

Draft

GOVERNMENT OF SINDH
A REVIEW OF PUBLIC ENTERPRISES

Draft Report
September 2008

TABLE OF CONTENTS

I.	INTRODUCTION	1
II.	PUBLIC ENTERPRISES OF GoS	1
A.	Sindh Industrial Trading Estates.....	1
1.	Background.....	1
2.	Objectives	1
3.	Governance Arrangements	2
4.	Performance	2
B.	Sindh Small Industries Corporation	5
1.	Background.....	6
2.	Objectives	6
3.	Governance Arrangements	6
4.	Performance	6
C.	Sindh Government Press	10
1.	Background.....	10
2.	Objectives	11
3.	Governance Arrangements	11
4.	Performance	11
D.	Sindh Seed Corporation	13
1.	Background.....	13
2.	Objectives	13
3.	Governance Arrangements	13
4.	Performance	14
E.	Agro Export Processing Zones.....	15
1.	Background.....	15
2.	Objectives	15
3.	Governance Arrangements	16
4.	Performance	16
F.	Agriculture Market Committees	18
1.	Background.....	18
2.	Objectives	18
3.	Governance Arrangements	19
4.	Performance	19
G.	Karachi Fisheries Harbour Authority.....	22
1.	Background.....	22
2.	Objectives	22
3.	Governance Arrangements	22
4.	Performance	23
H.	Sindh Tourism Development Corporation.....	24
1.	Background.....	24
2.	Objectives	24
3.	Governance Arrangements	24
4.	Performance	25
III.	OBSERVATIONS AND CONCLUSIONS	26

Annex 1 List of Public enterprises of GoS

29

I. INTRODUCTION

1. The Government of Sindh (GoS) owns a number of Public enterprises (PEs). These cover a wide range of services from Universities to development authorities and from industrial estates to research institutes. A list of public enterprises is attached as Annex 1¹. Currently most of these are predominantly dependent on the GoS for their revenue budget and fully dependent on the GoS for their development budgets. The public enterprises of agriculture, livestock, industries and tourism sectors have been reviewed in this report. This objective of the review is obtain comprehensive information on the PEs, and assist the GoS making an informed decision in improving the performance of the PEs including utilizing private sector expertise and managerial practices in public sector establishments by way of Public Private Partnerships (or privatization) and turning these into efficient enterprises which can act as engines of economic growth.

II. PUBLIC ENTERPRISES OF GOS

This section describes the performance of a number of PEs.

A. Sindh Industrial Trading Estates

Name of Organization	Sindh Industrial Trading Estates (Guarantee) Ltd.
Controlling Department	Industries Department
Chief Executive	Ms. Lubna Salahuddin, M.D.
Address	Sindh Industrial Technical Estates Limited, Manghopir Road, Karachi
Phone	021-2561214 and 021-2561215
Legal Status	Company Limited by Guarantee
Incorporated/ Created in :	1947

1. Background

2. The Sindh Industrial Trading Estates (Guarantee) Limited was incorporated in 1947 as a company limited by guarantee under the Companies Act 1913 to encourage industrialization in the newly independent Country and to provide facilities for setting up industries in the province of Sindh. To promote industrial development, the first industrial estate was set up at Karachi which now has more than 2,000 industrial plots housing different industrial and commercial enterprises.

2. Objectives

3. SITE Ltd is mandated to set up industrial estates on land allotted by the GoS in various parts of the province. After developing the infrastructure of industrial estates, plots of varying sizes are allotted for setting up industries. SITE Ltd continues to manage these industrial estates and collect maintenance and other charges from allottees of the plots.

¹ This is not a comprehensive list as universities, hospitals, etc are included.

3. Governance Arrangements

4. SITE is governed by a 15 member Board of Directors, with eight directors representing the government and seven representing the SITE Tenants. The tenant directors are not elected by the 2000 or so tenants but are elected by the General Body of SITE which is dominated by the public sector. The general body has 60 members - 35 representing the government while 25 represent tenants/ industrialists but they too are nominated by the Government.

5. For an public enterprise to benefit from its autonomous status by functioning outside the normal bureaucratic way there needs to be a mix of public/ private directors with private sector representatives having a majority. There should be a transparent system of electing private sector directors with all private enterprises in SITEs having a voting right to elect tenant directors of their choice, i.e. one vote per industrial/ commercial unit – only then can the private sector directors act independently and SITE may function as an efficient organization.

6. The MD and Secretary of SITE are appointed by the GoS. There is a rapid turnover of persons posted as managing director without allowing them to serve for a reasonable length of time e.g. during the last six months, four managing directors have been posted at SITE.

7. The Board of Directors meets fairly regularly, however, the Annual General Meetings of the Company are not held within the time prescribed under the Companies Ordinance. In the AGM held in January 2008, it was decided that in future annual meetings will be held regularly.

8. Audit for FY2002, FY2003 and FY2004 was completed by the Chartered Accountants in 2007 and audited accounts for these three years were approved in an Annual General Meeting held in January 2008. Annual audit is required to be completed and AGM of the company held within four months of the completion of a financial year. Auditors for FY2005 to FY2007 were appointed in the AGM held in January 2008 and audits for these years have not been completed/ or audit reports not received till August 2008.

4. Performance

a. Physical Performance

9. Eight industrial estates have been setup by SITE Ltd. The following Table summarizes the total area of each estate, the number of planned plots and allotted plots, as well as, functioning and sick units at each industrial estate.

	SITEs (Position of June 2008)	Established in	Total Area (Acres)	Planned Plots	Allotted Plots	Functioning Units	Sick Units
1	SITE Karachi	1947	4,460	1,956	1,956	2,411	108
2	SITE Super Highway I and II	1983	1,029	280	198	151	13
3	SITE Nooriabad	1983	3,342	1,150	522	75	34
4	SITE Kotri	1962	1,875	179	179	105	34
5	SITE Hyderabad	1950	1,264	389	389	360	40
6	SITE Tando Adam	1952	150	48	48	25	25
7	SITE Sukkur	1963	1,060	223	223	60	41
8	SITE Nawabshah	1986	239	12	12	1	

SITEs (Position of June 2008)	Established in	Total Area (Acres)	Planned Plots	Allotted Plots	Functioning Units	Sick Units
Total		13,419	4,237	3,527	3,188	295

10. SITE Ltd develops the land and infrastructure services through projects included in GoS PSDP and then allot the plots to industrialists. To encourage industrialization, plots are given on a no-profit no-loss basis. However, because the PC-1 for development projects keeps on being revised upward, it is not clear how this enhanced cost can be reflected in the pre-decided unit rate of industrial plots. E.g. more than half of the industrial plots at Nooriabad have been allotted but now there is a major public sector project of PRs750 millions for bringing water from Keenjhar Lake to SITE Nooribad. As this did not figure in the cost at which the plots were allotted, so obviously this will not be recovered from the industrialists who have already been allotted plots.

11. SITE Ltd has the responsibility of providing and managing municipal services in the industrial estates. These services include roads, street lights, water supply, sewerage, drainage, garbage disposal, waste water treatment, etc. Currently these services are in a bad shape, the user charges are insufficient to meet the service cost and the tenants are not satisfied with the service delivery.

12. The main industrial estate at Karachi as well as the other estates are poorly managed and have financial problems. Municipal services are allowed to deteriorate and then new schemes from the PSDP are prepared for providing these services, and this cycle continues. Rate of user charges are insufficient to perform these municipal functions. There is partial cost recovery i.e. subsidized service delivery by the public sector or the public sector is subsidizing the for-profit private sector.

b. Financial Performance

13. The summarized budgets of SITE Ltd (in million PRs) from FY2007 to FY2009 are shown in the following Table.

Financial Year ended 30th June	2007	2008	2009
Own Source Revenues	1,376.644	837.248	855.690
Total Receipts	1,376.644	837.248	855.690
Salary Expenditure	170.027	218.151	234.990
Non-Salary Expenditure	498.994	403.616	503.546
Development Expenditure	913.976	725.114	464.510
Total Expenditure	1,582.997	1,346.881	1,203.046
Surplus/ (Deficit) for the Year	(206.353)	(509.633)	(347.356)

14. Against the expected revenues of PRs1,377 million and PRs837 million in FY2007 and FY2008, the actual revenues were only PRs600 million and PRs697 million. The deficits were met by cutting down on development (as well as maintenance) expenditure by 66% in FY2007 and by 50% in FY2008 as well as by utilizing the large cash balances available with the Company.

15. SITE Ltd is dependent on the GoS for development (including major maintenance) of its industrial estates. The PSDP of GoS includes the following allocations for different projects relating to industrial estates being developed/ maintained by SITE Ltd: FY2006 PRs200 million, FY2007 PRs271 million, FY2008 PRs151 million and FY2009 PRs862 million. Being GoS development expenditures met from PSDP, these expenditures are obviously not reflected in SITE Ltd accounts while on allotment of plots, the recovery of allotment and all other charges are credited to the funds of the Company.

