

## **Budget Speech 2006-07**

### **Omar Ayub Khan, Minister of State for Finance**

*English translation of the speech made in the National Assembly of Pakistan on Islamabad 5<sup>th</sup> June, 2006*

After sending my many blessings to the Prophet (peace be upon him) I profusely thank Allah the most beneficent who is our master for giving me the honour of presenting the budget of the Islamic Republic of Pakistan before this august house.

While presenting the budget for the new year we cannot forget the tragedy of 8<sup>th</sup> October, 2005 in which 73,338 valuable lives were lost. A generation was buried under the debris. There is no other example of destruction like this in South Asia. Those people who did not understand the people of Pakistan and their convictions thought that it may not be possible for Pakistan to emerge from the debris of the disaster. But the Pakistani people rediscovered themselves. The world saw with amazement the love and the sacrifice which the people of Pakistan were capable of.

Mr. Speaker,

The mountains fell but the people of Pakistan stayed steadfast. This earthquake was also a grim test for our economy and the economy emerged victorious from it. Pakistan's economy not only withstood the losses of the earthquake but maintained the momentum of fast paced developed.

Mr. Speaker,

During this difficult moment, the people of Pakistan wrote a new chapter along with the armed forces and together they played an unforgettable role for which we are grateful to the entire nation and the armed forces. There were occasion when the soldiers had to carry the supplies on their backs to reach the people affected by the earthquake and then carry the people back to the medical camps. Our youths and volunteers also performed enviably in this crisis, for which they deserve our gratitude and praise. On this occasion the sympathy expressed by the international community was of a magnitude which revived the faith in humanity. We will never forget the cooperation extended by the international community.

Mr. Speaker,

The earthquake has left behind a proof that the Pakistani economy and leadership is taller and stronger than the mountain. Had the economy been weak or had the leadership been weak, would that not have resulted in the imposition of emergency taxes? Have the people forgotten that in the past after every flood used to come a flood of taxes? We can say it with pride that after the destruction of earthquake we did not allow the economy of

Pakistan to be jolted. We have spent Rs.65 billion on the resettlement of the affectees. Do we need any further proof that the leadership and the economy can, with the blessings of Allah, overcome every crisis? The incomparable unity and sacrifice which was displayed by the people deserves our salutation. The people of Pakistan know that had this tragedy occurred during the decades of nineties, the unbearable burden on the economy would have created serious problems for the country.

Mr. Speaker,

This is a huge victory of the people and the government of Pakistan that together they faced successfully and with dignity such a huge catastrophe and the budget that I am going to present today is a proof that not only have we faced this challenge manfully, but that our journey on the road of development continues unabated.

Mr. Speaker,

Here it needs to be mentioned that the earthquake was not the first challenge for our leadership and economy. Before this the prices of oil in the international market started increasing in a manner which shocked the international economy. It is very obvious that in spite of these two challenges the economy of Pakistan not only remained stable, but because of its strength, our currency also remained stable and our reserves helped absorb the increasing prices of oil. Had it not been so, the rupee would have come under pressure. It could have happened that the parity between dollar would have reached a hundred rupees, which would have had negative impact on the economy and would have created a crisis.

Mr. Speaker,

Despite the earthquake, and the doubling of prices of oil, we have continued to move forward. We have gained further distance. The people of Pakistan, under the leadership of Muslim League and its allied parties, have established the example of an outstanding performance in very difficult conditions. Our negotiating of the crisis successfully is a huge victory for the people.

Mr. Speaker,

The budget that I am going to present before you today has a consolidated value of more than Rs.1500 billion. Of this, the expenditure estimate of the federal government is Rs. 1314.8 billion. This is a record budget in the history of Pakistan, which in itself is a living proof of a growing economy. We could budget expenditure of this magnitude because of revenue collection, especially the tax collection made by CBR, which this year will Inshallah exceed Rs.704 billion. Keeping this in view, for the financial year 2006-07, we have set a target of Rs.835 billion for CBR. In this manner the overall fiscal deficit is estimated at Rs.373.5, billion which is equivalent 4.5% of the GDP. If the expenditure the expenditure likely to be incurred on earthquake related activities is taken out, the deficit comes down to 3.7% of GDP. Which is less than the level of 4% prescribed by the Fiscal

Responsibility and Debt Limitation Act. Let me here make a submission that with the enactment of this law we have established in Pakistan the foundation of rule-based financial management. Under this revolutionary step, the limits of indebtedness will be determined with the permission of the Parliament and the Parliament will have the authority to evaluate the performance of the government with reference to the fiscal framework.

Mr. Speaker,

The reform programme of the government has played a basic role in the current pace of development. To continue with this process, the government has formulated a comprehensive programme of second generation reform. Under these reforms the modernization of CBR will be further accelerated so that the work which this institution has done to expand the national resources could be further accelerated. In addition the Ministry of Finance will introduce a medium term budgetary framework in all the ministries of the government under a three years project which will enable the convergence between policies and expenditure of public institutions. To organize its own working on modern lines, the Ministry of Finance is going through a process of obtaining ISO Certification. Additionally, reforms are being introduced in all spheres of government working.

Mr. Speaker,

We have absolutely no confusion about the independence and integrity of Pakistan. In any eventuality we will ensure that the armed forces of Pakistan are equipped with the latest armament and all their needs are met. For this purpose we have budgeted Rs.250 billion in the next budget. This is Rs. 27 billion more than the last year's budget. Pakistan is a nuclear power. We will protect its nuclear assets at any cost and will make available whatever resources are required for this purpose. Making the defence of Pakistan impregnable is our number one priority. One thing that I would like to clarify is that when the size of our GDP was small, the defence expenditures were a very high percentage of the GDP. Due to economic development and growth in the size of GDP, our defence expenditures have come down to about 3% of the GDP. The additional resources that have resultantly become available to us are being used to provide additional funds for development and to provide relief to the people of Pakistan.

