



# SINDH

## Budget

### FY-21

**No Compromise**  
on **helping** itself



**Research &  
Development  
Dept.**

**Karachi Chamber Of  
Commerce & Industry**

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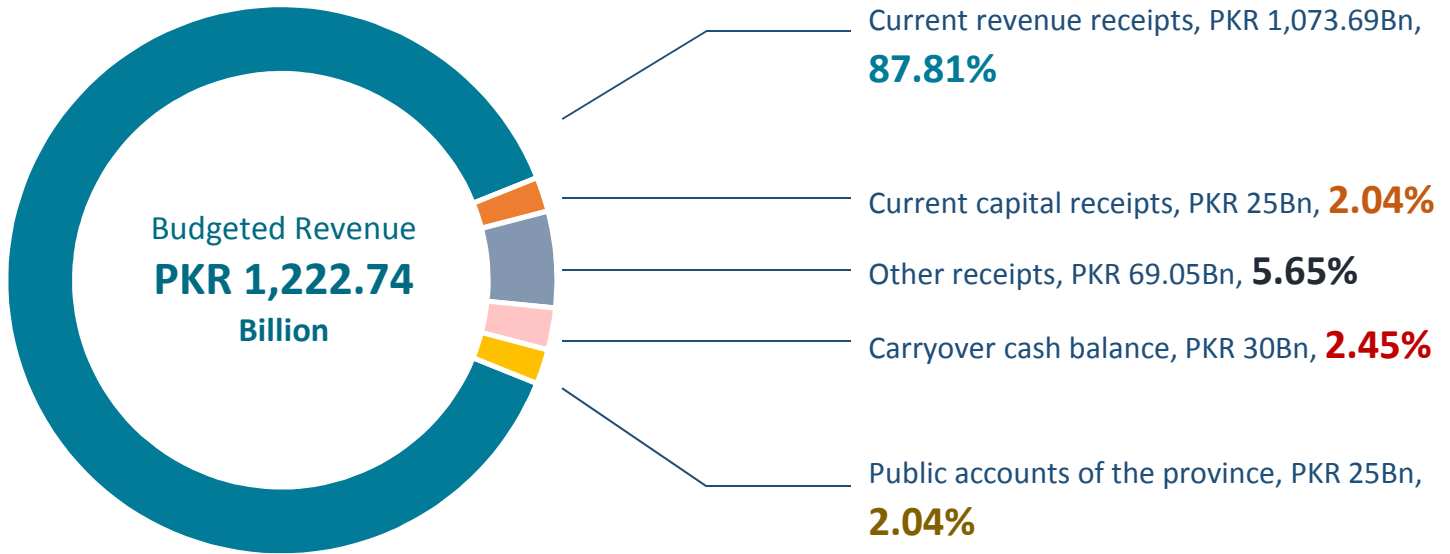
## Sindh Budget- No compromise on helping itself

In an environment where covid-19 has caused governments around the world to reevaluate their budget spending, Sindh government has shown exemplary dedication and consistency in continuing to help itself. The Sindh government will be spending PKR 968.99Bn or over 80% of the province's total budget on non-development expenditure. This money will go into paying salaries, pensions, government expenses, writing off loans and subsidies. Almost 80% of the funds will be going in an area that has no benefit to the common man or businesses that operate in the province.

Only a meagre PKR 232.94Bn (19%) will be spent on development expenditure which is PKR 52Bn less than the PKR 284Bn in the outgoing year (2019-20). Where Punjab government has not increased the salaries and given PKR 56Bn in Tax relief to its businesses, Sindh extended no tax relief and only went as far as not to impose new taxes. Sindh employees' related expenses have been increased in this budget by 18% from PKR 351.01Bn to PKR 413.03Bn. The salaries of employees from grade 1 to grade 16 have been increased by 10% and pensions have also been increased by 10%. Government operating expenses have been increased by 65% to PKR 122.95Bn from last year's PKR 74.23Bn. Employees' retirement benefits also have increased 16% to PKR 145Bn from PKR 125Bn in the last budget. Old habits die hard - 1,414 employees would be hired in different departments.

CM Murad Ali Shah presented this pro-non development expenditure provincial budget FY21 with estimated expenses of PKR 1,241.12Bn against an estimated revenue of PKR 1,222.74Bn which will lead to a deficit of PKR 18.38Bn. The only benefit extended to the businesses in the province is a meagre PKR 5Bn allocated for a Soft Loan Program for Small & Medium Enterprises. Even for the locust affected farmers of Sindh whose losses are estimated to be around hundreds of billions of rupees, Sindh government has allocated peanuts of PKR 440Mn to contain locusts in the budget. The only decent thing the government did was that it raised the health department budget by 16.1% to PKR 139.18Bn to boost efforts against Covid-19 pandemic and infectious diseases. On the revenue side, the onus is again on the federal govt. which is expected to provide PKR 760.30Bn or 65% of the revenue, while provincial tax receipts are expected to rake in PKR 313.39Bn.