16. SITE Ltd has 1,300 employees with 106 in BS16 and above.

17. In their draft audit reports, the Auditors conveyed important observations in the initialed draft accounts, and requested the Company to clarify or confirm these observations, so that signed audited accounts and reports may be issued. The Annual General Meeting held in January 2008 approved these accounts without clarifying the important observations of the Auditors. These observations by the auditors highlight very important issues on various aspects of financial management of the company. The audited financial statements for FY2003 had the following important observations:

- (a) Disclosure requirements as required under the International Accounting Standards (IAS) for Companies are not being complied with.
- (b) Financial Statements do not recognize the financial impact of Board of Directors decision for allowing entitlement to SITE employees to Sindh Government's Pension Rules in lieu of gratuity and Company's contribution towards Provident Fund. This decision was taken by the Board of Directors on May 7, 1987. The Auditors have recommended that recognition of full liability for Pension should be made, based on actuarial computation.
- (c) The accounting records of Staff Provident Fund were not reconciled. Though required under the Law, the Company has not been depositing the provident fund deductions within 15 days. Interest has not been provided on outstanding amounts payable to the Staff Provident Fund.
- (d) Provision for Gratuity was PRs101 million till FY2003. IAS 19 which requires actuarial valuation for recognition and measurement of defined employee benefit plan has not been complied with.
- (e) The Sundry Creditors of PRs52.325 million till FY2003 could not be confirmed in the absence of confirmation certificates.
- (f) In the absence of party-wise breakup of advance rent received by the Company, the liability of PRs15.983 million till FY2003 could not be verified.
- (g) Fixed Assets Register has not been maintained by the Company.
- (h) Though the Company owns land of SITE Nawabshah, the allotments are being made by Board of Investment (BOI) on behalf of Special Industrialized Zone. The issues relating to management and development of industrial estate are pending between Federal Government (BOI), GoS and the Company.
- (i) There is no proper policy for recording of stores purchases, valuation of issues and monthly reconciliation of stores control account with the detailed itemized stores register.
- (j) In the absence of party-wise confirmation from the debtors, Sundry Debtors of PRs240 million till FY2003 could not be verified.
- (k) Of the total of PRs240 million receivable from Sundry Debtors, (a) there has been no movement in balances of PRs78.890 million; and (b) balances have increased but there have been no recoveries from debtors with balances of PRs75.693 million.
- (l) As there have been no movement/ no recovery in about 60% of the total sundry debtors of PRs.240 million, the auditors could not confirm that the general provision of 5% of total debts (i.e.PRs12.63 million) will be adequate to cover the loss that may arise due to non-recovery from these sundry debtors.
- (m) PRs61 million being advances for works and supplies could not be confirmed in the absence of confirmation certificates.

- (n) Of the total of PRs12 million receivable from employees, (a) PRs0.153 million is due from those employees who are no longer employed by the Company; and (b) balances of PRs8.5 million have remained unchanged although these are due from staff which is in employment of the company on the date of the balance sheet.
- (o) Due to unavailability of allotment register, completeness of billing on the basis of plots allotted (against which the Company received rental income of PRs26.5 million) could not be confirmed.
- (p) The present accounting system recognizes revenue from premium on sale of plots on cash basis. There is no prescribed procedure regarding accounting for amounts received for allotment of land. As a result assets and liabilities are not being recognized on a timely basis and in a consistent manner.
- (q) Accounting record for staff provident fund has not been properly maintained as required under the Companies Ordinance, 1984. In the absence of such record it cannot be ascertained as to how much is due to each employee and what are the assts and liabilities of the Fund.
- (r) Information regarding gratuity payable is maintained in the form of annual statements. This is not desirable as loose pages do not constitute proper record.
- (s) The present accounting system does not recognize (a) Liabilities for invoices received but not paid; and (b) Liability for expenditure incurred but not invoiced.
- (t) Presently funds are being accumulated and there is no prescribed procedure for their investment. The auditors recommended that system of fund management should be introduced so that funds generated are invested on timely basis with maximum rate of return. (On 30.6.2003 the Company had cash and bank balances of PRs1,051 million of which PRs356 million were in current accounts and PRs694 million in PLS Term Deposit Accounts).
- (u) The auditors recommended that a comprehensive accounting manual should be developed and implemented at all locations to ensure that accounting records are maintained in a consistent and proper manner.
- (v) The books of accounts for FY2003 were not balanced and difference of PRs1.159 million remained un-reconciled.

B. Sindh Small Industries Corporation

Name of Organization	Sindh Small Industries Corporation
Controlling Department	Industries Department
Chief Executive	Mr. Mohammad Abid Khan, Managing Director
Address	A.M.310, Preedy Street, Saddar, Karachi
Phone	021-9215071 and 021-9215288
Fax:	021-9215590
Legal Status	Corporation created under the Sindh Small Industries Act (Act XXVI of 1972) after dissolution of West Pakistan Small Industries Corporation.
Incorporated/ Created in	1972

1. Background

18. After the dissolution of one unit and re-creation of the province of Sindh, the West Pakistan Small Industries Corporation was also split up and individual corporations were formed in each province. SSIC was formed under an Act in 1972 and inherited two small industries estates at Sukkur and Larkana.

2. Objectives

19. SSIC was created to promote small and cottage industry as well as handicrafts in the province of Sindh. It was mandated to set up Small Industries Estates on land allotted by the GoS in various parts of the province. After development of SIEs, the plots are allotted for setting up of small industries and SSIC continue to manage the SIEs and collect maintenance charges from allottees of the plots.

3. Governance Arrangements

20. The Board of Directors of Sindh Small Industries Corporation is chaired by the Minister of Industries. Secretaries of Finance, Industries and P&DD as well as the Managing Director of SSIC are on the Board of Directors representing Government. The private sector directors include President of Chambers of Commerce and Industries of Hyderabad, Sukkur, Larkana and Mirpur Khas; representatives of SMEDA, EPB, IDBP, APWA, and President of Small Industries Association.

21. Audit by Chartered Accountants was discontinued about fifteen years ago to "avoid this unnecessary expenditure". Presently the audit is conducted by the Director (Commercial Audit). Audit has been completed till FY2005, however, a copy of the report was not available.

4. Performance

a. Physical Performance

22. SSIC has eighteen industrial estates and 2 industrial parks. Detail of Small Industries Estates and Industrial Parks set up by the SSIC are shown in the Table on the next page. Of these, 116 are sick units almost half of these sick units (53 units) are at Sukkur which is the oldest SIE.

23. The 880 plots at SIE on Northern Bypass Karachi have been allotted recently in 2008.

SMALL INDUSTRIES ESTATES AND INDUSTRIAL PARKS OF THE SSIC

	SMALL INDUSTRIES ESTATES (Position as of June 2008)	Established in FY	Area (in Acres)	Developed Plots (Nos.)	Plots Allotted (Nos.)	Plots Utilized (Nos.)	Plots under implementation (Nos.)	Plots Un-utilized (Nos.)	Case being processed (Nos.)	Plots Available (Nos.)
1	SIE Northern Bypass, Karachi	2003	100.00	882	882	0	0	882	0	0
2	SIE Thatta	1987	50.00	99	99	14	6	79	0	0
3	SIE Hyderabad	1986	50.00	131	131	112	14	5	0	0
4	SIE Hyderabad - extension (figures included above)									
5	SIE Dadu	1983	10.24	45	38	14	12	12	6	1
6	SIE Badin	1986	30.20	111	43	17	0	26	3	65
7	SIE Hala	1997	51.13	104	6	1	0	5	2	96
8	SIE Mirpurkhas	1986	51.21	198	198	54	34	110	0	0
9	SIE Sanghar	1987	50.00	106	36	21	5	10	0	70
10	SIE Tando Adam	1993	13.50	77	76	38	25	13	1	0
11	SIE Sukkur	1964	110.05	306	304	272	15	17	0	2
12	SIE Sukkur - extension (figures included above)									
13	SIE Nawabshah	1986	50.00	95	41	7	0	34	52	2
14	SIE Gambat	1992	15.00	52	50	5	4	41	2	0
15	SIE Rohri	1994	46.39	113	22	5	0	17	64	27
16	SIE Larkana	1965	59.05	313	313	291	16	6	0	0
17	SIE Shikarpur	1985	36.00	129	124	75	12	37	0	5
18	SIE Khandkot	1985	14.32	47	47	21	4	22	0	0
	INDUSTRIAL PARKS									
1	Industrial Park, Karachi	2002	4.68	33	28	18	7	3	0	5
2	Industrial Park, Sehwan	1975	5.00	44	43	18	18	7	1	0
2	Industrial Park, Mirpur Khas	1976	5.00	32	32	21	2	9	0	0
	Total of SIE and Industrial Parks		751.77	2,917	2,513	1,004	174	1,335	131	273
	Number of Units on above Plots				1,799	485	117	1,196		

24. In addition to Small Industries Estates, SSIC has a number of offices, shops and training centres in Sindh.

- (a) Offices of SSIC include:
 - (i) Head Office, Karachi
 - (ii) Engineering Cell, Karachi
 - (iii) Regional Office Karachi
 - (iv) Regional Office, Hyderabad
 - (v) Regional Office, Sukkur
 - (vi) Regional Office, Larkana
 - (vii) District Office Matiyari
 - (viii) District Office Mithi
 - (ix) District Office Khairpur
 - (x) District Office Noushero Feroze
 - (xi) District Office Ghotki
- (b) SSIC has handicraft shops at the following locations
 - (i) Handicrafts Shop, PIDC House, Karachi
 - (ii) Handicrafts Shop, Airport, Karachi
 - (iii) Handicrafts Shop, Bhit Shah
 - (iv) Handicrafts Shop, Moenjodaro
- (c) SSIC has the following training centres:
 - (i) Auto Diesel Training Centre, Karachi
 - (ii) Carpet Centre, Nasarpur
 - (iii) Carpet Training Centre, Nasarpur
 - (iv) RG Training Centre, Khairpur
 - (v) Handicraft Development Centre, Kashmore
 - (vi) RG Training Centre, Jacobabad
 - (vii) RG Training Centre, Larkana
 - (viii) RG Training Centre, Naudero
 - (ix) Embroidery Training Centre, Ratodero
 - (x) Carpet Centre, Khanpur.

