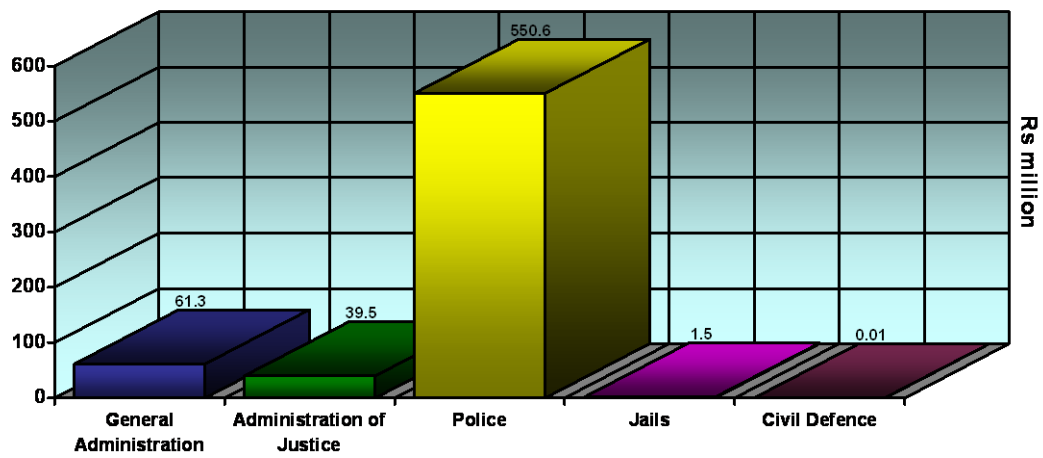




**GENERAL ADMINISTRATION AND LAW & ORDER
DURING 2002-2003**



BUDGET ANALYSIS

2002-03

Finance Department Government of Sindh

Foreword

Documenting and publishing of the budget analysis was appreciated widely as it met the need for a comprehensive scrutiny of Government of Sindh's finances and its situation.

This edition undertakes an exhaustive examination of various aspects of provincial finances such as establishment expenditures sectoral spending, revenue generation efforts, development outlays etc. It can be seen that the inelastic tax system & built-in rigidities in public expenditure continue to pose a serious challenge to the policy makers for maintaining fiscal stability and raising additional revenues to meet the ever-enlarging gaps on the non-salary and development side.

Despite tax inelasticity and system deficiencies, the Government of Sindh has been able to make significant inroads towards rationalizing of different provincial levies including property Tax, Stamp duties and Agriculture income Tax. The fiscal restructuring and rationalizing programme is aimed to improve the tax base by way of improving tax payers' compliance, reducing the compliance cost and broadening the tax base or achieving sustained growth of tax revenue. On the expenditure side a serious effort has been made in FY 2002-03 budget to increase the non-salary outlays in the Education and Health sectors for improving quality of social sectors.

An important feature of the Budget 2002-03 is that it has been prepared in the background of the devolution and as such this year the Budget has been prepared by unbundling the Provincial Budget into Provincial and District Budget. The Government is continuously progressing towards fiscal decentralization following the guideline of NRB. Provincial Finance Commission announced interim Award with a mandate to evolve an intergovernmental fiscal distribution arrangement between the Province and Districts. It is ensured that despite the fragile financial position of the Province which posed a serious challenge for fiscal decentralization. Thus decentralization was a success & all the funds have been dully distributed

between the Provincial and District Government for the future development of the Province.

The Budget analysis 2002-2003 reviews the financial position of the Government at the beginning of the year. It is hoped that this document would provide deep insight and useful data on various aspects of our resource and expenditure for policy makers, researchers, economists and others. I wish to put on record my appreciation to the entire staff of Finance Department for their efforts in preparing this document.

Fazal-ur-Rehaman
Additional Chief Secretary
Finance & Co-operation

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BUDGET AT A GLANCE

Rs in million

Classification	Budget 2001-02	Revised 2001-02	Budget 2002-03
NON-DEVELOPMENT BUDGET			
Current Revenue Receipts			
Federal Assignment	52,864.1	52,572.3	55,916.3
Octroi & Zila Tax Grant	4,137.8	4,286.1	10,000.0
Other Grants	0.0	3,512.8	
IDA Credit			6000.0
Provincial Receipts	12,500.0	11,750.2	12,985.0
Total Current Revenue Receipts	69,501.9	72,121.4	84,901.3
Current Revenue Expenditure	71,702.1	77,662.3	84,807.5
Surplus (+)/Deficit(-)	(2,200.2)	(5,540.9)	(+) 93.8
Current Capital Receipts	3,262.6	3,062.6	2,267.0
Current Capital Expenditure	6,501.3	7,032.8	3,934.4
Surplus (+)/ Deficit (-)	(3,238.7)	(3,970.2)	(1,667.4)
Net Surplus (+)/ Deficit (-)	(5,438.9)	(9,511.1)	(1,573.6)
DEVELOPMENT BUDGET			
RECEIPTS			
Japanese Grant	22.5	22.5	22.5
Federal Assistance	0.0	0.0	0.0
Provincial Contribution	5,727.5*	4,520.5	6,977.5
PSDP	5,750.0	4,543.0	7,000.0
Khushal Pakistan Programme	2,800.0	2,800.0	2,800.0
Foreign Project Assistance	1,875.0	1,148.0	2,880.0
DERA		965.3	1,800.0
PESR		611.0	
Total PSDP Funding	10,425.0	10,067.3	14,480.0
EXPENDITURE			
Revenue	1,360.8	623.2	1,454.6
Capital	4,389.2	3,919.8	5,545.4
Foreign Project Assistance	1,875.0	1,148.0	2,880.0
Khushal Pakistan Programme	2,800.0	2,800.0	2,880.0
DERA		965.3	1,800.0
PESR		611.0	
Total PSDP Expenditure	10,425.0	10,067.3	14,480.0

BUDGET IN BRIEF

Rs in million

Classification	Budget 2001-02	Revised 2001-02	Budget 2002-03
REVENUE BUDGET			
GENERAL REVENUE RECEIPTS			
Assignment from Divisible Tax	36,894.2	33,333.2	37,069.0
Straight Transfers	15,969.8	19,239.1	18847.2
O & ZT Grant	4,137.8	4286.1	10,000.0
Other Grant	0.0	3512.8	
IDA Credit			6000.0
Provincial Tax Receipts	7,981.5	7391.2	8552.0
Income from Property and Enterprises	82.4	136.2	167.8
Receipts from Civil Administration and Other functions			
General Administration	94.7	55.5	61.3
Law and Order	569.1	537.2	591.7
Community Services	83.7	106.1	114.0
Social Services	476.8	352.7	379.1
Economic Services	1,137.6	686.6	782.0
Miscellaneous Receipts	2,074.3	2484.8	2337.1
General Revenue Receipts	69,501.9	72,121.4	84,901.3
REVENUE EXPENDITURE			
General Administration	13,858.2	13680.3	18706.9
Law and Order	7,304.3	8114.0	8574.2
Community Services	1,824.4	2036.1	2165.5
Social Services	18,996.2	22301.6	25061.3
Economic Services	5,998.1	11558.1	6934.1
Subsidies	3,576.6	1692.4	4910.1
Debt Servicing	11,408.6	11028.4	11515.1
Grants and Subventions	6,645.4	5161.1	6820.0
Miscellaneous (Unallocable)	2,090.2	2090.2	120.2
Current Revenue Expenditure	71,702.1	77662.3	84807.5
Revenue Surplus (+)/Deficit(-)	(-) 2,200.2	(5,540.9)	(+) 93.8

Rs in million

Classification	Budget 2001-02	Revised 2001-02	Budget 2002-03
2. CURRENT CAPITAL BUDGET			
CURRENT CAPITAL RECEIPTS			
Recovery of Investments	100.0	100.0	100.0
Recovery of Loans and Advances	2,512.6	2457.6	1617.0
Public Debt	650.0	505.0	550.0
Total Current Capital Receipts	3,262.6	3062.6	2267.0
CURRENT CAPITAL EXPENDITURE			
Debt Servicing	6,286.3	6275.1	3634.4
Loans and Advances	215.0	757.7	300.0
Total Current Capital Expenditure	6,501.3	7032.8	3934.4
b. Net Capital Receipts	(-) 3,238.7	(-) (3970.2)	(-) (1667.4)
3. PUBLIC ACCOUNT			
PUBLIC ACCOUNT RECEIPTS	97,551.4	115589.8	13656.6
Public Account Disbursement	98,292.9	112873.5	111644.5
c. Net Public Account Receipts	(-) 741.5	(+) 2716.3	(+) 2012.1
Net surplus(+)/Deficit (-)	(-) 6,180.4	(-) (6794.8)	438.5

ANNUAL DEVELOPMENT PROGRAM

Rs in million

Classification	Budget 2001-02	Revised 2001-02	Budget 2003-04
Agriculture	422.0	191.1	225.6
Culture and Tourism,	31.0	31.0	23.2
Education	1,150.0	889.8	1600.0
Environment	10.0	0.0	146.6
Forest and Wildlife	68.5	52.0	70.3
Health	497.0	370.9	480.0
Industries	65.3	19.3	199.0
Physical Planning	1,090.0	990.9	820.0
Rural Development	972.0	768.5	911.1
Science and Technology	25.0	17.0	110.0
Social Welfare	24.5	23.1	32.6
Statistical Research	58.9	8.5	31.4
Transport and Communications	620.0	549.2	610.0
Water and Power	500.0	415.2	425.0
Women's Development	3.7	1.3	3.3
Block Allocation	212.2	215.2	1311.9
Total Annual Development Program	5,750.0	4543.0	7,000.0
Provincial Contribution	5,750.0	4520.5	6977.5
Federal Assistance	22.5	22.5	22.5
Foreign Project Assistance	1,875.0	1148.0	2880.0
Khushal Pakistan Programme	2,800.0	2800.0	2800.0
DERA		965.3	1800.0
PESR		611.0	
Total Development Expenditure	10,447.5	10,067.3	14,480.0

* Subject to availability of resources.

Introduction

The country economy passed through a shock during 2001-02 due to 9/11 event, which produced a catastrophe in the global economy. The negative impact of the end transcended down to the provincial level. Sindh also suffered the negative fallout. Nevertheless, the Provincial Government acted promptly and took a number of steps to come out of the said crisis. The cash flow was closely monitored, strenuous efforts were made to keep the provincial receipts in the positive direction and the level of expenditure was maintained within the allocation.

In a year of unprecedented internal change and external shocks the Government continued to stay course with the broad economic reform agenda it had set itself. The key objectives of these reforms have been to:

- Restore financial discipline and reduce debt burden.
- Reduce, rationalize and simplify taxes.
- Deregulate the economy and increase private sector participation.
- Enhance and improve the development program.
- Focus upon service delivery in education and health.
- Reorient relationships with international financial institutions.

The underlying goal of all these measures is to ensure elimination of poverty and improve the quality of life.

Restore financial discipline and reduce the debt burden

The Government continued with its efforts to restore financial credibility and improve the fiscal management. All unnecessary expenses were curtailed and limits were imposed for everyone on expenditures of utilities, POL, travel, procurement, etc.

During the last two years over twenty billion of unpaid bills left by previous governments were paid by this Government. If these bills had not been inherited the money could have been used for the welfare of the people. The cleared liabilities included those of WAPDA, MINFAL, PTCL, sugar cane cess, contractors and others.

The blocked account with the State Bank of Pakistan, which was another consequence of past overspending, was reduced from Rs. 6 billion in year 2000 to Rs. 2.9 billion in 2001. The expensive Cash Development Loans of the Federal Government at interest rates of upto 17.7 percent are being paid off. As a first step Rs. 2.1 billion is being retired to save interest of about Rs. 400 million every year. Efforts have been made to secure debt relief on the expensive Cash Development Loans from the Federal Government. The rate has been brought from 17.7 to 12 percent for one year. More relief is being worked out.

Reduce, Rationalize and Simplify Taxes

The last budget was unique as several taxes were abolished and rates were brought down. No new tax was imposed and the rate of none of the existing tax was not increased. Thus philosophy of increasing revenues through reform and simplification continued throughout the year. When the hotel industry was facing hardship during the 9-11 period, their capacity tax rates were reduced. The valuation table of property rates for stamp duty was reduced by another ten percent during the year.

The government introduced, after detailed consultation with stakeholders, a comprehensive reform of the property tax system. After 32 years a survey of properties was undertaken and over 100 thousand new properties added. Four types of taxes on properties were abolished and replaced by a single uniform rate. The discretion of officials was minimized with simple formula and valuation table. Exemptions were provided or enhanced for widows and orphans, charitable institutions, places of worship and buildings of cultural heritage. This reform of property tax has yielded twenty percent growth in revenues during the year. This revenue is being transferred to the towns where it is collected.

A comprehensive review of the 67 different types of stamp duties was undertaken and in a major step, 35 duties were abolished during the year to minimize hassle and provide relief to the citizens.

Considerable work has also been undertaken on the reform of the professional tax, and the Motor Vehicle Tax and these measures will be finalized and announced shortly. Computerization of various tax departments has been undertaken to ensure major coordination and reduce corruption. These efforts on tax mobilization have resulted in an impressive increase in revenues to the extent of about 55% over the last two years.

A task force on the reform of revenue collection system was constituted and its recommendations are being implemented. These recommendations will transform revenue records, collection of land and agriculture income tax, reduce the discretion of the revenue officials in the countryside, and bring relief to the farmers.

In the last budget the focus was on education and health. Sindh became the first province to make education free up to matric and to abolish

the parchee fee in the hospitals. The non-salary budget of the primary education was increased by 100 percent and of medicines and hospital equipment by 30 percent. An additional amount of Rs.50.00 million was also sanctioned for purchase of machinery and equipment to increase the efficiency of hospitals and provide speedy treatment to the people.

Deregulation and private participation

Deregulation of the economy was pursued to remove irritants from the path of private business. The number of inspections from Sindh Government of factories and businesses was reduced from 23 to 6 and further consolidated into 4. These inspections are to be completed in one day to avoid waste of time and harassment.

The private sector and other stake holders were involved in all aspects of managing the economy and they were given representation on all important institutions created for economic reforms and change. These include the Task Force on Economic Development, the Sindh IT Board, the Economic Development Council for Karachi, the Sindh Privatization Commission, the Provincial Committee on Investment, etc.

To improve the efficient use of provincial resources a Sindh Privatization Commission has been set up. The SPC's task is to identify the resources that can benefit from private ownership and management and conduct privatization in transparent manner to maximize benefits to the government.

The first round of transactions was successfully completed. These transactions included a Trauma Center in Karachi which had been abandoned for several years. The government raised Rs.100 million which are being used for public welfare and retirement of expensive debt. More importantly, these assets are going to start working for the delivery of

service to the people. The Government is committed to further utilize other assets through the private sector and planned transactions these include the sugar mills in Thatta and Dadu Agricultural forms and printing press, etc.

Enhance and Improve the Development Program

The government made a determined effort to increase the pace of development, to allocate more funds and to ensure that they are well spent. The total development effort was thus targeted at Rs. 10.425 billion, which includes Rs. 5.75 billion of ADP, Rs. 2.8 billion Of KPP and 1.875 billion of foreign projects. The Federal Government supported Drought Emergency Assistance Program (DERA) was also initiated for Rs. 0.965 billion and Education Sector Rehabilitation of Rs 0.611 billion. The revised estimate of total development outlay is around Rs. 10.089 billion, recorded was of 7.4 billion, the biggest ever in the history of the province.

To ensure that the citizens benefit from this enormous increase in development allocations, strict monitoring of schemes was initiated and utmost effort was targeted at the completion of schemes. As a result over 350 ADP schemes have been completed during the year, and about 700 schemes have been completed during the last two years.

The KPP is a fast track program that includes projects that can be completed within a year. The implementation of this program is totally decentralized and aimed at generating local jobs and meeting local needs of municipal maintenance, roads, water course lining, etc. More than two thousand schemes are being completed all over Sindh under this program and many will be completed during the year.

This year is a big one for development in the province because in addition to the provincial schemes, the Federal government has initiated humble of mega projects and provided other support in the social sector and

drought affected areas. The Federal Government has given Rs. One billion for the draught affected areas of the Thar and Dadu districts which are being used for road building, water supply and village electrification. The Federal Government's grant for Rs. 0.612 billion for education programs is being used on adult literacy, rehabilitation of schools, and technical education.

The mega projects initiated by the Federal Government include the Karachi Water Supply Phase III, the RBOD, the Northern Bye-pass, the Lyari Expressway and the irrigation rehabilitation project.

Focus upon Service delivery in Education and Health

To improve public service delivery systems in a meaningful manner, a well-targeted medium term strategy for education, health, rural drinking water and sanitation sectors has been prepared. More funding is also likely to be available in the medium term for all the above sectors. The sector wise achievements are elucidated as under:

Education

- Primary School enrollment drives were launched.
- Around 3800 closed schools have been made operational through redeploying and recruiting teachers.
- Approximately 1.4 million sets of books were distributed in the free textbook program in fiscal year 2001-02. (given to primary school boys and girls in rural and slum areas).
- Around 36,000 scholarships were given for primary schools rural girls in fiscal year 2001-02.
- 5% increase in enrollment in fiscal year 2002, reversing the trend of the 1990s.

