



FINANCE
DEPARTMENT
GOVERNMENT OF SINDH

BUDGET ANALYSIS

2024-2025



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ABBREVIATIONS

ABS	Annual Budget Statement
ADB	Asian Development Bank
ADP	Annual Development Program
BE	Budget Estimate
BOR	Board of Revenue
CFY	Current Financial Year
CVT	Capital Value Tax
DMU	Debt Management Unit
ET&NCD	Excise, Taxation & Narcotics Control Department
FBR	Federal Board of Revenue
FD	Finance Department
FPA	Foreign Project Assistance
FY	Financial Year
GDP	Gross Domestic Product
GP Fund	General Provident Fund
GoS	Government of Sindh
GST	General Sales Tax
IDA	International Development Agency
JICA	Japan International Cooperation Agency
LFY	Last Financial Year
LG&CD	Local Government & Community Development
MDGs	Millennium Development Goals
MIS	Management Information System
MTBF	Medium Term Budgetary Framework
MTDF	Medium Term Development Framework
MTFF	Medium Term Fiscal Framework
NFC	National Finance Commission
OZT	Octroi & Zila Tax
PCF	Provincial Consolidated Fund
P&D	Planning & Development
PFC	Provincial Finance Commission
PFM	Public Financial Management
PIFRA	Project to Improve Financial Reporting & Auditing
PPP	Public Private Partnership
PSDP	Public Sector Development Programs

RE	Revised Estimate
SBP	State Bank of Pakistan
SD&MIC	Sindh Development and Maintenance of Infrastructure Cess
SEF	Sindh Education Foundation
SFMH	Sindh Fund Management House
SDG	Sustainable Development Goals
SGA&CD	Services, General Administration & Coordination Department
TMA	Town Municipal Administration
TRU	Tax Reform Unit
UNICEF	United Nations International Children Emergency Fund

FOREWORD

The Sindh government's budget-making process reveals a shift toward a more structured and thoughtful approach, building on an understanding of the complex dynamics of fiscal management. Rather than relying on incremental adjustments to previous budgets, the process now leans toward priority-based allocations. This shift underscores a keen awareness of the region's economic vulnerabilities, particularly in light of challenges like natural disasters and developmental gaps. By focusing on targeted investments and prudent financial management, the government has demonstrated an evolving mindset, one that is increasingly tuned to balancing short-term necessities with long-term development goals. These efforts reflect a deliberate move to synchronize expenditures with strategic objectives, all while addressing pressing social and infrastructural needs.

Completion of the on-going and new infrastructure, transport and social sector development projects was pivotal focus of the budget for FY 2023-24. While the budget 2024-25 specifically focuses on enhanced budgetary allocations for universities, health sector, special sports centres for youth, infrastructure projects under PPP, public transports and municipal services in order to provide better infrastructure and development facilities to the people of Sindh. Other than that, alongside multi-year public and social sector management projects that are underway across the province, various legislative reforms such as The Sindh Public Finance Administration Act, 2020 passed in 2021 has also been introduced by the Finance Department to bring financial discipline and fiscal prudence in the system. Debt Management Act, 2022 is under approval, treasury rules, financial rules, budget manual, are also under preparation. Whereas, delegation of financial power rules 2019 is already in place.

This budget focuses on key areas like health, education, and infrastructure, aiming to address immediate needs while promoting long-term growth. Increased allocations for healthcare and education reflect a commitment to improving public services. Investments in disaster preparedness and economic sectors like agriculture and transport are geared towards stabilizing growth and ensuring resilience against crises. This strategy balances fiscal management with sustainable development goals.

The budget analysis for 2024-25 provides a technical insight into the budget of Government of Sindh. It covers all aspects of the provincial budget most importantly it includes current revenue receipts and expenditures, capital receipts and expenditures, development budget, public account, local government finances and debt management. This document provides a discernment, anatomization and perceptivity on various yearly financial disbursements of the government of Sindh for policy makers, researchers, economists, academicians, students and other stakeholders and lastly for the department itself to review its performance and focus on areas which need improvements.

It is my pleasure to put on record the precious contribution from officers and officials of the Finance Department especially Mr. Syed Rizwan Ali, Additional Finance Secretary (Resource), Mr. Muhammad Pathan Abro, Director I.T(Resource), Mr. Ishtiaque Ahmed Sr. DPO (IT-Resource), Mr. Mohsan Ali SCO (IT-Resource) in preparing this document.

(FAYAZ AHMED JATOI)
SECRETARY FINANCE

CHAPTER 01

INTRODUCTION

1 INTRODUCTION

The budget is the foundation of Sindh Government's fiscal strategy, laying out anticipated revenues and expenditures for the upcoming fiscal year. In line with Article 120 of the Constitution of the Islamic Republic of Pakistan, the Government of Sindh is required to prepare and put forward its budget proposals to the Provincial Assembly for approval. This comprehensive financial blueprint outlines projected income from taxes and services while setting aside funds for both current operational needs and future developmental investments. The budget serves as the primary tool for carrying out key policy objectives, enabling the government to channel resources into public services, infrastructure projects, and long-term investments. Through careful planning and allocation, the Sindh Government sets out to bring about economic growth and social welfare, while ensuring fiscal prudence and sustainability in the execution of its responsibilities.

But the annual budget, laden with data, statistics, and technical information, often comes across as a dense document that can appear opaque to the general public and difficult to interpret. Budget analysis helps break down these complexities, offering clearer insights into key allocations and targets. The budget analysis for FY 2024-25 walks through the current financial plan while revisiting the original and revised targets for FY 2023-24. It also reviews revenue and expenditure trends over the past five years, comparing how the Government of Sindh has handled its fiscal affairs during this period. This helps to contextualize the province's fiscal trajectory and to highlight key areas of financial adjustment.

For FY 2024-25, the Sindh Government projects its total expenditure to reach an unprecedented Rs. 3,056,263 million. This marks a 34% increase over the previous year's allocation of Rs. 2,282,581 million. Similarly, total receipts for the fiscal year are estimated to match the expenditure at Rs. 3,056,263 million, reflecting a balanced fiscal framework where revenue and spending are meticulously aligned. This equilibrium not only signals a cautious and deliberate fiscal approach but also ensures that the province's growing expenditure demands are met without plunging the budget into deficit.

1.1 Receipts of the Province:

The receipts of the province comprise Current Revenue Receipts (CRRs), which include federal transfers and provincial own revenues, along with Current Capital Receipts (CCRs), loans, grants, carry-over cash balances, and the net balance of the Public Account of the

Province. For FY 2023-24, the Revised Estimate (RE) of CRRs has been raised by 2.6%, bringing it to Rs.1,870,785 million. This increase stems from a 3% rise in federal transfers, which are now revised to Rs. 1,395,736 million against the Budget Estimate (BE) of Rs. 1,353,226 million. Given the province's reliance on federal transfers, this up tick significantly boosted provincial revenues. Federal transfers continue to play a dominant role in Sindh's fiscal framework, contributing to a significant portion of its revenue base. For FY 2024-25, federal transfers are projected at Rs. 1,900,808 million, marking a 40% increase over the previous year's BE and a 36% rise over the RE.

Provincial own receipts have also seen a marginal increase in the RE for FY 2023-24, which is now projected at Rs. 475,049 million against a budget target of Rs. 469,900 million. For FY 2024-25, the BE for these receipts is estimated at Rs. 661,910 million, reflecting a 40% increase over the previous year's BE.

In addition to CRRs, the receipts portfolio includes CCRs, Foreign Project Assistance (FPA), and development grants from the Federal Government along with foreign donors. The RE for CCRs in FY 2023-24 is Rs. 6,132 million, with a BE of Rs. 21,620 million for FY 2024-25. FPA has been revised down to Rs. 240,078 million according to actual disbursements, with the BE for FY 2024-25 estimated at Rs. 334,000 million, representing a 25% increase over the previous year's target of Rs. 266,691 million.

During FY 2023-24, Federal Public Sector Development Programme (PSDP) faced a huge shortfall, with the RE being scaled back from Rs. 52,912 million to Rs. 6,500 million. However, for FY 2024-25, the BE for the Federal PSDP has been pitched up at Rs. 76,971 million, showing a 45% rise over the previous year's budget estimate. While this adjustment appears to be aimed at addressing the earlier shortfall, it remains to be seen if it will fully compensate for the previous deficits and effectively support the province's development objectives and mitigate the impact of past underfunding.

1.2 Expenditure of the Province:

The province's total expenditure includes Current Revenue Expenditure (CRE), Current Capital Expenditure (CCE), and development expenditure. For FY 2023-24, total expenditure was revised down to Rs. 2,252,908 million, slight reduction from the BE of Rs. 2,282,581 million. CRE in particular was adjusted upwards to Rs. 1,584,200 million from the initial BE of Rs. 1,411,222 million. For FY 2024-25, the BE for CRE is projected at Rs. 1,912,359 million, signifying a 36% increase, driven by increasing operational demands, especially in sectors such as health, education, and public safety.

1.2.1 Current Capital Expenditure (CCE)

In FY 2023-24, the BE for CCE was Rs. 136,256 million, but this was marginally raised to Rs. 139,105 million in the RE. For FY 2024-25, the BE for CCE stands at Rs. 184,839 million, a lofty increase of 36% compared to the BE of FY 2023-24. This surge is mainly due to an expansion in investment activities, with allocation rising from Rs. 88,200 million to Rs. 142,562 million. Key elements include Rs. 73,400 million earmarked for the Sindh Pension Fund and Rs. 65,000 million reserved for bridge financing under various Public-Private Partnership (PPP) projects through Viability Gap Funding.

1.2.2 Development Expenditure:

The Budget Estimate for provincial ADP was estimated at Rs. 385,500 million for FY 2023-24. The BE for Provincial ADP FY 2024-25 has been pitched at Rs. 493,092 million which is 28% higher than the BE of provincial ADP FY 2024-24. Meanwhile, the BE for district ADP is expected to nearly double, from Rs. 30,000 million in FY 2023-24 to Rs. 58,000 million in FY 2024-25.

Foreign Project Assistance remains a crucial element of development financing, with the BE for FY 2024-25 set at Rs. 334,000 million, marking a 25% increase. Besides, the BE for Federal Grants has been raised by 45% to Rs. 76,972 million, demonstrating a significant increase in federal commitments toward Sindh's developmental needs.

Table 1.1 Budget 2023-24 key figures

(Rs. in million)

CLASSIFICATION	2023-24			% change between values	
	BUDGET ESTIMATE	REVISED ESTIMATES	BUDGET ESTIMATES 2024-25	B.E 2024-25 to B.E 2023-24	B.E 2024-25 to R.E 2023-24
Total Receipts A	2,239,785.5	2,228,790.1	3,056,262.6	36%	37%
Current Revenue Receipts – B	1,823,126	1,870,785	2,562,719	41%	37%
Federal Transfers	1,353,226	1,395,736	1,900,809	40%	36%
1. Revenue Assignment	1,255,061	1,264,303	1,747,417	39%	38%
2. Straight Transfers	64,424	97,443	106,415	65%	9%
3. Grants to offset losses of abolition of OZT (0.66% of Provincial Share)	33,741	33,989	46,977	39%	38%
Provincial Revenue	469,900	475,049	661,910	41%	39%
4. Provincial Tax Receipts (excl. GST on	202,900	167,270	268,966	33%	61%
5. Provincial Sales Tax on Services¹	235,000	230,000	350,000	49%	52%
6. Provincial Non-Tax Receipts²	32,000	77,779	42,944	34%	-45%

Current Capital Receipts - C	36,133	6,133	21,620	-40%	253%
7. Local Repayment Loans	6,133	6,133	6,726	10%	10%
8. Bank Borrowing	30,000	0	14,894	-50%	#DIV/0!
Other Receipts – D	325,527	251,508	416,924	28%	66%
9. Foreign Project Assistance (FPA)	266,691	240,078	334,001	25%	39%
10. Other Federal Grants	52,912	6,500	76,972	45%	1084%
11. Foreign Grants	5,923	4,930	5,951	0%	21%
Carryover Cash Balance - E	45,000	100,364	55,000	22%	-45%
Public Accounts (Net) - F	10,000	0	0	-100%	
TOTAL EXPENDITURE (G)	2,282,581	2,252,909	3,056,263	34%	36%
Current Revenue Expenditure (H)	1,411,222	1,584,200	1,912,359	36%	21%
Employee related expenses	540,610	551,738	728,294	35%	32%
Project Pre-Investment Analysis	143	251	143	0%	-43%
Operating Expenses	187,072	187,293	233,291	25%	25%
Employee Retirement Benefits	195,320	250,623	260,363	33%	4%
Grants, Subsidies and write off loan	328,120	420,609	520,362	59%	24%
Transfers	28,338	28,963	28,727	1%	-1%
Interest Payment	48,778	53,191	53,921	11%	1%
Physical Assets	42,053	39,561	41,417	-2%	5%
Repairs and Maintenance	40,789	51,972	45,841	12%	-12%
Current Capital Expenditure (I)	136,256	139,105	184,839	36%	33%
Investment	88,200	93,658	142,562	62%	52%
Debt-Repayment/Advances	48,056	45,447	42,277	-12%	-7%
Development Expenditure (J)	735,103	529,603	959,065	30%	81%
Provincial ADP	385,500	283,000	493,092	28%	74%
Foreign Projects Assistance	266,691	214,103	334,001	25%	56%
Federal PSDP	52,912	8,500	76,972	45%	806%
District ADP	30,000	24,000	55,000	83%	129%
(Surplus (+) / Deficit (-) (A-G)	-42,796	-24,119	-0	-100%	-100%

1.3 Highlights of Budget 2024-25

- **Total Budget Outlay:** The budget for FY 2024-25 stands at **Rs 3.056 trillion**, focusing on social protection, flood rehabilitation, and infrastructural development.
- **Development Budget:** Rs. 959 billion (31% of total), focused on infrastructure and social services.

- **Salary and Pension Increases:** **Salaries** for government employees (grades 1 to 16) are increased by **30%**, and by **22%** for grades 17 and above. **Pensions** rise by **15%**, and the minimum wage is set at **Rs 37,000**.
- **Education:** Budgetary provision for Education Sector has been proposed to be Rs. 465.4 billion against last year's budget of Rs. 341.7 billion, increase of 36%. It also represents 24% of total Current Revenue Expenditure.
- **Health:** For the improved service delivery in Health Sector, the budgetary provision has been proposed to be Rs. 290.2 billion against Rs. 217.0 billion last year with an increase of 32%.
- **Public order and safety:** Budget for Public Safety and Policing has been estimated at Rs. 210.9 billion against Rs.168.8 billion last year with an increase of 25%.
- **Social Protection:** Rs. **34.9 billion** dedicated to pro-poor initiatives.
- **Subsidies:** Rs. **116 billion** allocated for various subsidies to ease financial burdens.
- **Local Councils:** Additional funds of Rs. 33.9 billion have been provided, bringing the grant to local councils to Rs. 160 billion for FY 2024-25.
- **New Initiatives:**
 - Rs. 20 billion for Ramzan Relief Package 2025.
 - Rs. 8 billion for Hari Card Scheme benefiting 12 million farmers.
 - Rs.5 billion for Inclusive enclave for differently enabled persons, Korangi.
 - Rs. 5 billion for a solarization initiative for solar home systems.
 - Rs, 10 billion for 'Clean Water to Every Citizen'

The Sindh Government's budget for FY 2024-25 demonstrates a balanced approach, carefully aligning increased social and infrastructure investments with the need for fiscal responsibility. By maintaining a balanced budget framework, the province is working towards ensuring long-term economic stability.

CHAPTER 02

CURRENT REVENUE RECEIPTS

2 CURRENT REVENUE RECEIPTS

Government receipts are mainly classified into two categories; Current Revenue Receipts (CRRs) and Current Capital Receipts (CCRs). Capital receipts are the revenues that either create liabilities, such as borrowing, or result in the reduction of assets, as seen in disinvestment. In contrast, revenue receipts comprise income that neither incurs liabilities nor reduces assets, forming part of the government's current account income derived from a range of sources.

The revenue collected by the government, referred to as General Revenue Receipts, is generated from taxes, cess, and non-tax receipts for services rendered by the government. This revenue base underpins the financing of government expenditures, much as production underpins consumption. According to the Constitution of Pakistan 1973, provinces are tasked with bringing in their own revenues, and as a federating unit, the province of Sindh duly exercises this mandate to capitalise on its diverse revenue streams to meet its financial responsibilities.

2.1 Receipts of the Province:

Provincial receipts consist of Current Revenue Receipts (CRRs), Current Capital Receipts (CCRs), and development receipts. Table 2.1 details the RE for FY 2023-24 and the BE for FY 2024-25. The projections for FY 2023-24 indicate a modest 3% increase in the RE of Federal Transfers. However, the BE for FY 2024-25 signals a more significant rise of approximately 39%, suggesting a more optimistic outlook for federal contributions in the coming fiscal year. Besides, the provincial own receipts for FY 2024-25 exhibit an increase of 41% over the BE for FY 2023-24, underscoring a rigorous effort to ramp up provincial revenue generation, likely through improved tax collection mechanisms and enhanced service fees.

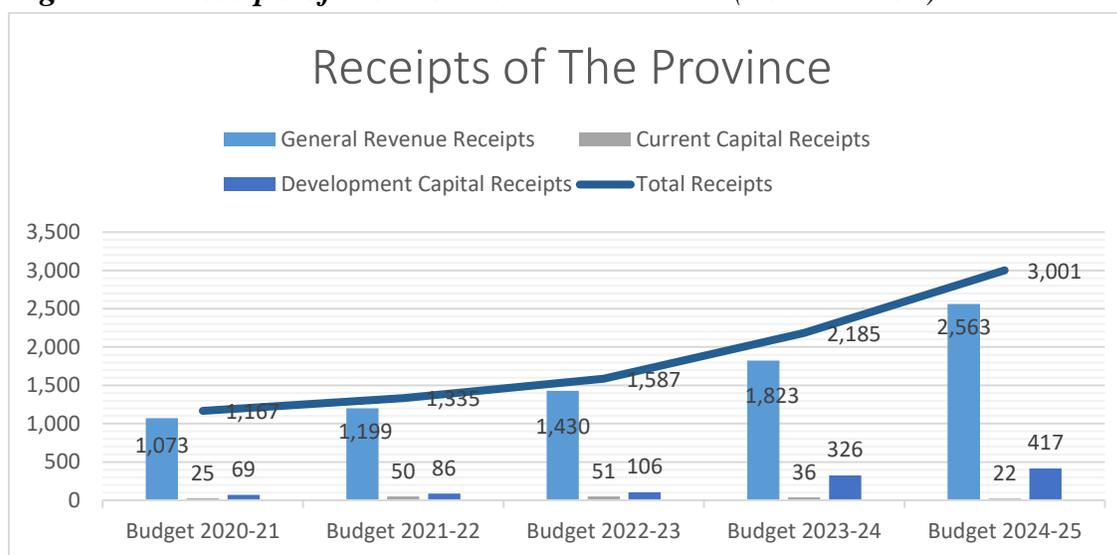
Table 2.1 Receipts of the Province

(Rs. in Million)

Description	Budget Estimates 2023-24	Revised Estimates 2023-24	Budget Estimates 2024-25
General Revenue and Capital Receipts	2,184,786	2,128,426	3,001,263
Current Revenue Receipts	1,823,126	1,870,785	2,562,719
Federal Transfers	1,353,226	1,395,736	1,900,809
Provincial Taxes	437,900	397,270	618,966
Provincial Non-Tax	32,000	77,779	42,944

Current Capital Receipts	36,133	6,133	21,620
Loan & Advances	6,133	6,133	6,726
Bank Borrowings	30,000		14,894
Development Receipts	325,527	251,508	416,924
Foreign Project Assistance & PSDP	325,527	251,508	416,924

Figure 2.1: Receipts of the Province (Rs. in Billion)



2.2 Current Revenue Receipts

Federal Transfers and Provincial Own Receipts serve as the principal sources of revenue generation for the Government of Sindh, collectively referred to as Current Revenue Receipts (CRR). Federal Transfers break down into three categories: the Federal Divisible Pool, also known as Revenue Assignment; Straight Transfers; and OZT Grants. Provincial Own Receipts, which are categorised into Tax Revenue and Non-Tax Revenue, are sanctioned following the legislative approval of the Provincial Assembly.

The allocation of the Divisible Pool/Revenue Assignment is governed by Article 160 of the Constitution, and operates under a formula designed to ensure equitable resource distribution between the Federation and the provinces, as well as among the provinces themselves. Straight Transfers, regulated by Article 161, are disbursed to provinces based on actual figures from royalties, duties, and surcharges on oil and gas. A Grant-in-Aid, amounting to 0.66% of the Federal Divisible Pool, is provided to Sindh as compensation for the abolition of the Octroi and Zilla Tax (OZT), in accordance with the 7th National Finance Commission Award.

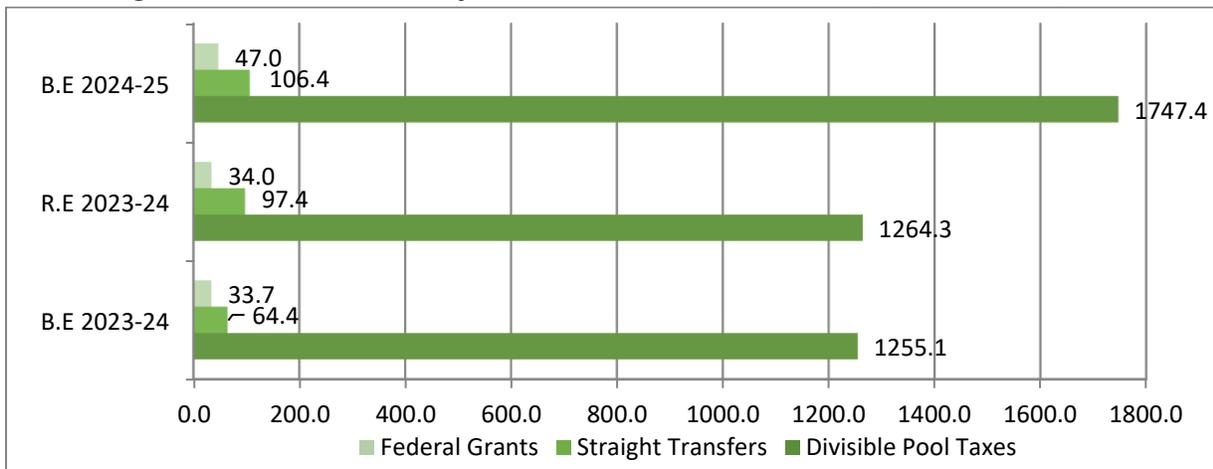
2.3 Federal Transfers

The estimate for Federal Transfers in FY 2023-24 stood at Rs. 1,353,226 million, representing 74% of the total General Revenue Receipts and 60% of the province's total receipts. Divisible pool taxes made the largest part of federal transfers being 93% of the total, while straight transfers accounted for 5% and Grants in lieu of abolished OZT made up the remaining 2% of the total Federal Transfers.

Looking ahead to the FY 2024-25, the Revenue Assignment continues to be the most significant contributor in the overall pool of federal transfers as Revenue Assignment, straight transfers and OZT Grants constitute 92%, 6% and 2% of the Federal Transfers respectively. It is noteworthy that BE of Federal transfers has been increased from Rs. 1,353,226 million in 2023-24 to Rs. 1,900,809 million during CFY 2024-25, reflecting a substantial rise of 40% over the previous year.

Figure 2.2 Federal Transfers

(Rs. in billion)



2.3.1 Federal Divisible Pool Taxes (Revenue Assignment)

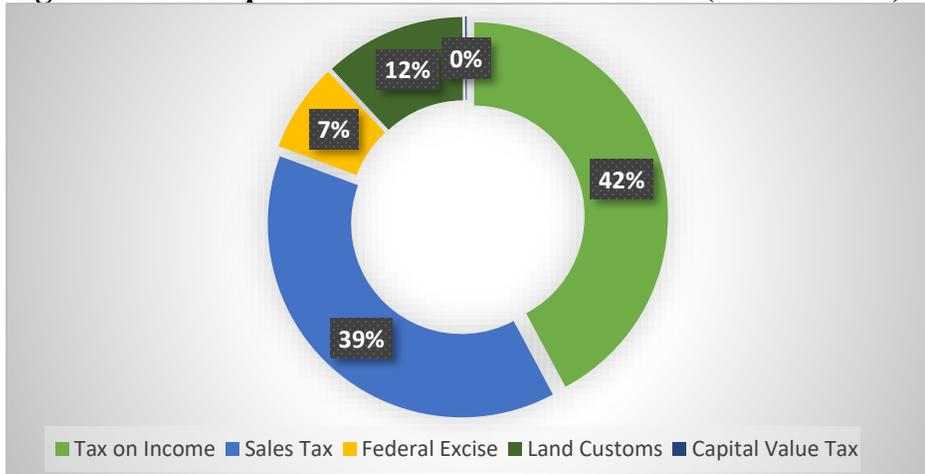
The Federal Divisible Pool Taxes, also known as Revenue Assignment, consist of several key components, including Income Tax, Sales Tax, Custom Duties, and Federal Excise Duties. Until FY 2010-11, the net proceeds from these taxes were distributed between the Federal Government and the provinces at 44% and 56%, respectively. However, starting in FY 2011-12, the distribution formula was revised to allocate 42.5% to the Federal Government and 57.5% to the provinces. In addition to this adjustment, the Federal Government reduced collection charges from 5% to 1%, effectively enlarging the divisible pool by 4%.