25. SSIC develops the land and infrastructure services through projects included in GoS PSDP and then allot the plots for setting up small industries. To encourage industrialization, plots are given on a no-profit no-loss basis. However, because the PC-1 for development projects keeps on being revised upward, this enhanced cost does not figure in the pre-decided unit rate of plots. A departure from the past practice has been made by auctioning 23 plots in industrial Park at Karachi which have fetched much higher rates as compared to the reserve prices.

26. SSIC Ltd has the responsibility of providing and managing municipal services in the small industries estates. These services include roads, street lights, water supply, sewerage, drainage, garbage disposal, waste water treatment, etc. Currently

these services are in a bad shape as the annual user charges (collected @ PRs2.50 per square yard at other estates and PRs5 per square yard at Karachi) are insufficient to meet the service delivery cost.

27. The small industries estates are poorly managed and have financial problems. Municipal services are allowed to deteriorate and then new schemes from the PSDP are prepared for providing these services, and this cycle continues. Rate of user charges are insufficient to provide these municipal services. There is partial cost recovery i.e. subsidized service delivery by the public sector or the public sector is subsidizing the for-profit private sector.

b. Financial Performance

28. The summarized budgets of SSIC (in million PRs) from FY2007 to FY2009 are shown in the following Table.

Financial Year ended 30th June	2007	2008	2009
Government Grant	36.000	36.000	5.000
Own Source Revenues	64.500	77.075	104.000
Total Receipts	100.500	113.075	109.000
Salary Expenditure	65.623	72.367	91.656
Non-Salary Expenditure	34.225	39.979	48.034
Development Expenditure	-	-	-
Total Expenditure	99.848	112.346	139.690
Surplus/ (Deficit) for the Year	0.653	0.729	(30.690)

29. SSIC continues receiving a grant-in-aid from the non-development budget of the GoS. This amount remained fixed at PRs36 million for many years but was reduced to PRs18 million in the revised budget for FY2008 and further reduced to only PRs5 million in the approved GoS budget for FY2009.

30. Against the OSR of PRs64 million and PRs77 million in FY2007 and FY2008 respectively, SSIC could collect PRs57 million and PRs60 million only. Against expected break-even for FY2008 SSIC had a deficit of PRs31 million.

31. SSIC is dependent on the GoS for development (including major maintenance) of the small industries estates. The PSDP of GoS includes the following allocations for different projects relating to small industries estates being developed/ maintained by SSIC: FY2006 PRs252 million, FY2007 PRs251 million, FY2008 PRs71 million and FY2009 PRs268 million. Being GoS development expenditures met from PSDP, these expenditures are obviously not reflected in SSIC accounts while on allotment of plots, the recovery of allotment and all other charges are credited to the funds of SSIC.

32. SSIC has 424 employees with 91 employees in BS16 and above.

33. Being a public sector corporation, SSIC has to meet the disclosure requirements as prescribed under the International Public Sector Accounting Standards (IPSAS). Presently disclosure requirements as required under the IPSAS are not being complied with by the SSIC.

34. All recoveries such as Price of land, development charges, maintenance and other charges are shown as income from SIE/ Industrial Parks in the budget of SSIC. SSIC does not present region-wise; Industrial estate wise or itemized revenue sources in the annual budgets presented before the Board of Directors for approval.

35. The present accounting system recognizes all revenues on cash basis. As a result assets (such as cost of land receivable, annual maintenance charges and other receivable amounts are not shown. Due to this the total amount of Debtors is not apparent and there is no provision for bad and doubtful debts.

36. Gratuity and Provident Fund are being provided as employee benefits. SSIC does not show a separate provision for Gratuity and Provident Fund Account.

37. The present accounting system does not recognize (a) Liabilities for invoices received but not paid; and (b) Liability for expenditure incurred but not invoiced. Therefore, there can be no provision for any liabilities that may be payable.

38. To improve the investment climate, low interest bearing loans (7% for industries set up in industrial estates and 11% outside these estates) were provided to some small industries in earlier years. Many of the debtors are not returning these loans on interest on loans in time. About 150 cases are pending in the Courts for recovery. During FY2003 to FY2008 only 50% of the budgeted PRs50 million receivable from this source could be recovered. The total amount of outstanding loans and interest is not known.

39. SSIC shows only the Non-development Grant received from the Government. The amount of Development Budget or the asset created against this is not being recognized under the present budgeting or accounting system of SSIC.

40. PRs5 per sq yard per annum at Karachi and Prs2.5 per sq yard at other estates is being charged for maintenance of the estates. This was fixed in 1985 and is obviously insufficient to meet the O&M expenditure.

41. Instead of the previous practice of allotting at a fixed rate, 23 plots of the Industrial Park set up at Karachi were auctioned and fetched around PRs5,000 per square yard compared to the reserve price of PRs1,500 per square yard. This is a step in the right direction because instead of fixing the price on no-profit no-loss basis which is generally much lower as compared to the market price, here the market forces have been allowed to determine the appropriate price of land.

C. Sindh Government Press

Name of Organization	Sindh Government Press.
Controlling Department	Industries Department
Chief Executive	Mr. Firoz Akhtar Khan, Controller
Address	Sindh Government Press, Abdullah Haroon Road, Karachi
Phone	021-9206341
Fax:	021-9206340
Legal Status	This is an attached department of the Industries Department (formerly there was a separate Printing and Stationery Department)
Incorporated/ Created in	1847

1. Background

42. The Sindh Government Press was set up in 1847. It is an attached department of the Industries Department though some years ago it functioned as an independent Printing and Stationery Department. This is not an public enterprise as such but has been discussed here as it is involved in a commercial activity which is generally being provided by the private sector.

2. Objectives

43. The department is responsible for (i) Printing of all types (including confidential and secret jobs) for all departments and offices of the GoS; (ii) printing of weekly gazette; and (ii) Supply of all types of stationery.

3. Governance Arrangements

44. This is an attached department functioning under the control of Industries Department and is managed by the Controller of Government Press. The government financial and other procedures are applicable with the current budget being a part of the GoS budget while the attached department has three Drawing and Disbursing Officers.

45. Following are the subordinate offices of this attached department: (i) Sindh Government Press, Karachi; (ii) Sindh Government Press, Khairpur; (iii) Provincial Stationery Office, Karachi; (iv) Stationery and Form Office, Hyderabad; and (v) Printing Press at Hyderabad.

46. Audit is being conducted by the DG (Commercial Audit) and has been completed till FY2007 and audit report has been received.

4. Performance

a. Physical Performance

47. The department is responsible for (i) Printing of all types for all departments and offices of the GoS (about 4,000 types of forms and registers for about 4,500 offices of the GoS; and (ii) Supply of all types of stationery. A number of confidential and secret jobs are entrusted to the SGP by different offices. It is responsible for printing of weekly gazettes and government publications as well as the voluminous annual budget of the government. The SGP also keeps safely the old historical and other important record (which has not been shifted to archives department) of the former Bombay and Sindh Government.

48. Printing Press at Hyderabad: The setting up of a Printing Press at Hyderabad was decided in 1994, construction of building was started and five printing machines were imported. Later it was decided to sell the land and building which is now with the Privatization Commission since 2002. The Privatization Commission advertised for privatization and called for bids but these were insufficient compared to the reserve price. The printing machinery (5 imported offset printing machines) bought for Hyderabad in 1995 is being installed in Karachi.

49. Stationery and Forms Office at Hyderabad: The department owns a stationery and forms office at the Civic Centre Hyderabad measuring 15,000 sft. This is not in operation as the Printing Press at Hyderabad is being privatized. Decision needs to be taken for privatizing this property is a prime location.

50. Printing from the market: Any office of GoS can get printing done from the market in case the SGP cannot do the job and issue an NOC. However, "The department has received a number of requests for issuance of NOC, but no NOC was issued to anyone inspite of meager financial resources and very old printing machines and ultimately the work was done by the SGP" (presentation by SGP dated 15 May 2008)..

b. Financial Performance

51. The summarized budgets of Sindh Government Press (in million PRs) for FY2008 and FY2009 are shown in the following Table.

Financial Year ended 30th June	2008	2009
Government Grant (Balance)	128.503	151.761
Own Source Revenues	45.000	46.000
Total Receipts	173.503	197.761
Salary Expenditure	98.103	123.741
Non-Salary Expenditure	75.400	74.020
Total Expenditure	173.503	197.761
Surplus/ (Deficit) for the Year	-	-

52. There is no surplus/ deficit simple because both receipts and expenditures are a part of the GoS budget i.e. for FY2009, PRs46 million are appearing on the revenue side and PRs198 million on expenditure side, the difference of PRs152 million obviously being met by the GoS.

