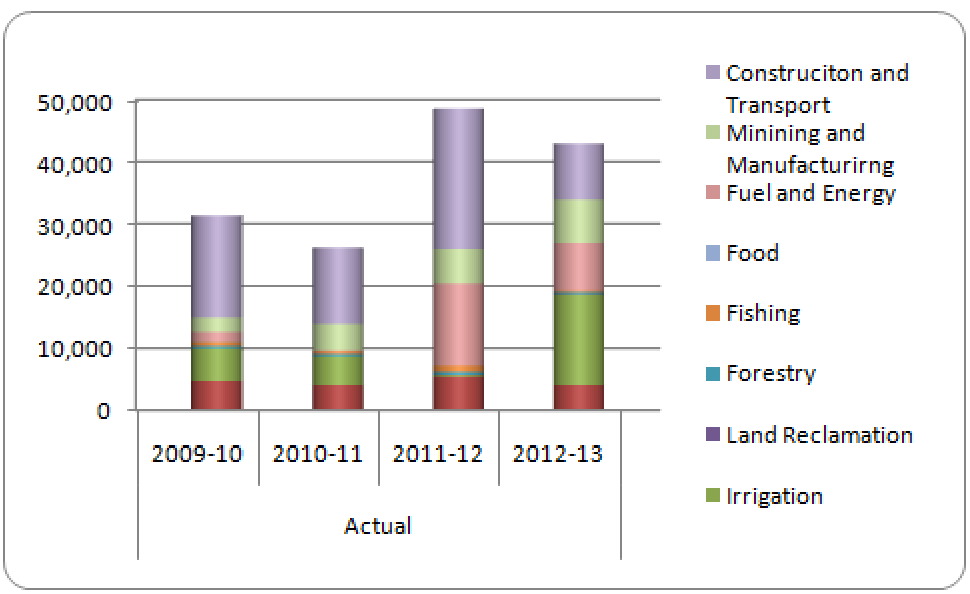
Public Order & Safety Affairs (Rs. In Millions)					Ave (%)
	Actual				Actual
	2009-10	2010-11	2011-12	2012-13	2009-12
Courts/Justice	35	0	0	0	-100.00
Police	0	0	0	0	
Jails and Convict Settlement	0	0	0	0	
Public Order and Safety Affairs	**35**	**0**	**0**	**0**	**-100.00**

5.5.3 ECONOMIC AFFAIRS

Agriculture is back bone of economy of the province of Sindh. It includes plant protection, research, education, mechanization, marketing and extension services whereas Livestock covers food storage, animal husbandry and fisheries. The sector also covers other important areas like Irrigation, Forestry, Fishing, Food, Fuel and Energy and construction and transport etc. Table 5.8 shows major utilization on Construction and Transport followed by Fuel and Energy, Mining and Manufacturing and Agriculture during the utilization period of FY 2012-13.

Table 5.8

Economic Affairs (Rs. In Millions)					Ave (%)
	Actual				Actual
	2009-10	2010-11	2011-12	2012-13	2009-12
Commercial and Labour Affairs	25	4	4	51	26.83
Agriculture	4,691	4,066	5,444	3,987	-5.28
Irrigation	5,234	4,534	226	14,624	40.85
Land Reclamation	0	0	0	35	-
Forestry	393	414	493	365	-2.43
Fishing	620	448	1,059	240	-
Food	108	0	0	0	-100.00
Fuel and Energy	1,502	164	13,144	7,653	-
Minining and Manufacturirng	2,325	4,250	5,581	6,997	44.38
Construciton and Transport	16,430	12,338	22,676	8,988	-18.21
Economic Affairs	**31,328**	**26,218**	**48,627**	**42,940**	**11.08**



5.5.4 AGRICULTURE

Agriculture sector includes plant protection, research, education, mechanization, marketing and extension services whereas Livestock covers food storage, animal husbandry and fisheries.

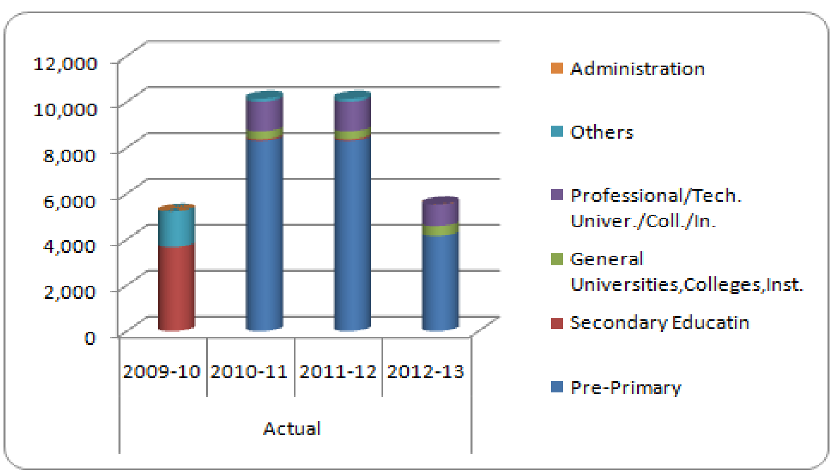
5.5.5 IRRIGATION AND WATER

The economy of Sindh, being predominantly agricultural, is inextricably linked with sufficient availability of water. Thus, Government of Sindh has given top priority and serious attention to *irrigation and water management*.

5.5.6 EDUCATION

Table 5.9

Education (Rs. In Millions)	Actual				Ave (%) Actual
	2009-10	2010-11	2011-12	2012-13	2009-12
Pre-Primary	0	8,309	8,309	4,150	#DIV/0!
Secondary Educatin	3,662	68	68	0	-100.00
General Universities,Colleges,Inst.	3	337	337	435	425.36
Professional/Tech. Univer./Coll./In.	0	1,294	1,294	942	#DIV/0!
Others	1,551	124	124	0	-100.00
Administration	0	0	0	0	-
Education	**5,216**	**10,132**	**10,132**	**5,527**	**1.95**



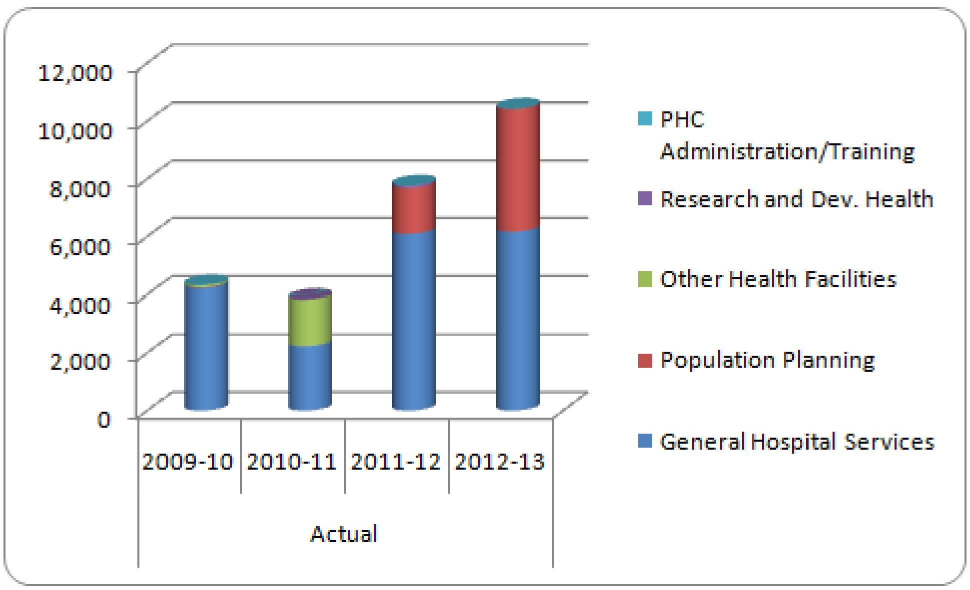
Lower enrolments and poor quality of education is a result of poor governance. Institutional weaknesses, lack of monitoring and absence of accountability. It has impacted adversely on outcomes of the sector. The Government of Sindh has been working on a reform agenda in this sector. In order to improve education of the province, Sindh Education Social Reforms Program has been launched with the assistance of the World Bank.

5.5.7 HEALTH

The development allocation for the health sector comprises General Hospital Services, Population Planning, Other Health Facilities, Research and Development Health and PHC Administration/Training.

Table 5.10

Health (Rs. In Millions)					Ave (%)
	Actual				Actual
	2009-10	2010-11	2011-12	2012-13	2009-12
General Hospital Services	4,242	2,230	6,109	6,182	13.38
Population Planning	18	0	1,591	4,252	518.17
Other Health Facilities	74	1,601	0	0	-100.00
Research and Dev. Health	0	31	78	0	-
PHC Administration/Training	3	0	6	5	18.56
Health	**4,337**	**3,862**	**7,784**	**10,439**	**34.02**



6. DEBT AND CONTINGENT LIABILITIES

6.1 INTRODUCTION

Generally, government has four options to procure finance for running its day to day affairs. Among them taxation holds pivotal position while debt financing and money creation come to the next. Under current global scenario, borrowing, domestically or abroad has become an essential tool for the economic activity. Conventionally, a government borrowing is referred to as ‘Public Debt’. If the government follows an internal borrowing (i.e., from its own citizens) the public debt is termed as a domestic or internal debt, and if it takes loans from foreigners then the public debt is called foreign or external debt.

Public borrowing is made on a national scale by central/federal governments and on a lesser scale by provincial/state, district and local authorities. Government procures debt to meet expenditures that remain uncovered by revenues; or to seek to improve economic conditions. The financing need for a ‘big push’ in economic development usually leads to accumulation of the public debt. A prudent public debt management always strives to maintain the ratio between the stock of debt and capacity to service it without any sacrifice of the economic goals. The conventional wisdom holds that the growth in public debt should be maintained with the growth in revenues.

Although, the Government of Sindh's data on debt do not transmit any signal for its sustainability however the recent PEFA 2012-13 assessment indicated some weaknesses in its debt management that tempted provincial authorities to embark upon the Debt Management Performance Assessment (DeMPA) in collaboration with the World Bank. The DeMPA aimed to measure the performance of sub-national government debt management and capture the elements for prudent debt management practices. This subject will be covered in a separate section before closing of this Chapter.

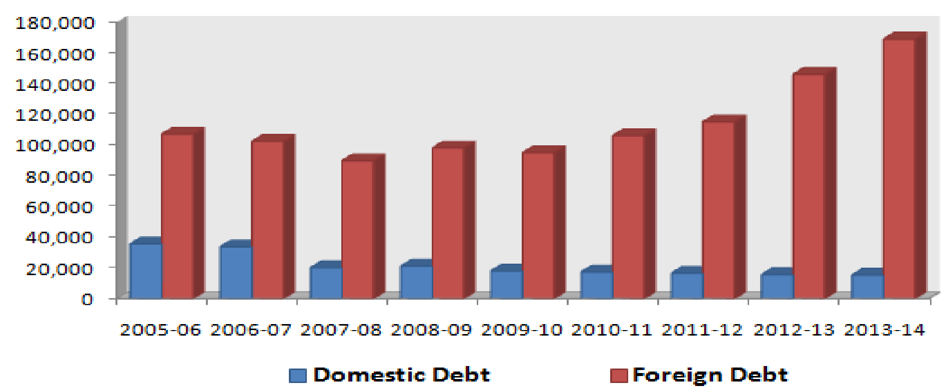
6.2 DEBT PORTFOLIO

The public debt portfolio of the Government of Sindh comprises of domestic debt and foreign debt. The domestic debt portfolio comprises Cash Development Loans (CDLs) namely as CDLs-Normal and CDLs-SCARP. Its external debt portfolio includes soft-term and commercial loans. The major donors are World Bank (IDA-Credit), Asian Development Bank Loans (ADB-Loans) and it also procures foreign loans from other international agencies also.

Table 6.1 shows yearly growth and outstanding stocks of domestic and foreign debt of Government of Sindh for the period from 2005-06 to 2012-14. The domestic debt portfolio depicts a declining trend in its stock, however, the stock of foreign debt shows an average growth of 27.7% during the aforesaid period. The domestic debt stock recorded a negative growth of 15.2% that was owing to speedy retirement of CDLs. The FY 2006-07 witnessed a negative growth while growth during FY 2007-08 and 2009-10 in foreign debt remained at bare minimum level. The reconciliation with Economic Affairs Division (EAD) revealed Rs. 169.2 billion of stock as on 30th June, 2014 that includes on-going debt (i.e., servicing of these debt is being made). The domestic debt recorded a negative growth due to accelerated retirement of Cash Development Loans whereas the foreign debt recorded an average growth of 27.7% during 2005-14.