This revised distribution formula has had significant implications for revenues of the provinces as reflected by the trends shown in Table-2.2. Over the five-year period from FY 2018-19 to FY 2022-23, Taxes on Income showed an average annual growth of 20.8%, while other Indirect Taxes grew at an average rate of 11.8% per year. Among the Indirect Taxes within the Divisible Pool, Sales Tax on Goods emerged as the largest component in terms of collection, underscoring its importance in provincial revenue generation.

Table 2.2: Federal Divisible Pool Taxes (5 years Actual and RE, BE)

(Rs. in million)									
Description	Actual					%age change 2018 to 2022	Budget Estimate	Revised Estimate	Budget Estimate
	2018-19	2019-20	2020-21	2021-22	2022-23				
						2018-22	2023-24	2023-24	2024-25
Tax on Income	209,294	216,812	230,244	307,043	445,780	20.81	1,255,061	1,264,303	1,747,417
Sales Tax	212,182	223,494	258,320	353,445	355,736	13.79	508,590	504,256	737,291
Federal Excise	94,965	86,970	101,163	134,315	128,183	7.79	487,743	496,996	672,237
Land Customs	33,638	34,640	36,909	42,350	49,166	9.95	97,641	81,983	129,533
Capital Value Tax	573	587	88	54	903	12.05	160,975	179,606	206,188
Total	550,652	562,503	626,724	837,208	979,768	15.49	113	1,463	2,167

As per estimates provided by the Federal Government, the target for Revenue Assignment for FY 2024-25 has been set at Rs. 1,747,417 million, representing a 39% increase compared to the BE 2023-24. This substantial increase is projected in view of a 20.8% rise in the collection of Taxes on Income over the five-year period from FY 2018-19 to FY 2022-23. In addition, Sales Tax collections have demonstrated steady growth of 13.8% during the same period, further contributing to the projected rise in revenue.

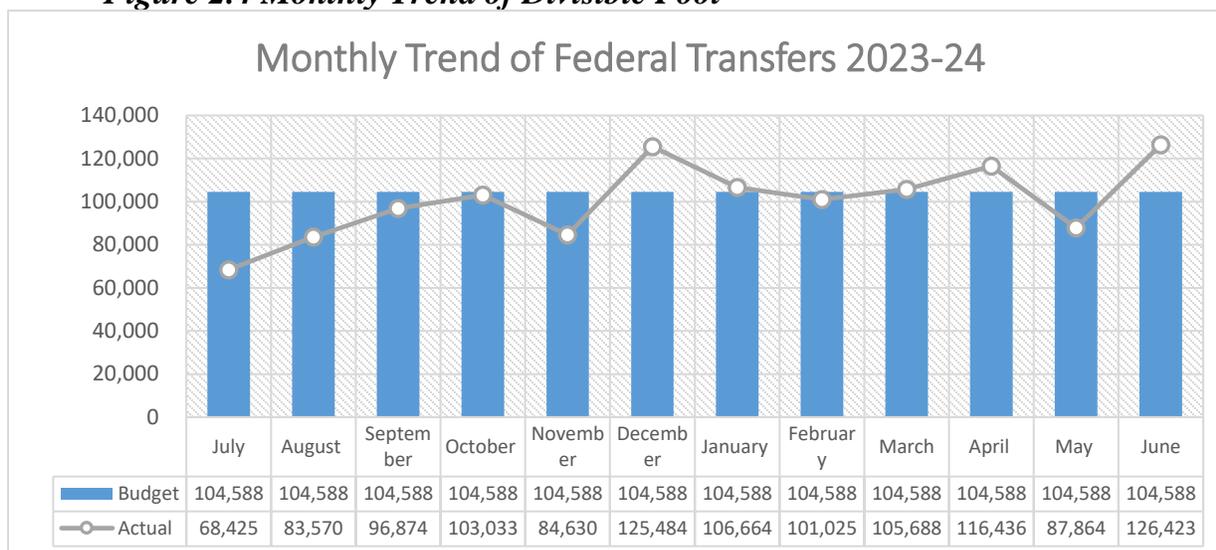
Figure 2.3: Composition Federal Divisible Pool (B.E 2024-25)

2.3.1.1 Trend of Revenue Assignment for FY 2023-24

Figure 2.4 shows the monthly distribution of Revenue Assignment under Federal Transfers for FY 2023-24, revealing an inconsistent pattern throughout the year. Transfers pick up notably towards the end of the fiscal year, a time when the effective utilization of these funds becomes particularly challenging. This irregular timing throws off financial planning and resource allocation, hampering the province's ability of efficient resource management.

This unpredictability largely arises from the dependency on tax collections managed by the Federal Board of Revenue (FBR). Transfers typically lag behind during the first half of the fiscal year, reflecting lower tax receipts during this period. Consequently, there was a 6% shortfall in actual receipts from the divisible pool compared to the budget estimate of Rs.1,255,061 million. This inconsistency in the timing and distribution of funds underscores the necessity for improved alignment between revenue collection and budget estimation to optimize provincial financial management.

Figure 2.4 Monthly Trend of Divisible Pool



2.3.2 Straight Transfers:

Straight Transfers represent provincial revenues collected by the Federal Government, which are subsequently transferred to the Provincial Government after a deduction of 2% for collection charges. In FY 2023-24, the actual receipts from Straight Transfers amounted to Rs. 101,629 million, surpassing the BE for the year by an impressive 58%. Figure 2.5 illustrates the monthly distribution trend of these transfers to the Government of Sindh, providing a clearer picture of their flow throughout the fiscal year.

Figure 2.5: Monthly Trend in Straight Transfers 2023-24

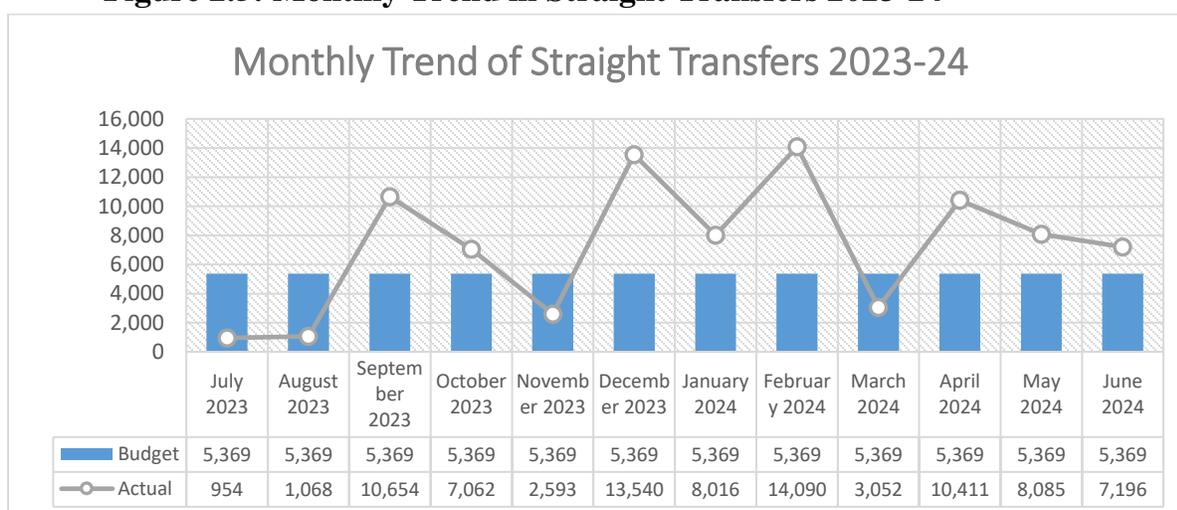


Table 2.3 Trend in Straight Transfers from FY 2018-19 to 2022-23

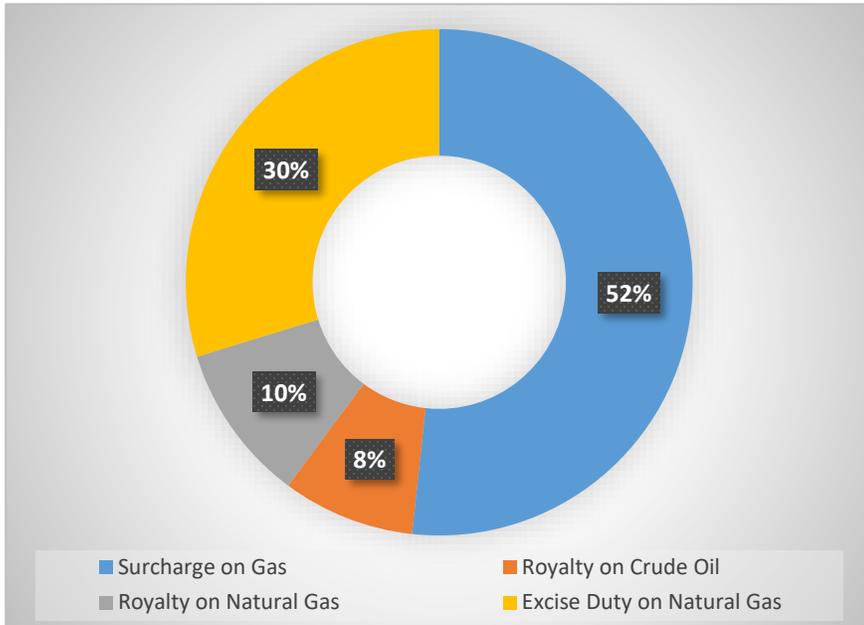
(Rs. in million)						
Description	2018-19	2019-20	2020-21	2021-22	2022-23	%age change 2018-22
Royalty on Natural Gas	29,801	31,932	37,575	32,543	37,575	5.97
Gas Development Surcharge	5,491	7,888	10,092	14,378	10,092	16.44
Royalty on Crude Oil	7,471	5,565	14,284	12,409	14,284	17.59
Excise Duty on Natural Gas	6,193	6,128	5,989	5,752	4,755	-6.39
GST (Provincial)	128					
Total	49,083	51,513	67,940	65,083	66,707	7.97

Table 2.3 reveals that Straight Transfers to the province of Sindh experienced an average annual increase of 8% between FY 2018-19 and FY 2022-23. Notably, during this period, the Gas Development Surcharge grew by 16.4% per annum, while the Royalty on Crude Oil increased by 17.5%.

As shown in Table 2.4, the projected Straight Transfers for FY 2024-25 are estimated at Rs. 106,415 million, representing an increase of 65% over the Budget Estimate of Rs.64,424 million for the FY 2023-24. This sharp rise aligns with the actual receipts recorded during the LFY. The major component of these transfers for FY 2024-25 is the Royalty on Natural Gas, estimated at Rs. 61,224 million, followed by the Royalty on Crude Oil at Rs. 20,752 million, and the Surcharge on Gas at Rs. 17,390 million.

Table 2.4 Straight Transfers (BE and RE FY 2023-24 and BE 2024-25)

(Rs. in million)			
Description	Budget Estimates 2023-24	Revised Estimates 2023-24	Budget Estimates 2024-25
Total Straight Transfers	64,424	97,443	106,415
Surcharge on Gas	10,743	19,184	17,390
Royalty on Crude Oil	8,605	20,782	20,752
Royalty on Natural Gas	33,506	53,016	61,224
Excise Duty on Natural Gas	11,570	4,462	7,050

Figure 2.5: Composition of Straight Transfer (BE 2024-25)

2.3.3 Grants to offset the loss of Abolition of OZT

The Grant-in-Aid extended to the province of Sindh, intended to offset the revenue loss from the abolition of Octroi and Zilla Tax (OZT), is tied to the net value of the Divisible Pool. For the fiscal year 2024-25, the projected Grants to support the abolished OZT are estimated at Rs. 46,977 million, reflecting a 39% increase compared to the Budget Estimate of Rs. 33,741 million for 2023-24.

2.4 Provincial Own Receipts

Provincial own receipts comprise both tax and non-tax revenues. Tax receipts are levied through legislation passed by the Provincial Assembly of Sindh or via ordinances issued by the Governor, in accordance with the provisions of the Constitution of Pakistan. Non-tax receipts, on the other hand, are imposed through gazette notifications issued by the relevant Administrative Department (AD), subject to the necessary approvals in line with the governing rules and regulations. The trend in the collection of tax and non-tax receipts from FY 2018-19 to FY 2022-23 is illustrated in Table 2.5 and Figure 2.6.

Table 2.5: Provincial Own Receipts (Actuals)

(Rs. in million)

Description	Actual					% change in 5yrs
	2018-19	2019-20	2020-21	2021-22	2022-23	2018-22
Tax Receipts	177,725	181,866	228,345	267,756	283,339	12.37
Non-Tax Receipts	9,196	9,835	14,352	15,037	33,992	38.66
Total	186,921	191,701	242,697	282,794	317,330	14.15
Tax Receipts (percent)	95.08	94.87	94.09	94.68	89.29	
Non-Tax Receipts (percent)	4.92	5.13	5.91	5.32	10.71	

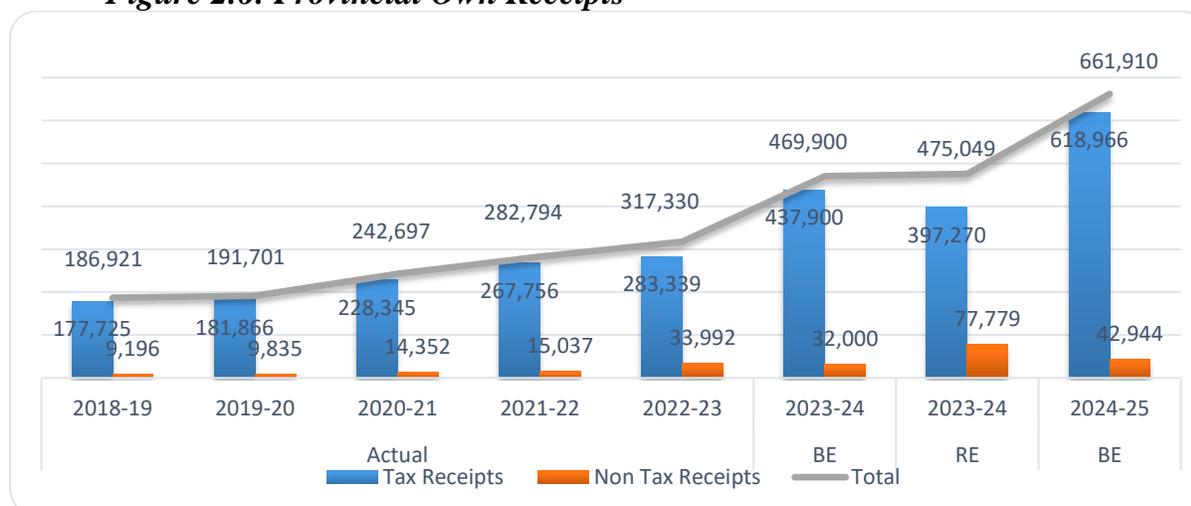
Figure 2.6: Provincial Own Receipts

Table 2.5 shows that Provincial Own Receipts have exhibited an average annual growth rate of 14.15% over the period from FY 2018-19 to FY 2022-23. The Budget Estimates and Revised Estimates for FY 2023-24, alongside the Budget Estimate for FY 2024-25, pertaining to both tax and non-tax provincial receipts, are shown in the subsequent table.

Table 2.6: Provincial Own Receipts (Estimates)

(Rs. in million)

	2023-24	2023-24	2024-25
Tax Receipts	437,900	397,270	618,966
Non-Tax Receipts	32,000	77,779	42,944
Total	469,900	475,049	661,910
Tax Receipts (percent)	93.19	83.63	93.51
Non-Tax Receipts (percent)	6.81	16.37	6.49

As shown in table 2.6, tax receipts have consistently served as the principal source of provincial own revenue. For FY 2024-25, provincial tax receipts are projected to account for a substantial 93.5% of the total, with non-tax receipts making up the remaining 6.5% of the revenue target for the year.

2.4.1 Provincial Tax receipts

The principal source of provincial revenue are tax receipts. key tax receipts include Tax on Services, Provincial Excise, Stamp Duties, Motor Vehicles, Electricity Duty, and Infrastructure Development Cess. Among these, the General Sales Tax (GST) on Services stands out as particularly. Initially under the Federal Board of Revenue’s jurisdiction, the GST on Services was devolved to the provinces in FY 2011-12. This handover marked a pivotal shift in fiscal management, with the Sindh Government taking up this responsibility, and collecting this tax, an important milestone in its revenue framework.

The trajectory of Provincial Tax receipts from FY 2018-19 to FY 2022-23 alongside the estimates for FY 2023-24 and FY 2024-25, is shown in Figure 2.7 and Table 2.7. These statistics provide a glimpse of the actual performance of tax receipts over time and forecasts for the years ahead. This historical and projected data underscore the central role of tax receipts in provincial revenue streams.

Figure 2.7: Provincial Tax Receipt

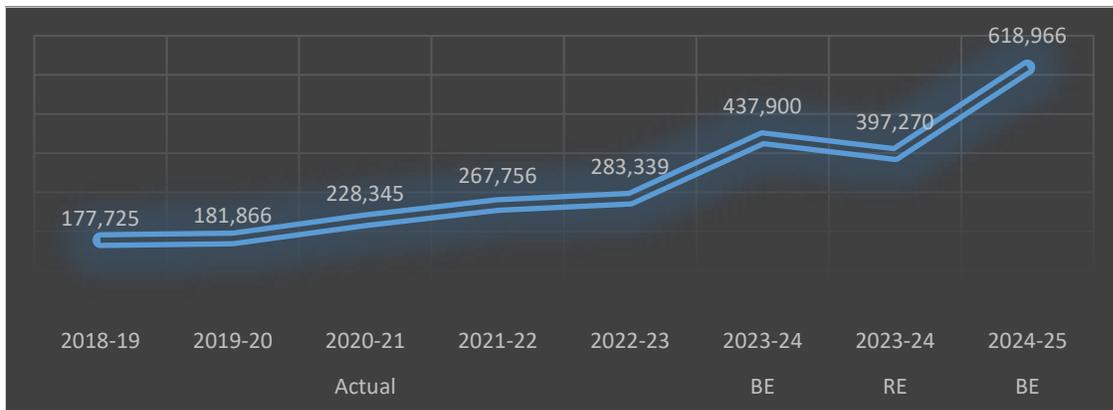


Table 2.7: Provincial Tax Receipts (Rs. in million)

Description	Budget Estimates 2023-24	Revised Estimates 2023-24	Budget Estimates 2024-25
TOTAL PROVINCIAL TAX RECEIPTS	437,900	397,270	618,966
Sales Tax on Services	235,000	230,000	350,000
Infrastructure Development Cess	112,185	110,000	170,185
Agriculture Income Tax	3,630	2,000	6,000
Land Revenue	1,219	395	1,300
Capital Value Tax	0	5	0
Transfer of Property Tax (Registration)	1,320	400	1,400
Tax on Professions, Trade and Callings	1,947	1,000	2,597
Stamps	49,049	32,000	52,000
Receipts under Motor Vehicles	15,543	11,690	16,384
Provincial Excise	12,923	8,000	13,923
Other Indirect Taxes	585	50	650
Electricity Duty	4,000	1,500	4,000
Cotton Fee (net)	377	130	377
Entertainment	122	100	150

For FY 2024-25, Provincial Tax Receipts are forecasted at Rs. 618,966 million, reflecting a notable 41% increase over the Budget Estimate of Rs. 437,900 million for the preceding fiscal year. This growth not only highlights the increasing reliance on tax revenues but also signals a broader strategy aimed at bolstering Sindh's financial autonomy.

Table 2.8 provides a detailed breakdown of Provincial Tax Receipts, distinguishing between Direct and Indirect Taxes. Over the five-year period from FY 2018-19 to FY 2022-23, these receipts have demonstrated an average growth rate of 12.4% annually. This upward trend in tax collection underlines the province's sustained efforts to enhance revenue mobilisation and reflects the structural improvements in its tax administration.

Table 2.8: Direct and Indirect Tax Receipts

(Rs. in million)						
Description	Actual					Avg (percent)
	2018-19	2019-20	2020-21	2021-22	2022-23	2018-22
Taxes from Agriculture Income		620	608	707	629	2.14
Property Tax (Tax + Registration)	2,849	1,771	920	940	370	-39.97
Land Revenue	225	198	308	306	304	7.79
Taxes on Professions, Trades and Callings	408	614	892	1,276	231	-13.26
Capital Value Tax	3,270	2,200	677	26	2	
Total Direct Taxes	7,330	5,402	3,406	3,255	1,536	-32.34
Sindh Sales Tax on Services	93,168	99,823	121,731	145,825	173,867	16.88
Provincial Excise	5,059	4,605	5,131	5,742	6,116	4.86
Stamp Duties	9,934	8,653	12,771	15,820	15,039	10.92
Motor Vehicles	7,334	6,222	9,827	12,455	10,545	9.50
Cotton Fees (Net)	165	196	103	132	5	-59.08
Electricity duty	725	118	1,006	1,079	1,008	8.60
Others-All Types	53	65	47	38	0	-100.00
Entertainment	83	68	41	58	12	-43.70
S.D&M of I Structure	53,874	56,714	74,283	83,352	75,210	8.70
Total Indirect Taxes	170,395	176,464	224,939	264,501	281,803	13.40
Total Tax Receipts	177,725	181,866	228,345	267,756	283,339	12.37

2.4.1.1 Direct taxes

Provincial tax receipts are broadly classified into two categories: direct taxes and indirect taxes. Over recent years, the share of direct taxes in the overall tax receipts has steadily declined, exhibiting an average annual reduction of 32.3% between FY 2018-19 and FY 2022-23. Despite this downward trend, the projected budget for direct taxes in FY 2024-25 is set at Rs. 11,297 million, a significant increase of 39% compared to the Budget Estimate for FY 2023-24. Yet, direct taxes continue to represent less than 2% of the total provincial own tax receipts, highlighting their limited contribution to the province's revenue base. Conversely, indirect taxes dominate provincial revenue, accounting for approximately 98% of the total tax receipts.

The Budget Estimates and Revised Estimates for FY 2023-24, alongside the Budget Estimate for FY 2024-25, are detailed in Table 2.9 below:

Table 2.9: Tax Receipts

(Rs. in million)

Description	BE 2023-24	RE 2023-24	BE 2024-25
Tax on Agricultural Income	3,630	2,000	6,000
Property Tax (Registration)	1,320	400	1,400
Land Revenue	1,219	395	1,300
Taxes on Professions, Trades and Callings	1,947	1,000	2,597
Capital Value Tax	0	5	0
Total Direct Taxes	8,116	3,800	11,297
Sindh Sales Tax on Services	235,000	230,000	350,000
Provincial Excise	12,923	8,000	13,923
Stamp Duties	49,049	32,000	52,000
Motor Vehicles	15,543	11,690	16,384
Cotton Fees (Net)	377	130	377
Electricity duty	4,000	1,500	4,000
Others-All Types	585	50	650
Entertainment	122	100	150
S.D&M of Infrastructure Cess	112,185	110,000	170,185
Total Indirect Taxes	429,784	393,470	607,669
Total Tax Receipts	437,900	397,270	618,966

2.4.1.2 Indirect taxes

Table 2.8 and Table 2.9 provide a breakdown of indirect taxes, revealing an average annual growth rate of 13.4% between FY 2018-19 and FY 2022-23. Key components of indirect taxes include Sindh Sales Tax on Services, Stamp Duties, Motor Vehicle Tax and Infrastructure Development Cess. These taxes have exhibited consistent growth during this period, with the Sindh Sales Tax on Services leading the expansion at an average rate of 16.8%, followed by Stamp Duties at 10.9%, Motor Vehicle Tax at 9.5%, and Infrastructure Development Cess at 8.7%. For the FY 2024-25, the Budget Estimate for indirect taxes is projected at Rs. 607,669 million, reflecting a substantial increase of 41.4% compared to the BE of Rs. 429,784 million in FY 2023-24.

Sindh's fiscal strategy increasingly characterized by a growing reliance on indirect taxes, marking a transformation in its approach to revenue generation. This shift is evident as consumption-based taxes, such as GST on Services, Motor Vehicle Tax, and Infrastructure Development Cess, now account for nearly 98% of total tax receipts. This heavy dependence on indirect taxation signifies a strategic pivot toward consumption-based frameworks, moving away from direct taxes on income and wealth. While indirect taxes provide a consistent revenue stream, they are inherently regressive, disproportionately

burdening lower-income groups compared to direct taxation mechanisms. Despite this drawback, the administrative simplicity and reliability of collection associated with indirect taxes makes them a compelling choice for revenue generation.