53. SGP has 771 employees with 19 employees in BS16 and above.

54. Rightsizing: In FY2000 it was decided to right size the SGP and reduce the staff which was 1,154 (including 19 officers) at that time. The present staff in FY2009 is 790 (including 19 officers).

55. Insufficient Budget: The GoS allocates an amount for printing and stationery at the disposal of different departments/ offices and this requirement is to be met from the Sindh Government Press. However, the amounts provided in the budgets of different offices for purchase of stationery and provided in the budget of Printing and Stationery Department for procurement of this stationery is not in the same proportion. e.g. for FY2008, PRs97.3 million has been provided in the budgets of different offices for purchase of stationery but in the Printing and Stationery Department the budget provision is only PRs59.6 million which can barely meet 60% of the requirement.

56. Release of Budget: About 50% of the budget is released in December and the remaining 50% is released even later due to which it is difficult to meet the requirement of the indenters.

57. Recognition of Receivables: The present government accounting system recognizes all revenues on cash basis. As a result assets (such as sundry debtors for different charges and other receivable amounts are not shown. Due to this the total amount of Debtors is not apparent and there is no provision for bad and doubtful debts. "Huge amounts are recoverable from various departments who got the work done on emergency during the last many years and did not bother to pay the dues. The major defaulter is Finance Department who did not produce paid challans for printing of annual Sindh Government Budgets for the last fifteen years for which the Auditors have also raised Audit Para" (presentation by SGP dated 15 May 2008).

58. Recognition of Payables: The present government accounting system does not recognize (a) Liabilities for invoices received but not paid; and (b) Liability for expenditure incurred but not invoiced. Therefore, there is no provision for any liabilities that may be payable. PRs4.6 million are payable to Hyderabad Development Authority for the stationery and forms office at Civic Centre, Hyderabad, on account of extra space as well as additional surcharge till the year FY2007.

D. Sindh Seed Corporation

Name of Organization	Sindh Seed Corporation
Controlling Department	Agriculture Department
Chief Executive	Col. (Retd.) Mohammad Usman, M.D.
Address	Sindh Seed Corporation, Head Office, Hyderabad
Phone	0221-920604
Legal Status	Incorporated through an Act of Parliament "Sindh Seed Corporation Act, 1976"
Incorporated/ Created in :	1976

1. Background

59. Sindh Seed Corporation was created in 1976 to ensure the provision of certified seed to the farmers. Based on the decision of Sindh Cabinet on 16 June 2001, the Board of Governors of SSC suspended operations from 20 September 2001 due to its unsatisfactory performance. A scheme for providing severance package to 85 employees was approved by the PDWP in June 2006. Accordingly PRs52.267 million were paid as golden hand shake.

60. Keeping in view the demand of growers for quality seed, a Committee of Ministers was constituted on 24 February 2004 and on 26 April 2004 the Committee recommended the revival of SSC as a lean and efficient organization with reduction of workforce from 189 to 98. The action plan for revival of the Corporation was approved by the Chief Minister on 1st December 2005.

2. Objectives

61. Sindh Seed Corporation was created to ensure the provision of certified seed to the farmers by (i) purchase of pre-basic seeds from research organizations; (ii) seed multiplication and production of basic seeds on SSC farms; (iii) providing basic seed for multiplication to the private sector seed companies and registered growers, and supervision of their process; (iv) buying back seed from registered growers, processing of seed, certification by the Federal Government and distribution to the farmers.

62. The objectives of SSC according to the Action Plan of 2005 are to: (i) rehabilitate the seed processing plant; (ii) streamline seed multiplication system; (iii) procure, process and market seed to meet requirements of the Province; (iv) multiplication of pre-basic and basic seed for production of basic and certified seed; (v) provide advisory service to the growers; and (vi) provide seed processing facilities to growers at their door steps.

3. Governance Arrangements

63. Board of Governors chaired by the Secretary Agriculture department, GoS. Other members of the Board of Governors include notables of the area and landlords of Sindh. The MD of the Corporation usually stays for less than six months and due to this rapid turnover of the executive head, long term policies are neither prepared nor implemented.

64. Audit is conducted by Government Auditors. Audit has been completed till FY2006 but copy of Report was not available.

4. Performance

a. Physical Performance

65. Facilities of SSC include: (i) Sindh Seed Corporation Head Office at Hyderabad; (ii) Main seed processing plant at Sakrand; (iii) Cotton ginning unit at Tando Jam; Marketing Office at Sukkur, Larkana and Tando Jam.

Farms of SSC

Name of Farm	Total Area (Acres)	Cultivable Area (Acres)	Un-developed (Acres)	Roads, buildings, villages (Acres)
Lodra	2,898	1,716	1,013	169
Ghotki	1,477	1,056	346	75
Setharja	1,041	925	-	116
Pai Sakrand	372	316	-	56
Kotdiji	122	108	5	9
Ruk	112	74	38	-
Lakhi	110	97	8	5
Sangi	100	51	47	2
Total (Acres)	6,232	4,343	1,457	432

66. Machinery and Production Capacity of SSC: The designed capacities of seed plant and ginning factory of SSC are:

- Wheat section at Sakrand 12,000 MT (metric tons);
- Wheat section at Tando Jam 2,000 MT;
- Paddy at Sakrand 1,600 MT;
- Cotton ginning at Sakrand 3,000 MT, and
- Cotton ginning at TandoJam 1,200 MT.
- In addition there are 11 mini seed processing plants having a capacity of 1000 kgs/ hour received from Japan's Government as Grant-aid during 1996-97. Three of these mini seed processing plants are at Sakrand; 2 at Ghotki, 1 at Kotdiji and Setharja farms; 2 are mobile units (installed on trucks), while one each is at Foundation Seed Cell Tandojam and Rice Research Institute, Dokri.

67. Multiplication/ Production Targets and Achievements in FY2008: The actual production in FY2008 compared to targets is as follows (source web-site of GoS)

Seed Multiplication Targets and Achievements

Crop	Target		Achievement	
	Area (Acres)	Yield (Md of 50kg)	Area (Acres)	Yield (Md of 50kg)
Wheat	1,500	52,500	2,630	33,056
Cotton	1,000	18,000	1,271	12,708
Paddy	1,200	57,600	930	24,692
Early Raya	-	-	411	998

b. Financial Performance

68. SSC has not provided an overall Budget and Income & Expenditure Account showing total revenues (Government Grant + Own Source Revenues from farms and seed) and total expenditure. The available statement shows total expenditure and the grant from GoS and with a note that the deficit has been met from income of the farms and marketing of seed. Income of the farms and marketing of seeds are not apparent from the statement.

69. SSC has 98 employees with 34 employees in BS16 and above.

70. Recognition of Receivables: The present government accounting system recognizes all revenues on cash basis. As a result assets (such as sundry debtors and other receivable amounts are not shown. Due to this the total amount of Debtors is not apparent and there is no provision for bad and doubtful debts.

71. Recognition of Payables: The present government accounting system does not recognize (a) Liabilities for invoices received but not paid; and (b) Liability for expenditure incurred but not invoiced. Therefore, there is no provision for any liabilities that may be payable. "Requisition of PRs39.854 million was sent to the Government but only PRs17 million have been released. As such presently there are no funds for salaries of employees and day to day expenses such as POL of vehicles, utility bills, printing and stationery, legal expenses, audit fee, etc."

72. SSC is dependent on the GoS for its development expenditure. The PSDP of GoS includes the following allocations for SSC: FY2006 PRs20 million, FY2007 PRs80 million, FY2008 PRs89 million and FY2009 PRs57 million. Being GoS development expenditures met from PSDP, these expenditures are obviously not reflected in SSC accounts.

E. Agro Export Processing Zones

Name of Organization	Agro Export Processing Zone
Controlling Department	Agriculture Department
Chief Executive	Mr. Mujtaba Husain Mirza, Project Director
Address	A-212, Block 3, Gulshan-e-Iqbal, Karachi
Phone	021-2033773
Legal Status	This will be an Authority under an Act of Parliament
Incorporated/ Created in:	Development phase since FY2003. Act for creating an Authority not passed till now.

1. Background

73. Agro Export Processing Zones are being set up at Karachi and seven other places in Sindh. The scheme is in development phase and an Authority is proposed to be established when the development phase is completed in June 2009.

2. Objectives

74. The objectives of AEPZ are to help realize the full potential of export of vegetables and fruits by providing proper marketing and processing arrangements at the Agro Export Processing Zones. The (proposed) Authority would provide developed plots to the private sector for setting up of cold storages, ice factories, grading, waxing, packaging and processing plants. Generally one-window operations for completing

export formalities will be provided at the Karachi AEPZ which shall have the other seven AEPZs acting as its satellites.

3. Governance Arrangements

75. Activities of Agro Export Processing Zones are being monitored and coordinated by a Committee of 11 members. The DG (Agriculture Extension) Hyderabad is the Chairman of this Committee. Other members include six growers, one exporter, President Chamber of Commerce and Industries of Hyderabad, EDO (Agriculture) of the concerned district), as well as, the Project Director of Agro Export Processing Zones. The Committee was formed to finalize/ monitor and coordinate the allotment of Agro Export Processing Zones in Sindh (July 2006).

