

Budget Speech 2013-14

Delivered by

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In the National Assembly on 12th June 2013

Bismillahir-Rehmanir-Rahim

PART-I

Mr. Speaker,

1. As I rise to present the first budget of the newly elected government I want to thank Allah (SWT) for bestowing this singular honor on me. It is not a mere occasion of presenting a budget. It is marking a major transition in the country, where one elected government has completed its full term and after holding the general elections, transition to a new democratic government is being peacefully accomplished. The nation should be proud of the fact that this one step is a leap forward in establishing a democratic polity in the country.

2. As the Prime Minister, in his address in the National Assembly has said, a new beginning in Pakistan is about to start. He has given the message of HOPE and OPTIMISM. He has declared that Pakistanis are second to none and that our destiny is nothing but progress. He will lead the nation to a new world, where Pakistan will regain its lost status in the comity of nations, reassert its due respect and identity in the world and elicit due reverence and dignity in return.

3. On the economic front he has laid out comprehensive a agenda of reform to reinvigorate the economy, spur growth, maintain price stability, provide jobs to the youth and rebuild the key infrastructure of the country.

Mr. Speaker,

4. My enthusiasm, however, is seriously dampened as I discover that the new government is inheriting a broken economy. From economic growth to prices, from revenues to expenditure, from public debt to circular debt, from monetary expansion to interest rates, from exchange rate to foreign exchange reserves and sustainability of balance of payments, I wish I could identify one single area where their economic management was in the best national interest. Indeed, there has been complete absence of management rather the economy was run on autopilot and its inherent strengths and weaknesses played out at their own without any real contribution of policy. Viewed in this perspective, the verdict of the last elections may be termed as the public accountability of the mismanagement practiced at an unprecedented level by the outgoing government.

Mr. Speaker,

5. I will point out four or five key indicators to allow the members to appreciate how poorly the economy has performed in the last five years:

- (1) The growth rate has averaged less than 3% in the last five years, which is significantly below our potential; if the growth in population, which is about 2% per annum, is considered, it becomes clear that the increase in per capita income over this period has been merely 1%, which is not satisfactory.
- (2) The inflation has averaged around 13%, which is unprecedented in the last four decades;
- (3) The exchange rate was around Rs.62/\$ and it now stands at about Rs.100/\$ depreciating by a whopping 60%;
- (4) State Bank Reserves were around \$11.1 billion and they are leaving behind \$6.3 billion despite having obtained significant support from IMF;
- (5) There was virtually no circular debt of mentionable size; today, and after paying about Rs1481 billion in tariff differential

subsidies, it is known to all that a gigantic circular debt of Rs.503 billion is crippling the power sector and fiscal system of the country.

- (6) The average deficit in the last five years was recorded at about 7%, which is unprecedented in country's recent history.
- (7) The public debt stood at Rs.5,602 billion on 31st March 2008, which is now projected to rise to 14,284 billion by 30th June, 2013, implying a 2.5 times (255%) increase in country's indebtedness. Even on the basis of Debt to GDP comparison the ratio rose from 52.6% of GDP to 63.5% representing an increase of nearly 10 percentage points in country's debt burden. I might add here that the total public debt of Pakistan which accumulated between 1947 and 30th June 1999 was around Rs.3000 billion.

6. These are just a few glimpses of the economic landscape that PML (N) has inherited. I have mentioned them for the sake of setting a benchmark from where we are starting. We are dismayed by this inheritance but not discouraged or disheartened. If any thing, our resolve to put things right has only strengthened after realization of the severity of challenges we are facing. Under the leadership of Mian Muhammad Nawaz Sharif our party is determined to turn the tide and not just restore the health of the economy but take it to new heights by enabling it to realize its full potential.

Mr. Speaker,

7. The budget I have the honor to present today is not a mere balancing of revenues and expenditures of the government. It is the statement of economic policy of the PML (N) government that we will pursue during the course of our tenure. It is based on the Manifesto our party announced before it launched its election campaign. In this respect, it is the declaration of our intent to fulfill all promises that we made to the nation while seeking this broad-based mandate the nation has bestowed on Mian Muhammad Nawaz Sharif.

Economic Vision

Mr. Speaker,

8. At the outset, I would like to articulate the economic vision that will be guiding our efforts in rebuilding the economy. It comprises the following elements:

- (1) First, we want to build an economy that is not dependent on others except through trade and investment, based on competitive advantage and market considerations. We are a strong nation of nearly 185 million people and a nuclear power. As much as we need to defend our frontiers, we need to protect our economic sovereignty also, which would only be possible when we refuse to live on handouts and foreign goodwill. Self-reliance has to be our real goal, for only then we will earn the needed respect in the ranks of the nations.
- (2) Second, the private sector has to be the lynchpin of economic activities, shouldering the largest burden of economic functions. A government too occupied in carrying out business activities that can best be done by the private sector through a market mechanism is indeed a prescription for distorting the entire economic system and creating inequities in its functioning. Of course, markets have to be regulated so that competitive environment is ensured. Indeed, because we were too occupied in managing businesses we have grossly neglected the regulatory role of the government, to the detriment of safeguarding consumers' interests.
- (3) Third, the only areas where government's presence in economic affairs can be justified is where investments are too large for private sector to undertake and/or markets are unlikely to function for lack of adequate commercial returns even though social returns will be very high, such as in education, health, population welfare and large infrastructure projects. Since social

sector functions have been devolved to provinces, and for whom we will make adequate resources available, at the federal level our primary focus would be to radically alter and upgrade the fast depleting physical infrastructure of the country, most notably in the case of power sector where widespread shortages are seriously stifling the growth potential of our economy.

- (4) Fourth, all segments of the population must share the burden of resource mobilization for running the government. The culture of exemptions and concessions must end to build a self-reliant economy. By the same token, if for reasons noted earlier, government has to undertake an economic service, full cost of operations must be recovered. Non-recovery of cost, through subsidies and non-payment, may provide temporary relief, but it is an assured prescription for disruptive supplies and unviable operations for the companies providing those services.
- (5) Fifth, government must limit itself within the broader limits imposed by the available resources, primarily determined by revenues collected through different taxes. On this account government's performance generally has been dismal, as it has been incurring expenditures far in excess of our income. I will say more on this later in my speech.
- (6) Sixth, we have to protect our weak and poor segments of population. People of this country or for that matter any other nation, are our real strength. The marginalized groups represent a reservoir of potentialities which if realized will change the destiny of any nation. It is in this perspective that we have to treat our poor and weak segments of population with care and inclusion. Such are also the groups most vulnerable to extremist ideologies if neglected. Building a reliable and accessible social safety net for these peoples is an imperative that we will be committed to fulfill.

9. Even though this is a simple vision we have strayed from this path for a long period of time. In the meanwhile, powerful interest groups have emerged who would like the country to continue to walk along the familiar but distorted

path. In our view, we have lost considerable time in failing to give a predictable and stable path to our economy. We should not waste any more time in creating a definite and unmistakable direction for our economy so that investors can make long-term decisions, both domestic and foreign and our identity, inherent in the above vision, is firmly established in the eyes of the world.