Mr. Speaker,

The Pakistani economy has gone through an amazing expansion. Everyone knows that a few years back, the treasury was empty and, after paying the debt on external loans, very little was left with us for national and provincial development programme. At that point of time our development budget was not more than Rs.100 billion. During the current financial year, we spent Rs.372 billion on our development programme. While next year we will spend Rs.415 billion for the development of our sacred homeland. Last year Rs.68 billion were budgeted for the development programmes of the provinces. During 2006-07, the provinces will spend Rs.115 billion on their development programmes.

Mr. Speaker,

This year's federal PSDP of Rs.320 billion is of historical significance. I would like to remind that in 2001 the PSDP size was Rs.90 billion. This means that within seven years, the development expenses have undergone a 3.5 times increase. We will utilize this rapidly increasing development programme to promote physical and social infrastructure and to remove poverty. According to conservative estimates, this PSDP would lead to the creation of 400,000 jobs.

Mr. Speaker,

For a nation, which a few years ago would not know whether it would have in its treasury enough money to pay the oil bill of the next week, this day, when we are presenting a development budget of more than Rs.400 billion before this august house, is a living proof that if this nation can get selfless, honourable and able leadership then it can compete with the best nations in the world. The Rs. 415 billion PSDP also gives a clear indication that the economy of today is fundamentally different from the economy of five years ago. Now we will have to reformulate our strategy and we will have to prepare ourselves internally and externally for a new role. I can assure you that if we accept this challenge, we will emerge as the shining star of the world of Islam. On the contrary, if we wander away from the path that brought us here, then, God forbid, we will return to the darkness.

Mr. Speaker,

Under the national finance award, which the President announced in January, the provinces are getting the maximum share in national income. Compared to the budget estimates of 2005-06, in 2006-07 an additional amount of Rs.94 billion will be transferred to the provinces. It is a very welcome development that during the next five years the share of the provinces in the national resources will keep on increasing. During 2006-07 the provinces will get 45% of the divisible pool of national resources but within five years their share will increase to 50%. Lots of people in the past talked about the fiscal rights of the provinces, but history has given us the honour of completing the fiscal rights of the provinces. In this package, for the first time, the federal government will give special grants to all the provinces.

Mr. Speaker,

Now I will talk about the overall economic performance.

Mr. Speaker,

During 2005-06 the GDP of the country increased at a rate of 6.6%. Last year the GDP grew at the rate of 8.4%. But as the figures came in during the course of the year, it was

established that the GDP had actually grown at a rate of 8.6%. After the final figures come in, it is quite possible that the GDP growth rate of 2005-06 may exceed 6.6%.

Mr. Speaker,

With the blessings the Allah behind us, we are not those who just make tall claims, our performance is a proof of our hard work and our sincerity. Our objective is that we should make Pakistan a strong country and lead its people to the destination of well-being with the help of fast paced development. During my last budget speech I had expressed my hope to Allah the Merciful that if our economy continues to grow at a fast pace for the next 10 years, our per capita income would double. The manner in which the economy is progressing, my hope has been converted into a belief. The people of Pakistan know that the national economy has been brought to this level through the continuity of policies and leadership; they have at each step proved that they will maintain the continuity of the leadership and its policies and will keep on ignoring the opponents of stability and development.

Mr. Speaker,

Here I want to say once again that whatever we have achieved we have achieved with the help of the hard work the dedication and the sacrifice of the people of Pakistan. I want to salute the people of Pakistan for their economic success and victory. Inshallah together we will continue our march towards our destination.

Mr. Speaker,

This success is not an accident or a chance. Have not efforts been made to achieve this kind of success before? But success is possible only through honesty, continuous and untiring hard work, correct and transparent policies and a firm belief. When leaders start increasing their bank balances then the national exchequer is emptied. When leadership tries to work with honesty and transparency, Allah gives it success. We have decided that we will try to develop, but we will not compromise the dignity of the nation. We have overcome the difficulties and we have broken the begging bowl of dependence. Pakistani nation is an honourable nation. It will not again repose its confidence on those who emptied the treasury and injured the dignity of the nation. For this reason, I believe that neither the begging bowl will return, nor would those who carried it.

Mr. Speaker,

What is the benefit of that development which does not benefit the people? The first claim on the resources of Pakistan is of the poor people of Pakistan. The budget that I am presenting before you is the budget of the poor people of Pakistan. It is a budget of relief.

Mr. Speaker,

Since December 2001 through different ways, the pay of the government servants has been increased four times to give them relief. It makes me happy to announce that from 1<sup>st</sup> of July, 2006, all government servants will get a dearness allowance of 15%.

Mr. Speaker,

Our pensioners need our utmost attention. We understand that those pensioners, who are advanced in age, need to be compensated more than the others so that they can meet their needs with dignity. Government is increasing the pensions. For those government servants who retired before 1<sup>st</sup> May, 1977 their pensions would be increased by 20%. For those who retired after 1977, the increase would be 15%. I am sure that in this manner our senior citizens, who spent their lives in the service of the nation, would get some relief.

Mr. Speaker,

The overtime of drivers and dispatch riders and the conveyance charges of non gazetted employees in BSP 1-16 are being increased by 50%.

Mr. Speaker,

Those who get their pension under Employees Old Age Benefit Act, 1976 will have their pension increased from Rs.1,000 to Rs.1,300.

Mr. Speaker,

The grant admissible to workers for the marriage of each daughter from the Workers Welfare Fund has been increased from Rs.30,000 to Rs.50,000. Only a labourer and worker would know how much is a relief of Rs.20,000 means when he has to marry off his daughter.

