

BUDGET SPEECH 2007-08

Mr. Speaker

1. I am grateful that I have the privilege to present the 5th Budget of a democratic government, which is historically an unprecedented event.

Mr. Speaker

2. As a matter of fact this is the first time that an elected government is completing its five years term and the honour of having achieved this land mark rests with Muslim League and its allied parties. Indeed it is the Muslim League that has guided the Muslim of the Sub-Continent at every critical juncture.

3. I do not have any soft corner for economic terrorists whose sole purpose is to push society into an economic abyss.

Our elders had categorically stated that some people would be over-affluent while others indigent. We will not let this happen. People who do not have the capacity to listen to criticism should abstain from criticizing others.

Our opponents are afraid that the seeds of prosperity that we have sown will bear fruit; but the nation is destined to develop and prosper Trials and tribulations are a part of every nation's history. But those nations who face them with courage and fortitude come off with honour and dignity. Before the coming into power of the present government, we were cut off from the world and had actually defaulted. By the grace of God our government, in the last five years, has amply demonstrated that it is the party which not only created Pakistan but is capable of running its affairs in the best manner possible.

Mr. Speaker

4. In the budgetary process, we held extensive consultations with the Prime Minister of Pakistan Mr. Shaukat Aziz, national representatives and experts in different fields so that the budget reflects national consensus on important issues. In order to make the budget welfare oriented we were guided by the President of Pakistan General Pervez Musharraf at every stage.

Earthquake of 8th October 2005 devastated houses, hospitals, roads and mosques but it could not undermine our resolve which remained unflinching. We accepted it

as a challenge and with the grace of Almighty came off well. Surely, there is no substitute for the precious lives lost but it was our moral duty to provide solace to the survivors of the tragedy. The whole world witnessed that the Pakistani nation played historic role in the rehabilitation work. Paces littered dead bodies and razed habitats have again come to life which speak of the efforts and courage of the nation. Government has disbursed Rs.66 billion for house construction and Rs.40 billion for death/injury compensation. Whatever government is constructing, it is being done under the principle of “Build Better”. After the Earthquake, no one died of hunger or cold.

During the previous year 1500 schools, colleges and hospital been built and additional 2500 buildings would be constructed. An amount Rs.1.5 billion would be spent on agriculture and livestock which will people to become self supporting.

Mr. Speaker

5. Due to our geographic location we had to move with extreme caution lest our enemies inflict damage affecting our future generations. But their dream did not come true.

Mr. Sneaker

6. Besides putting an end to a system powers, we have transformed the budget from its elitist stance to welfare orientation for the poor. Increase in oil prices in the international market last year posed a new challenge but the government, by giving a subsidy of Rs. 111 billion on diesel, kerosene, fertilizer, electricity and food items, stabilized prices. Government did not leave people to the vagaries of high prices, but stood by the people.

Economic Performance

Mr. Speaker

7. It is may pleasure to announce that our GDP growth rate remained at 7.02 percent. We had promised the nation a growth rate of 7 percent on which we delivered. Then we promised a growth rate of 5 percent in agriculture which we delivered. We had resolved that the manufacturing sector will grow by 8.8 percent which we achieved. We had resolved that the services sector would grow by 8 percent which we delivered. We acted as a shield against rising oil prices and did

not transfer the prices increase to consumers. We had promised to provide conducive economic environment where people will find jobs. As a result of these policies, during the last 5 years more than 10 million persons were provided livelihood. We had promised to develop investment friendly environment, we fulfilled this promise. Since July of last year to April this year i.e. in a 10 month period FDI in Pakistan exceeded \$ 6 billion. Foreign investors are making investment due to the development taking place in the country. Why our opponents are blind to this development?

Mr. Speaker

8. In order to run the country according to Quaid's vision, we have to ensure that our economy and democratic culture not only flourish but are also consolidated. Continuity of policies and single-mindedness are the pre-requisites. This would be possible only when people are prosperous, they have trust in national institutions, Parliament is supreme beyond any doubt, majority is not held hostage to minority and everyone works according to the given mandate.

Mr. Speaker

9. Our government would honour the promises it has made. Our priorities include transferring benefits of growth to people, promotion of people's welfare programme, and providing education, health, justice, sewerage, gender equality and safe drinking water.

Mr. Speaker

10. Our government has taken various measures to increase income of people and put an end to poverty. As a result, there is substantial reduction in rural poverty. Government policies aiming at allocation of greater resources for poverty alleviation and creating employment opportunities have resulted in reduction of incidence of poverty from 34.4 percent in 2001 to 23.9 percent in 2005. In this way 12,700,000 people came out of poverty. We have decided to further reduce poverty from the country. Our future plans envisage employment opportunities for youth. The amount of money spent on poverty reduction and employment generation during last 5 years is Rs.1,441 billion which is commendable especially in comparison with all previous governments.

Mr. Speaker

11. By the grace of God the Budget that I am going to announce has an overall size exceeding Rs. 1,874 billion. Federal Government expenditure is estimated at Rs.1,353 billion. This is a record budget in the history of Pakistan, especially in terms of expenditures on welfare of people. Expenditure of this magnitude was made possible through greater revenue collection especially by CBR which will exceed Rs. 1025 billion. In view of this, the size of total revenue has been set at Rs.1475 billion. Hence the overall fiscal deficit is estimated at Rs.398 billion which is 4% of GDP. During 2006-07 our budget deficit was 4.2 percent of GDP which was according to the target even though we had to bear the brunt of rising international oil prices and earthquake expenditure. It was not an easy task neither did we have any magic wand. It was because of God's blessing, guidance of the President, farsightedness of the Prime Minister, untiring efforts of government machinery, and prayers of the nation that we emerged successful.