Table 6.1						
DEBT LIABILITY						
						Rs. in million
Years	Domestic Debt	Growth %	Foreign Debt	Growth %	Total	Growth %
2005-06	35,752	-	71,425	-	107,177	-
2006-07	33,916	-5.1%	68,572	-4.0%	102,488	-4.4%
2007-08	20,285	-40.2%	69,677	1.6%	89,962	-12.2%
2008-09	21,290	5.0%	76,937	10.4%	98,227	9.2%
2009-10	18,198	-14.5%	76,988	0.1%	95,186	-3.1%
2010-11	17,484	-17.9%	88,849	15.5%	106,333	8.3%
2011-12	16,661	-8.4%	98,636	28.1%	115,297	21.1%
2012-13	15,772	-13.3%	130,476	69.5%	146,248	53.6%
2013-14	15,408	-11.9%	153,751	73.0%	169,159	59.1%
Average Growth		**-15.2%**		**27.7%**		**18.8%**

Figure 6.1



In addition to Rs. 169.2 billion, an amount of Rs. 23.5 billion on account of debt under disbursement (disbursement not completed/servicing not started) will become the part of GoS debt stock in coming years.

6.3 FOREIGN AND DOMESTIC LOANS

6.3.1 DOMESTIC LOANS

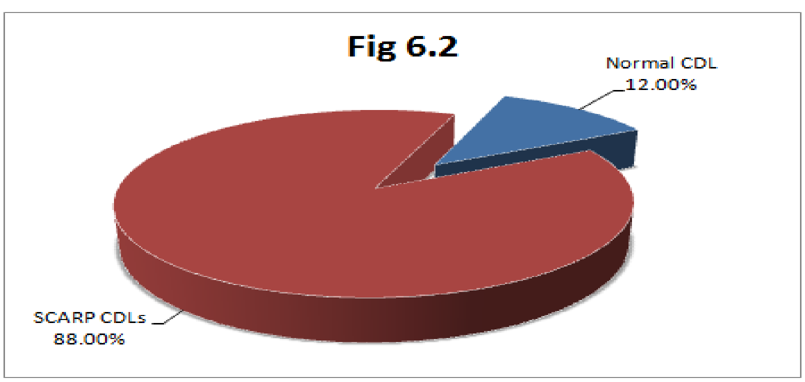
Table 6.2 shows the outstanding payable by Sindh Government towards Federal Government on account of Normal CDLs and SCARP CDLs. The Normal CDLs are development loans extended by Federal Government to provincial government for financing its Annual Development Programme (ADP). The interest rates on CDLs range from 7.42% to 17.71% per annum. These loans include a total amortization period of twenty five years including a five years of grace period. During grace period, the borrower is required to pay interest on original loan only and thereafter the payment of principal amount is started. Figure 6.2 shows the composition of Normal and SCARP CDLs which are 12% and 88% respectively. Table 6.2 shows the trend of retirement of CDLs since June, 2006. During 30th June, 2006 to 3oth June, 2014, the GoS retired Rs. 16.2 billion of its Normal CDLs out of Rs. 18.3 billion (88.5% retirement of Normal CDLs). No new CDLs were taken by the GoS during the aforesaid period. In case of SCARP CDLs, the situation is different as new loans for SCARP are routine feature which directly channelized from Federal Government to WAPDA for the execution of these projects for Sindh.

Table 6.2

Domestic Debt Liability

Rs. in Million

	30.6.2006	30.6.2007	30.6.2008	30.6.2009	30.6.2010	30.6.2011	30.6.2012	30.6.2013	30.6.2014
Normal CDLs	18,291	9,593	5,051	4,895	2,573	2,474	2,364	2,240	2,101
SCARP CDLs	15,626	15,057	16,240	15,638	14,911	14,187	13,408	12,586	15,408
Grand Total	**33,917**	**24,650**	**21,291**	**20,533**	**17,484**	**16,661**	**15,772**	**14,826**	**17,509**



6.3.2 FOREIGN LOANS

Table 6.3			
Foreign Debt Liability Details			
Amount in Million as on June 30, 2014			
Donor / Lender	No. of Loans	Interest Rate	Loan Amount Pak Rs.
IDA	44	0.75%	97,702
ADB	37	1.00%	46,128
Japanese	2	2.60%	8,597
IBRD	1	1.00%	393
IFAD	2	1.00%	204
OPEC	1	1.50%	**727**
Sub-Total	**87**		**153,751**

The need for foreign loan arises under the scarcity of domestic resources and no doubt they are used for the domestic capital formation. Great care is needed in handling foreign loans as it is inherent with foreign exchange risk problems. Especially the time factor plays a vital role in projects funded with foreign loans therefore the timely completion of foreign aided projects need priority consideration.

Table 6.3 shows that external funding has been procured mostly through World Bank (WB) and Asian Development Bank (ADB) that constitute 63.5% and 30.0% respectively of the total foreign loan. The third major source of funding comes through Japan indicating a share of 5.6%. Rest of the loans hold almost negligible share. Figure 6.3 depicts a glimpse of proportionate share of each donor in GoS foreign debt portfolio.

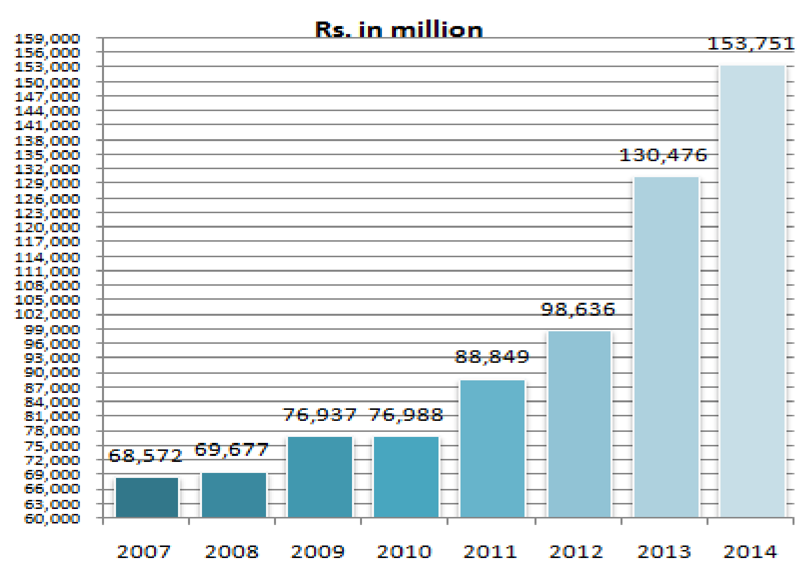
The foreign loans have been procured on both concessional and commercial rates. All WB loans have been taken on concessional lending rates while ADB loans are based on mixed mode i.e., concessional and commercial rates both, however its major portions are on concessional term. The basic difference between these two kinds of lending is the rate of interest and the length of maturity. Usually, in concessional

Table 6.4								
Foreign Debt Liability								
Amount in Million as on June 30								
Year	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Amount	68,572	69,677	76,937	76,988	88,849	98,636	130,476	153,751

lending, the maturity period indicates a longer span of time for the repayments of loan as compared to commercial lending and the rates of interest vary from 1 to 2%. On the other hand, the commercial lending is usually based on London Inter Bank Offered Rates (LIBOR) with shorter maturity period.

Table 6.4 shows an upward trend in foreign loans of GoS since 2007. The year 2013 witnessed big jump over 2012 and similar trend followed in 2014 over 2013 because of inclusion of closed foreign debt (disbursements recently completed) plus the impact of depreciation in domestic currency.

Fig 6.4



In addition to domestic and foreign debts, the General Provident Fund is another big component of Sindh Government's liabilities which is the second biggest component. The total debt liability of the Government of Sindh comprising of foreign and domestic loans and GPF liability is given in Table- 6.5.

Table 6.5		
Total Debt Liability(Rs. In Million)		
Category of Loans	**Amount**	**Percentage**
Foreign Loans	153,751	55.55
Cash Development Loans	17,509	6.33
Accumulated GPF Liability	105,517	38.12
Grand Total	**276,777**	**100.00**

Figure 6.5 shows that more than half of the total debt liability comprises of foreign loans, followed by 38.1% of GPF liability, while the domestic loans constitutes 6.3% of the total liabilities of GoS.

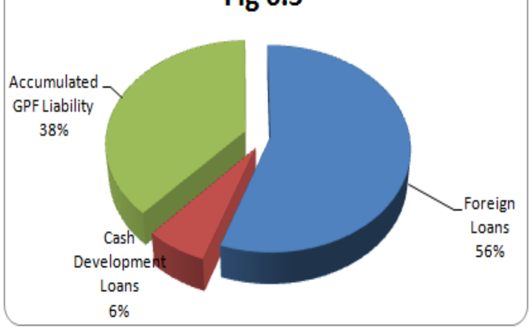


Fig 6.5

6.4 DEBT SERVICING:

The debt servicing includes the payments on accounts of interest and principal against domestic and foreign debt. The payments on interest are booked under Current Revenue Expenditure while that of principal are the part of Current Capital Expenditure. These payments are made through at source deductions by Federal Government from monthly divisible pool share of the Provincial Government. The interest on GPF deposits is booked annually in favor of the depositors however it is paid at the time of actual disbursement of the fund to the individuals.

Table 6.6 depicts the position of debt servicing since 2009-10. The actual repayments trend in four years (2009-10 to 2012-13), Revised Estimates 2013-14 and Budget Estimates 2014-15. The trend in growth during 2009-12 shows the speedy retirement of CDLs and regular debt servicing payments.

Table 6.6

Debt Servicing (Rs. In Millions)								Growth (%)		Ave (%)
	Actual				BE	RE	BE	RE*	BE**	Actual
	2009-10	2010-11	2011-12	2012-13	2013-14	2013-14	2014-15	2013-14	2014-15	2009-12
Principal	5,917	5,922	9,275	13,120	17,499	18,285	10,978	39.37	-37.26	30.40
Interest	3,630	3,664	5,611	3,917	3,645	4,648	4,102	18.66	12.54	2.57
Total	9,547	9,586	14,886	17,037	21,144	22,933	15,080	34.61	-28.68	21.29

* Represents percentage increase in Revised Estimates 2013-14 over actuals of 2012-13

** Represents percentage increase in Budget Estimates 2014-15 over Budget Estimates 2013-14.

The principal re-payments recorded an average growth of 30.4% during 2009-12, while the growth in interest payments was 2.6%. The estimates for principal re-payments in RE 2013-14 over actual 2012-13 show substantial increase. The estimation for FY 2014-15 under principal re-payment is substantially less as compared to BE/RE 2013-14. The increase/decrease in principal re-payment and interest payment may be either due to decrease in stock of domestic debt (CDLs-Normal), inclusion of new CDLs-SCARP in domestic debt portfolio, debt servicing on closed foreign debt (disbursement recently completed) plus the impact of depreciation in domestic currency. However, a higher growth in principal re-payments as compared to interest payments signals a positive sign for provincial public debt management. As it indicates reduction in cost because of speedy/timely (CDLs-Normal)/(CDLs-SCARP & Foreign Debt) retirement of debt.

6.5 DEBT SUSTAINABILITY:

In general, it is useful to monitor external debt and debt services measures in relation to GDP, exports, and fiscal revenue. In most of countries, the need for such analysis may arise at national level as external borrowing and its servicing are rest at federal/central level. Pakistan also comes under this category as federation here is also a sovereign guarantor however recent 18th Amendment in Constitution authorizes federating units to opt for external borrowing through the forum of National Economic Council (NEC).

Provincial Government has been discharging its domestic as well as foreign debt servicing obligations through at source adjustment against its monthly share of divisible pool taxes. Actually, the Federal Government makes payments on account of servicing of all foreign debt of provincial as well as federal to the Donors.

The Sindh Government uses Current Expenditure (CE) ratio and the General Revenue Receipts (GRR) ratio for this purpose. As earlier mentioned, the CRE includes all operational expenses of the Provincial Government and GRR includes divisible pool taxes, straight transfers and provincial own tax and non tax revenues.

Table 6.7

Debt Servicing Vis-a-Viz CE and GRR (Rs. In Millions)

	Actual				BE	RE	BE	Growth (%) RE*	Growth (%) BE**	Ave (%) Actual
	2009-10	2010-11	2011-12	2012-13	2013-14	2013-14	2014-15	2013-14	2014-15	2009-12
Current Expenditure	189,350	254,844	308,531	315,960	355,974	368,403	436,091	16.60	22.51	18.61
Debt Servicing (Principal+ Interest)	9,547	9,511	14,399	11,811	21,144	22,886	15,080	93.77	-28.68	7.35
% of Current Expenditure	5.04	3.73	4.67	3.74	5.94	6.21	3.46			
General Revenue Receipts	246,448	332,306	377,647	429,438	529,196	488,736	599,321	13.81	13.25	20.33
% of General Revenue Receipts	3.87	2.86	3.81	2.75	4.00	4.68	2.52			

* Represents percentage increase in Revised Estimates 2013-14 over actuals of 2012-13.

** Represents percentage increase in Budget Estimates 2014-15 over Budget Estimates 2013-14.

Table 6.7 depicts the position of debt servicing (DS) as percentage of Current Expenditure (CE) and Current Revenue Receipts (CRR). The trend showed that DS as % of CE remained higher as compared to DS as % of CRR during the period from 2009-13 and the same trend has been followed while making estimation for BE/RE 2013-14 and BE 2014-15. The analysis shows that in percentage term during 2009-2012 and in growth term estimation for BE/RE

2013-14 and BE 2014-15, the debt sustainability of GoS does not pose any threat in near future.