Mr. Speaker,

The grant admissible to the successor in the event of the death of a worker has been increased from Rs.150,000 to Rs.200,000. No government in the world can solve every problem of every citizen, but we will try to do whatever we can do for our citizens and will continue to provide them relief.

Mr. Speaker,

The scholarship admissible to the children of the workers has been increased from Rs.800 to Rs.1,000.

Mr. Speaker,

The share of the industrial workers in the profit of the industrial unit has been increased. Previously, the maximum share used to be Rs.6,000 which has been doubled. This decision of the government will bring a big relief to the industrial workers.

Mr. Speaker,

Whenever the pay and allowances of civil servants are increased, there is an immediate impact on the private sector. The process of increase of pays in the private sector starts. To provide low income citizens in the private sector some relief, the minimum wages of workers has been increased from Rs.3,000 to Rs.4,000.

Mr. Speaker,

Knowledge has always been the basis of development. But the modern age is the age of knowledge-based economy. Pakistan would be made great by its educational institutions and its teachers. We have decided that we should give the teachers their due status in the society. We have started the process of improving their remuneration significantly. As a first step, we will in accordance with their qualifications give a monthly allowance of Rs.500, 750 or Rs.1000.

Mr. Speaker,

To improve the performance of Railways we are giving a better package to its important positions.

Mr. Speaker,

God forbid that the earning hand of a family leaves this world; however, the real world is full of such tragic instances. After the earning hand has left, at times his wife and children face extreme difficulties. On the instructions of Prime Minister Mr. Shaukat Aziz, a detailed relief package is being given for those government servants who die during service, so that the honour and dignity of their families is protected. The cash grant for them according to the grade has been fixed from Rs.200,000 to Rs.1,000,000. The heir/s have been given a higher rate of pension. The surviving family has been given the permission to retain the government residence from three to five years. One of the successors can be given a contract appointment in grade 1-15 for two years. One child will be given free education till the age of 18. The widow will get life long free treatment at government hospitals for life. A 2% quota in government housing schemes will be reserved for those who die during service. Those employees of the law enforcement agencies who face death while performing their duties will get a package commensurate with their service and the sacrifice.

Mr. Speaker,

Small investors, pensioners, widows and orphans invest in savings schemes to lead lives of dignity. To provide relief to this segment we have increased the rate of profit on

savings schemes and prize bonds within the range of 0.5% to 1.5%. This will lead to an increase in the earnings of small investors. The prize money of prize bonds is being increased. I am sure that this decision will provide relief to a very large population.

Mr. Speaker,

Our government has always kept the difficulties of the salaried class in view. Last year the tax rate for salaried people was reviewed and it was made simple and logical. Now we are introducing a revolutionary system of taxes to provide further relief to the salaried class. Up till now, civil servants with a total annual income of Rs.100,000 were exempt from the payment taxes. This limit has been increased to Rs.150,000 per year. The previous tax rate was 3.5% to 30%, this rate has been reduced from 0.25% to 20%. This would provide an additional relief to a very large number of government servants.

Mr. Speaker,

We want to provide the maximum relief to our senior citizens. Senior citizens with an annual income of Rs.400,000 are exempt from tax. However, citizens of the age of 65 were treated as senior citizens. Now the relief has been made applicable at the age of 60 years. This would provide relief to our senior citizens.

Mr. Speaker,

Those who say that: what have the people got from the treasury which has been filled up, would find the answer to their question from the above relief measures. However, I may submit that the relief measures provided by the government do not end here. I would like to present the steps which the government has taken to facilitate the life of the citizens.

Mr. Speaker,

The cement manufacturers increased the price of cement without any justification. This increase was not justified. Therefore, the government took immediate action and within a few days the price of cement came down from Rs.400 per bag to an average price of Rs.300 per bag. This action taken by us proves that we will not allow anybody to exploit the people. The increase in the price of cement was unfair. We ensured that the injustice came to an end.

Mr. Speaker,

Due to the less production of daal, problems were created for the common man. The government has decided to provide a subsidy of Rs.2.5 billion to make cheaper daal available. We are sure that, as a result of this, the people will get a significant relief in the food items. It is the promise of our government that the people of Pakistan will not have to pay higher price for anything.

Mr. Speaker,

From tomorrow, Utility Stores will make available daal channa at Rs.30 per kilogram, daal masoor at Rs.31 per kilogram, daal moong at Rs.33 per kilo and daal mash at Rs.58 per kilo.

Mr. Speaker,

To maintain the prices of daals at a low level, the government will subsidize their import by the private sector. I want to announce here that the government will neither allow the shortage of daals, nor would it tolerate unjustified increase in its price. We will at any cost keep the prices of daals stable.

Mr. Speaker,

Let me here clarify that, even at this point of time, the prices of daals in Pakistan are less than those in our neighboring countries.

Mr. Speaker,

This fact is not hidden from any one that Brazil provides the maximum sugar to the rest of the world. After the doubling of the oil prices, Brazil started using sugarcane for producing ethanol. The prices of sugar in the international market also doubled. The output of sugarcane in Pakistan was less than expected this year. Because of that, the price of sugar in the country increased and a crisis was created. To overcome this crisis we have decided to give subsidy, which will give a significant relief to the people. The government has imported 7 lakh tons of sugar, while the private sector has imported 5 lakh ton. As a result of these steps, the price of sugar has started to come down.

Whenever previously there used to be a shortage of sugar, we used to meet this shortage by importing sugar. However, previously the prices of sugar in the international market were never so high. We are offering 33 tons sugar from the Utility Stores at a rate of Rs.27.5 per kilo.

Mr. Speaker,

For facilitating the public the government has decided to open at least one Utility Store at each Tehsil Council. In addition, at the lower level, a system of Utility Store franchises and mobile units will be introduced. Once a network of Utility Stores is established at the gross root level, it will not longer be possible for profiteers and hoarders to make anti people moves.