Mr. Speaker

12. Our government has allocated Rs 520 billion under PSDP which will be spent on development and welfare of people. This is a huge sum which is unprecedented in the history of Pakistan. This is a record. Out of this, 52 percent will be spent on infrastructure development and 48 percent on welfare of people and on social sector. On whom will this amount be spent? It will be spent on welfare of people. If we compare the hefty amount being allocated this year for welfare of people, with earlier periods the latter would not be even 18 percent of it. A question arises as to what was the reason that those governments did not spend on development work despite their large fiscal deficit? Their budget deficit used to be more than 7% of the GDP. Had they not filled their pockets, there would have been more benefits for the people. They spent insignificant amount on development. As against our PSDP size of Rs.520 billion theirs was only Rs.96 billion. 96 percent of the PSDP would be utilized during 2006-07. This proves that our government honours the promises that it has made with people unlike the previous governments. This is in contrast to the low utilization of PSDP by the previous governments which was due to their misdeeds and wrong policies. This made the people hostage and the country in fact had defaulted. People want to ask as to why were they not fairly treated during the period of earlier regimes. They demand that they should not be pushed back to those dark periods. But now, by the grace of Allah, we can move proudly holding our heads high and are also in a position to help our brethren.

Mr. Speaker

13. Pakistan is a federation and provinces are its federating units. Based on Provincial Chief Ministers and Finance Ministers assent to Presidential Orders amending NFC award, 45 percent of provincial share has been transferred to Provinces. During 2006-07 an amount of Rs.41 8 billion has been transferred while Rs.497 billion would be transferred during 2007-08 which would be 46% of the total amount. Under the directions of the President, transfer from divisible pool would reach 46.25% by the year 2010-11. If subventions are added, transfer of provinces would get 50 percent of the total amount. This would be a golden period of equitable sharing of resources with provinces. Why did not the previous government pay the provinces their due share? It was our government that has paid these hefty amounts to the provinces.

Mr. Speaker

14. It is the national leadership that determines the direction that the country has to take. If the leadership is true and has a vision it can change the destiny of the nation. But if the perspective is narrow and limited to self aggrandizement, the nation gets stranded in quagmire and succeeding generations pay the penalty. In our recent history many such governments were in power who used borrowed money for non-productive purposes, thereby mortgaging the future.

Mr. Speaker

15. In the last budget, I paid tribute to the present Parliament for having unanimously passed the Fiscal Responsibility and Debt Limitation Act. This law provided a sound basis for our economic development and for world's confidence in our policies. The credit for this goes to the Prime Minister of Pakistan who was the exponent of this law. It is through promulgation of this law that the executive is accountable to the House. It cannot exceed the borrowing limit of 60 percent of GDP without seeking your approval. It gives me a great pleasure to announce that Debt to GDP ratio has not been allowed to cross 53 percent as against a target of 60 percent set to be attained by the year 2009. Moreover, the loans that we raised were meant for development of the country.

Mr. Speaker

16. We raised 10 years Euro Bond in the international market which was over subscribed by more than seven and a half times. We raised US \$ 750 million through this Bond. This was despite the fact that the rate of interest offered was lower than that of previous periods. Last year this government launched 10 and 30 years bonds in the international market which elicited good response. This is a reflection of confidence of international investors in our policies. Prior to this no one was ready to invest even for 2 to 3 years in Pakistan. But now they are keen to invest for 10 to 30 years. Investment for a period of 30 years is not child's play. It is the time span of a whole generation. Why this huge difference between yesterday and today? The difference is that of the intention, policies and good governance. I would like to ask these people whether they have forgotten those days when they tried to issue bonds in New York but there was no buyer. The reason was that due to wrong policies of the rulers at that time the country had become bankrupt, its economy was weak and international community knew that. Those were embarrassing moments for us. Who would put money in a weak economy. The same international community is now keen to invest in our bonds. They know that our economy is strong and people are prosperous. Today we move proudly holding our heads high. The entire amount would be spent on development and no one would be allowed to misuse it.

Mr. Speaker

17. Is it not a proof of our economic development and prosperity that the world is not only acknowledging it, but is ready to invest in the country. By the grace of Allah, Pakistan has emerged a prosperous country through dedication and sincere efforts of the government. It is only a small minority that refuses to acknowledge the fact of our development.

Mr. Speaker

18. It would not be out of place to mention here that the previous government between 1996-99 raised the rate of interest on National Savings Schemes as high as 18 percent because of which our government now has to pay a huge accumulated liability of Rs. 163 billion which is more than 4 times of the principal. This proved to be a heavy burden for the nation and due to imprudent policies of previous government the nation was pushed to a dead end. By taking these expensive loans they tried to hide the fact of the country's bankruptcy. But the present leadership not only paid off this heavy debt but put the nation on the road to development. Had the previous government cared for future of the nation and exercised prudence in raising debt, the resultant saving could have been used for more development

and welfare of people. But they did not want to do that. The present government adopted such policies that have opened new avenues of development.

Mr. Speaker

19. Impregnable defence is indispensable for a nation who wants to live with honour and dignity. Our nation is ready to give any sacrifice for defence of their country. Today Pakistan and its geographic and ideological boundaries are invincible due to its independent foreign policies and economic development. In order to ensure protection of its ideology and economic independence Pakistan must have a credible deterrence and invincible defence. Pakistan is a nuclear power. If any one looks at us with bad motive we will respond with full force. This year an allocation of Rs.275 billion is being made for defence of the country. Armed forces are ever ready to lay down their lives for defence of the country.

Whenever any natural calamity has befallen the country, Armed forces have dealt with it with determination. Peace can be had only through making defence invincible.

Relief Measures

20. Now I am going to present a list of relief measures. My request would be that my those colleagues who are not amenable to any reasoning or logic should listen with patience. I understand their unease and anxiety. They could not provide relief but did create problems for the people. We have provided relief and shall continue doing so.

Mr. Speaker

21. Government servants are our asset and it is duty of the government to take care of their needs. It goes to the credit of the government, who is the first to have completed its five year term, that salaries of government servants have been raised substantially four times, which is unprecedented. Government is fully conscious of welfare of its employees. Salaries of government employees are being increased by 15 percent in the present budget. This budget has been prepared keeping in view needs of workers, labourers, and government employees. But we cannot forget the role of pensioners in national development. They deserve respect and we feel that it is our moral obligation to take care of their needs. Government has, therefore, decided to increase pension of government pensioners by 15 to 20

percent. Increase in pension is being given in two tiers: old pensioners will get 20 percent raise while new pensioners will get 15 percent raise.