## Sindh Budget FY21 Snapshot



Current revenue expenditure, PKR 968.99Bn,  
**78.07%**

Expenditure, PKR 232.94Bn, **18.77%**

Current capital expenditure, PKR 39.9Bn,  
**3.16%**



**Total Budget Deficit PKR 18.38Bn**

## Budgeted Receipts

(PKR Billion)	FY20 Budget Estimates	FY20 Revised Estimates	FY21 Budget Estimates
<b>A. Current Revenue Receipts</b>			
<b>Federal Transfers</b>			
1. Revenue Assignment	761.02	534.96	679.69
2. Straight Transfers	53.9	57.37	62.34
3. Grants to offset losses of abolition of OZT- (0.66% of Provincial Share)- (incl. Others)	20.46	14.38	18.27
	-	-	-
<b>Provincial Revenue</b>			
4. Provincial Tax Receipts (excluding GST on Services)	121.52	100	128.52
5. Provincial Sales Tax on Services	145	135	135
6. Provincial Non-Tax Receipts	22.19	15	49.87
<b>Total Current Revenue Receipts</b>	<b>1,124.08</b>	<b>856.70</b>	<b>1,073.69</b>
<b>B. Current Capital Receipts</b>			
1. Local Repayments/Loans	5	0.95	5
5. International Development Association(WB)SPSMRP	1.21	1.3	-
4. Bank Borrowing	5	-	20
<b>Total Current Capital Receipts</b>	<b>11.21</b>	<b>2.25</b>	<b>25.00</b>
<b>C. Other Receipts</b>			
1. Foreign Project Assistance (FPA)	51.15	30.49	54.64
2. Other Federal Grants	4.89	8.51	8.3

3.Development through Enhanced Education Program(DEEP)- EU	-	-	3.47
4.Education Sector Plan Implementation Grants(ESPIG)	-	-	1.44
5.Global Partnership for Education (GPE)-Multiplier ESPIG Grant-WB	-	-	1.2
<b>Total ( Other Receipts) → Other Receipts</b>	<b>56.04</b>	<b>39.00</b>	<b>69.05</b>
<b>D. Carryover Cash Balance</b>			
	5	22	30
<b>E. Public Accounts Of The Province</b>			
1- Receipts	3,207.22	2,958.37	3,257.2
2- Disbursements	3,185.65	2,938.37	3,232.2
<b>Total Public Accounts Of The Province</b>	<b>21.57</b>	<b>20</b>	<b>25</b>
<b>F. Total Receipts of the Province</b>	<b>1,217.90</b>	<b>939.95</b>	<b>1,222.75</b>

## Budgeted Expenditures

(PKR Billion)	FY20 Budget Estimates	FY20 Revised Estimates	FY21 Budget Estimates
<b>G. Current Revenue Expenditure</b>			
Current Revenue Expenditure	870.22	783.20	968.99
<b>Total Current Revenue Expenditure</b>	<b>870.22</b>	<b>783.20</b>	<b>968.99</b>
<b>H. Current Capital Expenditure</b>			
Current Capital Expenditure	63.64	29.51	39.19
<b>Total Current Capital Expenditure</b>	<b>63.64</b>	<b>29.51</b>	<b>39.19</b>
<b>I. Development Expenditure</b>			
1. Provincial ADP(excluding FPA)	208	90	155
2. Foreign Project Assistance (FPA)	51.15	30.49	54.64
3. Other Federal Grants	4.89	3.43	8.3
4. District ADP	20	5	15
<b>Provincial Development Expenditure</b>	<b>284.04</b>	<b>128.92</b>	<b>232.94</b>
<b>J. Total Expenditures of the Province</b>	<b>1,217.90</b>	<b>941.63</b>	<b>1,241.13</b>
<b>Provincial Budget Deficit ( - ) (F-J)</b>	<b>-</b>	<b>-1.67</b>	<b>-18.38</b>