76. The proper Governance Structure (Board of Directors, Board of Governors) shall be decided when an Act to create an "Agro Export Processing Zones Authority" is passed by the Provincial Assembly.

4. Performance

a. Physical Performance

77. The AEPZ are being implemented on 120 acres of land as shown in the following Table.

Name of Agro Export Processing Zone and Location	Total Area (Acres)	Remarks
Karachi (On Superhighway - near new fruit and vegetable market)	50	Land provided by BoR
Khairpur (Integrated Service Centre)	10	Land provided by Government
Naushero Feroze	10	Private land purchased
Sakrand, Nawabshah (Research Farm Sakrand)	10	Land provided by Government
Hyderabad (Research Farm Hosri)	10	Land provided by Government
Ghotki (Ruk Farm)	10	10 acres of Sindh Seed corporation transferred to AEPZ
Mirpurkhas (Horticulture Research Institute)	10	Land provided by Government
Badin (Tomato Research Centre)	10	Land provided by Government
Total (Acres)	120	

78. The following Table shows the detail of the 8 AEPZs being implemented in Sindh.

Agro Export Processing Zones

Agro Export Processing Zone	Open Plots	Shops	Cold Storage	Ice Factories	Canteen	Total	Allotment PRs per sq yd	Allotment Position
Karachi	36	30	3	2	2	73	2,726	Completed
Khairpur	9	10	1	-	1	21	528	Completed
Naushero Feroze	11	17	1	-	1	30	601	No response growers/ exporters
Sakrand	9	9	1	-	1	20	697	No response growers/ exporters
Hyderabad	8	6	1	-	1	16	343	Growers quota completed
Ghotki	9	10	1	-	1	21	454	No response growers/ exporters
Mirpurkhas	10	8	1	-	1	20	624	In Progress

Badin	11	10	1	-	1	23	947	In Progress
Total	103	100	10	2	9	224		

79. The plots in AEZ are allotted by an allotment committee according to the following allotment criteria:

- (a) Open Plots: 30% to exporters (of which 50% are existing and 50% new exporters) and 70% to growers.
- (b) Commercial Shops: 30% to traders and 70% to growers.
- (c) Cold Storage: 30% to traders and 70% to growers.
- (d) Ice Factory: 30% to traders and 70% to growers.
- (e) Canteen: 30% to traders and 70% to growers.

80. No response from Growers/ Traders at three AEPZs: The AEPZs are being set up on the assumption that export of agro products will shoot up by improving the marketing systems and infrastructure. The no response from growers/ exporters for AEPZs at Noushero Feroze (20 plots), Sakrand (20 plots) and Ghotki (21 plots) shows that these are not demand-driven and probably the site selection has been made without consultation or obtaining an input from the potential users (growers/ traders) of these facilities. At Hyderabad also, the growers' quota of 12 plots has been allotted but traders have not applied for allotment of their quota of 4 plots.

81. Encroachment at Karachi AEPZ: 50 acres were handed over to Services and Works Department in FY2004 out of which at that time 1.5 acres were encroached upon. This encroachment has increased to 15 acres as Works department has not constructed a boundary wall though repeatedly requested to do so. The case is now sub-judice as the encroachers have filed a suit. The suit has been decided in favour of agricultural department in 2007 by the Civil Judge and in August 2008 by the Additional Distt & Sessions Judge against which another appeal has been filed by the encroachers.

82. Completion of AEPZs: Though implementation of the Project was started in FY2003 yet till now only the allotment process (wherever there has been a response from growers/ traders) has been completed. The basic infrastructure has not been completed and further construction has been stopped after inspection by the Chief Minister's Inspection Team. The deadline for completion of AEPZs has been fixed as June 2009. The allottees have been allowed three years (from FY2007) for setting up their projects. Bye-laws for buildings have been sent to the Government for approval. Obviously most of the allottees will start implementing their projects after the AEPZs are completed and become operational and after they receive the approved bylaws for construction of their buildings. So in all, the process will be completed and hopefully production may start sometime in FY2012 or the project will take about ten years to complete.

b. Financial Performance

83. Development works being implemented since FY2004. Currently AEPZ does not have a non-development budget and Financial Statements (Income and Expenditure Accounts) have not been prepared till now.

84. The accounts of AEPZ have not been audited till now as it is in development phase and does not have a non-development budget.

85. AEPZ are dependent on the GoS for the development expenditure. The PSDP of GoS includes the following allocations for AEPZ: FY2006 PRs13 million, FY2007 PRs11 million, FY2008 PRs55 million and FY2009 PRs144 million.

86. **Cost Overrun:** The original PC-1 of the Project in FY2004 was PRs189 million and this was increased to PRs370 million. Almost the entire amount has been allocated / will be released till June 2009. However, with 100% of financial outlay only 61% of physical progress will be achieved due to escalation in prices resulting from the long implementation period. As such the cost will have to be revised upward to complete the project. A revised PC-1 will be prepared and got approved.

87. **Allotment Rates:** Utilities such as electricity, drainage, water, etc can be provided only after a revised PC-1 is prepared and approved. At Karachi AEPZ, the plots have been allotted @ PRs2,726 per square yard (or PRs5.6 million per plot) with the rate calculated on "No Profit No Loss" basis. After the PC-1 is revised to complete the project and provide missing utilities, the allotment rate will not remain a "no profit no loss" rate but will be a subsidized rate.

F. **Agriculture Market Committees**

Controlling Department	Agriculture Department
Name of Organization	Agricultural Markets - managed by Market Committees
Chief Executive	Presently except seven all these markets are managed by staff of the Agriculture department
Address	71 markets in different districts of Sindh
Phone	Different Numbers for different markets
Legal Status	Created under the Agriculture Produce Market Act 1939
Incorporated/ Created in :	Created in different years

1. **Background**

88. In Sindh the Agriculture Produce Markets Act, 1939, governs the regulation of the purchase and sale of agricultural produce (including livestock and poultry) through the institution of market committees. The government can by a notification declare its intention to control the purchase and sale of agricultural produce in a particular area identified in this order. Under Section 4(2) a licence is required from the provincial government to establish a market within a notified area and once the notification of the market committee has been issued no other market can be established in that area without prior approval from government. All transactions in the market-both buying and selling by licensed dealers- have to be through open auctions.

89. The market is to be managed by a market committee that in turn issues licenses to dealers/wholesalers/arthi and brokers to operate within the market and also allots them shops in the market- thereby providing rent-seeking opportunities to the committee members. The government nominates the members of the market committee and maintains significant control over the inflow of resources and assets owned by the market committee.

2. **Objectives**

90. Agriculture Markets and Agriculture Market Committees were created with the following objectives (i) Better regulation of purchase and sale of agricultural produce; (ii) protection of interest of growers in sale and purchase of agricultural produce; (iii) market committees to act as self-financing bodies; (iv) to eliminate middle man and encourage growers to sell to producers directly; and (v) to protect interest of consumers.

3. Governance Arrangements

91. Agriculture markets are to be managed by their market committees. There are four categories of market committees based on their annual receipts and each type has a different composition of market committee. "A" Class Market Committee should have 18 members - 9 growers, 6 dealers, 2 councilors and 1 ex-officio-member; "B", "C" and "D" Class Market Committee to have 10 members - 5 growers, 3 dealers, 1 councilors and 1 ex-officio-member.

92. Currently except at seven markets, the market committees are not functional and affairs are administered by officers of Agriculture Marketing under the DG (Agriculture Extension).

4. Performance

a. Physical Performance

93. Agricultural Markets constructed with ADB assistance: Six Agriculture Markets at Karachi, Hyderabad, Larkana, Mirpurkhas, Jacobabad and Tando Adam have been constructed with the assistance of ADB. In these markets facilities like bank, cold storage, shops, sheds etc have been provided for growers, traders and consumers. Other than these newly constructed markets, all others lack the basic facilities and are in very poor physical condition.

b. Financial Performance

94. Audit of expenditures is being conducted by DG (Audit). The Market Committees have been audited till FY2006, however, copy of audit reports were not provided. Audit of revenue receipts being conducted by DG (Audit and Evaluation). Audited has been completed till FY2006 and copy of audit reports were provided. Financial Statements (showing total revenues and expenditures) of the AMCs were available.

95. Instead of being self-financing bodies as which is one of their objectives, the AMCs are heavily dependent on the GoS for their existence. The PSDP of GoS includes the following allocations for Market Committees: FY2007 PRs70 million, FY2008 PRs111 million and FY2009 PRs383 million. Being GoS development expenditures met from PSDP, these expenditures are obviously not reflected in AMC accounts. In addition, as most of the AMCs are being managed by the government employees, during discussions we were informed that most of the AMCs are unable to meet even their salary budget which has to be subsidized by the GoS.

96. Market Fee arrears due from Sugar Mills: The amount of market fee receivable from Sugar Mills in Sindh in many cases from FY1983 to FY2006 by different market committee is PRs.1.662 billion. Some of the cases are sub-judice.

97. Rates not revised since long: The rates of market fee, licence fee and other charges have not been revised since long (probably 1982) and so are now insufficient to fulfill the objective of market committees being self-financing entities.

