

## EXECUTIVE SUMMARY

The focus of the Government policy remained pro poor poverty reduction interventions, improved delivery of basic social services, promotion of investment and job creation. To achieve policy goals several successful initiatives were launched which include measures for development of Thar Coal. The performance of agriculture sector remained robust but the global economic crisis and shortage of electricity and natural gas had a negative impact on industrial production in Sindh.

The major poverty reduction initiative launched by the Government during the year was Benazir Bhutto Shaheed Youth Development Programme (BBSYDP) where in 41000\* men and women (out of target of 50000) were provided skill development training and stipends during training. Although there were complaints in initial days regarding timely payments of stipends but gradually things have improved and it is hoped that the next phase of this programme would be more focussed and mistakes made earlier would be avoided. Skill development training of 75,000 men and women is announced by the Chief Minister for the year 2009-10.

The Union Council Based Poverty Reduction Programme launched in assistance with the Sindh Rural Support Organization (SRSO) along with RSP's Consortium is doing a tremendous job in creating awareness in the communities in two backward districts of the province namely Shikarpur and Kashmore. It is unfolding a new concept in economic development at grass root level never experienced earlier in bureaucracy driven system. The social mobilization activity by the workers of RSP's Con is yielding good results and by end of June, 2009, a number of intervention would be completed which include identification of 54,871 poor households in District Kashmore and 49,468 households in District Shikarpur which are 40% of total population, Social mobilization of 36,436 households in 730 village organizations all of which are women from the lowest three bands of poverty score card, 960 household women have been paid grant of 20,000 rupees for purchasing assets / livestock. Community investment Fund (CIF) based small loans have been paid to 4982 household women and Rs. 65.3 million have been transferred to the account of Village Organizations. 554 participants have been selected for vocational skill training and 172 out of them have completed their training in NRSP's Vocational Training Educational Centre at Rawalpindi. 73 schemes have been identified pertaining to safe drinking water and sanitation for generating employment. There is need to link this programme with other activities of the Line Departments particularly Education, Health, Livestock and Fisheries and Agriculture.

The allotment of land for landless tenants preferably women is being implemented satisfactorily and up-till now 42,571 acres of land have been allotted / distributed among 4,176 landless tenants and 70% of them are women. The government has also provided Rs. 665 million to RSPs to provide inputs to landless tenants for a maximum of 4 acres. The distribution of the inputs has also been initiated by the Rural Support Organizations and summer (Kharif) crop would be harvested at 8000 acres by these new allottees of land. The second phase of this activity may be under taken after development of land and organizing community through cooperatives.

Housing for poor is one of the priority area of Sindh Government and Government plans to provide 100,000 houses to poor families in Sindh for which Rs. 2 billion have been placed at the disposal

\* This includes the projected number of 3602 trainees of labour department.

of Peoples Housing Cell and the Cell has already signed a contract with UNDP for construction of 500 houses in Badin, Thatta and Karachi districts. Each house with two rooms and kitchen is costing Rs. 3.41 Lac at Rs. 575 per square feet will be energy efficient and cyclone resistant. 100 houses under this programme will be completed by June 2009. UNDP has done excellent work in identifying and mobilizing the skilled labour and community. In addition to this the Sindh Rural Support Organization has been tasked to construct 200 houses each house costing Rs. 2,52,000/- in district Larkana, Khairpur, Sukkur, Shikarpur and Jacobabad. 53 houses near Keti Bunder are also being constructed through District Government. The progress of provision of housing for poor is not up-to the mark and more efforts are needed to accelerate the progress so that more houses are constructed for poor. There is also need to focus more on low cost housing, village improvement programme and mobilization of community to share some construction costs and involving the micro credit banks and corporate and private sector to be part of the programme.