Mr. Speaker

22. Upgradation of posts was a long standing demand of the clerical staff. It gives me pleasure to announce that government has accepted this demand and employees in BPS 5, BPS 7 and BPS 11 are being promoted to BPS 7, BPS 9 and BPS 14 respectively. A total of 87500 federal employees will benefit from this measure.

Mr. Speaker

23. Residential accommodation is a major problem for employees in Islamabad. Government has decided to solve this problem. Prime Minister of Pakistan Mr. Shaukat Aziz has directed the Ministry of Housing and Works to immediately construct 37000 houses for the low paid employees and give it to them on ownership basis. In phase I, work on the construction of 5000 units will immediately start for which land will be provided by CDA at official rate. Government employees will have the facility to get loan for construction of house.

Mr. Speaker

24. House is a need of every one. I ask whether any government thought of providing this facility or they were only concerned with amassing wealth. Did they not know that constructing a house is a back breaking experience. Our government realized this need of low income people. Low cost Housing Scheme would be started in collaboration with Provincial and District Governments. Loan from HBFC will be available. Under this scheme an estimated number of 250,000 units would be constructed in the next 5 years.

Mr. Speaker

25. Railway is an economical means of public transport. It is the duty of Railways to take passengers to their destinations safely. Welfare of Railway employees is responsibility of the government. Government has decided upgradation of Basic Scale by one step for the remaining 62482 staff excluding Secretarial Staff. Long standing demand of Railway employees regarding upgradation of posts has already been accepted alongwith increase in their allowances. A total of 12510 employees have benefited from this increase. In this

way, our government has provided relief to 74,992 Railway employees and their long awaited demand has been met.

Mr. Speaker

26. It is our religious obligation to pay a labourer his wage before his sweat dries. It was the government of Muslim League and its allied parties which fixed minimum wage of Rs.4000/- per month in the last year's budget. Workers are the backbone of a society. Not taking good care of their needs would tantamount to weakening the economy. You ask workers as to whether they did not benefit from the increase in their minimum wage. These who are not ready to acknowledge this fact are people who did not themselves work in their life neither do they know what really hard work is. I would like to give good news to my working class brothers:-

1. Minimum wage of unskilled workers is being increased from Rs.4000/- per month to Rs.4600/- per month.

2. Old Age pension, old and new both, has been increased by 15 percent. Minimum pension has been increased from Rs 1300/- to Rs 1500/- per month.

3. Worker's widow shall now get pension of her deceased husband as per entitlement. Earlier she used to get minimum pension.

4. Earlier husband or wife, both contributing to Old Age Benefit, would not get pension of the deceased partner. Now the surviving partner shall get the pension of the deceased spouse.

5. Under the Workmen Compensation Act 1923 workers receiving more than Rs.6000/- per month were not entitled to compensation on account of disability. This restriction has been removed and now all the workers regardless of their wage level would be entitled to compensation on account of disability caused during the course or as a result of performance of duty.

6. Contract employees have been made entitled to receive companies profit under the Companies Profit (Workers Participation) Act 1968. The limit of profit has been enhanced from Rs.12000/- to Rs.20000/-.

7. Workers Welfare Fund Ordinance 1971 is being amended to allow industrial workers to get medical, education, housing and death grant from Worker Welfare

Fund. This facility shall apply to those units having an annual income in excess of Rs.500,000/-

8. Workers Welfare Fund Ordinance 1971 amended to increase the limit of death grant from Rs.200,000 to Rs.300,000/-

Mr. Speaker

27. Government is determined to protect people from price hike and considers extending benefits to poor segments of society its mission. Government allocated fund in last year's budget for food subsidy which was given to people through Utility Stores. People even in far flung areas benefited from it. Under this and under the Prime Minister's Ramzan and Eid package, relief of about Rs.5 billion was provided to people by Utility Stores Corporation. In addition, government has allocated subsidy worth billions of rupees in the Financial year 2007-08.

Mr. Speaker

28. I want to ask why previous governments did not give the relief that our government has announced and the one I shall soon announce? The difference is that of the intentions, policies and way of governance, Pakistani nation had to pay a heavy price for plundering of wealth by rulers of that time. We did not fill our pockets but fill national treasury.

Mr. Speaker

29. Daal Chana, Moong and Mash which is being sold in market at Rs. 38 per kg, Rs.56 per kg and Rs.72 per kg would be sold in Utility Stores at Rs.29, Rs.47 and Rs.57 respectively. From tomorrow there would be a per kg relief of Rs 10, Rs 5 and Rs 5 on tea, sugar and rice respectively. At present the price of cooking oil is increasing rapidly in the international market. On the direction of the Prime Minister it will sell at the utility Stores at Rs.67 as against the market price of Rs.80/- per kg.

Mr. Speaker

30. People with low income will get this relief which is being given on the directive of the Prime Minister. I will ask my brothers and sisters through this House to go to Utility Stores tomorrow to get the items at lower price.

Mr. Speaker

31. In view of wishes of the people our government has decided to give relief to people and continue giving it. People wanted that prices of their kitchen items should be reduced. We have done that. With this relief, people would be able to adjust their budget. We have lightened the burden of people by giving subsidy worth billions of rupees. I ask as to why did not the previous governments take these measures. They plundered national wealth and emptied the treasury. We used the national resources for benefit of people so that they get essential items at reduced rates.

Mr. Speaker

32. Our government has decided to extend the relief measures to every nook and corner of the country. In order to enable all the citizens to benefit from the relief measures it has been decided to increase the number of Utility Stores by additional 5000 and provide a utility store at every Union Council in the next 4 months. It will also result in creation of employment opportunities. In these stores necessities of life like daals, rice, sugar, ghee and basic medicines would be available and due to their close proximity people will save time and money by not going to the distantly located markets.