Mr. Speaker,

We are not following any adhoc policy with regard to the prices of eatables. We are implementing a system under which the prices of all eatables would remain stable. The

proof is the stable price of wheat flour. I want to assure this chamber, that very soon the prices of all food items would be stabilized in the country.

Mr. Speaker,

We warn the profiteers and the hoarders that those who try to exploit the people would be dealt with very strictly by the government. We are making necessary arrangements for the effective implementation of the price mechanism law. Necessary changes are being made in the law. In each district, Price Magistrates are being appointed, who would have complete authority to catch and punish profiteers and hoarders. These magistrates will be responsible for keeping unjustified increases in prices under check. Government is ensuring that there should be no shortage of food items in the market and it is also making arrangements for price control. The provincial and the district governments have also been given necessary instructions. I am sure that as a result of these measures, the people would be saved from price hikes and they would receive satisfying relief.

Mr. Speaker,

We are trying to solve the problem of instability and price hike on a permanent basis. The supply along with the demand also plays a very important role in determining the prices of everyday items. Keeping this in view, we are announcing the setting up of a model sabzi mandi in Islamabad and the Chief Ministers will also set up model sabzi mandis in cities of their respective provinces in line with directions issued by the Prime Minister Shaukat Aziz. With the construction of these model mandis, the supply of eatable items to the people would be ensured and the people would get relief on this account.

Mr. Speaker,

To bring an end to poverty, we would have to implement an integrated strategy so that our economic growth continues at a rate of 6-8%. For this it is necessary that the investment-to-GDP ratio, which for the first time in the history of the country, has reached the level of 20 percent, should be further increased in future. For this the productive sectors of the economy, which are agriculture, manufacturing and services, should be free from all hindrances and an outstanding environment of investment should be maintained. Revolutionary steps are being taken to remove the obstacles.

Mr. Speaker,

I would first of all cover the sector of agriculture with which a very large portion of our population is attached. I would present such proposals before you which will enable Pakistan to become a modern agriculture economy.

Mr. Speaker,

According to a survey of Federal Bureau of Statistics 45% of the labour work force is affiliated with agriculture. Therefore, it is necessary that this sector should be provided

the maximum opportunities. We have to increase the agricultural production under a comprehensive strategy so that maximum jobs can be provided in the rural areas.

Mr. Speaker,

During 2004-05 there was a record agriculture production. During 2005-06, due to bad effects of weather, the agricultural production was 2.5% higher than last year. President Pervez Musharraf and Prime Shaukat Aziz took personal interest in the livestock sector, as a result of which livestock sector is progressing with surprising speed. It is our endeavour that there should very soon be a white revolution in Pakistan. Last year, livestock sector grew at a rate of 8%. We are arranging investment of billions of rupees in the public sector through public private partnership. A rapidly growing livestock sector will change the destiny of the rural areas of Pakistan and its agriculture sector.

Mr. Speaker,

The Pakistani agriculture is going through a mechanical revolution of which we can be proud of. The revolutionary nature of the change can be gauged from the fact that during last seven years, the number of tractors manufactured in Pakistan has tripled. To improve supply of tractors, they are being declared exempt from customs duty so that the early supply of tractors can be ensured and our hard working farmers get an important relief.

Mr. Speaker,

The credit given to the agriculture sector has reached the level of Rs.130 billion per year. Commercial banks in addition to ZTBL have started full participation in agricultural credit. We want to increase the agricultural credit further, for which the State Bank of Pakistan is taking appropriate steps so that there is a substantial increase in our agricultural output.

Mr. Speak

Poultry is an important component of agriculture. The poultry industry was severely impacted by bird flu. To revive this sector the government has started a programme at a cost of Rs.1 billion.

Mr. Speaker,

The farmers cannot forget the agriculture package of President Pervez Musharraf. This package saved the farmer from jail and imprisonment. President Pervez Musharraf and Prime Minister Shaukat Aziz are trying day and night to improve the condition of the farmers. Many people raised the slogans of changing the lives of poor farmers. But the credit for bringing about a genuine change goes to the present leadership. One of the revolutionary steps which the government has taken to change the condition of the farmers is the programme to increase the income of the farmers for which the government

will invest Rs.7.8 billion. Under this programme, a productivity enhancement and food security programme will be started in AJK, Northern Areas FATA and the four provinces. The programme will be started with 1,000 villages. With the implementation of this programme, job opportunities will be created in our rural areas and will bring prosperity.

Mr. Speaker,

At a cost of Rs.3.6 billion Livestock and Dairy Development Board and Pakistan Dairy Development Company have been launched under the leadership of the private sector. These companies will establish 1,200 model dairy forms and 2,950 cattle forms. Due to these steps new income and job opportunities will emerge in the rural areas resulting in additional income.

Mr. Speaker,

The production of dairy sector is being declared as exempt from sales tax. Additionally, customs duty and sales tax is being removed from dairy and livestock equipment. For the packing material for dairy products, the duty rate is being reduced to 5%. Due to these steps all hindrances in the way of development of the dairy sector have been removed and a feeling of happiness and prosperity will emerge in the rural areas.

Mr. Speaker,

At a cost of rupees one billion very important technologies of drip irrigation and sprinklers will be introduced. Due to this latest technology not only would we be saving the scarce water resource, but availability of more water would lead to increase in crop production. An effort has been made voluntarily or involuntarily to render waste the agriculture sector in Pakistan by ignoring the problems relating to water. It gives me great pleasure to announce that the government is implementing the programme of Rs.68 billion to improve utilization of water resources. Under this programme 87,000 water courses would be lined and improved. During the current year 15,000 water courses would be improved. A sum of Rs.7 billion would be spent on this activity. Next year Rs.6 billion has been earmarked for this activity. These steps would lead to preventing the waste of 25% of water and the agriculturists would get additional water for their needs.