10. This budget will unfold the implementation plan for this vision. This vision will not be realized tomorrow rather it is a long journey that we have to travel steadfastly. However, a journey of thousand miles starts with first steps, and that is what, Mr. Speaker, this House will see that in this budget we will be laying the foundations for realization of this vision.

Main Elements of Budget Strategy

Mr. Speaker

11. Let me turn to specific policy measures we are adopting in the present budget to address challenges facing the economy and their solutions:

- (1) **Reduction of fiscal deficit:** At the outset, let me state that the main plank of our budget strategy is to reduce fiscal deficit so that its ill effects that pervade through the entire economy can be avoided. The revised estimate for deficit for 2012-13 is Rs.2024 billion or 8.8% of the GDP and we plan to reduce it to Rs.1651 billion or by nearly 2.5 percentage points to 6.3% of the GDP. We need to further reduce it but we have to do so gradually and in the medium term we do plan to reduce it to 4% of GDP.
- (2) **Raising Tax Revenues:** I will lay down tax policy and specific measures in the second part of my speech.
- (3) **Arresting Inflationary Pressures:** The following measures will help in arresting the inflationary pressures:
 - i. Reduction in deficit will have salutary effect on inflation.

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- ii. Regular price monitoring will be undertaken with a view to ensure adequate supplies of all commodities. Extensive networks of Juma and Itwar bazaars all across the country will be established and wherever required imports will be used to ward-off of domestic shortages.
- iii. We will be using public savings and cheap foreign borrowings to finance deficit and reduce the burden of debt servicing. New domestic saving schemes will be introduced aimed at enhancing public access to government securities which are presently heavily concentrated amongst the banks and given their high spreads much of the benefits of government borrowings are flowing to banks than to general depositors.
- iv. Finally, we will be inducting professional managers in debt management and taking advantage of numerous opportunities to diversify our debts both domestic and international.
- v. `Elimination of borrowings from State Bank will be pursued vigorously. However, I am at pain to point out that the SBP Act, 1956, which was amended by this parliament in 2012 imposing two important constraints on the government borrowings from the State Bank, which is basically printing of money, has been consistently violated by the government. First, government could borrow from SBP only for a maximum period of 3 months, and at the end of each quarter those borrowings will have to be retired. Second, the then existing stock of debt from the State Bank, some Rs.1400 billion, was to be retired in a period of 8 years. Rather than any retirement, neither was any consideration given to the quarterly limit, nor was the process to return the debt stock of Rs.1400 billion initiated. Having been increased by 64%, this stock of debt now stands at Rs.2300 billion. We are now faced

with this onerous responsibility to retire this debt in 6 years at the rate of nearly Rs.400 billion annually.

- (4) **Resolving the Energy Crisis:** Notwithstanding its enormity, PML (N) government is fully committed to solving the energy crisis facing the nation. We have chalked out a program and we are inshallah putting it in operation forthwith. The plan includes the following elements: First, I am pleased to announce that Prime Minister Mian Muhammad Nawaz Sharif has taken an historic decision to settle the entire circular debt in 60 days, so that every available and economically viable source of power could be brought on line. Second, as a result of this, we are confident that the duration of loadshedding in the country will begin to come down. Third, for this monumental effort to have the desired effect on the continued viability of the sector, it is imperative that we must do all that is needed to stop its recurrence in the future. I urge all consumers to pay their bills, for without recovery of cost no service can be provided indefinitely. Fourth, the office of the Federal Adjuster will be reorganized and strengthened so that it will ensure expeditious recovery of arrears of electricity from the provincial governments. Fifth, Prime Minister will soon announce a comprehensive plan to incentivize and encourage further investment in energy projects in Pakistan.
- (5) **Nandipur Project:** I would also like to inform this House that a highly economical power project, Nandipur for 425 MW, which initially had a cost of Rs.23 billion was a victim of criminal negligence and its imported machinery has remained stranded for the last three years for want of clearance of certain documents from government departments. Today its cost has risen to Rs.57 billion. We have taken immediate cognizance of this situation and are making necessary efforts to have the documents released and obtain fresh approval from the competent forums. As soon as these are in place in the next few weeks, work on its construction will start immediately and

inshallah shall be completed in 18 months. In the meanwhile, let me make it abundantly clear that all those responsible for inflicting this phenomenal loss on the nation shall be brought to justice.

- (6) **Reducing un-targeted subsidies:** As I noted earlier, we must save country's finances by relieving it from the burden of un-targeted subsidies. We are conscious of the need for the weaker sections of the population to be helped by the government. Accordingly, any scheme of subsidy, whether in electricity, gas, fertilizer, sugar and wheat must be targeted to reach to those weaker segments. We therefore plan to rationalize the present subsidies and discourage their indiscriminate use and evolve targeting mechanism to ensure that deserving recipients should benefit from them.
- (7) **Improving Balance of Payments:** Our biggest woe at the moment is near absence of foreign resources, critically needed to sustain our balance of payments and provide additional resources for development. Inshallah, we are giving an economic vision and implementing it in this budget that will significantly raise the confidence of our development partners. We will soon sort our issues with IFIs and normal flows will begin to flow in the country. More importantly, we will ensure a transparent auction of 3-G licenses that will fetch a considerable amount of foreign exchange. We will also strive to secure the payment of \$800 million from the Etisalat that is due for more than 5 years. On the back of improved relations with IFIs, we will return to international capital markets so that additional resources can be mobilized from this source also. We also plan to reinvigorate the privatization program that will also provide us requisite foreign resource and be a catalyst for revival of foreign investment in the country.
- (8) **Creating New Jobs:** As I have already stated, much of the new jobs will have to be created primarily in the private sector. However, government will also play its part in this regard. In a

short while I will give you more details of the public sector development plan. For now, let me say that despite reducing fiscal deficit we are raising the development expenditure from a budgeted Rs.360 billion in the current year to Rs.540 billion which is a significant increase of nearly 50%. The provincial governments will make another investment of about Rs.615 billion taking the total public sector investment to Rs.1,155 billion which is a healthy 4.4% of GDP. Clearly, there is room for further increase in development spending but given the resource constraint we have protected development expenditure and increasing it also as compared to current expenditures. This investment will create numerous jobs in various sectors of the economy and spur other economic activities, which will create further opportunities for gainful pursuits by our people.

