

# **BUDGET SPEECH 2006-07**

## **BISMILLAH-IRREHMAN-IRRAHEEM**

### *Mr. Speaker*

With the grace of God the present coalition Government in Sindh is in the fourth year of its term and we are presenting the fourth budget under the overall guidance of the Advisor to the Chief Minister and the Honorable Chief Minister, who has provided the strategic direction for the next year's budget.

2. Sindh, the southeastern province of Pakistan, having an estimated population of nearly 40 million in 2005, is the second most populous province in Pakistan and also its second largest economy with a GDP of around US\$28 billion in 2004-05. Despite the size of this economy and its strategic location with a coastline of over 400 kilometers and having rich natural and human resources Sindh continues to be confronted with massive human and infrastructure development challenges.

3. The present Government in the last few years has increased the public spending phenomenally and has in fact broken all previous records as far as the development outlays are concerned. However, it is admitted there are still big infrastructure gaps that need to be filled especially in the secondary cities of Sindh for encouraging private sector

investment in the feasible sectors. Another very conspicuous challenge confronted by Sindh is the state of poverty in rural Sindh as well as in its urban centers where the social development has lagged behind.

4. Government of Sindh is cognizant of these challenges and has remained involved in strategic policy planning to handle these challenges. What makes it comparatively easy to attend to development challenges is that for the last few years Government has been able to improve the overall law and order situation in the province, which in turn has visibly encouraged domestic and international investment in the province especially in Karachi. In order to present some significant achievements during the outgoing year I would like to present the performance under some major economic sectors as follows:

### ***Fiscal Performance***

#### ***Mr. Speaker***

5. The overall estimated receipts from the Federal Government were Rs.98.557 billion. This included the Rs. 56.89 billion on account of divisible pool taxes; Rs. 29.52 billion from Straight transfers (Royalties on Oil and Gas and Excise duty and Surcharge on Gas); and Rs. 12.14 billion on account of federal share of 2.5% GST.

6. As against these targets the overall transfers received from federal government till end April is Rs. 78.73 billion; which is over 95% of the pro-rata target with following break-up:

- Rs. 42.09 billion from divisible pool taxes with 19.5% growth over last year's receipts of ten months.
- Rs. 26.9 billion from Straight transfers with 17.8% growth over last year
- Rs. 9.7 billion on account of 2.5% GST transfers, which is 18% higher than last year's transfers by this time.

In addition, Rs. 7.7 billion were received on account of the Federal Development grants for the projects being financed through Federal PSDP

7. As far as the Provincial Receipts are concerned the target was Rs. 19.27 billion and as against this Provincial Government has been able to collect Rs. 14.21 billion by end April 2006. This is 88.5% of proportionate target and 13% higher than last year's revenue of corresponding period. Under Provincial Tax receipts the overall collection is Rs. 10.66 billion as against Rs. 9.5 billion by this time last year with 12.2% growth. The recovery under non -tax is Rs. 3.54 billion, which is slightly less than last year's collection of Rs. 3.63 billion by this time.

8. The Current Capital Budgets have usually remained in deficit, as there are heavy payments to be made on account of repayment of loans to different agencies whereas there are few recoveries on account of loans, which have been extended by Provincial government. For CFY, the Current Capital Receipts were pitched at Rs. 4.79 billion and the Capital Expenditure was estimated at Rs. 7.81 billion with Rs. 3.01 billion deficit. As against this the ten-month receipts are Rs. 4.77 billion (mostly on account of SDSSP transfers) whereas the Expenditure is incidentally also Rs. 4.77 billion.

9. The Public Account transactions, which basically relate to the income and expenditure on account of transactions other than those of Consolidated Fund, have usually provided temporary balances for financing deficits. These basically include the various fund monies including GP Fund; remittances and deposits etc. The budgeted Public Account Receipts for CFY were Rs. 180.78 billion and estimated Expenditure was Rs. 174.67 billion with a positive balance of Rs. 6.111 billion. By April 2006 the Public Account balance was Rs. 12.81 billion.

**10. Mr. Speaker,** the Current Revenue Expenditure for CFY was pitched at Rs.118.93 billion and the ten-month expenditure is Rs. 77.08 billion, which is 78% of pro rata expenditure. This is lower mainly due to restricted revenue expenditure and vacant posts. An amount of Rs. 37.16 billion was budgeted as the allocable amount for the District

Governments on the basis of PFC Award. As against this amount Rs. 39.71 billion, which includes salary, non -salary and development would be transferred by year-end.