Mr. Speaker,

A programme to make a historical increase in the water resources of Pakistan has been initiated. At present the canal system is irrigating 40,000,000 acres of land. By increasing the water resources an additional 2,500,000 acres of land would get water. In Balochsitan, Kachi Canal is being constructed at a cost of Rs.22 billion. This canal will irrigate areas in Dera Bugti, Nasirabad, Bolan and Jhal Magsi. For the next year, Rs.5.5 billion have been budgeted for rapid implementation of this project. Mirani Dam will be constructed; Kirthar and Pot Feeder Canal would be extended for the benefit of Balochsitan. These projects will bring about a revolution in the economy of Balochistan.

Mr. Speaker,

In other parts of Pakistan as well, projects worth billions of rupees are under implementation for developing the water resources.

Mr. Speaker,

At this point of time the construction of water assets can change the fate of this country. Despite all opposition, President Musharaff is repaying the debt of his love for Pakistan. During the last 30 years no one dared to pick up this heavy burden, which this son of Pakistan has decided to bear. In this connection the first step is the construction of Diamir- Basha Dam. The President has recently laid the foundation of this project. In the next financial year Rs.10 billion have been kept for this project and for initiating the work on three large dams. Inshallah, other dams would also be built through complete national consensus. Pakistan is in a position to provide resources for the construction of these dams.

Mr. Speaker,

During the current year, the government has spent Rs.5 billion on providing cheap fertilizer to the farmers. In the next financial year Rs.12.3 billion will be spent from the government exchequer on this account. The government imports fertilizer at a cost of Rs.1100 per bag and on an average makes it available to the farmers at Rs.500 per bag. I challenge that, if before us any body provided relief of this level to the farmers, then he should come forward. Inshallah through our hard work and integrity we will change the fate of the farmers and Pakistan. We believe that if the farmers are prosperous then Pakistan is prosperous.

Mr. Speaker,

The government has decided that next year keeping in view the needs of the farmers a National Agricultural Research Programme would be started with Rs.2.5 billion so that yields and productivity can be brought up to international level. Due to these steps our agricultural production would increase, the income of the farmers would increase and the prices of agricultural commodities would stabilize.

Mr. Speaker,

We want that new opportunities are created in the sector of agriculture, for which the machinery used in agriculture, horticulture and floriculture has been exempted from customs duty. The rate of duty on machinery used for fishery is being reduced to 5%. While this machinery would be exempt from sales tax. The customs duty on refrigerated vans is being reduced from 60% to 30%. Through these steps the agriculture sector would

get a tremendous expansion. Employment opportunities will increase resulting in the welfare of rural areas.

Mr. Speaker,

The claimants of leadership for many past years have ignored the agriculture sector. If we look at the ground realities, Pakistan is like a mother whose sons have forgotten her. I say categorically that, if in the history of Pakistan any one has served the farmers in this manner, then he should come forward.

Mr. Speaker,

The small industries in Pakistan are undergoing an exemplary development. Within a period of three years the share of small industries in manufacturing has increased from 24% to 30%. During the last two years the output of small industries has increased by 70%.

Mr. Speaker,

I would invite this august house to consider where we stood in 1998-99 and where we have reached today. The great change that has come about in the industrial sector can be judged from the fact that since 1998-99 the production of television sets has undergone a sevenfold increase. The production of cement has increased by 72% during this period. While the production of cotton yarn has increased by 70%. The production of motorcycles, which are used by citizens with less income, has undergone a fivefold increase during this period.

Mr. Speaker,

I want to enquire, that if the production of tractors has increased three times, then who is preparing this increasing number of tractors. Who is selling them? Who is using them? If, in the country in one year alone, the livestock production has gone up then who is looking after the livestock. If, in the country billions of rupees are being spent on improving the water courses and the irrigation system is being improved, then who physically is doing all this work.

Mr. Speaker,

If the number of small industrial units are increasing by the thousands, if the production of small industrial units is increasing at a rate of 70%, if the production of television has increased seven times, if cement production has improved by 72%, if cotton yarn has increased by 70%, if five times more motorcycles are being produced, then, who is doing all this work. Everyone is aware of this fact that for more production or more output, more hands are needed. Are these productive activities being performed by angles or Jins. It is with sadness that I say that some people do not want to see the light of hope in Pakistan. They want to see darkness in this country and they want to report darkness.

However, with increasing development, the spreading light will penetrate in their dark hearts. They would have to acknowledge the success of Pakistan and the hard work of the people of Pakistan.

Mr. Speaker,

The construction industry is moving towards improvement. This year its rate of growth was 7%. The rate at which the development budget is being increased and the rate at which the private sector is taking up construction activities, it is necessary that the construction companies which participate in these activities are established on a strong footing so that they can appropriately play their role in the development of the country. The importance of the construction industry is that it creates a lot of employment and it has linkages with 34 different types of industries.

Mr. Speaker,

The economy of Pakistan is in a stage of take off. We are removing all the road blocks in its way. For rapid industrial progress we have removed the sales tax on the import of plant machinery, instruments and spare parts. To increase investment and the output of local units, we have adopted the policy of minimum tax on raw material, nominal tax on intermediate goods and comparatively more tax on manufactured items. Out of a total of 6,300 tariff lines, 2,000 have already been adjusted and special attention was paid to the export sector. For accelerating development other concessions are being offered in taxes especially in the rate of customs duty. To promote exports, an export promotion package is being initiated under which leather and shoe industry, marble and granite and pharmaceutical industry are being exempted from custom duty. Similarly, to promote industrial development in the country, duty on many industries is being reduced. These industries include aluminum processing, boiler manufacturing, chemicals, CNG dispenser, plastic industry, iron and steel and engineering industry.