Mr. Speaker

33. My question whether some one before has thought of people living in far off areas? They had to travel long distances to get basic medicines. In Pakistan for the first time people will get medicines at reduced rates. People would not have to travel for miles but would get the facility at their door steps.

Mr. Speaker

34. Housing in Islamabad for low income people has become quite a complex issue. Taking notice of this situation, Prime Minister of Pakistan Mr. Shaukat Aziz has directed CDA to allocate a sector for 3 to 5 marla plots. In sector 1-15 a total of 5500 plots and 8500 apartments have been reserved for low income people who will have the facility of loans from Banks. This will solve the problem of low income people. Moreover, work in 4 sectors of Islamabad has started after 17 years

due to the efforts of the Prime Minister Mr. Shaukat Aziz. With this prices of land in Islamabad, which were soaring sky high, went down and got stabilized.

Mr. Speaker

35. A question arises as to the source from where the money has come the relief measures possible. It is the leadership of President of Pakistan Pervez Musharraf and farsighted policies of Prime Minister of Pakistan that made this happen. Funds became available for the welfare expenditures. We did not follow the example of previous rulers who amassed national wealth for gains. Our relief measures have unnerved our political adversaries who are trying to create chaos but they would not be able to withstand public scrutiny.

Mr. Speaker

36. Rich people do not go to whole sale markets for purchases. It is the me people who benefit from such places. Therefore, we are setting up farmer markets at federal, provincial and district level. With this, farmers would bring items directly to the market, thereby circumventing hoarders, middlemen and profiteers. People will be able to buy goods at cheaper price. Moreover, daily bazaars would be set up, besides farmer markets. First daily bazaar would be set up at Islamabad. In addition, first whole sale bazaar is being immediately set up in Islamabad.

Mr. Speaker

37. It is quite evident that if price of an item increases it never goes down. But we, being public representatives, broke this myth. When sugar prices skyrocketed we took immediate action and brought them down. When cement prices increased we not only arrested the increase but also brought down their Prices considerably. Prices of pulses were brought down as well as that of ghee and flour.

We did not do this as a matter of favour to anyone but did it as a part of our duty. We have changed the tendency of government of being a spectator in the event of a profiteer fleecing the public. We would not let it happen again and come to the rescue of people by keeping our eyes and ears open. This is despite the fact that check on prices is the responsibility of the Provincial and District governments.

Mr. Speaker

38. It gives me great pleasure to state that the recent production heat has broken all records. When wheat and flour prices started skyrocketing in the international market there was a sudden acceleration in their export. Prime Minister of Pakistan ordered immediate ban on export of wheat and flour to keep their prices at affordable level. Timely action saved the people from any price increase but due to the existing stocks decline in price is expected. Now Pakistan is the only country in the region where rates of flour and wheat are the lowest. That is what common man needs.

Mr. Speaker.

39. In addition to catering to the daily needs of the nation, it is the duty of the Government to promote national self esteem. Most poor live in small towns and villages and often face hardship. It is the moral responsibility of the government to look after them. For this purpose an allocation of Rs.7.5 billion has been made for Pakistan Bait-ul-Mal which is Rs.2.5 billion more than the allocation for last year. I would also like to say that between 1992 and 1999 the annual budget of Pakistan Bai-ul-Mal was no more than Rs.35 crore. It is only government which has exponentially increased resources spent for the welfare of the people. This large allocation will benefit those who are most deserving and benefits will reach more and more people. Pakistan Bait Mal is at present helping 1,500,000 households through its food support programme. This year 500,000 more households will benefit thus bringing the number of beneficiaries to a total of 2,000,000.

Mr. Speaker

40. Some of my colleagues in this House have today been hearing the words subsidy, relief, help again and again. They are perhaps tired of this repetition for which I apologize. But the fact remains that our mission is to serve nation. They may rest assured that I will announce further relief measures. I would like to ask them what promises did they fulfill during their time in government; they increased the budget deficit to 7% of GDP and made the country bankrupt.

Mr. Speaker

41. For the hardworking farmers of this nation, I today announce a tubewell subsidy of 25% payable on electricity charges for tubewells. This subsidy will be shared by the Centre and Provinces equally; with the Federal Government contributing one half and the Provinces the other half. Pakistan is agricultural country. The fertile land of this country yields bountiful fruits of the farmer's labour. It is our duty to look after their interest because they produce not only for themselves but to feed the whole country. Their biggest need is water.

As a result of this relief, this country will become prosperous, food produce will increase and inflation will be controlled and farmers will have to pay the bills for tubewells that operate with electricity. This is a historic decision.

42. I wish to announce this good news to our farmers that we providing further subsidy under DAP. The subsidy will increase from Rs. 400 bag to Rs. 470 per bag. As a result of this, the price of each bag of DAP will be reduced by 70 Rupees. This is a subsidy of billions of rupees which will directly benefit the farmers. Agriculture produce will increase through use of D. incomes of farmers will further increase; it will bring prosperity to their doors I wish to ask as to which government provided its farmers with so much benefit The previous governments in fact believed in taking money away from the nation.

Mr. Speaker

43. The government wishes that the dreams of its youth come true. know that the future of the nation is dependent on its youth. If we want to encash the demographic dividend, we will have to use our youth as a powerful force. This purpose, we have prepared and launched several robust programmes, results of which will be better than expectation. We feel that our youth patriotic Pakistanis and our asset.

Mr. Speaker

44. The President of Pakistan, General Pervez Musharraf announced the Rozgar Scheme in the last financial year which has been very successful. The small amounts advanced at low rate of markup of 6% enabled the youth to start their own

businesses, thereby providing succour to many families. These small businesses also generated employment for other unemployed youth. Under the scheme, 1.8 million youth will be able to stand on their feet, and provide support to their families. In the last financial year 10,321 applications were approved under this scheme and Rs. 1 billion disbursed. The youth set up PCOs, established transport businesses, utility stores, mobile general stores and tele centres. Rs.104.7 billion will be disbursed under this scheme in the next 5 years. I appeal to my young brothers and sisters that they should apply for assistance under the Rozgar Scheme and make good use of it. I would like to ask if any other government had such positive views about the development of its youth.