6.6 REFORMS IN DEBT MANAGEMENT

In the light of PEFA findings, provincial authorities have decided to prepare a detailed reform action plan to strengthen debt management over medium-term. However, in order to do that, diagnostic of current status was essential to help the authorities to concretely put together a prioritized and sequenced action plan to address areas of future challenges. For this purpose, the GoS took initiative in collaboration of the World Bank for the Subnational Debt Management Performance Assessment (SN-DeMPA). Accordingly, series of meetings were held between teams of Government of Sindh and World Bank from November 2013 to January 2014. In this context, all stake-holders i.e., Finance Department, Planning & Development Department, Law Department, Auditor General Pakistan, Accountant General Sindh, and State Bank of Pakistan were taken on board.

The major issues identified during the deliberations between GoS and WB teams were as under:

- Central Debt Limitation Act 2005 did not set limit for each sub-national government.
- Provincial Finance Department is mainly responsible for the management of debt.
- Conventionally, Finance Department looks after only the debt servicing aspect of closed foreign loans (including database management).
- Loan negotiations and disbursement of on-going foreign loans lies with the Planning and Development Department.
- Hence no single principal entity for foreign debt at sub-national level.

The principle findings were:

- Finance Department does not have a leading role on debt management.
- Federal Government takes on the main functions.
- Lack of dedicated unit and staff for debt management.
- GoS does not sign External Loan Agreements nor Subsidiary Agreements.
- No Debt Management law, and Rules of Business result in unclear delegation and blurred responsibilities.
- No holistic analysis of cost/risk in the debt portfolio (*i.e. no middle-office function*), but efforts to do a limited DSA.
- Narrow strategic vision of debt management and limited debt reporting.
- Debt database in form of an Excel sheet and does not cover the entire portfolio.

Recommendations of the teams were:

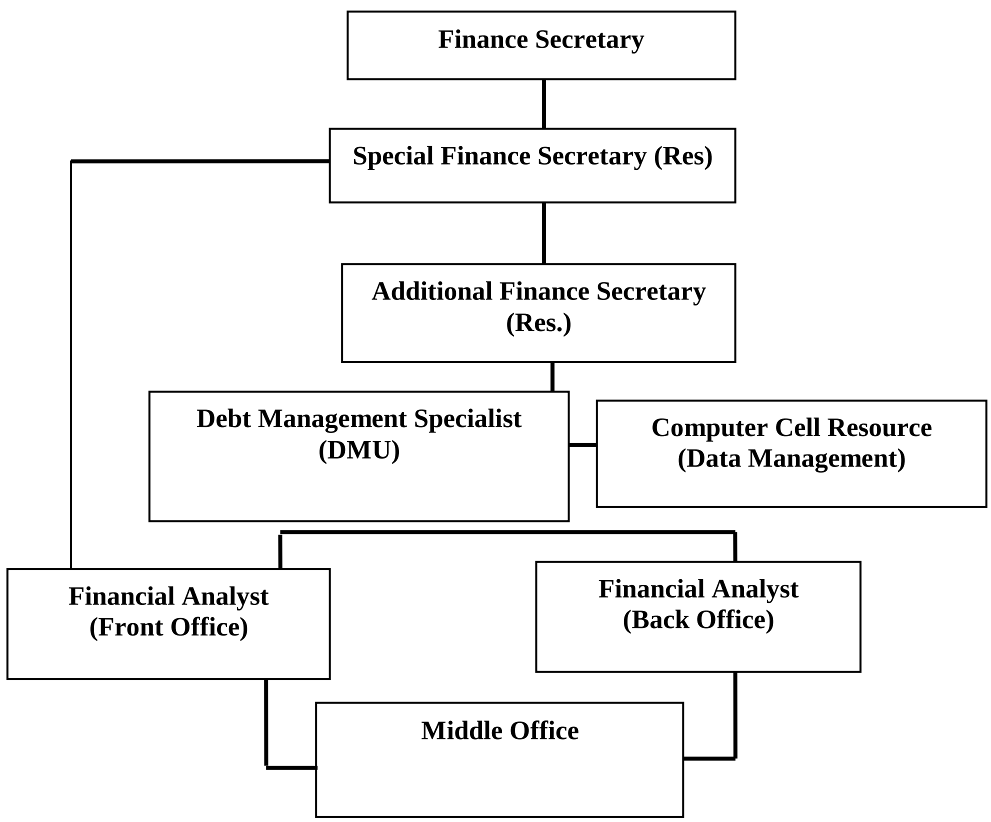
- ➢ Propose amendment to the Rules of Business.
- ➢ Develop a comprehensive Debt Management Law.
- ➢ Create a DMU within Finance Department with a functional structure: front, middle and back office.
- ➢ Strengthen the Front Office function of GoS borrowing and on-lending.
- ➢ Strengthen the Back Office functions of debt registration, servicing and reporting.

Way forward highlighted were:

- Annual Policy guidelines on borrowing limit for provincial government on domestic and foreign debt based on NFC formula (GoS has already communicated its views in this context to the Federal Government).

- Keeping in view the spirit of 18th Amendments, provincial governments may be allowed to initiate direct negotiation with domestic and international donors on all issues related to their public debt management.
- Enactment of Provincial Act on sub-national public debt.
- Clarity in responsibilities of Federal Government (EAD), Finance Department, and Planning & Development Department.
- Establishment of an independent Debt Management Unit in Finance Department as per best international practices.

Since, Government of Sindh's Rules of Business, 1986 legally hold Finance Department responsible for "floatation and administration of provincial loans" and "public debt". Accordingly, the Organogram and Responsibilities/Task of DMU have been designed and allocation in Budget 2014-15 have been made by the GoS. The DMU has been notified on 1st July, 2014 with following Organogram and responsibilities:



OVERALL RESPONSIBILITIES OF DMU

- All task of Provincial Public Debt Management (domestic & foreign debt) pertaining to Front, Middle and Back Offices.
- The DMU will have a clear mandate for overall responsibility for GoS debt portfolio management, including debt evaluation, financial negotiation in coordination with P&DD, settlement and reporting.
- Preparation of draft Manual for Provincial Public Debt Management.
- Framing of Policies for domestic and foreign debt.
- Conduct financial analysis of cost effectiveness of different types of funding.
- Operate a debt management information system such as DMFAS or any other system with the appropriate functionality.
- Produce and publish the debt statistics bulletin in compliance with international standard.
- Organize workshops, seminars, and conferences.

TASK OF FRONT OFFICE

- The Front Office (Financial Analyst) will undertake/prepare transactions in coordination with Planning & Development Department. In this regard, the office will assist Line Department (Loan-taking Department) and Planning & Development Department in preparation of draft Loan Document for domestic and foreign debt/ Subsidiary Loan Agreement (SLA) between the Federal Government and Government of Sindh in case of on-lending.
- Loan Negotiation with Domestic and Foreign Lenders (Donors) on behalf of Finance Department, Government of Sindh in coordination with Planning and Development Department, Government of Sindh.
- Identify external creditors according to their respective focus on activities and expected financial terms and conditions

- Review international and domestic markets for changing patterns of Debt.

TASK OF BACK OFFICE

- The Back Office will validate transactions, make payments and prepare reports.
- Disbursement and Debt service Recording/Accounting/ Reconciliation of domestic and foreign debt (all categories: active, closed, umbrella, third-party).
- Liaison with Finance Division/Economic Affairs Division, Government of Pakistan, Planning & Development Department, Loan-taking Administrative Department of Government of Sindh, Law Department, Government of Sindh, State Bank of Pakistan, National Bank of Pakistan and other Banks, Office of Accountant General, Sindh, Treasury Office/District Accounts Offices in Sindh, and Project Directors of Foreign Funded Projects.
- Maintain the debt database.
- Prepare key quarterly statistics for aggregate debt portfolio.

TASK OF MIDDLE OFFICE

- Examine all draft loan documents pertaining to domestic and foreign debt and provide technical inputs.
- Prepare the analytical component of debt management reports, based on statistical information provided by back office.

7. PUBLIC ACCOUNT

Article 118 of the constitution of Islamic Republic of Pakistan defines Public Account as all moneys which do not form part of the Provincial Consolidated Fund but are (a) received by or on behalf of the Provincial Government; or (b) received by or deposited with the High Court or any other court established under the authority of the Province;

In other words, the Public Account consists of those moneys for which the Government has fiduciary duty but it is not at liberty to appropriate for its general services of the Government.

Public Account is composed of trust accounts and special deposit accounts. These are defined as under:-

- Trust Accounts- legal entities in their own right, under the stewardship of the Government, and as such are expected to produce financial statements in their own name. These trust accounts are normally established under an Act of Parliament or a Presidential Order.

  Examples of trust accounts include provident and benevolent funds, employee’s insurance funds and trust accounts of certain departments (e.g. Railways)

- **Special deposit accounts-** these accounts include Public Account moneys that are operated under the authority of the Ministry of Finance, but are not trusts as they are not legal entities. Reporting would be generally by way of statements of receipts and payments. Examples of special deposit accounts include relief funds, civil and criminal court deposits, welfare funds and development funds. The following are its main elements:

- **Assets**
  - Cash and Bank Balances
  - Receivables
  - Other Assets
- **Liabilities**
  - Current Liabilities
  - Deferred Liabilities
  - Other Liabilities
  - Control Accounts
  - Trust Account – Funds
  - Trust Account – Others
  - Special Deposit – Investments
  - Special Deposit – Funds

7.1 FINANCING DEFICITS

Public Account has generally provided the balances for financing deficits on account of revenue as well as development budgets; as such transactions have usually remained in credit balance in Sindh. A major portion of these balances is generated on account of reserves / deposits in Trust Account Funds such as General Provident Fund (GPF) and Benevolent Fund (BF) etc; whereas the receipts have generally been more than the disbursements resulting in surplus accounts. Similarly the balances have also been generated under the heads of deposits and reserves where the Public Works Department (PWD) deposit work and securities provide temporary balances for deficit financing.

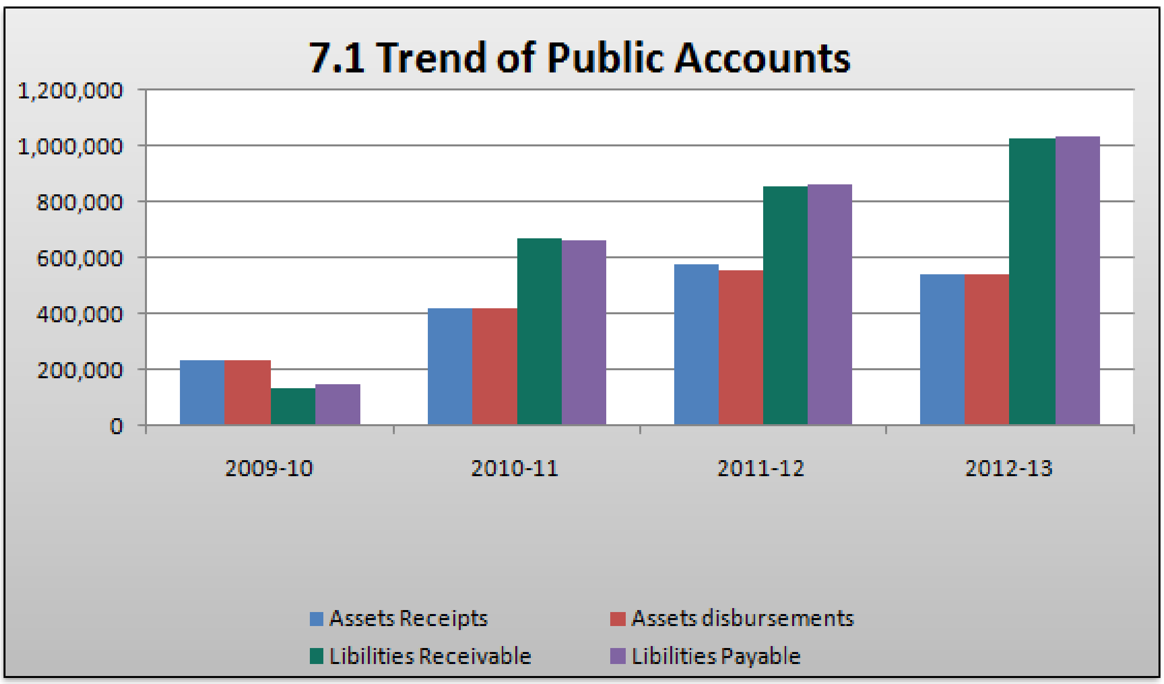
Table 7.1 presents classification of Public Accounts on New Accounting Model (NAM) since 2006. The net budget balance during 2013-14 amounting to Rs. 8.0 billion is expected to decrease to Rs. 2.0 billion in financial year 2014-15 because of expected payments of deffered liabilities in the FY 2014-15. Net public account is expected to decrease by -75.0% in FY 2014-15.