- (9) **Raising Investment for Growth:** Our biggest economic challenge is to radically increase the level of investment in the economy. I have already noted some of the steps we are taking to reduce budget deficit, bring down inflation and pave the way for a reduction in the interest rate, all of which will make room for private investment.
- (10) **Reforming Public Sector Corporations:** We are determined to fully reform and restructure public sector corporations so that their bleeding is stopped. At the outset, we have decided to appoint professional managers in all public sector corporations through a competitive and transparent process of recruitment. All such corporations that can be profitably privatized will be put to a credible process of privatization. Finally, where privatization is not a possible option either a management contract will be negotiated or fully independent management will be inducted to run the corporations on pure professional grounds. Alongside, full financial restructuring will be carried out to enable them to run on sound commercial basis.
- (11) **Protecting the Poor:** In its manifesto, the PML (N) has outlined a detailed strategy for social protection. Indeed, I am pleased

that in 2008 when PML (N) was part of the federal government for a brief period, as Finance Minister I had designed a project of income support fund. It was a program for supplementing the income of poorest of families on totally apolitical basis with a clear methodology for identifying the target population. However, the purity of the program was compromised and it was also politicized. We owe to our poor families that such a program should continue with appropriate safeguards and should in fact be extended to a larger portion of the target population. I am pleased to announce that the Prime Minister Mian Nawaz Sharif has decided that the Income Support Program will continue and will also be expanded. From Rs.40 billion spent under the program during the outgoing year, we will be raising its size to Rs.75 billion, which is an increase of 87.5% in the program. However, we will bring significant changes in its design and build an explicit exit strategy for the recipients to ensure that this support does not promote dependency rather it only helps them break out from poverty and be able to find a job. I am also pleased to announce that the amount of Rs.1000 per month under the income support program is increased by 20% to Rs.1200 per month.

Medium-term macroeconomic framework

Mr. Speaker

12. These are immediate challenges and our responses as we tackle them. But our vision requires deeper reflection on the problems of our economy. There has to be a long-term view of enhancing country's productive capacity. Accordingly, this budget is part of a medium term framework spanning 2013-14 to 2015-16 and hence we have a larger time frame in mind while formulating our economic policy. The key features of this framework are:

- (1) GDP growth to gradually rise to 7% by FY 2015-16.

- (2) Inflation will be maintained in single digit throughout the medium term.
- (3) Investment to GDP ratio will rise to 20% at the end of medium term.
- (4) Fiscal deficit to be brought to 4% of GDP by 2015-16.
- (5) Pakistan's foreign exchange reserves will be increased to more than \$20 billion at the end of medium term.

13. Evidently, these targets are ambitious but these are imperative for the revival of the economy and quite consistent with its potential. Besides, we have the determination to turn around the destiny of this nation and its for this reason people have given us this mandate.

Development plan

Mr. Speaker

14. Let me now share some of the key initiatives that we are taking in the development budget. I will keep my attention to only those sectors that will contribute most to the economic development.

Water

15. Allah (SWT) has blessed Pakistan with one of the best water resources in the world. We have also inherited an extensive network of irrigation canals, water courses and barrages and our early leadership had the vision of building such mega projects as Tarbela and Mangla that have enabled us to support our agriculture, so central to our economic life. But unfortunately we have failed to add to such critical projects or maintain these precious assets. To meet the growing needs of water it is imperative that we build new reservoirs and use every cusec of available water for development of energy.

16. It is this vision in view that is reflected in our development plan allocation for the water sector. We are investing Rs.59 billion for the water

sector projects that will include such projects as Katchi Canal (Dera Bugti and Nasirabad), Raineer Canal (Ghotki and Sukkur), Kurram Tangi Dam (North Waziristan), Extension of Pat Feeder Canal to Dera Bugti, Gomal Zam Dam (South Waziristan), Ghabir Dam (Chakwal), completion of Mangla Dam raising, lining of water courses in Sindh and Punjab, flood protection and drainage schemes all over the country.

Power

Mr. Speaker

17. I need not underline the significance of the power sector in Pakistan and what our people are suffering due to widespread shortages. Nothing has consumed the time and energy of PML (N) leadership more than the problem of energy and its immediate resolution. There are some urgent but durable steps we are taking that I have announced in the budget to resolve the central problem behind the energy crisis, namely the circular debt. However, our real concern is to develop additional resources of energy so as to permanently overcome the problem of shortages. The largest amount of resources, accordingly, is being devoted to create more economical capacity in the country. During the current year a sum of Rs.225 billion will be invested in this sector of which Rs.107 billion will come from the PSDP and the remaining will be mobilized by PEPCO-WAPDA through government support. The projects included in the program include Neelum-Jhelum Hydro Power Project (1000 MW), Diamir-Bhasha Dam and Hydropower Project (4500 MW), Tarbela Fourth Extension Project (1410 MW), Thar Coal Gasification Project (100 MW), Chashma Civil Nuclear Power project (600 MW), Two Karachi Nuclear Coastal Power Projects (2200 MW) with Chinese assistance, Keyal Khawar Hydro Project (122 MW), Allai Khawar Hydro Project (122 MW), Combined Cycle Power Project at Nandipur (425 MW), Upgradation of Guddu Power Project (747 MW gas-based), conversion of oil based power projects to coal at Muzaffargarh and Jamshoro (3,120 MW) and numerous projects to improve the transmission lines, grid-stations and distribution systems.

18. It can be judged that we have a long-term plan to add cheap power to the national grid and substitute the current dependence on fuel oil to cheaper alternatives. The improvements in fuel mix will mean future tariffs will not be rising as fast as they have been in the recent past.

Highways

Mr. Speaker

19. Since the time Mian Nawaz Sharif took the bold decision of building the Islamabad-Lahore Motorway, no comparable project has been undertaken, despite the fact that since its construction the size of the economy has increased manifold and indigenous needs for connectivity are also multiplying. It is with this urgency that we have carefully examined the entire portfolio of national highways and have reprioritized it in accordance with the needs of the country.

20. Both urban and rural populations need communications for their economics. Farmers will not be able to get good prices for their produce nor can urban producers be cost effective in the absence of communication links that can efficiently transport their products to target markets. Indeed, we must treat development of efficient communication as an important instrument of poverty reduction, since a significant number of poor people are disconnected with the places of economic opportunities and remain poor for lack of access to such places.

21. It is amazing that Gwadar Port was constructed and no significant effort was made to provide connectivity with the north even though nearly a decade has passed since its completion. Coastal Highway was made to bring things to Karachi, completely neutralizing the benefits that were supposed to accrue with a new port at Gwadar.

22. We are according top most priority to connect the Gwadar Port to the north by rapidly completing the various sections of Turbat-Basima-Ratodero

and other smaller sections of M-8 so that the real benefits of the port will begin to flow to the people. We will also accelerate the work on M-4 connecting Faisalabad to Khanewal and Multan. We plan to undertake a fresh initiative to build M-9 linking Karachi-Hyderabad on Public Private Partnership basis and we are confident that we will succeed in executing this project within the shortest possible time. I would like to announce on this occasion that the network of motorways which was conceived by Mian Muhammad Nawaz Sharif will InshaAllah be completed during our tenure in office. This network will guarantee vast expansion in domestic trade, significant reduction in cost of transportation of goods from north to south, cheap transport for people to move around in different parts of the country and increased opportunities of tourism in the country.

23. Besides, the motorway network the Prime Minister has opened a preliminary dialogue with the Chinese government for constructing a high quality modern expressway linking Gwadar with Kashgar. This will be the modern equivalent of ancient silk-route. This is a visionary project and will unleash an historic progress in the region and provide a critical opening for Pakistan with our northern neighborhood.