- Compulsory primary education program being implemented in 21 talukas in fiscal year 2002, with all 102 talukas to be covered by fiscal year 2004.
- Role of SMCs expanded, parent/citizen community board member would now chair school management committees to monitor teacher attendance and school budgets.
- New teachers were recruited on contracts, to specific schools, these were based on merit, with private sector and community involvement.

Health

- The coverage of the immunization and tuberculosis (TB) programs has increased. A third party assessment indicates that immunization coverage of children (12-23 months) and expectant mothers is 45% and 48% respectively, increasing from 38% and 40% respectively (in 1998).
- The numbers of confirmed Polio cases have decreased from 65 in 2000 to 23 (October) in 2001.
- In TB, good progress has been made in expanding DOTS strategy to ten districts. The coverage has increased from 8% to 31 with a cure rate of 75%. The program is on track to expand to 13 districts by end of fiscal year 2001-02.

Reorient Relationship with International Financial Institutions

The government has tried to reorient the province's relationship with the international financial institutions to benefit the citizens from the availability of international finance and technical support. As a result of government's efforts the Asian Development Bank completed the fast-track processing of a loan of \$ 186 million to build over more than 1200 km of

roads in the province. An additional loan of \$ 50 million is being processed for Rural development in five backward districts.

Sindh Government have also launched following projects with the assistance of donors:-

- Japanese Assisted Rural Roads Construction Project Phase-I.
- Sindh Road Sector Development Project (ARDP) ADB- Assisted.
- Girls Education Development Project- ADB Assisted.
- Women's Health Project (Assisted by ADB)
- Greater Hyderabad Sewerage Project Phase-I.

The biggest achievement of the government in this area has been to sign an agreement with the World Bank for \$100 million per year for three years on interest free terms. This amount, Rs. 6 billion per year will be used for paying off expensive debt, for creating pensions fund and an educational endowment. This type of provincial reform program has been concluded for the first time in Pakistan and is a show of confidence in the economic reform program of the province.

CHAPTER-I

PROVINCIAL FINANCE COMMISSION

In order to move towards structured inter governmental relations between the Province and the Districts the Government of Sindh constituted the first Provincial Finance Commission (PFC) headed by Minister Finance in February 2001 through Notification No. SO(C-IV) SGA&CD/7-381/2001. This Commission was given a broad set of terms of references which, included estimation of transition costs, strengthening of district revenues through restructuring of their taxes and user charges, institutional and capacity building of the district governments, achieving fiscal discipline at provincial and district level etc.

This Commission discussed at length various aspects pertaining to inter governmental fiscal relations in the country and internationally in order to evolve suitable revenue distribution criteria between the Provincial and District Governments. In this context the Commission held a detailed meeting with the Social Policy Development Center (SPDC) for assessing their research study pertaining to development ranking of districts in Sindh. Their report was extensively discussed and there was consensus that the backwardness index developed in the report can be used for resource distribution on the basis of backwardness.

In the meanwhile based on the guidelines provided by the NRB, the Government of Sindh has moved ahead on amending the SLGO 2001 for incorporating the covenants pertaining to the establishment of a Provincial Finance Commission empowered to make recommendations on the distribution of revenues between Provincial and District Governments and amongst the District Governments. The PFC was reconstituted and its terms of references were revised to bring these in conformity with the new law.

The first PFC Award would be an interim Award to be reviewed and reconfirmed by the end of first quarter of financial year 02-03. This provision has been made to incorporate a mechanism whereby in case

of any contingency such as finalization of NFC Award the PFC can make necessary adjustments prior to validating the Award by end September 2002.

However, maximum efforts have been made to provide a formula based revenue allocation between the Provincial and the District Governments. The distribution formula evolved by the Commission has some adhoc adjustments in the sharing of revenues, which, in future are expected to be replaced by a comprehensive formula. The approach adopted by the PFC in this Award is to establish current expenditures benchmark for the Provincial Government and the District Governments combined in order to determine the Provincial Retained and Provincial Allocable Amount. In the second step the expenditure benchmark for each of the District Government has been determined on the basis of which formula based resource transfer has been proposed from the Allocable Amount.

Recommendations for Sharing Funds For Current Revenue Expenditures

The Commission's recommendations on the distribution of revenue for the current revenue expenditure are:

1. The provincial resource picture would comprise of: Federal tax assignment, straight transfers, Provincial tax and non-tax revenues, Federal grant from 2.5% GST share, and IDA credit.
2. The Provincial divisible pool would consist of federal tax assignment, straight transfers and Provincial tax receipts net of property tax and entertainment tax .
3. Provincial non-tax receipts would not form part of the Provincial divisible pool.
4. The non-tax receipts from education, health and works would be distributed between Provincial and District Governments on the basis of collection
5. The Provincial share in the net proceeds of the divisible pool for the current revenue expenditures has been fixed at 60%, with the

remainder, 40% to represent the share of the District Governments combined in the divisible pool

6. The revenues from the divisible pool would be given to the District Governments on the basis of following formula:

Population:	50.0%
Backwardness:	17.5%
Tax collection :	7.5%
Transitional Transfer :	25.0%
Total	100.0%

7. The Transitional transfer grant would be valid for the transition period to be gradually phased out. This specific criteria would be subsequently reviewed by the PFC.
8. Rs. 2.5 billion from the budgeted Rs 5.5 billion under utilities would be placed with the District Governments and distributed amongst the District Governments on the basis of past expenditure trends, however the district governments would not have any powers to re-appropriate these funds.

Recommendations For Sharing Funds For Development Expenditure

The Commission's recommendations on the distribution of development funds are:

1. The development funds for financing the Annual Development Programme for FY 02-03 have been estimated at Rs.7000 million.
2. The Provincial development divisible pool is estimated at Rs. 5510 million after subtracting Rs.1200 million for counterpart funding for the foreign aided projects and Rs.290 million (5%) for compensating District(s) Governments which may get lower revenues through formula driven transfers
3. The net proceeds in the Provincial development divisible pool would be distributed between the Provincial Government and the District Governments combined in the ratio of 30:70 respectively. The Provincial Allocable Amount from the development divisible pool has been estimated to be Rs. 3812 million

4. The revenues from the Provincial Allocable Amount for development schemes would be given to the District Governments on the basis of following formula:

Population: 50%

Backwardness: 30%

Backlog for On-going

Schemes: 10%

Equal Share: 10%

5. The backwardness index is based on Social Policy Development Centre's study.
6. The backlog of schemes has been computed on the basis of the cost of on-going schemes available with the Planning and Development Department for FY02-03.
7. The criteria of backlog would be relevant only for FY 02-03 and it would be there after reviewed for assessing its impact.

Recommendations For Distribution of 2.5% GST Share

The Commission's recommendations on the distribution of 2.5% GST Grant are:

1. In order to protect the base of district finances, as it existed in FY 1998-1999 at the time of abolishment of the OZT, Rs. 6500 million would be distributed amongst the District Governments on the basis of collection of the Octroi and Zila tax.
2. The current level Khushal Pakistan Programme (KPP) financing (Rs.2800 million) would be protected and KPP funds would be distributed on the basis of following formula (Table 11) ;

Population: 70%

Backwardness: 30%

3. 30% of the KPP funds would be distributed amongst the Town and Taluka Administrations for financing water supply and drainage schemes.

4. The residual OZT funds would be used for strengthening the operational capacity of the smaller Districts, which had traditionally small income from OZT. These funds would be distributed on the basis of Backwardness.

CHAPTER 2

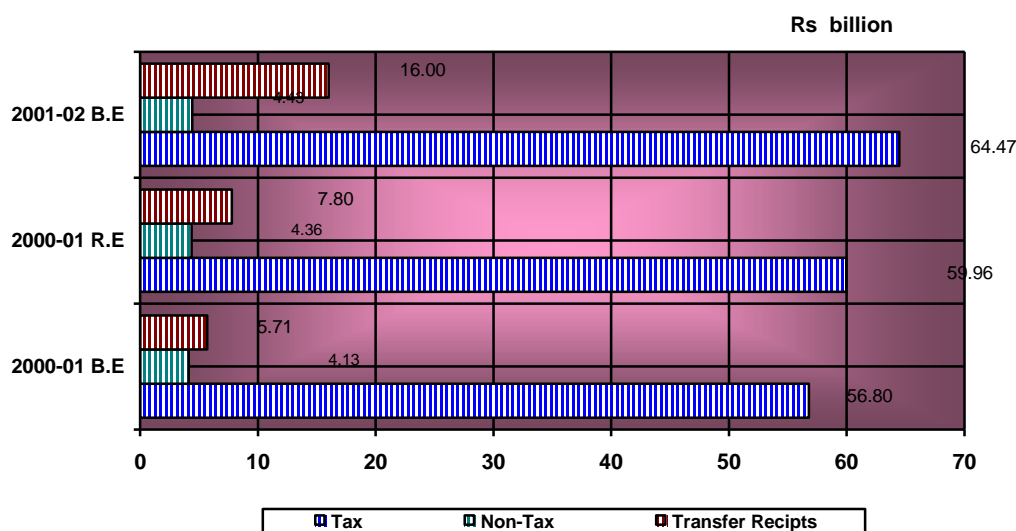
REVENUE RECEIPTS

The Federal Tax Assignments and provincial own receipts are the components of the revenue receipts. The federal tax assignments comprise of divisible pool and straight transfers. The share from divisible pool is distributed on the basis of formula prescribed by National Finance Commission Award for every five years, whereas straight transfers are transferred to the provinces on collection figures after making a deduction of 2% collection charges. The divisible pool and straight transfers combinedly constitute about 75 to 80% of the total revenue receipts of the provincial government. The remaining 20 to 25% are purely the provincial own receipts and are levied by the provincial government itself. Broadly, the revenue receipts are tax, non-tax and transfer receipts.

The trend of the Provincial revenue receipts from FY 1996-97 to FY 2001-02 is shown in Table-1 below:

TABLE 1
REVENUE RECEIPTS

	Tax Receipts	%age	Non-Tax Receipts	%age	Transfer Receipts	%age	Total
1996-97 (Actual)	38,878.6	94.4%	2,133.4	5.2%	260.4	0.63%	41,272.3
1997-98 (Actual)	34,948.5	92.8%	2,712.7	7.2%	-	-	37,661.2
1998-99 (Actual)	32,373.8	91.0%	3,195.8	9.0%	-	-	35,569.6
1999-2000(Actual)	44,947.2	80.6%	3,749.0	6.7%	7,091.6	12.7%	55,787.8
2000-01 (Actual)	53,296.4	86.1%		5.1%	5,430.9	8.8%	61,894.0
Revised 2001-02	59963.5	83.1%	4359.0	6.0%	7798.9	10.8%	72,121.4
Budget 2002-03	64468.2	76%	4433.1	5.2%	16000.0	18.8%	84,901.3

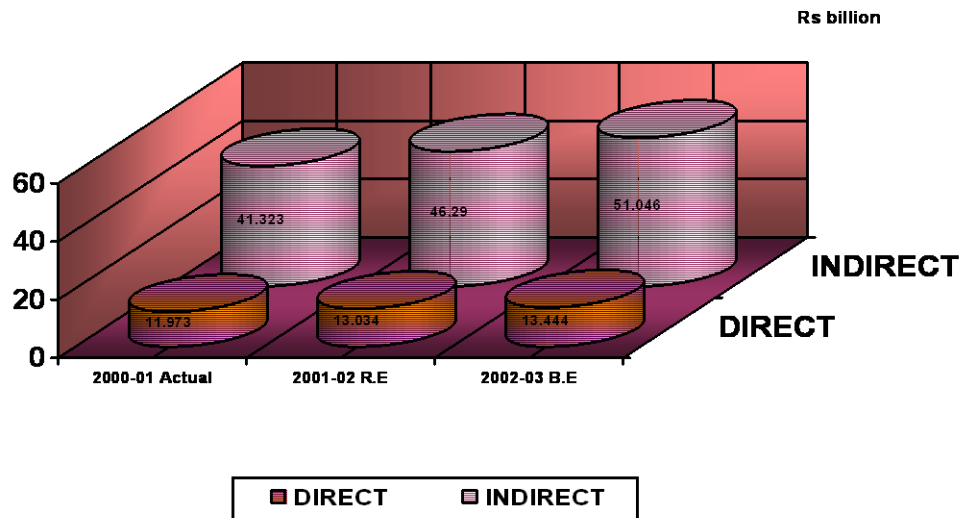


The table indicates that the tax receipts, which include transfers from the divisible pool, cover major portion of the revenue receipts. The decline in FY 2001-02 in percentage term is primarily the impact of persistent shortfall in transfers from divisible pool. However, it is expected to improve during 2002-03. The percentage ratio of direct taxes and indirect taxes in the revenue receipts is given in Table-2.

TABLE 2
CLASSIFICATION OF TAX REVENUE

Rs million

	DIRECT		INDIRECT		Total
	Amount	%Share	Amount	%Share	
1996-97 (Actual)	15,628.6	40.2%	23,250.1	59.8%	38,878.6
1997-98 (Actual)	8,867.3	25.4%	26,081.2	74.6%	34,948.5
1998-99 (Actual)	9,868.9	28.7%	24,486.2	71.3%	34,355.1
1999-2000 (Actual)	9,752.9	21.7%	35,194.2	78.3%	44,947.2
2000-01 (Actual)	11,973.1	22.5%	41,323.2	77.5%	53,296.3
2001-02 (Revised)	13,034.2	21.7%	46,929.3	78.3%	59,963.5
2002-03 (Budget)	13,422.4	20.8%	51,045.8	79.2%	64,468.2



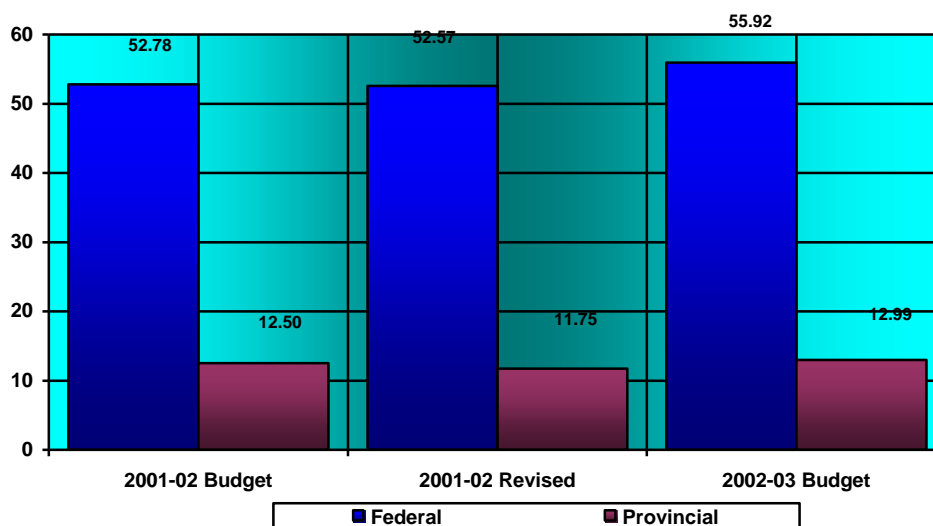
The ratio of direct taxes in provincial receipts is on the decline with corresponding increase in indirect taxes essentially due to upward trend in the straight transfers received on account of the royalties, excise and surcharge on gas and oil extracted from the Province. The decline in the direct tax receipts is because of low tax recovery in Agriculture Income Tax as well as decreased transfers from divisible pool. Given the trend in Provincial indirect taxes, it is likely to move upward in near future. It is estimated that during FY 2002-03 receipts from direct taxes will be Rs.13,422.2 million (20.8%) and receipts from indirect taxes are estimated to be Rs.51,045.8 million (79.2%). The overall increase in B.E. 2002-03 for direct taxes over R.E. 2001-02 is expected to be 3% and that in Indirect Taxes 8.8%.

The break up of federal tax assignment is given at Table 3.

TABLE 3
BREAK UP OF FEDERAL TAX ASSIGNMENT

Rs million

	REVENUE ASSIGNMENTS		STRAIGHT TRANSFERS		Total
	Amount	%Share	Amount	%Share	
Actual 1996-97	27,740.9	81.60	6,266.8	18.40	34,007.7
Actual 1997-98	23,304.2	76.33	7,228.0	23.67	30,532.0
Actual 1998-99	24,791.2	85.10	4,344.7	14.90	29,135.9
Actual 1999-2000	28,182.6	71.1	11,428.4	28.9	39,611.0
Actual 2000-01	31,572.2	69.0	14,193.9	31.0	45,766.1
Revised 2001-02	33,333.2	63.4	19,239.1	36.6	52,572.3
Budget 2002-03	37,069.1	66.3	18,847.2	33.7	55,916.3



This table reflects decreasing share of the divisible pool in the total federal transfers. The share of straight transfers jumped up by 163% in FY 1999-2000 over FY 1998-99. The increase in tax assignment is basically due to growth in General Sales Tax. The growth rate for shares from the divisible pool was 6.4% in FY 1998-99 over the base year of NFC (1997-98) which further improved in FY 1999-2000, wherein the actual transfers under this account went upto 13.7% over the year 1998-99. The year 2000-01

witnessed a growth of 12% over 1999-2000 due to increase trend in Income Tax and General Sales Tax. The 5.6% growth in R.E 2001-02 over the actual of 2000-01 and an expected growth of 11.2% in B.E. 2002-03 over R.E. 2001-02 are also because of positive trend in Income Tax and GST. The actual receipts in straight transfers showed a tremendous rise in FY 1999-2000 over FY 1998-99 by recording a growth of 163%, 24% growth in 2000-01 over 1999-2000, 35.5% growth in 2001-02 over 2000-01. However, the estimation for 2002-03 is showing a negative trend of 2%, nevertheless, hopefully, it would achieve an upward trend in the end of the day.