11. Similarly an amount of Rs. 11 billion was budgeted on account of OZT grants for local Governments including Districts; TMAs; and for UAs. As against this over Rs. 12.58 billion have been released to the Local Governments. Additionally the Government transferred over Rs.279.4 million to different local governments for financing social sectors under the ADB assisted SDSSP

### ***Provincial Fiscal Reforms***

12. Government of Sindh has been vigorously following fiscal and financial management reforms for improving the fiscal space for financing the increasing development needs. Under this the two most significant reforms are:

- ✓ Establishment of Pension Fund, which now stands at around Rs. 6 billion invested so far.
- ✓ On the side of loans, the honorable members already know that the provincial government is burdened with expensive Cash Development Loans (CDLs) that used to be extended by Federal Government for financing development outlays of provinces from

early 1970s till 1998-99. These were given at exorbitant interest rates and we have made heavy payment against interest charges. We have repaid Rs. 117.29 billion (Rs. 19.59 billion in principal and Rs. 97.70 billion in interest) and despite this a principal of Rs. 33.9 billion is outstanding as of June 2006. The principal amount has been lowered to this level on account of the proactive debt reduction strategy under which Government borrowed loans from donor agencies to repay the expensive domestic loans. In the tenure of this Government, following categories of domestic loans totaling Rs. 13.7 billion have been retired:

- Rs. 2.1 billion worth CDLs retired with World Bank assistance in 2002-03
- Rs. 4.1 billion CDLs retired with ADB funding under SDSSP in 2003-04
- Rs. 1.4 billion market loans were retired in 2003-04 through own resources
- Rs. 2.1 billion CDLs with ADB assistance are under process of being retired
- Rs. 4 billion SBP credit on account of Wheat transactions has been retired from own sources this year

## *Development Expenditure*

*Mr. Speaker,*

13. The development allocations and spending in Sindh has increased phenomenally in the last three to four years. Beginning from FY 2003-04, when the total ADP was Rs. 11 billion, it was taken to Rs. 18 billion in 2004-05; and was raised to Rs. 24 billion in the current year. This is an increase of over 118% in two years. In fact if we take the overall development allocations of last few years, including the federal grants for federally financed projects, it would come out that over Rs. 117 billion were earmarked for development in Sindh. In terms of spending the overall expenditure under ADP in the FY 03-04 was Rs. 9.2 billion and in 2004-05 it was Rs. 13 billion, an increase of 41%.

14. Coming to the current year, the overall development outlay was pitched at Rs. 38.22 billion, which included

- ✓ Annual Development Program (ADP) of Rs. 24 billion
- ✓ Of this Provincial ADP was Rs. 17.2 billion and District was Rs. 6.78 billion
- ✓ Foreign Project Assistance (FPA) of Rs. 4.75 billion
- ✓ Federally financed projects of Rs. 9.474 billion

15. The ADP of Rs.24 billion is 33% higher than the last year's allocation of Rs.18 billion. With a view to facilitate maximum utilization of funds, Finance department released 100% funds for the on-going

portfolio by January 2006 and the funds for new schemes were released as soon as these were being approved. By end May the Government had released Rs. 3 billion more than the budgeted allocation of Rs. 24 billion, which by all standards are record releases other than being timely.

16. The expenditure by May 2006 had reached Rs.15 billion and it is expected that the overall ADP expenditure would be around Rs. 20 billion by year-end, which would be an all time high development spending in Sindh.

*Mr. Speaker let me lay before the house some of the sectoral achievements*

*Agriculture & Water Sector*

17. Mr. Speaker you would agree that Sindh's economy is inextricably linked with greater water availability which in the short run must be provided through a more robust water management, Government has all along given serious attention to irrigation and water management. In 2004-05 the overall planned investment in this sector was Rs. 888.95 million, which was scaled up by over 23% to Rs. 1.1 billion in the CFY. For the coming year, Rs.1.5 billion has been earmarked for irrigation.