24. Apart from these strategic projects, we are investing in a large number of national highways, bridges, rehabilitation and reconstruction of national roads destroyed by the floods and regional roads for connectivity. A sum of about Rs.63 billion has been kept in the budget for the road sector. Numerous job opportunities will be created while undertaking the above projects.

Railways

Mr. Speaker

25. One of the most unfortunate examples of wasting our inherited infrastructure at the time of Partition can be found in the state in which our railway is found today. Once a most effective, extensive and efficient network

of communication is not even a shade of its past. The speed with which the railways' significance in the transport sector has declined indicates that it is headed for near extinction. This is simply unacceptable. The world over, rail transport is regaining its lost glory as more investments are made and faster trains are built for both passenger and goods transport. What is more, this mode has been declared as environment friendly and hence it should be preferable to vehicular traffic that is degrading our road infrastructure and increases our dependence on fossil fuels.

26. Our railway is the victim of bad governance, low investments in maintenance, induction of new locomotives, upgradation of rolling stocks, replacement and modernization of primitive signaling system, efficient communication network, track maintenance and doubling of the track on mainline. Stagnant tariffs, declining market share in both passenger and goods transport, rapidly falling revenues have all contributed to bringing railway to a point where its pay and pension, of nearly Rs.34 billion, is paid through a subsidy from the government.

27. An inherently commercial and profitable organization today stands in a state of huge losses, countless stores of precious amounts of refused rails, rolling stocks, locomotives and rebuilding factories suffering from low capacity utilization. It is, however, not a poor organization, as it owns priceless lands, the main artery of rail link and large number of branches connecting far flung areas of the country, numerous bridges, countless buildings, factories, historic railway stations and a very large cadre of technical and civil servants. They are highly skilled, but presently they are demoralized and demotivated, as they see no hope for their betterment tomorrow. The real problem, therefore, in a sense, is not lack of resources, but their utterly inefficient utilization. All this can be changed with leadership, vision, commitment and a plan, to be faithfully implemented, that would aim at complete leveraging of railway assets, infrastructure and improving incentives of employees to perform better.

28. We are committed to revive Pakistan Railways and lay the foundation for restoration of its past glory. Minister for Railways is developing a detailed plan for the above purpose, but let me outline the basic features of the agenda we shall pursue:

- (1) Through an Act of the Parliament, Pakistan Railways will be converted into a proper corporation, with due security of job and terms and conditions of the employment of the existing employees;
- (2) The railway shall be managed by an independent Board to be drawn from amongst the professionals from the fields of public transport, engineering, management, accountancy, finance, law and public administration;
- (3) With the approval of the Board and the Federal Government, railway administration will design a policy for public private partnerships for the profitable utilization of all railway assets.
- (4) Development funding for railway will be gradually increased for locomotives, doubling of track, addition to rolling stocks, rehabilitation of signaling system and modernization of communication links. Next we are allocating Rs.31 billion for different projects of railway compared to the revised estimate of Rs.20 billion for 2012-13;
- (5) Feasibility studies will be completed for linking Pakistan through rail from Gwadar to Afghanistan, on one side, and Gwadar to China, on the other;
- (6) Karachi Circular Railway project will be expedited through the help of Government of Japan;

Human Development

Mr. Speaker

29. The most precious resources of any nation are their people. Indeed, it is said that the real development is embodied in the people, no matter how

much of its outer manifestation is reflected in physical developments. Accordingly, we must treat expenditures on human development as investments as they lay the foundation of future growth at an accelerated pace.

30. Incidentally, the three main subjects of human development, namely education, health and population welfare have been devolved to the provinces under the 18th Constitutional Amendment. However, the responsibility for higher education, regulatory responsibilities and international coordination remain with the federal government. I would like to mention the following. Initiatives that will be undertaken for the promotion of this sector:

- (1) A sizeable allocation of Rs.18 billion has been made for the Higher Education Commission, which will support development plans of different universities all over the country. It may be noted that on the current side also a hefty allocation of Rs.39 billion is made for HEC. Thus a combined outlay of Rs.57 billion will be made for higher education.
- (2) The enrollment in higher education will increase from 1.08 million students in 2012-13 to 1.23 million students in 2013-14, showing an increase of 14% in the population of students pursuing higher education;
- (3) The number of foreign scholarships will rise to 6,249 from 4,249, showing an increase of 2000 scholarships during 2013-14.
- (4) Federal Government, despite devolution, is continuing to fund a number of national health initiatives. This year we are allocating nearly Rs.21 billion for these programs.
- (5) The programs include Expanded Program of Immunization (EPI), National Maternal Neonatal and Child Health Program, National Program for Family Planning and Primary Healthcare and several national programs for prevention and control of important diseases such as blindness, TB, Hepatitis and AVN Influenza.

- (6) Most importantly, funding for the provincial programs for population welfare will continue to be provided by the federal government. This year an allocation of nearly Rs.8 billion is made for this purpose.

Industry and Regional Trade

Mr. Speaker

31. It is now well known that over the last five years our industry has been suffering from gross neglect of policymakers, lack of institutional support, energy bottlenecks, absence of adequate credit facilities, and poor state of infrastructure, poor governance and burdensome regulatory regimes across both provincial and federal governments. These are very serious impediments and not surprisingly, as a consequence, investment has declined sharply in the country during the last five years and industrial growth has averaged a paltry 1.8 percent. With this growth rate, we cannot possibly hope to attain the overall growth rate of 7 percent that we have targeted to achieve by the last year of our medium term budgetary framework 2015-16.

32. We are conscious of the centrality of the manufacturing sector in the overall socioeconomic development of Pakistan and its potential to create jobs for our youth. Our plans will remain unrealistic unless we are able to revive the industrial sector. I would like to announce the following measures that we will undertake in the near future to accelerate industrial development in the country:

- (1) The policy of developing Export Promotion Zones with comprehensive incentive packages, which we had earlier supported with enthusiasm, will be reviewed and necessary amendments made to make it more attractive.
- (2) In collaboration with the provincial governments new industrial estates will be established throughout Pakistan, fully equipped

to provide all the required infrastructure for industrial undertakings.

- (3) Even while in Opposition, we played a pivotal role in introducing the Special Economic Zones Act 2012. This legislation required earnest commitment and serious effort to bear fruit. Not much has been done to put this Act in operation. We will now bring this legislation to fruition by implementing it in letter and spirit, backed by a strong public policy commitment.
- (4) We have a comprehensive plan to develop the Gwadar Special Economic Zone, which will be watershed for the economy of not just Balochistan, but of the whole country. The Zone will be linked with major economic centers in Pakistan as well as neighboring countries. Through Gwadar, we hope to make Pakistan a regional center and conduit of international trade, beginning from China and Central Asia to the last limits of the West. The potential of transformation of Pakistan becoming a regional gateway of international trade is limitless.
- (5) We will earnestly develop strong trade relationships with all our neighbors, primarily to expand markets for industries and to improve the regional terms of trade.
- (6) State institutions will be strengthened to provide a healthy, reliable, and conducive economic environment for the growth of trade, commerce and industry.
- (7) With improved macroeconomic framework, more credit will be available for the private sector investment.
- (8) The revival of privatization program will create more opportunities for the private sector to invest and manage newer assets that were previously run in the public sector.