98. Arrears of market fee due from Other Mills: Arrears of market fee (other than from Sugar Mills) are also increasing and these are not being recovered.

99. Overall Financial Position of AMCs: None of the AMC has provided its overall Budget and Income & Expenditure Account showing total revenues (Government Grant in shape of salary of employees + Own Source Revenues from market fee, licence, and other fees) and total expenditure. Only the audit reports of revenue receipts were available most of which did not show the overall position of total

revenues but gave the target and recovery figures of market and licence fee - only in case of objections regarding short recoveries.

100. Recognition of Receivables: The present government accounting system recognizes all revenues on cash basis. As a result, assets (such as sundry debtors and other receivable amounts) are not shown, e.g.

- (a) the total amount of Debtors is not apparent and there is no provision for bad and doubtful debts. E.g. amounts are recoverable from allottees of plots at AMC Hyderabad PRs2.4 million; at AMC Tando Allah Yar PRs128,000; at AMC Ratto Dero due from 2 allottees since FY1992; at AMC Sanghar 69 plots arrears of PRs6.9 million; at AMC Pano Aqil PRs714,936; etc.
- (b) arrears of revenues on different accounts are not apparent e.g. PRs.1.6 billion from sugar mills and huge amounts recoverable from Food Department, SASO, flour and rice mills, etc.
- (c) loans to employees are at times not being regularly recovered e.g. at AMC Ghotki PRs487,588 are due from four ex-employees who have since retired or transferred, AMC Nawbshah PRs502,241 out of the amount advanced during FY1996 to FY2004 are still due from 24 employees and loans of PRs19,500 advanced in FY2004 are due from 2 employees; at AMC Dadu PRs48,000 due from 2 employees since FY1997; at AMC Bhan Saeedabad PRs69,000 due from 4 employees advanced in FY1997; at AMC Khairpur Nathan Shah PRs158,600 due from 3 employees since FY1992; and
- (d) loans to other market committees that are not being recovered are also not apparent e.g. Loan of PRs83,315 by AMC Kunri to 2 market committees; Loan of PRs543,976 given to 4 market committees by AMC Mirpurkhas; Loans of PRs340,000 given to 3 market committees by AMC Sanghar; Loan of PRs1.087 million given to 6 market committees by AMC Nawabshah; etc.

101. Recognition of Payables: The present government accounting system does not recognize (a) Liabilities for invoices received but not paid; and (b) Liability for expenditure incurred but not invoiced. Therefore, there is no provision for liabilities that may be payable. This may be linked to Loans to other market committees in the previous para because those market committees do not show these as liabilities payable.

102. Employee Securities: Cash and Personal Securities have not been deposited by secretaries of many market committees e.g. Umar Kot, Kunri, Sumaro, Pithoro, Kamar, Naseerabad, Shahdadkot, Miro Khan, Pano Aqil, etc.

103. Reconciliation of Receipts with the Treasury/ DAO concerned: Though required under the Law, many Market Committees do not reconcile their revenues with the Treasury Officer/ DAO concerned: e.g. AMC Umar Kot, Kunri, Samaro, Pithoro, Larkana, Rattodero, Badeh, etc.

104. Non-maintenance of Record: The following record has not been maintained by a number of Market Committees such as Market Committee Larkana, Rattodero, Badeh, Kamar, Naseerabad, Shahdad Kot, Miro Khan: A (DCR); B (Movable Property Register); C (Imprest Account Register); D (Stock Register); E (Investment Register); F (Balance Sheet Year wise); G (Security Bonds).

105. Revenues Deposited in Private Banks: According to Rule 37 of Agricultural Produce Market Rules, 1940 read with Gazette Notification SOIX-Reg: (S&GAD)II, 24-79 dated 6-6-1982, all receipts of market committee have to be credited daily into Govt Treasury/ Bank, but the bank accounts of many market committees are being maintained in private banks e.g. Larkana, Rattodero, Badeh, Kamar, Shahdadkot, Sukkur, Pano Aqil, etc

106. Penalty for non-utilization of allotted plots: According to lease agreement penalty for non-utilization of plots is 3% per month upto first 12 months and then the plot can be cancelled. Similarly on completion of construction a lessee has to start business in 2 months otherwise there is a penalty @Prs500 per month. Generally these clauses of the agreement are not used, e.g. Allottees of 21 plots at AMC Larkana have not constructed shops - these were probably allotted in 1996. Another 15 allottees have constructed shops but have not started business since April 1997 but penalties have not been charged. Only very few audit reports have discussed this issue. This point has not been covered by the auditors of other market committees.

107. At AMC Larkana, a Weigh bridge was installed on 3.7.1997 for PRs7,000,000 and PRs900 to 1,000 per day income was being realized. The weighbridge remained operation from 3.7.1997 to 25.3.1998 (for 8 months only) and then developed some fault (probably during its warranty period if the warranty period was one year). It has remained non-operational sine 1998. According to the audit report "no sincere efforts were taken to repair the weighbridge since 1998"

108. As audit reports are more focused on reporting irregularities, most audit reports do not provide the overall revenues and breakup of receipts (market fee, licence fee, etc). Only one auditor reviewed the revenue streams of the last 10 years and reported that revenue receipts of AMC Larkana during the last ten years have continuously decreased.

109. Only a few audit reports provide detail of dues e.g. at AMC licence fee @ 200 not recovered from 18 A class licence holders. @100 not recovered from 108 B class and @20 not recovered from 500 C class licence holders. In addition, penalty and late fee etc on these late payments is also due.

110. Audit of revenue receipts generally focused on Market Fee and Licence Fee. Very few have discussed recovery of installments, loans, penalty for non-construction, penalty for non-utilization of constructed shop, rent of shops, etc.

111. There is a great variation in the audit reports and only a few have discussed the arrears in detail. Where ever these have been discussed it is obvious that (a) rate of licence fee is very low; (b) it is not being recovered regularly (c) arrears have been allowed to pile up; and (d) each market has a large number of shops to which services could be provided and appropriate annual charges recovered. E.g.

- (a) AMC Larkana : Licence fee PRs12,700 has not been recovered from 111 market shops (95 shops @100 per annum and 16 shops @200 per annum)
- (b) AMC Sukkur: Licence fee (ranging from PRs20 to 200) for FY2006 due from 50 licencees. Many licencees have arrears piling up since 5 to 6 years. Total licence fee arrears are 12,260.
- (c) AMC Mirpur Sakro: Licence fee @ 200 not recovered from 18 A class licence holders; @100 not recovered from 108 B class; and @20 not recovered from 500 C class licence holders. In addition, penalty and late fee etc on these late payments is also due.
- (d) AMC Panno Aqil: License fee of PRs3,600 not realized from 36 licensees. Arrears on account of license fee are PRs.5,800.
- (e) AMC Badin: (a) Licence Fee of PRs32,000 is due from 7 defaulters @ PRs 200 per annum (2 since 1971, 2 since 1982. 2 since 1989, 1 since 2004); (b) Licence Fee of Rrs3,380 from 10 defaulters @ diff rates (FY2004 to FY2006); and (c) Licence Fee of PRs2,320 from 9 defaulters @ diff rates (FY2004 to FY2006)

112. At AMC Nawabshah in 1997-98, collection rights for Market Fee was auctioned for PRs2.5 million but only PRs332,798 were deposited by the contractors. The balance of PRs2.167 million is still receivable from the contractors.

G. Karachi Fisheries Harbour Authority

Name of Organization	Karachi Fisheries Harbour Authority
Controlling Department	Livestock and Fisheries Department
Chief Executive	Mr. Waheed Ahmed, Director (Operations)/ Acting Managing Director
Address	Karachi Fisheries Harbour, Dock Yard Road, Karachi
Phone	021-2205261 and 021-9214816
Legal Status	Authority created under the "Karachi Fisheries Harbour Authority Ordinance", 1984 (Sindh Ordinance II of 1984)
Incorporated/ Created in	1984

1. Background

113. Karachi Fish Harbour was constructed in 1959 and is spread over 84 Acres. It was handed over to the Government of Sindh in 1974 and the day-to-day operations were supervised by the Fishermen's Cooperative Society (Pvt) Ltd. Due to mismanagement and inadequate maintenance the fish harbour was in a dilapidated condition. A study was conducted in 1979 with the help of ADB to rehabilitate the fish harbour. EU provided a grant-in-aid of 12 million ECU in 1981 to meet the rehabilitation cost of the harbour on the condition of creation of KFHA, and so the KFHA was established under an Ordinance in 1984.

2. Objectives

114. The Objectives of KFHA are (i) To acquire, hold, control and administer movable and immovable property; (ii) To formulate and enforce schemes for the harbour and to incur expenditure for the same; (iii) to undertake planning, design and supervision of the construction work for the harbour area; (iv) to undertake efficient operation of the harbour, carry out repair and maintenance of harbour buildings, installations, internal roads and equipment and undertake periodical inspection of facilities to ensure that they meet statutory standards of safety and hygiene; (v) to provide navigational channel, fish handling jetties, berthing facilities on prescribed terms and conditions and charges; and to provide facility or parking and repair of boats; (vi) to prescribe procedures and conditions for registration of fishermen, fish dealers, transporters and their transport used for transportation of fish and other commodities within the harbour area and to charge fees for registration.