18. In this respect it is important to appreciate the support of Federal Government in extending needed assistance in this sector and as over Rs.10 billion stand committed under water sector. Some of the mega programs that are being implemented through Federal PSDP are:

- ✓ Revamping of Irrigation System involving Lining of distributaries & Minors at a cost of Rs. 12.44 billion. Under this over 514 Irrigation Channels are to be lined in the commanded areas of the Guddu, Sukkur and Kotri Barrages.
- ✓ Federal Government is financing the RBOD-II, under which the saline effluent of RBOD Stage-I would be carried from Sehwan to the sea through a drain of about 273 kms at a cost of Rs. 31 billions
- ✓ While the Agricultural productivity has remained stressed due to water shortages but the major crop production has not decreased substantially except cotton, which is 12% less than last year.
- ✓ Under the mega water-lining project the, ' National Program for Improvement of Watercourses', financed by Federal Government and World Bank, over 33000 watercourses are to be improved in Sindh with a cost of Rs.25 billion. Under this scheme 4500 watercourses will be improved by end June 2006.

- ✓ For facilitating the growers in availability of agriculture machinery at affordable price, 300 Paddy and Sunflower Threshers would be provided to growers at subsidized rates of 50% of cost.
- ✓ Over 1000 Tube wells are to be installed at a cost of Rs.177.25 million on 50% subsidized rates in various parts of the Province and by end June this year, 600 tube wells are expected to be installed.

### *Social Sectors*

*Mr. Speaker,*

**19. *On the side of health,*** Government of Sindh is fully alive to the challenges it is confronted with and has been making efforts to improve the coverage and quality of health services in the province. Given the poverty levels in the province there is huge segment of population that depends on public sector services and accordingly despite efforts there continue to be some gaps, which the Government is striving to overcome gradually.

- ✓ The budget of the essential non-salary inputs, such as the medicine; x-rays; diet; was Rs.380.78 million in 2004-05 and it was scaled up to Rs. 694.6 million in CFY. For the coming year their budget is being raised to Rs. 1.17 billion.
- ✓ With a view to encourage public private partnership and to facilitate better service delivery including availability of medical staff and medicine, the Sindh Rural Support Organization (SRSO)

has been assigned to take over the management of BHUs/RHUs of 9 selected districts on the pattern of Rahimyar Khan model. The scheme is in final stages of implementation.

- ✓ Government has also notified establishment of Health Management Boards in all major hospitals of the province for encouraging decision making at that level. The Boards of Civil Hospital Karachi and Civil Hospital Hyderabad have started functioning.

**20. Mr. Speaker, in Education Sector,** the issues in Sindh are not much different from elsewhere in Pakistan as these too primarily revolve around *access, and quality; equity and sustainability of programs*. The low enrolments and the poor quality of education is a result of years of poor governance. Institutional weaknesses, lack of monitoring and absence of accountability have impacted adversely on outcomes. The only way we can fight illiteracy is by staying on path for quite some time. We have accordingly been working on a reform agenda with focus on:

- Improvement in overall net Enrolment, recruitment of teachers and their posting on merit; improving the school administration through greater participation of school management communities; and enhanced non-salary inputs.

- We plan to significantly improve upon the delivery of the incentive program including free textbooks and stipends for girl students and monitor all activities through a more scientific and credible MIS system
- A Reform Support unit under a Steering Committee headed by Chief Secretary has been set up for facilitating strong and sustainable institutional arrangements.

21. Major achievements in Education Sector include:

- ✓ Increase in enrolment from 3.55 million in 2004-05 to 3.76 million showing an increase of approximately 6%
- ✓ 29,000 SMCs trained in the current financial year.
- ✓ Free Text Books for all the 4.2 million enrolled children (class 1 to 10) in the government schools are being distributed and will be completed by August 15, 2006 at a cost of Rs.609 million.
- ✓ All girls' students in class 5 to 10 are being provided with a stipend of Rs.1000 through Post Office for which Rs.357 million were allocated.

22. Women empowerment is the cornerstone of our policy. The provincial Women development department has evolved various interventions for facilitating gender equality and socio economic

empowerment of women in Sindh. In this respect there are various initiatives including:

- Multiple programs for Skill development of women and establishment of various centers such as the Sales and Display Resource Center at Karachi for facilitating economic upliftment; a Crisis Center for Women in distress at Karachi and a Media Cell for disseminating women issues.
  
- Gender Reforms Action Plan (GRAP) has been approved at a cost of Rs. 308.67 million for promoting equal participation of women at all level of governance and a Women Political School is being set up for improving effectiveness of elected women councilors at grass root levels.