Mr. Speaker

45. As Pakistan is progressing rapidly, we feel there is a shortage of skilled people. I would like to ask why this shortage was not felt by previous governments. Because in those times the country was simply not progressing and factories were infact being shut down. In order to meet the need of skilled people, in last year's budget we established NAVTEC . The aim of this institution was to develop the potential of the youth by providing them skills. It was decided to move forward with the implementation of this scheme by working closely with all four provinces. This was so that skilled individuals are distributed throughout the country. This amount is five times last year's allocation.

Mr. Speaker

46. They say that there is no substitute for experience. Our educated youth posses good degrees but lack of experience prevents them from getting meaningful employment. In order to help our youth, the President of Pakistan General Pervez Musharraf directed that an Internship Programme be started so that our youth can gain valuable experience in different government departments, thereby being able to be gainfully employed in different private and government concerns. For this purpose, each graduate will be provided a stipend of Rs.10,000 per month. As of now 8,000 interns are working and this figure will increase to 30,000 next year. It pains me to state that previous governments, who claimed to serve the masses, did not give any serious thought to helping the youth.

Mr. Speaker

47. When a low income individual wishes to start a business, where should he go? He has no collateral to offer. The rich easily procure loan but the poors have difficulty in getting even small loans. In order to resolve this problem, Micro-Credit Banking has been started the world over. Our government has instituted a regulatory frame work which is one of the best in the world. So far, one million households have benefited from Micro-Credit. The target for the next three years is 3 million households. Please come with me and see for yourself, how the lives of those who have availed Micro-Credit have changed; they are now self-sufficient and prosperous.

Mr. Speaker

48. As our cities expand rapidly, basic health facilities have difficulty keeping up. The hospitals are there but citizens have difficulty in reaching them which involves expense and travel. Keeping this view point in mind, President Initiative for Urban Climes has been started. In the cities of Islamabad, Rawalpindi, Karachi, Lahore, Faisalabad, Peshawar and Quetta, 815 medical clinics are being set up at the Union Council level. In each medical clinic there will be a doctor, lady health-worker and dispenser who will provide medical consultancy close to people's places of residence. In these clinics staff will be recruited from local union councils which will provide 4,917 employment opportunities. The question is, did any body else think about providing this basic facility in big cities? It seems, only we have found solutions to these problems.

Mr. Speaker

49. Safe drinking water is the basic need of every human being. Due to non-availability of safe drinking water, people suffer from various diseases. President General Pervez Musharaf gave directions for installation of a water purification plant in each Union Council on emergent basis. A total of 327 plants have been installed and people have started getting safe drinking water and got protection from various diseases.

Mr. Speaker

50. We are asked as to what development activity we have undertaken other than mega projects. I would like to say that in order to eliminate the differentials between the urban and rural ' areas it has been decided to undertake Khushal Pakistan Programme along side mega projects. Under this welfare programme, 14,000 villages were provided electricity, at a cost of 21.6

billion rupees; 1207 cities and villages were provided sui gas at a cost of 71 billion KPP, around 34 billion rupees are being kept in the current budget. In the last 5 years, our government provided electricity, sui gas connections, constructed roads, provided clean drinking water and sanitation facilities at a cost of Rs.51 billion. Under the KPP, in 25 districts of Balochistan, development work of Rs.3 billion is being undertaken. Further schemes will be identified by MNAs which will be implemented immediately. Under the directive of the President of Pakistan Rs.5 crores will be paid to each district, Rs.1 crore to each Tehsil and Rs.10 lac to each Union Council for development work.

Mr. Speaker

51. We can rightfully challenge whether any previous government has spent such a large amount for development activities. Who has benefited from Rs.51 billion spent in the last five years under the KPP programme on the web roads linking villages and Goths and small cities with large towns? Certainly I poor people of Pakistan who could never imagine that those essential facilities could ever reach their village, Taluka and Goth that their children would be able to sleep under a fan and air conditioner; that their houses have water motors; that they could make use of basic facilities like sewerage. It is only the dedication and hard work of the present leadership which has provided the development funds necessary to carry out these activities, who promised that they will deliver electricity to each village and link each Goth with a highway. Today they have delivered on this promise.

Mr. Speaker

52. The nation would be within its right to ask as to which kind of government could provide such large amounts to maintain the self esteem and dignity of the nation. The answer is that only an honest, dutiful and God fearing government can undertake such a challenge.

Agriculture Sector

Mr. Speaker

53. With your permission, on behalf of the government and this House, I would like to congratulate my brother farmers for their hard work that has made us self-sufficient in food production today. God has listened to our prayers and provided us a bumper crop of wheat that was the largest in the history of Pakistan.

Mr. Speaker

54. Pakistan is an agricultural country. 60% of our population is associated with agriculture and agriculture has always played a significant role in our development. For a prosperous Pakistan we need prosperous farmers. As a result of government measures, growth rate of the agriculture sector in the current financial year was 5%. These interventions by the government have yielded positive outcomes. Never have we seen such record agriculture produce. Looking only at wheat, total production is now more than 23 million tons made possible by timely fertilizer provision, agriculture loans and availability of water. Support price of wheat had been fixed at Rs.425 per maund which benefited our farmers in rural areas to the tune of Rs. 250 billion. As a result of this production of wheat was prioritized. Cotton production increased by 4.8% over last year. Rice production was also very healthy.

Mr. Speaker

55. I would like to ask why the livestock sector was ignored by previous governments when this could have substantially enriched our farmers? Did they not want that there should be a revolution in our rural areas and that farmers should earn extra income or were they waiting for us to prioritize this sector? The Government has formed two companies in the private sector.

- (1) Livestock and Dairy Development Board
- (2) Pakistan Diary.

Under these companies two big projects have been started worth 2 billion rupees. Under Prime Minister Special Cell livestock produce and allied services will be spread to 1963 Union Councils all over the country benefiting three million poor farmers. As a result of these measures, 12 million litres additional milk will be produced and 2 lac tons additional meat will be produced.