Housing

Mr. Speaker

33. A 'roof over the head' is the right of every Pakistani. Unfortunately, the housing gap is rising ever so fast in the country. While the private sector land developers have catered for the needs of the middle and upper-middle classes, nothing has been done to provide decent housing for the low and lower-middle classes. With no prospect of profitmaking, it is quite understandable that the private sector remained oblivious to the needs of these otherwise very important societal groups. During our last tenure, we introduced housing schemes for the poorest of poor throughout the country, especially in the rural and semi-urban areas. Under these schemes, land was provided free of cost. Although Ministry of Housing and Works is developing the detailed plan, I would like to share the main features of the policy on provision of housing to the poor:

- (1) Wherever feasible, 3-Marla housing schemes will developed on government land for the homeless, to whom plots will be given free of cost
- (2) At least 1,000 clusters of 500 houses each will be developed for low-income families through public private partnerships
- (3) To ensure cost-effective access to credit for housing, government will be picking up a portion of the financing cost on behalf of the borrower. A provision of Rs.3.5 billion is kept in the budget for this purpose;
- (4) Schemes on the model of Ashiyana Housing Scheme will also be developed in which the government will provide opportunities to low income families to own their house on payment of easy installments.

Budget Estimates

Mr. Speaker,

34. Let me place before the House the estimates of revenues and expenditures for the next fiscal year.

35. For 2013-14, the gross revenue receipts of the federal government are estimated at Rs.3,420 billion compared to the revised figures of Rs.2,837 billion for 2012-13, showing an increase of about 21%. This is remarkable revenue effort we are projecting and I shall share more details of this in Part-II of my speech.

36. The share of the provinces out of this amount will be Rs.1,502 billion compared to Rs.1,221 billion outgoing year, and showing an increase of about 23%. Net resources left with the federal government will be Rs.1,918 billion compared to the revised estimates of Rs.1,616 billion for outgoing year, showing an increase of about 19%. The level of transfers to the provinces is historic. We are happy to share this larger revenue as under the new constitutional arrangements provincial responsibilities, particular relating to social sectors have been significantly enhanced. We are sure that higher resource transfer will enable them to bring the critical social services and law and order facilities to the doorstep of our people.

37. Total expenditure for 2013-14 is budgeted at Rs.3,591 billion compared to the revised estimates of Rs.3,577 billion for 2012-13, showing a negligible increase. This is the first indication of an austere budget in line with the imperatives of the economy. The current budget is estimated at Rs.2,829 billion for 2013-14 against a revised estimate of Rs.2,720 billion for 2012-13, showing an increase of 4%. However, keeping in view the development needs, investment requirements of the country and urgency of creating additional job opportunities, we have provided adequate development resources. Against a budgeted estimate of Rs.360 billion for PSDP, we have budgeted it at Rs.540 billion showing an increase of nearly 50%.

38. The federal deficit is projected at Rs.1,674 billion for 2013-14 compared to the revised estimate of Rs.1,962 billion for outgoing year. By requiring a small surplus of Rs.23 billion from the provinces, compared to a revised deficit of Rs.62 billion outgoing year, we have projected an overall fiscal deficit of Rs.1,651 billion for 2013-14 compared to the revised estimate of Rs.2024 billion outgoing year. This gives deficit to GDP ratio of 6.3% for 2013-14 compared to an alarmingly large deficit of 8.8% incurred outgoing year.

Mr. Speaker

39. It is evident that our government is laying the foundation of a sound economy, which is the most important challenge our country is facing. We have not gone for populism but have responded to the imperative of the situation in hand. An adjustment of nearly 2.5% is not a mean achievement and we are confident that we will deliver it.

PART-II

Mr. Speaker,

40. Allow me to start Part II of my speech, which relates to taxation proposals.

41. As a nation, we need to make appropriate decisions so that Pakistan can live within its own means, bring down deficit to reasonable limit and mobilize requisite resources for development.

42. The PML (N) Government seeks to encourage overall economic activity in the country and create an conducive environment which facilitates genuine investors and business. As we all know, when business flourishes, employment opportunities are created, investment flows into the country and ultimately, there is peace and prosperity.

Mr. Speaker,

43. To achieve these objectives, the Government has decided not to put additional burdens on those people who are already paying their due share of tax, but to make efforts to ensure that those who are not paying anything should be forced to contribute something to the national exchequer. The revival of national economy is the main focus of the PML (N) government. This requires fundamental and structural reforms in the area of Taxation.

Mr. Speaker,

44. The earlier PML (N) government raised Tax to GDP ratio to 13%, which was the result of simplification of tax laws, making taxes broad based, plugging loopholes in the system and holding tax machinery more accountable. The reform process was halted with the illegal and arbitrary dismissal of the PML (N) government and as a result, the Tax to GDP ratio declined gradually and is presently at alarming rate of 9%. The focus of the

budget 2013-14 is improvement in Tax to GDP ratio finally reaching to 15% by 2018.

Mr. Speaker,

45. The immense economic challenges being faced by the country require a smooth flow of revenue generated through our own resources, reducing reliance on aid and foreign loans. It is of utmost importance that we become self reliant. The country is going through a severe energy crisis. Mobilization of adequate resources is required to address this issue so that suffering of our people are mitigated.

Mr.Speaker,

46. The broad themes of our government's taxation policy are (i) taxing those who are not paying any tax, (ii) enhancing efficiency of the tax machinery, (iii) removing anomalies and distortions in the tax system, (iv) simplifying the tax procedures, (v) broadening of the tax base, (vi) rationalization of tax rates and exemptions, (vii) encouraging corporatization and documentation (viii) taxpayers facilitation and (ix) to eradicate maladministration and corruption in F.B.R.

Mr.Speaker,

47. A fair and equitable tax system lays more emphasis on direct taxes, so that the affluent classes of society pay more. Unfortunately, in our taxation system, indirect taxes have a major share, leading to tax burden on common man. This year, a paradigm change has been made in proposing tax measures, as the overwhelming revenue proposals relate to direct taxes.

Income Tax:

Mr. Speaker,

Relief Measures

48. A number of relief measures are being proposed under the Income Tax Ordinance through this Finance Bill.

49. These measures are highlighted below:

- (1) With effect from fiscal year 2014-15, the maximum corporate tax rate will be reduced by 1% annually to coming down to 30% from the present 35%. This will promote a culture of corporatization in the country;
- (2) The income tax exemption of 5 years for investments made in Special Economic Zones will be increased to 10 years. This will be helpful in increasing investments in such zones;
- (3) The facility of exemption certificate for the manufacturers on import of raw material was withdrawn a few years back which adversely affected the cash flow and resulted in overpayments and creation of refunds. In order to facilitate the manufacturing sector, facility of exemption certificate on import of raw material is being reintroduced subject to payment of tax liability determined for any of the preceding two years, which is higher.
- (4) Currently goods transport vehicles are subjected to minimum tax on services and income tax paid at the time of payment of provincial motor vehicle tax, which is final tax. This renders the transport sector to double taxation, which is unjustifiable. For the facilitation of the transport sector, Income Tax paid along with provincial motor vehicle tax is being made adjustable.
- (5) The facility of carry forward of Unadjusted Minimum Tax was restricted to the corporate sector which was discriminatory to

the non-corporate sector. In order to provide a level playing field to all taxpayers, this facility is also being extended to Individuals and AOPs.