## Sindh – Provincial Tax Summary

(PKR Billion)	FY19	Budgeted Estimate FY20	Revised Estimate FY20	Budget Estimate FY21
<b>Direct Taxes</b>	<b>7.33</b>	<b>20.07</b>	<b>14.84</b>	<b>21.10</b>
Tax on Income (Agriculture)	0.58	2.24	1.2	3.87
Property Tax	2.85	9.08	8	9.38
Land Revenue	0.23	0.75	0.14	0.75
Tax on Profession, Trades and Callings	0.41	1	1	1.1
Capital Value Tax on Immoveable Property	3.27	7	4.5	6
<b>Indirect Tax</b>	<b>115.50</b>	<b>176.59</b>	<b>161.80</b>	<b>169.07</b>
Sales Tax (General Sales Tax Provincial)	93.17	145	135	135
Provincial Excise	5.06	7.62	6	7.62
Stamps Duty	9.93	15	13	18
Motor Vehicles	7.33	8.97	7.8	8.45
<b>Other Indirect Taxes</b>	<b>54.90</b>	<b>69.86</b>	<b>58.36</b>	<b>73.35</b>
Entertainment Tax	0.08	0.30	0.06	0.30
Tax on Hotels	0	0	0	0
Electricity	0.72	5.6	1.12	6.16
Sindh Development Maintenance of Infrastructure	53.87	63.1	56.87	66
Other, all types	0.05	0.3	0.09	0.33
Cotton Fees	0.16	0.56	0.22	0.56
<b>Total Provincial Tax Receipts</b>	<b>177.72</b>	<b>266.52</b>	<b>235</b>	<b>263.52</b>



## Current Revenue Expenditure – Breakup

(PKR Billion)	FY19	Budgeted Estimate FY20	Revised Estimate FY20	Budget Estimate FY21
General Public Service	240.63	267.62	263.19	282.34
Public Order and Safety Affairs	97.61	126.22	111.87	131.82
Economic Affairs	60.9	112.3	74.28	124.75
Environment Protection	0.26	1.09	0.64	1.48
Housing and Community Amenities	4.8	10.86	6.48	9.84
Health	91.93	116.78	125.7	135.87
Recreational, Culture and Religion	2.5	9.69	7.81	11.44
Education Affairs and Services	152.95	215.86	183.27	236.16
Social Protection	7.66	9.79	9.95	35.29
<b>Total Revenue Expenditure</b>	<b>659.24</b>	<b>870.22</b>	<b>783.20</b>	<b>968.99</b>

⊕ The Sindh government has also allocated enhanced PKR 5.99Bn to Industries department under current revenue expenditures for financial support to SMEs. This represents an increase of 513% from PKR 976.1Mn.

## Selected Points from Budget Speech

- ⊕ A social protection and economic sustainability package of PKR 34.2Bn has been proposed for FY21 in order to support home-based businesses and Small and Medium Enterprises (SMEs). The package includes subsidies and other features such as:
  - PKR 20Bn for cash transfers to individuals affected by COVID-19.
  - PKR 5Bn allocation for a Soft Loan Program for SMEs with loan size ranging between PKR 0.5-Mn.
  - PKR 500Mn for Supporting Technology based startups, incubators and accelerators.
  
- ⊕ Health sector has been allocated PKR 120Bn in FY21 under Current Revenue Expenditure including PKR 1Bn for a 200 bedded Infectious Disease Control Hospital at NIPA, Karachi.
  
- ⊕ Education sector has been allocated PKR 244.5Bn in FY21 under Current Revenue. In addition to this, PKR 21.1Bn has been allocated under ADP for 397 on-going and 11 new, but un-approved schemes.
  
- ⊕ Agriculture sector has been allocated PKR 14.8Bn in FY21 including subsidies to small farmers. PKR 5.5Bn has been allocated in ADP FY21 for 73 schemes in addition to PKR 8.1Bn under foreign projects assistance.
  
- ⊕ Work & Services & Road Sector has been allocated PKR 6.4Bn for 17 major schemes including PKR 3Bn for construction of underpasses and other projects along the Karachi Circular Railway route. PKR 36.5Bn has been allocated under ADP for over 500 road schemes.

## Karachi- A forgotten city

Development projects in Karachi are a sad tale. The state of affairs can be judged from the fact that the Sindh government while being in power for decades could not even provide one mega transport project to this great city that is the economic and financial capital of the country. In this budget too, the same old projects including old transport projects are included that have been lingering on for several years with no hope for completion given the government's track record.

The budget has again ignored infrastructural development in Karachi as only a small number of development projects have been announced while many incomplete projects or projects that have been approved but remain unimplemented have again been given space in the documents. The Karachi Circular Railway, against tall claims of the govt., has been allocated a meager amount indicating that it would not be completed any time soon. BRT projects like Yellow, Orange and Red Line have again been mentioned like in the past budgets with minimal hopes that any of them would hope to see the light of the day any time soon. Projects having great importance for Karachi like the sewerage project S-III and the water project K- IV have again received less than desired attention.