3. Governance Arrangements

115. There is a Board of Directors of KFHA, Chaired by the Minister for Livestock and Fisheries. The Secretaries of Livestock and Fisheries Department, DCO of CDGK, DG of Marine Fisheries Department, MD of KWSB, GM (Operations) of KPT, DG of Livestock and Fisheries as well as MD, KFHA are on the Board of Directors representing Government. The private sector directors include a representative of Fish Processing Industry, 14 progressive fish farmers, and the Vice Chairman and four directors of Fishermen's Cooperative Society. In all there are 8 official and 20 non-official members of the Board.

116. Audit is being conducted by a firm of Chartered Accountants. The accounts have been audited till FY2003 and a copy of the audit report was made available. The audit for subsequent years has not been completed.

4. Performance

a. Physical Performance

117. Facilities available at KFHA include a harbour channel (120,000 sqm); three auction halls (6,000 sqm); landing piers (424x11 m); 25 processing halls (50,000 sqm); Ten floating pontoons where 400 boats can berth at one time; Flake ice plant (for producing 40 tons/day); and boat building and repair yard (25,000 sqm). In addition there is a slipway, flood light towers, ship lifting platform, crate washing station, water supply, electricity and sewerage facilities, etc.

118. In January 2007 an EU Mission visited and imposed a ban on the export of fish and fishery products to the EU countries due to the following reasons: (i) boats are not designed to prevent contamination; (ii) method of icing and quantity is inadequate to maintain required temperature; (iii) excessive pressure and bruising of fish due to improper stacking of fish; (iv) required temperature and other checks on fish and shrimps are not performed; and (v) traceability record is not maintained. The KFHA is trying to prepare SOP's and implement these so that the fish exports to EU Countries could again be started.

b. Financial Performance

119. The summarized Income and Expenditure Accounts of KFHA (in million PRs) for FY2006 to FY2008 are shown in the following Table.

Financial Year ended 30 th June	2006	2007	2008
Own Source Revenues	29.480	51.404	29.140
Total Receipts	29.480	51.404	29.140
Salary Expenditure	26.644	30.514	35.972
Non-Salary Expenditure	16.990	15.241	10.203
Maintenance of Harbour	12.637	-	2.185
Total Expenditure	56.271	45.755	48.360
Surplus/ (Deficit) for the Year	(26.791)	5.649	(19.220)

120. KFHA has 204 employees with 34 employees in BS16 and above.

121. Recognition of Receivables: The present accounting system recognizes all revenues on cash basis. As a result assets (such as sundry debtors for different charges and other receivable amounts are not shown. Due to this the total amount of Debtors is not apparent and there is no provision for bad and doubtful debts. A case in point is about PRs30 million recoverable from Fishermen's Cooperative Society as ground rent for the previous years.

122. Employee's Benefits: Gratuity, Pension and Provident Fund are being provided as employee benefits. KFHA does not maintain separate accounts for Gratuity, Pension or Provident Fund. The amount payable as provident fund (PRs2.949 million) is being shown under Others Payable. It is not clear whether this amount is sufficient to cover the total liability of Provident Fund payable to the employees. The investment against GP Fund, Pension Fund and Benevolent Fund are shown in the Balance Sheet of KFHA.

123. Recognition of Payables: Expenditure is recorded only when it is paid. The present accounting system does not recognize (a) Liabilities for invoices received but not paid; and (b) Liability for expenditure incurred but not invoiced. Therefore, there is no provision for any liabilities that may be payable.

124. The KFHA is dependent on the GoS for its development expenditure. The PSDP of GoS includes the following allocations for KFHA: FY2008 PRs109 million and FY2009 PRs100 million. Being GoS development expenditures met from PSDP, these expenditures are not reflected in KFHA accounts.

125. Renovation of one auction hall was completed in 2004-05 (PRs14.2 million) and of the second hall in 2005-06 (PRs43.85 million). The cost was shared by the GoP and the GoS. A new project of PRs582 million has been prepared and will be presented before the PDWP for approval. This scheme will be completed in 4 years and will result in improved handling of port operations and upgrading boats to EU standard.

H. Sindh Tourism Development Corporation

Name of Organization	Sindh Tourism Development Corporation Limited
Controlling Department	Culture and Tourism Department
Chief Executive	Mr. Aijaz Ahmed Memon, Chief Executive/ Managing Director
Address	Room No. 114-115, 1st Floor, Block C, Sea Breeze Plaza, Shahrah-e-Faisal, Karachi
Phone	021-9206064 and 021-9206081
Legal Status	Company Limited by Shares
Incorporated/ Created in :	1992

1. Background

126. Sindh Tourism Development Corporation was formed in 1992 as a company limited by shares to promote tourism in Sindh and inherited some facilities like Sambara Inn, Larkana from the Pakistan Tourism Development Corporation.

2. Objectives

127. The main objective of Sindh Tourism Development Corporation is to promote tourism in Sindh.

3. Governance Arrangements

128. STDC has a Board of Directors which is Chaired by the Chief Minister of Sindh with the Minister for Culture and Tourism as the Vice Chairman. The Chief Secretary, Sindh, ACS (Development), Secretary of Culture and Tourism, three MPAs as well as the MD, STDC are on the Board of Directors representing Government. The private sector directors include Chairman of Travel Agents Association of Pakistan and Chairman, Hotels Association of Karachi.

129. Audit is being conducted by the DG (Audit) Sindh. Audit has been completed till FY2007, audit report till FY2007 has been received and a copy of report was provided.

130. Annual Financial Statements of the STDC which is Company limited by shares, are not being prepared and approved by the Board of Directors and at the AGM though required under the Companies Ordinance 1984. Annual Returns regarding secretarial formalities as required under the Law are not being filed with the SECP.

4. Performance

a. Physical Performance

131. Presently STDC maintains the following facilities:

- (a) Keenjhar Resort has 20 rooms rent per day from PRs1,100 to PRs2,200 on weekdays and from PRs1,500 to PRs3,000 on weekends;
- (b) Lal Shehbaz Rest House at Sehwan has 22 rooms with daily rent in the PRs500 to PRs1,000;
- (c) Sambara Inn at Larkana which has 48 rooms and the daily rental is PRs1,200 to PRs1,500; and
- (d) Marvi Rest House at Mithi which has 2 rooms and charges rent of PRs1,500 per day.
- (e) In addition there is a small Kai Resort in Taluka Sehwan, District Dadu and Laki Shah Saddar Rest House at District Dadu.

b. Financial Performance

132. The GoS has been providing regular Grant in Aid to STDC to subsidize its non-development budget. According to the figures of Receipts and Payments Account provided to us, this Grant from GoS amounted to PRs10 million in FY2006 and FY2007; PRs6.6 million in FY2008 and PRs11 million in the budget for FY2009. STDC's OSR during the period were PRs6.225 million in FY2006; PRs7.9 million in FY2007 and PRs9.43 in FY2008.

133. STDC has 52 employees with 3 employees in BS16 and above. In addition, there are 32 low paid employees getting a fixed monthly salary.

134. Non-compliance of IAS: Being a Company limited by shares and incorporated with the Securities and Exchange Commission of Pakistan, STDC has to meet disclosure requirements as prescribed under the International Accounting Standards (IAS). Presently disclosure requirements as required under the IAS are not being complied with by the STDC.

135. Itemized revenue receipts: All recoveries such as rental income of hotels and rest house, food and beverage and other income is shown under one head. STDC does not present itemized revenue sources in the annual budgets presented before the Board of Directors for approval.

136. Recognition of Receivables: The present accounting system recognizes all revenues on cash basis. As a result assets and other receivable amounts are not shown. Due to this the total amount of Debtors is not apparent and there is no provision for bad and doubtful debts.

137. Employee Benefits: Gratuity and Provident Fund are being provided as employee benefits. STDC does not show a separate provision for Gratuity or Provident Fund Account.

138. Recognition of Liabilities: The present accounting system does not recognize (a) Liabilities for invoices received but not paid; and (b) Liability for expenditure incurred but not invoiced. Therefore, there can be no provision for any liabilities that may be payable.

III. OBSERVATIONS AND CONCLUSIONS

139. The review of performance of individual PEs yields a number of general observations which are outlined below.

140. Governance Arrangements:

- (a) Governance Structure for AEPZ is yet to be decided. Agriculture Market Committees are currently not functioning and for the last many years these are being managed by government employees as administrators. The private sector representatives of SSIC and SSC rarely attend the meetings while private sector representatives are over-shadowed by public sector nominees at SITE and STDC.
- (b) Secretarial formalities in case of companies are not completed, director's meetings are not held regularly and AGMs are not held within the prescribed time while the changes of directors are not filed in time with the SECP.
- (c) Audits were performed by Chartered Accountants have not been carried out for many years. KFHA accounts have been audited till FY2003 and SITE Ltd accounts have been audited till FY2004 (approved in an 2008). The audited accounts of limited companies are to be approved in their AGM and returns filed with the SECP within six months of the close of financial period. Fifteen years ago, the SSIC discontinued its audit by Chartered Accountants to "avoid this unnecessary expenditure". AMCs provided only their revenue receipts audit reports, while AMCs and SSC did not share their audit reports on expenditures. AEPZ is in development phase and does not have a non-development budget hence it has not been audited till now.