TABLE 4

FEDERAL DIVISIBLE TAXES (SINDH SHARE)

Rs million

	Actuals 1997-98	Actuals 1998-99	Actuals 1999-00	Actual 2000-01	Revised 2001-02	Budget 2002-03
Custom duties		5,312.7	5,173.6	5272.4	4188.2	4685.8
Income Tax		8,471.3	8,949.1	9505.5	11652.8	11751.3
Sales Tax		5,842.9	9,623.4	12932.2	14518.3	17511.9
Wealth Tax		331.8	0.0	438.4	33.2	0
Capital Value Tax		137.5	0.0	403.9	58.1	74.6
Federal Excise		4,695.0	4,436.5	3828.4	3528.5	3755.8
Total		24,791.2	28,182.6	32,380.8	33979.1	37779.4

It includes GST (Provincial C. E Mode) since 1999-2000 onwards

Rs. in million

	Actuals 1997-98	Actuals 1998-99	Actuals 1999-00	Actual 2000-01	Actuals 2001-02	Revised 2001-02	Budget 2002-03
Royalty on Crude Oil	1,078.1	1,022.0	1,320.3	2,168.7	2,127.6	1,865.6	1,955.4
Royalty on Natural Gas	1,481.9	1,425.8	2,368.7	3,118.6	4,070.9	4,643.9	6,418.9
Surcharge on Gas	3,096.9	3,096.9	5,977.8	6,384.2	8,807.3	9,859.6	7,460.6
Excise Duty on Gas	1,683.1	1,683.1	1,761.7	2,013.7	2,053.6	2,224.0	2,301.9
Total	7,340.0	7,227.8	11,428.5	13,685.2	17,059.4	18,593.1	18,136.8

CHAPTER 3

FEDERAL TRANSFERS

The National Finance Commission is the main forum ,which prescribes shares of federal transfers between the federal and provincial governments for every five years. The NFC award 1996 ,which was commenced on 1st July 1997 has completed its period of five years on 30th June 2002. The basic formula for revenue assignments between federal and the provincial governments according to this award was 62.5:37.5 respectively. The distribution of 37.5% among the provincial governments was solely on population criteria based on 1981 census .No weightage was considered at all in the said award .The straight transfers were distributed on collection basis to the provinces after making a deduction of 2% on account of collection charges.

The NFC award 1996 period (1997-98 to 2001-02) did not observe a good experience ,as actual recovery figures specially in case of revenue assignments were far beyond the projected figures of NFC. There were no match even between the budgeted and actual transfers under this account however the straight transfers showed a good trend during last two years of this award.

Table 5 depicts the trend of monthly transfers against proportionate budgeted share and net cash received by the Sindh Government during the periods of NFC 1996.

TABLE 5

	Rs million				
	1997-98	1998-99	1999-2000	2000-01	2001-02
BUDGETED ONE MONTH	2,692.9	2,990.1	2,932.3	4,129.6	4405.3
July	1,986.9	1,059.3	1,782.0	5,157.0	2511.6
August	1,512.4	2,396.8	1,961.2	1,533.0	2614.4
September	2,202.1	2,359.2	2,520.6	3,962.4	3377.4
October	1,674.1	2,222.1	4,863.4	2,670.8	3904.7
November	2,698.6	1,895.7	2,471.6	3,966.2	3918.1
December	2,884.4	2,427.9	3,912.9	3,499.5	4493.2
January	1,479.2	1,711.0	2,850.2	4,084.7	3456.9
February	2,013.8	1,676.6	2,780.9	2,850.1	2508.6
March	3,519.7	2,576.3	3,567.1	3,031.4	4566.6
April	1,657.7	2,390.0	3,479.1	3,921.5	6711.0
May	1,958.7	2,898.1	3,814.1	5,186.8	5684.2
June	6,944.4	3,588.0	4,607.8	5,902.8	6323.4
Total (Gross)	30,532.0	29,135.9	39,611.0	45,766.2	50,070.1
At-source deduction including debt servicing	10,094.6	10,566.4	12,452.0	14,947.0	17,205.2
Net Cash	20,437.4	18,569.5	27,159.0	30,819.2	32,864.9

The monthly transfers do not show any rational trend of increase/decrease if we proceed from July to June of a fiscal year. It is however, apparent that major chunk of funds was usually received in the month of June. In year 2000-01, Government of Sindh received an exceptionally large amount of Rs.5.157 billion in July. It was received on the request of the Provincial Government as a relief. In the succeeding months, the transfers were made on actual recovery basis and the amount released in July 2000 on the basis of budgeted figure was also adjusted in accordance to actual recovery.

The table-5 shows 4.6% decrease of receipts in FY 1998-99 over FY 1997-98, an increase of 36% in FY 1999-2000 over FY 1998-99 and 13% increase in FY 2000-01 over FY 1999-2000 and 8.8% increase in FY 2001-02 over FY 2000-01. The average compound growth rate of receipts during this period is 12.6%. The improvement in growth was due to increase trend in straight transfers as earlier mentioned that a growth of 163% was recorded in FY 1999-2000 over 1998-99.

Table 6 reflects various at-source deductions made by the Federal Adjuster from divisible pool share of the Government of Sindh from FY 1997-98 to FY 2000-01 i.e. during NFC 1996 era.

TABLE 6

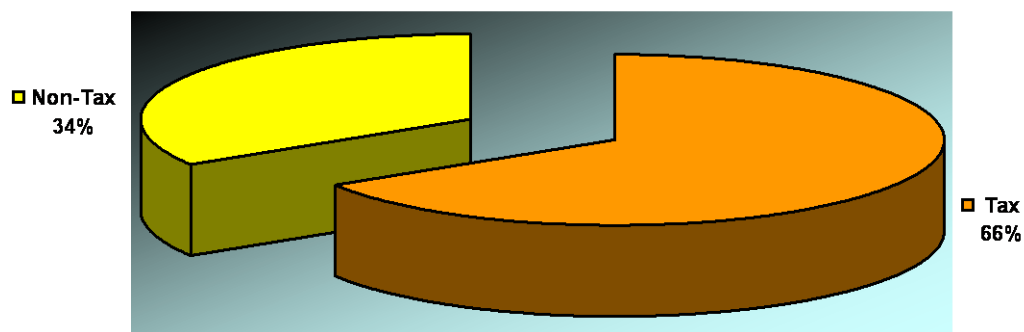
YEAR	Rs million			
	WAPDA	KESC	MINFAL	TOTAL
1997-98		576.0	799.7	1,375.7
1998-99	487.0	975.0		1,462.0
1999-2000	1,600.0	245.0		1,845.0
2000-01	1,700.0			1,700.0
2001-02	3,346.0	700.0		4,046.0
Total	7,133.0	2,496.0	799.7	10,428.7

The table reflects deductions of 68.4% of WAPDA, 23.9% of KESC and 7.7% of MINFAL made by the Federal Government from divisible pool share of Sindh Government. The cash flow of GOS suffered a tremendous pressure due to these at –source deductions in the shape of overdraft, which at one time went upto to Rs.10 billion plus.

PROVINCIAL REVENUE RECEIPTS

Broadly, the provincial revenue receipts is classified as tax and non-tax receipts. The tax receipts are levied through acts of the parliament or ordinance, whereas non-tax receipts are imposed through notification by the department concerned. The Provincial Taxes are Agriculture Income Tax, Professional Tax, Stamp duty, Motor Vehicle Tax, Hotel Tax etc. The non-tax receipts are various fees and user charges eg, arms license fee, driving license fee, abiana, printing charges, etc. Almost 20% of the total revenue receipts of the provincial government are these tax and non-tax receipts.

The Provincial receipts during FY 2002-03 are estimated to be Rs.12,985 million comprising Rs 8,552 million (66.1%) of tax receipts and Rs 4,433 million (34%) of non-tax receipts .

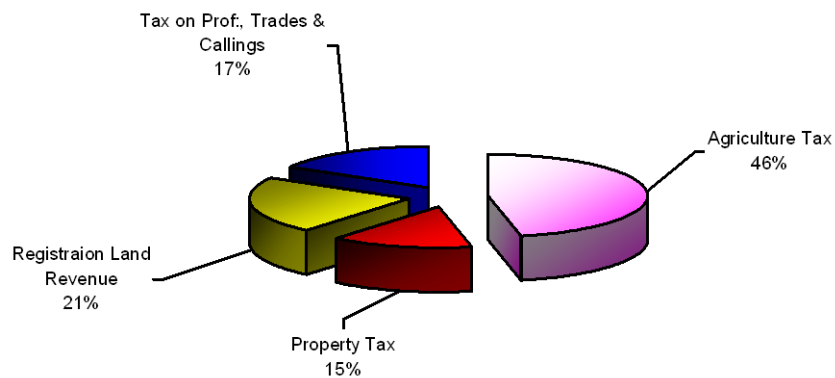


DIRECT TAXES

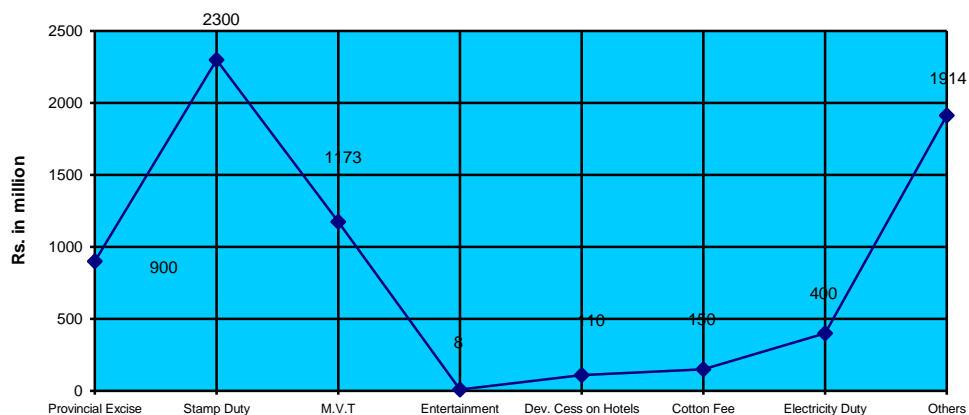
The receipts from indirect taxes continue to dominate the Provincial receipts. The revised estimates for receipts from direct taxes during FY 2001-02 are RS 1,290.0 million as compared to Rs 1,440.0 million in the budget estimates, a decrease of 10 percent. The budget estimates for FY 2002-03 are Rs 1,597 million. It is anticipated that actual recovery may surpass the estimates, once the measures unfolded in the Finance Ordinance are enforced.

BUDGET 2002-03

DIRECT TAXES



INDIRECT TAXES



INDIRECT TAXES

Stamp Duty continues to be the largest source of indirect taxes. The reasons for decline in receipts from indirect taxes have been explained below. The revised receipts from indirect taxes are Rs 6,101 million compared to budgeted estimate of Rs 6,541 million, a decrease of 6.7% during FY 2001-02. The budget estimates for FY 2002-03 are Rs 6,955 million.

Table 7 reflects the growth trend of direct and indirect taxes.

TABLE 7

Rs million					
S.No.	Years	Direct	Growth	Indirect	Growth
1.	1995-96	696.7	-	3133.1	-
2.	1996-97	995.4	42.9%	3875.5	23.7%
3.	1997-98	919.8	(-) 7.6%	3496.6	(-) 9.8%
4.	1998-99	1205.5	31.0%	3992.3	14.2%
5	1999-2000	803.9	-33.3%	4532.3	13.5%
6	2000-01	1925.3	139.5%	5605.0	23.7%
7	2001-02 (R.E)	1290.2	(-) 33%	6101.1	8.9%
8	2002-03 (B.E)	1596.5	23.7%	6955.4	14.0%

It clearly indicates an upward trend in direct tax receipts as well as in indirect taxes receipts. This performance is primarily due to improvement in revenue collection as well as the impact of fiscal measures taken in the FY 1996-97 and FY 2000-01.

Table 8 below indicates trend of taxes under Provincial Tax receipts from FY 1998-99 to FY 2002-03. The data shows an up-ward trend of growth from FY 1998-99 to FY 2002-03 and negative trends are revealed in rare cases. Provincial revenue receipts during FY 2000-01 depicted

improvements in many areas. There has been an encouraging performance in Agriculture Income Tax, Registration, Professional Tax, Provincial Excise, Stamp Duty and Motor Vehicle Tax where the receipts have shown an upward trend compared to the receipts in FY 1999-2000.

TABLE 8
TREND OF TAXES SINCE 1998-99
TO 2000-01 & ANTICIPATED 2002-03.

	Rs million				
	1998-99 Actuals	1999-2000 Actuals	2000-01 Actuals	2001-02 (R.E)	2002-03 (B.E)
DIRECT TAXES					
Tax from Agriculture	224.9	119.1	547.3	550.0	700.0
Urban Immovable Property Tax (Net)			821.2		200.4
Tax on Transfer of Property (Registration)	194.5	196.7	256.6	320.0	333.0
Land Revenue	124.1	145.6	157.6	76.5	113.1
Tax on Profession, Trades & Callings	140.9	141.7	142.7	160.0	250.0
Total Direct Taxes	885.5	803.8	1925.4	1290.2	1596.5
Provincial Excise	654.6	755.5	691.1	610.0	900.0
Stamp Duty	1,684.0	1,772.1	1814.0	1900.0	2300.0
Motor Vehicle Tax	581.5	636.7	928.6	1073.1	1172.8
Entertainment Tax	61.5	66.8	60.5	7.2	8.4
Education Cess (Net)	8.3	-	-	-	-
Betterment Tax (Net)	29.7	20.1	-	-	-
Taxes on Hotels	91.3	90.7	96.8	63.0	110.0
Cotton Fee (Net)	49.4	59.2	107.1	110.0	150.0
Electricity Duty	17.0	202.7	333.5	400.0	400.0
Others	836.4	928.5	1573.5	1937.7	1914.3
Total Indirect Taxes	3,889.4	4,532.3	5,605.1	6100.6	6955.5
Total Provincial Taxes	4,774.9	5,336.2	7530.5	7390.8	8552.0

The actuals of PUIT are figured in gross collection, whereas revised and budget figures are the net share of GOS (i.e. 2% collection charges plus 15% of 98% net proceeds).

NON TAX REVENUE

The main components of non-tax revenues are:

- a) Income from Property and Enterprises
- b) Receipts from Civil Administration and other Functions
- c) Miscellaneous Receipts
- d) Grants from Federal Government

The percentage change in revised estimates 2000-01 and budget estimates 2001-02 over budget estimates 2000-01 under non-tax revenue is given in table-9.

TABLE 9
NON TAX REVENUE

Year	Rs million				
	Income from Prop. and Enterprise	Receipts from civil Admn & other functions	Miscellaneous	Grants from Federal Government	Total
1996-97 (Actual)	6.5	1,553.3	573.5	260.4	2,393.7
1997-98 (Actual)	85.9	1,587.8	1,039.1	0.0	2,712.7
1998-99 (Actual)	5.0	1,583.6	1,614.0	1,098.8	4,301.4
1999-00 (Actual)	383.0	1,592.5	1,773.6	7,091.6	10,840.7
2000-01 (Actual)	76.1	1,416.3	1674.3	5430.9	8697.6
2001-02(Revised)	136.2	1,738.0	2484.8	7799.0	12158.0
2002-03(Budget)	167.8	1,928.2	2337.1	10000.0	14,433.1

The income from non-tax receipts is fairly static and it fluctuates with the increase in federal grant. The federal grant in FY 1998-99 reflects the transfer for cyclone-affected areas whereas it reflects the OZT grant and grant for drought affected areas of Thar and Kohistan during FY 1999-00. The revised estimates for FY 2000-01 includes KPP and OZT grants and FY 2001-02 indicate only the grant for OZT. A detailed picture of each item of the non-tax receipts is indicated below:

PROPERTY AND ENTERPRISES

TABLE 10

Rs million

	INTEREST		DIVIDEND		TOTAL	
	Amount	%	Amount	%	Amount	%
1997-98 (Actual)	82.9	96.5	3.0	3.5	85.9	100.0
1998-99 (Actual)	3.6	72.6	1.4	27.4	5.0	100.0
1999-00 (Actual)	380.2	99.3	2.8	0.7	383.0	100.0
2000-01 (Actual)	72.9	95.8	3.2	4.2	76.1	100.0
2001-02 (Budget)	77.1	93.6	5.3	6.4	82.4	100.0
2001-02 (Revised)	129.2	94.9	7.0	5.1	136.2	100.0
2002-03(Budget)	161.8	96.4	6.0	3.6	167.8	100.0

The above table indicates an increase of 7560% in FY 1999-2000 over FY 1998-99. The year 2000-01 showed a downward trend as compared to FY 1999-2000, whereas some improvement in FY 2001-02 is expected.