This reliance also highlights the difficulties faced in broadening the province's direct tax base, where growth has been sluggish. To foster long-term fiscal equity and sustainability, Sindh may need to re-evaluate its approach and gradually shift toward a more balanced tax structure that includes an expansion of direct taxes. Such a strategic recalibration would help ensure a fairer distribution of the tax burden and bolster the province's financial resilience.

2.4.2 Provincial Non-Tax Receipts

Provincial Non-Tax receipts are divided into three main categories:

a) Income from Property & Enterprise:

This category primarily includes earnings from property and enterprise-related activities. It comprises revenue generated from sources such as interest on loans provided to various entities, including TMAs, financial institutions, and non-financial institutions, as well as dividends.

b) Receipts from Civil Administration:

This category encompasses revenue derived from civil administration activities, particularly from services rendered by various government departments. Key sources of income include court fees, fines, forfeitures, motor driving license fees, traffic fines, receipts from Community Services, and income from sectors such as Education and Health.

c) Miscellaneous Receipts:

This category includes a diverse range of income sources. It covers receipts from economic services related to the Food Department, Agriculture, Fisheries, Animal Husbandry, Forestry, and Irrigation Works. Additionally, it includes Extraordinary Receipts derived from various other departments and different sources of income.

Table 2.10: Non-Tax Receipts

(Rs. in million)

Description	BE 2023-24	RE 2023-24	BE 2024-25
Income from Property & Enterprise	683	683	685
Receipts from Civil Administration	10,462	11,735	14,440
Miscellaneous Receipts	20,855	65,361	27,819
Total	32,000	77,779	42,944

Table 2.11 outlines the key components of Provincial Non-Tax Receipts and their average growth rates from FY 2018-19 to FY 2022-23, during which these receipts saw an impressive growth, averaging a 38.7% increase. This substantial growth is primarily attributed to improved revenue collection mechanisms and increased earnings from civil administration services and economic activities.

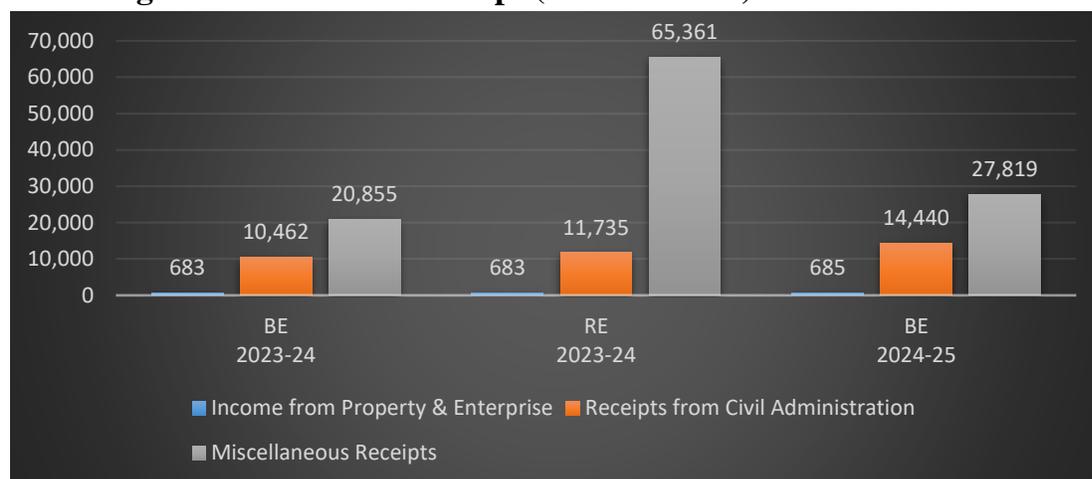
For FY 2024-25, the projections for provincial non-tax receipts follow a methodical approach towards sustained revenue growth. The largest contribution, amounting to Rs. 27,819 million, is expected from Miscellaneous Receipts, emphasizing the significant role of revenues from sectors such as food, agriculture, forestry, irrigation, mining, and extraordinary receipts. The second-largest source is Receipts from Civil Administration, projected at Rs. 14,440 million, further highlighting the province's dependency on income from fees, fines, forfeitures, and services rendered by various government departments.

Lastly, the budget estimate for Income from Property and Enterprise is set at Rs. 685 million for FY 2024-25. Although this is the smallest category in the Non-Tax Receipts, it plays a vital role in generating revenue through interest on loans extended to various entities, including local government bodies and financial institutions, as well as dividends from provincial investments.

Table 2.11: Non-Tax Receipts

(Rs. in million)

Description	Actual					Average Percent
	2018-19	2019-20	2020-21	2021-22	2022-23	2018-22
Extraordinary Receipts	736	714	3,410	3,417	8,745	85.66
Interest	0	1	75	3	0	
Miscellaneous -Other	3,064	4,237	4,508	4,052	7,823	26.41
Law and Order	2,235	2,209	2,656	1,978	2,275	0.44
Education, Culture &	263	190	183	235	373	9.14
Irrigation	268	277	249	274	81	-25-87
Works	297	272	412	366	681	23.07
Others	2,333	1,936	2,858	4,713	14,013	56.55
Total	9,196	9,835	14,352	15,037	33,992	38.66

Figure 2.8: Non-Tax Receipt (Rs. in million)

2.5 Composition of Taxes

Table 2.12 offers a breakdown of the province's revenue composition, emphasizing the significance of both tax receipts and federal transfers in sustaining provincial finances. The data underscores the proportional contribution of direct and indirect taxes. Direct taxes include income from property and related sources, while indirect taxes, such as taxes on services, goods, excise duties, and other consumption-based levies, dominate the revenue structure. This analysis highlights the province's reliance on indirect taxes, which have been historically predominant.

Table 2.12: Tax Receipts – Actuals of Five Years

(Rs. in million)

	Actual					% Change
	2018-19	2019-20	2020-21	2021-22	2022-23	
Direct Taxes						
Tax on Income	209,294	216,812	230,244	307,043	445,780	20.81
Capital Value Tax			88	54	903	
Subtotal - Federal Direct Taxes	209,294	216,812	230,332	307,098	446,683	20.87
Taxes from Agriculture Income	578	620	608	707	629	2.14
Urban Immovable Property Tax	455	0	380	561		-100.00
Transfer of Property Tax	2,394	1,770	540	380	370	-37.30
Land Revenue	225	198	308	306	304	7.79
Taxes on Professions, Trades and	408	614	892	1,276	231	-13.26
Capital Value Tax	3,270	2,200	677	26	2	-84.26
Subtotal - Provincial Direct Taxes	7,330	5,401	3,405	3,255	1,536	-32.34
Total Direct Taxes	216,624	222,213	233,737	310,353	448,219	19.93
Indirect Taxes						
Customs Duties	94,965	86,970	101,163	134,315	128,183	7.79
Sales Tax	212,182	223,494	258,320	353,445	355,736	13.79
Federal Excise	33,638	34,640	36,909	42,350	49,166	9.95
Excise Duty on Natural Gas	6,193	6,128	5,989	5,752	4,755	-6.39
Subtotal - Federal Indirect Taxes	346,978	351,232	402,381	535,862	537,840	11.58
Sindh Sales Tax on Services	93,168	99,823	121,731	145,825	173,867	16.88
Provincial Excise	5,059	4,605	5,131	5,742	6,116	4.86
Stamp Duties	9,934	8,653	12,771	15,820	15,039	10.92
Motor Vehicles	7,334	6,222	9,827	12,455	10,545	9.50
Cotton Fees (Net)	165	196	103	132	5	-59.08
Electricity duty	725	118	1,006	1,079	1,008	8.60
Others-All Types	53	65	47	38	14	-28.56
Entertainment Duty	83	68	41	58	12	-
S.D&M of I Structure Cess	53,874	56,714	74,283	83,352	75,210	15.66
Subtotal - Provincial Indirect Taxes	170,395	176,464	224,939	264,501	281,817	13.40
Total Indirect Taxes	517,373	527,696	627,321	800,363	819,657	12.19
Total Tax Revenue	733,997	749,910	861,058	1,110,7	1,267,8	14.64
Federal Direct (%)	28.51	28.91	26.75	27.65	35.23	5.43
Provincial Direct (%)	1.00	0.72	0.40	0.29	0.12	-40.98
Total Direct (%)	29.51	29.63	27.15	27.94	35.35	4.62
Federal Indirect (%)	47.27	46.84	46.73	48.24	42.42	-2.67
Provincial Indirect (%)	23.21	23.53	26.12	23.81	22.23	-1.08
Total Indirect (%)	70.49	70.37	72.85	72.06	64.65	-2.14
Total (%)	100.00	100.00	100.00	100.00	100.00	0.00

Budget Estimates and R.E for FY 2023-24 and B.E for the financial year 2024-25 according to Direct and Indirect Taxes are shown in the following table:

Table 2.13: Tax Receipts – Last and Current Year Estimates

(Rs. in million)

	BE	RE	BE
	2023-24	2023-24	2024-25
Direct Taxes			
Tax on Income	508,590	504,256	737,291
Capital Value Tax	113	1,463	2,167
Federal Direct Taxes	508,703	505,719	739,458
Taxes from Agriculture Income	3,630	2,000	6,000
Urban Immovable Property Tax	0	0	0
Transfer of Property Tax (Registration)	1,320	400	1,400
Land Revenue	1,219	395	1,300
Taxes on Professions, Trades and Callings	1,947	1,000	2,597
Capital Value Tax	0	5	0
Provincial Direct Taxes	8,116	3,800	11,297
Total Direct Taxes	516,819	509,519	750,755
Indirect Taxes			
Customs Duties	160,975	179,606	206,188
Sales Tax	487,743	496,996	672,237
Federal Excise	97,641	81,983	129,533
Excise Duty on Natural Gas	11,570	4,462	7,050
Federal Indirect Taxes	757,928	763,046	1,015,008
Sindh Sales Tax on Services	235,000	230,000	350,000
Provincial Excise	12,923	8,000	13,923
Stamp Duties	49,049	32,000	52,000
Motor Vehicles	15,543	11,690	16,384
Cotton Fees (Net)	377	130	377
Electricity duty	4,000	1,500	4,000
Others-All Types	585	50	650
Entertainment	122	100	150
S.D&M of I Structure	112,185	110,000	170,185
Provincial Indirect Taxes	429,784	393,470	607,669
Total Indirect Taxes	1,187,712	1,156,516	1,622,677
Total Tax Revenue	1,704,531	1,666,035	2,373,433
Federal Direct (%)	29.84	30.35	31.16
Provincial Direct (%)	0.48	0.23	0.48
Total Direct (%)	30.32	30.58	31.63
Federal Indirect (%)	44.47	45.80	42.77
Provincial Indirect (%)	25.21	23.62	25.60
Total Indirect (%)	69.68	69.42	68.37

A trend analysis covering the period from FY 2018-19 to FY 2022-23 reveals a 19.9% increase in direct tax revenues and an average annual growth of 12.2% for indirect taxes, reinforcing the province's dependence on indirect taxation as its primary revenue source. For FY 2024-25, indirect taxes, both federal and provincial, are projected to constitute 68.4% of the total revenue receipts, further illustrating the pivotal role that indirect taxation plays in the province's fiscal framework.

In continuation of these trends, Table 2.13 provides a detailed breakdown for FY 2024-25, where federal indirect taxes contribute 42.8% to the province's total tax revenue, while federal direct taxes make up 31.2%. Provincial indirect taxes account for 25.6%, and provincial direct taxes a mere 0.5%. This balance of federal and provincial tax sources illustrates the province's reliance on consumption-based taxes and federal transfers to meet its revenue needs.

2.6 Analysis of Provincial and Federal receipts growth/ decline pattern over the years

Sindh's ability to generate its own revenue has shown a strong upward trajectory, with Provincial Own Receipts achieving an average annual growth rate of 14.2% over the past five years. This growth signals the province's evolving capacity to tap into diverse revenue streams. For FY 2023-24, the RE of Provincial Own Receipts stands at Rs. 475,049 million, just edging past the initial Budget Estimate of Rs. 469,900 million. Although slight, this uptick signifies the successful achievement of targets and reflects the province's ability to achieve its revenue prospects.

Among the province's revenue-collecting bodies, the Sindh Revenue Board (SRB) continues to lead the charge. It consistently hit 97% of its revenue targets over the past two years. In FY 2022-23, SRB's collection from Sales Tax on Services reached Rs. 173.9 billion, an impressive 19% increase over the previous year's Rs. 145.8 billion, although it narrowly missed the Rs. 180 billion target. With its solid performance in view, SRB has been assigned an ambitious target of Rs. 350 billion for FY 2024-25, a significant leap from Rs. 235.0 billion for FY 2023-24. This sharp increase of 49% reflects the government's confidence in SRB's potential to ramp up collections.

Meanwhile, the Excise and Taxation Department has also shown commendable growth. It achieved 72% of its revenue target in FY 2022-23, collecting Rs. 91.957 billion against a Budget Estimate of Rs. 127.2 billion. As a result, the department's revenue target for FY 2024-25 has been increased to Rs. 203.9 billion, a robust 42% rise over the previous year.

While SRB and Excise & Taxations department continue to meet or come close to their targets, the Board of Revenue (BOR) has struggled to measure up. For FY 2022-23, BOR only collected 45% of its target, managing Rs. 16.3 billion against a target of Rs. 36 billion. Despite being responsible for key revenue streams such as agricultural income tax, transfer of property tax, land revenue, and stamp duties, the BOR's underperformance remains a concern.

However, the introduction of e-stamping in Sindh in 2022 holds promise for addressing BOR's core challenge of enhancing stamp duty collection, which constitutes over 85% of its revenue. Although, its immediate impact has been subdued, primarily because continued circulation of physical stamps issued before FY 2023-24, which dampened the short-term revenue potential of stamp duties. But, as physical stamps phase out and e-stamping becomes fully operational, its advantages in enhancing efficiency, transparency, and revenue collection are likely to take effect. Hopefully, this shift would improve BOR's revenue performance and enhance the department's contribution to Sindh's fiscal health.

A major stumbling block in provincial revenue management is the haphazard classification of non-tax receipts. Many non-tax revenues such as environmental levies, rents, or administrative fees, are lumped together under "miscellaneous receipts," a broad category that limits transparency by obscuring the source of these receipts. Without clear categorization, it becomes nearly impossible to track these revenues accurately, let alone optimize them for financial planning or policy making. This ambiguity also prevents policymakers from identifying underperforming revenue streams that could benefit from targeted interventions.

Sindh's non-tax revenue represents a substantial yet underleveraged resource, drawing from rents, profits, fees, fines, and other sources across various sectors such as economic regulation, public safety, and social services. However, much of this potential remains untapped as departments tend to shy away from adhering to the proper classification standards. Instead, they often fall back on blanket categories like "miscellaneous" or "others" for ease of use. This vagueness blurs transparency and clouds the clarity needed for effective revenue tracking.

To capitalize fully on these revenue streams, strict adherence to the established framework of Chart of Classification is essential, which is already available and applies to both tax and non-tax revenues. Following the prescribed framework ensures that each revenue stream falls under its proper object head. This approach not only enhances the traceability of receipts but also improves the accuracy of financial reporting. With a more precise system in place, government to fine-tune revenue forecasts, ensuring more efficient allocation of resources based on reliable data.

Despite the availability of detailed classifications, the tendency to use blanket terms points to a reluctance to make full use of the system. This poor practice not only hinders transparency but also makes it difficult to evaluate actual performance and zero in on underperforming sectors. Failing to adhere to the proper classification system leaves significant revenue sources underreported, impeding effective fiscal planning and hampering the province's ability to assess its financial health accurately.

Adhering to the correct classification standards is the key to overcoming these challenges. Ensuring that receipts are properly categorized under their appropriate heads will foster a transparent and organized revenue management system. With improved tracking and oversight in place, the province will gain valuable insights for better fiscal planning and enhanced revenue collection, thus unlocking the full potential of its revenues, especially non-tax revenue streams for long-term fiscal stability.

CHAPTER 03

CURRENT REVENUE EXPENDITURE

3 CURRENT REVENUE EXPENDITURE

The provincial government's expenditure management is built upon a structured, methodical approach, rooted in the Constitution of Pakistan. Article 120 mandates the provincial government to prepare the Annual Budget Statement (ABS), which lays out both estimated receipts and expenditures for the fiscal year.

By following constitutional guidelines, the budget preparation not only aligns with legal frameworks but also provides a clear roadmap for the province's financial direction. The transparency and accountability embedded in the budget preparation process bring about responsible fiscal management, allowing the government to address its operational needs while planning for future development.

Ultimately, the careful articulation of current revenue expenditures emphasises their critical role in sustaining the province's public services and functions, reinforcing the importance of sound financial planning to keep up with the province's ongoing obligations.

3.1 Understanding Public Sector Expenditure in Sindh

Understanding public sector expenditure in Sindh requires knowing the distinction between Charged and Voted Expenditure, both of which underpin the province's financial management. Equally essential is to understand how Current and Development Expenditure are structured to allocate resources for operational growth-oriented needs.

3.1.1 Classification of Expenditure

Expenditure of the government is broadly classified into two categories i.e. Charged Expenditure and Voted Expenditure, each serving distinct purposes in the government's financial framework. This differentiation serves as the foundation for ensuring that essential and discretionary government functions are appropriately funded. This categorization helps lay out a clear roadmap for ensuring that government operations are properly funded and ensures that mandatory expenses are properly taken care of, while giving the government room to manoeuvre its discretionary spending towards priority areas.

3.1.1.1 Charged Expenditure:

Charged Expenditure refers to those financial obligations that the government is bound to meet and mandatory payments that are set aside regardless of legislative approval. This category includes critical government payments and essential government functions such as salaries of constitutional offices, judiciary and debt servicing, and other statutory obligations which must be paid regardless of legislative consent. By sidestepping the approval process, it allows the government to keep up with the smooth functioning of key government offices and settling obligations like loan repayments and other non-negotiable commitments.

3.1.1.2 Voted Expenditure

Voted Expenditure, in contrast, is subject to debate and approval by the Provincial Assembly. This category is vital as it allows for the flexibility to deal with both operational expenses and developmental projects. It includes costs of running the government such as salaries and wages, maintaining government offices, utilities, supplies, communication, and expenditures related to public service delivery in areas like education, health, law and order, and economic services. Thus, the proper functioning of government institutions, their human resources, and public services relies heavily on this operational category.

By allowing the Provincial Assembly to weigh in on and approve these expenditures, the government gets room to adjust spending according to changing priorities and needs. And by signing off on these expenditures, the Assembly ensures the province keeps up with its immediate operational requirements while also pushing forward its long-term development goals, making sure it has the necessary financial backing to keep things on track while also preparing for what's next.

3.2 Current Revenue Expenditure

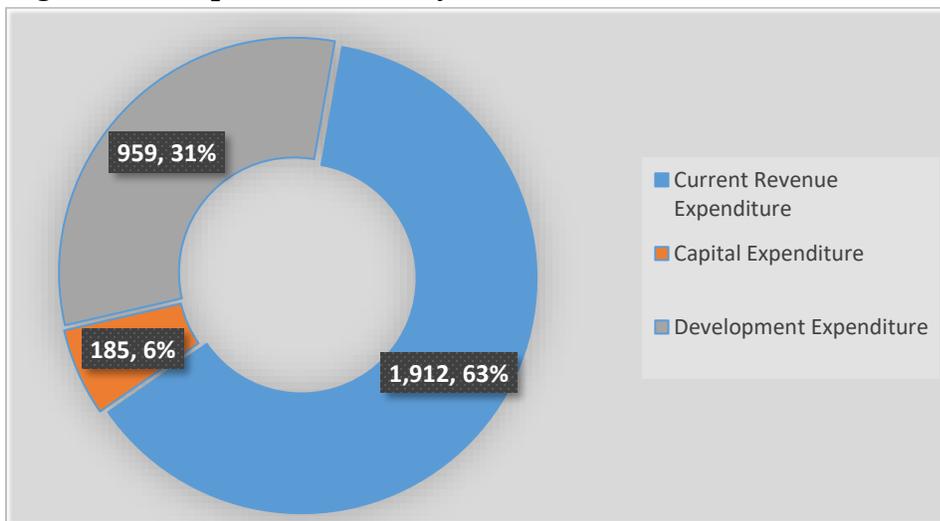
Current Expenditure, commonly referred to as non-development expenditure, encompasses the regular and recurring expenses necessary for daily government operations. This category is further divided into current revenue and current capital expenditure and is financed through the Provincial Consolidated Fund (PCF). While Current Revenue Expenditure does not directly generate assets, it is essential for maintaining government institutions and ensuring consistent public service delivery.

As the backbone of the province’s operational capacity, Current Revenue Expenditure funds ongoing government activities, including administration, governance, economic services, and other routine costs associated with government functions. It serves as the primary funding mechanism for the majority of the provincial government's operational activities, which are crucial for maintaining essential public services.

These expenditures ensure the smooth functioning of various sectors, including public administration, law enforcement, education, healthcare, and other social services. Spending under CRE includes salaries and pensions, operational expenses, grants, subsidies, interest payments, and costs related to the repair and maintenance of physical assets. Through this structured approach, CRE underpins the effective delivery of public services and supports the province’s overall governance framework.

For the Fiscal Year 2024-25, the Government of Sindh proposes a total budget of Rs. 3,256,262 million, reflecting a 34% increase from the previous year's estimated budget of Rs. 2,282,581 million. Current expenditure is projected at Rs. 2,097,198 million, divided into Current Revenue Expenditure (CRE) and Current Capital Expenditure (CCE). The CRE is estimated at Rs. 1,912,359 million, accounting for 63% of the total budget and representing a 36% rise from last year's estimate of Rs. 1,411,223 million, while the CCE is set at Rs. 184,838 million.

Figure 3.1: Expenditure Outlay (Rs. In billion)



3.2.1 Current Revenue Expenditure by Tiers of Government

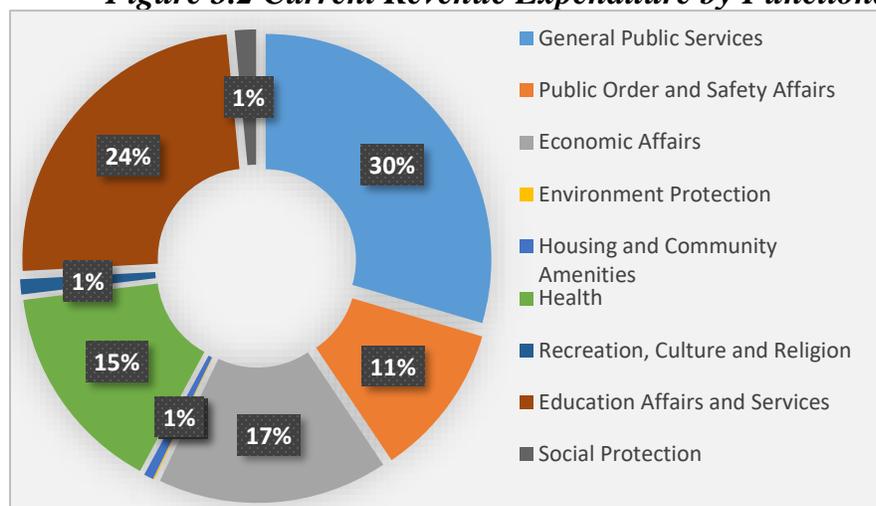
The budgetary allocations for the fiscal year 2024-25 underscore the provincial government's commitment to enhancing the operational efficiency and capabilities of both provincial and local government tiers. The CRE for the Provincial Government is projected at Rs. 1,752,359 million, reflecting an increase of 32% compared to the Budget Estimate of Rs. 1,323,222 million for the preceding fiscal year.

In addition, funding for Local Councils has seen a boost of 82% with allocation for CFY increasing to Rs. 160,000 million in comparison to Rs. 88,000 million allocated in the LFY. By channelling this additional funding, the provincial government aims to empowering local governance structures, ensuring that Local Councils are adequately resourced to fulfil their mandates in providing essential services.

3.2.2 Current Revenue Expenditure by Functional Classification

Functional classification in government budgeting refers to the systematic grouping of expenditures according to the purpose or function they serve, such as health, education, public safety, or infrastructure. This approach enables a government to lay out its spending across key sectors, provides a clearer view of how public resources are being used to meet sectoral needs. It plays a vital role in ensuring that resources are channelled effectively, aligning with the strategic priorities set by the government.