Mr. Speaker

56. As a result of this government policy, a multinational company, has set up the largest milk processing plant in Asia in Pakistan. Similarly, other companies are also bringing investment from within as well as outside the country.

Mr. Speaker

57. It is our farmers urgent need that they be provided timely loans. Alongwith the subsidy on fertilizer, our government has also increased the availability of agricultural loans. In the financial year 2006-07, agricultural loans of Rs. 160 billion were targeted. Contrary to this, in 1990, agricultural loans of only Rs. 15 billion were disbursed. What will the farmer do with these new loans? He will purchase tractors, harvesters, fertilizers and seeds that are his basic requirements.

Mr. Speaker

58. With the use of better seeds agriculture production can potentially increase by 20% to 30%. The government has allocated Rs.336 million for production of better seeds. 15 new seed testing laboratories will be set up. For better production of cotton, BT Cotton seeds and Bio-Safety arrangements will be introduced.

Mr. Speaker

59. Adopting farmer friendly policies, the government has provided the agriculture sector Rs.250 billion which was entirely spent in the rural areas. The farmers spent this amount on their children's education, purchase of motorcycles, televisions, cycles, WLL sets, furniture, tractors, harvesters etc. They

set up tubewells, built houses and why not? They tilled day and night on their lands and God helped them with bountiful crops which they sold in agricultural markets at government support prices. This is their right; prosperity of farmers is the prosperity of Pakistan.

Employment Generation

Mr. Speaker

60. The construction industry in Pakistan has grown exponentially. Wherever we travel in Pakistan, the fast pace of construction activity is quite evident. There are 52 other industries associated with construction. A good indicator of the country's development is the level of job creation. It is difficult to describe the whole long list of industries where employment generation has occurred, in the time available. Even so, our Government provided 200,000 jobs in the motorcycle industry; 35,207 jobs in banking for qualified individuals; as a result of installation of mobile towers, 24,000 additional jobs were created; in the IT Sector 90,000 additional jobs were created; 2,000 jobs were provided in the cement industry; thus overall in the past 5 years more than 10 million people benefited. I would like to ask as to which government provided 10 million employment opportunities. Is it not enough of an eye opener for our opponents?

Mega Projects

Mr. Speaker

61. Today I hereby announce the construction of Neelani-Jhelum Project which will cost Rs. 84.5 billion. The electricity generated from this unit will contribute to the development of the country.

Mr. Speaker

62. The next in line is the Bhasha —Diamir Dam, the design of which will be completed in 2008. However, Rs. 500 million have been reserved for this Project in the PSDP. Along side this work, the work on Gomai-Zam Dam, Kurram Tangi Dam, Subak Zai Dam is in full swing.

Mr. Speaker

63. The work on the up-raising of Mangla Dam started by WAPDA is close to completion. As a result, 2.09 million acre feet additional water will be

available for storage and 644 MW electricity will be generated. By construction of these Dams, 2.6 million acres land will be irrigated. Under-developed areas will be transformed into prosperous pieces of land.

Mr. Speaker

64. The Government has allocated a sizeable amount for the Greater Thai Canal, Reni Canal and Katchi Canal on which the work is in full swing. The Government is also starting the work on expansion of Kara Kurram Highway. The work on the expansion of Hasanabdal-Mansehra Section will start in the next few months. The N-S Highway will be linked with the National Trade Corridor. For this purpose, it has been decided to provide the National Highway Authority with an allocation of Rs. 29 billion. The National Highway Authority will, during this year, start construction on 1,585 KM length of Highways at a cost of Rs. 147 billion.

Mr. Speaker

65. The deepest Port of the country is Gwadar. So far an investment of Rs. 13.5 billion has been made on this Project. This amount excludes foreign investment. The Coastal Highway which links Karachi with Gwadar has already been completed. Gwadar will emerge as an important Port for the region because it will provide a transit route to Central Asian States and China. As a result, both Balochistan and Pakistan will benefit.

66. In today's world it is difficult for a country to stand up right in the comity of nations without education. Foreseeing future requirements, the Government has decided to increase share of education to 4% of GDP. During the last 2 years, the education budget increased by 36%. It is pointed out that the bulk of the education infrastructure is situated in the Provinces and under their control. The Federal Government has limited educational institutions under its control. However, the Centre provides full support to the Provinces in this regard.

Mr. Speaker

67. Private Equity and Venture Capital Fund

Private equity is a certain kind of investment which plays an important role in the domestic economy. It aids the expansion of private companies through provision of additional funds and administrative ability bringing out their hidden value. In order to speed up investment in this area, the Private Equity Fund has been made tax

exempt till 2014. In case assets or shares of private companies are sold to Private Equity and Venture Capital Funds, the rate of Capital Gains Tax has been reduced from 35% to 10%.

Mr. Speaker

68. Real Estate Investment Trust (REITs)

Through REITs a new form of investment tool is being introduced for investment in capital markets which will enable small investors to reap profits from investments in real estate, which, so far, was open only to large investors. In order to increase use of REITs their use has been given tax concession. For example, the profit of REITs, will be exempt from taxation upto 90%, upon distribution. The most important tax concession for REITs is that under this scheme sellers of property will be exempt from tax upto 2010.

Mr. Speaker

69. Amendment in Companies Ordinance

For the benefit of shareholders, any shareholder who has 12.5% shares of any company can call for an election of new Board of Directors in the next AGM. In order to provide protection to minority shareholders, any person or persons with 20% or more than 20% shares of any company, can request SECP for special audit.

Demutualization

Mr. Speaker

70. In order to bring our capital market upto international standard the demutualization of stock exchange is being implemented. Under this assets of stock exchange transferred to demutualized exchanges will be given special tax treatment.

Industrial Sector

Mr. Speaker

71. Industry is a basic need and symbol of recognition of a country. No one can think of prosperity without industry, be it a case of a developed or a developing

country. This year growth of large scale manufacturing was 8.8 percent. Growth rates of other industries were impressive e.g. sugar (19.6%), beverages (28.4%), shoe (13.2%), paint and varnish (43.8%), motor tyre (17.2%), cement (21%), steel (24%), air conditioning (36.8%), electric transformers (25%) and tractor manufacturing (11.4%).