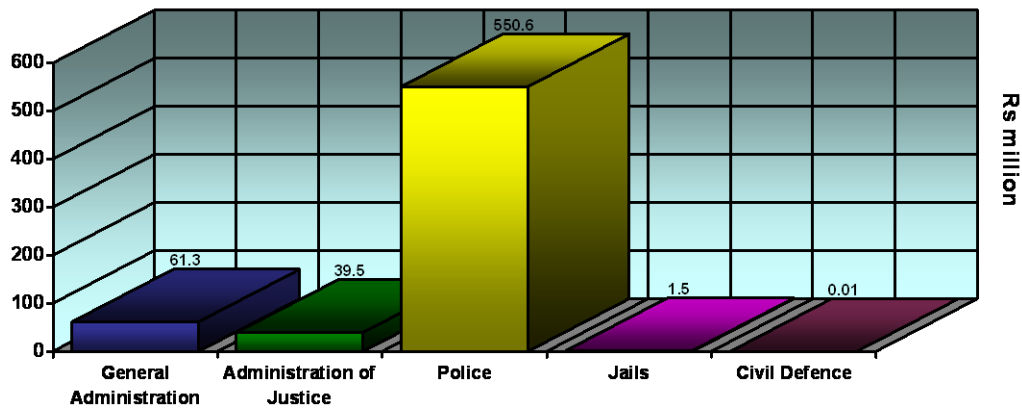
GENERAL ADMINISTRATION AND LAW & ORDER

TABLE 11

Rs million

	Actual 1998-99	Actual 1999-2000	Actual 2000-01	Budget 2001-02	Revised 2001-02	Budget 2002-03
General Administration	51.0	52.9	94.7	94.7	55.5	61.3
Administration of Justice	31.5	43.9	59.6	59.6	35.8	39.5
Police	300.4	305.2	500.3	500.3	500.0	550.6
Jails	1.5	1.0	4.0	4.0	1.4	1.5
Civil Defence	0.01	0.01	0.1	0.1	0.01	0.01
Total:	384.4	350.1	191.7	658.4	592.7	652.9

GENERAL ADMINISTRATION AND LAW & ORDER BUDGET 2002-03



Examination fees, receipts-in-aid of superannuation and receipts under the weights and measures and trade Employees Act. comes under the General Administration whereas general fees, fines and forfeitures, receipts from record rooms and collection of payments for services rendered are part of the Administration of Justice. Receipts from the Police include charges for force supplied to the federal and provincial government departments, fees and forfeitures. Receipts from jails accrue from sale of manufactured goods, and reimbursements from the Federal Government come under the Civil Defense.

The receipts under this head are also quite static and lack buoyancy. The quantum jump in the revised estimates 2000-01 is very encouraging and on the basis of these receipts the budget estimates for FY 2001-02 have been pitched at Rs. 663 million.

COMMUNITY SERVICES

The composition of receipts from community services is as under:

- Tolls on roads and bridges
- Sales of tender forms

- Registration fee for contractors
- Confiscation of earnest money
- Payments for services rendered and recovery of departmental charges by Public Health Department

SOCIAL SERVICES

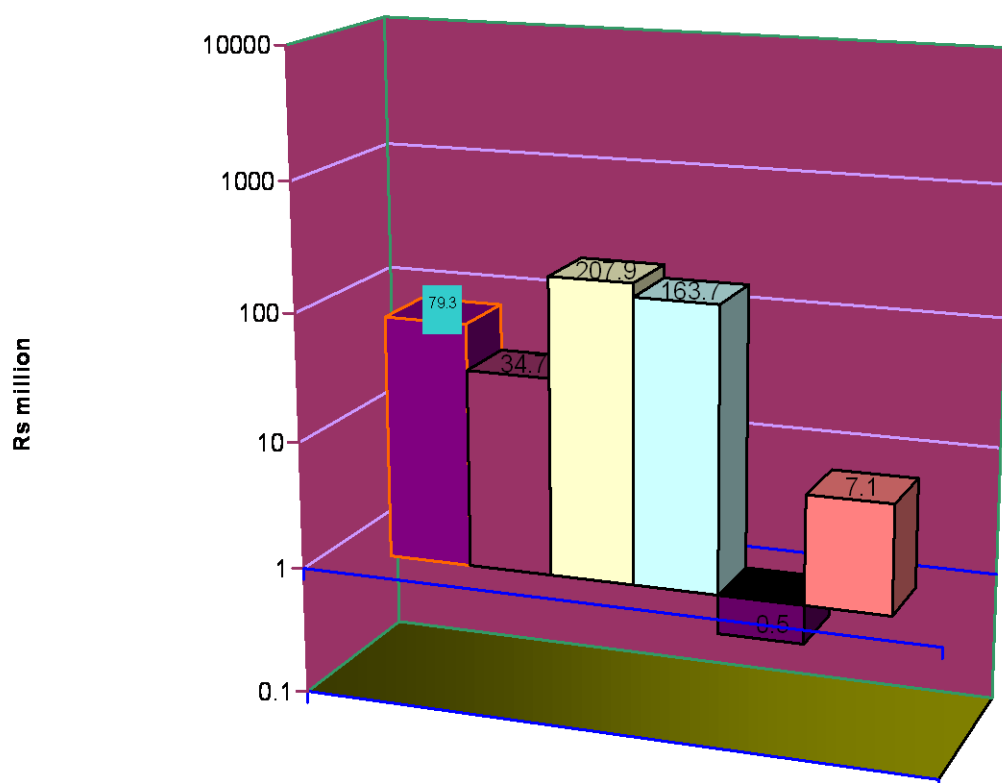
- Education
- Health
- Manpower Management
- Housing and Physical Planning
- Receipts under the Wild Birds and Wild Animals Protection Act.

TABLE 12

RECEIPTS FROM COMMUNITY AND SOCIAL SERVICES

	Rs million					
	Actuals 1998-99	Actuals 1999-2000	Actual 2000-01	Budget 2001-02	Revised 2001-02	Budget 2002-03
Works	116.6	41.7	33.3	62.8	73.8	79.3
Public Health	24.0	57.1	35.1	20.9	32.3	34.7
Education	206.6	263.6	212.6	345.3	193.4	207.9
Health	69.1	81.2	94.0	120.9	152.2	163.7
Manpower Management	0.5	0.7	0.8	1.1	0.4	0.5
Social Security and Social Welfare Measures	4.3	4.6	6.9	9.5	6.6	7.1
Total	421.1	448.8	382.7	560.5	458.7	493.2

**RECEIPTS FROM COMMUNITY AND SOCIAL SERVICES
BUDGET 2002-03**

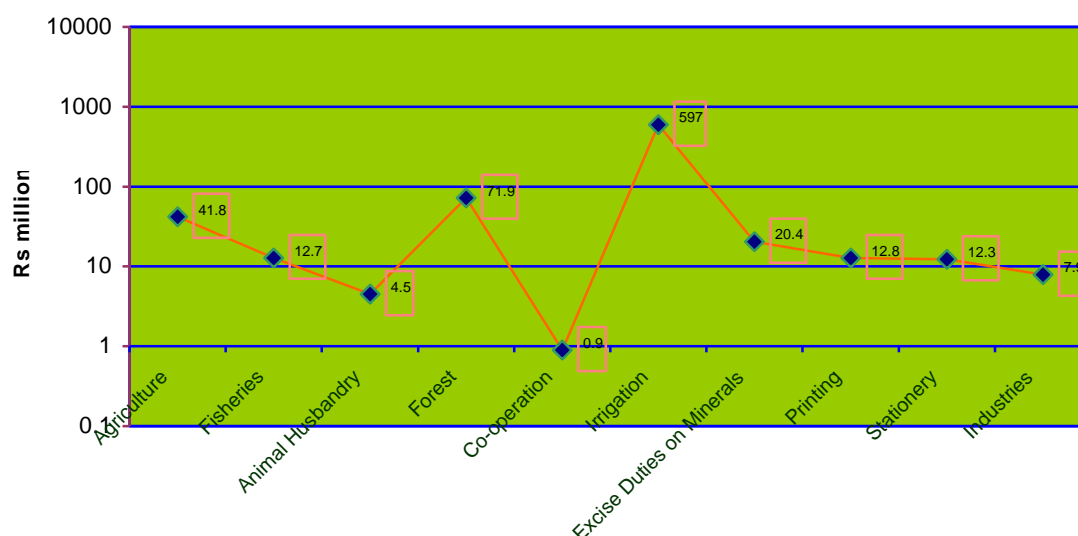


RECEIPTS FROM ECONOMIC SERVICES

TABLE 13

	Rs million					
	Actual 1998-99	Actual 1999-2000	Actual 2000-01	Budget 2001-02	Revised 2002-03	Budget 2002-03
Agriculture	45.5	44.1	46.2	104.8	38.0	41.8
Fisheries	17.3	14.4	17.9	13.7	19.9	12.7
Animal Husbandry	2.5	5.0	6.6	7.3	4.1	4.5
Forest	43.4	52.7	59.0	61.8	65.4	71.9
Co-operation	0.5	0.8	0.4	0.7	0.8	0.9
Irrigation	622.7	576.3	632.6	881.8	508.0	597.0
Excise Duties On Minerals	20.0	13.3	20.8	26.0	19.0	20.4
Printing	12.9	13.9	26.3	15.9	11.9	12.8
Stationery	10.4	17.0	24.7	17.3	11.5	12.3
Industries	2.9	3.1	7.6	8.4	8.0	7.9
Total:	778.1	740.5	824.1	1,137.6	686.6	782.3

**RECEIPTS FROM ECONOMIC SERVICES
BUDGET 2002-03**



Income from experimental and seed farms, hire charges of bulldozers, boring operations, research stations and soil conservation forms the composition of receipts from Agriculture. Receipts from livestock and boiler forms, insemination fees and income from research institutes come under Animal Husbandry, whereas, sale proceeds of timber and other produce relate to the forest. Co-operative receipts consist of rent of income from demonstration farms and training institutes. Irrigation receipts are derived from water rates, direct receipts from canals, land reclamation irrigation research institutes. Receipts under printing and stationery include printing charges, sale of government publications, forms, registers and stationery, while receipts from various industries and companies proceeds of finished goods, store purchases and fees, etc. come under the receipts from Industries. The receipts from economic services have been reflecting a steady rising trend.

MISCELLANEOUS RECEIPTS

Miscellaneous Receipts include Extra Ordinary Receipts and Other Receipts. Extra Ordinary Receipts is further divided into the following categories:

- Receipts on account of transaction relating to canal colonies
- Receipts on account of transaction elsewhere

Sales proceeds of undeveloped agricultural lands in colonies and sale of barrage and non-barrage lands constitute the most important component of receipts from canal colonies. Receipts on account of others are derived from sale of store and material, mines, oil fields and mineral development. It also includes sugar cane development cess, fees for registration of societies under Societies Registration Act, payment for services rendered, fees, fines and forfeitures etc.

TABLE 14
MISCELLANEOUS RECEIPTS

Rs million						
	Actual 1997-98	Actual 1998-99	Actual 1999-2000	B.E 2000-01	R.E 2001-02	B.E 2002-03
Extra Ordinary	187.3	325.8	61.1	122.0	484.8	528.4
Others	851.8	1288.2	1712.4	1552.3	2000.0	1808.8
Total	1039.1	1614.0	1773.5	1674.3	2484.8	2337.2

CHAPTER 5

CURRENT REVENUE EXPENDITURE

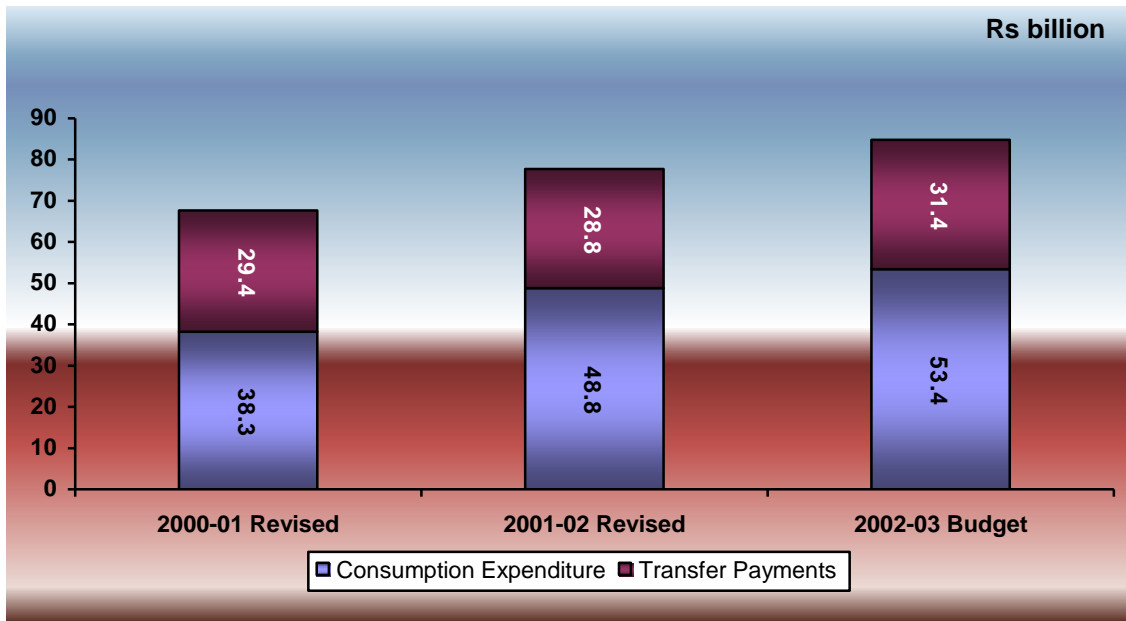
Current revenue expenditure is the operational expenditure of the Government through which almost all Governmental activities excluding new ventures are funded. It constitutes major component of the Provincial Consolidated Fund. It can broadly be discussed under the heads of Consumption Expenditure and Transfer Payments

Consumption expenditure includes, establishment charges, purchase, repairs and maintenance of durable goods, commodities and services and other expenditures. Expenditures on account of interest payment, grants and subventions, subsidies, pension and other related items are booked under the transfer payments. The consumption expenditure and transfer payments' ratio with respect to total current revenue expenditure can be depicted as follows;

TABLE 15

Rs million

	Consumption Expenditure		Transfer Payment		Total Current Expenditure
	Amount	%AGE	Amount	%AGE	Amount
1996-97 (R.E)	22,628.5	60.7	11,668.6	31.3	37,297.6
1997-98(R.E)	26,445.3	61.4	15,891.0	36.9	43,080.1
1998-99(R.E)	27,332.9	63.0	16,055.3	37.0	43,388.1
1999-2000(R.E)	33,061.8	56.8	25,198.3	43.3	58,260.1
2000-01 (R.E)	38,261.7	56.6	29,396.3	43.4	67,657.9
2001-02 (R.E)	48,843.7	62.9	28,818.6	37.1	77,662.3
2002-03 (B.E)	53,401.1	63.0	31,406.4	37.0	84,807.5



The percentage allocation for FY 2002-03 on each component of consumption expenditure is reflected below:

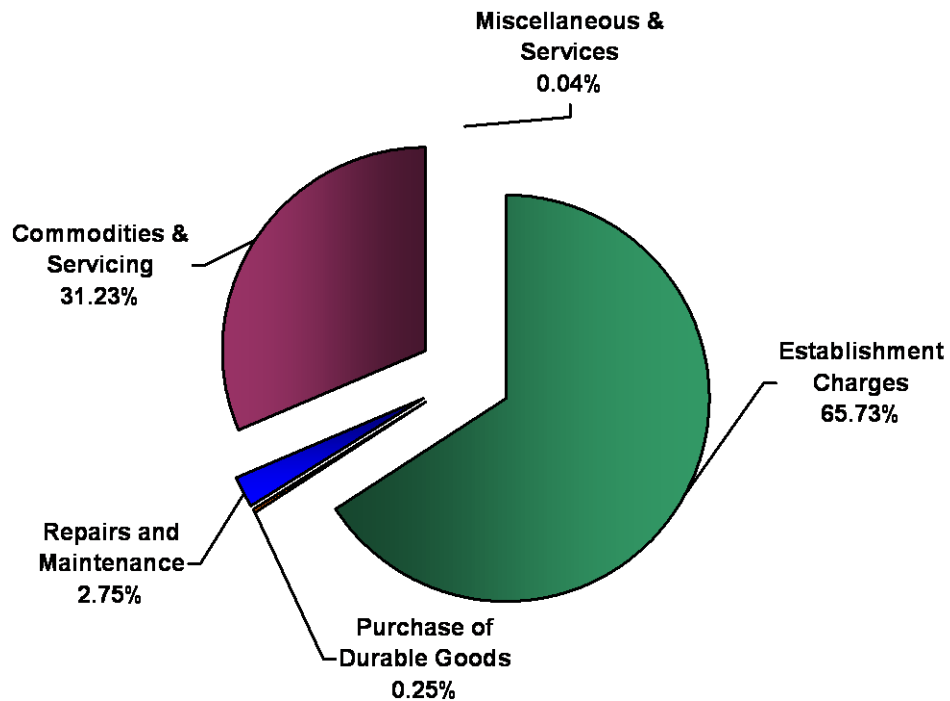


Table 16 reflects the trend of various components of consumption expenditure since 1997-98.