Mr. Speaker,

Duty has been substantially reduced on industrial raw material of many types. Almost 40% of the imports have become free of custom duty, whereas on the remaining 5 to 20% duty is leviable which, compared to the maximum rate of 125% which was applied a few years back, is much less. Despite these duty reductions the receipt of customs duty increased last year by 19%. To increase medical tourism in the country, duty is being waived on diagnostic kits, surgical fixtures and machinery used in hospitals. Duty applied on drugs used in dangerous diseases like HIV Aids, Hepatitis, Cancer and Thalassemea has either been completely removed or applied at a very low rate.

Mr. Speaker,

The government is making special efforts to develop higher education so that our country can meet the challenges of the modern age. For this HEC has put together a comprehensive strategy under which institutions of higher learning are provided

necessary facilities and teachers and professors of international standards. As a result of these efforts, during 2005-06 412 PhDs were produced in Pakistan. The interest in higher education can be gauged from the fact that in 2006 up till now 7,000 students have enrolled in PhD programmes. For 2006-07, HEC has been provided rupees 16.3 billion as development budget. To promote investment in higher education, universities have been given tax relaxation on the purchase of machinery, equipment and instruments. Through these steps an education revolution would come about in our country and our young men would be in a position to compete for technical jobs throughout the world.

Mr. Speaker,

To increase investment in wholesale and retail trade in the country, all types of refrigeration systems, fork lift trucks, racks and other instruments are being given exemption from customs duty.

Mr. Speaker

As you would be aware, the deletion programme for vehicles is being abolished. At the same time a new system called “Tariff based system” is being introduced. To promote transport, which uses trucks, buses and dumpers, taxes are being readjusted under which the CKD condition duty is being reduced from 20% to 10% whereas CBU condition customs duty is being reduced from 60% to 30%. For trucks and dumpers in excess of 5 tons, the sales tax is being zero rated. In the case of baggage, gift and transfer of residence schemes it is being provided that the vehicle should not be older than five years.

Mr. Speaker,

The baggage rules are being simplified for the convenience of overseas Pakistanis. Additionally, the existing cards scheme is being expanded and instead of two, five types of cards will be issued so that the maximum number of people can benefit from the scheme.

Mr. Speaker,

This fact that who made electricity expensive and placed the entire economy at risk is not hidden from any one. Everyone also knows that, who were those who for very small political gains did not allow large dams and the production of hydel electricity. We thank Allah that we are not a party to this sin. Whatever our government is doing to increase the production of electricity and to construct big dams and hydel electricity is known to everyone in this House. However, our government last year spent Rs.44 billion to provide cheap electricity to the citizen. In the next year Rs.55 billion have been kept as subsidy on this account.

Mr. Speaker,

Services sector which is the largest sector of the national economy grew at a rate of 8.8%. Last year the rate of growth was 8%. Service sector on the whole contributes Rs.2.5 trillion to the valuable added. Transport and communication sector grew at a rate of 7.1%, wholesale at rate of 9.9% and financial sector at rate of 23%.

Mr. Speaker,

Up till now we have been asking what has Pakistan done for us? Now the time has come where when we should be asking what have we done for Pakistan. The extent to which Allah has rewarded someone in Pakistan, to the same extent Pakistan has a right over that person. Therefore, now those who can pay tax will not remain outside the tax net. Keeping in view the rapid progress of the service sector the government has introduced certain new taxes. Among these taxes different taxes are being imposed on the stock market, the services offered by banks and real estates. As a result of these steps, not only would the tax be expanded but those sectors, which remained out of the tax net despite their robust participation in economic development, will also be paying tax. By applying 2% CVT on real estate, a very large business activity will come within the tax net. The speculation in property will come under control and the prices will also come down. The government is also trying to introduce REITS in the country so that the small investor can safely invest in real estate.

Mr. Speaker

Keeping in view the experience of the last year, this year we are increasing the tax of 0.1% imposed on withdrawal of money from banks in one day to 0.2%. Similarly, a 5% fixed tax is being imposed on rent from property.

Mr. Speaker,

As a result of the development in Telecom sector, a large number of our youth got employment. In 2005-06 alone, 114,734 people got good jobs in the telecom sector. During this one year, there was direct foreign investment of \$ 1 billion in the telecom sector. By the end of this year, the number of telephone users would increase to 40,000,000. By now mobile phone is more or less available in every house. The telecom sector is having positive impact on the economy of the country. Wireless local loop and broadband are becoming popular. The rate of long distance calls has come down by 38%, while the rate of international calls has come down 67%. The international calls from mobile phones have become 83% cheaper.

Mr. Speaker,

The rapidly progressing IT sector of Pakistan is becoming the focus of attention in the entire world. Since the last three years the IT sector of Pakistan was growing at a rate of 50% per year. The export target given to the IT sector was achieved before the completion of the year. Hundred of thousands of young people got employment during the last year. Due to the fast pace growth of IT sector every month 8,000 young people

are getting job. It would be satisfying for the people to know that call centers and out sourcing are rapidly developing in Pakistan. I am certain that the people of Pakistan will continue to support the leadership which ensured this developmental process and we promise that in addition to other sectors, the IT sector of Pakistan will emerge as a big power in Asia. Keeping in view the development in the sector, the government has decided that the exemption from sales tax which was given to give a boost to the sector is no longer necessary. However, while removing this exemption, the customs duty on computer hardware is being waived.

Mr. Speaker,

The undeniable truth is that the rapidity with which the economy is growing, unemployment and poverty is being eliminated at the same pace. Unfortunately, for 25 years the development of this country was ignored. The world was moving forward but governments in Pakistan for political patronage were destroying institution of learning. Now a stage has come where jobs are available but trained people are not available. Even in IT sector a large number of foreigners are working. What could not be done during the last 25 to 30 year we are trying to accomplish it rapidly. Establishing institutions of learning and training is the first preference of this government.