The state of development projects can be further explained through the K-IV project — a joint megaproject of the provincial and federal governments meant to augment Karachi's daily water supply. The project's estimated cost initially was PKR 25Bn, which has now exceeded PKR 100Bn.

Karachi remains witness to heaps of garbage lying around and all main thoroughfares being inundated with sewerage water. This is indicative that post elections, the provincial govt. is least interested in cleanliness and maintenance of the city, leading the Supreme Court of Pakistan to note that Karachi has become the worst city in Pakistan. On the other hand, Mayor Karachi continues to decry paucity of funds and apathy of the Sindh govt. as regards provision of basic facilities. The monsoon season is upon us and KMC has said that the city will witness urban flooding as the drains have not been cleaned as it does not have funds which begs the question where does the money KMC has actually goes?

## Karachi's inclusion in the Provincial Budget (selected)

- ⊕ **PKR 1Bn** allocation for a 200 bedded Infectious Disease Control Hospital at NIPA.
- ⊕ **PKR 234.6Mn** allocation for upgradation of Health care services for Lyari General Hospital.
- ⊕ **PKR 3Bn** allocation for construction of underpasses and overhead bridges over railway crossing along KCR route.
- ⊕ **Two new projects**, PKR 74Bn BRT Red Line (29 km) and PKR 61Bn BRT yellow line (22 km) are included under ADP FY20 with assistance of ADB and World Bank.
- ⊕ **PKR 3.4Bn** mega project Karachi Water and Sewerage Services Improvement Project (KWSSIP) has been approved with financial assistance of World Bank.
- ⊕ **PKR 33.6Bn** Competitive and Liveable City of Karachi (CLICK) project has been initiated.
- ⊕ **PKR 50Mn** has been allocated for creation of two lost and found children centers at Shanti Nagar and Malir in Karachi.
- ⊕ **50MGD** Municipal Waste Water Recycling Project is being developed by Karachi Water and Sewerage Board with assistance of Public Private Partnership Unit and Office of the Public Private Partnership (OPPP) of Asian Development Bank.
- ⊕ **Procurement of consultancy services** by government of Sindh for development and rehabilitation / upgradation of three road routes: Link Road for Korangi, Expressway from Maripur Road to Y-Junction and Interchange at ICI Bridge.
- ⊕ **Aim** to develop a Technology Park at NED University Karachi.

Mega schemes for Karachi under Annual Development Program FY21 (PKR Bn)						
Throw-forward	On-Going		New		Total	
	Num. of schemes	Total Amount	Num. of schemes	Total Amount	Num. of schemes	Total Amount
<b>3.43</b>	<b>18</b>	<b>1.93</b>	<b>1</b>	<b>0.009</b>	<b>19</b>	<b>1.94</b>

## Sindh Budget Overlooks the Business Community

KCCI had requested Sindh CM to devise an effective mechanism for providing immediate relief to perturbed businesses and industrialists by directing the Sindh Revenue Board (SRB) to discontinue collection of all types of taxes, including service tax and other levies for a few months. But the CM did not provide any relief whatsoever in the budget. On the other hand the Punjab government has provided tax relief of PKR 56Bn in the wake of the prevailing economic situation due to coronavirus.

The Punjab government has further offered tax relief to 23 sectors including hotels, tour operators, guest's houses and marriage halls. Similarly instead of imposing new taxes, Khyber Pakhtunkhwa government, in the new financial year 2020-21 has given special concessions to property tax, trade and professional tax defaulters till June next year. According to the Finance Bill 2020-21, the property tax will not be levied till June 2021. They will have to pay their dues in 12 installments with 25% discount and 30% discount on lump sum payment till June 30, 2021. And if the amount due isn't cleared, not only the full tax amount, including penalty, will be recovered but also the transfer of their properties will not be possible until all the dues are cleared. According to the bill, the Local Government Department has also abolished taxes on about 200 SMEs (Small and Medium Enterprises). The Excise and Taxation Department has also abolished taxes on small businesses and individuals. Similarly, hotel tax and professional tax on all hotels and more than 18 professionals in the province have been abolished. However, it will be necessary for such professionals to have their business registered with KP Revenue Authority. In order to increase the registration of vehicles in the province, the fee for re-registration as well as the requirement of NOC from other provinces has been abolished. The location factor of property tax on immovable property has been reduced and tax-payers who pay their taxes on time will get up to 35% more concession.

After a disappointing federal budget, the people of Karachi were hoping for more relief through its provincial government. However, the Sindh Budget FY21 falls short of all expectations and it seems that once again, the people of the metropolis are on their own.

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