141. Physical Performance:

- (a) SITE, SSIC and AEPZ develop the land and infrastructure services through projects included in GoS PSDP and then allot these plots. The plots are generally allotted on a no-profit no-loss basis. However, because the PC-1 for development projects keeps on being revised upward, it is not clear how this subsequently enhanced cost² can be reflected in the pre-decided unit rates of the plots.
- (b) The selection of land for development by SITE, SSIC and AEPZ is not demand based but is supply drive. Location is probably selected on the basis of political expediency and not on the basis of wide stakeholder consultation with the result that half the plots in SITE Nooriabad (started in 1983) have not been allotted till now; at SITE Nawabshah (1986) only one unit is functioning; at SITE Sukkur (1963) only 60 units are functioning though 223 plots were allotted; at SIE Thatta (1987) only 14 of the 99 allotted plots have been utilized; at SIE Badin (1986) only 43 of the 111 developed plots could be allotted; at SIE Hala (1993) only 6 of the 104 developed plots could be allotted; at SIE Sanghar (1987) only 36 of the 106 developed plots have been allotted; and, there has been no response from growers or traders for allotment of a plot at the three AEPZs of Noushero Feroze, Sakrand and Ghotki.

² E.g. more than half of the industrial plots at Nooriabad have been allotted but now there is a major public sector project of PRs750 millions for bringing water from Keenjhar Lake to SITE Nooribad. As this did not figure in the cost at which the plots were allotted, so obviously this will not be recovered from the industrialists who have already been allotted plots. Similarly the AEPZ PC-1 cost was PRs189 million in 2003 and now with 100% of financial outlay, the physical progress is of 61% so obviously this will have to be revised upward and this increased cost will not be recovered from the existing allottees.

- (c) SITE, SSIC and AMCs have the responsibility of providing and managing municipal services in their areas (AEPZ will also have the same responsibility). These services include roads, street lights, water supply, sewerage, drainage, garbage disposal, waste water treatment, etc. Currently these services are in a bad shape, the user charges are insufficient to meet the service cost and the tenants are not satisfied with the service delivery. Municipal services are allowed to deteriorate and then new schemes from the PSDP are prepared for providing these services, and this cycle continues. Rate of user charges are insufficient to perform these municipal functions. There is partial cost recovery i.e. subsidized service delivery by the public sector or the public sector is subsidizing the for-profit private sector.

142. Financial Performance:

- (a) Most of the reviewed organizations are heavily dependent on the GoS for development expenditure through annual allocations in the PSDP: e.g. SITE Ltd PRs1,481 million; SSIC PRs842 million; SSC PRs246 million; AEPZ PRs223 million; AMCs PRs564 million during FY2006 to FY2009; while KFHA has an allocation of PRs209 million for FY2008 and FY2009.
- (b) Though land is developed from the GoS development budget, the allotment and other charges for plots become the revenue of SITE and SSIC.
- (c) Budget preparation appears to be arbitrary and not based on sound footing – e.g. SITE expected to receive PRs1,377 million and PRs837 million in FY2007 and FY2008 but actually received PRs600 million and PRs697 million only. A major cut had to be imposed on development (as well as maintenance) expenditure which was reduced by 66% and 50% respectively as well as by utilizing the available cash balances. The budgeted and actual receipts of AMCs have huge differences – due to which currently the AMCs have more than PRs1.6 billion are receivable from the sugar mills.
- (d) Disclosure requirements whether under IAS or IPSAS (as applicable) are not being complied with.
- (e) Financial statements reflecting the total receipts and expenditures are not prepared by SSC and AMCs.
- (f) Auditors of SITE have presented a long list of substantial audit observations which have not been responded to while the annual accounts have been approved in the AGM. E.g. recognition of pension liability and gratuity, non-maintenance of fixed assets register, non-confirmation of debtors or creditors, no policy for stores, non-recovery of 60% of debtors due to which the 5% provision for doubtful debts may not be sufficient, non-recovery of advances from employees, inability to confirm completeness of billing due to non-availability of allotment register, non-recognition of assts and liabilities on a timely basis and in a consistent manner, accumulation of funds (PRs1.051 billion on 30.6.2003) without any prescribed procedure for their investment; need for a comprehensive accounting manual, etc.
- (g) Low interest bearing loans were provided by SSIC. Many of the debtors are not returning these loans or interest on loans in time. About 150 cases are pending in the Courts for recovery. During FY2003 to FY2008 only 50% of the budgeted PRs50 million receivable from this source were recovered. The total amount of outstanding loans and interest is not known.
- (h) Financial Statements do not recognize the financial impact of pension, gratuity and Provident Fund liabilities. see SITE, SSIC, KFHA and SSC.

- (i) The present government accounting system recognizes all revenues on cash basis. As a result receivables and total amount of debtors is not apparent and so there can be no provision for bad and doubtful debts. See SSIC, SSC and KFHA³.
- (j) The present government accounting system does not recognize (a) Liabilities for invoices received but not paid; and (b) Liability for expenditure incurred but not invoiced. Therefore, there can be no provision for any liabilities that may be payable. See SSIC, SSC and KFHA.

143. Overall, the review reveals systematic problems facing the operations of PEs, ranging from weak governance, poor financial performance, and operational inefficiency. Much effort is needed from the GoS to restructure the PEs. In many cases, the reasons for establishing and operating PEs are weak. Introducing private management or divestment should be actively explored to reduce the fiscal drain and improve efficiency of these enterprises.

³ "Huge amounts are recoverable from various departments who got the work done on emergency during the last many years and did not bother to pay the dues. The major defaulter is Finance Department who did not produce paid challans for printing of annual Sindh Government Budgets for the last fifteen years for which the Auditors have also raised Audit Para" (presentation by SGP dated 15 May 2008).
PRs1.6 billion recoverable as market fee from sugar mills as well as huge amounts recoverable as market fee, licence fee, etc from other debtors by AMCs,
PRs30 million recoverable from FCS (Pvt) Ltd by KFHA, etc.

Government of Sindh - Public enterprises

1	Department/ Public enterprise	Ref	Created under	Since	Business	Chief Executive		Address	Phone
	INDUSTRIES DEPT.								
a	Sindh Industrial Trading Estates Ltd.	SITE	Companies Ordinance	1947	Industrial Estates Development and Management	Ms. Lubna Salahuddin	M.D.	SITE Ltd, Manghopir Road, Karachi	021-2561214
b	Sindh Small Industries Corporation	SSIC	Companies Ordinance	1972	Industrial Estates Development and Management	Mr. Mohammad Abid Khan	M.D.	A.M.310, Preedy Street, Saddar, Karachi	021-9215071
c	Sindh Government Press	SGP	Attached Department of Industries Dept.	1847	Printing and providing Stationery to government offices of GoS	Mr. Feroze Akhtar Khan	Controller	Sindh Government Press, Abdullah Haroon Road, Karachi	021-9206341
d	Thatta Sugar Mills (under Privatization)	TSM							
	2 AGRICULTURE DEPT.								
a	Sindh Seed Corporation	SSC	Sindh Seed Corporation Ordinance	1976	Production and distribution of certified seeds	Col. (R) Mohammad Usman Khan	M.D.	Sindh Seed Corporation, Head Office, Hyderabad	022-920604
b	Agri Export Processing Zone	AEPZ	Ordinance to be passed for creating Authority	2001	Development and Management of Agro Export Processing Zones	Mr. Mujtaba Mirza	P.D.	A-212, Block 3, Gulshan-e-Iqbal, Karachi	021-2033773
c	Agricultural Marketing Committees	AMC	Act of Parliament	1939	Setting up and Managing Agricultural Markets	Naeem Ahmed Korejo; Abdul Haq Sario	D.G.; Director	D.G., Agriculture Extension, Shabaz Building, Hyderabad	022-9200055
	3 LIVESTOCK & FISHERIES DEPT.								
a	Karachi Fisheries Harbour Authority	KFHA	KFHA Ordinance	1984	Managing the Karachi Fisheries Harbour	Mr. Waheed Ahmed	M.D.	Karachi Fisheries Harbour, Dockyard Road, Karachi	021-9214816
	4 CULTURE & TOURISM DEPT.								

Draft

	Department/ Public enterprise	Ref	Created under	Since	Business	Chief Executive		Address	Phone
a	Sindh Tourism Development Corporation	STDC	Companies Ordinance	1992	Development of Tourism in Sindh	Mr. Aijaz Ahmed Memon	M.D.	Room 114-115, 1st Floor, Block C, Sea Breeze Plaze, Shahrah-e-Faisal, Karachi	021-9206064
b	Gorakh Hills Development Authority	GDA	Newly passed Act	2008	Development of Gorakh Hills Resort for encouraging tourism				
5	HOUSING & TOWN PLANNING DEPT.								
a	Karachi Development Authority	KDA							
b	Malir Development Authority	MDA							
c	Lyari Development Authority	LDA							
d	Hyderabad Development Authority	HAD							
e	Sehwan Development Authority	SDA							
f	Larkana Development Authority	LaDA							
6	LOCAL GOVT & RURAL DEV DEPT.								
A	Karachi Water and Sewerage Board	KWSB							