TABLE 16**MAJOR COMPONENTS OF CURRENT REVENUE EXPENDITURE**

Rs million

Current Expenditure	Revised 1998-99	Revised 1999-2000	Revised 2000-01	Revised 2001-02	Budget 2002-03
CONSUMPTION EXPENDITURE					
Establishment Charges	20,931.9	25,036.9	25,961.6	31,664.0	35,097.9
Purchase of Durable Goods	724.4	571.6	545.4	601.0	131.7
Repair and Maintenance of Durable Goods	1,080.7	1,492.4	1,307.7	1,417.6	1,469.5
Commodities and Services	3,785.0	4,813.3	9,411.7	15,157.7	16678.7
Miscellaneous	810.8	1,147.6	1,035.2	3.4	23.3
Total Consumption (A)	27,332.9	33,061.8	38,261.7	48,843.7	5,3401.1
Percentage	63.0%	56.8%	56.6%	62.9%	63.0%
TRANSFER PAYMENTS					
Interest	11,163.9	11,388.5	10,940.3	11,028.4	11,515.1
Grant and Subvention	653.9	8,549.1	6,638.3	5,161.1	6,820.0
Sub-Total (i)	11,817.8	19,937.6	17,578.6	16,189.5	18,335.1
OTHER TRANSFERS					
Subsidies	14,01.3	1,384.0	3,012.0	1,692.4	4,910.0
Pension	2,736.2	3,400.0	4,000.4	4,591.0	6,200.0
Others	100.0	476.7	4,805.3	8,315.9	1,961.3
Sub-Total (ii)	4,237.4	5,260.7	11,817.7	12,629.1	13,071.3
Total Transfer Payments B=(i+ii)	16,055.3	25,198.3	29,396.3	28,818.5	31,406.4
Percentage	37.0%	43.3%	43.4%	37.1%	37.0%
Total Current Revenue Expenditure (A+B)	43,388.1	58,260.1	67,657.9	77,662.3	84,807.5

The average compound growth rate of the current revenue expenditure from FY 1997-98 to FY 2000-01 has been 14.3%, with ACG of 11.2% in consumption expenditure and 21.2% in transfer payments. The budget estimates for FY 2001-02 have however been projected at a low growth of 6% over revised estimates 2000-01.

The current revenue expenditure for FY 2001-02 is estimated at Rs 71,702 million representing an increase of 6% over the revised estimates

of Rs 67,658.000 million for FY 2000-01. The growth rate stipulated under the NFC Award 1997 for current expenditures is 16.42% over the benchmark of 1996-97. The actual growth of current expenditures in Sindh however has remained far below the stipulated growth rate as reflected below:

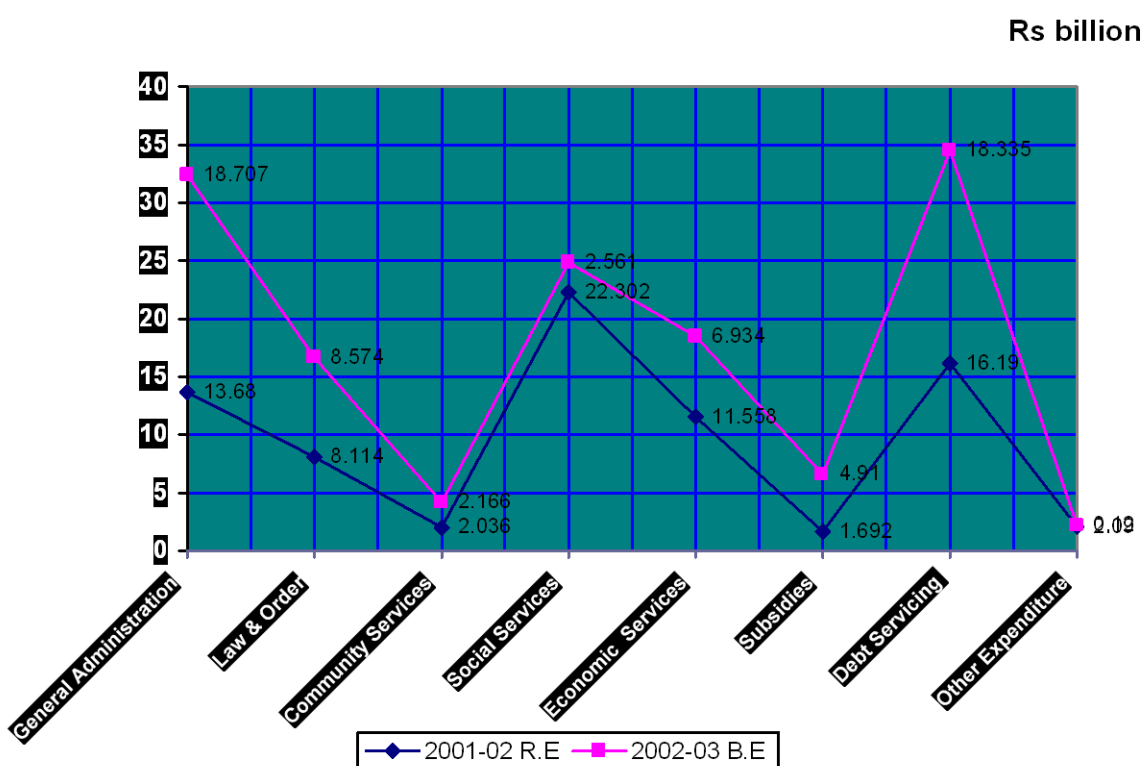
	<u>Rs. in billion</u>	
	<u>Actuals</u>	<u>Growth rate(%)</u>
1997-98	39.127	0.5
1998-99	39.405	0.7
1999-00	52.931	34.3
2000-01 (R.E)	67.658	27.8
2001-02(B.E)	71.702	6.0
2002-03(B.E)	84.808	18.3

The growth of provincial revenue expenditure has remained low mainly on account of unprecedented shortfall in the federal transfers and the strict enforcement of overdraft limits. This in a way means that the revenue expenditures have been forcibly contained either by way of deferring expenditures or making extremely low allocations for the O&M needs of the provincial services. Table 17 reflects the trend in various components of current revenue expenditures since 1997-98.

TABLE 17

FUNCTIONAL DISTRIBUTION OF REVENUE EXPENDITURE

Rs million					
	1998-99 Actual	1999-2000 Actual	2000-01 Actual	2001-02 R.E	2002-03 B.E
General Administration	6,538.6	7,080.1	11,398.2	13,680.3	18,706.9
Law and order	4,986.9	5,574.4	6,585.2	8,114.0	8,574.2
Community Services	1,180.5	1,471.3	1,483.6	2,036.1	2,165.5
Social Services	13,232.0	14,802.0	15,968.8	22,301.6	2,561.3
Economic Services	3,160.0	3,717.3	6,678.9	11,558.1	6,934.1
Subsidies	23.7	399.4	3,128.3	1,692.4	4,910.1
Debt Servicing investible funds & grants	10,181.4	19,668.6	16,940.7	16,189.5	18,335.1
Other Expenditure	102.2	217.1	551.2	2,090.2	120.2
Total:	39,405.2	52,931.1	62,734.9	77,662.3	84,807.5



Major jump visible in General Administration is due to an increase of Rs. 8.135 billion in the allocation for FY 2002-03 for providing budgetary cover for the unspent balance during 2001-02. The Government discontinued the practice of transferring unspent balance to the Huzoor

Remittance on closing date of a financial year from FY 2000-01 as under. Since then a regular allocation is being made to provide a budgeted channel for utilization of unspent funds for essential expenditures. It also includes provision for WAPDA payments. The expenditure priority in terms of expenditure and percentage is reflected in tables 18 and 19 below:

TABLE 18
FUNCTIONAL PRIORITY

	Rs million				
	1998-99 Actual	1999-2000 Actual	2000-01 Actual	2001-02 R.E	2002-03 B.E
PRIORITY EXP	23,413.4	34,471.6	32,918.8	38,491.1	43,396.4
Social Services	13,232.0	14,803.0	15,968.8	22,301.6	25,061.3
Debt Servicing, Investible funds, Grants	10,181.4	11,668.6	10,449.8	11,028.4	11,515.1
O&Z Grants O2T & Grants	0.0	8,000.0	6,500.2	5,161.1	6,820.0
NON-PRIORITY	15,991.8	18,459.6	29,816.1	39,171.2	41,411.1
General Administration	6,538.6	7,080.1	11,398.2	13,680.3	18,706.9
Law and order	4,986.9	5,574.4	6,585.2	8,114.0	8,574.2
Community Services	1,180.5	1,471.3	1,483.6	2,036.1	2,165.5
Economic Services	3,160.0	3,717.3	6,678.9	11,558.1	6,934.1
Subsidies	23.7	399.4	3,128.3	1,692.4	4,910.1
Other Expenditure	102.2	217.1	551.2	2,090.2	120.2
Total:	39,405.2	52,931.2	62,734.9	77,662.3	84,807.5

TABLE 19

	Percentage				
	1998-99 Actual	1999-2000 Actual	2000-01 Actual	2001-02 R.E	2002-03 B.E
PRIORITY EXP	59.4	65.1	52.5	49.6	51.2
Social Services	33.6	28.0	25.5	28.7	29.6
Debt Servicing	25.8	22.1	16.7	14.2	13.6
O&Z GRANT	0.0	15.1	10.4	6.7	8.0
NON-PRIORITY	40.6	34.9	47.5	50.4	48.8
General Administration	16.6	13.4	18.2	17.6	22.1
Law and order	12.7	10.5	10.5	10.5	10.1
Community Services	3.0	2.8	2.4	2.6	2.6
Economic Services	8.0	7.0	10.7	14.9	8.2
Subsidies	0.10	0.8	5.0	2.2	5.8
Other Expenditure	0.30	0.4	0.9	2.7	0.1
Total:	100.0	100.0	100.0	100.0	100.0

FUNCTIONAL DISTRIBUTION: The details of functional distribution are as under:

(a) General Administration

General Administration Expenditure decreased from Rs.13,858.2 million in the budget estimates FY 2001-02 to Rs.13,680.3 million in the revised estimates FY 2001-02. The expenditure during FY 2002-03 has been estimated at Rs.18,706.9 million. The increase is primarily because of expenditure against unspent balance of FY 2001-02 and payments against WAPDA bills.

(b) Law and Order

It involves expenditures on administration of Justice, Police, Civil Armed Forces, Jails, Civil Defense, etc as reflected in table 20. There is 11.1% increase in revised estimate FY 2001-02 over the budget estimate FY 2001-02. The budget estimate FY 2002-03 shows an increase of only 5.7 % over the revised estimate FY 2001-02.

TABLE 20
LAW AND ORDER

Rs million			
	2001-02 Budget Estimate	2001-02 Revised Estimate	2002-03 Budget Estimate
Justice	366.2	463.4	411.6
Police & CAF	6,215.6	7,051.9	7,333.9
Jails and Detention Places	505.0	376.6	570.5
Civil Defence	15.7	18.1	22.6
Training & Research	201.9	204.0	235.6
Total	7,304.3	8,114.0	8,574.2

(c) Community Services

The FY 2000-01 revised expenditure on community services was considerably lower than the budgeted estimates however the budgeted amount for FY 2000-01 is Rs. 1824.4 million as reflected in table 21.

TABLE 21
COMMUNITY SERVICES

Rs million			
	2001-02 Budget Estimate	2001-02 Revised Estimate	2002-03 Budget Estimate
Works	1,394.9	1,576.2	1,565.8
Public Health Services	423.9	447.3	583.8
Urban Town Planning	0.0	6.6	10.4
Other Community Services	5.6	6.0	5.6
Total	1,824.4	2,036.1	2,165.5

d) Social Services

The detail of expenditure on social services is indicated at table 22.

TABLE 22
SOCIAL SERVICES

	Rs million		
	2001-02 Budget Estimate	2001-02 Revised Estimate	2002-03 Budget Estimate
Education	14,328.3	16,840.2	18,328.6
Health	4,207.4	4,893.2	5,929.8
Manpower and Labour	201.0	211.4	254.6
Sports and Recreation	28.0	84.6	33.1
Social Security & Welfare	214.4	255.2	295.5
Natural Calamities	5.6	6.0	206.6
Religious Affairs	11.1	11.1	13.1
Total	18,996.2	22,301.6	25,061.3

The revised expenditure on social services increased by Rs.3305.4 million from the budget estimate FY 2001-02. During FY 2002-03, the expenditure is estimated to grow by Rs 2759.7 million primarily because of restructuring of Education and Health Departments, transfer of donor funded schemes under SAP to non-development budget and new expenditure for equipment. This sector remained at the top of the list of current expenditure.

(e) Economic Services

The expenditure on economic services is indicated at table-23. The revised estimates for FY 2001-02 increased by 92.7% because of an additional allocation of Rs.2,517 million under KPP. KPP is a fast track programme for development and poverty reduction which is being funded by the Federal as well as Provincial Governments. The budget estimates for FY 2002-03 reflects a decrease of Rs.4624.0 million against the revised estimates FY 2001-02.

TABLE 23
ECONOMIC SERVICES

	Rs million		
	2001-02 Budget Estimate	2001-02 Revised Estimate	2002-03 Budget Estimate
Agriculture and Food	1,454.8	1,351.0	1,316.6
Land Management	247.5	329.4	289.2
Animal Husbandry	232.6	273.9	291.7
Forestry	143.3	177.9	190.3
Fisheries	42.9	50.4	56.4
Cooperation	43.5	51.1	48.8
Irrigation	1,817.9	1,896.3	1,955.7
Land Reclamation	1,649.1	2,277.8	2,365.2
Fuel and Power	19.9	20.6	25.3
Rural Development	82.7	4,866.3	113.7
Industrial and Mineral Dev	121.2	122.4	122.1
Stationary and Printing	122.3	118.6	135.2
Transport and Communication	20.3	22.3	23.9
Total	5,998.1	11,558.1	6,934.1

(f) Subsidy

The increase in budget for FY 2001-02 is due to allocation of Rs 2.5 billion for clearing MINFAL dues and an allocation of Rs 1.5 billion for current subsidy in the wake of lifting of 1 million ton wheat from Punjab.

(g) Debt Servicing

The debt servicing liability of the province is increasing steadily. The revised estimates for FY 2001-02 decreased from the budgeted Rs 11.409 billion to Rs 11.028 billion. The debt servicing liability for FY 2002-03 has been projected at Rs 11.515 billion. The grants and subvention increased from budgeted Rs 6,645 million for FY 2001-02 to Rs 6,820 million for the year 2002-03.

(h) Other Expenditure

The other expenditure remained same in the revised estimates for FY 2001-02 as was allocated in the budget estimates of the same year. The allocation of Rs. 2,090 million in revised estimates included Rs. 1,970 million of payment to WAPDA/KESC.

CHAPTER 6

CURRENT CAPITAL RECEIPTS

Current capital receipts comprise of the following components:

- i) Recoveries of Investments
- ii) Public Debt
- iii) Recoveries of Loans and Advances
- iv) Loans from Commercial Banks (Account No. II)

TABLE 24

GENERAL CAPITAL RECEIPTS

Rs million

	Actual 1998-99	Actual 1999-2000	Actual 2000-01	Revised 2001-02	Budget 2002-03
Recoveries of Investment	0.0	0.0	0.0	100.0	100.0
Public Debt		800.4	0.0	505.0	550.0
Recoveries of Loans and Advances (Account No.I)	51.0	1,937.9	1,556.9	2,457.6	1617.0
Loans from Commercial Banks (Account No.II)	2,700.0	3,671.7	2,685.0	7,062.2	5000.0
Total(Account-I & II)	2,751.0	6,410.0	4,241.9	10,124.8	7,267.0

The Provincial Government obtains loans from commercial banks under counter-finance arrangement with the SBP for financing operation of state trading in food grains. The said transaction is maintained in Food Account No. II. An increase of 139 percent in R.E. 2001-02 over actual receipt for FY 2000-01 has been expected, whereas, the allocation in budget 2002-03 shows a negative trend of 28% in general capital receipts.

CURRENT CAPITAL EXPENDITURE

Current capital expenditure comprises of following major components:

- i) Debt Servicing
- ii) Loans and Advances
- iii) Repayments of loans to commercial banks
(Account No. II)

Debt Servicing includes Floating Debt Discharged, Permanent Debt Discharged, Loans from Federal Government and Debt Raised Abroad.

Floating Debt Discharged: Ways and Means advances which are obtained from the SBP for financing the day to day cash balance deficit, if any, are repaid under this head.

Repayment of Loans: These are the short-term advances obtained from the commercial banks for financing the procurement operations of food-grains in Account No. II.

Permanent Debt Discharged: This is the redemption of market loans liability. ***Loans from Federal Government:*** This pertains to repayment of the principal to the Federal Government.

Debt Raised Abroad: Foreign Loans Principal amount is repaid under this head.

Loans and Advances: Funds under this classification are provided for non-development activities of Local Bodies, Non-Financial Institutions and others in the private sector including cultivators. These loans are advanced on certain specified terms and conditions. Loans to government servants are also disbursed for construction / purchase of houses, motorcars, motorcycles, scooters and bicycles.

An abstract view of the current capital expenditure is in table-25:

TABLE 25
CURRENT CAPITAL EXPENDITURE

Rs million

Year	Capital Expenditure			
	Debt Servicing	Loans and Advances	Repayment of Loans to Commercial Banks	Total
1997-98 (Actual)	1,805.6	68.9	1,473.0	3,347.5
Percentage	54.0	2.0	44.0	100.0
1998-99 (Actual)	3,207.8	166.7	2,700.0	6,074.5
Percentage	52.8	2.7	44.5	100.0
1999-00 (Actual)	6,368.3	41.0	3,671.7	10,081.0
Percentage	63.2	0.4	36.4	100.0
2000-01 (Actual)	3,046.6	181.6	2,685.0	5,913.2
Percentage	51.5	3.1	45.4	100.0
Percentage	50.3	1.7	48.0	100.0
2001-02(R.E)	6,275.1	757.7	7,062.2	14095.0
Percentage	44.5	5.4	50.1	100.0
2002-03(B.E)	3,634.4	300.0	5,000.0	8,934.4
Percentage	40.7	3.4	59.9	100.0

The debt repayment here represents repayment of principal amount of the cash development as well as foreign loans. The payment is done by way of at-source deduction by the Federal Government from the monthly releases of divisible pool transfers to the Provincial Government. An increase in this head mostly appears due to impact of currency rate in case of foreign loans or inclusion of new loans in re-payment schedule.