### ***Housing, Water & Sanitation***

23. The Government of Sindh had earlier devolved the PHE department in accordance with Local Government framework. However, it was noticed that portfolio of availability of safe drinking water as well as drainage had received a set back due to capacity constraints at TMA level. Also all other provincial governments had retained PHE portfolio for extending oversight and for undertaking big water and sanitation projects. In this background Government of Sindh revived the PHE department and plans to strengthen this sector gradually

24. Under the Water and Sanitation portfolio some of the schemes under execution are as under:

- ✓ There are presently 8 schemes costing Rs.2.61 billion, in various stages of execution. CFY's allocation for these schemes was Rs.395.67 million, which has been increased to Rs. 635 million for 2006-07
- ✓ Local Government department plans to rehabilitate the existing water & sanitation schemes in different towns of Sindh for which the O&M budget is being raised to Rs.1 billion from the current year's Rs. 543 million
- ✓ Many schemes are under implementation with Federal Government's assistance including the water & drainage schemes Mirpurkhas, Jacobabad and Ghokti
- ✓ Three water supply schemes in Thar are being implemented through Army with technical support of PHE at a cost of Rs.549.84 million.
- ✓ Under Prime Minister's Thar package 2 Water Supply Schemes and one Drainage Scheme is under execution with a cost of Rs.486.963 million.

25. Mr. Speaker, Low Cost Housing is another priority area for the Government

- ✓ In this context the District Governments have been asked to identify lands for housing schemes and some initial work has been begun in Dadu; Gharo; Sukkur; Larkana and Jacobabad
- ✓ Malir & Lyari Development Authorities have been revived for a dedicated attention to the development of these areas. Various dormant housing schemes including Scheme #. 33 & 45 of defunct KDA have also been reactivated for speedy completion of these dormant schemes.
- ✓ The Malir Development Authority in collaboration with SAIBAN has started low cost housing Scheme at Taiseer Town, Karachi. Additionally 400 acres of land in Malir have been allotted for Ashyana Society and 100 acres of land has been given to HBFC for low cost housing

### ***Investment environment in Sindh***

26. ***Mr. Speaker***, the business environment in Pakistan has improved visibly due to Government of Pakistan's policies towards a more competitive, and private sector-led economy. This in turn has improved investment opportunities in Sindh given the strategic economic advantages of doing business in the port city of Karachi. Government

has accordingly adopted a very liberal policy for industrialization in the province whereby:

- No NOC / permission is required for setting-up an industrial unit except certain categories of industries such as Arms and Ammunition etc. In addition, we have amended the, Government Land Colonization Act 1912, for streamlining land grant policy. Land for industrialization and for incremental housing will now be available at 25% of the market value.
- Government plans to undertake city surveys, in Hyderabad, Mirpurkhas; Nawabshah for facilitating modern management of big cities.
- God has blessed Sindh with rich mineral resources especially the coal where the province has massive lignite coal deposits of over 184.123 billion tons, which are one of the largest deposits in the World and constitute 98% of the total coal deposits of the country. These resources will inshallah meet the energy requirements of country for years to come.

27. Mr. Speaker, we must here appreciate President Pervaiz Mushraf's support to the development of Coal in Sindh, where due to his personal interest, numerous projects have been undertaken in Thar in different sectors including water and road sector. Government of Sindh has by now signed 6 MOUs with local and foreign investors for joint ventures

for the development of coalfields, and coal fired power plants. Consequently, over US\$10 billion worth investment is expected in the province, which Mr. Speaker will definitely open huge employment opportunities for the people of this province especially the people of Thar.

28. The Sindh Coal Authority is also working on a scheme, “Assessment of Water Resources at Thar Coalfield”, for facilitating availability of water for the envisaged coal development process. In this respect 64 Reverse Osmosis Plants are being installed. Reverse Osmosis is basically desalination of water for converting deep saline water into purified drinking water. Desalination Plants have been installed at Islamkot Town and village Sobharo Shah, and these are providing purified water to more than 30,000 people in the area. Similar Plants are under installation at village Khetlari and Mithi.

### ***Road Sector***

#### ***Mr. Speaker,***

29. Development of Roads has remained our priority as we see this as a major vehicle for development. Accordingly we have made heavy public investment in this portfolio for the last few years.