By adopting this structured approach according to New Accounting Model (NAM), the Government of Sindh also enhances its financial oversight and transparency and enables a more accurate assessment of expenditure trends across various functional areas. This systematic breakdown empowers the provincial administration to allocate funds strategically and ensures that resources are directed to areas where they are needed most, ultimately supporting essential public services and promoting good governance for sustainable development. Major categories of functional classification, and their respective shares in CRE are shown at Figure at Figure 3.2:

Figure 3.2 Current Revenue Expenditure by Functional Classification

The budget allocation of each functional area is given at Table 3.1 below:

Table 3.1: Current Revenue Expenditure

(Rs. in million)

	2023-24		2024-25	%↑↓ over	
	BE	RE	BE	BE *	RE**
General Public Services	398,505	507,155	565,136	41.81	11.43
Executive & Legislative Organs, Financial & Transfers	300,361	373,493	393,426	30.98	5.34
General Services	88,000	121,894	160,000	81.82	31.26
Public Order and Safety Affairs	10,144	11,768	11,710	15.43	-0.49
Law Courts	169,003	173,011	211,098	24.91	22.01
Police	22,771	23,291	25,917	13.81	11.27
Fire Protection	135,452	139,262	173,592	28.16	24.65
Prison Administration & Operation	15	12	17	9.80	39.19
Administration of Public Order	7,545	7,216	8,251	9.37	14.34
Economic Affairs	3,219	3,230	3,322	3.20	2.84
General Economic, Commercial & Labour Affairs	236,473	274,589	315,979	33.62	15.07
Agriculture, Food, Irrigation, Forestry & Fishing	5,462	4,816	5,348	-2.07	11.06
Agriculture	180,087	218,694	266,310	47.88	21.77
Irrigation	32,576	29,657	47,477	45.74	60.08
Land Reclamation	20,803	25,431	29,630	42.43	16.51
Forestry	4,900	4,856	6,281	28.19	29.35
Food	3,480	3,458	4,017	15.43	16.15
Fuel and Energy	70,327	92,359	116,393	65.50	26.02
Mining and Manufacturing	48,001	62,934	62,512	30.23	-0.67
Manufacturing	1,588	1,093	1,646	3.64	50.55
Mining	460	460	453	-1.63	-1.63
Construction and Transport	1,128	633	1,193	5.78	88.47
Other Industries	44,074	46,096	37,086	-15.85	-19.55
Environment Protection	5,263	3,890	5,589	6.21	43.70
Rural/Urban	1,530	1,046	1,631	6.61	55.82
Pollution Abatement	487	107	550	13.02	412.93
	763	711	807	5.76	13.48

	2023-24		2024-25	%↑↓ over	
	BE	RE	BE	BE *	RE**
Administration of Environment Protection	280	228	273	-2.25	19.87
Housing and Community Amenities	11,310	9,257	13,094	15.78	41.45
Community Development	3,985	2,024	4,075	2.26	101.30
Water Supply	7,325	7,233	9,019	23.14	24.70
Health	217,044	234,449	290,245	33.73	23.80
Hospital Services	151,436	163,964	186,237	22.98	13.58
Public Health Services	15,051	13,397	15,543	3.27	16.01
Health Administration	50,557	57,088	88,465	74.98	54.96
Recreational, Culture and Religion	18,821	20,191	20,700	9.98	2.52
Recreational and Sporting Services	5,921	6,801	6,953	17.42	2.24
Broadcasting and Publishing	941	1,015	1,164	23.68	14.69
Religious Affairs	11,958	12,375	12,582	5.22	1.67
Education Affairs and Services	341,738	347,912	465,366	36.18	33.76
Pre & Primary Education Affairs and Services	215,781	235,749	288,277	33.60	22.28
Tertiary Education and Services	70,589	70,638	91,569	29.72	29.63
Subsidiary Services to Education	4,400	4,223	4,597	4.47	8.84
Education Affairs and Services Not Elsewhere	50,968	37,302	80,923	58.77	116.94
Social Protection	16,798	16,589	29,110	73.30	75.48
Administration	2,886	3,286	2,585	-10.44	-21.33
Others	13,912	13,303	26,525	90.67	99.39
Total Current Revenue Expenditure	1,411,222	1,584,200	1,912,359	35.51	20.71

Table 3.1 outlines the CRE and lays it down according to functional classification. The subsequent detailed breakdown of these functional areas demonstrates how the enhanced funding aligns with the government's strategic priorities, reaffirming its commitment to elevating public services and streamlining resource allocation to address critical sectors effectively.

3.2.2.1 General Public Service

General Public Services take up the largest share of the CRE for FY 2024-25, about 30% of the total budget. This sizable allocation highlights the critical functions it supports, such as debt servicing, tax administration, pension payments, and transfers to Local Governments. For FY 2024-25, the allocation has shot up to Rs. 565,136 million, increase of 42% over the previous year's Rs. 398,505 million. Transfers to Local Governments have been ramped up by 82%, with Rs. 160,000 million set aside, aiming to empower local governance and improve decentralized service delivery.

This sharp increase shows the intent to shore up these vital services, with a special emphasis on strengthening local governance. By ramping up funding for local councils, the government signals a strong focus on addressing grassroots needs more efficiently. The

overall rise in General Public Services spending reflects growing financial pressures, particularly in areas like pension obligations and debt servicing.

Driven by inflation, escalating pension liabilities, and rising debt servicing costs, this increase comes as part of the province's efforts to keep up with its fiscal obligations. Inflation has not only pushed up operating costs, but also triggered bigger annual revisions in salaries and pensions, while debt servicing has climbed mainly due to increasing volume of external debt. However, the government of Sindh is working to stay on top of its financial commitments while ensuring critical public services remain intact amidst increasing economic challenges.

3.2.2.2 Public Order and Safety Affairs

Public Order and Safety Affairs include core government responsibilities, such as law and order, public safety and justice. It includes budgetary allocations for the judiciary, police, prisons, disaster management, anti-corruption establishment and civil defence. In the FY 2024-25, the allocation for these sectors increased by 25%, with the budget rising from Rs. 169,003 million to Rs. 211,098 million. This function now constitutes 11% of the total CRE. This enhanced funding is intended to improve law enforcement capabilities and disaster preparedness, thereby addressing the significant challenges associated with maintaining security and ensuring effective responses to emergencies within the province.

3.2.2.3 Economic affairs

The Economic Affairs function of the Provincial Government plays a crucial role in driving economic growth and development in Sindh. including sectors such as Agriculture, Food, Irrigation, Land Reclamation, Forestry, Fishing, Energy, Mining, Manufacturing, and Transport, this function serves as a cornerstone for the province's economic structure. These sectors take on a diverse range of activities, including agricultural research, food security, up-keep of irrigation networks, upgrading road infrastructure, and rolling out vocational training programs aimed at upskilling the workforce.

For FY 2024-25, the budget allocation for Economic Affairs surged to Rs. 315,979 million, reflecting a robust 34% increase from the previous fiscal year's allocation of Rs. 236,473 million. This amount makes up 17% of the overall CRE budget, emphasizing its growing significance in the province's fiscal strategy.

The significant rise in funding emphasizes a strategic investment in critical sectors to stimulate economic activity and promote innovation. By channelling resources into these areas, the government seeks to enhance the province’s competitive edge, support local enterprises, and foster an environment conducive to sustainable development. This holistic approach aims to strengthen economic foundations, ultimately contributing to the long-term vitality and resilience of Sindh’s economy.

3.2.2.4 Health

The health sector has also seen a considerable increase in funding for FY 2024-25, with allocations rising from Rs. 217,044 million to Rs. 290,245 million—an approximate 34% increase over the previous year. This substantial allocation is part of a broader effort to strengthen healthcare delivery, particularly in response to ongoing challenges such as disease outbreaks, maternal and child health issues, and the need for better hospital facilities and healthcare access across rural and urban areas.

A notable focus of the increased funding is the support for essential programs such as the People’s Primary Healthcare Initiative (PPHI), which plays a pivotal role in managing health facilities across rural Sindh. This includes Basic Health Units and Maternal & Child Health Centres, aiming to improve healthcare accessibility for rural and underserved populations. In brief, this expanded funding supports a range of critical services, including primary and secondary healthcare, specialized hospitals, and preventive measures such as vaccination programs and disease control initiatives. The focus on preventive healthcare and addressing non-communicable diseases aims to mitigate long-term health risks while reducing the strain on the healthcare system.

3.2.2.5 Housing and community amenities

In the fiscal year 2024-25, the Government of Sindh has proposed a budget allocation of Rs. 13,094 million for the provision of community services, a modest increase of 16% from Rs. 11,310 million in the last fiscal year. The restrained growth suggests a focus on maintaining existing services, operational efficiency and optimizing resources rather than expanding new initiatives. However, the sustained funding shows continued efforts to improve essential community services like water supply and improved sanitation, crucial for public health and quality of life across the province.

Despite the modest increase in allocation, the emphasis on improving basic amenities demonstrates a continuous, though measured, commitment to enhancing living standards in the province.

3.2.2.6 Education affairs and services

The education sector remains a cornerstone of Sindh's progress strategy, recognized for its critical role in fostering human capital and economic growth. In the fiscal year 2024-25, the allocation for education has increased by 24%, rising from Rs. 341,738 million in FY 2023-24 to Rs. 465,366 million in the current financial year.

The increased funding aligns with broader goals of human capital development, which are essential for sustained economic growth. By prioritizing education, Sindh is making long-term investments in its workforce, an approach that is expected to pay dividends which will ripple through various sectors of the economy. Approximately 62% of the education budget has been allocated to primary and secondary education, this is crucial as these levels of education form the bedrock of the entire system. By focusing on the operational needs of these institutions, the aim is to improve access and quality at the foundational stages of learning.

In conclusion, the education sector's expanded budget demonstrates the recognition of education as a main driver of development. However, translating this increased financial commitment into tangible improvements will depend on the province's ability to address operational and infrastructural bottlenecks.

3.3 Current Revenue Expenditure by Object Classification

In financial and budgetary contexts, object classification refers to the categorization of expenditures and income based on their nature or purpose. Each item is grouped into categories that reflect its fundamental nature or intended usage which provides a clear understanding of what types of expenses being incurred or kind of revenue being generated.

The nature of an expenditure refers to its fundamental characteristics or type, such as salary, operational cost, physical assets or capital investments. The purpose, on the other hand, denotes the specific objective it seeks to achieve, whether it pertains to supporting routine operational activities, funding strategic goals or other specific ventures.

By breaking down expenses in terms of both their nature and purpose, object classification lays out a clear framework for understanding how financial resources are allocated and utilised. This structured approach maintains high standards of accountability and transparency in fiscal administration, ensuring that money is properly tracked and justifiably spent.

3.3.1 Breakdown of CRE According to Object Classification

The CRE constitutes around 63% of the total expenditure of the Sindh Government. This expenditure is crucial for maintaining the government's daily functions, continuous delivery of public services and fulfilling various financial obligations, thus underscoring its importance in maintaining essential services and administrative functions. Table-3.2 provides the break-down of CRE according to Object Classification:

Table 3.2: Current Revenue Expenditure by Object Classification

Description	(Rs. in million)		
	Budget Estimates 2023-24	Revised Estimates 2023-24	Budget Estimates 2024-25
TOTAL CURRENT REVENUE EXPENDITURE	1,411,222	1,584,200	1,912,359
Employees Related Expenses	540,610	551,738	728,294
Project Pre-Investment Analysis	143.24	250.54	143.24
Operation Expenses	187,072	187,293	233,291
Employees Retirement Benefits	195,320	250,623	260,363
Grants, Subsidies and write-off Loan	328,120	420,609	520,362
Transfer Payment	28,338	28,963	28,727
Interest Payment	48,778	53,191	53,921
Physical Assets	42,053	39,561	41,417
Repair & Maintenance	40,789	51,972	45,841

3.3.2 Employees related expenses

Employees' related expenditure has increased by 35% compared to the previous fiscal year with allocation for 2024-25 soaring to Rs. 728,294 million compared to Rs. 540,610 million allocated during LFY. Employees' related expenditure constituted about 38% of the total CRE for FY 2023-24. Looking ahead, the employee related expenditure is projected to maintain this proportion, around 38%, of the total CRE for FY 2024-25. This suggests that while the absolute expenditure on salaries and allowances is increasing, the proportion of the budget allocation to these expenditure remains stable. The consistent percentage of

CRE allocated employee related expenditure demonstrates a stable budgetary approach to managing these inevitable increases.

3.3.3 Operating and maintenance expenses

The budgetary allocation for operating and maintenance expenses is approximately 13% of the total CRE in CFY 2024-25, amounting to Rs. 233,291 million. This allocation represents an increase of 25% compared to the previous fiscal year.

Operating and maintenance expenditures are crucial for efficient functioning of the government's administrative operations. Major components of these expenses include utilities, communication, transportation, maintenance, and lump sum allocations for specific purposes.

3.3.4 Employees' Retirement Benefits

The financial obligations associated with retirement benefits, including pensions, commutations, gratuities, and medical allowances for retired government employees, have grown significantly over the years. For FY 2024-25, the Pension Bill of the Sindh Government has escalated to Rs. 260,363 million, reflecting the mounting pressure on fiscal resources.

Several factors have driven this increase, including the inclusion of permanent allowances in the net pension, the restoration of commuted pension amounts for both retirees and family beneficiaries, enhancements in family pension rates, and a rise in the minimum pension. In addition, the growing number of eligible family pensioners has further inflated the overall pension burden.

The combination of these adjustments has not only expanded the size of the Pension Bill but also introduced greater complexity into the pension system itself. The evolving structure of pension entitlements presents ongoing challenges, with the potential for further increases in pension liabilities if not addressed. As of FY 2024-25, the Pension Bill represents nearly 14% of the government's total CRE, making it a critical fiscal priority that requires careful management and strategic planning to ensure long-term sustainability.

3.3.5 Grants, subsidies, transfer payments and write-off payments

During the fiscal year 2024-25, CRE provides an array of allocations aimed at aiding various segments through grants, subsidies, loan write-offs, and transfer payments. Grants, which support local bodies and non-financial institutions, serve as a vital means of supporting essential functions at various administrative levels, Subsidies and loan write-offs provide financial relief where needed, helping to mitigate financial burdens in targeted areas. while transfer payments offer financial assistance for the families of deceased government employees and contribution to reserve funds.

These budgetary provisions collectively account for almost 29% of the total CRE, amounting to Rs.520,362 million. This allocation marks an increase of 54% over the previous fiscal year's provision of Rs. 356,458 million. The notable rise in these allocations reflects the prioritization of expanding support to local bodies, providing financial assistance to vulnerable groups and sustaining essential services.

3.3.6 Interest payment

Interest payments cover the financial obligations arising from servicing both foreign and domestic loans, excluding payments on commercial or floating loans drawn from Food Account-II. For the current fiscal year, an allocation of Rs. 53,921 million has been proposed for this purpose, representing a 21% increase over the budget estimates for FY 2023-24. The rise represents the amount of debt servicing to be incurred during CFY.

3.3.7 Physical assets

For the fiscal year 2024-25, an allocation of Rs. 41,417 million has been set aside for the acquisition of physical assets, which includes essential items like computers, IT equipment, vehicles, plant and machinery, and furniture and fixtures. This allocation mirrors a slight reduction of 2% compared to the Rs. 42,053 million budgeted in the LFY. The reduction suggests a measured approach to asset acquisition, emphasizing careful management of resources and balancing operational needs with fiscal prudence.

3.4 Conclusion

The analysis of Sindh's Current Revenue Expenditure for FY 2024-25 highlights the government's commitment to keeping up with its essential responsibilities while tackling growing fiscal pressures. With largest share of the budget set aside for General Public Services, particularly in debt servicing, pension, and transfers to local governments, the

budget reflects a prioritization of sustaining essential services and meeting fiscal responsibilities. The substantial boost in funding for these areas demonstrates a strong focus on shoring up public finances and strengthening local governance.

Public Order and Safety, Economic Affairs, Health, and Education have also seen a significant rise in funding. This indicated the government's intent to step up efforts in areas like public safety, economic growth, and healthcare delivery, all of which are essential for the province's long-term stability and development. By pushing for improvements in education, particularly at the primary and secondary levels, the government is making a measured effort to build up human capital for future economic growth.

However, keeping on top of pension liabilities and salaries continues to be a pressing challenge, given the rising costs driven by inflation. Employee-related expenses and retirement benefits take up a significant share of CRE and account for nearly 38% of the budget.

The increase in grants, subsidies, and transfer payments reflects a broader effort to look after local bodies and vulnerable communities by aiming to scale up support for those in need. At the same time, the government will need to keep managing its growing financial commitments with prudence.

In conclusion, Sindh's FY 2024-25 budget exemplifies a careful balancing act between covering mandatory expenses, operating costs, and gearing up for future growth. The government is working towards long-term sustainability by investing in critical areas while remaining aware of the challenges that come with rising costs. Staying on top of these fiscal demands will be key to ensuring the province's continued progress and financial health.

CHAPTER 04

CURRENT CAPITAL BUDGET

4 CURRENT CAPITAL BUDGET

The Current Capital Budget (CCB) forms an integral part of the Sindh Government's fiscal framework, balancing non-recurring inflows with essential capital outlays. It is structured around two primary components: Current Capital Receipts (CCR) and Current Capital Expenditure (CCE). Both of which drive the province's capacity to meet large financial obligations such as debt servicing and continue investment in growth-oriented programs.

4.1 Current Capital Receipts (CCR)

Current Capital Receipts represent non-recurring, substantial inflows that bolster the government's financial reserves. The nature of these inflows means that they do not recur annually like operational revenues but serve instead to fortify the government's capital reserves.

CCRs predominantly come from new loans, either extended through bilateral agreements with foreign governments, multilateral arrangements with donor agencies, or local consortiums. These inflows are channelled into either Non-Food Account-I or Food Account-II depending on their nature. For instance, the Non-Food Account-I handles most capital inflows, Food Account-II is specifically set aside for state trading in food commodities, helping the province carry out its food security initiatives. Recoveries from loans extended to government employees and financial institutions also contribute, albeit modestly, to the CCR portfolio.

Table 4.1: Current Capital Receipts

(Rs.in million)						
Description	Actual					Average percent
	2018-19	2019-20	2020-21	2021-22	2022-23	2018-22
Recoveries of Loans and Advances						
From Non-Financial Intuitions		115	115	77	77	-
From Government Servants	10	9	7	8	7	-
Subtotal	10	9	7			-
Public Debt						
Domestic Debt (Permanent)						
Foreign Debt (Permanent)	5,403	12,785	15,597	27,544	132,654	122.6
Subtotal (A/c-I)	5,413	12,909	15,720	27,629	132,737	122.53
Floating Debt-Account No. II	45,300	26,422	34,500	65,640	56,200	5.54

(Rs.in million)						
Description	Actual					Average percent
	2018-19	2019-20	2020-21	2021-22	2022-23	2018-22
Current Capital Receipts	45,300	26,422	34,500	65,640	56,200	40.45

Figure 4.1: Trend of Current Capital Receipts

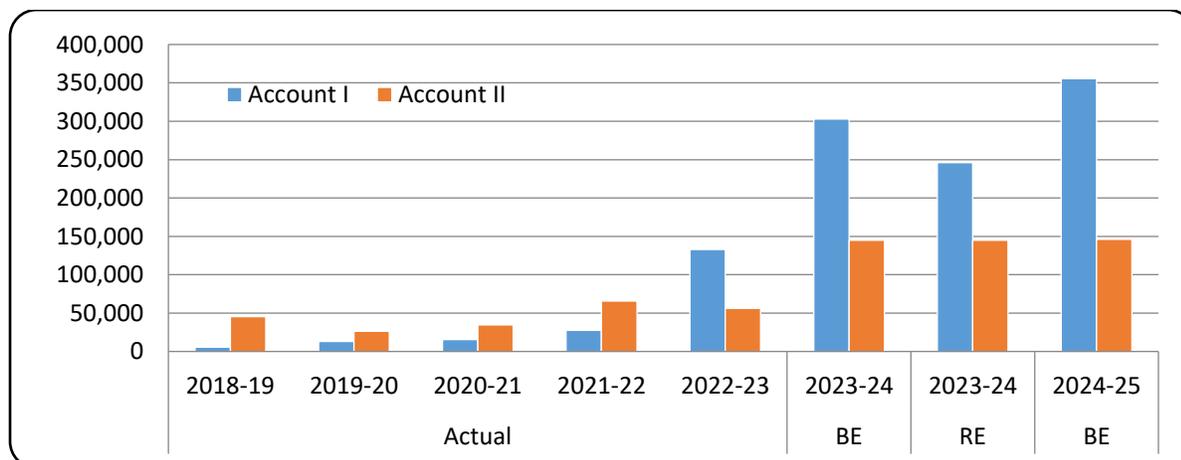
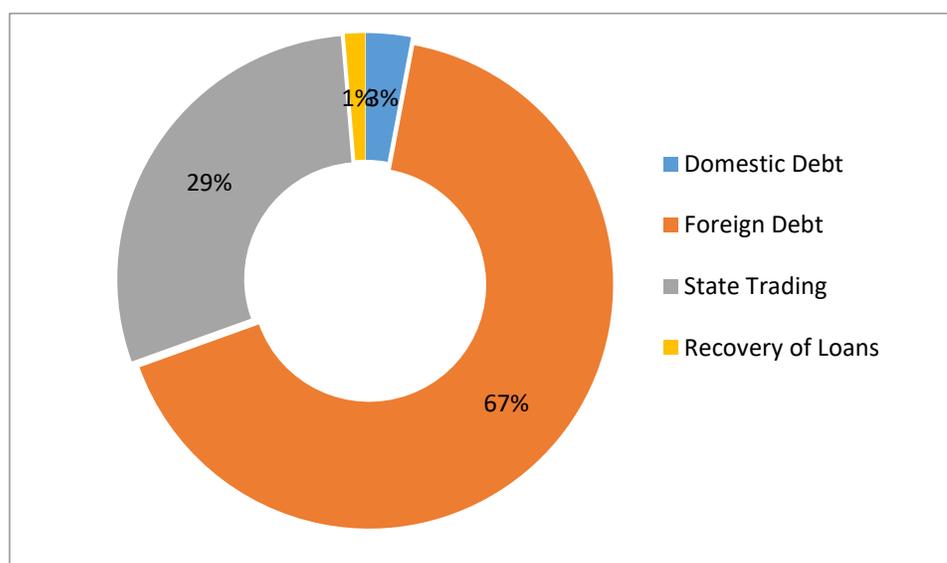


Table 4.1 and Figure 4.1 provide a breakdown and trend of CRRs. Over the five-year period from FY 2018-19 to FY 2022-23, the province **saw** an average annual increase of 122.5% in CCRs. For FY 2024-25, CCRs are projected to **go up to** Rs. 355,621 million, a 17.4% rise over the previous year. Foreign debt continues to **make up** the largest share, comprising 94% of the CCRs, while domestic debt is expected to contribute Rs. 14,908 million. This reliance on external loans demonstrates the importance of international partnerships in driving the province's growth.

Table 4.2: Current Capital Receipts

Description	(Rs.in million)		
	BE 2023-24	RE 2023-24	BE 2024-25
Recoveries of Loans and Advances			
From District Government/TMAs	5,380	5,380	5,944
From Non-Financial Intuitions	738	738	767
From Financial Intuitions			
From Government Servants	15	15	15
From Private Sector (Cultivators)			
Subtotal	6,133	5,588	6,133
Public Debt			
Domestic Debt (Permanent)			
Floating Debt (Account No. I)	30,000	0	14,894
Foreign Debt (Permanent)	266,691	240,078	334,001
Subtotal (A/C-I)	302,824	246,211	355,621
Floating Debt-Account No. II	144,950	144,950	146,350
Current Capital Receipts	447,774	375,068	392,104

Figure 4.2: Current Capital Receipts 2024-25

4.1.1 Public debt

Public Debt is divided into Domestic and Foreign Debt. Permanent debt, acquired either directly by the provincial government or through the Federal Government, forms the bulk

of this category. For FY 2024-25, foreign debt is budgeted at Rs. 334,001 million, up by 25.2% from the previous year, while domestic debt is projected at Rs. 14,894 million.

4.1.1.1 Domestic debt (permanent)

Since the 1970s, the Federal Government has been putting forward domestic debt (permanent), specifically for Normal and SCARP Cash Development Loans (CDLs). For Normal CDLs, the funds are handed over to the Government of Sindh, whereas, for SCARP CDLs, the Federal Government directly passes the funds on to WAPDA to carry out the project. However, it is important to note that the provision of Normal CDLs was phased out in 1998-99.

4.1.1.2 Foreign debt (Permanent)

Permanent foreign debt comes in as budgetary support loans from various donor agencies, including the World Bank, Asian Development Bank, Japan International Cooperation Agency, European Commission, and others. These loans are extended to support various programs and initiatives. Consequently, foreign debt has emerged as the largest component of the CCRs and was budgeted at Rs. 266,691 million for the LFY 2023-24. For the FY 2024-25, it has been budgeted at Rs. 334,001 million, indicating an increase of 25.2% over last year's budget.

4.1.1.3 Floating debt (Food Account No. II)

Floating debt, especially in Food Account-II, is another vital component of the province's financial architecture. This debt facilitates the state's trading in food commodities, particularly wheat. Food Account-II mirrors the structure of Non-Food Account No-I, while Account-I manages permanent and long-term debts, Account-II is dedicated for facilitating short-term financing for food procurement, ensuring timely operations and meeting immediate consumption demands.

The mechanism of state trading in food commodities hinges on a system called Cash Credit Accommodation. Under this arrangement, the provincial Food Department obtains loans from the banking consortia to purchase wheat directly from farmers. For the fiscal year 2024-25, estimated borrowing for state trading schemes is projected at Rs. 146,350 million.