The Public Private Partnership continues to be high priority of Government. The first project being undertaken under the programme is the 67 km Hyderabad – Mirpurkhas road which would be dualized in partnership with Korean firm. The Public Private Partnership Policy Board has given approval for signing of Letter of Intent with the Korean firm M/S Deokjae Construction Company and a formal letter has already been issued to the firm to complete the necessary pre-requisites and assessments, surveys and studies within 60 days. If successful, this will bring a new change in infrastructure development in the Province and the Country. In addition to this, the Policy Board also approved to continue efforts for development of Keenjhar and Gorakh Hill Station Tourist Resorts, Khirthar National Park and several other roads and bridges under Public Private Partnership.

The Civil Society is important partner of the Government service delivery improvement programme. Under a scheme of community development through civil society organizations and others including corporate sector, 29 civil society partner organizations have been identified for undertaking community development work and development grant of Rs. 148.00 million has been approved to the civil society organizations under partnership agreement in several fields. Government has also converted the scheme of Capacity Building and Assistance to Producers / Civil Society Organizations into Sindh Indigenous & Traditional Crafts Company (SITCO), which is to be managed by a Board of Directors comprising people from private sector and civil society. The first meeting of Board of Director of the company was held on 10<sup>th</sup> June 2009 under the chairmanship of Mr. Hameed Haroon a renowned media tycoon and several major decisions were taken for mapping out the artisans and the development of related products in the province.

To preserve and protect the cultural, archaeological and historical heritage of Sindh under public private partnership, an Endowment Fund for preserving physical heritage in Sindh has been established with an amount of Rs. 1 Billion. The fund is being managed by a Board of Directors headed by Mr. Jehangir Siddiqui a well known businessman of the country. Other directors of the board include renowned personalities from corporate sector and civil society. In a related development preservation work was being carried out for restoration and preservation of the old Free Mansion Building in Karachi by the Sindh Antiquities Department.

A very bold and intelligent decision of establishment of Sindh Technical Education and Vocational Training Authority (STEVTA) was taken by the Government to supervise and manage all technical education, labour, social welfare institutions for improving the quality of education and skill development. The Sindh Cabinet endorsed the policy decision of the Chief Minister Sindh. Air Vice Marshal (R) Riaz-ud-Din Shaikh, a known personality from private sector has been made Chairman of Board of Directors of Sindh TEVTA with majority of private sector representatives in the board.

On the front of economic relationship with development partners positive outcomes have been achieved as the Sindh Government was successful in signing agreements on several fronts which include a \$400 million Sindh Growth and Rural Revitalization Programme and \$300 million Sindh Cities Improvement Programme with Asian Development Bank. \$30 million Thar Coal Technical Assistance and Project Preparation facility, \$300 million programme of Sindh Education Sector Reforms, and extension of \$50 million on Sindh On-Farm Water Management with World Bank. For the development of Rural Roads a credit of ¥ 9126 million (Rs. 4.730 billion equivalent) was also signed with the Japanese Government. There are technical level interactions and negotiations with development partners in several sectors which include Environment, Health, Technical Education, Skill Development, Agriculture, Irrigation, Urban development, Infrastructure and disaster management and it is expected that formal credit agreements in these areas would be signed in near future.

The Government of Sindh in partnership with Competitiveness Support Fund (a consortium of USAID and Government of Pakistan) has established Sindh Development Fund to provide financial and technical support for establishment, modernization and rehabilitation of the agro aqua culture based industry and other industrial activity in Sindh. Out of Rs. 2.4 billion approved for this fund, Rs. 240 million have already been placed at the disposal of Competitiveness Support Fund while Rs. 1 billion would be made available during the next financial year. Government has notified a steering committee with majority from private sector to manage fund and make all policy decisions.