- ✓ In the current year the overall investment was raised to Rs. 3.5 billion (including 3 aided schemes) as against Rs. 2.6 billion in

2004-05. As against this it is anticipated that the overall expenditure would be Rs.4 billion as additional funds were allocated. Through this 433 kms of roads would be improved and 292 kms would be constructed and about 23 schemes would be completed.

- ✓ Under the ADB assisted Road Sector Program costing Rs.14 billion, two major provincial roads and 1200 kms of rural access roads are being constructed.

### ***Cities' Development Efforts***

30. Sir, Karachi today, is the 14<sup>th</sup> largest city of the world with a population of approximately 15 million and is projected to become the sixth largest city of the world by 2015 with a population of over 19 million. With a view to facilitate modern management of this backbone of Pakistan's economy and to provide needed infrastructure and services, the Government has sought assistance of the Asian Bank for the Mega City Project. ADB in this context has extended a Technical Assistance of US\$ 10 million for facilitating preparation of various projects to be financed under the Mega City Project. The follow up loan will be negotiated in 2006-07

31. The Tameer-e-Karachi Package announced by the President in August 2003 has moved forward and by now various schemes undertaken through this are in various stages of completion. In addition to the Karachi Package the other federally funded schemes are nearing completion including the Karachi Northern By pass and the Lyari Express Way.

With a view to develop Hyderabad, a Rs. 10 billion development package was announced by the Government to be financed jointly by the Federal Government and the Government of Sindh. As against this package the Government of Sindh provided Rs. 1 billion in CFY.

32. Similarly with a view to develop secondary cities negotiations have been made with Asian Development Bank. In this context the Government has finalized negotiations for a US\$ 50 million Basic Urban Services Project for upgrading infrastructure in 6 secondary cities of the province namely; Sanghar, Badin; Dadu; Mithi/ Islamkot; Khairpur and Naushero Feroz.

## ***Revised Estimates 2005-06***

***Mr. Speaker let me lay before the House the Revised Estimates for 2005-06,***

33. On the side of Revenues; the over all Federal transfers including the Straight transfers and 2.5% GST funds were budgeted at Rs.98.55 billion and as against this the estimates have been revised upwards to Rs.108.01 billion with an increase of 9% with following break up:

34. The divisible pool budget for FY 2005-06 was Rs.52 billion and the Federal Government subsequently revised this to Rs. 56.89 billion. As against these estimates, The Revised Budget for divisible pool transfers is Rs. 57.99 billion, which is 2% higher than the original estimates of Rs. 56.8 billion.

35. The Straight transfers, which are infact provincial own revenues and are given on account of Royalty on Oil, Royalty on Gas, Excise Duty and Surcharge on Gas were budgeted at Rs. 29.52 billion for FY 2005-06. The Revised Estimates for the Straight transfers is Rs. 37.15 billion, recording 26% growth over Budget Estimates.

36. The Provincial Receipt budget for 2005-06 was pitched at Rs. 19.279 billion, with 22% growth over previous year's actual receipts of Rs.15.77 billion. While it was an ambitious target given the fact that the

provinces have very few avenues to tax, however it is expected that we would be close to the target. The Revised Estimates have been slightly reduced by 4.6% to Rs. 18.381 billion.

37. The Provincial Tax budget was pitched at Rs. 12.71 billion with a growth of 15% over previous year. As against this, the Provincial Tax receipts have been revised to Rs.13.65 billion which is more than 7% higher than the Budget estimates.

38. On the Expenditure side, the Current Revenue Expenditure was pitched at Rs. 118.93 billion. This is being revised to Rs 126.18 billion mainly on account of the pay revision and 10% increase in pension. The Revised Estimates also had impact due to increase in oil prices, which affected the allocations for POL as well as other commodities and services. Also realistic operating expenses were provided as per requirements of departments for avoiding liabilities.

### ***The Distribution of Revenues (Amendment) Order 2006***

***Mr. Speaker,***

39. On September 15, 2005, in the informal meeting of the 7<sup>th</sup> National Finance Commission, all the provinces were asked to offer their counter proposals on the Federal Government's formula on distribution of revenues. Sindh conveyed its proposal on October 20, 2005. However, during pendency of finalization of proposals by NFC, President

announced the Distribution of Revenues Order by amending the 1997 Order under Article 160(6) read with clause 7 of the Constitution of the Islamic Republic of Pakistan.