4.1.2 Recovery of Loan and advances

Recoveries from loans and advances for FY 2024-25 are anticipated to amount to Rs. 6,726 million, primarily sourced from non-financial institutions, District Governments,

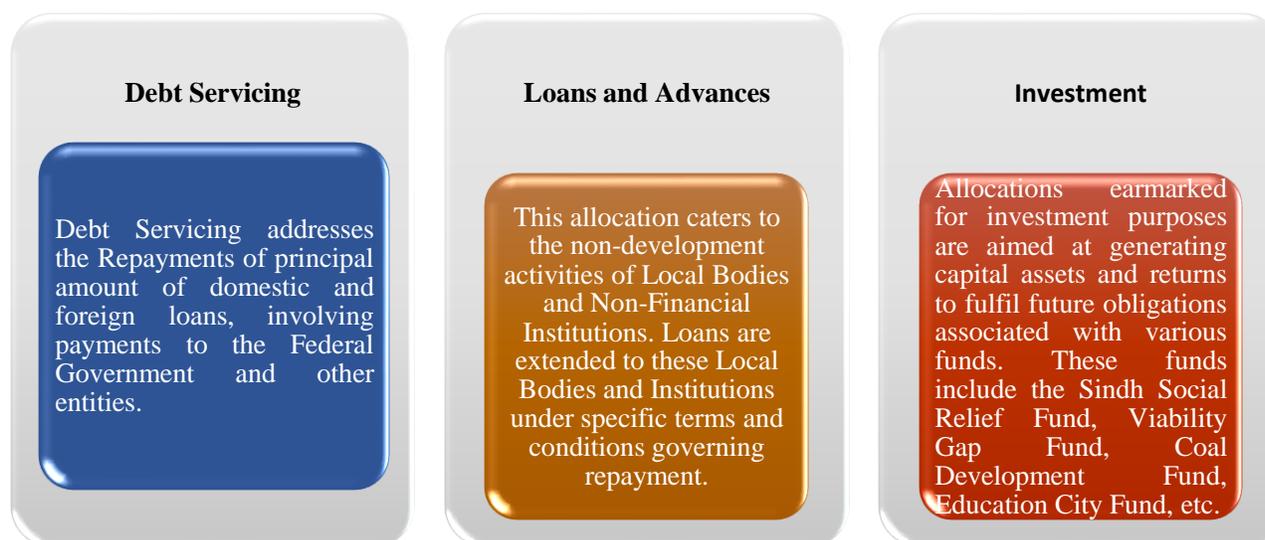
Municipal Corporations, and government servants. Approximately Rs. 5,944 million is expected to be recovered from District Governments and Municipal Corporations with the remaining amount coming in from non-financial institutions and government servants.

4.1.3 State trading (Food)

The process of state trading, particularly in wheat, plays a vital role in the province's financial and economic infrastructure. The government relies on Cash Credit Accommodation to back up its wheat procurement by obtaining loans from banking consortia. These funds are used to directly purchase wheat from farmers, and once the grain is sold, the sale proceeds of wheat are subsequently funnelled back into Food Account-II, from where the loans are repaid. This cyclical process helps the government manage food security and stabilize market prices without disrupting other capital inflows. Estimated income from State Trading Schemes for FY 2024-25 is estimated at Rs. 146,350 million.

4.2 Current Capital Expenditure (CCE)

Current Capital Expenditure serves as a vital financial mechanism for the Government, facilitating investments in capital market and infrastructure projects, repayment of loans and extending loans to different financial and non-financial institutions. CCE encompasses three major components:



Examining the five-year trend from FY 2018-19 to FY 2022-23, as detailed in Table 4.3, reveals that loan repayments have consistently constituted a significant portion of CCE. Over this period, repayments grew at an average annual rate of 19%, reflecting the

province's ongoing efforts to manage its debt responsibly. However, for FY 2024-25, these repayments have diminished to 23% of the overall CCE portfolio, indicating a strategic shift in financial priorities.

Table 4.3: Current Capital Expenditure

(Rs. in million)						
Description	Actual					Actual
	2018-19	2019-20	2020-21	2021-22	2022-23	2018-22
Repayments of Loans	20,019	19,848	23,555	29,866	39,729	19
Government Investment	6,850	9,501	6,400	37,664	21,500	33
Employee Related Benefits		1	0	0	0	-
Total	26,869	29,350	29,955	67,530	61,229	23
Repayments Account-II	45,300	26,422	34,500	65,640	56,200	6

In the CFY 2024-25, a big upswing of 36% in CCE has been noticed, with the allocation soaring to Rs. 184,839 million compared to the preceding year's budget of Rs. 136,256 million. The specifics of Table 4.3 show that the repayment of Loans has been the bigger part of CCE over the years and it has grown at an average annual rate of 19% during 2018-19 to 2022-23. However, for the fiscal year 2024-25, it constitutes 23% of the Current Capital Expenditure portfolio.

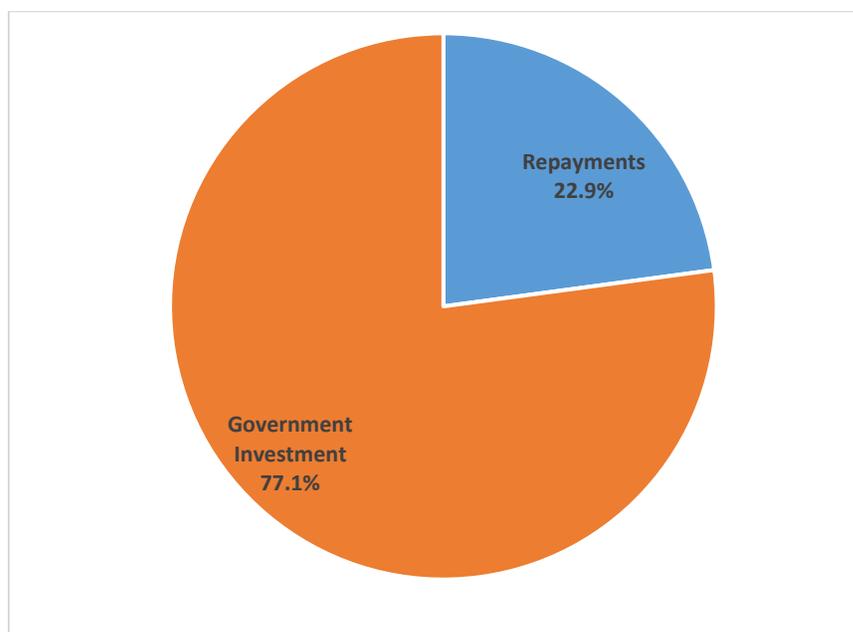
Conversely, Table 4.4 below reveals that the focal point of this year's financial landscape gravitates toward Government investments, which constitute the larger share, comprising about 77% of the total CCE. This surge in government investments is particularly remarkable, marking a massive increase of 162% when juxtaposed with the previous year's allocation of a relatively modest Rs. 88,200 million.

Surge in Investments

- The rationale behind this surge in investments could be attributed to a strategic focus on capital asset generation, laying the foundation for future returns, and aligning with the fiscal obligations associated with various funds such as the Viability Gap Fund, Sindh Pension Fund, GP Fund and Sindh Coal Development Fund etc. This substantial investment aims not only to bolster the province's infrastructure but also to secure a solid financial footing for the years ahead.

Table 4.4: Capital Expenditure

Description	(Rs. in million)		
	Budget Estimates 2023-24	Revised Estimates 2023-24	Budget Estimates 2024-25
Repayments of Loans	48,056	45,447	42,277
Government Investment	88,200	93,658	142,562
Employee Related Benefits	0	0	0
Total	136,256	139,105	184,839
Repayments Account-II	144,950	144,950	146,350

Figure 4.3: Current Capital Expenditure

CHAPTER 05

DEVELOPMENT BUDGET

5 DEVELOPMENT BUDGET

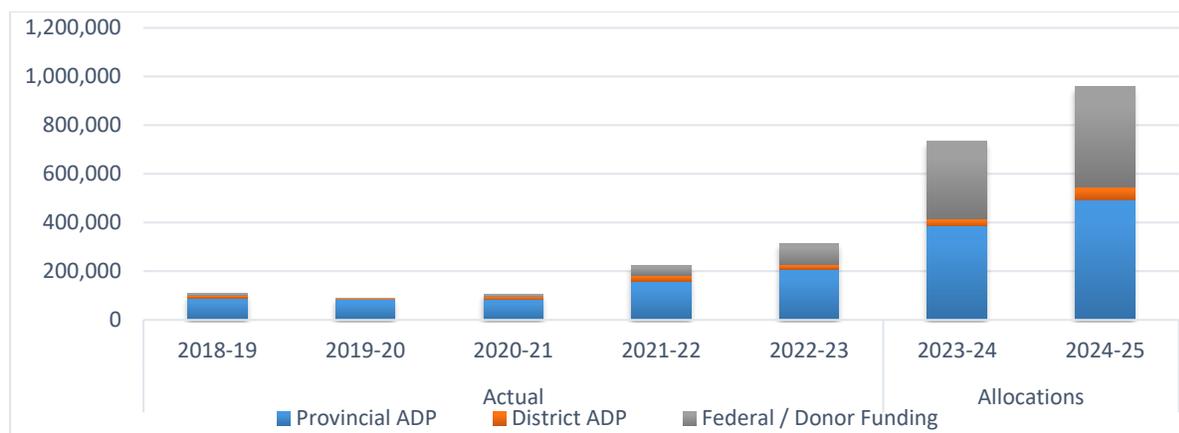
Over the past two decades, Sindh's development expenditure has undergone a remarkable transformation, strategically directed toward strengthening infrastructure and enhancing public services. This shift underlines the government's recognition of the vital role such investments play in driving sustainable economic growth. In fact, the Public Sector Development Program (PSDP) has seen a steady climb, growing from a modest Rs. 12.2 billion in 2002-03 to a robust Rs. 959.1 billion by FY 2024-25. This impressive expansion not only highlights a commitment to scale up developmental effort but also speaks to a consistent effort in expanding Sindh's development footprint.

Looking back at the actual expenditure trend over the past five years, from FY 2018-19 to FY 2022-23, the PSDP steadily climbed, reinforcing the province's sustained effort toward development. As seen in Table 5.1 and Figure 5.2, In FY 2018-19, the actual amount of PSDP stood at Rs. 107,799 million, and by the close of FY 2022-23, it went on to Rs. 313,304 million, a near threefold increase that illustrates the government's dedication to scaling up its development initiatives year after year.

Table 5.1 Total PSDP (Actual Trend)

(Rs. in million)

Year	Actual					ACGR
	2018-19	2019-20	2020-21	2021-22	2022-23	
Provincial ADP	89,874	83,517	84,782	159,835	208,711	23
District ADP	11,010	4,524	11,518	23,811	18,608	14
Total ADP	100,884	88,041	96,300	183,646	227,319	23
Federal / Donor Funding	6,915	2,580	8,111	41,220	85,985	88
Total PSDP	107,799	90,621	104,411	224,866	313,304	31

Figure 5.1 Allocation of PSDP

Further reflecting on this momentum, Table 5.2 showing the allocations for 2023-24 and 2024-25 illustrates that this growth trajectory was further upstretched with a bold allocation of Rs. 735,103 million for the PSDP, more than twice the actual expenditure of the preceding year. However, fiscal realities led to a downward revision and the revised estimate was brought down to Rs. 529,603 million, it still marked a significant step up compared to the previous year and kept the growth momentum alive. Building on this foundation, the province has once again pushed forward while stepping into FY 2024-25, and raised the PSDP allocation by 30% to an all-time high of Rs. 959,064 million. This steady build-up over the years underscores the province's clear intention to keep the development engine running, despite occasional recalibrations.

Table 5.2 Total PSDP (Budget Estimates)

	Budget Estimate	Revised Estimate	Budget Estimate
Year	2023-24	2023-24	2024-25
Provincial ADP	385,500	283,000	493,092
District ADP	30,000	24,000	55,000
Total ADP	415,500	307,000	548,092
Federal / Donor Funding	319,603	222,603	410,972
Total PSDP	735,103	529,603	959,064

Breaking down this development outlay, the Provincial Annual Development Program (ADP) for FY 2024-25 stands at Rs. 493,092 million, up by 28% from Rs. 385,500 million allocated in FY 2023-24. Meanwhile, the District ADP has seen an even steeper rise, shooting up by 83% to Rs. 55,000 million compared to last year's Rs. 30,000 million. This

robust growth in both provincial and district development budgets is complemented by external resources such as federal grants and foreign project assistance, which further shore up the overall PSDP, signalling a continuous build-up of resources aimed at development efforts.

External funding has also played an increasingly crucial role in supporting this growth. Federal and donor funding, which has played an instrumental role in pushing through key development schemes, has also kept pace. From FY 2018-19 to 2022-23, their actual inflows increased from Rs. 6,915 million to Rs. 85,985 million, with foreign project assistance (FPA) leading the way. Building on this upward trend, the BE for FY 2024-25 now projects an inflow of Rs. 410,972 million from these sources. This includes substantial foreign project assistance of Rs. 334,000 million, alongside Rs. 76,972 million from the Federal PSDP grant for schemes being carried out by the Government of Sindh. These growing inflows from federal and donor contributions highlight how external financing continues to top up the province's development efforts.

5.1 Development Budget

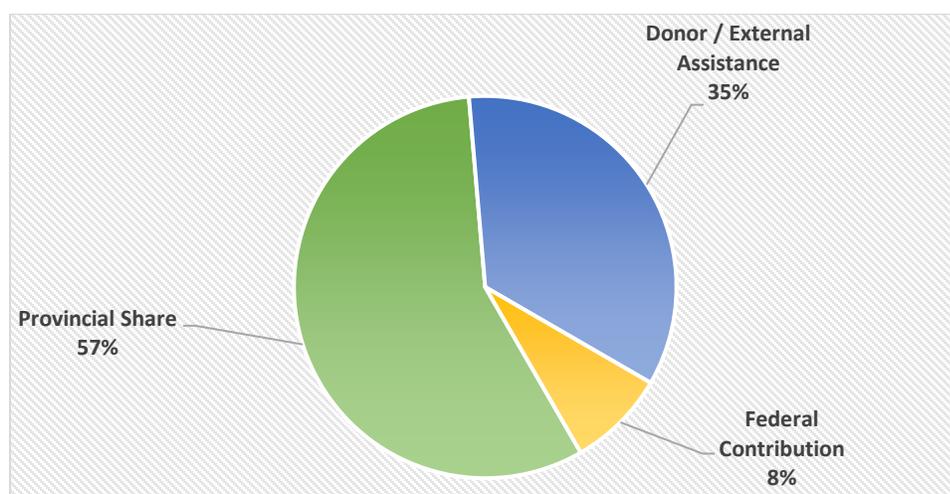
The development budget serves as the plan for carrying out the Public Sector Development Program (PSDP) and guiding the province's strategic objectives. This budget represents more than a mere allocation of funds; it embodies the government's commitment to fostering socioeconomic development by ensuring that funds are channelled into impactful projects. By carefully laying out how these funds are to be disbursed and deployed, the development budget ensures that development goals are rooted in long-term sustainability while bridging current gaps across key sectors.

5.1.1 Financing Arrangement (Resources)

Table 5.3 Financing Plan of PSDP

FINANCING PLAN	2023-24		2024-25	% Share
	Budget Estimate	Revised Estimate	Budget Estimate	
Provincial Share	372,704	258,906	548,092	56.97
Carryover Cash Balance	45,000	100,364	55,000	
Provincial Contribution	417,828	291,515	656,311	
Net Capital Account	-100,123	-132,973	-163,219	
Net Public Account	10,000	0	0	
Donor / External Assistance	266,691	214,103	334,001	34.72
Foreign Project Assistance (FPA)	266,691	214,103	334,001	
Federal Contribution	52,912	8,500	79,972	8.31
Other Federal Grants	52,912	8,500	79,972	
Total Development Financing	692,308	481,509	962,065	100.00

Figure 5.2 Financing Plan



The financing plan of Sindh's PSDP for FY 2024-25 is laid out in Table 5.3. The program is primarily supported by contributions from the provincial government, supplemented by foreign project assistance alongside donor funding, and federal grants. The breakdown reveals that 57% of the funding comes from the provincial government itself, this substantial contribution reflects that provincial government is gradually stepping up to take control of its development trajectory. By putting its own resources on the line, Sindh demonstrates the intent to drive its economic growth from within. Donor assistance, making up 35%, adds crucial financial and technical support, particularly in high-impact sectors like healthcare, education, and infrastructure, where international best practices and

financial injections go a long way in accelerating progress. While, the federal government’s 8% share targets specific projects aligned with national priorities.

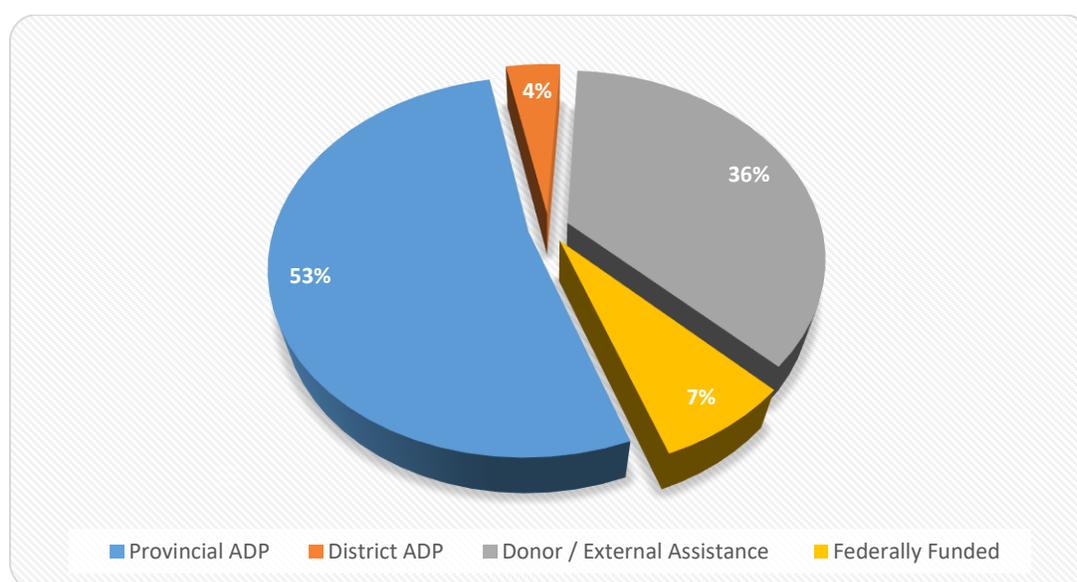
Taken together, this tripartite financing plan provides a diversified and resilient funding base for the PSDP. The emphasis on provincial self-reliance, supported by foreign assistance and federal backing, strengthens the capacity to execute ambitious development plans. By pooling resources in this manner, Sindh positions itself to not only execute the current year’s development agenda but also lay the groundwork for sustained growth in the long term.

5.1.2 Spending Plan (Expenditure)

Table 5.4 Spending Plan

SPENDING PLAN	2023-24		2024-25
	Allocation	Revised Allocation	Allocation
Provincial ADP	332,165	226,000	385,500
District ADP*	30,000	20,000	30,000
Donor / External Assistance	91,468	147,822	266,691
FPA Sectoral Allocations	91,468	147,822	266,691
Federally Funded Programme	6,025	12,500	52,912
Other Federally Funded Projects	6,025	12,500	52,912
Total Sindh PSDP	459,658	406,322	735,103

Figure 5.3 Spending Plan



Sindh's PSDP for FY 2024-25 is showing an ambitious allocation of Rs. 962,065 million spread across its four primary segments. The breakdown reveals Rs. 490,092 million set aside for the Provincial ADP, Rs. 55,000 million earmarked for the District ADP, Rs. 334,001 million directed towards External/Donor-Assisted Projects, and Rs. 79,972 million allocated for Federally Funded Projects. This comprehensive development outlay is reflecting a notable 31% increase compared to the budget of the previous fiscal year, which stood at Rs. 735,103 million.

5.2 Net Development Budget

Despite the ambitious nature of the budget, the current year's net development budget reveals a balanced strategy, with the planned expenditure precisely matching the available financing of Rs. 962,065 million, thus eliminating any budgetary shortfall that might have impeded project execution. Unlike the deficit challenges of last FY, the Government of Sindh is managing to break even eliminating any deficit concerns during FY 2024-25. With the current budget achieving a break-even point as illustrated in Tables 5.3 and 5.4, the Government of Sindh can focus on effectively executing its development agenda without resorting to additional corrective measures.

The progress in allocations, from the previous year's deficit to a balanced budget, indicates a maturing approach to fiscal discipline and resource allocation. By adopting a proactive funding strategy, it has been ensured that development projects are both well-funded and successfully executed. The growth trajectory seen in the allocations marks a steady commitment to scaling up development efforts, reflecting a learning curve, refined strategies, and an adaptive approach.

5.3 Salient Features of Provincial ADP 2024-25

Pivoting away in the FY 2024-25, Sindh is shifting its focus from the immediate reconstruction and rehabilitation of infrastructure to addressing the softer components of development across various social sectors. This strategic change reflects a renewed emphasis on enhancing education, health, social protection, and transport.

The transition follows the considerable efforts made post-2022 floods, where the primary goal was to restore vital infrastructure to meet the urgent needs of affected communities. Now, with infrastructure projects gaining a foothold, the government's attention is turning

towards nurturing long-term social well-being. Some salient features of the Provincial ADP for FY 2024-25 are:

- 4,250 ongoing schemes with allocation of Rs 305.496 billion (79% of total ADP)
- There are 395 un-approved schemes which were part of ADP 2023-24 and could not be approved during the year due to ban imposed by ECP will continue again as un-approved schemes in ADP 2024-25 with allocation of Rs.92.87 billion being (24% of total ADP)
- 552 On-Going schemes where more than 70% expenditure is made, have been fully funded for completion by June, 2025.
- Education Sector schemes is Rs.32.163 billion (In CFY, the expenditure on ADP schemes has been Rs. 13.82 billion)
- Health Sector schemes is Rs.18.0 billion (In CFY, the expenditure on ADP schemes has been Rs. 2.72 billion)
- Water & Sanitation and Road sector schemes in Local Government is Rs. 71.959 billion.
- Water and Sanitation sector schemes in Public Health Engineering is Rs.22 billion.
- Transport & Communication sector is Rs. 60.40 billion.
- Irrigation including lining of canals is Rs.31.09 billion.
- Agriculture including Livestock sector is Rs. 6.633 billion.
- Block allocation of Rs.20,000 million is kept under Special Initiatives for Renewable Energy and Water;
- Rs.10,000 million are kept for Rehabilitation & Reconstruction to facilitate damaged infrastructure

5.4 Review and Analysis of Provincial ADPs

5.4.1 (2023-24 and 2024-25)

The Provincial ADP for 2022-23 has grown by 28% over 2023-24 ADP. The summary position of the Provincial ADPs 2024-25, showing number of schemes in each sector / sub-sector, allocations for the ongoing and new schemes is presented in Table 5.5.