To promote investment in the province, the government has also established Sindh Board of Investment which is headed by renowned industrialist from private sector and all necessary support from Government is being made available to the Board to interact with the existing industrial units to redress their grievances and problems and encourage more investment in modernization and establishment of industrial units. The government has also initiated negotiations with the stakeholders for development of Education City in Karachi and to prepare the Master plan. The bids have been already called and process has been initiated for final selection of the firm to prepare the Master plan of Education City. Necessary efforts are also being made to develop Dhabaji Industrial Areas as a Special Economic Zone. Agro based & product based special economic zones in other areas are also being planned out of which one in Khairpur for Dates processing and related facilities has already been approved and Competitiveness Support Fund has been associated to provide necessary support and guidance so that a state-of-art special economic zone is established in Khairpur to bring more value in the dates. The issue of water availability for Nooriabad area is also being addressed and the work on pipeline from Keenjhar to Nooriabad has been initiated. Although work has been affected due to transparency and technical issues, more than Rs. 200 million have already been released on this scheme during current year. The water problems being faced by the Textile City and Garment City are being addressed through partnership between the stakeholders, Government of Pakistan and Government of Sindh. The government also

cleared the legal issues pertaining to allotment of land to National Industrial Park company in Korangi and a partnership agreement was signed by the Chief Secretary Sindh and the Secretary Ministry of Industries Government of Pakistan.

The large scale manufacturing sector of Sindh has been affected adversely by the current world economic situation and has suffered substantial losses except the cement industry. Besides the effects of world economy, the local shortage of electricity and gas has also affected the performance of the manufacturing sector. The production of automobile has reduced by 29.72% , paints 15.44%, petroleum products 13.71%, Deep Freezers 17.67%, Sugar 37.14%, Vegetable Ghee 8.54%, Tea 2.66%, Cigarettes 32.62%, Cotton Yarn 7% , Jute Textile 91.42%, Upper Leather 8.04%, Urea 5.53%, T.V. Sets 28.39%, Air- conditioners 60.02%, Refrigerators 9.83%, Fans 7.08% and Lamps by 47.42% as compared to the last year. However, the negative impact of the industrial sector losses was overcome to some extent by good performance of agriculture sector where major cash crops like wheat, rice, cotton have shown better performance, however, sugarcane crop suffered losses during the year under review. Government of Sindh has tasked the Sindh Board of Investment to facilitate the manufacturing sector and also propose policy actions in support of the Industrial Sector.

Release of funds from Federal Government to the federal schemes being implemented through Sindh Government remained Rs. 9.7 billions till June, 2009 against the original allocation of Rs. 18 billions which was revised downwards to Rs. 14 billions. However such matter was brought in notice of Federal Government and it is expected that Sindh would be provided adequate funding for next year.

The utilization against the allocated Provincial ADP funds was satisfactory as against 55 billion for provincial schemes 54.8 billion were drawn while districts received all the allocated 12 billion rupees. The utilization in early months was slow but later on improved. However overall performance of production departments in terms of utilization of allocated resources remained less than satisfactory to large extent, however, the road sector and PP&H sector which are concerned with brick and mortar performed satisfactorily in terms of utilization of funds. The utilization of funds was also affected by the fact that 52 percent of the ADP schemes were new while only 48 percent were on-going.

In agriculture sector against an allocation of Rs. 2292 million, the department surrendered Rs. 665 million. It is however, anticipated that department may utilize Rs. 1057 million by the end of year. Major scheme of Drip Irrigation System could not be implemented due to problems related to the actual cost of facility. The flagship scheme of National Programme for Improvement of Water Courses suffered set back due to lack of funds transfer from the Ministry of Agriculture. Also utilisation remained low due to transfer of some schemes to Sindh Development Fund.

The allocation to Livestock & Fisheries Sector amounting to Rs. 2405 million was again not utilized timely and by the June 2009 only an amount of Rs. 1750 million is expected to be utilized. The department has taken a major initiative of establishment of Sindh Dairy and Meat Development Company and an amount of Rs. 930 million has been transferred to the account of company which would have directors from public and private sectors. However over all fund utilisation remained low.

In Industries Sector against the allocation of Rs. 1129 million, the department surrendered the substantial funds as such the revised allocation came down to Rs. 738 million out of which Rs. 593 million were released. It is expected that Rs. 738 million would be utilized by end of June 2009. The department has initiated a major scheme of construction of pipeline from Keenjhar to Nooriabad, but failed to utilize Rs. 500 million provided for establishment and development of private management companies in Sukkur and Kotri which was a major reform initiative of government to improve the service delivery to industrial estates.