Table 7.1

Public Account (Rs. In Millions)	Actual				BE	RE	BE	Growth (%) RE*	Growth (%) BE**	Ave (%) Actual
	2009-10	2010-11	2011-12	2012-13	2013-14	2013-14	2014-15	2013-14	2014-15	2009-12
RECEIPTS	**373,142**	**1,090,251**	**1,436,480**	**1,569,248**	**1,146,674**	**1,198,422**	**1,182,333**	**-23.63**	**3.11**	**61.41**
Assets	236,778	420,081	577,890	541,899	465,742	488,490	476,677	-9.86	2.35	31.78
Liabilites (Receiveable)	136,364	670,170	858,590	1,027,349	680,932	709,932	705,656	-30.90	3.63	96.04
DISBURSEMENTS	**388,795**	**1,084,116**	**1,420,633**	**1,575,641**	**1,138,674**	**1,193,422**	**1,180,333**	**-24.26**	**3.66**	**59.43**
Assets	236,781	420,082	554,785	541,897	454,924	476,318	471,568	-12.10	3.66	31.78
Liabilities (Payable)	152,014	664,034	865,848	1,033,744	683,750	717,104	708,765	-30.63	3.66	89.46
Net	**-15,653**	**6,135**	**15,847**	**-6,393**	**8,000**	**5,000**	**2,000**	**-178.21**	**-75.00**	**-25.81**

* Represents percentage increase in Revised Estimates 2013-14 over actuals of 2012-13.

** Represents percentage increase in Budget Estimates 2014-15 over Budget Estimates 2013-14.



Graph 7.1 provides account of Assets Receipts, Assets Disbursements, Liabilities Receivable and Liabilities Payable from FY 2009-10 to 2012-13.

7.1.1 RECEIPTS

The Public Account receipts can broadly be categorized as Assets and Deposits and Reserves.

Assets are composed of receipts which include cash and bank balances, investments, loans, imprest monies, advances to departments and returns from investments and loans etc. Although assets and liabilities recorded average growth of 61.4% in the past four years, however, the expected target for FY 2014-15 would be to the extent of Rs.1,182.3 billion.

Deposits & Reserves include intergovernmental adjustments, remittances, suspense funds, special deposit fund, welfare fund, development fund, education & training fund, Income Tax deductions from salaries, Personal Ledger Accounts (PLAs) and most importantly, the Trust Account Fund.

7.1.2 DISBURSEMENTS

These represent outflows from Assets, which have grown on average at 31.7% in past four years as shown in Table 7.1. Budgeted at Rs. 471.5 billion for FY 2014-15, disbursements of current assets are likely to increase by 3.66% over BE for FY 2013-14.

Liability is a contra-receipts account and represents payouts from deposits and reserves account showed on receipts side. Table 7.1 indicates that liability has been increasing at the average of 89.4% in the past four years, whereas it is likely to increase by 3.66% in FY 2014-15 and has been pitched at Rs. 708.8 billion

Trust Account Fund

It is the most important public account which consists of the Provident, Benevolent and Insurance Fund receipts. Table 7.2 depicts details of the Fund.

Table 7.2

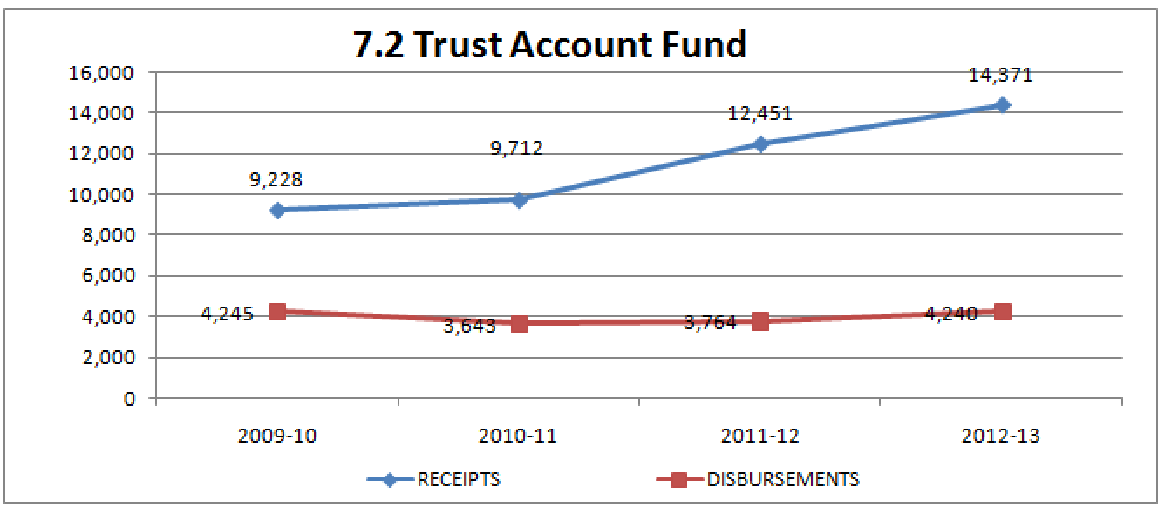
Trust Account Fund (Rs. In Millions)	Actual				BE	RE	BE	Growth (%) RE*	Growth (%) BE**	Ave (%) Actual
	2009-10	2010-11	2011-12	2012-13	2013-14	2013-14	2014-15	2013-14	2014-15	2009-12
RECEIPTS	**9,228**	**9,712**	**12,451**	**14,371**	**9,914**	**10,333**	**10,273**	**-28.10**	**3.62**	**15.91**
Provident Fund	8,210	8,957	11,411	12,293	9,083	9,471	9,414	-22.96	3.64	14.40
Benevolent Fund	482	497	721	898	574	594	593	-33.85	3.31	23.05
Insurance	536	258	319	1,180	257	268	266	-77.29	3.50	30.09
DISBURSEMENTS	**4,245**	**3,643**	**3,764**	**4,240**	**3,086**	**3,263**	**3,224**	**-23.04**	**4.47**	**-0.04**
Provident Fund	3,524	3,606	3,752	3,719	3,077	3,252	3,214	-12.56	4.45	1.81
Benevolent Fund	395	25	8	1	6	7	6	757.84	-	-87.26
Insurance	326	12	4	520	3	4	4	-	-	16.84
Net	**4,983**	**6,069**	**8,687**	**10,131**	**6,828**	**7,070**	**7,049**	**-30.22**	**3.24**	26.68

* Represents percentage increase in Revised Estimates 2014-15 over actuals of 2012-13.

** Represents percentage increase in Budget Estimates 2014-15 over Budget Estimates 2013-14.

Note:- GP Fund, Benevolenet Fund and Group Insurance released has been made through Provincial Consolidated Fund.

Graph 7.2 shows the trend of receipts and disbursements in Trust Account Fund from FY 2009-10 to 2012-13



8. FUND MANAGEMENT

8.1. INTRODUCTION

In order to manage the affairs of fund investment and meet its other investment related requirements, the Finance Department has established the Fund Management House (FMH), which is equipped with a dedicated and expert team hired from the market (private sector), having the requisite technical expertise of investment management. During the year 2013-14 Sindh Fund Management House Act was promulgated in September 2013. The House is working under Finance Department, Government of Sindh.

The FMH caters to the investment needs of the following funds of the Government of Sindh:

8.2 SINDH GENERAL PROVIDENT INVESTMENT FUND (SGPIF):

Table 8.1

Sindh General Provident Fund

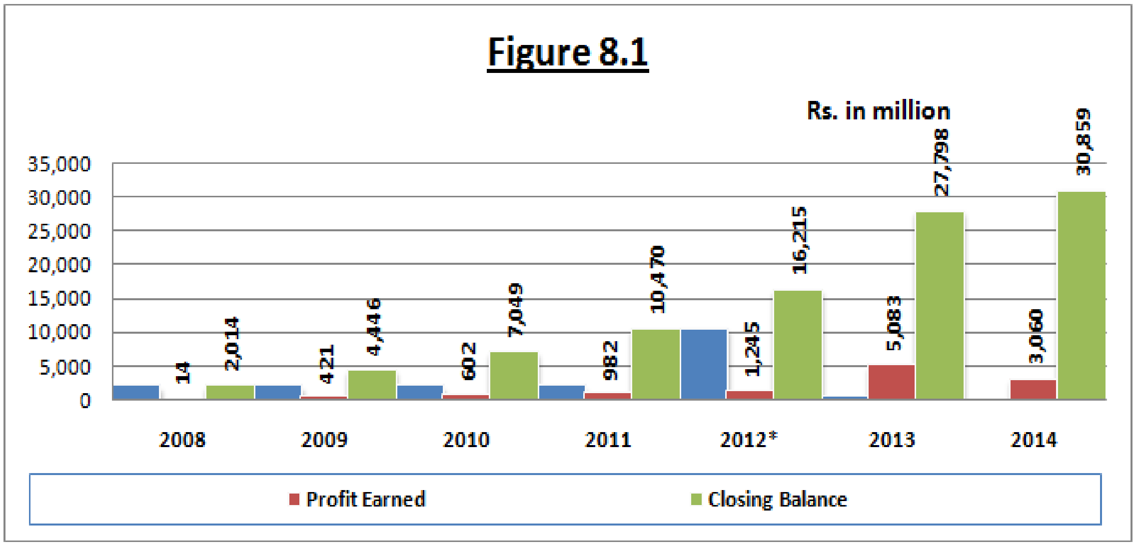
Rs. in Million

Year	Amount Invested	Profit Earned	Closing Balance
2008	2,000	14	2,014
2009	2,000	421	4,446
2010	2,000	602	7,049
2011	2,000	982	10,470
2012*	10,500	1,245	16,215
2013	500	5,083	27,798
2014	-	3,060	30,859
Grand Total	**19,000**	**11,407**	-

* Release amount shows receipts of Rs.6.0 billion from SSRF

The main objective of the Government is to invest assets of the fund appropriately, while keeping within a moderate investment risk profile, to reap optimum profits. The returns so earned are expected to be used to pay off public servants' liabilities including their profit amount, in respect of the General

Provident Fund scheme. For this purpose, the Government of Sindh has constituted an investment Board under the chairmanship of Chief Secretary, Sindh.



The accumulated value of investment of this fund as on 30th June 2014 is Rs. 30.859 billion whereas accumulated profit since its inception to 30th June 2014 is Rs. 11.407 billion. The net profit of the fund for the financial year 2013-14 is Rs.3.1 billion.

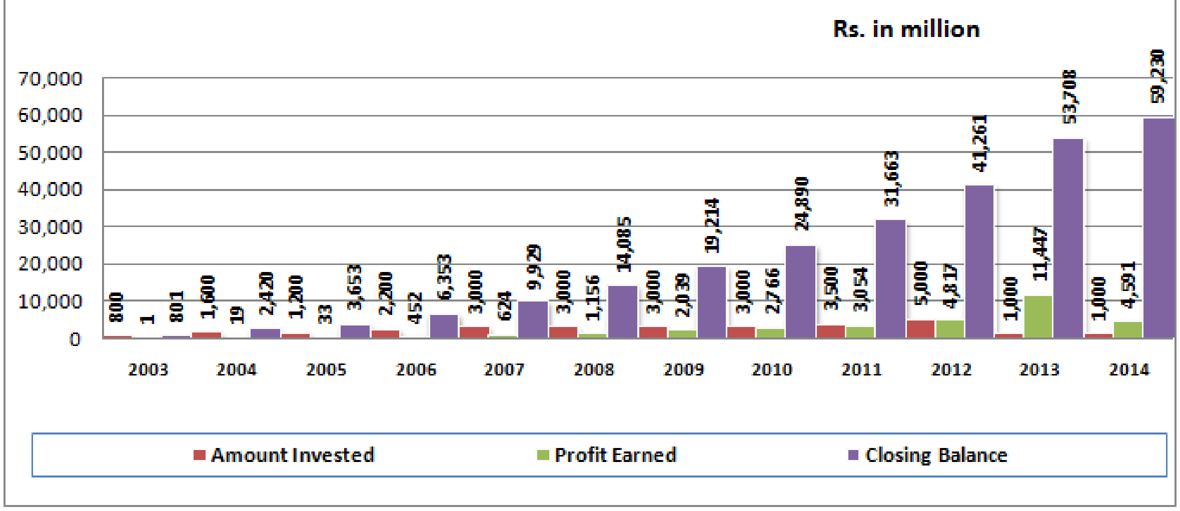
8.3 SINDH PROVINCE PENSION FUND (SPPF):

This fund was established by the Sindh Government to facilitate and organize the investment of employees' retirement amounts contributed by the government. The SPPF was established in 2003 with seed money of Rs. 1.2 billion, which has been gradually enhanced, depending upon the fiscal space available in that particular year. Table 8.2 shows the total funding from the Government of Sindh since creation of the fund is Rs. 28.3 billion; while profit accrued during the life of the fund is Rs.30.9 billion.