Table 5.5 Annual Development Plan

Annual Development Programme(ADP) (Rs. in million)													
S.#	SECTOR	No. of Schemes for 2023-24			Allocation for 2023-24			No. of Schemes for 2024-25			Allocation for 2024-25		
		On-Going	New	Total	On-Going	New	Total	On-Going	New	Total	On-Going	New	Total
A.	PROVINCIAL PROGRAMME												
1	AGRICULTURE, SUPPLY & PRICES	32	14	46	4,433	2,545	6,977	34	8	42	3,913	316	4,229
2	AUQAF, ZAKAT, USHR & R.A.	35	14	49	415	45	460	44	0	44	871	0	871
3	BOARD OF REVENUE	3	1	4	159	100	259	2	1	3	161	286	446
4	COOPERATIVE	0	2	2	-	20	20	0	2	2	0	53	53
5	CULTURE, TOUR., ANTIQ. & ARCH	40	26	66	2,467	400	2,867	60	0	60	3,067	0	3,067
6	EDUCATION SECTOR	666	321	987	26,843	7,847	34,690	849	26	875	30,960	1,203	32,163
	(i) School Education	454	208	662	12,622	3,878	16,500	598	1	599	19,830	170	20,000
	(ii) College Education	108	52	160	4,947	1,634	6,580	115	4	119	3,874	118	3,992
	(iii) Emp. of Persons with disabilities	41	25	66	2,758	642	3,400	45	17	62	2,552	354	2,906
	(iv) STEVTA	19	26	45	1,149	351	1,500	44	0	44	1,000	0	1,000
	(v) Universities & Boards	44	10	54	5,368	1,342	6,710	47	4	51	3,705	561	4,266
7	ENERGY	20	13	33	1,188	940	2,128	23	10	33	2,072	928	3,000
8	ENVIRONMENT, C. C. & C.D.	12	7	19	673	329	1,002	13	6	19	473	299	771
9	EXCISE & TAXATION	5	2	7	9	130	140	6	1	7	59	22	80
10	FINANCE	8	1	9	1,150	25	1,175	7	1	8	1,950	50	2,000
11	FOOD	4	0	4	293	0	293	3	0	3	187	0	187
12	FOREST & WILDLIFE	6	3	9	992	1,058	2,049	5	0	5	760	0	760
13	GOVERNOR'S SECRETARIAT	1	0	1	83	0	83	1	0	1	101	0	101
14	HEALTH	131	88	219	12,759	6,980	19,739	148	62	210	12,427	5,573	18,000
15	HOME	61	50	111	5,277	6,240	11,517	78	27	105	7,966	4,034	12,000
16	HUMAN RIGHTS	1	4	5	23	115	138	2	2	4	32	75	107
17	HUMAN SETTLEMENT, SD&SH	2	2	4	52	17	69	2	0	2	50	0	50
18	INDUSTRIES & COMMERCE	21	5	26	1,289	213	1,503	19	2	21	747	100	847
19	INFORMATION	5	4	9	77	154	231	8	1	9	151	20	171
20	INFORMATION, SCI. & TECH	8	7	15	446	296	742	4	1	5	166	50	216
21	INVESTMENT	2	0	2	344	0	344	2	0	2	160	0	160
22	IRRIGATION	180	46	226	19,000	5,950	24,950	183	49	232	20,216	6,323	26,539
23	LABOUR & HUMAN RES:	6	5	11	45	93	138	9	0	9	181	0	181
24	LAW P.A. & PROSECUTION	44	10	54	940	340	1,280	47	3	50	2,320	120	2,440
25	LINING OF MAIN CANALS	46	5	51	9,559	441	10,000	0	1	1	0	10,000	10,000
26	LIVESTOCK & FISHERIES	32	8	40	2,205	230	2,435	35	3	38	2,246	180	2,426
27	LOCAL GOVERNMENT & HTP	672	549	1,221	46,967	15,664	62,631	1,007	130	1,137	67,912	6,465	74,377
28	MATCHING ALLOCATION	9	5	14	405	5,964	6,369	9	9	18	6,373	14,123	20,497
29	MEGA PROJECTS FOR KARACHI CITY	20	0	20	12,362	0	12,362	11	0	11	1,389	0	1,389
30	MINES & MINERAL DEV:	0	3	3		102	102	2	1	3	73	50	
31	MINORITIES AFFAIRS	110	29	139		303	1,050	114	0	114	1,999	0	
32	NEW DEVELOPMENT INITIATIVES	0	1	1		10,000	10,000	0	1	1	0	15,000	
33	PLANNING & DEVELOPMENT	24	10	34	479	8,765	9,244	21	4	25	8,279	235	
34	POPULATION WELFARE	8	7	15		187	350	6	2	8	394	48	
35	PROVINCIAL ASSEMBLY	1	0	1		0	1,180	1	0	1	295	0	
36	PROVINCIAL OMBUDSMAN	3	1	4		13	69	4	0	4	77	0	
37	PUBLIC HEALTH ENGG. & RD	294	258	552		7,173	24,374	460	10	470	23,361	1,350	24,711
	(i) Public Health Engineering	275	170	445		5,318	22,293	365	3	368	20,751	545	
	(ii) Rural Development	19	88	107		1,855	2,081	95	7	102	2,610	805	
38	REHABILITATION (PDMA)	4	0	4		0	708	4	0	4	454	0	
39	SGA&C	30	10	40		479	26,981	0	1	1	0	12,000	
40	SINDH PUBLIC SERVICE COMM	1	2	3		170	793	38	3	41	27,650	4,350	
41	SINDH PUBLIC SERVICE COMM:	0	0	0		0	0	2	0	2	1,500	0	
42	SINDH REVENUE BOARD	1	0	1		0	5	1	0	1	5	0	

Annual Development Programme(ADP) (Rs. in million)													
S.#	SECTOR	No. of Schemes for 2023-24			Allocation for 2023-24			No. of Schemes for 2024-25			Allocation for 2024-25		
		On-Going	New	Total	On-Going	New	Total	On-Going	New	Total	On-Going	New	Total
43	SOCIAL PROTECTION & PRP	2	0	2		0	892	1	0	1	230	0	
44	SOCIAL WELFARE	16	5	21		108	762	17	3	20	446	126	
45	SPL. INIT. FOR BACKWARD DISTRICTS	0	0	0		0	0	0	1	1	0	500	
46	SPL. INITIATIVES FOR RENEWABLE	0	0	0		0	0	0	1	1	0	25,000	
47	SPORTS & YOUTH AFFAIRS	111	44	155		626	2,973	135	0	135	5,211	0	
48	THAR COAL INFRASTR. DEV:	6	2	8		1,025	1,405	6	1	7	5,839	50	
49	TRAINING MANAGEMENT & RES	0	1	1		200	200	0	1	1	0	200	
50	TRANSPORT & MASS TRANSIT	15	27	42	7,010	1,490	8,500	27	11	38	5,616	228	
51	WOMEN DEVELOPMENT	10	0	10	300	0	300	8	0	8	204	0	
52	WORKS & SERVICES	603	353	956	74,237	15,263	89,501	791	9	800	54,679	515	
53	ALLOCATION FOR COST IMPACT	0	0	0		0	0	0	1	1	0	80,000	
	GRAND TOTAL	3311	1945	5256	291,745	93,755	85,500	4,249	395	4,644	303,221	189,871	493,092
	B-DISTRICT PROGRAMME						30,000						58,000
	C-FEDERALLY FUNDED PROGRAMME			0			52,912			0			76,972
	GRAND TOTAL	3311	1945	5256	291,745	93,755	468,412	4249	395	4644	303,221	189,871	628,064

5.4.2 Major Schemes 2024-25

Hari Card: A financial inclusion initiative with an allocation of Rs. 8.0 billion, aimed at providing subsidized agricultural inputs and financial support to farmers.

Mazdoor Card: Rs, 5.0 billion allocated for Mazdoor Card, a welfare card to extend social security benefits, health insurance, and financial support to laborers.

Inclusive Enclave for Differently Aabled Persons: Allocated Rs. 2 billion to provide accessible infrastructure and facilities tailored to the needs of individuals with disabilities.

Sindh Safe Cities Authority: Allocated Rs. 4.5 billion for the implementation of a comprehensive surveillance and monitoring system to enhance public safety and urban security.

Free Electricity through Solarization: an allocation of Rs. 25 billion over the next five years for provision of free roof top solar home systems to 2.6 million off grid households. Rs. 2 billion allocated to solarize villages, providing free electricity to rural areas.

People's Bus Service: Rs. 3 billion allocated to expand urban mobility through affordable and accessible bus services.

Pink Bus Service: Rs. 1 billion for women-only bus service to ensure safer and convenient public transportation.

Clean Water to Every Citizen: Rs. 10.0 billion allocated for projects aimed at providing clean drinking water across Sindh.

Rehabilitation of Existing Hub Canal: Rs. 12.7 billion for Rehabilitation of existing Hub Canal and construction of New Canal of 100 million gallons parallel to the existing one through ADP with a total cost of Rs. 12.72 billion.

5.4.3 Analysis of the Development Budget

The trend of actual development expenditure from 2018-19 to 2022-23, shows a mixed pattern of increases and declines across different sectors. Table 5.6 shows that the average annual growth rate of overall expenditure for the period was 30.6%, indicating an upward trend, particularly in recent years, partly reflecting efforts to address infrastructure and sectoral gaps post-COVID. This upward trend demonstrates a shift toward long-term recovery and development, particularly in infrastructure, economic resilience, and social services.

Table 5.6 Functional Distribution of PSDP (Actuals from 2018 to 2022)

	Actual					Ave (%)
	2018-19	2019-20	2020-21	2021-22	2022-23	
Executive and Legislative Organs	1,734	1,623	1,232	2,226	2,026	3.97
Financial and Fiscal Affairs	158	233	251	545	731	46.68
Planning Services	6,606	6,138	7,216	23,024	29,049	44.81
Gen. public services not elsewhere define	353	376	247	135	158	-18.25
General Public Services	8,851	8,370	8,946	25,930	31,964	37.85
Administration	1,932	1,194	1,400	2,743	3,992	19.90
Public Order and Safety Affairs	1,932	1,194	1,400	2,743	3,992	19.90
General Labor Affairs	0	7	18	132	21	
Agriculture	5,485	5,806	8,310	10,827	11,696	20.84
Irrigation	27,894	26,063	29,146	32,507	62,594	22.39
Forestry	386	1,012	1,131	3,089	2,342	56.95
Fishing	443	471	429	433	1,083	25.04
Food	51	37	49	133	16	-24.59
Others	716	3,298	2,814			
Manufacturing	249	307	519	1,438	586	23.85
Mining	4	4	14			
Fuel and Energy				1,233	1,097	
Administration	0	58	312	1,335	5,312	
Road Transport	452	347	1,298	1,546	1,542	35.91

	Actual					Ave (%)
	2018-19	2019-20	2020-21	2021-22	2022-23	2018-22
Construction (Works)	51	46		50	384	65.70
Economic Affairs	35,731	37,456	44,040	52,723	86,675	24.80
Administration of Environment	105	14	50	89	121	3.62
Environment Protection	105	14	50	89	121	3.62
Housing development	19	630	212	14	25	6.75
Urban Development	410	360	603	789	557	7.94
Rural Development	434	303	205	691	315	-7.73
Water supply	2,608	5,186	6,607	9,385	12,233	47.17
Housing and Community Amenities	3,471	6,479	7,627	10,879	13,129	39.46
General Hospital Services	0	100	164	269	23	
Administration	6,217	6,897	7,193	9,328	5,198	-4.38
Health	6,217	6,997	7,357	9,597	5,221	-4.27
Recreational and sporting services	1,021	433	523	2,159	1,525	10.54
Cultural Services	1,763	1,182	847	1,564	1,476	-4.35
Religious affairs	420	357	331	796	828	18.49
Admin. of Info. Recreation & culture	74	28	73	75		-100.00
Information Technology Development	148	48	106	247	126	-3.88
Recreational, Culture and Religion	3,426	2,048	1,880	4,841	3,955	3.65
Tertiary education affairs and services	2,296	1,716	3,063	4,528	4,438	17.91
Education services non definable by level	3,806	2,493	5,326		4,897	6.50
Administration	3,010	1,814	3,472	8,269	5,329	15.35
Education	9,112	6,023	11,861	12,797	14,663	12.63
Administration	88	386	1,240	450	76	-3.69
Others	38,865	21,651	20,010	104,816	153,507	40.98
Social Protection	38,953	22,037	21,250	105,267	153,582	40.91
Grand Total	107,798	90,618	104,412	224,866	313,303	30.57

The observed trends in actual expenditure are driven by various factors. The substantial increase in General Public Services and Irrigation reflects the government's response to infrastructure needs, especially post-pandemic and post-flood scenarios. Greater emphasis on water resource management and infrastructure rehabilitation indicates a priority shift toward resilience and risk reduction in agriculture and water supply systems.

The significant rise in Economic Affairs expenditure suggests a focus on revitalizing economic growth, likely a reaction to the economic downturn experienced during the pandemic. Social Protection spending has also surged, emphasizing the government's efforts to strengthen the social safety net for vulnerable groups. These increases indicate a pivot from immediate crisis management during COVID-19 to long-term socio-economic stability and development, aiming to fortify resilience and enhance the quality of life across sectors.

5.4.4 Development Budget 2024-25

The analysis of Sindh's ADP for 2024-25 reflects a remarkable turn towards fiscal consolidation and strategic investment after a tumultuous period marked by the COVID-19 pandemic and the devastating floods of 2022. The increase in budget allocation from PKR 735,103 million in 2023-24 to PKR 959,065 million for 2024-25, a growth of 30%, reflects cautious optimism about economic recovery and the balancing of fiscal priorities. This increase is significant, as it not only marks an end to fiscal tightening but also a deliberate effort to catch up on delayed projects and reinvest in crucial areas like infrastructure, healthcare, education, and economic growth.

This departure from a crisis situation, following the economic slowdown due to the COVID-19 pandemic and the massive floods of 2022, signals cautious optimism for recovery. The province has gradually increased its development spending, a balancing act between immediate crisis-related needs and long-term priorities. The challenges of recent years highlighted the importance of fiscal prudence, but the government is now working to expand the development agenda, tackling both reconstruction needs and sustainable growth. The 2024-25 allocations thus signify an effort not only to bounce back from earlier setbacks but also to rebuild momentum in the province's long-term development trajectory.

The ongoing trend in increasing the ADP, a pivot towards recovery and long-term prosperity is encouraging. However, the ultimate success hinges on the government's ability to follow through on its commitments to steer resources where they are most needed and deliver on the promise of development. Balancing optimism with practical implementation, the province is now working towards reclaiming lost ground and pushing forward, a hopeful route for sustained growth.

Table 5.7 Functional Distribution of PSDP (Estimates of 2023-24 and 2024-25)

	Budget Estimate 2023-24	Revised Estimate 2023-24	Budget Estimate 2024-25	%age
Executive and Legislative Organs	29,211.444	28,175.039	34,263.264	17%
Financial and Fiscal Affairs	1,663.500	1,033.761	3,361.190	102%
Planning Services	57,329.540	12,009.321	199,124.337	247%
Gen. public services not elsewhere define	258.600	124.153	446.047	72%
General Public Services	88,463.084	41,342.275	237,194.838	168%
Administration	12,866.000	9,049.405	14,349.894	12%
Public Order and Safety Affairs	12,866.000	9,049.405	14,349.894	12%

	Budget Estimate 2023-24	Revised Estimate 2023-24	Budget Estimate 2024-25	%age
General Labor Affairs	276.000	66.900	287.872	4%
Agriculture	56,647.871	25,929.591	28,801.099	-49%
Irrigation	67,732.014	66,287.966	69,572.722	3%
Forestry	292.800	2,019.608	1,839.453	528%
Fishing	3,533.330	1,056.112	2,623.728	-26%
Food	4,002.560	59.000	186.822	-95%
Manufacturing	8,400.000	907.611	3,846.890	-54%
Mining	71,946.383	0.000	123.173	-100%
Fuel and Energy	102.000	1,547.170	8,888.740	8614%
Administration	53,202.200	14,981.057	64,384.830	21%
Road Transport	341.643	4,449.217	8,844.000	2489%
Construction (Works)		1,669.465	8,003.536	
Economic Affairs	266,476.801	118,973.697	197,402.865	-26%
Administration of Environment		359.723	771.300	
Environment Protection	0.000	359.723	771.300	
Housing development	69.000	56.168	50.000	-28%
Urban Development	18,318.000	4,702.185	17,549.100	-4%
Rural Development	46,901.263	476.742	3,414.509	-93%
Water supply		18,486.648	21,296.085	
Housing and Community Amenities	65,288.263	23,721.743	42,309.694	-35%
General Hospital Services	21,937.830	5,646.803	11,187.900	-49%
Administration	22,497.529	5,079.868	20,279.430	-10%
Health	44,435.359	10,726.671	31,467.330	-29%
Recreational and sporting services	2,972.500	2,011.374	5,211.100	75%
Cultural Services	2,854.874	2,543.918	3,067.248	7%
Religious affairs	1,495.825	1,121.258	2,870.221	92%
Admin. of Info. Recreation & culture	231.300	45.444	171.439	-26%
Information Technology Development	741.650	244.598	215.992	-71%
Recreational, Culture and Religion	8,296.149	5,966.592	11,536.000	39%
Tertiary education affairs and services	13,228.000	5,699.353	8,257.231	-38%
Education services non definable by level		5,325.070	4,194.107	
Administration	9,948.277	5,528.872	29,759.599	199%
Education	23,176.277	16,553.295	42,210.937	82%
Administration	20,758.364	566.481	657.222	-97%
Others	205,343.043	302,342.959	381,164.555	86%
Social Protection	226,101.407	302,909.440	381,821.777	69%
Grand Total	735,103.340	529,602.841	959,064.635	30%

Details of major Functions are described as under:-

5.4.4.1 General Public Services

From 2018-19 to 2022-23, the actual expenditure on General Public Services was a modest Rs. 8,851 million with an annual growth rate of 37.8, reaching to Rs. 31,964 million. The allocation for General Public Services in the 2024-25 budget marks a significant shift, with

the budget mounting from 88,463 million in 2023-24 to 237,195 million, indicating a renewed focus on reinforcing government functions that had taken a backseat during the crisis years. This upswing of 168% signals a strategic prioritization of administrative and legislative organs, planning services, and fiscal affairs, key areas of focus for the province's effective governance. This allocation shows the intent to build on past lessons, shake off the residual impacts of both the pandemic and the 2022 floods, and take forward a more robust governance structure. However, translating the allocation of funds into tangible improvements hinges on effective project oversight and fiscal prudence to make headway in delivering better public services and improved administrative efficiency.

5.4.4.2 Public Order and Safety Affairs

The allocation for Public Order and Safety Affairs has increased from Rs. 1,932 million in 2018-19 to Rs. 3,992 million in 2022-23, reflecting an annual growth of 19.9%. For the fiscal year 2024-25, the allocation stands at Rs. 14,350 million, marking a significant increase from the previous year's BE of Rs. 12,866 million. This functional category covers functions like Police, Courts, Jails, and Convict Settlements. The steady rise in funding signifies the sustained investment in law enforcement, emergency services, and crime prevention strategies.

5.4.4.3 Economic Services

The Economic Services encompasses various key sectors, including agriculture, food, irrigation, forestry, fishing, mining, manufacturing, construction, transport and general economic affairs. Budget allocation The Economic Affairs has shown a mixed trend in recent years, starting from Rs. 35,731 million in 2018-19, it peaked at Rs. 86,675 million in 2022-23, reflecting an annual growth rate of 24.8% approximately.

The allocation of Rs. 266,476 million for 2023-24 brought a substantial boost, but the current allocation of Rs. 197,403 million represents a recalibration of priorities. The decrease is indicative of a shift in budgetary priorities as the province adjusts its development focus and moves towards stabilization. The ebb and flow in allocations reflect a deliberate effort to rein in expenditures while keeping essential economic initiatives in motion.

5.4.4.4 Housing and community amenities

The budget allocation for Housing and Community Amenities increased significantly from Rs. 26,900 million during 2022-23 to Rs. 65,288 million in 2023-24, before subsequently reducing to Rs. 42,310 million for 2024-25. This trend reflects changing priorities influenced by the need to address immediate post-flood rehabilitation during 2022-23, followed by a recalibration of investments in response to pressing post-crisis needs. This decrease, when compared to actual expenditure of FY 2022-23, suggests a return to more conservative fiscal planning, though it still represents a substantial commitment to the sector. The components covered under this function include water supply, urban and rural development, and housing development, crucial areas that directly impact community well-being and long-term infrastructure resilience.

5.4.4.5 Health

The development budget for the health sector in Sindh offers an insight on the province's approach to enhancing healthcare infrastructure and services while addressing operational needs. The actual expenditures for health development fluctuated over the five-year period, peaking at Rs. 9,597 million in 2021-22. While the allocation for health during 2023-24 marked a significant commitment of Rs. 44,435 million toward health development initiatives, the allocation of Rs. 31,467 for 2024-25 indicates a continued but slightly reduced emphasis on health development, suggesting a potential strategic adjustment or a transition towards operational sustainability.

Despite the increase in development funding, the health sector's budget still represents a relatively lesser share in the total ADP. The apparently lower share of the health sector in Sindh's ADP can be justified when considering the intrinsic value of development funding intertwined within the CRE and the developmental components embedded in it. Various healthcare initiatives and ongoing activities funded through CRE possess developmental aspects that strengthen the healthcare system more comprehensively than standalone infrastructure projects might suggest.

Several healthcare activities and initiatives stand out for their developmental character. For example, procurement of advanced medical equipment, partnership programs and grants to various institutes, trusts, NGOs and hospitals like. The acquisition of modern medical technology has a transformative impact on healthcare delivery, akin to constructing new facilities or expanding service capabilities, therefore reflecting a developmental intent.

During CFY, approximately 115,211 million is allocated for partnership programs, and grants to semi government hospitals such as SIUT, NICVD, SICVD, Gambat Institute of Medical Sciences (GIMS), Jinnah Postgraduate Medical Centre (JPMC), Sindh Institute of Child Health, Indus Hospital, etc. These collaborative efforts enhance service delivery in critical areas, which is progressive in nature.

In summary, while the development budget for health may seem limited at first glance, the substantial CRE allocations and targeted healthcare initiatives work synergistically to foster a more robust health infrastructure. These initiatives demonstrate that while categorized under CRE, they contribute to developing and expanding the province's healthcare infrastructure, justifying the relatively smaller share of health in the ADP. The funding essentially blurs the lines between recurring operational costs and the expansion of healthcare services, showcasing the intrinsic value of these developmental-like expenditures.

This synergy illustrates that while the development budget may appear limited in the context of total ADP allocations, its impact is profound. The ability to merge development and operational funding ensures a comprehensive approach to health that prioritizes both immediate service delivery and sustainable infrastructure. In this way, the intrinsic value of development funding is not just measured by the amount allocated but by its effectiveness in creating a resilient healthcare system that can adapt to the needs of Sindh's population.

5.4.4.6 Education

The education sector in Sindh, encompassing functions like Tertiary Education, Educational Services, and Administration of Education, is characterized by a carefully calibrated focus on development, both in terms of actual expenditure and budgetary allocations. From 2018-19 to 2022-23, the actual expenditure of this function grew at an average rate of 12.6%, reflecting ongoing investment in enhancing educational services. The allocation for 2024-25 stands at Rs. 42,211 million, a significant 82% increase from the previous year's allocation of Rs. 23,176 million. While this increase shows a commitment to enhancing educational infrastructure, the relatively modest share of the education in ADP raises questions regarding its capacity to meet growing demands.

However, the intrinsic value of the development budget should not be overlooked. Development expenditures are vital for building new schools, enhancing facilities, and

expanding access to education in under-served areas. The allocation for development may appear modest when compared with the CRE; however, it is essential to consider that completed development schemes transition into CRE over time, thereby creating a more substantial operational cost in the long run, highlighting the dynamic interplay between development initiatives and operational sustainability.

Besides, the number of primary, secondary, and higher secondary schools, as well as colleges, is linked to local needs. The decision to expand educational infrastructure depends not only on funding availability but also on assessing the demand for educational services in various regions.

In summary, while the education development budget's share in the total ADP may appear limited, it serves a crucial purpose within the broader context of the education system's operational framework. The interplay between CRE and development expenditures reveals a thoughtful strategy aimed at sustaining and expanding educational services. By focusing on maintaining quality and selectively investing in new infrastructure, Sindh is positioning itself to address both current and future educational challenges effectively.

CHAPTER 06

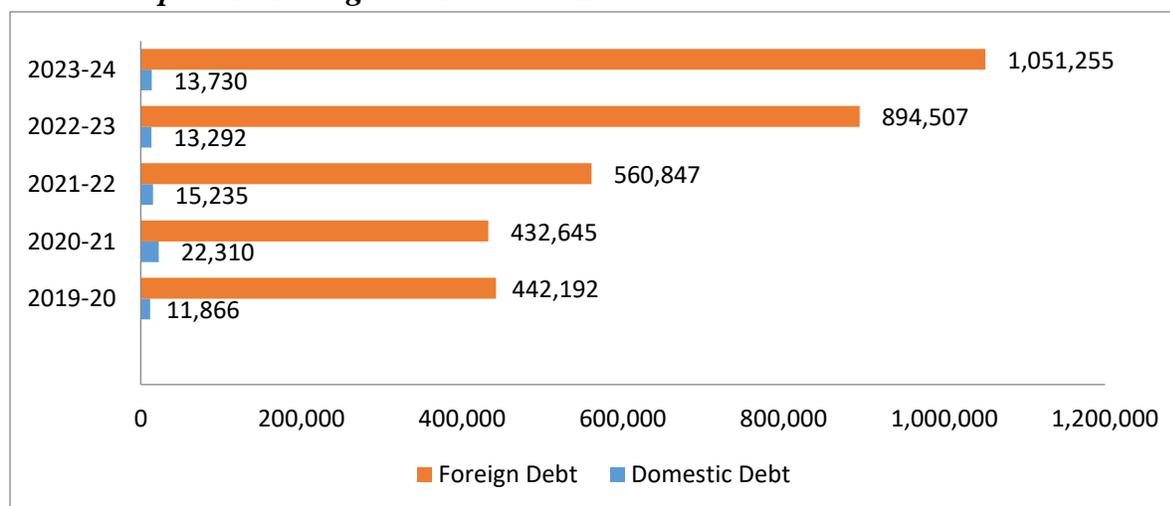
DEBT AND CONTINGENT LIABILITIES

6 DEBT AND CONTINGENT LIABILITIES

6.1 Debt Portfolio of Government of Sindh

The Sindh Debt Portfolio comprises of two categories - Domestic and External Debt. The part of Sindh's total public debt which is obtained from Lender Agencies in foreign currency is External Loan Portfolio. However, Domestic portfolio comprises of loans only from Federal Government. The current position of external and domestic debt portfolio reconciled with relevant Federal divisions as of June 30, 2024 is PKR 1,051,255 million and PKR 13,730 million. At subnational level, Federal Government re-lends to provinces on agreed financial terms with the Lender. But in case of repayment of these loans, payment is being done by Federal Government on prevailing foreign currency market rate, whenever due to the Lender but, to provinces, it is charged on average rate decided by Finance Division, GoP on the yearly basis.