Availability of irrigation and drinking water continues to be a serious issue in Sindh. An amount of Rs. 3400 million was allocated for irrigation and power sector against which an amount of Rs. 3225 million is expected to be utilized by June 2009. The department need to focus more on improving the maintenance of existing main canals, distributaries and minors and it may restrict expenditures on retaining walls and other structures which are not leading to improvement of delivery system. The progress of world bank assisted water sector improvement project was not satisfactory mostly due to delays in recruitment reflected matters.

Education and health are the priority Sectors of government. Rs. 4700 million were allocated during 2008-09 for the Education Sector but additional funding was provided to department and revised allocation came to Rs. 5586 million. The department initiated a major scheme of establishment of private schools in rural areas and urban slums under which fees of the students is being paid by the government while infrastructure and teachers are provided by the private sector. The department has also signed major reform agreement with World Bank as such the total construction, repair and rehabilitation schemes pertaining to primary, middle and secondary schools are being rationalized and duplication of resources has been avoided. A scheme of a Cadet College for girls in Benazirabad was initiated and funds for purchase of land were provided. The two other important schemes initiated by the department pertain to higher education namely establishment of engineering college at Khairpur through Mehran Engineering University and establishment of engineering college at Larkana under Quaid-e-Awam University, while efforts are made to involve private sector for establishment of business college at Dadu and college for Fine Arts at Sukkur. The funds provided for special education including grant to private institutions of special education were not utilized adequately. The department was also not able to show any progress in improving and capacity building of madersa schools which was a very important reform programme of the government.

In Health Sector an amount of Rs. 2977.936 million was originally allocated while later on during the course of year further funds were also made available and the revised allocation of Health Section came to Rs. 5005 million. The major initiatives taken by the department include Establishment of Bone Marrow Transplantation Unit in SIUT Karachi (Rs. 692 million), Establishment of SIUT Sukkur Chapter (Rs. 552 million), CM initiative for prevention and control of Hepatitis in Sindh (Rs. 2704.651 million) and up gradation and strengthening of 4 District Hospitals and 3 Taluka Hospitals into District Headquarter Hospitals (DHQs). The department was however, not able to execute an important scheme of Health Insurance for Poor with the result that the matter has been taken up with the competent authority to transfer the scheme to Finance Department which already has experience of arranging health insurance to the secretariat employees. The progress of Peoples Primary Health Care Initiative

(PPHI) continues to improve and now it is expanded to 526 Basic Health Units, 26 Maternity Homes and 322 Dispensaries. Government has also decided to provide resources for appointment of Lady Doctors in each Basic Health Unit. The programme has been expanded from 10 districts to 17 districts to provide the better quality of health services to people.

The development of Thar Coal is the priority of government for which adequate funding was made available to Mines & Mineral Development Department. However, against an allocated amount of Rs. 1581 million the substantial amount was surrendered and the revised allocations came to Rs. 831 million which are expected to be utilized by end of June 2009. With the signing of technical assistance with World Bank on development of Thar Coal, the department would be getting experts' assistance to expedite the process of exploitation of huge energy resources in Thar. To facilitate timely decisions by Federal & Provincial authorities Thar Coal Energy Board (TCEB) under Chief Minister Sindh has been established. This has generated a serious interest in local and foreign investors. The Government of Sindh is in serious consultation with Engro Group for undertaking a joint venture company for development of Coal Mines in Thar.