Table 8.2			
Sindh Pension Fund			
Rs. in Million			
Year	Amount Invested	Profit Earned	Closing Balance
2003	800	1	801
2004	1,600	19	2,420
2005	1,200	33	3,653
2006	2,200	452	6,353
2007	3,000	624	9,929
2008	3,000	1,156	14,085
2009	3,000	2,039	19,214
2010	3,000	2,766	24,890
2011	3,500	3,054	31,663
2012	5,000	4,817	41,261
2013	1,000	11,447	53,708
2014	1,000	4,591	59,230
Grand Total	**28,300**	**30,999**	-

Decisions regarding management of the fund and investment are taken by Board of the Sindh Province Pension Fund Board (SPFB) which is headed by the Minister / Advisor Finance. The Chief Secretary Sindh, Secretary (GA), SGA&CD, Secretary Finance Department and a representative of ICAP (Institute of Chartered Accountants of Pakistan) are members of the Board.

Figure 8.2



In the year 2013-14, the return on the investment of Sindh Province Pension Fund came to Rs 4.5 billion. The accumulated value of investment of this fund as on 30th June 2014 is Rs 59.2 billion.

8.4 SINDH SOCIAL RELIEF FUND (SSRF):

The SSRF was established in 2005 with a broad objective of moving towards some form of direct intervention in providing relief to the vulnerable and disadvantaged people of the province. The fund was created with seed money of Rs. 3.0 billion and the total funding from the government, since creation of the fund, stands at Rs. 13.7 billion.

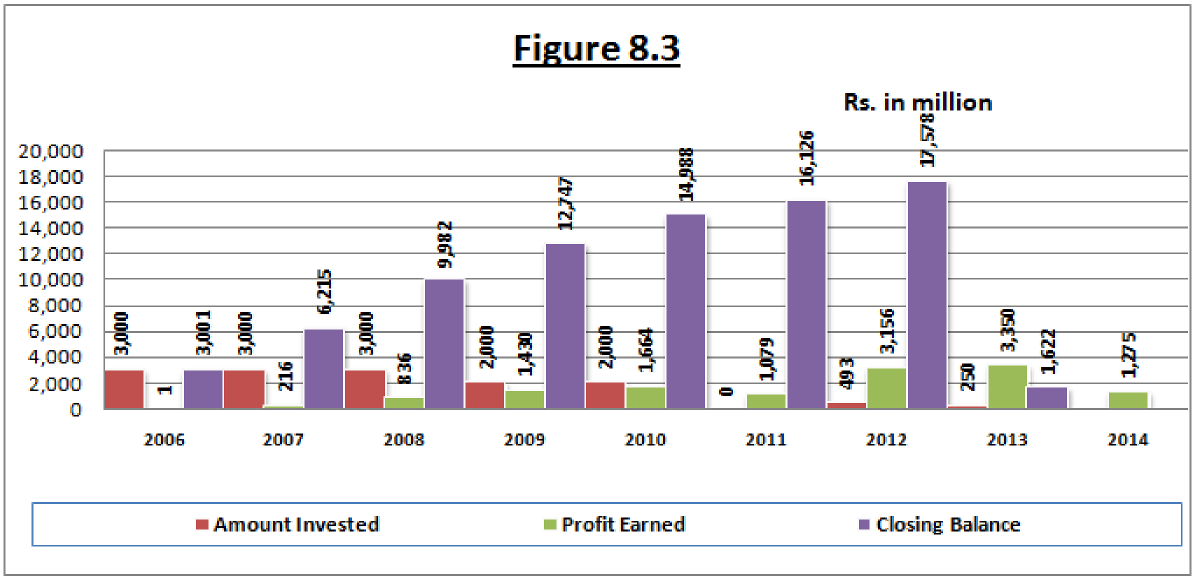
Table 8.3

Sindh Social Relief Fund

Rs. in Million

Year	Amount Invested	Profit Earned	Closing Balance	Expenses /Loan*
2006	3,000	1	3,001	0
2007	3,000	216	6,215	0
2008	3,000	836	9,982	-57
2009	2,000	1,430	12,747	-570
2010	2,000	1,664	14,988	-1,452
2011	0	1,079	16,126	-706
2012	493	3,156	17,578	-2,196
2013	250	3,350	1,622	-19,555
2014	0	1,275	14,285	-102
Grand Total	**13,743**	**13,007**	-	

The fund assets have been utilized for relief related activities. The GoS withdrew Rs. 6 billion from the fund in 2011-12 and Rs. 10 billion in 2012-13. However, these amounts were replenished by the Government of Sindh so as to have adequate amount available in the fund for future use. The management of the fund and investment decisions are taken by a high powered committee presided over by Chief Secretary Sindh, which includes the Additional Chief Secretary, P&D Department, Secretary Zakat & Ushr Department, Secretary Finance Department and two representatives of the private sector.



The amount released to the fund since its inception till 30th June 2014 was Rs 13.7 billion. The accumulated value of investment of this fund as on 30th June 2014 is Rs 14.285 billion. The accumulated profit since inception of the fund till 30th June 2014 is Rs 13 billion. The net profit of the fund for the financial year 2013-14 stands at Rs. 1.3 billion.

8.5 VIABILITY GAP FUND (VGF):

Table 8.4

Viability Gap Fund

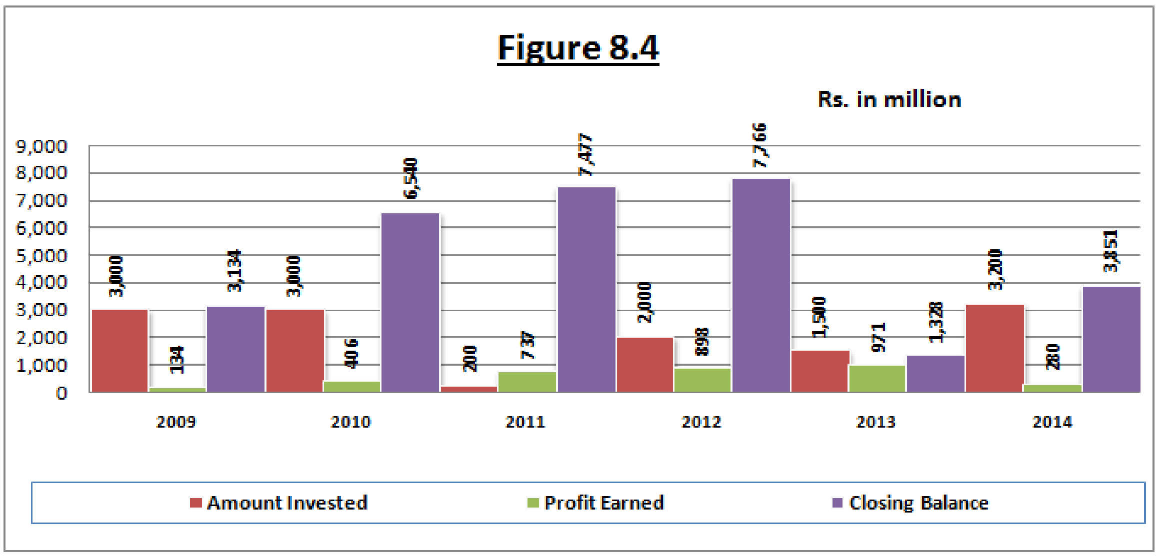
Rs. in Million

Year	Amount Invested	Profit Earned	Closing Balance	Expenses
2009	3,000	134	3,134	0
2010	3,000	406	6,540	0
2011	200	737	7,477	-3,449
2012	2,000	898	7,766	-1,316
2013	1,500	971	1,328	-5,622
2014	3,200	280	3,851	-2,251
Grand Total	**12,900**	**3,426**	-	-

The Viability Gap Fund (VGF) was created in 2008-09 with the specific and unique objective of supporting the Government's initiatives of encouraging new development projects & ventures under the Public Private Partnership (PPP) mode in Sindh. Such shortfall of commercial / financial viability is usually due to a lack of commercial orientation of such projects in the long-run and long gestation periods.

Table 8.4 shows the amount released to the fund since its inception till 30th June 2014 is Rs 12.9 billion. The accumulated value of investment of this fund as on 30th June is Rs 3.8 billion whereas accumulated profit since its inception to 30th June 2014 is Rs 3.4 billion. Expenditure made from inception of the Fund is Rs 12.6 billion. The net profit of the fund for the financial year 2013-14 stands Rs. 280 million.

The major outflow during the year 2013-14 was for the formation of Sindh Leasing, Sindh Modaraba, Sindh Insurance and Sindh Energy Holding Company (Pvt) Limited, wherein the GoS contributed towards the capital of these new companies through the Viability Gap Fund.



8.6 PEOPLES' HOUSING CELL FUND:

People's Housing Cell Fund is a departmental fund managed by the FMH to facilitate the People's Housing Cell (now renamed as Shaheed Benazir Housing Cell) in getting a better yield on their cash balances, which are thereby used for constructing low cost houses in Sindh. The fund was established in 2008-09. The asset value of the fund on 30th June 2014 stands at Rs 1.9 billion.

Table 8.5				
Peoples Housing Fund				
Rs. in Million				
Year	Amount Invested	Profit Earned	Closing Balance	Expenses
2009	2,000	56	2,056	-142
2010	966	285	2,654	-653
2011	0	304	2,481	-477
2012	0	293	2,215	-559
2013	0	218	2,338	-156
2014	0	205	1,958	526
Grand Total	**2,966**	**1,361**	-	-

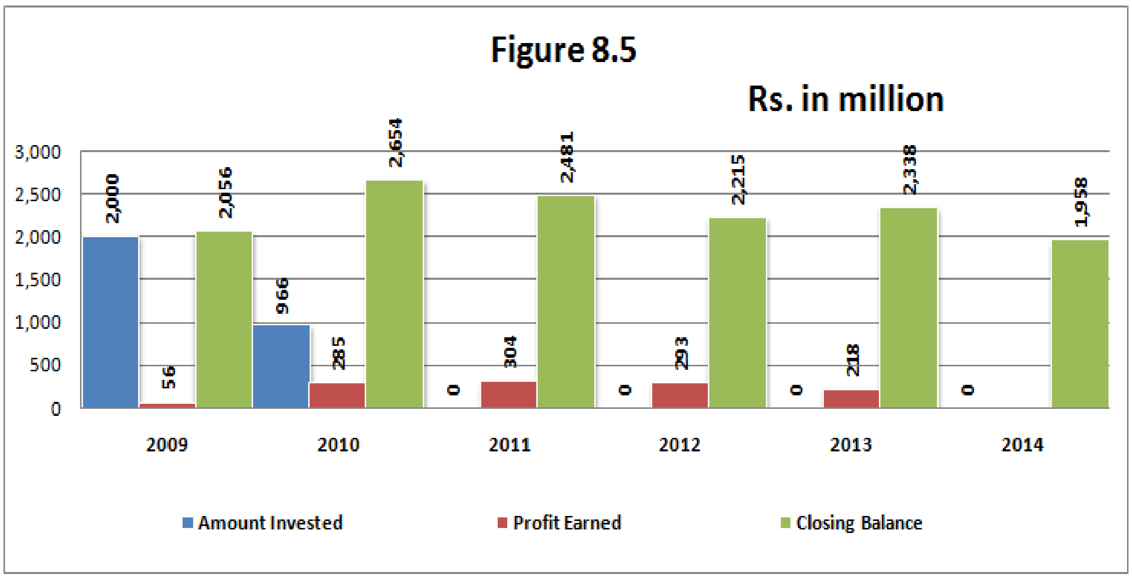


Table 8.5 shows the amount released to the fund since its inception till 30th June 2014 was Rs 2.9 billion. The accumulated value of investment of this fund as on 30th June is Rs 1.9 billion whereas accumulated profit since its inception to 30th June 2014 is Rs 1.4 billion. The net profit of the fund for the financial year 2014-14 is Rs 205 million.

8.7 SINDH COAL DEVELOPMENT FUND:

The Sindh Coal Development Fund has been established mainly with a view of having sufficient funds for the share of equity to be injected by the Government of

Sindh in the joint venture with the Sindh Engro Coal Mining Company for development of the Thar Coal reserves, or other projects pertaining to the development of the Thar Coal reserves. As per the approved feasibility of the joint venture, the share of the Government of Sindh is expected to be Rs 15 to 18 billion over the next 2-3 years.

Table 8.6

Sindh Coal Development Fund

Rs. in Million

Year	Amount Invested	Profit Earned	Closing Balance	Expenses
2011	2,000	28	2,028	-
2012	4,500	559	7,086	-
2013	91	1,166	8,576	-72
2014	500	827	8,093	-1,308
Grand Total	**7,091**	**2,580**	-	-

Assets of the fund are being built-up to address such investment commitments. Therefore in the current year Sindh Engro Coal Mining Company Limited (Joint Venture) has been given Rs. 1.308 billion as equity injection from Government of Sindh out of this fund. The asset value of the fund on 30th June 2014 stands at Rs 8.01 billion.