Mr. Speaker

72. Did earlier regimes pay any, attention to this area? Did they give any useful suggestion? Did they constitute any working group? Did not they know that exports are essential for survival of a nation? But their agenda was not country's economy, public welfare or future of the nation but negative politics, propagation of hatred, and degradation of national institutions. People are not going to accept such an agenda as they are aware of the people who have looted public money and built bank balances in foreign countries.

Mr. speaker

73. The reason for Chinese fast paced development is its manufacturing industry. A SEZ near Lahore is being set up for Chinese products, with Chinese assistance. Chinese companies would exclusively invest there. Apart from that, companies intending to set up SEZs would be given various tax breaks. Those companies making investment will be given different incentives. These measures would boost up industry. Appropriate laws are being framed for setting up of Special Economic Zones. I would like to ask that our relations with China have been cordial throughout. Then why are they investing in Pakistan now and not before. I want to repeat that it is so because of good intentions, sound policies and good governance.

Mr. Speaker

74. Many drastic changes have come about in the industrial sector on account of measures taken by government. These have benefited the people. Those days have gone when SRO culture was order of the day: an SRO issued in the morning used to be changed in the evening by vested interests.

Those days have gone when people would approach concerned quarters for issuance of permits.

Those days have gone when people would strike deals with ITO to the detriment of

national exchequer.

Today tax payers are free from the fear of victimization. Today industrial base has expanded

Today new employment opportunities have been created.

Today we are self sufficient in food

Today we have laid extensive road network in the country

Today we have provided safe drinking water

Today we have used national resources on welfare of people

Today families of the people getting employment are praying for us

Mr. Speaker

75. All this has been made possible on account of continuity of policies, good faith, sincerity, honesty and dedication of the government. International investors have responded to the call of the government for making investment in the country. This has resulted in investment of US \$ 6 billion during one year.

Mr. Speaker

76. People who avoid facing facts shall be held accountable before public. They shall have to explain as to why they did not do adequate development? Why did not they set up the needed industry? Why could not they achieve the required level of investment? Why did not they provide relief to people from national exchequer? They would be unable to answer these questions. During their period of government, precious time of the nation was wasted. Nation has a right to ask them to explain the reasons for the wasted time and lost opportunities.

PART-II

Mr. Speaker

77. Now I want to draw your kind attention towards the tax policy and tax administration reforms introduced in the tax structure of Pakistan. As you are aware, the present government has introduced wide-ranging reforms in the CBR, which have been highly successful. The basic objectives of these reforms were not

only to increase the tax collection, but also to provide tax facilitation and better tax environment to the taxpayers.

Mr. Speaker

78. The tax administration is a continuous process; therefore, additional taxpayers' friendly reforms are being introduced in the CBR. The future strategy is to co-locate all the domestic taxes under one roof, for which Regional Tax Offices (RTO) are being established in the major cities of the Country. Similarly, the international taxes are to be handled through the Model Customs Collectorates (MCC) which is being established by adopting best international practice. For large taxpayers, three large taxpayers units have been established equipped with modern resources.

Mr. Speaker

79. Due to introduction of these changes, CBR has been able to achieve its revenue targets. This will be fourth consecutive year when the start-of-the-year revenue target will be met. May I inform you that the revenue target for the first 11 months of current fiscal year has been successfully accomplished and its is expected that the yearly target of Rs 835 billion will also be achieved (inshallah). Similarly, the revenue target of Rs 1025 billion fixed for fiscal year: 2007-2008 will also be successfully achieved (inshallah).

Mr. Speaker

80. Now I will turn to the tax policy measures being proposed for the coming fiscal year, wherein revisions have been proposed in tax rates taxpayer friendly in nature.

Customs

81. As you are aware, tariff reform is an integral part of tax policy initiatives. For the last many years not only the tariff rates have been gradually reduced, but the number of tariff slabs has also been reduced considerably. The Tariff Rationalization process is an on-going process.

Mr. Speaker

82. I want to convey to you that the Tariff Reforms process will continue in the coming years as well. Furthermore, in order to reduce cost of raw material, a zero tariff slab has been proposed. This change is expected to accelerate industrial development, promote exports and increase national income.

Mr. Speaker

83. The guiding principle of our government policy is to increase exports, ensure availability of cheap raw material for industries. To continue with the policy, customs duty is proposed to be withdrawn from the machinery used in horticulture, furniture, marble & granite, surgical and medical instrument-business. Similarly, the customs duty on raw material used in the electrical, capital goods, paper & paper board, chemicals, plastic and rubber industries is proposed to be reduced by 5%. The objective is to keep the momentum of industrialization going so that enough jobs are created for the wellbeing of common citizens.

Mr. Speaker

84. The country is facing acute shortage of electricity. To provide relief to the people and industrial establishments, it is proposed to withdraw customs duty on generators for home consumption. Similarly, reduction in customs duty is proposed on generators for industrial consumption. Likewise, it is also proposed to withdraw customs duty on the components used in alternative energy sources such as solar energy and wind energy. The sales tax at import stages on these items has also been proposed to be waived off. To encourage energy saving lamp, customs duty is proposed to be reduced from 15% to 10%.

Mr. Speaker

85. Presently CVT is levied on imported cars, while the domestically manufactured vehicles are exempt from CVT. In order to remove this the disparity, withdrawal of CVT on imported vehicles is proposed. However, to maintain protection level intact, adjustment in customs duty at the rate of 5%, 10% & 15% for different CCs of cars is proposed. There is a proposal to levy 5% withholding tax on the local vehicles. To facilitate the middle income groups customs duty on 800cc cars is not being charged. Finally, the capping for old and used cars previously for 5 years is being reduced to 3 years so that the domestic industry attains stability. The condition of 3 years will be applicable to TR, Gift Scheme, and Baggage rules.