40. Under this the overall share of provinces in the net proceeds of divisible pool taxes has been raised to 41.5% against the existing 37.5%. It has been further provided that the provincial share will annually increase by 1% during the next 5 years till it reaches 50% in the 5<sup>th</sup> year. It is important to mention that this is firstly an amendment in the 1996-97 Award and secondly the overall share of provinces including 2.5% GST was already 43.5% and under the new Order, it increases to 45%. The major features of the horizontal distribution amongst the provinces are:

- The distribution of the net proceeds amongst the provinces will be primarily on the basis of population
- Subvention pool of Rs. 9.3 billion has been enhanced to Rs. 27.75 billion. The existing subvention was being distributed amongst the provinces of Baluchistan and NWFP only. Sindh and Punjab have been included in the enlarged portfolio and the shares are: Punjab (11%); Sindh (21%); NWFP (35%); Balochistan 33%

- The distribution of the 2.5% GST funds being given in lieu of abolition of OZT has been changed from the existing formula of 37.5% population and 62.5% collection basis to 50% for population and 50% for collection, thus reducing the share of this province on account of OZT.

*Sir,*

*I would now present Budget Estimates for year 2006-07.*

41. The General Revenue Receipts including the Federal Transfers and Provincial Receipts are being estimated at Rs.147.613 billion as against the overall Revised Estimates of Rs. 126.962 billion with following major break up:

- The Divisible Pool Tax Transfers are estimated at Rs. 63.468 billion
- The Federal Grant-in Aid, being given as per new Order 2006 is estimated at Rs. 5.83 billion
- Straight transfers are estimated at Rs. 37.90 billion against the Revised Estimates of Rs. 37.146 billion
- The District Support Grant is estimated at Rs. 18.606 billion
- The Province's own Receipts are pitched at Rs. 22.808 billion against the Revised Estimates of Rs.18.381 billion

42. General Revenue Expenditure for 2006-07 is estimated at Rs.139.224 billion against the Revised Estimates of Rs. 126.184 billion for 2005-06, an increase of 10.3% over the Revised Estimates. The major functional allocation is as follows:

|  | <u>Revised Budget</u> | <u>Budget Estimates</u> |
|--|-----------------------|-------------------------|
|  | 2005-06               | 2006-07                 |
| <b>General Administration</b>                  | <b>18.442</b>         | <b>21.121</b>           |
| <b>Law and Order</b>                           | <b>17.161</b>         | <b>17.763</b>           |
| <b>Community Services</b>                      | <b>2.116</b>          | <b>3.494</b>            |
| <b>Social Services</b>                         | <b>9.705</b>          | <b>19.367</b>           |
| <b>Economic Services</b>                       | <b>8.437</b>          | <b>9.266</b>            |
| <b>Subsidies</b>                               | <b>4.550</b>          | <b>0.940</b>            |
| <b>Debt Servicing</b>                          | <b>10.159</b>         | <b>10.326</b>           |
| <b>Local Governments and other unallocable</b> | <b>52.833</b>         | <b>56.948</b>           |
| <b>SDSSP</b>                                   | <b>2.787</b>          | <b>-</b>                |
| <b>Total</b>                                   | <b>126.185</b>        | <b>139.224</b>          |

43. The Current Capital Receipts are estimated at Rs. 9.248 billion and the Capital Expenditure is expected to be Rs.11.727 billion with a deficit of Rs.2.47 billion.

44. The Local Governments are being provided with their funds in accordance with PFC Formula. As per existing formula; population, backwardness; tax collection are the major criteria including some funds on transition basis and 5% on the basis of performance. For 2006-07, combined share of Local Governments is estimated at Rs. 56.754 billion as against Revised Estimates of Rs.52.833 billion for 2005-06 with an increase of 7.4%.

## *Development Outlay For 2006-07*

45. The Government of Sindh is striving hard to meet the aspirations of teeming millions of the residents of this province. As stated earlier our requirements are huge however we are making an effort to meet these as much as we can, given the size of our resources. For coming year we are pitching the Development Program at an all time high of over Rs. 50 billion with following break up:

|                               |                  |
|-------------------------------|------------------|
| ✓ Provincial ADP              | Rs. 24 billion   |
| ✓ District ADP                | Rs. 8 billion    |
| ✓ FPA                         | Rs. 5.3 billion  |
| ✓ Federally assisted projects | Rs. 10.5 billion |
| ✓ DERA                        | Rs. 250 million  |
| ✓ SDSSP                       | Rs. 1.95 billion |

This development outlay is 19% higher than the current year and we are confident that we would be able to undertake massive development through this financing.