Figure 8.6

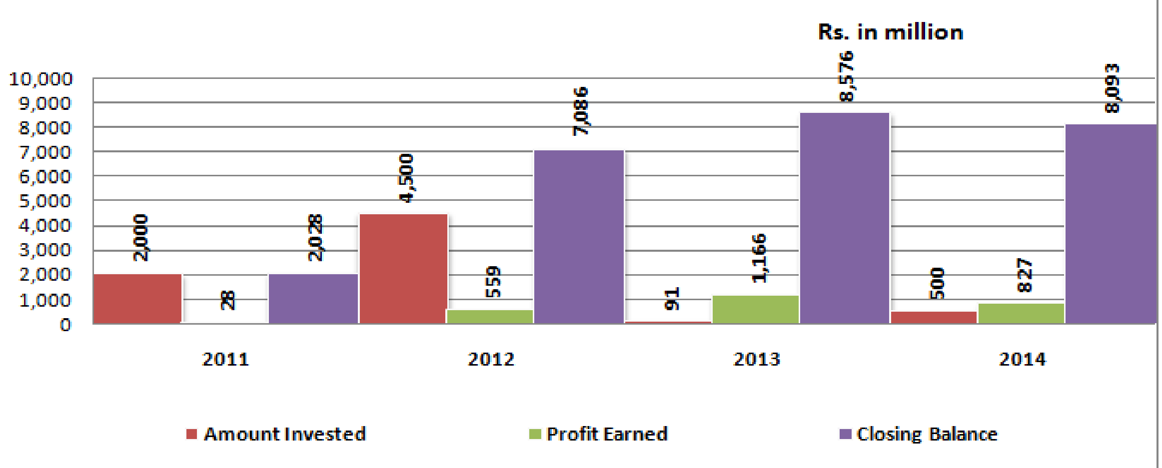


Table 8.6 shows the amount released to the fund since its inception till 30th June 2014 i.e. Rs 7.09 billion. The accumulated value of investment of this fund as on 30th June 2014 is Rs 8.09 billion whereas accumulated profit since its inception to 30th June

2014 is Rs 2.6 billion. The net profit of the fund for the financial year 2013-14 is Rs 827 million.

8.8 SINDH GOVERNMENT EMPLOYEES GROUP INSURANCE FUND (SGEGIF):

The objective of this fund is to set aside amounts so as to improve the facility of group insurance on the one hand and to defray / share the cost of premiums deducted from the salaries of the GoS employees under the Group Life Insurance head, on the other. Presently the fund is being built-up and has not yet started contributing towards the group life insurance expenses. The fund was established in the year 2012-13 and the current asset value of the fund is Rs.1.1 billion approx.

The amount released to the fund since its inception till 30th June 2014 was Rs.1 billion. The accumulated value of investment of this fund as on 30th June is Rs.1.1 billion whereas the net profit of the fund for the financial year 2013-14 is Rs 56.0 million.

8.9 SINDH AGRICULTURE SUPPLIES ORGANIZATION (SASO) PENSIONER'S FUND:

SASO Pensioners' Fund is also a departmental fund being managed by the SFMH. The Fund was handed over to the SFMH for investment management in 2008-09. Though Sindh Agricultural Supplies Organization (SASO) is now defunct but the pension obligations towards the surviving pensioners have to be met. This fund caters to these pension obligations and from the interest earned, the fund generates sufficient amount to discharge its regular pension obligations. The Agriculture Department, being the 'parent' department of the defunct SASO, disburses the monthly pensions. The asset value of the fund on 30th June 2014 stands at Rs 164 million.

8.10 PROVINCIAL DISASTER MANAGEMENT FUND (PDMF) :

The Provincial Disaster Management Fund (PDMF) is a relatively small fund whereby amounts are kept to meet any sudden need in the event of natural disasters or where some preventive measures against disasters have to be taken. The Fund was established in 2008-09 and an amount of Rs 400.0 million has been released to it since its inception. On the other hand, the total expenditure from this fund amounted to Rs 432.0 million, was made possible due to the profit earned by the fund. The asset value of the fund on 30th June 2014 is Rs 0.3 million approx as almost the entire amount has been consumed.

8.11 SINDH FLOOD RELIEF FUND (SFRF):

Sindh Flood Relief Fund was created with the purpose of collection of donations from any interested donor, the general public or from the GoS employees (who have paid a portion of their salaries on two separate occasions into this fund since its creation in 2011). The accumulated amount is then surrendered to the GoS in respect of expenditures incurred on flood relief activities. The asset value of the fund as on 30th June 014 is Rs 0.52 million only as the accumulated balances were surrendered last year to the GoS and fresh donations haven't been received by this fund.

8.12 SINDH PROJECT DEVELOPMENT FACILITY (SPDF)

Sindh Project Development Facility was created with the objective of financing the feasibility studies for projects to be undertaken under the PPP mode by the Government of Sindh and also for capacity-building and development of team members involved in such projects. Expenditures from the fund are approved by the PPP Policy Board. The asset value of the fund as on 30th June 2014 is Rs 175.0 million.

8.13 EDUCATION CITY FUND (ECF)

The fund was established in the financial year 2012-13 with a nominal amount of Rs 0.1 million. The objective of this fund is to set aside amounts for the establishment of the Education City Project under the Sindh Educational Reforms Program. Sindh Board of Investment (SBI) is responsible for development of this project. No fresh allocations have been made since its creation. However, the fund is expected to be enhanced once the Education City Project itself takes off.

8.14 ENDOWMENT FUND FOR PEOPLES'PRIMARY HEALTHCARE INITIATIVE

The GoS supports various activities of the Peoples' Primary Healthcare Initiative (PPHI) so as to enable them to run the healthcare facilities across the province of Sindh at grass roots level. In addition to provide grant-in-aid and reimbursement of salary bill, the GoS has also been setting aside funds for the establishment of an endowment fund which shall help in sustaining the PPHI in future (only profits of the fund shall be used and not the principal amount). The fund was established in financial year 2011-12 and the asset value as on 30th June 2014is Rs 390.0 million.

8.15 INVESTMENT FUND FOR SINDH CIVIL SERVANTS HOUSING FOUNDATION

The objective of this fund is to set aside amounts to be used for developing GoS employee related housing projects to be undertaken by the Sindh Civil Servants Housing Foundation. The fund was created in the year 2013-14 and the fund assets presently comprises of GoS contribution into the fund. Contributions made by the Civil Servants who have membership of Sindh Civil Servants Housing Foundation, shall soon be commenced and deposited into this fund. During the year GoS contributed Rs. 1.0 billion into the fund. Asset value of the fund as at 30th June 2014 is at Rs. 1.043 billion.

8.16 SINDH ALTERNATIVE ENERGY FUND

The objective of this fund is to receive fees, grants, other donations, loans or any other amount from development partners, investors, federal, provincial or local governments, donor agencies or any other entity for the development of the Renewable Energy Sector under the Renewable Energy Policy 2006. The fund has been established in the year 2013-14 and the asset value of the fund stands at Rs. 78.0 million as on 30th June 2014.

CONCLUSIONS:

It is worth mentioning that the fund under management of Sindh Government led to considerable increase in total worth, despite a general reduction in the amounts being allocated and released to these investment funds annually, over the last two years. This increase in total value, despite huge expenditures, has been made possible because of the significant amounts being received as profit over the invested amounts. Following are some of the reasons which have contributed towards the improvement in the return on such investments.

- The returns on the investment have been higher during the year 2013-14 due to efficient fund management by the Sindh Government through rapid and viable reinvestments of these funds from the very next day of their maturities / releases.

- The funds were invested with best available options. All the fixed income and other capital market investment options were minutely studied and the best available options were adopted which resulted in the efficient growth of the funds.

- During the last three years, funds were invested in long-term Pakistan Investment Bonds (PIBs) at high yields and also in mutual funds / collective investment schemes, which brought about an augmented outlook in the fund growth. However equity investment was also approved during the year which proved to be fruitful investment so far. Moreover, the yield offered by PIBs has also been quite high during the year, even touching 13%.

- In order to achieve a competitive rate of return and while retaining the investment safety of the funds as a priority, funds were appropriately placed into suitable investment avenues.

Thus, it would be right to conclude that the various investment funds of the Government of Sindh are performing efficiently and taking advantage of the available investment opportunities by ‘locking’ higher yields for longer periods at attractive rates by investment in long-term Pakistan Investment Bonds (PIBs) on the one hand and suitably diversifying into other avenues like mutual funds, corporate bonds and equity investments on the other.

9. REFORMS PROGRAM

In the recent past, the government of Sindh, with the assistance of development partners, has been involved in a number of reform initiatives, with the objective to accelerate the pace of the provincial economy for better service delivery to the masses. These reforms are undertaken in various sectors like health, education, revenue mobilization and revamping of the budgetary system. Some of the reform initiatives being taken by the Government of Sindh are discussed briefly as under:

9.1 Provincial Revenue

The Government of Sindh has taken various steps to increase its own provincial receipts as under:

- ✓ The Government of Sindh is taking a series of reform related initiatives in its receipts and expenditure sites. The automation of Board of Revenue, Excise and Taxation Department, and Sindh Revenue Board are on top of the agenda.

- ✓ The Land Administration and Revenue Management Information System (LARMIS) for the computerization of lands record in Sindh is one of such initiatives. Moreover, focus is also being given on capacity building of HR of these departments.

- ✓ The introduction of SAP/R3 system (on-line booking of receipts at treasury level and generation of challans at Revenue Collecting Officers) from 2012-13. This has increased provincial own receipts by 24% during 2012-13 as compared to FY 2011-12. This achievement has been made without any increase in rate or innovation in taxation.

- ✓ PIFRA is currently working on the development of interface (SAP/R3 system) among Banks, AG/Treasuries, Federal and Provincial governments' departments.

9.2 Reforms Program with World Bank and European Union

- ✓ Currently, Government of Sindh is engaged with the World Bank and European Union in exercise of introducing reforms on procurement, public finance management and resource mobilization etc.

- ✓ The purpose of Sindh Public Sector Management Reform Project is to design a framework for engagement of the aforementioned donors on a multi-year public sector management project which would deepen reforms related to improve efficiency, accountability and transparency in the public sector of the province.

- ✓ The salient features of the desired objectives are briefed as under:-

  - ➢ To evolve policy input for improving institutional consolidation, efficiency and transparency in public financial management in Sindh and to indicate gaps in tax policies, public financial management, public procurement, revenue mobilization and information disclosure.

  - ➢ To propose institutional arrangements and mechanisms for implementing the proposed revenue instruments, including the restructuring, amalgamation and / or consolidation of revenue collection agencies/activities.

  - ➢ To identify revenue leakage, administrative weakness and inefficiency of tax collections.

  - ➢ To improve the legal and regulatory Framework for procurement under SPPRA.

  - ➢ To identify the gaps within the PIFRA, including unreported data for public-owned corporations, donor-funded projects, and to address the problem of unidentified expenditure.

  - ➢ Assess the organizational reforms to manage the intergovernmental finances.

9.3 Project for Improvement of Financial Reporting and Auditing (PIFRA)

The PIFRA project's objective is to improve the accuracy, comprehensiveness, reliability and timeliness of intra-year and year-end of public expenditure. This project began in 1997, with the World Bank assistance, and is extended from time to time. The main feature of this program is the introduction and implementation of the New Chart of Accounts. The SAP/R3 was designed, as software for the, integrated financial management information system (IFMIS), which has been implemented across Pakistan. Accounting Policy and Procedural Manuals (APPM) replaced the old accounting manuals, and the concept of performance and risk based audit was introduced.

The Sindh Government has shifted 95% of its employees on computerized payroll system through the office of the Accountant General Sindh and internal audit of the payroll is now being conducted on regular basis by the office of the AG Sindh. Moreover as already implemented in the main office of the Accountant General Sindh, the manual payments of pay/allowances/arrears would also be paid through the system/payroll in the Districts. It has already been communicated to the departments through Finance Department to come up with the reports required for departmental internal audit by using connectivity already provided by the PIFRA.

Although, PIFRA is working successfully in Sindh, however certain fiscal information, for instance budget and expenditure reports is not being utilized by the Principal Accounting Officers to ensure transparency in public expenditure. Furthermore, the fiscal reports lack information relating to donor funded public expenditure because these are not routed through authorization of Accounting. Adequate links between policy making, planning and budgeting are missing.

PIFRA is fully functional in the province but it lacks proper monitoring mechanism especially in pay and pension area and there are several complaints regarding misappropriation in treasuries. There is a need to introduce PIFRA on monitoring side as will so that likelihood of "Ghost recipients" may be eliminated from the system which would save several millions from the public exchequer.

Improved budgetary processes require, improved capacity of financial managers. To achieve this objective financial consultants well conversant with SAP would be engaged to help Finance Department and line department's officers/officials to enhance their technical skills from budget planning, preparation, execution to monitoring. Hand on training, increase in access of PIFRA connectivity and mapping of expenditure reports for credible budgeting would be initiated.