Mr. Speaker,

Presently, 80% of the economic activities depend on the north south traffic. The travel time between Peshawar and Karachi is 72 hours. Due to the poor conditions of highways between north and south, an annual loss of Rs.200 billion is incurred by the economy. Time has come that Pakistan should be developed as a centre for trade and economic activities in Asia. The economic infrastructure of Pakistan has been ignored for many years. To upgrade it to international standards requires billions of dollars. By the grace of God, the resources of Pakistan allow that we should improve the economic infrastructure on modern lines. National Highway Authority is being given Rs.25 billion to implement projects such as Indus Highway, highways to connect Gwadar Port with main network, Lowari Tunnel and Islamabad Peshawar Motorway. For a revolutionary change in the national communication, a plan for national trade corridor is being developed. After completion of Indus Highway the distance between Karachi and Peshawar will be reduced by 400 kilometers. A rapidly growing Pakistan needs a modern communication system and we undertake to provide it.

Mr. Speaker,

To reduce dependence on imported oil, licenses to prospect for oil on an area of 191,101 sq. kilometer have been issued. Presently, 23 companies are looking for reserves of oil and gas in the country. It has been decided to establish a coastal oil refinery in the country. We are confident that as a result of our efforts Pakistan would be able to face the challenges in the field of energy.

Mr. Speaker,

The government is using its resources to reduce difficulties for the deserving citizens. Preventive vaccines have been included in the programme of immunization. The government is working on three different programmes to control Malaria, TB and HIV AIDS.

The objective of Prime Minister's Hepatitis control programme is to reduce hepatitis patients by 50% till 2010. The objective of his programme to prevent blindness is to prevent 2,000,000 citizens from blindness and to restore the eye sight of 2,000,000 by 2010. The federal government has allocated Rs.11 billion for these activities.

Mr. Speaker,

To provide non invasive Angiography, MRI and dialysis to deserving people free of cost at federal government hospital, latest machinery is being provided.

Mr. Speaker,

Due to the neglect of many decades, education has been split between the rich and the poor. We are trying to remove this divide. The central focus of this effort is to provide ordinary citizen with the best possible education at nominal cost. By the grace Allah, education up till Matric has already been made free in government schools. During the current academic year, free text books were provided up to the level of primary school. In the next academic year which will start from 1<sup>st</sup> October, free text books will be provided upto 8<sup>th</sup> class. At times households with low income find even it difficult to buy a book or a pen for the children. Duty on pens, pencils, note books and colours used in schools is being removed.

Mr. Speaker,

The efforts of the present government to enable the women to enjoy their rightful status in the society have been acknowledged within and outside the country. Very soon, the Government will establish women centres in each district which will be used for the welfare and protection of women. The existing women crisis centers would be converted into women centers as well. The women would be given preferential treatment in the programme of self employment being launched by the government. Rs.415 million will spent on the national gender action plan. To improve women empowerment, they are also being given special concessions in income tax.

Mr. Speaker,

The economy of Pakistan is no longer an economy where the government does not have a few hundred millions dollar for paying the next installment of loans. With the blessings

of Allah the economy is stable. Therefore, we can start historical programmes which can change the destiny of the nation. A self employment programme is being initiated with an investment of Rs.12 billion. Within six months implementation will start on this programme. Loans for self employment will be given to individuals within the age of 18 to 40 years. Under the self employment scheme the citizen would establish their own utility stores under franchise.

Mr. Speaker,

The provision of loans will start in the month of July and the scheme will be called the Rozgaar Scheme. In the first phase, people from lower and middle classes will be eligible for loans for transport, utility store franchise, mobile utility stores and PCOs. The loans will be issued by the National Bank of Pakistan. However, the government will share the loan risk and bear the responsibility half of the mark up and insurance cost. Through this scheme within six months a lot of employment opportunities will be created. It has been estimated that within a period of five years 18 lakh people would get employment through this scheme. It is the determination of government that our youth get maximum opportunities of employment so that they can play forceful role in the development of the country.

Mr. Speaker

At this point in time our problems is not the absence of employment opportunity, opportunities are there. However, there is shortage of trained and skilled people. If we have to maintain the pace of development and are to become a developed and strong nation, then we would have to prepare a skilled nation. For this purpose at the federal level a technical and vocational training programme has been launched under which additional three lakh people would be given vocational and skilled training each year.

Mr. Speaker,

In one year we have provided electricity to 13,000 villages. Before this, in the entire decade of the nineties 13,000 villages could be provided electricity. How did we succeed in doing the work of 10 years in one year? The answer is that in the nineties the national treasury was empty. However, with the grace of Allah and the hard work of nation continuous good policy and with determination and courage we have broken the begging bowl. We have not filled our pockets, we have filled the national treasury. It is the power of a full national treasury that we could do the work of ten years in one year.

Mr. Speaker,

During 2005-06, Rs. 2 billion rupees were spent on providing clean and safe drinking water to the people. Next year on this account Rs.4 billion would be spent. 6035 large filters are being installed in the Union Councils so that clean water is available in each Union council.

Mr. Speaker,

Within the next one year no area in Pakistan will be without electricity and in this way for the first time a Roshan Pakistan would come into being. God Almighty has given us this honour and we are highly thankful to him. On the whole 227 new villages and towns were brought on to the gas network. The pace at which we are supplying gas is double the pace at which the gas was being provided in the decades of nineties. During the next two years gas would be supplied to 425 towns and villages.

Mr. Speaker,

If comparison has to be made the criteria should be that who has served Pakistan to what extent, who has provided Pakistan what facilities. It is blessings of Allah that compared to the nineties we are providing the gas at double the rate.