CHAPTER 8
DEBT PORTFOLIO

The debt portfolio of the Province consists of:

- a) Federal Loans including
 - i) Rupee Loans
 - ii) Counterpart Fund Rupee Loans
 - iii) Foreign Exchange Loans
- b) Market Loans
- c) Foreign Loans

a) Federal Government Loans

i) Rupee Loans: The Rupee Loans are given in the form of Cash Development Loans. These loans are repayable in equated installments of principal and interest over a period of 25 years including a grace period of 5 years during which only interest is payable.

ii) Counterpart Funds are generated by

- a) Commodity imports under the Mutual Security Act.
- b) Purchase of surplus agricultural commodities in rupees from foreign countries
- c) Relief Commodities received on grant under the Agricultural Trade Development Assistant Act

The rupees generated by the sale of these commodities are kept under the joint supervision of Government of Pakistan and Government of the Country, which sends the commodities. This rupee balance termed as counterpart funds are used for financing specified development projects by an agreement between the two Governments.

c) **Foreign Exchange Loans** are handled by the Federal Government. The terms and conditions of the loans passed on to the provincial governments are the same as offered by the loan giving agencies except the interest rate which includes foreign exchange rate risk. Foreign loans can be divided into Federal Government Loans and Guaranteed Loans

The Provincial Government services Federal Government Loans. Autonomous bodies on the other hand contract loans with foreign countries under the guarantee of the Federal Government and the responsibility for servicing such loans called Guaranteed Loans is that of the autonomous bodies. No transaction relating to such loans pass through provincial governments account. The debt liability of the Government of Sindh as on 01.07.2002 is given below:

TABLE 26

		Rs billion
1.	Cash Development Loans	
	a. Normal CDL (24 Nos.)	23.847
	b. SAP-Tied CDL (06 Nos.)	5.408
	c. SCARP-CDL (23 Nos.)	14.413
	Total CDL	43.668
2.	Foreign Loans	65.100
3.	Sindh Loans	1.700
	Grand Total	110.468

- ❖ In addition to above Rs.15.874 billion was an outstanding balance on 30th June 2001 as deferred liabilities of GOS under General Provident (GP) Fund as reported by A.G. Sindh in the Finance Account 1999-2000.

The increase in foreign loans is due to an escalation in the rate of conversion of following currencies:-

	R.E 2000-01	R.E 2001-02	Increase
US Dollar	57.7900	61.4000	3.6100
U.K. Pound	82.4432	87.3389	4.8957
French Franc	8.124332	8.2101	0.085768
Saudi Riyal	15.413880	16.3677	0.95382

The Provincial Government bears the foreign exchange risk. The Federal Government fixes the rate of the foreign currencies on yearly basis keeping in view the global trend and fluctuations in international money markets.

The Provincial Government is making payments against interest and principal amounts of Cash Development Loans (CDLs) as well as foreign loans on monthly installments basis to the Federal Government. These payments are made through at source from monthly divisible pool share of the Provincial Government. The payments are booked under current revenue expenditure whereas, the principal components constitutes the current capital account. Table shows monthly trend of payments made by Sindh Government on account of debt serving / discharged against CDLs and Foreign loans.

TABLE 27

	Rs. in million				
	1997-98	1998-99	1999-2000	2000-01	2001-02
July	664.542	785.344	848.141	864.578	918.186
August	664.542	785.344	848.141	864.578	918.186
September	664.542	785.344	848.141	864.578	918.186
October	664.542	785.344	848.141	864.578	918.186
November	664.542	785.344	848.141	864.578	918.186
December	664.542	500.000	848.141	864.578	918.186
January	664.542	500.000	848.141	864.578	918.186
February	664.542	500.000	848.141	864.578	918.186
March	664.542	785.344	848.141	864.578	918.186
April	664.542	785.344	991.041	864.578	918.186
May	1,024.531	721.124	991.041	962.881	832.608
June	1,048.975	721.123	991.041	962.881	832.608
Total	8,718.926	8,439.655	10,606.391	10,571.542	10,847.076

The monthly payments includes interest as well as principal amounts against cash development and foreign loans. In last two months (i.e. May & June) of each financial year, the increase/decrease in monthly installment is due to the impact of inclusion of new loans/commencement of repayment of a loan/foreign exchange rate etc.

DEBT SERVICING (INTEREST PAYMENT)

Table-28 shows the debt servicing liability as percentage of the total non-development revenue expenditure and percentage of current revenue receipts

TABLE 28

Rs million

DEBT SERVICING					
Years	Current Revenue Expenditure	Debt Servicing (Interest payment)	% of Current Revenue Expenditure	General Revenue Receipts	% of General Revenue Receipts
1990-91	14687.6	3599.7	24.5	11999.1	30.0
1991-92	19414.6	4511.9	23.3	18841.6	23.9
1992-93	21296.5	5363.7	25.2	21379.1	25.1
1993-94	24254.8	6305.7	26.0	26389.1	23.9
1994-95	30567.3	5334.1	17.5	32295.9	16.5
1995-96	36186.5	5734.7	15.9	38401.4	14.9
1996-97	38919.4	8207.8	21.1	41272.3	19.9
1997-98	39127.4	10682.2	27.3	37661.2	28.0
1998-99	39405.0	10123.6	25.7	39656.5	25.5
1999-2000	52931.1	11594.7	21.9	55787.8	20.8
2000-01	62734.9	10440.4	16.6	61894.0	16.9
2001-02 (B.E)	71702.1	11408.6	15.9	69,501.9	16.4
2001-02 (R.E)	77662.3	11028.4	14.2	72121.4	15.3
2002-03 (B.E)	84807.5	11515.1	13.6	84901.3	13.6

Market Loans

Market Loans are floated by Provincial Government to meet capital expenditure. Table-29 below reflects the position of market loans of the Province.

TABLE 29

MARKET LOANS OF SINDH GOVERNMENT

Rs million

S.No.	Name of the Loan	Rate of Interest	Year of Issue	Date of Maturity	Balance as on 01.07.2002
1.	Sindh Loan 2002	15.50%	1992-93	12-08-2002	185.9
2.	Sindh Loan 2003	16.0%	1994-95	27-08-2003	443.6
3.	Sindh Loan 2006	15.50%	1995-96	15-09-2006	969.5
4.	Sindh Loan 2007	17.0%	1996-97	27-08-2007	26.3
Total:					1,625.3

The Provincial Government has now begun to re-deem its Market Loans instead of its re-floatation. It had re-deemed 10.75% Sindh

Loan 1999 amounting to Rs.54.297 million in FY 1999-2000, 15% Sindh Loan of Rs.44.3 million in the financial year 2001-02 and has prepared itself for the redemption of 15.5% Sindh Loan 2002 of Rs.185.9 million in the year 2002-03.

WAYS AND MEANS ADVANCES

The mark-up on overdraft is being charged on quarterly rate of the auction of Government Treasury up to the extent of ways and means limit prescribed by the SBP. The present ways and means ceiling for Government of Sindh has been fixed at Rs.2,150 million. The Government Treasury auction rate remained between 7 to 8%. Sindh Government has paid Rs.7.639 billion to SBP on account of mark-up on overdraft during FY 1991-92 to FY 2001-02 as at table-30.

TABLE 30

Year	Rs million Markup on Overdraft
1991-92	301.8
1992-93	684.8
1993-94	928.7
1994-95	400.5
1995-96	636.9
1996-97	1,086.9
1997-98	1,362.9
1998-99	1,179.2
1999-2000	649.5
2000-01	212.3
2001-02	195.7
Total	7,639.2

The above table shows a declining trend in the payment of mark-up on overdraft during the period from 1999-2000 to 2001-02 indicating an improvement in cash balance position of GOS during these

period because of improvement in federal transfers as well as positive growth in provincial own receipts.

The cash balance trend of Government of Sindh under Non-Food Account No.I with SBP in the period 1990 to 2001 is at table 51, showing the appearance of first negative cash balance in February 1991 and since then there has been persistent upward and downward trend.

TABLE-31

Years	Date	Rs million	Remarks
1990-91	02.07.90	(+) 359.604	
	05.08.90	(+) 764.865	(Maximum Credit)
	24.02.91	(-) 124.529	(First Debit raised)
	30.06.91	(-) 2,284.771	(Maximum Debit)
OD increased by		(1,925.167)	
1991-92	02.07.91	(-) 1,243.608	(Minimum)
	31.03.92	(-) 3,644.560	(Maximum)
	30.06.92	(-) 3,389.428	
O.D increased by		(2,145.820)	
1992-93	02.07.92	(-) 3,725.711	
	02.08.92	(-) 2,180.332	(Minimum)
	29.05.93	(-) 6,812.595	(Maximum)
	29.06.93	(-) 5,509.027	
O.D increased by		(1,783.316)	
1993-94	04.07.93	(-) 5,546.911	
	27.07.93	(-) 6,771.842	(Maximum)
	28.02.94	(-) 3,489.010	(Minimum)
	30.06.94	(-) 3,698.868	
O.D decreased by		1,848.043	
1994-95	03.07.94	(-) 3,984.606	
	11.07.94	(-) 4,630.761	(Maximum)
	18.05.95	(-) 882.809	(Minimum)
	30.06.95	(-) 2,992.841	
O.D decreased by		991.765	

1995-96	02.07.95	(-)	3,431.069	
	13.02.96	(-)	7,281.027	(Maximum)
	15.04.96	(-)	2,743.179	(Minimum)
	30.06.96	(-)	4,831.282	
O.D increased by			(1,400.213)	
1996-97	02.07.96	(-)	5,547.644	
	21.07.96	(-)	4,805.281	(Minimum)
	20.01.97	(-)	10,283.516	(Maximum)
	30.06.97	(-)	5,680.412	
O.D increased by			(132.768)	
1997-98	02.07.97	(-)	6,162.380	
	12.06.98	(-)	11,085.162	(Maximum)
	30.06.98	(-)	5,641.419	(Minimum)
O.D decreased by			520.961	
1998-99	02.07.98	(-)	6,416.565	(Minimum)
	29.01.99	(-)	10,268.067	(Maximum)
	30.06.99	(-)	6,478.199	
O.D increased by			(61.634)	
1999-2000	02.07.99	(-)	6,557.772	(Minimum)
	21.08.99	(-)	10,160.531	(Maximum)
	30..06.2000	(-)	6,766.7	
O.D increased by			(208.928)	
2000-01	01.07.2000	(-)	5,389.958	(Maximum)
	30.04.2001	(-)	151.524	(Minimum)
	31.06.2001	(-)	1,461.418	
O.D. decreased by			3,928.540	
2001-02	03.07.2001	(-)	1,510.496	
		(-)	1,585.495	
OD increased by			(74.999)	

CHAPTER 10
STATE TRADING

State Trading was introduced to facilitate Government's intervention in procurement and sale of food grains, sugar, etc. to stabilize market prices for providing relief to the general public. These operations are primarily semi-commercial and are funded through Cash Credit line determined by the SBP and these are disbursed through various commercial banks.

TABLE 32
STATE TRADING

Rs million					
	Revised 1998-99	Revised 1999-2000	Revised 2000-01	Revised 2001-02	Budget 2002-03
STATE TRADING					
Receipts	9,575.6	10,971.3	13,353.5	5,293.4	15,103.6
Expenditure	10,849.6	13,819.9	20,444.2	7,999.9	6,857.8
Net State Trading	1,274.0	2,848.5	8,090.7	2,706.5	(8,245.8)

Food Department proposes to obtain bank advance of to Rs.6,000 million for its wheat operations to be repaid during the course of the financial year through sale of wheat stock. The target for 2002-03 has been fixed to the extent of Rs.5,000 million for this purpose. It is expected that Provincial Government will meet its requirement within the aforementioned cash credit limit.

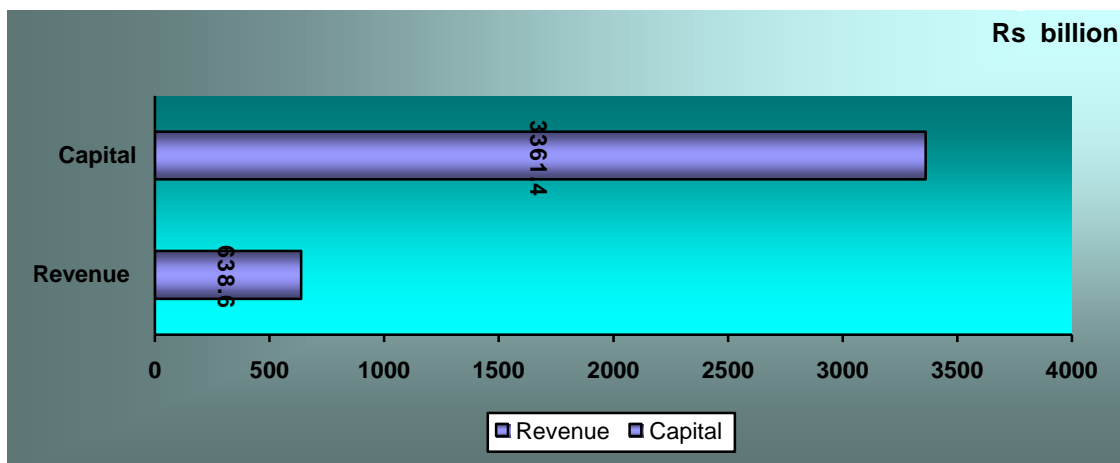
CHAPTER 11

DEVELOPMENT EXPENDITURE

The year 2002-03 is expected to be a big year for development in Sindh. A continued effort to restore financial discipline and contain wastages has improved the Government's financial health to a certain extent. The Government can now move to take on some of the critical emergent development needs. The development outlay for FY 2002-03 is Rs.14.480 billion, an increase of 44 percent over this year's Revised Estimate of Rs.10.067 billion. The outlay includes Rs. 5.75 billion for ADP, Rs. 2.88 for FPA and Rs.2.8 billion for KPP.

The allocation of Rs. 7.0 billion for ADP is an increase of 54% over the current year's Revised Estimate. The expenses against ADP 2002-03 will entirely be met from the Provincial resources except a nominal Japanese grant of Rs.22.5 million.

The Development Expenditure is classified into:-



SECTORAL ALLOCATIONS

The sector wise allocation in ADP is given in table-40. In B.E. 2002-03 the major sectors are Rural Development (13%), Education and

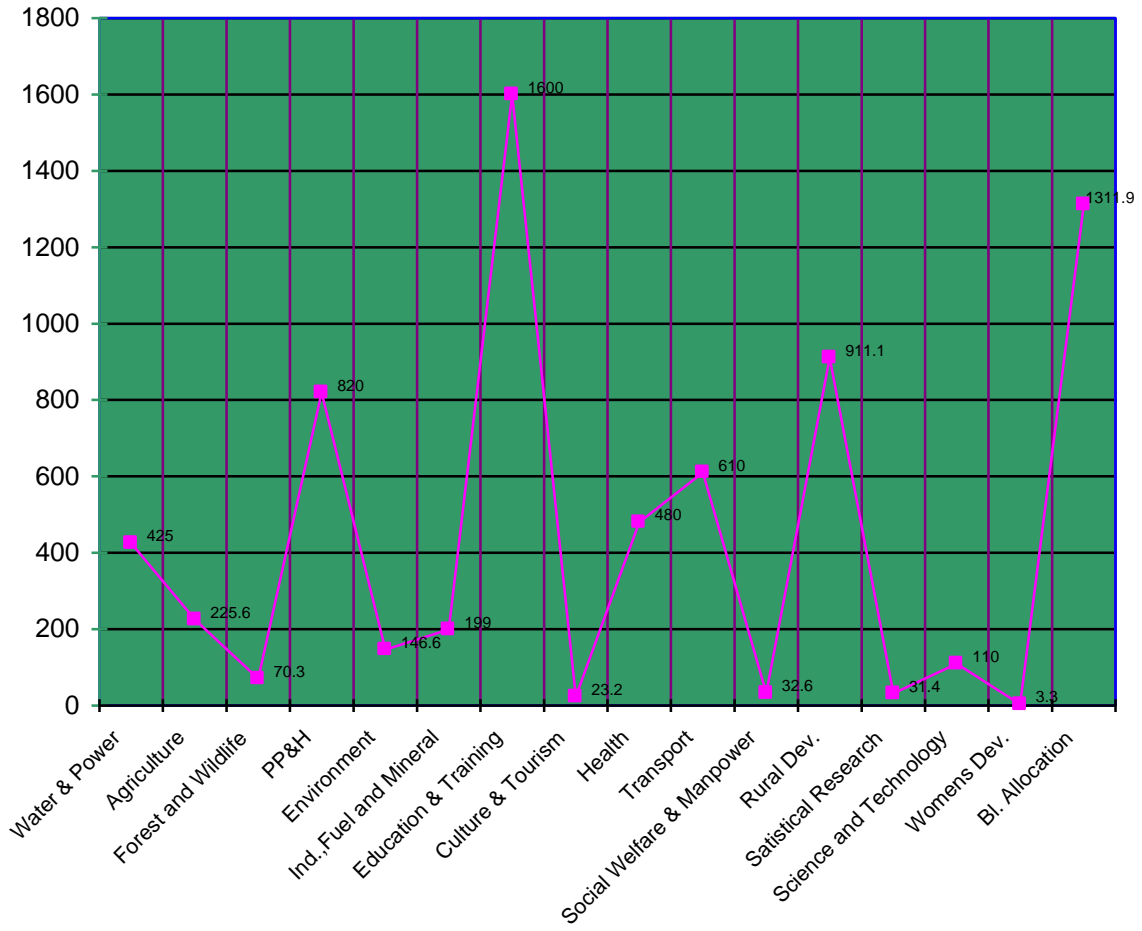
Training (23%), Physical Planning and Housing (12%), Water and Power (6%) and Health (7%). An increase of 54% in B.E. 2002-03 over R.E. 2001-02 has been estimated.