In Physical Planning and Housing Sector Rs. 1266 million were provided originally which was revised to Rs. 1132 million. It is however, expected that Rs. 925 million would be utilized by the end of the financial year. The scheme of construction of accommodation for officers in Islamabad continued to be a problematic scheme and department need to give due attention for completion of this scheme. The other two major schemes, which need attention, are construction of Sindh Assembly Building and New Sindh Secretariat while construction of Banquet Hall in Chief Minister House Karachi and construction of flats at Bath Island Clifton for senior government employees and judges also remained uncompleted. There is a need that the department may prioritize the schemes so that schemes of important and immediate nature may be completed on a faster track. The schemes of public parks at Boat Basin Karachi with a cost of Rs.877 million and Garhi Khuda Bux Bhutto costing Rs. 432 million were initiated which need to be completed in time.

Providing clean drinking water and sewerage system to the general public is basic duty of government. An allocation of Rs. 2370 million was initially provided which was later on increased upwards to Rs. 2758 million. It is expected that Rs. 2740 million would be utilized by end of June 2009. The issue of Operation and Maintenance of completed schemes continues to be a serious problem and currently 492 water supply schemes and 426 drainage schemes, which were constructed with huge public investments, are non-operational. The department was advised to get these schemes operated through out-sourcing but so far no solution of this problem has been made. Department need to focus more on this important issue. The scheme of Clean Drinking Water For All (CDWA) remained a very unsuccessful scheme and there were several complaints regarding quality control and contract implementation.

Transport and Communication sector was provided allocation of Rs. 9000 million but was revised upward to Rs. 11421 million out of which 34% was for construction, 22% for improvement and 23.9% for general schemes. The department would complete 1299 kms of new construction roads, 624 kms against improvement schemes and 9 bridges. The current throw-forward of the sector is

around Rs. 50 billion with the result that a thin spread of resources is being made causing delay in completion of the schemes. The department must prioritize the schemes and adequate funds may be directed to complete the prioritized schemes at fast track.

In Science and Information Technology Rs. 860 million were allocated but the allocation was reduced to Rs. 498 million as the department surrendered the remaining funds. The department need more human resources to improve the process of execution of on-going development schemes and to conceive new projects. An important scheme of E-Policing, which is under execution but implementation, continues to be slow. The IT Department even could not implement an important scheme of provision of computers to Colleges, Secondary and Higher Secondary Schools with the result that the entire allocated fund to the tune of Rs. 100 million were not utilized.

Other major initiatives of the government including computerization of revenue record, undertaking Multiple Indicators Cluster Survey (MICS) Phase-II, establishment of Sindh Data Centre and Urban Development Centre could not be completed nor any progress could be made on reforming agriculture markets, Sindh Seed Development Corporation and Industrial Estates in Sindh. The scheme of third party monitoring of the projects also could not progress due to issues pertaining to recruitment of contract staff. There was also a provision for feasibility reports / impact assessment and studies for the departments to benefit but the facility was not adequately availed. The process of providing electricity in villages was also slow due to the fact that the implementing agencies were not able to complete the on-going activities particularly the process in providing electricity to villages surrounding Karachi which was very slow. In case of provision of Sui Gas to villages, again due to inadequate capacity within the implementing agencies, the facility was not properly utilized and a major chunk of resources still remained un-utilized. However approval of the Sindh Public Procurement Law was a substantial advancement for transparency based Procurement in Sindh.

The performance of several departments and agencies was adversely affected due to the delays caused in processing and approval of the schemes and release of funds by concerned agencies, which continues to be a very grey area and government, must come out with a reform to ease the process of approval and release of funds. The throw forward of Rs. 233.869 billions continued to be a serious issue and can only be handled if the executing agencies prioritize their portfolio, give priority to on-going schemes and restrict inclusion of new schemes. The thin spread of schemes is a serious issue, which is eroding value of money being spent on schemes, due to inadequate funding. Delays in timely recruitment of staff particularly for donor supported projects / programmes is a serious issue which has to be resolved to ensure smooth execution of local and foreign projects and programmes.

Taking into account the whole picture the interventions taken by the Government in several sectors for poverty reduction and economic growth during last year were unprecedented in the recent history of the province. What is now needed is to improve the governance and pay attention to consolidate the new interventions so that better quality of services to poor and marginalized segments of society be ensured in days to come.