Graph 6.1: Foreign vs. Domestic Debt



6.1.1 Foreign and domestic loans

6.1.1.1 Domestic loan

Table 6.1: Domestic Debt Portfolio

Domestic Debt Portfolio			
Rs. in Million			
	30.6.2022	30.6.2023	30.6.2024
Normal CDLs	596	367	114
SCARP CDLs	14,640	12,925	13,616
Grand Total	15,236	13,292	13,730

Table 6.1 illustrates the debt outstanding payable by Sindh Government towards Federal Government on account of Domestic loans (CDL – Cash Development Loans). The interest rate on CDLs ranges from 6.86 percent to 15.94 percent per annum and comprises of uniform amortization period of 25 (twenty-five) years including a grace period of 05 (five) years. The weighted average interest rate (WAIR) for the domestic portfolio as of June 30, 2024 is 11.04% percent. Current State Bank of Pakistan (SBP) benchmark interest rate is 19.5%.

Table 6.2: Foreign Debt Liability Details

Amount in Million as on June 30, 2024			
Donor / Lender	No of Loans	Interest Rate	Loan Amount
			Rs.
IDA /IBRD	65	0.75% - 2% / 6M SOFR + var. spread	801,607
ADB	38	1%-1.50% 6M SOFR + 0.40	218,238
Japanese	2	1.20 - 2.6%	9,550
Others	7	0.75%-2.50%	21,860
Total	112		1,051,255

6.1.1.2 Foreign loans

Table 6.2 shows that external funding mostly obtained through World Bank IDA/IBRD and Asian Development Bank loans which constitute 76.25 percent and 20.76 percent respectively of total Sindh external debt portfolio. There is a third major source of funding through JICA indicating 0.91 percent and rest are almost negligible.

Table 6.3 shows a trend in foreign loans of GoS in last few years. On account of external debt portfolio, an increase of 17.52% percent and amount of PKR 156,748 million was increased in FY 2023-24. Total loan disbursements and principal payments recorded for the FY 2023-24 were PKR 223,598 million and PKR 42,537 million and a currency appreciation impact for PKR 24,313 million.

The yearly disbursement of foreign loans increased subsequently in FY 2023-24, in comparison to last FY. There is also a slight increase recorded in yearly principal repayments.

In last 05 years on account of external loans, an increase of 238% percent and amount of PKR 609,062 million was increased from FY 2020-24. Finance department has introduced the reform activity for preparation of Sindh fiscal responsibility and Debt management Act 2022, comprises of Budget balance rule (budget deficit 20% of GRR) and Debt rule (yearly debt servicing 10% of GRR) that has already approved from Cabinet and Provincial Assembly recently. The Act ensures fiscal discipline in Provincial budget preparation/implementation.

Table 6.3: Sindh Debt Portfolio

Table 6.3					
Sindh Debt Portfolio					
Rs. in Million					
Year	2020	2021	2022	2023	2024
Foreign loan	442,192	432,577	560,847	894,507	1,051,255
Domestic loan	11,866	22,310	15,235	13,292	13,730

In addition to domestic and foreign debts, the General Provident Fund is another big component of Sindh Government's liability. In last 05 years, the actual expenditure has gradually exceeded the actual receipts on year on year basis. This is mainly because of early retirees in Education, Home and Health department due to various reasons. The total debt liability of the Government of Sindh comprising of foreign and domestic loans and GPF liability as given in Table- 6.4.

Table 6.4: Total Debt Liability

Table 6.4		
Total Debt Liability (Rs. In Million)		
Category of Loans	Amount	Percentage
Foreign Loans	1,051,255	84.48
Cash Development Loans	13,730	1.10
Accumulated GPF Liability	179,451	14.42
Grand Total	1,244,436	100.00

6.2 Debt Servicing

The debt servicing includes the payment obligation on account of principal and interest against domestic and foreign loans. Table 6.5 shows the position of debt servicing indicating actual repayment trend from FY 2019-20 to FY 2022-23, Revised Estimates FY 2023-24 and Budget Estimates FY 2023-24 and 2024-25.

Table 6.5: Debt Servicing

Table 6.5										
Debt Servicing (Rs. In Millions)								Growth (%)		CAGR Ave (%)
	Actual				BE	RE	BE	RE*	BE**	Actual
	2019-20	2020-21	2021-22	2022-23	2023-24	2023-24	2024-25	2023-24	2024-25	2020-23
Principal	19,848	23,555	29,866	39,729	48,056	45,447	42,277	14.39	-12.03	18.95
Interest	7,496	7,831	14,537	18,028	23,679	28,091	28,821	55.82	21.72	24.53
Total	27,344	31,386	44,403	57,757	71,735	73,538	71,098	27.32	-0.89	20.56
* Represents percentage increase in Revised Estimates 2023-24 over actuals of 2022-23										
** Represents percentage increase in Budget Estimates 2024-25 over Budget Estimates 2023-24.										

The principal re-payments recorded an average growth of 18.95 percent during FY 2020-23, while the growth in interest payments is 24.53 percent. On account of principal payments, an average growth is on the higher side in last few years is due to inclusion of new loans in closed loan/principal payment category. However, growth in interest payments is due to inclusion of mostly new loans on variable rate basis (USD 6 Month SOFR + spread) in last 02 years period. The revised estimates in FY 2023-24 for principal and interest re-payments over actuals in FY 2022-23 shows growth by 14.39 percent and 55.82 percent respectively. Such a higher growth is mainly due to increase in SOFR rates from 0.4% to 4.8% in 01year period. Moreover, final estimation for BE 2024-25 under interest has increased as compared to BE 2023-24 due to inclusion of new loans mainly related to flood response and rehabilitation.

6.3 Debt Sustainability

Table 6.6: Debt servicing vis-à-vis CRR and GRR

(Rs. In Millions)

	Actual				BE	RE	BE
	2019-20	2020-21	2021-22	2022-23	2023-24	2023-24	2024-25
Current Revenue Expenditure	691,060	828,700	957,734	1,199,860	1,411,222	1,584,200	1,912,359
Debt Servicing (Principal+ Interest)	27,344	31,386	44,403	57,757	71,735	73,538	71,098
% of Current Revenue Expenditure	3.96	3.79	4.64	4.81	5.08	4.64	3.72
General Revenue Receipts	826,020	949,661	1,213,354	1,397,282	1,829,049	1,875,715	2,568,670
% of General Revenue Receipts	3.31	3.30	3.66	4.13	3.92	3.92	2.77

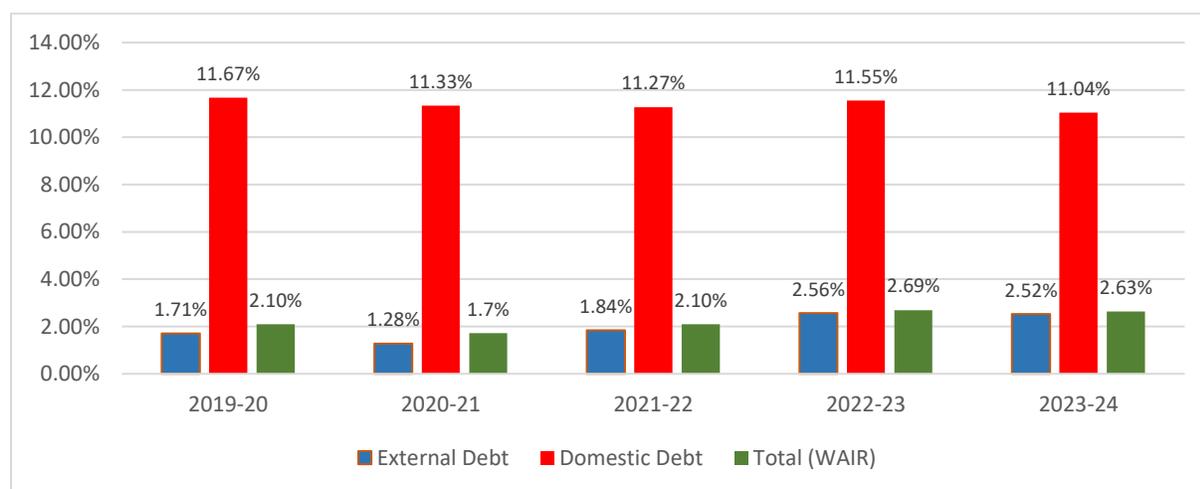
The Sindh Government uses Current Revenue Expenditure (CRE) ratio and the General Revenue Receipts (GRR) ratio for the above mention purpose. CRE includes all operational expenses of the Provincial Government and GRR includes divisible pool taxes, straight transfers and provincial own tax and non-tax revenues from Federal Government. **Table-6.6** shows the position of Debt Servicing (DS) as percentage of Current Revenue Expenditure (CRE) and General Revenue Receipts (GRR).

The significant growth in GRR from FY 2019-20 to FY 2022-23 has also maintained stability of DS as percent of GRR. Even in FY 2023-24, a ratio for 3.92 percent shows that debt sustainability of GoS and does not pose any threat in near future.

6.4 Sensitivity Analysis of External Debt Servicing

6.4.1 Debt servicing with respect to interest rate

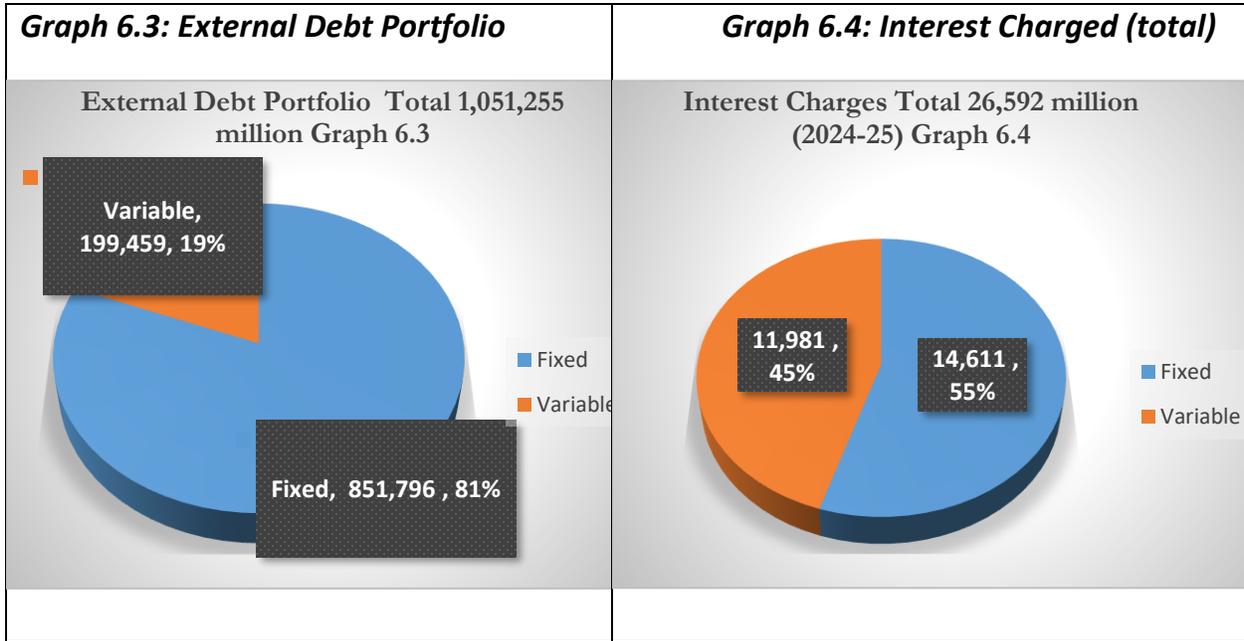
Graph 6.2: Weighted Average Interest Rate on Debt



External debt WAIR (weighted average interest rate) has reduced to 2.52 percent in FY 2023-24 from 2.56 percent in FY 2022-23. WAIR for the portfolio (includes domestic debt share 11.04%) has shown stability and is now at 2.63 percent in FY 2023-24 as compare to 2.69% percent in FY 2022-23 as illustrated in Graph 6.2.

In Sindh's Debt Portfolio, there are now 16 variable rate basis loans (i.e. USD 6 months SOFR + spread) that includes 06 ADB, 04 IBRD, 02 IDA Scale up facility, 02 AIIB, 01 IsDB and 1 AFD loan. In last 12 months period, USD SOFR remains stable at 5.09% on 30th June, 2023 as compare to 5.38% as of 30th June, 2024. Variable rate loans comprise of

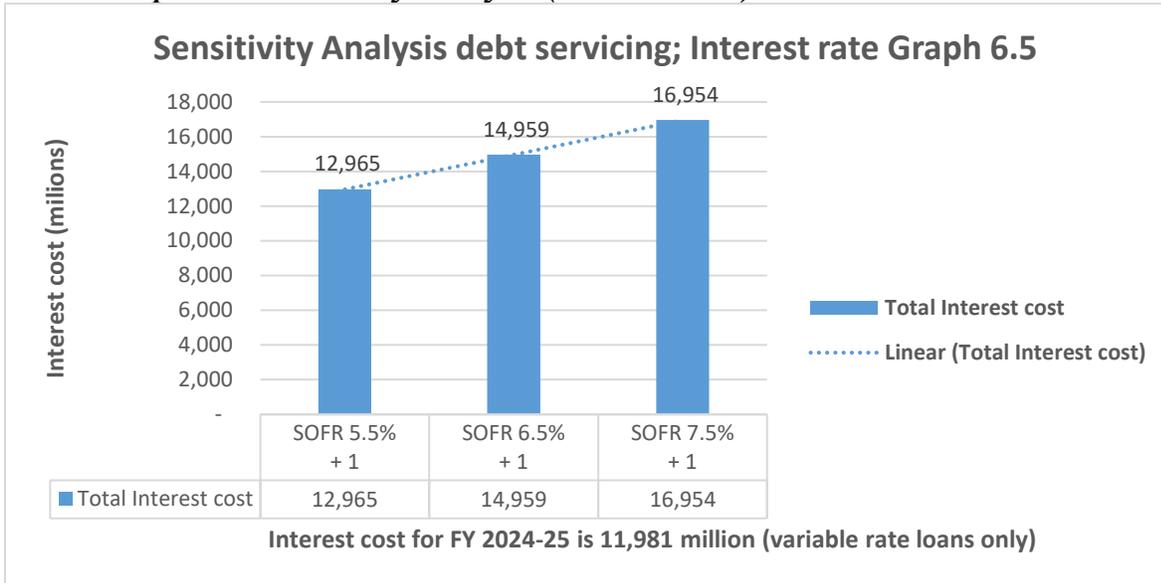
19 percent and 45 percent share in external debt portfolio and debt servicing payments (FY 2024-25) as illustrated in Graph 6.3 and 6.4.



Graph 6.4 includes 15 variable rate loans (out of 16 total variable loans in debt portfolio) and remaining 01 loan with the total debt outstanding for Rs. 1,092 million is still in grace period, and its interest payment is adjusted through next tranche of disbursement as per the procedure. Debt Servicing Payment on Fixed rate portfolio is immune to market changes in interest rate. There would not be any change on fixed rate portion but on variable rate which may affect overall cost. Currently 6 months USD SOFR rate is around 5.31% as of Sep 30, 2024 and it might remain in same range during FY 2024-25.

The budget estimated interest charges for FY 2024-25 is Rs. 26,592 million comprises of Rs. 11,981 million and Rs. 14,611 million on account of variable and fixed rates share respectively. Amount of Rs. 11,981 million has been kept as a base for Sensitivity Analysis with respect to interest rate illustrated in Graph 6.5. Finance department only considering variable cost 11,981 million because fixed portion would not be affected by any change in interest rates. As illustrated, sensitivity analysis has been conducted on different ranges. For example, in FY 2024-25, if USD 6 months SOFR may increases to 5.5 percent, 6.5 percent and 7.5 percent then total cost on variable rate loans for Rs. 11,981 million will be increased to Rs. 12,965 million, Rs. 14,959 million and Rs. 16,954 million respectively.

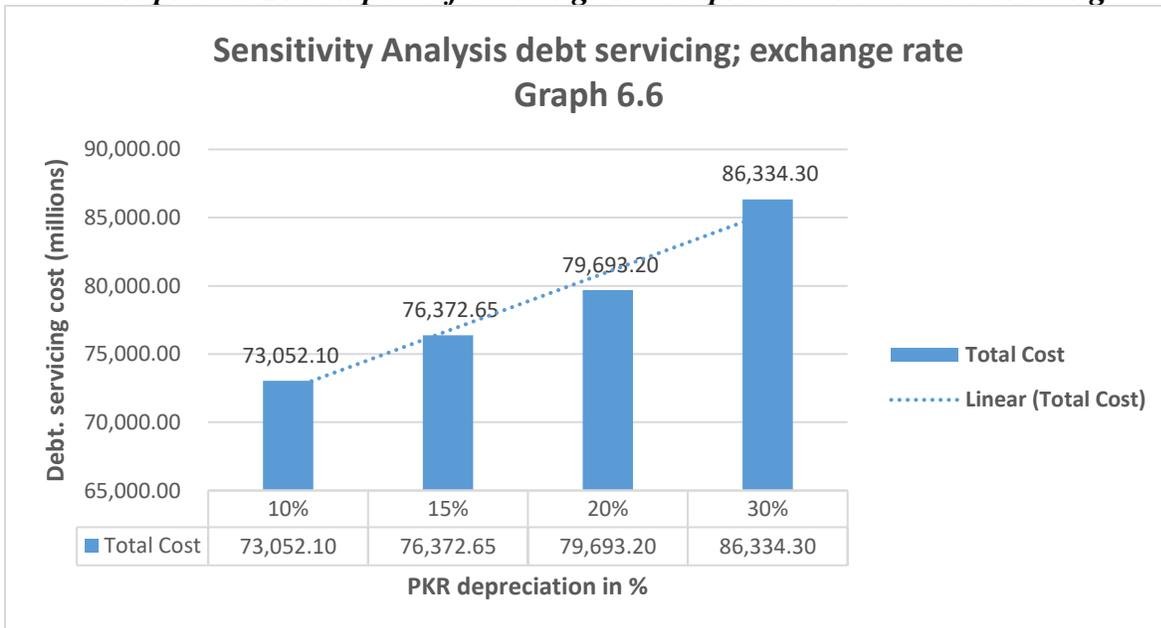
Graph 6.5: Sensitivity Analysis (Interest Rate)



6.4.2 Debt servicing with respect to exchange rate

Sindh External Debt portfolio comprises of only 05 foreign currencies, i.e. USD, SDR, JPY, KWR, and EUR. The major exposure of exchange rate risk comes from USD denominated loans with 77.36 percent, SDR 20.24 percent followed by JPY, KRW, PKR and EURO with 0.91, 0.93, 0.39 and 0.17 percent respectively. Depreciation of Pak Rupee on account of USD, JPY, KWR, EUR and SDR denominated loans would affect both the stock of Sindh government debt as well as debt servicing flows.

Graph 6.6: The impact of exchange rate depreciation on debt-servicing



Sensitivity Analysis on debt servicing has been conducted on USD, JPY, KWR, EUR and SDR category loans totalling to PKR 66,411 million after deducting amount of PKR 347.58 million for 01 PKR based IDA loan exposure in total. Depreciation of Pak Rupees with respect to both currencies would affect both the stock, principal and interest charges flows accordingly as illustrated in Graph 6.6.

Although GoS is not responsible to pay debt in foreign currency but as per Federal Government re-lending policy, it has to bear overall foreign exchange variation cost on external loan payments. Options for currency diversification may also be considered with coordination of EAD considering Federal foreign reserves and their repayment schedule requirements. In current scenario, one of the reasons for relying more on external loan option is its built-in technical assistance along with their project monitoring expertise. Sindh Government may continue to avail these options but shall increase its co-financing share/part in projects with the help of yearly budgetary allocated funds.

CHAPTER 07

PUBLIC ACCOUNT

7 PUBLIC ACCOUNT

The Provincial Consolidated Fund (PCF) is the primary financial repository for the Government of Sindh, encompassing all revenues received, loans raised, and repayments thereof. Article 118(1) of the Constitution of the Islamic Republic of Pakistan defines the PCF as a consolidated fund containing all monetary receipts of the Provincial Government, making it the principal account for managing governmental inflows and outflows.

Public Account, on the other hand, is distinct from the PCF. It comprises transactions involving specific-purpose funds that are not part of the PCF but for which the government has statutory or other obligations. It encompasses various accounts, each governed by specific rules, and handles transactions that are distinct from those in the PCF. These include categories such as unfunded debt (e.g., General Provident Fund), deposits and reserves, and remittances. Both the Public Account and the PCF share a cash balance in the State Bank of Pakistan, though their transactions are managed separately. The Public Account also includes trust accounts and special deposit accounts:

Trust Accounts are established under specific legislation, such as an Act of Parliament or a Presidential Order, and they operate as independent legal entities capable of generating financial statements in their own name. Examples of such accounts include provident funds, benevolent funds, employee insurance funds, and trust accounts for particular departments (e.g., the Forest Department).

Special Deposit Accounts, on the other hand, are managed under the authority of the Ministry of Finance but are not legal entities like trust accounts. Instead, they consist of funds reported through statements of receipts and payments. These accounts are used for specific purposes including relief funds, civil and criminal court deposits, welfare funds, and development funds.

This structure ensures a clear delineation between general financial operations under the PCF and specific-purpose financial transactions under the Public Account, each with its distinct rules and regulatory frameworks.

7.1 Public Account Receipts

The Public Account receipts are categorized as Assets and Deposits & Reserves.

7.1.1 Assets

The Public Account of Sindh includes several types of assets that are managed separately from the Provincial Consolidated Fund. These assets comprise: cash and bank balances, investments, loans, imprest monies, advances to departments and returns from investments and loans etc. The management of these assets ensures liquidity, returns on investments, and efficient short-term financial support for government activities and commitments.

7.1.2 Deposits and Reserves

The Public Account also includes deposits and reserves including intergovernmental adjustments, remittances, suspense funds, special deposit funds, welfare funds, development funds, and education & training funds. These deposits and reserves cater to obligations like income tax deductions, Public Ledger Accounts (PLAs), and the Trust Account Fund, including provident, benevolent, and insurance funds. This structure supports the management of funds dedicated to welfare, development, and other statutory requirements, ensuring that specific allocations serve their intended purposes effectively. Table 7.2 provides estimates of different trust accounts.

7.2 Public Account Disbursements

7.2.1 Current Assets

The Current Assets under the disbursement head Public Account serve to cover expenses like cash advances to departments, loans and advances, investments, and down payments. These allocations are used to manage liquidity, support operational efficiency, and meet the financial obligations tied to ongoing government functions. Table 7.1 shows the estimates of current assets and liabilities under Public Account. Budgeted at Rs. 2,467.92 billion for FY 2024-25, disbursements of current assets are expected to witness an increase of 33% as compared to BE 2023-24, which was estimated at Rs. 1,854.683 billion.

7.2.2 Liability

The "Current Liabilities" in the Public Account consist of deferred liabilities, including deposits and reserves that the provincial government holds temporarily. Essentially, these liabilities represent funds that the government owes to others or is managing on their behalf, with an obligation to pay back or disburse in the future.

A significant portion of these liabilities corresponds to pay-outs made from the deposits and reserves account. This account functions as a contra-receipts account, meaning it

reflects payments that directly relate to amounts received earlier under the deposits and reserves category e.g. employee-related deductions (GP fund etc), remittances, or welfare funds that were originally received in trust or as reserves and now require payment to the rightful claimants.

This cash flow cycle, where funds are collected, reserved, and subsequently disbursed, aids in meeting short-term obligations and effectively monitor the financial responsibilities assumed by the government. As shown in Table 7.1, liability part of Public Account disbursements is expected to increase by 27% with the estimate of Rs. 4,717,466 million for CFY 2024-25.

7.3 Trend of Public Account Balances

Public Account moneys, while not available for appropriation towards general operations, still come in handy to offset revenue and development budget deficits. These funds often end up in credit balance, thereby creating a financial buffer that adds a layer of financial stability that offsets fiscal shortfalls. Much of this surplus stem from deposits in Trust Account Funds like the General Provident Fund and the Benevolent Fund, where receipts consistently outweigh disbursements. Similarly, funds from deposits and reserves under the Public Works Department (PWD) often yield surplus amounts, which further strengthens this financial safety net.

Table 7.1 presents a breakdown of Public Account receipts and disbursements. The net budget surplus for FY 2023-24 was projected at Rs. 10,000 million, However, for CFY 20245, the estimate is expected to break even.