The Sindh Government has now started to work on bringing its public debt under the loop of SAP/R3 system. Upto FY 2013-14, the disbursement from the donors were being come directly into the Revolving Fund Account of the Project Director via State Bank of Pakistan. This had raised the issue of recording as these funds were not passing through the SAP/R3 system. Due to lack of coordination among Finance Department, Planning and Development Department and Project Directors, it had become difficult to ascertain accurate figures pertaining to the total disbursement received from donors during a particular financial year. This had further raised the issue of monitoring of these funds at least from its financial perspective. After a marathon of discussions with donors and other stakeholders, the Finance Department, Government of Sindh devised a mechanism to bring the inflows of funds from donors into the SAP/R3 system that would ensure the recording of these funds in government account as well as it would further strengthen its monitoring. In this behalf, the Policy Letter has been issued to make it operational with effect from FY 2014-15.

9.4 Medium Term Budgetary Framework:

The government of Sindh has introduced MTBF format of budgeting in 2009 that has now been rolled out to eight departments namely as Education & Literacy, Special Education, Health, Irrigation, Agriculture, Livestock & Fisheries, Energy, and Social Welfare**.** Currently MTBF is only covering the recurrent expenditure, which largely comprises of salary related expenditure. There is no linkage of development expenditure in MTBF forecasting. Through Public Financial Management (PFM) reforms, the Government of Sindh is planning to integrate its development activity at all levels. The capacity building in MTBF of planning officers of P&D, FD and other executing authorities/departments would be carried out.

Output Based Budgeting:

As mentioned above, the government of Sindh has piloted MTBF format of budgeting in eight departments. In these departments, instead of incremental budgeting, priority and policy-backed allocations are reflected in the budget. Keeping in tune with the best international practices, the government intends to introduce Output Based Budgeting (OBB) through following activities:

- Extensive trainings in finance, planning and the line departments, to familiarize with the concept of OBB.
- Strengthen the capacity of the MTBF Cell in Finance Department to coordinate and liaison with the line departments in respect of troubleshooting on OBB/MTBF.
- Assist the line departments to prepare strategic sector plans. and
- Assist to prepare credible medium term operational plans, on the basis of which, outputs and outcomes are identified.

9.5 Integration between Current and Development budgets:

Historically there exists dichotomy between current and development budgets. The reason for this is that the Current and Development budgets are dealt with separately following different processes managed by two different departments. Finance Department is responsible for finalizing and preparation of current budget, whereas Planning & Development Department (P&D) is custodian of the development budget. The link between Current and Development budget would be developed through strengthening and building capacity of the planning/finance department to map up the current and development budgets.

9.6 Participative Budgeting:

A sound and credible budget is only possible if it is arrived, after due consultation with all the stakeholders, i.e. the civil society, intelligentsia, academia, trade bodies, politicians and the line departments. Finance Department has been striving hard to make the whole budgetary exercise as much participatory as it could be. Since many years, the draft budget documents are being shared with Provincial Legislatures and other stakeholders however it still needs a lot of homework in this context. Accordingly, the government intends to make the budget preparation process more participative, vibrant, open and strategic, by engagement of all the stakeholders, through a series of pre-budget seminars and workshops.

9.7 Advancement in Procurement Practices:

The Sindh Government has made remarkable achievement in streamlining transparency, competition and value for money in procurements. Procurement rules, procedures and guidelines are in place. The Sindh Public Procurement and Regulatory Authority (SPPRA) is effectively playing its statutory role of regulating procurements in the province and providing dispute resolution mechanism. USAID, WB and ADB have been providing support to the Sindh Public Procurement Regulatory Authority in terms of capacity building, and support for improved procedures, legislation and transparency.

The Sindh government can boast for having an established, functional, autonomous, well-equipped and robust public procurement authority**.** The SPPRA is governed under a procurement act and has procurement rules, regulations and a procurement complaint system. However, as identified by PEFA 2013 as well, there still exist areas of improvements, like need for harmonization of procurement laws and procedures and updating the rules and procedures in conformity with best practices. Furthermore there is a dire need for improving governance and institutional capacity of SPPRA and procuring entities. The authority would be further strengthened with a functional Information Management System, a step towards E-Procurement.

9.8 Towards Effective Accountability:

i) Monitoring and Evaluation:

Introduction of OBB in the absence of a robust M& E framework is meaningless and less efficient. At present there are monitoring mechanisms in place at the departments like P&D, finance, health and education but the same are devoid of any structured framework. Following steps would be taken to ensure a better monitoring and evaluation mechanism:

- To synchronize the different M&E modules into a provincial framework.
- To establish M&E channels for better feedbacks from the departments/districts.
- To prepare annual M&E reports.

ii) Internal Audit Function:

The recently concluded PEFA, 2013, categorically mentioned absence of internal audit function in Sindh. The internal audit function as understood vis-à-vis international standards is a rare feature in Pakistan. The IA function has unique features. It is not limited to one activity or function in a respective department. It encompasses operational audit, managerial audit, performance audit, systemic audit and serves as a watchdog of the management. It identifies risks and setout appropriate controls for its mitigation. At initial phase, the IA function would be set up as pilot in finance department and subsequent roll out of it to other departments that would be followed by drafting of an IA charter and rules.

iii) An Effective Public Accounts Committee (PAC):

The PAC is a representative body of the provincial legislature, which keeps, hawks eye view, on government’s efficiency and financial discipline. The Auditor General of Pakistan has adopted Financial Audit Manual (FAM), which introduces risk-based audits. Furthermore, the Audit office has introduced Performance Audits in order to improve the quality of audits, which ultimately are debated at the PAC.

For an effective Public Accounts Committee technical assistance such as updated/latest application (database), dedicated Server & Desktop Systems and training for Public Accounts Committee's staff, especially exposure opportunities for PAC Members with sister Committees at federal / provincial & international level, be included in Sindh Public Financial Management Strategy.

9.9 Public Debt Management

Finance department Sindh is very keen on strengthening provincial debt management. Debt Management is one of the key areas of reform within over all Public Financial Management Reform agenda being envisioned by the provincial authorities.

In order to understand operational, institutional and policy level environment governing this area, provincial authorities in collaboration of the World Bank has recently completed diagnostic of provincial debt management by using Debt Management Performance Assessment (DeMPA) diagnostic toolkit which is a drill down of PEFA assessment. This diagnostic will allow comprehensive assessment of debt management function along with highlighting its strength, weaknesses and existing gaps. Based on this assessment finance department, through the non-lending technical assistance of the World Bank, intends to prepare a detailed reform action plan of provincial debt management encompassing six dimensions, namely, co-ordination with fiscal policy, operational risk assessment, cash management, strategy formulation, legal and institutional framework, and debt reporting and recording.

9.10 Revenue Mobilization

The Government of Sindh (GoS) attaches great importance to the pursuit of development for the people of Sindh. It aims to continue with its programs of investment in human capacity and public infrastructure for improved economic growth and human development. Public revenue is essential to continue with these programs. There is a recognition that additional revenue to meet developmental needs will only accrue from own source taxation.

In light of this, the Finance Department (FD) has led and managed a process for development of a tax revenue mobilization plan. The Sindh Tax Revenue Mobilization Plan (STRMP) has been formulated to undertake wide-ranging tax reforms in the province, consolidating and deepening isolated reform initiatives of GoS. It is designed as a set of feasible actions to generate higher revenues for the GoS while lowering the costs of compliance for taxpayers and enhancing equity and efficiency of taxation. The tax receipts are expected to increase from the current Rs. 91.37 billion to Rs. 200 billion in next three years after the implementation of STRMP.

In the last eight years, Sindh has struggled to generate sufficient revenue to meet investment requirements in line with its development objectives. Tax revenue mobilization has been attenuated by lack of policy attention and weakening tax administration in Sindh. The composition of own source revenue (OSR) in Sindh did not change much between 2005 and 2009. However, in wake of the 7th National Finance Commission (NFC) Award, collection of sales tax on services at the provincial level has substantially increased tax revenue as share of OSR from the previous average of 55 to 74 percent, with further increases in the following two years. This augurs well for revenue generation in Sindh as it indicates that the tax revenue component of OSR, which is more amenable to policy and administration interventions, is likely to serve as the mainstay for revenue generation in the province.

The FD has led and managed the design and development of this plan through consultation with a variety of stakeholders. It has been prepared under the leadership of a policy level Strategic Reforms Group (SRG), a senior level Core Reforms Group (CRG), and supported by four Operational Reforms Groups (ORGs) which align with the four government agencies, namely, the FD, Sindh Revenue Board (SRB), Board of Revenue (BOR) and Excise, Taxation and Narcotics Department (ET&N).

STRMP Objectives. The plan comprises a set of activities to deliver results that cover a wide range of cross-cutting tax policy and tax administration issues including tax simplification, modernization of tax administration and taxpayer facilitation. The STRMP will be implemented in pursuit of the following objectives:

Increase own source revenues, thereby enabling higher investments in developmnent programs;

Reduce administration and compliance costs;

Facilitate taxpayers to enhance voluntary compliance; and

Improve the efficiency and equity of provincial taxation.

Key Reform Components. Considering the importance of revenue performance for development policy in Sindh, the STRMP contains the following four areas:

Institutionalizing evidence-based tax policy and administration and coordination mechanism:

To lead these efforts, the Tax Reforms Unit (TRU) will be created in the FD for tax policy research and analysis. The TRU will bring in expertise from the academia and other local as well as international specialist institutions to work on analysis on a continual basis. This institutional arrangement, which will replace the current practice, will set performance targets as well as incremental revenue targets for the three tax agencies that are based on analytic foundations. Furthermore, presently no system exists for structured communication among the three tax collecting agencies and federal and provincial governments, and with taxpayers. The FD, through the mechanism of the CRG, will play a more proactive role to: (i) coordinate tax policy across the three entities, monitor realization of policy objectives, facilitate knowledge sharing, and lead opportunities for integration and synergy; (ii) coordinate efficient and robust tax collection mechanisms/systems.

Institutionalizing IT-based business processes for efficient tax administration. Building on ongoing GoS initiatives for introducing IT in tax administration, key business processes of sales tax on services, Urban Immovable Property Tax and fee/duty/tax on transfer of property will be re-conceptualized and re-engineered to gain maximum revenue productivity.

Enhancing tax facilitation and improving of taxpayer education to increase voluntary compliance.

In order to enhance voluntary compliance, a number of actions will be undertaken. First, tax compliance costs will be lowered by ensuring easy e-filing options through business process re-engineering in all the taxes. Second, taxpayer service plans and education programs will be prepared.

Generating a policy dialogue to create and sustain impetus for tax reforms seeking higher revenue collections, as well as efficiency and equity in taxation.

Tax reforms have been slow to produce results due to lack of policy options grounded in the local context and absence of analytic foundations to perceptions of hurdles. A number of areas in tax policy and tax administration hold promise for substantial revenue gains. Simplification of the tax regime, exploration of avenues to reduce tax administration costs, ways to enhance tax morale, tax incidence analysis and measures to enhance efficiency and equity of taxes, are key areas where analytic work will contribute to the emergence of a well-informed policy dialogue.

The STRMP document has been published by the Finance Department, Government of Sindh and available on its website: **http://fdsindh.gov.pk/site/userfiles/STRMP-Sindh%20Tax%20Revenue%20Plan.pdf.**

BUDGET AT A GLANCE 2014-15

Rs. in million

CLASSIFICATION	2013-14 BUDGET ESTIMATES	2013-14 REVISED ESTIMATES	2014-15 BUDGET ESTIMATES
I- RECEIPTS			
A. CURRENT REVENUE RECEIPTS			
Federal Transfers			
1. Revenue Assignment	332,935.2	308,414.1	381,383.4
2. Straight Transfers	67,126.8	71,928.3	82,623.8
3. Grants to offset losses of abolition of OZT- * (0.66% of Provincial Share)- (incl. Others)	8,950.6	8,314.8	10,253.1
Total (1 to 3)	409,012.6	388,657.2	474,260.3
4. Provincial Tax Receipts (excluding GST on Services)	49,370.1	47,220.0	58,025.3
5. Provincial Sales Tax on Services	42,000.0	42,000.0	49,000.0
6. Provincial Non-Tax Receipts	28,812.8	10,858.8	18,035.4
Total (4 to 6)	120,182.9	100,078.8	125,060.7
Grand Total A	529,195.5	488,736.0	599,321.0
B. CURRENT CAPITAL RECEIPTS			
1. Local Repayments/Loans	7,167.6	1,185.9	1,490.8
2. DPC/SWAP, World Bank	9,282.5	9,282.5	13,024.4
3. European Commission Grant	1,992.8	1,370.0	2,098.1
4. Sindh Global Partnership for Education-SGPE(WB)	0.0	0.0	1,825.4
Total B	18,442.9	11,838.4	18,438.7
C. OTHER RECEIPTS			
2. Foreign Project Assistance (FPA)	21,587.3	16,923.8	23,631.3
3. Flood Emergency Reconstruction Project (FERP)	7,970.6	6,589.6	1,253.4
4. Other Federal Grants	15,379.1	10,802.8	14,474.1
5. Block Allocation for Projects in Sindh (Federal Grant)	0.0	0.0	8,000.0
Total (Other Receipts) C	44,937.0	34,316.2	47,358.8
D. Carryover Cash Balance	-5,000.0	-6,174.7	5,000.0
E- PUBLIC ACCOUNTS OF THE PROVINCE			
1- Receipts	1,146,673.5	1,198,421.9	1,182,332.3
2- Disbursements	1,138,673.5	1,193,421.9	1,180,332.3
Net Public Accounts E	8,000.0	5,000.0	2,000.0
Total Receipts of the Province [A+B+C+D+E] F	595,575.4	533,715.9	672,118.5