46. The ADP for next financial year has been planned at Rs. 32 billion, which includes Rs. 8 billion for District Governments and Rs. 24 billion as a Provincial component. The ADP 2006-07 registers an increase of 33.3% over the year 2005-06. The Provincial component of ADP will be entirely funded by the Provincial Government whereas the District Governments will fund their component from the ‘Single Line

Transfers’, which will be administered from July 2006 onwards based on the PFC Award.

47. In terms of priority, the Government has assigned Rs. 20.83 billion allocations to following sectors:

- Special Packages: Rs. 5.5 billion (Karachi: Rs.2 billion; Hyderabad Rs.1.5 billion; Rural Package Rs. 2 billion)
- Communication: Rs. 4.5 billion
- Water & Power : Rs. 1.55 billion
- Education: Rs. 1.5 billion
- Agriculture & Livestock: Rs. 1.36 billion
- PP&H: Rs.1.29 billion
- Mines & Minerals: Rs. 1.1 billion
- MPAs Program: Rs. 1.08 billion
- Health: Rs. 850 million
- Industries: Rs. 600 million

### ***Salient Features of Budget 2006-07***

#### ***Tax Rationalization Measures***

48. The Budget 2006-07 is a tax-free budget and no new taxes are envisaged. However with a view to rationalize and simplify some of the existing tax instruments some of the following rationalization measures are being introduced through Finance Bill 2006.

- Stamp duty paid on Allotment order or transfer of Allotment order issued by a developer, builder, Cooperative Society etc is being abolished for all flats irrespective of their size; bungalows and residential houses as well as built up commercial premises. This will have a nominal financial impact and is being done to simplify the process of allotment
- The Stamp duty on Articles of Association and Memorandum of Association at the time of registration of new Companies is being abolished to facilitate greater registration of new Companies in the province
- Stamp duty on Mortgage Deed with and without possession are being reduced from 5% to 3% and from 4.2% to 2% respectively for bringing these at par with Stamp Duty on Conveyance deed
- Stamp duty on Power of Attorney authorizing the Attorney to sell immovable property is being reduced from 5% to 3% again to bring it at par with Stamp duty on conveyance deed.
- With a view to streamline collection of Motor Vehicle Tax, the categories of vehicles are being reduced from 40 to 11 to simplify collection.

### *Other Important Initiatives*

49. The most important feature, which I must share with honorable members, is that for next FY, the Government would release the funds for all the on-going development schemes and all the approved new schemes in July 2006 for ensuring that all executing agencies have the needed funds for completing their portfolio well in time. Sir, this is unprecedented in the history of this province and inshallah it would facilitate a most timely execution of development programs.

- ✓ In water sector Government has increased the allocation from Rs. 888 million to Rs. 1.5 billion for facilitating early completion of programs. 70 kms of Canal will be extended and 50 new structures will be constructed. We have also provided adequate funds under M&R budget and the department will carry out silt clearance of 2600 miles.
- ✓ The most important initiative undertaken by the Government towards water management is setting up of a **Small Dams Corporation** for construction of Small Dams.
- ✓ Other than financing the on-going mega projects in water sector, Federal Government has agreed to fund the Chotiari Phase-II project; as well as the long awaited 'Makhi Farash Link Canal Project'.

Completion of these projects will go a long way in meeting the irrigation requirements of this province.

- ✓ The development budget of the Agriculture Sector for 2006-07 has been increased by 103% while that of Forest, Wildlife and CDA Sector has been raised by 23%. Under ‘Agriculture’, some important initiatives include:
  - ✓ Government has approved different projects of desalination plants coupled with windmills and solar panels for production of energy and conversion of saline water into sweet water at various locations in the coastal belt at an estimated cost of Rs. 200 million.
  - ✓ For improving the productivity of high value products like fruits, vegetables and flowers, an integrated program has been launched under which, one Export zone station at Karachi and seven satellite stations in different cities will be set up for storage; grading and packaging for high quality products for export.
  - ✓ Government had earlier agreed to extend subsidy on the electricity bill of the private tube wells for lowering the cost of production and boosting Agriculture in Sindh. For this the Government earmarked Rs. 250 million in the budget and a proposal was also evolved for an effective implementation of the subsidy. This has been slightly

delayed, however we are enhancing the subsidy to Rs. 300 million and it would begin from July 2006