Mr. Speaker

86. Textile is the back-bone of the economy. Besides export earnings, this sector is a prime source of employment generation. Therefore, more attention is required to be focused on this sector so that to make it internationally competitive. Some time ago R & D facility was provided to this sector. Now the DTRE system is being revamped whereby the import of PSF will be allowed. Through DTRE. R&D facility will also be available to fiber manufacturers @ 3.5%, which will be availed through SBP. The facility of debt/swap to spinning sector is granted. Similarly, for exporter the existing WHT rate of 0.75% to 1% is being rationalized and 1% rate of WHT is being proposed. The textile exporters will also be the beneficiaries. We hope that with these initiatives, the textile sector will flourish further.

Mr. Speaker

87. The imports have increased many folds during the past few years. This phenomenon is not only reflective of industrial development, but also highlights improved consumption expenditure by individuals. However, the growing imports have badly impacted our trade deficit, due to which there is a huge burden on the national resources. Therefore, keeping in view the widening trade deficit and also to restrict the conspicuous consumption, 1% levy special surcharge is levied on all imports with the exception of petroleum product, edible oil, fertilizer, medicine, necessary food items (vegetable & pulses). Furthermore, the already exempted items will continue to remain exempt from this levy.

Sales Tax & Excise

Mr. Speaker

88. Few years back the concept of zero rating was introduced so that the business community may not face liquidity constraints. It is a great pleasure for me to announce that the scope of zero rating is being widened to include sewing machine, bicycle & cotton seed oil.

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89. Cable TV is a basic necessity of daily life, therefore, excise duty on cable TV is proposed to be withdrawn.

The traders belong to FATA & PATA are facing difficulties in carrying out their businesses due to unresolved disputes lying pending with the courts. Therefore, in consultation with them, the sales tax already due is proposed to be waived off enabling them to carryout their business.

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Mr. Speaker

90. In the country, iron and steel, plastic and paper industries are fast growing but unfortunately majority of them are functioning in the unorganized sectors, resultantly the government as well as the organized sector industry are facing continuous losses. In order to establish equilibrium, the raw material imported for iron and steel plastic and paper industries the sales tax of 15% is proposed to be enhanced 20%. However, the rate of 15% sales tax on final product for these sectors will remain the same.

Income Tax

Mr. Speaker

91. A task force was constituted to bring improvement in the provisions of law relating to holding companies. In view of the recommendations made by the task force, amendments are proposed in legislation relating to Holding Companies; 75% share holding will be required if none of the companies is a listed public company; 55% share holding will be required if one of the group companies is listed public company; Current losses can be surrendered by Holding Company to a subsidiary or between subsidiaries which fulfill the requirements of share holding; inter-corporate dividend shall be liable to 10% adjustable withholding tax.

Mr. Speaker

92. The concept of group taxation is not new. It has however, not prospered in Pakistan due to certain impediments in law which discourage the formation of groups. In order to implement the recommendations of the Task Force, it is proposed that for formation of group, transfer of shares between companies and the owners in one direction may not be treated as taxable event. Further, group taxation is allowable for 100% owned companies as one fiscal unit and no relief will be available in respect of losses prior to formation of group. It is also proposed that group taxation will be restricted to domestic companies only and for assessment on group basis option will have to be exercised for a minimum period of 5 years.

Mr. Speaker

93. Acquisition and merger is invariably treated as a non-tax event. The existing provisions of law do not expressly provide disposal of an asset under

amalgamation/merger to be a tax neutral event. Therefore, there is a need to introduce specific provisions regarding non-taxability of capital gains in the hands of share holders. It is proposed that transfer of shares between companies and share holders in one direction under an approved scheme, (not involving cash) may not be taken as taxable event if the purpose of such transfer is formation of a group. The incentive will be available under scheme of Merger and Acquisition, approved by High Court, SECP or SBP (as the case may be) which does not involve cash payments.

94. For computation of income of the banking companies a separate schedule will be added to the Income Tax Ordinance, 2001. This measure is taken on the recommendations of the SBP and PBA on the analogy of taxation Insurance Companies. Inter corporate dividend is proposed to be subjected to adjustable withholding tax @ 10%.

Mr. Speaker

95. I hope that with the introduction of this new system, the revenue generation will increase manifold. It will also provide relief to common citizens and the industrial production will accelerate in the process.

Mr. Speaker

96. This Budget is a budget of relief. This is a Budget of investment. This is the Budget of a fast growing economy. This is a Budget of the people Budget that has reduced the price of kitchen items. As a result of this Budget want to develop our youth into a skilled force. This is a Budget to ensure our sufficiency. The question is where did the funds for the welfare programmes initiated by our government in the last 5 years come from? Where did this zeal in the people come from?

Mr. Speaker

97. This was all made possible because there was continuity and transparency in our policies and good governance.

There are many who will not admit this reality but the fact remains that the country needs intelligent and honest leadership. The people are aware of who brought bankruptcy to the country. The Pakistani nation today can stand on its own two feet with its head held high. They know that there is a strong and powerful

country behind them. They know that continuity in policies is essential. They know that there are people who want to thrust Pakistan into darkness again.

Mr. Speaker

98. In the end I would just like to say that Pakistan has traveled a long journey in the last 8 years. We have come out of bankruptcy, are steadily reducing poverty and are ranked as one of Asia's faster growing economies where poverty is on the decline, unemployment is reducing and which is on its way to become a strong, viable country. In other words, Pakistan is fast moving towards a better future.

Presently our reserves stand at 14.5 billion US dollars compared to 200 million US dollars some time back. Today we are not a nation with a begging bowl in our hands but a strong and proud nation that helps others also. We are a country where foreign investors want to invest; at no other time was Pakistan's future as bright as it is today. Today we can give our new generation the promise of a better future.

Mr. Speaker

99. Today with the grace of God, our country can never again be pushed towards the destruction which previous governments wrought upon it and who only devised policies that served their own interest. The whole nation including our youth are now mobilized. We have started the journey towards a prosperous future. It is this path that will lead us to a great Pakistan. The democratic journey we started in 1999 will continue, Inshallah.

May God protect and help us all, Aameen

Pakistan Paindabad