Mr. Speaker,

Khushall Pakistan is bringing a silent revolution in the far reaches of the country. Under the Khushall Pakistan Programme during 2005-06, 6000 schemes were provided financing. Out of these 1,600 schemes pertain to roads, 3,000 to electricity 200 to supply of gas, 196 to education, 55 to health, 680 to water, 173 to sanitation and 121 to providing machinery to level the ground. In the next year, Rs.35 billion have been kept in the Khushall Pakistan Fund. Under this programme the people of Pakistan are being provided basic facilities. I am confident that next year the programme will light up our towns and villages.

Mr. Speaker,

Where there is no light there can be no hustle bustle. When industries start to close, trade comes to a stop, unemployment takes over the houses and the bazaars, then pockets of the citizen start to empty. Their desires remain in their hearts and they are in no position to spend. Unfortunately, during such periods, the capital vanishes and inflation is nowhere to be seen. However, if the factories are working day and night, the farmers are having record harvest, the needy citizens, farmers, business, industrialists, are getting loans worth billions of rupees from the banks, the empty highways buses trucks cars and motorcycles are filled up, then there is a flow of money in all directions. When everyone has money he gives vent to his desires and spends the money. The Pakistani nation is an large hearted nation and likes to spend. Once the economy of Pakistan became the second fastest growing economy of Asia, the money started flowing. The government realized that the problem of inflation was arising, so steps were taken to stop the trend. In a rapidly growing economy it is impossible to bring inflation to zero. Wherever there has been development, the problem of inflation is there in one form or the other. We have taken effective steps to save the citizens from the effects of inflation which are showing positive outcome and there is a reduction in inflation.

Mr. Speaker,

The first requirement of leadership is intellectual honesty. I have to say this with a lot of sadness that a lot of people for the sake of point scoring have mentioned that the pulses are cheaper in Indian than Pakistan. You can find out the rate of pulses in the entire South Asia. Even now pulses are cheaper in Pakistan than Bharat or Bangladesh. Those people who cannot tell the truth to the people on the issue of pulses, what guidance can they provide to the people?

Mr. Speaker,

Can I enquire from those who deny development and light that, who is purchasing the seven times more television sets which are being prepared? If the poverty is increasing, if the purchasing power of people is not being increased, then who is paying for these television sets? If the poverty is increasing if the pocket of people is empty, then who is using the 72% increase in the production of cement, which is the world where this cement is being used for construction? Can any body answer that if poverty is increasing and the purchasing power of people is vanishing, then which poor people are buying the motorcycles whose production has increased by 5 times? I would say once again that unfortunately there are people who only want to see darkness in Pakistan. They disbelieve in the light. They want to push the people of Pakistan, especially the young Pakistanis, into the darkness to mortally injure this nation. The truth is that as the production is increasing rapidly, employment opportunities are growing and poverty is coming down, Streams of milk and honey are not flowing and a lot needs to be done. You would agree that thirty years of destruction cannot be restored in six years. Establishing a settlement is not a play, it takes a time to establish a settlement. The pangs of poverty are reducing and we are proud of the success. We thank Allah Almighty for allowing us the honour of performing this service.

Mr. Speaker,

However, I have to say with a lot of heartache that, in the effort to establish Pakistan as a strong and developed country, we are challenged by those who always want to present Pakistan in the worst possible light. A very deplorable example of this came to the fore when the world renowned magazine News Week published a very good article about Pakistan. However, the merchants of darkness felt stung by a snake. To destroy the image of their country they wrote letters to the magazine, which have now been published. I am constrained to say that even at the international level there are forces who cannot see the pace of development in Pakistan, and within Pakistan there are those who are not willing to accept that something good can happen in Pakistan. Outside Pakistan there are people who cannot see the millions of helpless humans who are born and die on the footpaths. Rather they see the country confronted with this tragedy as a shining. Within Pakistan there are people who are not willing to see that a country whose exports increase to only six billion dollars in 19 years, have now increased its exports by 9 billion dollars in only seven years. They cannot see that till 1990 the weight of debt on Pakistan was equal to its

GDP, but this year it has come down to being 54% of the GDP. They are not willing to acknowledge that in the previous eras the total foreign investment in Pakistan was 40 million dollars which has now increased eight times. They are seeing this with open eyes but they are not willing to accept it that before 1999 it took ten years to bring about an increase of Rs.200 billion in tax revenue, while we have doubled it in seven years.

Mr. Speaker,

If the treasury is empty and it is filled up, the mountains shake but the nation remains steady, the price of oil is doubled but we do not beg anyone, the development budget increases from Rs.100 billion to Rs.400 billion, the IMF is bid farewell from the stable economic system, the begging bowl is broken and buried, development is taking place in every sphere of life but the dependence on others is gone, the development is taking place but with dignity, the fruits of development are reaching the people, continuously for four years the pay of the government employees has been increased, for the first time the problems of old pensioners are being addressed, gradually education is being made free, the text books are being provided free of cost, the teachers are being given their rightful status, from electricity to coal a Rs.100 billion subsidy is being given, the farmers are being provided urea at 500 rupees rather than 1100 rupees, hundreds of billions are being invested in the agricultural economy, the white revolution is knocking at the door, electricity and gas are reaching every house, clean water is being arranged, mega dams and ports shelved for 30 years are being constructed, people with less income are getting motorcycles at half the price compared with the past, the distance between Peshawar and Karachi is being reduced through motorway by 400 kilometers, every Pakistani has a mobile phone in his hands, life saving drugs and treatment has started to be provided free of cost, steps are being taken to provide 50% of the national resources to the provinces, the size of national economy has increased from \$ 63 billion \$ 129 billion dollars, the national debt which was 100% of GDP had declined to 51% of GDP, would you not call this a historical progress and a magnificent victory of the people of Pakistan? I would like to congratulate the people of Pakistan, its farmers, industrial workers, students, youths, scientists, officers and Jawans of the armed forces, the mothers, sisters and daughters and the courageous and brave people of Pakistan and I would also like to congratulate the determined leadership.