TABLE 33
SECTORAL ALLOCATIONS

	Rs million				
	Revised 1998-99	Revised 1999-2000	Revised 2000-01	Revised 2001-02	Budget 2002-03
Water and Power	379.5	425.0	393.0	415.2	425.0
Agriculture	76.7	80.6	41.8	191.1	225.6
Forest and Wildlife	46.6	50.0	38.0	52.0	70.3
Physical Planning and Housing	835.5	924.8	995.9	990.9	820.0
Environment	18.0	13.3	21.7	0.0	146.6
Industries, Fuel and Minerals	8.2	4.3	16.3	19.3	199.0
Education and Training	890.0	890.0	643.0	889.8	1,600.0
Culture and Tourism	20.0	30.0	29.8	31.0	23.2
Health	360.0	360.0	276.4	370.9	480.0
Transport and Communication	500.9	440.0	425.2	549.2	610.0
Social Welfare and Manpower	21.0	21.5	18.5	23.2	32.6
Rural Development	515.8	590.0	731.8	768.5	911.1
Statistical Research	22.5	105.1	28.7	8.5	31.4
Science and Technology	0	3.0	24.2	17.0	110.0
Women's Development	0.6	0.2	0.0	1.3	3.3
Special Projects	0	10.0	0.0	0.0	0.0
Block Allocation	173.0	52.3	166.0	215.2	1,311.9
Total Annual Development Programme	3,868.6	4000.0	3,850.3	4,542.9	7,000.0

The table shows that Sindh Government has increased allocations in B.E 2002-03 in Education (79.8%), Health (29.4%), Transport and Communication (11.1%), Rural Development (18.6%), Statistical Research (2.69%) and Science and Technology (5.47%) as compared to R.E 2001-02.

Rs million



CHAPTER 12
PUBLIC ACCOUNT

The Public Account of the Provincial Government comprises of transactions other than the Provincial Consolidated Fund both on the receipts and expenditure side. The major components are as under:

1. Deferred liabilities
2. Deposits and Reserves Bearing Interests
3. Deposits and Non-Bearing Interests
4. Current Liabilities
5. Current Assets
6. Suspense Accounts
7. Remittances
8. Miscellaneous Accounts

Table-55 shows the percentage impact in B.E. 2002-03 over Actuals R.E. 2001-02. A decrease of 1.7% under Receipts heads, and 1.1% of decrease under Expenditure heads have been estimated in B.E. 2002-03 over R.E. 2001-02. The major impact is due to high actuals in Deposits and Reserves in case of Receipts as well as the expenditure heads.

TABLE 34**PUBLIC ACCOUNT TRANSACTIONS**

Rs million

	Actuals 1998-99	Actuals 1999-2000	Actual 2000-01	Revised 2001-02	Budget 2002-03
RECEIPTS					
Deferred Liabilities	3,411.3	3,742.0	3,348.2	3,750.0	4,000.0
Deposits and Reserves Bearing Interest	-	-	-	-	-
Deposits and Reserves Not-Bearing Interests	11,234.6	17,862.3	19,376.8	19,274.5	19,766.3
Current Liabilities	8,349.4	9,009.1	9,698.5	9,090.0	9,090.0
Current Assets	427.6	0.2	0.7	0.8	0.8
Suspense Accounts	121.7	30.8	18.4	25.0	30.0
Remittances	25,059.9	26,270.2	27,972.8	28,425.5	22,742.0
Miscellaneous Accounts	44,633.4	63,253.9	57,799.5	55,024.0	58,027.6
Total Receipts:	93,218.4	120,168.4	118,214.8	115,589.8	113,656.6
DISBURSEMENTS					
Deferred Liabilities	1,475.0	1,639.4	1,175.9	2,000.0	1,800.0
Deposits and Reserves Bearing Interest	-	-	-	-	-
Deposits and Reserves Not-Bearing Interests	12,412.8	16,115.5	15,515.8	15,530.1	17,318.1
Current Liabilities	8,654.6	9,343.0	9,641.3	9,600.0	9,000.0
Current Assets	744.4	231.9	0.2	200.4	200.4
Suspense Accounts	18.5	188.8	0.7	12.0	15.0
Remittances	23,103.1	26,098.5	27,309.2	27,469.0	23,270.0
Miscellaneous Accounts	44,608.2	63,249.5	57,836.9	58,062.0	60,041.0
Total Disbursements	91,016.6	116,866.6	111,480.0	112,873.5	111,644.5
Net Public Account Receipts	2,201.8	3,301.8	6,734.8	2,716.3	2,012.1

SINDH REFORM PROGRAM SUPPORTED BY THE WORLD BANK'S STRUCTURAL ADJUSTMENT CREDIT

Governance issues have taken their toll in Sindh as in the Federal and other provincial governments. Political instability, frequent policy changes, weak institutions and manpower capabilities have all affected the overall government performance and outputs. The general resource constraints coupled with poor governance has led to diminishing fiscal space, inhibiting Government's initiatives at poverty reduction efforts, financial indiscipline and a rising provincial debt. Other than a bloated civil service, there has been a clear lack of accountability and transparency leading to delivery of poor quality public services in the key social sectors of education, health, and rural water supply. It was in response to the fiscal rigidities inhibiting government's development efforts that the Government embarked upon a crosscutting reform agenda.

The reform process began as an indigenous process where the provincial departments unfolded miscellaneous activities based on their reform strategies. It was on the basis of the achievements of these indigenous efforts that a process of dialogue began between the provincial government and the World Bank with a view to streamlining and refining the reform program and analyzing the prospects of a program funding for supporting a medium term reform program. The dialogue culminated in the finalization of Sindh Structural Adjustment credit for supporting the reforms. GoS in fact become the first provincial government to get the structural Adjustment lending followed by NWFP. The program lending comprises of series of annual loans to support the structural reforms in the context of agreed medium term budget framework would be provided after completion of agreed actions. The entire rupee equivalent of the first Bank credit US \$100 million for Sindh has been disbursed to Sindh. It has further

been agreed that subsequent loans would be reviewed and agreed during appraisal and negotiations. These would also depend on the strength of the reform programme.

The Government of Sindh's reform program focuses on following three major pillars;

- i) Fiscal and debt restructuring for providing more resources for poverty reducing expenditures coupled with financial management reforms to ensure that these resources are spent effectively;
- ii) Improving public service delivery through civil service reforms, decentralization, and reforms in health, education, drinking water, and rehabilitation of roads for accelerating human development; and
- iii) Regulatory reforms, privatization and infrastructure improvements to stimulate economic revival.

Fiscal and Financial Management Reform

GOS's fiscal reforms have the following objectives: (i) creating more fiscal space by raising revenues and reducing future liabilities; (ii) increasing pro-poor expenditures while improving financial management to make these expenditures more effective; (iii) implementing fiscal decentralization; and (iv) preparing and implementing a medium-term fiscal restructuring plan, including administrative reforms, that addresses these goals in a medium-term context.

GOS has made significant achievements in the tax reforms. These include: (i) simplifying taxes by reducing the number from 25 to 10; (ii) introducing agriculture income tax in October 2001 for landowners with holdings above 50 acres or with income above Rs. 80,000; and (iii) expanding the base of the Urban Immovable Property Tax (UIPT) by conducting a survey of properties after 32 years, and adding 100,000 new

properties to the base and reducing rates; and (iv) rationalizing the number and rates of stamp duties and converting these into ad-valorem rates. These measures helped to increase provincial tax revenues by 27% in FY01 and over 8% in 02. On the liability side, GoS retired arrears of around Rs. 21 billion in the last two years, which includes complete liquidation of the SBP overdraft, which had built up to over Rs. 10 billion by 1996. While significant structural reforms have taken place, GoS has remained unable to tap the potential yields from the AIT and Abiana due to continued drought as well as system weaknesses.

To improve the composition of public expenditures, the GoS increased allocations for high priority expenditures and increased the focus of development expenditures on implementation. Non-salary provision for the education sector was doubled in the FY 02 budget from last year while these were further increased by 50% in FY03 budget. For Health it was increased by 16% in FY02 and 40% in FY03. The development budget was increased by 26% in FY02 and by 21% in FY 03.

First phase of fiscal decentralization has been implemented. Finance Department prepared draft budgets for district governments by unbundling the provincial budgets. The Sindh PFC Award was announced as an interim award, to be finalized subsequently. The revenue distribution amongst the district and the provincial governments is now being done on the basis of this Award. The Award is expected to be reviewed by the new PFC, which is to be constituted on the basis of the latest amendments in the SLGO. Further GoS has already authorized the District Development Working Party to approve projects costing up to Rs 20 million and transferred around 733 development schemes, including the Khushal Pakistan Program (KPP, a pro-poor public works program), rural water supply and road schemes to the districts.

Medium Term Reforms

The GoS faces three major fiscal tasks in the medium term. The first task will be to implement fiscal decentralization in accordance with Provincial Finance Commission Awards. The aim will be to increase capacity of districts to raise revenues and prepare their own budgets, and implement a transparent formula driven process to provide untied grants to the districts, but also include an adequate system of incentives through conditional and matching grants to achieve national and provincial social development targets, as has been initiated in the current fiscal year. GoS has further agreed to take measures to integrate the Board of Revenue and the Excise and Taxation department into a modern, relatively autonomous, revenue department under the single command of Minister Finance. The technical capacity of the department will be strengthened through computerizing of land and property records, using partial satellite imaging and providing greater technical training and incentives for staff. The tasks of collection and assessment of the major taxes will also need to be separated to avoid conflict of interest.

The third major task will be to implement a medium term fiscal restructuring plan (MTFRP) covering the period from FY 03 to FY 06, which is a part of the reform agenda. The focus of this plan will be to create fiscal space for high priority poverty reducing and development expenditures. This fiscal space is planned through such fiscal restructuring activities as accelerated debt retirement, capitalizing and recapitulating pension and GP Fund for reducing future liabilities, increase the revenue growth to around 15% annually.

Financial Management Reforms

The GoS's financial management reforms objectives are to improve the effectiveness of public expenditures by strengthening transparency and accountability. GoS has decided to appoint a Provincial

Accounts Controller in the Finance Department to take responsibility for improving financial management. The Controller's main task will be to implement financial management and public financial accountability reforms. The Bank and GoS will also carry out a modular Provincial Financial Accountability Assessment as part of the Country Financial Accountability Assessment. The financial management reforms are aimed to improve; (i) the quality of provincial accounts; (ii) public accountability systems; (iii) budget implementation; and (iv) debt, arrears and quasi-fiscal management.

GoS has implemented the following measures: Improving public accounts markedly under the leadership of the Provincial Fiscal Monitoring Committee (FMC). FY01 accounts were fully reconciled by September 2001 compared to only 6% reconciliation a year ago. For FY02, expenditure and receipts for all four quarters have been reconciled to more than 90%. Last November, the variation between the Accountant General and the State Bank of Pakistan FY 01 records was Rs. 149 million—compared to Rs. 1.2 billion last year. An ad-hoc Public Accounts Committee (PAC) was set up after nearly a decade. The PAC, staffed by highly reputed, retired Government officials and private sector Chartered Accountants, has completed review of the FY 93 and 99 audit reports and is now reviewing the most recent FY 00 Audit report.

Medium Term Reform Plans for FY03 and FY04, include: (i) implementation of the Financial Management Reform Action Plan, institutional and personnel reforms to improve financial management capacity and internal controls in provincial departments; establishment of internal audit unit in each line departments; (ii) strengthening District Government Financial Management and upgrading the level of District Accounts Officers (DAOs) to Grade 18/19 and post qualified personnel in these posts; (iii) computerization of all fiscal accounts up to the district level; (iv) improvements in fiscal transparency by introducing the new Chart of Accounts and New Accounting Model; (v) review and reforms of

financial rules to make these consistent with the new accounting model; (vi) improving the tracking of recommendations of the Auditor General and PACs; publication of audit reports in the web page; and (vii) improving the legal and regulatory framework for public procurement by revising the procurement rules, standardizing bidding documents, and establishing an effective mechanism to redress complaints from suppliers. The aim could be to simplify procurement and ensure more transparency and efficiency. The GoS also plans to enact a procurement law legislating good public procurement principles in FY04 .

Service Reforms

Reforms to improve civil service performance are a critical component of the Sindh Reform Program. Improvement in civil service performance is essential for improving the quality of expenditures, as salaries and pension for civil servants account for 49% of Government expenditures. GoS has already initiated work on multiple activities as given below. One of the reform components is improving human resource management by strengthening the human resource database over FY03. This activity is planned to be followed up by another consultancy for implementing a Management Information System based on verification and reconciliation of the initial data through a field census. It includes a set of intricate and complex activities like development of a HRM MIS; procurement and installation of hardware; evolution of a set of procedures and processes for guaranteeing adequate management of this database and its networking with the departments and the District Governments.

Right sizing and rationalizing the civil service by eliminating ghost workers, redeployment, and separating staff (grade 1 to 5) starting from FY04 is another important activity under the program. Strengthening of the Sindh Public Services Commission has remained a central activity and though there is visible progress in the SPSC strengthening, it is time for Government to move towards institutional strengthening of this premier

institution including human resource development, automation, and more importantly developing modern systems for extending quality services in the critical field of manpower recruitment.

Developing district civil service cadres to work under local Government (FY03 and FY04). Bulks of the provincial civil servants (around 270000) have been placed in the Local Governments after transfer of power and authority to the Districts. Preparing for the greater use of contract-based employment through legal changes to prevent regularization, ensuring robust establishment and budget controls is another critical activity under the reform. In this case, Government of Sindh is required to gradually move towards a policy framework where all future appointments are contract based. Secondly, policy element includes extending SPSC's purview over these appointments for ensuring transparency and merit.

Education Reforms

The Department of Education (DoE) is implementing a multi-pronged strategy to improve outcomes that include providing adequate resources and improving their utilization, strengthening governance and accountability, ensuring the participation of communities and increasing the role of the private sector. The goal is to ensure that by 2010, 70% of Sindh's primary school age children *complete* primary school education and graduate with basic primary skills of numeracy and literacy.

In education the medium-term reform plan will focus on an extensive public awareness campaign on the government's educational sector initiatives, on annual and half-yearly enrollment drives in the remaining talukas based on the compulsory education plan so that number of out-of-school children can be reduced from 2.2 million to 1.1 million by 2005. GoS has launched primary school enrollment drives and expanded incentive programs (free textbooks, scholarships for female students, funds for SMCs). The 3796 closed schools have been made operational through

redeploying and recruiting teachers, with female teachers being given priority. There has been a 5% increase in enrollment in FY 02, reversing the trend of the 1990s. A compulsory primary education program is being implemented with 15 Talukas and 5 districts covered in FY 02, with all 102 talukas to be covered by FY 04.

In the pursuit to improve quality and accountability GoS has:

- (a) expanded the role of parent/citizen community board member chaired school management committees to monitor teacher attendance and school budgets;
- (b) appointed new teachers on contracts, to specific schools;
- (c) made new recruitments based on merit, with private sector and community involvement;
- (d) started testing competency of teachers and providing remedial training;
- and (e) launching a 5 year rolling budget to improve school infrastructure.

The medium-term reform plan will consist of annual implementation of the Education Sector Strategy, which will include: teacher redeployment program, annual enrollment drives, teacher training programs, annual TPV surveys, providing missing facilities to schools, and strengthening monitoring and evaluation capacity. In addition, the medium-term will expand the compulsory education program to all talukas by FY04; improving the secondary education system in line with the provincial education sector strategy; completing the first provincial student assessment to evaluate student learning achievement; training of SMCs and gradually extending SMC powers to hire and fire teachers; and launching capacity building programs for district, Tehsil and taluka officials.

Health Reforms

In Health the medium-term plan of the GoS is to increase the immunization coverage of children and pregnant women to 80% by 2005, expand province-wide coverage of TB DOTS by 2003 to detect 75% of all cases and treat 85% successfully, reduce TB deaths by 50% by 2010, extend

coverage of Hepatitis-B vaccination, eradicate polio and neonatal tetanus by 2005, improve access to EPI services

The FY03 allocations both in development and recurrent expenditures are in line with reforms and health sector strategy priorities. The recurrent budget of Rs 5929 million is 21% higher than FY02 allocation in nominal terms. This includes resources for providing incentives to staff to work in rural areas and an increase of 40% for drugs and consumables. Development budget estimates are 3% less than FY02 allocation, however, key preventive programs and program priorities are adequately financed.