- (6) Likewise, reduction in Minimum Tax was restricted to the distributors of cigarettes in corporate sector. Being discriminatory to small taxpayers working in the status of AOPs and Individuals of this sector, reduced rate of minimum tax is also being extended to the individuals and AOPs.

Broadening of Income Tax

50. It is well known that our tax base is extremely narrow. The most important need of tax reforms is to broaden the net as widely as possible to bring in all those people who have the ability to pay taxes. It is equally desirable that those who are already in the net should face a rational, predictable and simple regime for tax compliance. For all these objectives following measures are being adopted:

- (1) Huge expenses are incurred on functions such as marriages etc. but remain un-documented, which restricts a proper analysis of income earnings. In order to document such expenses an adjustable withholding tax is being introduced which the Hotels/Clubs/Marriage Halls/Restaurants etc. shall collect from persons arranging the functions. Being an adjustable tax, people shall be encouraged to file income tax returns, which shall serve the purpose of broadening of tax base;
- (2) To align income tax and sales tax and to discourage fake invoices, it is proposed that all persons registered under the sales tax law shall be made withholding agents for Income Tax purpose on payments on account of purchases, services and contracts;
- (3) To ensure that the taxpayers do not abuse the facilities and reliefs provided in the Income Tax Law to avoid proper

taxation by consistently declaring losses and contribute to the exchequer equitably, the rate of minimum tax shall be enhanced from 0.5% to 1%.

- (4) The construction sector contributes Rs.1 billion to the national exchequer, which is not proportionate to its potential. Its taxation is normally spread over multiple years depending upon the period of construction. In order to simplify taxation of construction sector minimum tax on builders and developers is proposed. The tax shall be paid at a the rate of Rs.50 per sq. ft. of the constructed area; or Rs.100 per square yard of the developed land, as the case may be.
- (5) The rates of tax on salary introduced last year_ overburdened the middle-income group. This anomaly has been corrected through this Finance Bill by rationalizing the rates of tax on salaries in way that each income group pays tax according to its capacity.
- (6) Rate of tax on Business individuals and AOPs shall be rationalized with the addition of two new slabs. This will gradually increase the rate from current maximum of 25% for income exceeding Rs.2.5 million to 35% for income above Rs.6 million.
- (7) To encourage corporatization, separate rates of WHT for non-corporate taxpayers i.e. commercial imports, contracts, supplies and services are being proposed.
- (8) New adjustable withholding tax is being proposed for foreign-based films and dramas to make them competitive with the local film industry.
- (9) To bring dealers/*Arhtis* of commodities in tax net, WHT on the basis of registration category is being introduced. Market committees shall collect this adjustable tax from such dealers.
- (10) To tax affluent class on the basis of its expenses, it is proposed that adjustable withholding tax may be introduced @ 5% on annual fee of Rs.200,000 paid to an educational institution.

- (11) Traders are not contributing to the tax revenue in keeping with their share in GDP. Adjustable withholding tax is accordingly proposed to be collected from wholesalers and retailers in specified sectors @ 0.1% and 0.5%. The rate of tax to be collected from wholesalers and dealers is being reduced to 0.1% from 0.5%. The manufacturers, distributors and commercial importers shall collect this tax.
- (12) Agriculture sector enjoys exemption from payment of federal tax but this facility has been misused as untaxed non agriculture income is concealed in the garb of agriculture income. In order to check the misuse of law, it is proposed that credit of agricultural income shall be given only if provincial income tax on such income has been paid. It will also facilitate in enhancing the revenue of Provinces from agricultural income.
- (13) The law for obtaining information from bank regarding its customers is being aligned with international practices. The objective is to strengthen the National data warehouse at FBR for tax base broadening.
- (14) In order to expand the tax base, it is decided to utilize data collected by the Federal Board of Revenue and NADRA in a systematic manner. In this regard profiling of 500,000 persons identified on the basis of financial transactions traced shall be carried out. Besides, display of NTN at business premises is also being made mandatory to broaden the tax net. These measures will increase out reach of the department and promote the culture of voluntary compliance.

Introduction of Income Support Levy Act

Mr. Speaker,

51. It is incumbent on all of us who are blessed with exceptional favors from Allah (SWT) to contribute to the welfare of those not so fortunate. Many

of us who may have earned our assets while working abroad have negligible tax liabilities under the existing laws and double taxation treaties. Yet we must share the burden of helping our weaker segments of population. In order to mobilize additional resources for enhancing the income support program for the poorest families in Pakistan, it is proposed to impose a small levy on such persons. This levy shall apply on net moveable assets of persons on a given date @ of 0.5%. The receipts under this head will be credited to income support program of the government. Voluntary contributions will be also be solicited to mobilize additional resources. Let me admit that I shall be amongst the first ones who will be hit by this levy. According to my estimation, I will have to pay an additional Rs.2.5 million on this count this year, but I will be too happy to make this contribution for the welfare of our poor people.

Sales Tax and Excise Duty

Mr. Speaker,

52. Several measures have been proposed for broadening the bases of sales tax and excise duties for bringing into the tax net those who have remained outside so far. Our policy is that persons who remain unregistered will have to bear a greater burden than those who are registered. These measures are highlighted below.

- (1) An additional amount of sales tax of 5% is being imposed through electricity and gas bills of those having commercial or industrial connections but remain unregistered. Once they get registered, it will no longer apply to them.
- (2) All taxable supplies made to unregistered persons will include 2% further tax, for encouraging registration. Again, once they get registered, they will no longer have to bear this charge.
- (3) The sales tax withholding agents will now withhold the full amount of sales tax on purchases made from such unregistered persons.

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- (4) Certain important measures are being initiated to enhance the efficiency of the tax machinery and increase its enforcement capacity. These measures are explained here.
- (5) To reduce leakage in sectors prone to evasion, the government is planning to initiate electronic monitoring of production processes through video links, tax stamps and labels, electronic tracking, etc. Effective monitoring without human intervention will help introduce a transparent, automatic, and error-free way to ensure proper payment of taxes by these sectors.
- (6) FBR has already developed a sophisticated computerized system, called CREST, which has recently helped to detect and recover billions of rupees from the textile sector. This system will be enhanced and expanded, so that leakages of revenue in other sectors can also be detected and recovered.
- (7) It is also proposed to introduce a simplified and centralized mechanism to block illegal refunds and input tax adjustments, to stop fake and flying invoices, and to prevent bogus registered persons from committing tax frauds.
- (8) To ensure proper monitoring of taxable activities, the registration of registered persons will be placed in the jurisdiction where its business premises are located.
- (9) In view of serious resource constraint it is imperative that additional resources should be mobilized immediately. Accordingly, it is proposed to raise the standard rate of sales tax from 16% to 17%.
- (10) Supplies made under international tenders used to be zero-rated, but were made exempt last year to stop creation of refunds and associated malpractices. However, this measure created a disadvantage for local competitors, as they could no longer claim input tax adjustment. To create a level playing field for both local and foreign competitors for international tenders, it has been decided to remove the

disparity and place both local and foreign competitors under the same standard tax regime.