Table 7.1 Public Account (Receipt and Disbursement)

(Rs. in million)

Description	Budget Estimates 2023-24	Revised Estimates 2023-24	Budget Estimates 2024-25
Public Account (Net)	10,000	0,000	0,000
Receipt	5,585,661.4	6,531,690.5	7,184,858.5
Assets	1,854,692.1	2,254,101.0	2,474,511.1
Liabilities (receivable)	3,730,969.3	4,277,589.6	4,710,347.4
Disbursement	5,575,661.4	6,531,690.5	7,184,858.5
Assets	1,854,683.3	2,243,084.1	2,467,393.6
Liabilities (payable)	3,720,978.0	4,288,605.4	4,717,466.9

Table 7.2 shows the budget estimates for three major liability items of the Trust Account-Fund of the Public Account; the General Provident Fund, Benevolent Fund, and Insurance Fund:

Table 7.2 Public Account

(Rs. in million)

Description	Budget Estimates 2023-24	Revised Estimates 2023-24	Budget Estimates 2024-25
Public Account (Net)	-900.9	19,419.8	21,361.8
Receipt	35,526.8	53,692.2	59,061.4
Provident Fund	28,409.9	45,887.4	50,476.2
Benevolent Fund	4,127.0	4,124.9	4,537.4
Insurance	2,989.9	3,679.8	4,047.8
Disbursement	36,427.7	34,272.4	37,699.6
Provident Fund	27,157.7	27,092.6	29,801.9
Benevolent Fund	3,468.0	2,614.2	2,875.6
Insurance	5,802.0	4,565.6	5,022.2

The data in Table 7.2 shows the estimates for three major liability items of the Trust Account-Fund: General Provident Fund (GPF), Benevolent Fund (BF), and the Insurance Fund. These items represent the financial obligations of the government, primarily involving contributions from employees and payments for their benefits.

The transition from a deficit of Rs. 900.874 million in FY 2023-24 to a projected surplus of Rs. 21,361.773 million in FY 2024-25 reveals a careful balancing act to ensure fiscal health while catering to contributors' interests. This represents a substantial rise, particularly driven by the GPF, which forms the largest portion of Trust Accounts. The GPF receipts for 2024-25 are projected at Rs. 50,476 million, marking a considerable increase from the previous year's Rs. 28,409 million. The disbursement side, however, sees a more moderate rise, with the amount set at Rs. 29,801 million for 2024-25, up from Rs. 27,157 million in 2023-24.

In essence, while the receipts surged ahead and the disbursement rate has not matched the sharp rise in receipts, this difference suggests that GPF balances are still growing, as inflows outpace withdrawals. The overall financial health of the GPF indicates an accumulation of surplus which is keeping the fund solvent and providing a buffer for future obligations.

CHAPTER 08

FUND MANAGEMENT

8 FUND MANAGEMENT

The concept of fund management gained popularity not only due to the effective investment of surplus funds but also because it involved allocating resources for specific projects that required timely funding. This approach allowed for the use of non-lapsable assets.

Before the establishment of the Sindh Fund Management House (SFMH), the initial idea was to create an 'Employee Benefit House' rather than simply a 'Fund Management House.' The Government of Sindh (GoS) directed an Employee Benefit Assessment Taskforce (EBAT) to recommend necessary changes for various employee benefit plans. During the period from 2007 to 2010, the automation of payroll and pension rosters, along with biometric and NADRA-related verifications, was still inadequate. As a result, many of the proposed changes were not implemented.

Table 8.1: Fund Portfolio

(Rs. in million)

Description	Budget Estimates 2023-24	Revised Estimates 2023-24	Budget Estimates 2024-25
Total Government Funds	88,200	93,658	142,562
Sindh Province Pension Fund	26,000	10,000	73,362
Sindh General Provident Investment Fund	2,000	2,000	2,000
Viability Gap Fund	58,000	40,199	65,000
Sindh Coal Development Fund	1,500	1,500	1,500
Sindh Social Relief Fund	-	41,259	-
Sindh Project Development Facility	200	200	200
Investment Fund For Sindh Civil Servants Housing Foundation	500	-	500

Budget allocation of the funds is kept under the head of Current Capital Expenditure (Volume-III) SC13106 'Finance Department (Government Investments)'.

The SFMH has made several recommendations for modifying certain aspects of employee benefit plans after consulting with actuarial experts and relevant Government of Scotland authorities. Many of these suggested improvements have already been discussed in various forums.

In 2007, the Resource Wing of the Finance Department established SFMH as a dedicated unit. Its purpose is to serve as an investment unit that possesses fund management

expertise, along with supporting functions such as bookkeeping, maintaining investment records, reconciling balances, and conducting audits when necessary. This initiative is aimed at enhancing the overall investment process.

A total of 16 funds are managed by the Fund Management House, most of which are described in detail below.

8.1 Sindh General Provident Investment Fund (SGPIF)

The Government of Sindh has been setting aside funds over the past few years to accumulate enough assets to meet the future obligations of the scheme. The assets of the Sindh General Provident Investment Fund (SGPIF) grow thanks to these contributions and the profit generated from them. According to the Government of Sindh (GoS) provident fund program, regular deductions are made from employees' salaries, and the government provides interest on these deductions. The accumulated amount is paid out upon the employee's retirement or resignation.

Unfortunately, since the deducted amounts were not invested, GoS's liabilities for the SGPIF have continued to increase. Although the government has been paying profits on the amounts withheld from employee salaries, it does not generate corresponding assets to offset these deductions. In 2007, under the direction of the Chief Secretary Sindh, the GoS established the Sindh General Provident Investment Fund and began making regular contributions to it. The primary goal of the fund was to generate profits so that, once it became self-sustaining, the GoS could utilize these funds to meet its obligations to government employees under the General Provident Fund plan.

While a sharia-compliant option for provident fund deductions has been considered, it has not yet been implemented, primarily due to difficulties in synchronizing such measures with the government's accounting systems.

Since the fund's inception, Rs 23,200 million has been released. However, as of June 30, 2024, the total investment value of the fund stands at Rs 131,350 million.

8.2 Sindh Province Pension Fund (SPF)

The Sindh Province Pension Fund was established to assist the Government of Sindh (GoS) in managing future pension costs more effectively. The expenses have been consistently rising due to a rapid increase in the number of pensioners and the 'perpetual' pension increases that have been granted in recent years, including those to former retirees. The

GoS pension plan for government employees is a "defined benefit" plan, meaning that the pension amount is based on the employee's last salary at the time of retirement. Consequently, future pension payments will be entirely the responsibility of the government.

In 2003, the GoS recognized the need for a reserve fund to cover future pension liabilities and established this fund with an initial amount of Rs 1.2 billion, which has been gradually increased each year. Investment decisions are made by the Sindh Province Pension Board, which is chaired by the Minister for Finance or, in the Minister's absence, by the Chief Secretary. The Board includes the Chief Secretary of Sindh, the Secretary of General Administration (GA), the Secretary of the SGA&CD, the Secretary of Finance, and a representative from ICAP or another financial institution.

The GoS has been advocating for more efficient pension payment processes, including automation to enhance service delivery. The office of the Auditor General of Sindh has been actively working to implement these improvements, such as the direct credit program for pensioners, which reviews pension data for various errors and involves commercial institutions in the payment process.

In September 2024, the Sindh Cabinet approved significant reforms, including a Defined Contribution (DC) benefit scheme for new employees.

As of June 30, 2024, a total of Rs 64,800 million had been released to the fund since its inception, and the value of investments in the fund had accumulated to Rs 260,581 million.

8.3 Sindh Social Relief Fund (SSRF)

The Sindh Social Relief Fund was established in 2005 with the primary objective of assisting the impoverished and needy citizens of the province. The Government of Sindh (GoS) initially provided Rs 3 billion to create the fund. Management and investment decisions are made by a committee led by the Chief Secretary of Sindh. This committee also includes the Additional Chief Secretary of the Planning and Development Department, the Secretary of Zakat and Ushr, the Secretary of Finance, and two representatives from the commercial sector, all of whom work together to discuss innovative ideas for the welfare of the community.

As of June 30, 2024, the total value of the fund's investments amounted to Rs 53,620 million.

8.4 Viability Gap Fund (VGF)

In the fiscal year 2008–09, the Government of Sindh (GoS) launched a focused campaign to establish the Viability Gap Fund (VGF). The aim of the VGF is to encourage and support the development of new projects and businesses in Sindh through Public-Private Partnerships (PPP). The GoS provides all necessary funding for these initiatives via the VGF.

As of June 30, 2024, the total amount allocated to the fund since its inception is Rs 96,790 million, with expenditures amounting to Rs 93,156 million. The accumulated investment from this fund as of June 30, 2024, stands at Rs 4,926 million.

All projects funded by this initiative have been conducted through public-private partnerships. Notable projects include the Jhirk-Mullahkatiyar Bridge, the Karachi-Thatto Dual Carriageway, Malir Expressway, Ghotki Kandhkot Bridge and the Nooriabad Power Project, among others, spanning sectors such as infrastructure, health, education, energy, and transportation.

8.5 Peoples Housing Cell Fund

A departmental fund known as the People's Housing Cell Fund was established for the People's Housing Cell in the fiscal year 2008-2009. This fund has since been renamed the Shaheed Benazir Bhutto Housing Cell. To achieve a greater return on its balances, a portion of the assets under its management is invested with SFMH. All funding comes from budgetary allocations by the Government of Sindh, aimed at supporting low-cost housing initiatives for the poor and needy in the province. The fund disburses payments to the People's Housing Cell based on its requested demands.

Since its inception until June 30, 2024, the total amount released to the fund was Rs 2,966 million. The expenditures made from the fund amount to Rs 4,513 million. As of June 30, 2024, the accumulated value of investments held by this fund is Rs 938 million.

8.6 Sindh Coal Development Fund

To facilitate the Government of Sindh's partnership with the Sindh Engro Coal Mining Company for the development and extraction of coal reserves in Thar, as well as related development projects, the Sindh Coal Development Fund (SCDF) was established. The assets of this fund are being utilized to fulfill these investment responsibilities.

As of June 30, 2024, the total expenditure from the fund amounts to Rs. 18,260 million. Since its inception, Rs. 15,651 million has been allocated to the fund up to that date. The total value of investments from this fund as of June 30, 2024, is Rs. 10,537 million.

8.7 Sindh Government Employees Group Insurance Fund

The Sindh Government Employees Group Insurance Fund (SGEGIF) aims to enhance the group insurance benefits provided by the Government of Sindh (GoS) to its employees. The fund also helps share the cost of premiums that are deducted from the salaries of GoS employees under the Group Life Insurance program. As of now, the fund has not yet started to cover the costs associated with group life insurance. The Fund was established during the 2012-13 fiscal year.

As of June 30, 2024, the accumulated value of the fund's investments stands at Rs. 5,403 million. Since its inception until June 30, 2024, a total of Rs. 1,501 million has been released to the fund.

8.8 Sindh Agriculture Supplies Organization (SASO) Pensioners' Fund

SFMH has been managing this departmental fund since 2008-2009. Although the Sindh Agriculture Supplies Organization (SASO) is no longer operational, it remains essential to pay pensions to retirees. This fund finances pension obligations from its own profits, which have so far been adequate to meet ongoing commitments. The Agriculture, Supply & Prices Department, SASO's parent department, is responsible for providing monthly pension payments to the pensioners.

Since the Agriculture Department transferred the funds to the Finance Department, Rs 270.3 million has been disbursed as pensions to employees of the defunct SASO Cell. As of June 30, 2022, the current size of the fund is Rs 34.44 million. The fund is depleting at an accelerated rate due to various factors, including the restoration of pensions and annual pension increases. A summary for the Chief Minister has been approved by the Agriculture Department to transfer these pensioners to a regular pension scheme through the Accountant General (AG) of Sindh. The matter is currently pending with the AG Sindh for verification and transfer to regular pensioners.

8.9 Sindh Flood Relief Fund

The Sindh Flood Relief Fund was established to raise money through donations and grants from the general public, as well as contributions from employees of the Government of Sindh, who have contributed a portion of their salaries to the fund twice since its inception

in 2011. The total amount collected is intended to be provided to the Government of Sindh to support flood relief efforts.

8.10 Sindh Project Development Facility

The Sindh Development Project Facility was established to finance feasibility studies for projects that will be executed under a public-private partnership (PPP) arrangement with the Government of Sindh. Its purpose is also to support capacity building and the professional development of team members involved in these projects.

The PPP Policy Board has approved the costs associated with the fund. This initiative aims to finance feasibility studies for projects initiated by the Government of Sindh using the PPP approach and to enhance the development of personnel working on these projects.

Additionally, separate PDF guidelines have been created for the use of the fund. According to these guidelines, the PPP Policy Board must follow a specific procedure to approve any expenditures from the fund. As of June 30, 2024, the fund's current asset value is 1,233 million.

8.11 Education City Fund

In 2012-2013, a fund was established with an initial investment of Rs 0.1 million. The purpose of this fund is to allocate resources for the Sindh Educational Reforms Program's Education City Project. The development of this project is managed by the Sindh Investment Department.

8.12 Endowment Fund for Peoples' Primary Healthcare Initiative

To support the implementation of health-related facilities throughout Sindh province, the government of Sindh consistently promotes and assists various operations of the People's Primary Healthcare Initiative (PPHI). In addition to providing grants and covering employee salaries, the government has allocated funds for the establishment of an endowment fund, which will benefit PPHI in the future. This fund was created in the fiscal year 2011-12, and as of June 30, 2024, its current value is Rs 938 million.

8.13 Investment Fund for Sindh Civil Servants Housing Foundation

This fund was established to support the Sindh Civil Servants Housing Foundation in constructing a housing complex for Government of Sindh (GoS) workers. Since its inception in 2013-14, contributions from the GoS have been added to the fund's assets. Future contributions will also be made by workers who are members of the Sindh Civil

Servants Housing Foundation. As of June 30, 2024, the total value of the fund's assets is Rs 9,693 million.

8.14 Conclusion – Investment Strategy

Under the guidance of the Finance Department, the Sindh Fund Management House (FMH) has successfully created wealth for its funds, with assets significantly increasing through constant monitoring and effective fund management. The funds have been strategically diversified and invested in the best available avenues to maximize returns while prioritizing the safety of the assets.

The Sindh Fund Management House has implemented several reform strategies. These include replacing the Sindh Fund Management House Act of 2013 with the Sindh Fund Management House Act of 2021, establishing separate Investment Committees with specific terms of reference for all funds under the chairmanship of the Chief Secretary of Sindh that are not managed by any committee or board, and creating formal Investment Policies for major funds, such as the Sindh Province Pension Fund and the Sindh General Provident Investment Fund. These changes have enhanced FMH operations and increased transparency in the investment process.

CHAPTER 09

PUBLIC SECTOR MANAGEMENT AND PUBLIC FINANCIAL MANAGEMENT REFORMS

9 PUBLIC SECTOR MANAGEMENT AND PUBLIC FINANCIAL MANAGEMENT REFORMS

Introduction

Government of Sindh is fully aware of the importance of administrative and fiscal reforms and focus on the sustainability of reform initiatives for improved service delivery. In this connection, Public Financial Management (PFM) reform strategy was approved in August, 2021 which contained various PFM reforms, as well as Public Sector Management Reforms aimed at enhancing transparency and accountability.

The Finance Department is implementing PFM Reform Strategy under which various Public Financial Management (PFM) and Public Sector Governance Reforms are carried out with the assistance of donor partners. PFM is a cross-cutting theme that can positively impact the fiscal discipline, public service delivery and economic development. The major public sector reform initiatives are as under:

- 1) Institutional development;
- 2) Capacity Building;
- 3) Transparency in budget formulation and execution;
- 4) Tax revenue mobilization;
- 5) Monitoring of the Annual Development Plan portfolio.

9.1 Sindh Tax Revenue Mobilization Plan (STRMP)

Government of Sindh approved Sindh Tax Revenue Mobilization Plan (STRMP) 2014-19 and it was implemented for five years (2014-2019). It included a detailed roadmap for medium-term reforms for three Revenue Collecting Agencies (RCAs). After successful implementation, tax revenue of Government of Sindh increased manifold. Unachieved targets have been re-assessed and included in the revised STRMP-II (2022-2026) which has been finalized and approved by Provincial Cabinet in its meeting held on July 07, 2022. The main objectives of STRMP-II include the following:

- Increasing own source revenue
- Reduce administration and compliance costs
- Enhance voluntary compliance
- Improve efficiency and equity of provincial taxation

It was envisaged that the completion of reform actions would contribute significantly to generate higher revenues for the Government of Sindh while lowering the costs of compliance for taxpayers and enhancing equity and efficiency of taxation.

9.2 Institutional Development

Under institutional development, Finance Department has established professional units like Tax Reform Unit, Debt Management Unit, Internal Audit Unit and Information Management Unit. These units assist the Finance Department, Government of Sindh in formulations of policies, introduction of fiscal reforms and their sustainability. The brief description of above policy units is given below:

9.2.1 Tax Reforms Unit (TRU)

Tax Reforms Unit (TRU) has been established under Sindh Tax Revenue Mobilization Plan (STRMP) 2014-19, as a tax research arm of FD under its administrative control. Main purpose of the unit is the development of well-informed and evidence-based initiatives for tax revenue mobilization based on tax analysis, review of tax gaps, study of administrative efficiency, identification of untapped revenue potential, and enhanced coordination across the three tax entities.

9.2.2 Debt Management Unit (DMU)

Debt Management Unit was established in Finance Department in July 2014. It manages provincial debt portfolio on modern techniques and requirements. It has been publishing bi-annual Sindh Debt Bulletin and sensitivity analysis document. In addition to this, Sindh External Debt Manual has also been prepared and approved.

9.2.3 Establishment Of Internal Audit Unit

The establishment of Internal Audit Function in Government of Sindh (GoS) is one of the key reform areas under Sindh Public Sector Reform Management Project. The purpose of this reform is to strengthen internal controls and public governance standards. Internal Audit Function through process mapping, in-depth analysis of processes, recommendation of effective controls, automated processes greatly contribute to improved operations, which ultimately leads to improved service delivery. With the approval of competent authority, i.e. the Honourable Chief Minister Sindh, an Internal Audit Charter was approved in 2017. Consequently, the Internal Audit Function was established in six departments, i.e. Finance,

Health, School Education & Literacy Home, Works & Services and Public Health Engineering Department.

9.2.4 Information Management Unit:

The Finance Department, Government of Sindh established an Information Management Unit to cater the need of availability of financial information for effectively using it in decision making process. The Information Management Unit is meant to undertake data mining, data profiling, data interpreting, and data reporting to help identify different trends in critical fiscal and financial parameters essential for informed decisions.

9.3 Capacity Building

Capacity Building is key reform area and Government of Sindh is strongly committed to enhance working capability of its employees. In this regard, Finance Department has established a state-of-the-art training facility at the 7th floor of the department. The department has designated a full time Training Administrator who caters the need and arranges physical and online trainings in each quarter. Under Sindh Public Sector Management Reform Project, Finance Department has provided SAP certification training to the employees of Government of Sindh. Moreover, Procurement Certification training has also been provided to officers/officials of BS-16 and above through institutions i.e. IBA Karachi, IBA Sukkur, NED University and Sindh University Jamshoro. Massive Open Online Course (MOOC) has also been designed for online certification so that the procurement processes may be expedited through these certified officers/officials. PFM Outreach and office automation trainings were provided to the officers/officials of Finance Department as well as line departments of Government of Sindh.

9.4 Monitoring of the Annual Development Plan (ADP) Portfolio:

Under Public Sector Reforms, Government of Sindh has developed ADP monitoring dashboard in order to improve monitoring and evaluation process for ADP Schemes. It provides a real-time holistic view of the ADP portfolio on profile of schemes. Currently, 22 departments are part of this dashboard and their schemes are being uploaded in the system. The Planning & Development Department can better monitor the schemes and prepare monitoring reports, required for informed decisions.

A part from above, Finance Department, Government of Sindh is actively pursuing various Public Financial Management (PFM) Reforms under PFM Reform Strategy and Action Plan. These reforms are carried out with technical assistance of EU funded Public Financial Management Support Program for Pakistan (PFM-II). The main objective of these reforms is to strengthen and improve PFM systems in the province. The major areas of interventions planned and implemented since 2021-22 are as under:

- Enhanced capability in annual budgeting.
- Strengthening Medium Term Budgetary Framework (MTBF) in the province.
- Strengthened, Planning, development and Public Investments regime.
- Predictable and controlled budget execution with better cash planning and effective internal controls.
- Strengthen performance reporting including SDGs and Gender Linked expenditures.
- Revision of Regulatory framework.

9.5 Enhanced Capability in Annual Budgeting:

Transparency in budget formulation and execution is key reform area. Finance Department has initiated the development of Citizens Budget and publishes annually since financial year 2021-22 and upload the same on the website of Finance Department. It will prepare the above document for forthcoming financial year 2025-26, in consultation with different focused groups, stakeholders and citizens. The Government of Sindh also prepares the Budget Strategy Paper every year and place it before the Provincial Cabinet for approval. Quarterly Budget Execution Reports are also prepared regularly and submitted to Provincial Assembly of Sindh for discussion. Besides this, better budgeting in selected districts (Jamshoro, Badin, Matiari) for selected departments (School Education, Agriculture, Livestock & Fisheries) has also been carried out with technical assistance of PFM Consultants.

9.6 Strengthening Medium Term Budgetary Framework (MTBF) in the Province:

Medium-Term Budgetary Framework (MTBF) Cell has been engaged with the implementation of MTBF approach in the nine line departments of Government of Sindh. These departments include: i) School Education & Literacy, ii) College Education, iii) Health, iv) Agriculture Supply & Price, v) Livestock & Fisheries, vi) Irrigation, vii) Energy, viii) Social Welfare and ix) Department of Empowerment of Persons with

Disabilities. There are 10,517 cost centers (Current Revenue Expenditure) in the Financial Management Information System of the Government of Sindh, out of which around 7,379 (Current Revenue Expenditure) cost centers (approximately 70.2% of the total DDOs) are covered under MTBF budgeting in the province. The Cell ensures budget submissions according to Budget Calendar and MTBF budgeting guidelines. In addition, it conducts regular capacity building workshops on budgeting for the MTBF departments before the start of budget preparation exercise. Besides this, handholding support is provided to all DDOs of MTBF departments to help them to finalize budget estimates as per the budgetary ceiling communicated. The Finance Department has planned for performance-based budgeting and development of green book.

9.7 Strengthened, Planning, Development and Public Investments Regime:

Finance Department with technical assistance of PFM team is working on development of costed sector plans of line departments such as, Agriculture, Livestock & Fisheries Department. Planning Manual has also been developed for providing guidance to the administrative departments for better planning of ADP schemes of various sectors.

9.8 Predictable and Controlled Budget Execution with better Cash Planning and Effective Internal Controls:

Finance Department is continuously monitoring the expenditure, and ways & means to maintained fiscal sustainability of provincial finances through cashflow forecasting tool developed with technical assistance of PFM Consultants. A dedicated program of training, embedding and institutionalization in Finance Department has been executed. SAP system-based reports are generated for expenditure tracking. It is worth mentioning that SAP connectivity has been provided to the 31-line departments which enables the line departments to have a real time reporting of the expenditure incurred. Work on Expenditure Tracking Mechanism has been started which will help in better expenditure management.

9.9 Strengthen Performance Reporting including SDGs and Gender Linked Expenditures:

Finance Department in collaboration with SDG Unit, Planning & Development Department initiated the work of mapping of SDGs related information and necessary training of the relevant staff of P&DD. The gender linked expenditure will be tracked on the dashboard and reports could be generated for management.

9.10 Revision of Regulatory Framework:

Revision of regulatory framework is a key reform area under PFM Reform Strategy. In this regard, the Sindh Delegation of Financial Powers and Financial Control Rules, 2019 were notified in May, 2019. The Sindh Public Finance Administration Act, 2020 has also been promulgated. This Act will be a guiding factor for Public Financial Management in the province and will bring more transparency, efficiency and accountability. The Sindh Financial Rules, 2022, Sindh Budget Manual and Sindh Planning Manual have been notified recently. The draft Sindh Treasury Rules, 2023 is at advance stage and soon will be placed before the Provincial Cabinet for approval. The draft Fiscal Risk Policy and draft Local Fiscal Transfer Rules have been developed and shared with stakeholders for comments.

The Government of Sindh has also carried out various reform activities under PforR Project and National Health Support Program funded by World Bank.

- 1) Implementation of e-procurement in collaboration with Government of Pakistan;
- 2) Integration of HR and FM Data of Health and School Education & Literacy departments in collaboration with FABS Directorate, Controller General of Accounts office Islamabad.
- 3) Annually publish Citizen's budget, and budget evaluation report of last year on website;
- 4) Reduction in variation between original budget and actual expenditure in Education and Health Sectors;
- 5) Performance incentives in Education and Health sectors by awarding high performers;
- 6) Pension Reforms including DC Pension Scheme;
- 7) Online bill submission in Health and Education Sectors;
- 8) Digitization of Provincial Tax and non-Tax Levies.

After completion of Public Sector reforms and PFM Reforms, it is hoped that the transparency and accountability will be increased resulting in improved service delivery.