The Immunization and TB DOTS Program financed through recurrent and development budget has been given adequate allocation for operational costs (Rs 12 million). In addition, GAVI supported program has an allocation of Rs 10.5 million in the development budget. The key strategies for achieving target of 55% immunization coverage of children 12-23 months and pregnant women with two doses of TT by June 2003 include: a) recruit and improve mobility of vaccinators; b) Three rounds of supplementary TT vaccination campaign to cover 3.6 million women; c) undertake 5 rounds of Polio NIDs and SNIDS; c) capacity building of health facility staff; d) establish 100 new EPI centers; e) strengthen surveillance system to include surveillance of neonatal tetanus and measles; and f) district level assessment through third party during FY03 to track outcomes.

A three-year plan for strengthening district management has been prepared. A PC1 of Rs 23.4 million has been approved with FY03 allocation of Rs 3 million. The program envisages a) introduction of in-service training program for staff to build capacity in planning, financial management and management; b) preparation of district health plans; c) development of District Health Management teams in all districts; and d) development of policy guidelines for district managers. The process to improve access by promoting public private partnerships is making slow progress. The activities to be undertaken in FY03 include: a) Dialogue with

Districts on rational and objectives of public private partnerships; b) dissemination of policy guidelines; c) contract out newly constructed health facilities and; d) monitor performance of NGO/private sector.

Privatization and Deregulation

For economic revival and for improving the climate for investment and promote private sector development the GoS is reforming its regulatory framework that provides government functionaries with opportunities for extracting rent, which raise the private sector's cost of doing business. As major steps, it has fundamentally modified the scope and frequency of rules relating to factory inspections, reducing them from 23 to 8 for factories (and to 4 for retail outlets). GoS has also decided to reorient the role of government to eliminate intervention in productive activities and reduce the fiscal drain of PEs and has identified several assets including 2 sugar mills, real estate properties for privatization in the short to medium term.

Road Sector

In road sector poor regular maintenance of the road network in Sindh, partly owing to allocations that barely meet one-third of requirement, has caused deterioration that has seriously impacted on the cost and competitiveness of business operation. Around 70% of the 21,000 kilometers of roads are in urgent need of rehabilitation and there is a huge backlog of rehabilitation expenditures, estimated at around Rs.9 billion. GoS has recently signed a road sector development credit with the Asian Development Bank, under which it plans to enhance allocations for repairs and maintenance, prepare a suitably prioritized road rehabilitation and maintenance program based on generally accepted standards for safeguarding and protecting the economic life of the roads, create a non-lapsable protected fund dedicated to regular maintenance activities, administered by an Oversight Board with appropriate stakeholder

participation. Moreover, the intra-district roads network of approximately 16,000 kms. has been transferred to the District Governments with guidelines on the nature and scope of prioritization of the allocations for routine maintenance.

The medium-term strategy for the sector includes the development of a road master plan, a 5 year rolling investment and maintenance program, enforcement of an axle load control program and the revision of design standards, specifications and maintenance yardsticks.

The progress on these issues is that a Road Sector Development Directorate (RSDD) – has been notified whose operations will be guided by a Steering Committee with the assistance of a Citizen Advisory Board. The Director General has been appointed along with some support staff; more comprehensive staffing is underway, including some competitive procurement from the market for critical skill areas. C& W Department has firmed up a *Rolling Road Financing Plan for phase-wise* road maintenance program for the 4,819 km of provincial roads.

At the district level the Works and EDO WSD with three DOs now manages Services Department (WSD); one each for roads, buildings and energy, and education works. Much work is still needed to assess institutional delivery capacity at the district level. Updating design standards and specifications, and environmental management manuals, and establishment of Monitoring Committee with the participation of private sector to oversee the utilization of Road Maintenance Funding- An Overseeing Committee having representation of private sector has been notified in March 02 for overseeing utilization of M&R at provincial level. Similar instructions are being passed on to the District governments.

Implementation and Coordination

An important component of the program is implementation and monitoring arrangements. It is envisaged that a well-qualified and well-

equipped IMU (This has been notified by S&GAD) in Finance Department for coordinating, implementing, monitoring and reporting activities as agreed with World Bank.

GoS is confident of the sustainability of this structural reform program as similar policies are being pursued nationally. Secondly, this reform agenda is primarily home grown and developed after a prolonged internal debate and the reform measures are being institutionalized through legislative changes and carried forward through the creation of new institutions, or by strengthening and restructuring of the previous institutions. Thirdly, by taking a number of major steps as prior actions the previous government has made the reforms irreversible.

GLOSSARY

CURRENT BUDGET

The current Budget of the Sindh Government comprises the revenue budget, the capital budget and the public account of the Province.

REVENUE BUDGET

The revenue budget consists of current revenue receipts and current revenue expenditure, also called the revenue account. It comprises the income derived from taxes and duties, fee for services rendered, land revenue from government estates, fines and penalties and other miscellaneous items, and of the expenditures met therefrom. Its main components are discussed below.

CURRENT REVENUE RECEIPTS

Current revenue receipts of the Province comprise.

◆ Proceeds from taxes

- The composition of the divisible pool in the 1990 Award was as under-

- Export duty on cotton.
- Sales tax
- Income and corporation tax, excluding taxes

On the income consisting of remuneration paid out of the

Federal Consolidated Fund.

- Excise duty on tobacco and tobacco manufacture and
- Excise duty on Sugar.
- Provincial tax receipts
 - Direct Taxes
 - Tax from Agriculture.

- Urban Immovable Property Tax.
 - Tax on Transfer of Property (Registration).
 - Land Revenue.
 - Tax on Professions. Trade and Callings.
- Indirect Taxes
 - Provincial Excise.
 - Sale of Opium.
 - Stamp Duty.
 - Motor Vehicle Tax.
 - Entertainment Tax.
 - Education Cess.
 - Cotton Fee.
 - Tax on Hotels.
 - Electricity Duty.
 - Others.

◆ Other Federal transfers

The Nation Commission Award, 1990 provided that in addition to royalty and excise duty on natural gas, grant equal to royalty on crude oil, net profits on hydel power generation and net processed of development surcharge on natural gas be paid to the Provinces. The criterion of distribution of these transfers to the Provinces is based on production and location of these resource/natural assets in each Province. The NFC Award. 1997 includes all other Federal transfers based on the criterion adopted in 1990 award. The composition of other Federal transfers is as under:-

- Excise duty on natural gas.
 - Royalty on natural gas.
 - Development surcharge on natural gas.
 - Electricity profit.
 - Grant equal royalty on crude oil.
- ◆ **Income from commercial activities undertaken by some departments.**
 - Mark-up loans given to farmers for purchase of agriculture inputs and sinking of tube wells etc.
 - ◆ **Return on investment in properties, security and enterprises.**

This includes:-

- Mark-up on soft loans advances by the provincial Government to its employees for construction of house and purchase of conveyance.

CURRENT CAPITAL EXPENDITURE

Current capital expenditure also figures both in Account No. I and Account No. II of the Provisional Government which are maintained with the State Bank of Pakistan.

The expenditure in Account No. I under this head consist of repayment of debt, loans and advance by the provincial Government, and state trading in medical stores and coal.

Expenditure in Account No. II mainly concerns state trading in foodgrains and the repayment of loans taken from the commercial banks for state trading operation of the Food Department.

STATE TRADING

State trading operations of the provincial Government relate to procurement and sale of foodgrains, sugar, medical stores, and coal. Transaction pertaining to state trading in foodgrains, are kept separate and their receipts and expenditure are credited and debited to the provincial Government's Food Account with the state Bank of Pakistan. It is carried on with borrowings from nationalised and other commercial bank, as per cash credit accommodation facilities determined by the State Bank of Pakistan.

PUBLIC ACCOUNT

Article 118 (2) of the constitution provides that all monyes other than those included in the Provincial consolidated Funds shall be credited to the Public Account which included the moneys:-

- a) received by or on behalf of the provincial Government: and
- b) received by or deposited with the High Court or any other Court established under the authority of the province.

Public Account consist of the following three Section. All the functions are closed to balance.

- i) Deferred Liabilities.
- ii) Deposited and Reserves
- iii) Remittances.

Brief position is as under:-

◆ **Deferred Liabilities (State Provincial Fund)**

- Un-funded debt/State Provincial fund is deferred liability of the Provincial Government on account of balance in Provident Fund of the Government employees.

◆ **Deposits and Reserves**

- Deposits and Reserves cover a large number of item of miscellaneous receipts and expenditure.
 - Deposits and Reserves (Bearing Interest)
 - Renewal Reserve Funds
 - Deposits and Reserve (Not Bearing Interest)

These include:-

- Reserve Funds
 - @ Sindh Governor, Flood Relief Fund.
 - @ Sindh Governor, through relief fund.
 - @ Depreciation Reserve Fund.
 - @ Provincial Government Employees Benevolent Fund.
 - @ Provincial Government Employees Group Insurance Fund.
 - @ Sugarcane Development Cess Fund.
- Deposits of Local Fund
 - @ District Fund.
 - @ Municipal Funds.
- Departmental and Judicial Deposits.
 - @ Revenue Deposits.
 - @ Civil and Criminal Courts Deposits.

- @ Personal Deposits.
 - @ Forest Deposits.
 - @ Food Department Deposits.
- Other Accounts.
 - @ Assignment Accounts.
- Jahez Fund.
 - @ Workers Children Education Fund.
 - @ Education Special Development Fund.
 - @ Women's Development Programme Fund.
 - @ Population Welfare Programme Fund.
 - @ Rural Development works Programme Fund.
 - @ Subvention from the Workers Welfare Fund.
- Current Liabilities.
 - @ Permanent Advance.
 - @ Advance repayable.
 - @ Account with the Government of India.
 - @ Account with the Government of Burma.
 - @ Account with the Account of Pakistan.
- Suspense.
 - @ Suspense Account. (Public Work Department).
 - @ District Accounts Office Suspense.
- Miscellaneous Accounts.
 - @ Department and Similar Accounts.
 - @ Cash Balance Investment Accounts.
- ◆ **Remittances**
 - This Section comprises the following:-
 - Works and Audit Suspense.
 - Cash Remittances between Treasuries.
 - State Bank of Pakistan Remittance.
 - Adjusting Account between Federal and Provincial Government.
 - Inter Provincial Settlement Account.
 - Forest Remittance.

DEVELOPMENT BUDGET

Development budget Comprises Development receipts and expenditures which form a part of the Provincial Consolidated Fund in Account No. (Non-Food). These are further divides into categories of “Revenue” and “Capital” as follow:-

- Development Revenue Receipts.
- Development Capital Receipts.
- Development Revenue Expenditure.
- Development Capital Expenditure.

ACCOUNT NO.I

Account No. I consist of all Current Revenue Receipts, Current Capital Revenue Receipts; and Current Capital Expenditure incurred on repayment of debt, loans and advances by the Provincial Government, and state trading in medical stores and coal.

ACCOUNTS NO.II.

All amounts received and expenditure made on state trading in foodgrains and the repayment of loans taken form the commercial banks for state trading operation of the Food Department comprise Account No.II.

PROVINCIAL CONSOLIDATED FUND.

Provincial Consolidated Fund comprises all revenue received and all loans raised by the Provincial Government and all money received by it in repayment of and loans.

- Dividends on Provincial Government’s investment in government securities.
- ◆ **Interest on loans advanced to public corporation and local councils.**
 - Interest on loans given to local councils and provincial autonomous bodies for financing of their development programmers.

◆ **Revenue incidental to the control functions of the Government(e.g. fines and forfeitures).**

◆ **Charge for services rendered by government agencies.**

- It provides the details of receipts incidental to law enforcement and other control functions of the government and charge on account of services rendered by government agencies. It consists of:-

- General Administration.
- Law and Order.
- Community Services.
- Social Services.
- Economic Services.
- Income from fines imposed by court.
- Income from driving licence fee.
- Income from fee charged by various educational institutions.
- Income from hospital receipts.
- Income from sale proceeds of forest produce.
- Income from water rate (obiana).
- Income from hire charges of agricultural machinery.
- Income from tolls.
- Income from sale tender forms.
- Income from printing charges recovered by the Government Printing Press.

◆ **Federal grants and miscellaneous receipts.**

- Traditionally, miscellaneous receipts include:-
 - Grants from the Federal Government for meeting the budgetary deficit.
 - Increase in salaries, allowance and pensions.

- Reimbursements for performance of agency functions.
- Any other matching grants to Provincial Government.

CURRENT REVENUE EXPENDITURE

The current for (or non-development) revenue expenditure of the Provincial Government is incurred on.

◆ General administration

◆ Law and order

- Expenditure on law and order involves disbursements related to:-
 - Justice: Law Courts.
 - Police and Civil Armed Forces.
 - Jails and Detention Places.
 - Civil Defence.
 - Training and Research in Law and Order.

◆ Social Services

- Education.
- Health.
- Manpower and Labour Management.
- Housing and Physical Planning.
- Sports and Recreational Facilities.
- Social Security and Social Welfare.
- Natural Calamities and Other Disasters.
- Religious Affairs.

◆ Community services

- Works (road community network, government buildings).
- Public Health Services (water supply, sanitation sewerage and refuse disposal).
- Other Community Services.

◆ **Economic Services**

- Agriculture and Food.
- Irrigation.
- Land Reclamation.
- Rural Development.
- Industries and Mineral Resources.

◆ **Subsidy**

- The subsidy is meant to meet the difference between the procurement costs and the issue price of wheat.

◆ **Debt servicing ingestible funds and grants**

- Expenditure under this head is mainly incurred as payment of mark-up on Provincial debt, it also includes grants made by the Provincial Government to autonomous bodies and other institutions.
- Interest on Domestic Debt.
- Includes interest on Market Loans, Ways & Means Advance and General Provident Fund.
- Interest on Federal Loans.
- The interest payable to Federal Government on account of cash development loans taken from Federal Government.
- Interest on Foreign Loans.
- The interest payable to Federal Government on account of Foreign Loans .
- Grants and Subventions.
- The Federal Assistance received by Provinces in time of unforeseen calamities and other needs.

◆ **Miscellaneous (unallowable) items.**

- This includes expenditure for reconstruction and repair of boundary pillars along the indo-Pak border. This also includes:-
 - Compensation to various victims of Terrorism.
 - Unforeseen expenditure.

CURRENT CAPITAL

CURRENT CAPITAL RECEPITS

Current capital receipts accrue partly to the Provincial Government's Account No. I (Non-Food Account) and partly to Account No. II (Food Account), maintained with the State Bank of Pakistan. Capital receipts, which accrue to Account No. I, comprise.

◆ **Grants from Federal Government**

◆ **Extraordinary receipts**

- Extraordinary receipts accrue mainly from sale of Government Land sold in colony districts and proceeds from sale of plots in industrial estates.

◆ **Public Debt.**

- Permanent Debt.
 - Market loans are a tool of fiscal management. Under Article 167 of the Constitution the Provincial Government can float market loans, with prior permission of the Federal Government. Market loans are floated for a fixed amount of Public subscription at a guaranteed rate of return.

- Market LOANS
 - Market loans are a tool of fiscal management. Under Article 167 of the Constitution the Provincial Government can float market loans, with prior permission of the Federal Government. Market loans are floated for a fixed amount of Public subscription at a guaranteed rate of return.

- Floating Debt (Ways and Means Advance)
 - Ways and means advances represent temporary borrowings from the State Banks of Pakistan which are taken as and when the Provincial Government's cash with the State Bank of Pakistan falls below the minimum required to be maintained there. The State Bank of Pakistan allowed the Sindh Government an overdraft facility.

- Recoveries of loans and advance extended by the Provincial Government.
- Receipts under this head accrue from:
 - Recovery of Principal amount of loans, which include short term and medium-term loans given to the cultivators for purchases of agricultural implements and inputs.

 - Loans to Government employees for purchase, repair and construction of houses and for purchase of motor cars, motor cycles and bicycles.

- Loans a autonomous bodies for financing specific development project.
- Account No.II (Food Account)
 - The receipts forming part of Account No. II consist of temporary advance from commercial banks for financing operations of state trading in foodgrains.

ANNEXURE-III

COMPONENTS OF CURRENT EXPENDITURES

ESTABLISHMENT CHARGES

This includes pay of officers, pay of establishment, allowance honoraria and payment to casual labour of all administrative department. It is difficult to determine the components details are not incorporated in the Budget.

PURCHASE OF DURABLE GOODS

This includes expenditure on purchase of transport, machinery and equipment furniture and fixture and component connected therewith.

REPAIRS AND MAINTENANCE

This includes expenditure on repair and maintenance of durable goods discussed above, building, highways and irrigation canals system.

COMMODITIES AND SERVICES

Commodities and Service include expenditure on stationary, traveling, communication, utilities, rent, rate and taxes, and other expenditure.

TRANSFER PAYMENTS

Current transfers are divided into interest payments, grants to autonomous /local bodies, grants to non-profit making institutions, subsidies and transfer payments to individual heirs of the victims of terrorism.

Other current transfer includes subsidies either by way of cash payments to suppliers or by way of loss on state-trading pensions and all other current transfer like scholarships, stipends, prizes, famine and other relief expenditure etc. Pension payments have also been treated as transfer payments on the ground that no increase in current output accrues to the economy from retired personal receiving pension.