- (11) Zero-rating of sales tax on local supplies tends to create distortions and promotes malpractices. But since ordinary people also use many of these zero-rated items, sales tax is not being imposed on them and they are being exempted from sales tax.
- (12) It has been decided to expand the list of items in the Third Schedule to the Sales Tax Act. The measures will not only require manufacturers and importers to print retail prices on consumer goods, but also enable the government to capture the tax involved till the retail stage instead of the benefit going to unregistered wholesalers and retailers.
- (13) The five export-oriented sectors were enjoying zero-rating on local supplies over the past several years, which has recently been changed to a reduced rate regime. However, even expensive imported goods like branded clothes, leather bags, and sports goods are enjoying the reduced rate of 2%. Some items enjoying the reduced rates have multi-purpose use in other industries, which creates distortions. To remove these problems, finished goods and items having multi-purpose use are being taken out of the reduced rate regime.
- (14) In 2010, due to the prevailing situation, a general exemption of duties and taxes was extended to the tribal areas and some districts of Khyber Pakhtoonkhwa. These were supposed to be time-bound exemptions, and the income tax exemption has already expired. However, the notifications for sales tax and federal excise exemptions did not have any expiry clause. The continued exemption is creating a distortion and difficulties for businesses in other regions. It is, therefore, proposed to be withdrawn.
- (15) In case of federal excise, manufacturers of edible oil and ghee complained of distortion, as those using locally

produced oil or imported oilseeds were not paying any tax. To remove this anomaly, locally produced oil and imported oilseed are being subjected to the similar tax regime as imported edible oil.

- (16) Presently, financial services offered by banking and non-banking sectors are subject to federal excise duty. There is no duty if other persons provide the same services. To remove this disparity, it is proposed that federal excise duty at the same rate may be imposed on all such financial services.
- (17) At present, imported edible oil is subject to tax. However, canola seed is being freely imported. This is not only a disparity but also hurts the local oil seed production. To remove this disparity, it has been decided to impose beginning from China and Central Asia to the last limits of the West.
- (18) The Federal excise duty on cigarettes is simplified and re-structured, from three slabs based on a composite formula, to two slabs based on a specific rate.
- (19) It is proposed to allow the aerated beverage industry to pay tax on capacity or fixed basis. It would not only facilitate them, but would help them contribute a handsome additional amount to the exchequer. It would eliminate corruption and make the system transparent and clear. It will also encourage the industry to expand. The detailed notification for implementing the new regime will be issued shortly.

Customs:

Mr. Speaker,

53. Let me say that Pakistan's import regime over the decades has become fraught with a complex system of discriminatory exemptions and concessions. Every year national exchequer suffers a cost of Rs. 100 billion

on account of these exemptions. In today's world of free trade and level playing field this cannot go on. We have to adopt a simple tax and tariff structure by abolishing the culture of SROs.

54. In order to resolve this long protracted issue, a high level committee headed by Chairman, FBR is being constituted. The committee will examine and finalize its report after consulting all the stakeholders and submit its recommendations to the ECC for tariff rationalization and minimization of concessionary regime.

55. Power shortage has become a chronic problem for the whole country. While major initiatives are being taken to address the power generation and supply situation, a major shift towards the use of renewable energy resources is also a need of the time. In this context various measures are being included in the current budget to encourage use of alternate energy resources by simplifying the procedure for duty free import of solar and wind energy machinery and equipment. At the same time, duty on energy saving devices like energy saving tubes, solar water pumps etc. is also being exempted.

56. Despite prevailing economic situation, every possible effort is being made to provide some respite to the suffering poor of Pakistan. Availability of clean water is fundamental right of every Pakistani. In order to address the spread of water borne diseases through use of filtered water, rate of customs duties on water filtration equipment is being reduced.

57. Use of imported POL products as a major source of energy has not only led to high import bill, but has also created a negative environmental impact. Therefore, use of alternate energy efficient Hybrid Electric Vehicles (HEVs) needs to be encouraged. It is, therefore, proposed that HEVs up to 1200cc will be exempt from duties and other taxes. From 1201cc to 1800cc 50% relief from duties and other taxes will be provided and from 1801cc to 2500cc, 25% relief is proposed. No relief will be available for vehicles beyond 2500cc.

58. Betel nuts and betel leaves are injurious to health. In order to discourage their consumption, custom duty on both these items shall be increased.

Mr. Speaker

59. The proposed tax measures are the most important need of the economy. It will help us in reducing fiscal deficit and also reduce our dependence on external resources. Thus this is an important move toward achieving self-reliance.

PART-III

New Programs for Youth

Mr. Speaker

60. One of the key messages Prime Minister had given during election campaign was his commitment to toward the welfare of our youth. Amongst all sections of our population it is our youth that must not be struck despair and despondency. It is in fulfillment of his promises with the youth that following new programs will be launched in next year's budget:

- (1) **Prime Minister's Youth Training Program:** Amongst the youth, the most vulnerable group are those who have completed a 16-year degree program but have not been able to find a decent job, mostly for lack of appropriate experience and training. It is the most cherished desire of the Prime Minister that the government must handhold this group of highly educated youth to inspire confidence and assurance in their lives. Accordingly, he has directed that a comprehensive scheme be developed for such youth in government offices, corporations, bodies and authorities at all levels. All those completing a 16-year degree program and below the age of 25 years will be eligible for selection under the scheme. A one-year training program will be designed for these graduates during which they will be entitled for a stipend of Rs.10,000 per month. Ministry of Education, Training and Standards for Higher Education will administer the scheme and each applicant will apply on-line and his/her degrees will be verified also on-line by HEC. I am confident that this scheme will provide a useful training to qualified youth nearer their homes and will enable them to fare better in the job market.
- (2) **Prime Minister's Youth Skills Development Program:** Under this program 25,000 young persons up to the age of 25 and will minimum qualification of middle, will be imparted training in a

number of trades across the country. National Vocational and Technical Training Commission (NAVTTTC) will manage the program in collaboration with provincial TEVTA authorities. Six months training will be given for which fee will be paid by the government. Emphasis will be placed on such trades as are in demand abroad or will enable the graduates to become self-employed.