*0.66% OZT Grant also includes Rs.23.401 million of other grants in RE 2013-14

BUDGET AT A GLANCE 2014-15

Rs. in million

CLASSIFICATION	2013-14 BUDGET ESTIMATES	2013-14 REVISED ESTIMATES	2014-15 BUDGET ESTIMATES
II- EXPENDITURE			
G. CURRENT REVENUE EXPENDITURE			
Current Revenue Expenditure	355,973.8	368,403.4	436,090.8
Total G	355,973.8	368,403.4	436,090.8
H. CURRENT CAPITAL EXPENDITURE			
Current Capital Expenditure	31,302.1	29,737.1	34,729.8
Total H	31,302.1	29,737.1	34,729.8
I. EXPENDITURE			
1. Provincial ADP(excluding FPA and FERP)	185,000.0	115,000.0	168,000.0
2. Foreign Project Assistance (FPA and FERP)	29,557.9	23,513.4	24,884.7
3. Other Federal Grants	15,379.1	13,500.0	14,474.1
4. Block Allocation for Projects in Sindh (Federal Grant)	0.0	0.0	8,000.0
Provincial Development Expenditure ADP I	229,937.0	152,013.4	215,358.8
Total Expenditures of the Province [G+H+I] J	617,212.9	550,153.9	686,179.4
Surplus (+)/ Deficit (-) (F-J)	-21,637.5	-16,438.0	-14,060.9

DONORS / LENDERS

ASIAN DEVELOPMENT BANK (ADB)

ADB is a multilateral development financial institution which extends loans and provides technical assistance to member countries (mostly developing nations) for broad range of development projects and programs. The work of ADB is aimed at the welfare of the people in Asia and the Pacific. It also promotes and facilitates investment of public and private capital for economic and social development of the region. ADB began its operations in Pakistan in 1968.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (IBRD)

The IBRD popularly known as World Bank is an international organization which was established on December 27, 1945, with the objective to finance the reconstruction of nations devastated by World War II. The scope of its activities has been expanded to fight poverty by financing various states. IBRD provides loans to governments and public enterprises always with a government or sovereign guarantee for repayment.

INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA)

IDA is a part of the IBRD that assists the world's poorest countries by extending long term interest free or soft loans and grants, with repayment periods of 35 to 40 years. IDA loans address primarily education, basic health services, clean water and sanitation, environmental safeguards, business climate improvement, infrastructure and institutional reforms.

INTERNATIONAL FUND FOR AGRICULTURE DEVELOPMENT (IFAD)

IFAD is a specialized agency of the United Nations, which was established as an international financial institution in 1977. This agency was established to finance agriculture development projects for food production in developing countries.

SAUDI LOAN

Such loans have been offered on soft terms with 25 years repayment period and 3% service charges.

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID)

USAID has been the principal US Agency to extend assistance to countries recovering from disasters; trying to escape poverty; and engaging in democratic reforms. It advances US Foreign Policy objectives by supporting economic growth, agriculture and trade, global health and democracy, conflict prevention and humanitarian assistance.

UK LOANS

An agreement was signed between Government of Pakistan and Commonwealth Development Corporation (CDC) in the UK for a loan to carry out Karachi Water and Sewerage Board (KW&SB) Project, which was declared effective on 07-12-1989 in London.

TOTAL OUTSTANDING LIABILITY OF GOVERNMENT OF SINDH AS ON 30.06.2014

Rs. in million

Sr. No.	Description	Outstanding Balance as on 30.6.2014
1	2	3
I	**FOREIGN LOANS**	
A	International Development Association (IDA)	97,702.367
B	Asian Development Bank (ADB)	46,127.796
C	International Fund for Agriculture Development (IFAD)	204.274
D	International Bank for Reconstruction and Development (IBRD)	392.700
E	OPEC Fund for International Development (OFID)	726.605
F	Japanese	8,596.965
	TOTAL FOREIGN LOANS (I)	**153,750.709**
II	**DOMESTIC LOANS**	
G	Cash Development Loans (Normal)	229.145
H	Cash Development Loans (SAP-TIED)	1,872.043
	TOTAL NORMAL CDLS	2,101.188
I	Salinity Control and Reclamation Project (SCARP CDLS)	15,407.841
	TOTAL DOMESTIC LOANS (II)	**17,509.029**
	GRAND TOTAL (I+II)	**171,259.738**

OUTSTANDING LIABILITY OF FOREIGN LOANS

Rs. in million

Sr. No.	Name of Project	Source	Outstanding Balance as on 30.6.2014
1	2	3	4
	FOREIGN LOANS		
	A- International Development Association (IDA)		
1	Engineering Education Project	IDA 206	78.473
2	2nd Irrigation Rehabilitation Project	IDA 1888	782.338
3	Karachi Water Supply Project	IDA 1987	6,375.000
4	Flood Re-habilitation Project	IDA 466	187.643
5	Flood Damage Restoration Project	IDA 2003	391.619
6	Sindh Primary Education Project	IDA 2102	5,393.452
7	2nd Agricultural Research Project	IDA 2154	362.844
8	Sindh Seed Project	IDA 620	148.214
9	Second SCARP Transitation Project	IDA 2257	77.428
10	Rural Water Supply & Sanitation Project	IDA 2228	3,573.791
11	Khairpur Drainage and Irrigation Project	IDA 648	493.106
12	Third on Farm Water Management Project	IDA 2245	782.734
13	Family Health Project	IDA 2240	883.346
14	Third Education Project	IDA 678	147.027
15	Flood Damage Restoration Project	IDA 683	697.699
16	Environment Protection & Resource Conservation	IDA 2383	419.858
17	Flood Damage Restoration Project	IDA 2468	1,059.126
18	Special Development Project	IDA 2558	3,580.200
19	Social Action Programme	IDA 2593	749.748
20	Primary Education Project	IDA 892	74.892
21	Sindh Agricultural Extension & Research Project	IDA 922	276.662
22	Fifth Education Project	IDA 1109	238.632
23	Small Industries Project	IDA 1113	26.775
24	On Farm Water Management Project	IDA 1163	218.859
25	Irrigation System Rehabilitation Project	IDA 1239	570.233
26	Karachi Water Supply Project	IDA 1374	1,450.640
27	Second Social Action Programme	IDA 3050	715.244
28	Command Water Management Project	IDA 1487	643.558
29	Second Small Industries Project	IDA 1499	28.917
30	Left Bank out fall Drain Project	IDA 1532	3,103.804
31	Second on Farm Water Management	IDA 1603	376.319
32	2nd Primary Education Project	IDA 1602	1,338.224
33	Karachi Special Dev.Project	IDA 1652	2,235.866

OUTSTANDING LIABILITY OF FOREIGN LOANS

Rs. in million

Sr. No.	Name of Project	Source	Outstanding Balance as on 30.6.2014
1	2	3	4
	FOREIGN LOANS		
	A- International Development Association (IDA)		
34	Second Vocational Training Project	IDA 1670	422.556
35	Agricultural Research Project II	IDA 1762	796.486
36	Sindh Structural Adjustment	IDA 3686	6,106.915
37	HIV/Aids Prewvention Project	IDA 3776	602.209
38	Sindh On-Farm Water Management Project	IDA 3905	5,857.093
39	Sindh Education Sector Project	IDA 4590	31,032.403
40	Sindh Education Sector Program	IDA 4894	5,178.924
41	National Drainage Programme	IDA 2999	10,223.511
		TOTAL	**97,702.367**
	B- Asian Development Bank (ADB)		
1	Hyderabad Water Supply Project	ADB 263	35.170
2	Aqua,Culture Development Project	ADB 433	138.924
3	South Rohri Irrigation Project	ADB 428	440.552
4	Sindh Livestock Development Project	ADB 621	74.531
5	Second Agriculture Development Project	ADB 916	229.568
6	Second Farm Market Road Project	ADB 917	1,093.227
7	Fruit & Vegetable Market Project	ADB 851	370.639
8	Flood Drainage Restoration Project	ADB 957	568.239
9	Left Bank out fall Drain Project	ADB 700	6,996.533
10	Livestock Development Project	ADB 973	198.719
11	Second Health Population Project	ADB 710	205.908
12	Primary Education(Girls) Sector Project	ADB 977	444.313
13	Karachi Sewerage Project	ADB 1001	2,474.717
14	Farm to Market Roads Project	ADB 758	139.490
15	Secondary School Project	ADB 759	137.215
16	Sindh Forestry Dev. Project	ADB 1076	1,286.500
17	Karachi Urban Development Project	ADB 793	3,006.809
18	Cotton Development Project	ADB 791	207.384
19	Kotri Barrage Rehabilitation Project	ADB 1101	1,104.514

OUTSTANDING LIABILITY OF FOREIGN LOANS

Rs. in million

Sr. No.	Name of Project	Source	Outstanding Balance as on 30.6.2014
1	2	3	4
	FOREIGN LOANS		
	A- International Development Association (IDA)		
20	Teacher Training Project	ADB 1210	535.678
21	Agriculture Sector Program-II	ADB 1877	887.103
22	Agriculture Sector Program	ADB 1878	716.009
23	Health Care Development	ADB 1200	548.565
24	Provincial Highway Project	ADB 1185	1,355.640
25	Flood Damage Restoration Project	ADB 1209	1,203.887
26	Middle School Project	ADB-1278	1,393.995
27	Social Action Programme Project	ADB 1301	887.579
28	Second Girls Primary School Project	ADB 1454	473.526
29	Social Action Programme	ADB 1493	2,399.717
30	Technical Education Project	ADB 1373	739.436
31	Rural Access Road Project	ADB 1401	1,888.425
32	Women's Health Project	ADB 1671	477.056
33	Reproductive Health Project	ADB-1900	29.940
35	Sindh Growth Rural Revitalization Program-I	ADB-2484	10,223.511
36	Sindh Rural Development Project	ADB 1934	171.829
37	Sindh Coastal Community Development Project	ADB-2310	3,042.952
		TOTAL	**46,127.796**
	C- International Fund for Agriculture Development (IFAD)		
1	South Rohri Ground water Project	IFAD 33	203.104
2	On Farm Water Management Project	IFAD 83	1.170
		TOTAL	**204.274**
	D- International Bank for Reconstruciton and Development (IBRD)		
1	Third Farm Water Management Project	IBRD 3327	392.700
	E- OPEC Fund for International Development (OFID)		
1	Provincial Road Sector Development Project	899-P	726.605
		TOTAL	**145,153.743**
	F- Japanese		
1	Second Karachi Water Supply	Pk-P-40/PAK	8,596.965
		TOTAL	**8,596.965**
		GRAND TOTAL	**153,750.709**

OUTSTANDING LIABILIYT OF DOMESTIC LOANS	
Description of Loan	**Balance on 30-06-2014**
1	**2**
Cash Development Loans	
1999-2000	229.145
SAP-TIED	
1992 -1993	61.135
1994 -1995	266.637
1999 -2000	1141.752
2001 -2002	243.359
2002 -2003	159.160
Total (A)	**2,101.188**
COST OF COMPLETED PROJECTS HANDED OVER BY WAPDA (Salinity Control and Reclamation Project (SCARP TUBEWELLS))	
1989 -1990	89.665
1990 -1991	11.917
1991 -1992	88.002
1992 -1993	285.712
1993 -1994	735.946
1994 -1995	1,588.777
1995 -1996	1,729.635
1996 -1997	982.374
1997 -1998	811.022
1998 -1999	1,093.144
1999 -2000	1,079.791
2000 -2001	442.983
2001 -2002	500.049
2002 -2003	197.601
2003 -2004	61.555
2005 -2006	235.939
2007 -2008	1,783.538
2014 -2015	3,690.191
Total (B)	**15,407.841**
Total (A+B)	**17,509.029**

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Karachi, PK
102 °F / 39 °C
Scattered Clouds
at 05:25 PM
Click for Forecast

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- Civil Accounts of GOS (July 2011 to August 2011)
- Revision of Pay & Allowances- 2011of Civil Servants in Sindh
- Increase in Pension to Civil Pensioners in Sindh- 2011
- Budget Speech 2011-12 Video- by Syed Murad Ali Shah, FM
- Civil Accounts of GOS (July 2010 to June 2011- Provisional)
- Increase in Pension to Civil Pensioners of the Prov. Government-2010
- Grant of Medical Allowance to Civil Pensioners of the Prov. Govt.-2010
- Increase of Minimum Pension to CP of the Prov. Govt-2010
- Increase of Minimum Pension from Rs.300/- to Rs.1500/- p.m
- Budget Analysis 2008-09
- Project Allownace for Officers /Staff appointed in Dev. Projects/Programs.
- Enhancement of Sum Assured in Respect of Group Insurance
- Fiscal Policy Statement 2007-08 (GOP)
- Location of Finance Department

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