- (3) **Small Business Loans Scheme:** With a view to enable our youth to start their own business, small business loans will be made available through the banking system. Under the scheme loans ranging from Rs.100,000 to Rs.2,000,000 will be available at a mark-up cost of 8%. The remaining cost will be borne by the Government. In the first year of the scheme, 50,000 loans will be offered. The scheme will be strengthened in the light of experience gained in first year of operation.
- (4) **Prime Minister's Scheme for Provision of Laptop:** To promote access to information and communication technology it has been decided that provision of a laptop for distinguished student pursuing higher education should be made. All students pursuing a degree program from one of the HEC recognized universities or institutions and meeting merit criteria to be developed by HEC would be eligible to get a laptop. HEC will announce the details of the scheme shortly.
- (5) **Fee Reimbursement Scheme for Less Developed Areas:** Under an existing scheme bright students from less developed areas are provided tuition fee support while pursuing higher education at Master's and Doctorate levels. Presently, it is available to students from Balochistan, FATA, Gilgit-Baltistan. There is no reason why this support should not be expended to other less developed areas such as those of Interior Sindh and Multan, Bahawalpur and D.G. Khan Divisions of South Punjab, which are equally less developed. Accordingly, students from these areas pursuing higher education on merit will also be eligible for tuition fee support.

- (6) **Prime Minister's Micro Finance Scheme:** To enable our men and women to undertake micro enterprise activities, it is decided to allocate Rs.5 billion to launch a scheme of *Qarz-e-Hassana* (loans without mark-up). These will be made available through selected micro finance providers including *Akhuwat*, NRSP and Provincial RSPs. Fifty percent of the beneficiaries of this scheme will be women.
- (7) **Prime Minister's Housing Finance Scheme:** Under this scheme, a mortgage facility of Rs. 1.5 million to Rs. 5.0 million will be offered at a mark-up rate of 8%. The remaining cost will be borne by the government. Fifty thousand people will benefit from this scheme.

Mr. Speaker

Good governance

Public Works Programs for Parliamentarians

61. Before I close budgetary proposals, let me announce a historic decision taken by Mian Muhammad Nawaz Sharif. This relates to the public works programs undertaken on the recommendations of the parliamentarians. There were two programs for this purpose PWP-I and PWP-II. The PWP-I was well structured and was based on equal amount for all parliamentarians with an allocation of Rs.5 billion. This program is being retained. However, the other program had no structure and depended on the discretion of the Prime Minister. Rs.22 billion were budgeted for this programme at the beginning of the current financial year, which was revised upwards to Rs.47, and finally the year is ending with an expenditure of Rs.42 billion. This program will be stopped forthwith.

Mr. Speaker

62. This one decision is the forerunner of the new style of governance the Prime Minister will bring to the job to move Pakistan ahead with dignity and honor.

Secret Service Expenditures

63. In recent days the nation has also come to know that in the name of secret service expenditures a long list of ministries and departments have been incurring such expenditures, which are excluded from the requirement of audit. This exclusion from audit was meant for such expenditures incurred by agencies connected with the national security. We have taken immediate cognizance of this matter and yesterday Ministry of Finance has issued necessary instructions for immediate ceasing of such of such expenditures and return of unspent balances. Simultaneously, the allocations for the next year have been cancelled. Henceforth, such secret service expenditures will be made only be agencies connected with national security. Appropriate amendment in law and rules is being made for this purpose.

Discouraging VVIP Culture

64. In 1997, the Prime Minister Mian Muhammad Nawaz Sharif had withdrawn the exemption given to VVIPs for duty and tax-free import of luxury vehicles for personal use. Consequently, in the Import Policy Order 1998, which I had announced, the Entry No 1.15 of the Import-Export Procedure was deleted that allowed imports of such vehicles. However, unfortunately such an exemption was accorded in violation of this provision in 2005. Our government would like to reiterate that this ban on duty and tax-free vehicles will continue without exception.

Austerity Measures

65. We are passing through difficult times and its incumbent on us that we reduce our expenditures as much as possible. For this purpose, we have decided to take the following austerity measures to be applicable in the new fiscal year:

- (1) The most pressing need of the government is to consolidate its unwieldy size. Prime Minister has decided not to use the full strength of the Cabinet that is provided in the Constitution, which are 49.
- (2) To conserve precious resources, the Prime Minister has decided to start the exercise from his own Office. His office will be lean and mean. Furthermore, he is also applying significant cuts to the budgetary allocations for his office. From the budget of Prime Minister's Office, against a revised expenditure of Rs.725 million during 2012-13, the budget estimate for 2013-14 is only Rs.396 million showing a decrease of 45%. From the budget of Prime Minister House, excluding salaries and allowances, 44% budget has been cut.
- (3) Other than the obligatory expenditures of debt servicing, defense, pay and allowances of civil servants and grants, there will be a 30% cut on all other expenditures in accordance with the announcement of the Prime Minister. This will save Rs.40 billion;
- (4) With the exception of operational vehicles of law enforcing agencies and critical development projects, no car will be purchased;
- (5) The discretionary grant of federal ministers is removed.

Relief measures for retired government employees

66. Despite austerity drive we are mindful of the difficulties being faced by retired government employees. To mitigate their difficulties it has been decided to increase pensions by 10% from July 1, 2013, with the additional relief to low pensioners, whose minimum pension is increased from Rs.3000 to Rs.5000.

Ramzan Package

67. The Holy month of Ramzan is just around the corner. To ease the burden on our people, we are designing a comprehensive plan for providing relief during this month by significant reduction in prices of major kitchen items through the Utility Stores Corporation. An amount of Rs.2 billion has been allocated in the budget for this purpose. These items include: sugar, flour, rice, ghee, oil, daal channa, baisan, dates, squashes and syrups, milk, tea and spices.

Concluding Remarks

Mr. Speaker,

68. As I said at the beginning, we have inherited a broken economy but we are determined to face the challenge of its reconstruction squarely. There is no evasive action that we plan to undertake neither is we burying our heads in the sand. Lofty ideals are never achieved by turning your back on the adversities encountered on the way. Under the circumstances, the nation should appreciate that the path we have selected is tortuous but once traversed, it will lead the nation to prosperity and progress that is consistent and in line with the possibilities and potentialities possessed by us.

69. This is the lesson we can learn from our Great Guide Muhammad Ali Jinnah, who under a serious medical condition chose to travel to Dhaka to

quell a disenchantment facing the nascent state. While concluding a long but highly inspiring speech before one the most largely attended public meetings on 21 March 1948, the Quid said, and I quote:

Finally, let me appeal to you – keep together, put up with inconveniences, sufferings and sacrifices, for the collective good of our people. No amount of trouble, no amount of hard work or sacrifice contribution is enough for the collective good of your nation and state. It is in that way, that you will build a Pakistan as the fifth largest state in the world, not only in population as it is but also in strength, so that it will command the respect of all the other nations of the world.

70. Curiously, I find that Allama Muhammad Iqbal, who first conceived the idea of Pakistan, had a similar message for us we he formulated this powerful and apt description of our potentialities:

عَجَب نہیں کہ بدل دے اسے نگاہ تیری
بلا رہی ہے تجھے ممکنات کی دنیا

Mr. Speaker,

71. Let's start our journey on the road identified by Quid-e-Azam and Allama Iqbal the two great leaders of Pakistan movement. Allah (SWT) will be our Guide and Supporter.

Pakistan, Paindabad.