- ✓ Under the component of development of meat and milk production in Sindh the Government has decided to establish Cattle Colonies at various places in the province and in the first phase these are being set up in Mithi, Thatta, Tando Allahyar, Shadadkot, etc. These Cattle colonies would be equipped with modern facilities of shades, water, drainage, feed mill, cold storage etc.
- ✓ A State-of –the- Art Dairy Village and Export Processing Zone is being set up at Ghagar Phatak, on public private participation basis.
- ✓ Government has decided to stop the licensing as well as contract system at Zero Point Badin with a view to provide relief to fishermen and encourage them to generate their revenue without any hindrance and without any middleman. In addition, the Government would be providing infrastructure facilities (like small jetties, cold storage, chillers etc. and training to fishermen through development schemes in the next financial year. Similar facilities will also be established at Keenjhar and Manchhar Lake for the local fishermen community.

- ✓ For overcoming extreme impoverishment in the coastal regions of Thatta and Badin; the Government of Sindh would be launching the, “Sindh Coastal & Inland Community Development Project” with the assistance of ADB at an estimated cost of Rs. 2.4 billion from next year.
  
- ✓ For overcoming water constraints, the Government is introducing new technologies of Drip and Sprinkler irrigation through a new project, titled “High Efficiency Irrigation System” costing Rs.134.34 million, which would be made available to farmers on subsidized rates i.e. 80% cost, will be borne by Government and only 20% by growers.
  
- ✓ Under industrial infrastructure, Small Industrial Estates are being set up near Ghaghar Phattak and at Super Highway and SIE Larkana would be extended.
  
- ✓ It is my pleasure to inform the House that at the insistence of Government of Sindh, Federal Government has allocated funds for construction of bridge over Indus, between Larkana and Khairpur for which the work will begin next year.
  
- ✓ For the coming year the Government would be investing around 6.5 billion in the road sector both through normal allocation of Rs. 4.5

billion and Rs. 2 billion through the ADB assisted Sindh Road Sector Program. With this allocation, over 400 kms of road would be improved and around 350 kms of new roads will be constructed.

- ✓ On the side of Education, the Government has enhanced the Education Budget by three times from Rs. 4.1 billion to Rs. 12.7 billion for improving service delivery. The existing incentive programs will continue and will be further refined. Free Textbooks will be provided to over 4.7 million children from class 1 to 10 in all government schools and partnerships will be established with District Governments for various activities.
- ✓ For girls' stipends, other than the Rs. 1000 for all girls in class 5 to 10, a differential policy has been devised for low outcome districts/talukas, for which Rs.500 million have been allocated for the Stipend Program for coming year.
- ✓ With a view to bring the salary of the teachers in rural areas at par with those posted in urban areas the Government has decided to extend a Remote Area Allowance to the Primary School Teachers posted in rural areas at a cost of Rs. 1.1 billion approximately for encouraging availability of teachers in rural areas. The Chief Minister has directed that in order to extend this allowance to the most deserving it would be provided to teachers who are able to clear a test

to be conducted through third party for ensuring that government is encouraging the right teachers.

- ✓ Under Health, with a view to gradually upgrade the overall condition of all the hospitals in Sindh, Government has earmarked Rs. 1 billion in the new budget for providing grants to all the hospitals in Sindh for improvement.
- ✓ The service structure of the paramedical staff in Sindh has been improved by upgrading their scales for facilitating better remuneration and benefits to them. This would have a budgetary implication of Rs.80 million approximately.
- ✓ An amount of Rs. 100 million has been provided in the Budget to provide incentive to the doctors for posting in rural areas
- ✓ The Health development budget is being raised to Rs. 850 million against Revised budget of Rs. 750 million. Under this portfolio:
  - ✓ Major hospitals in the province are being equipped with modern machinery for improving the diagnostic capability of the public hospitals. Under this Lithography machines, Angiography and Angioplasty machinery, MRI and CT Scanners are being provided at different teaching hospitals in the province.
  - ✓ A Cancer Hospital is being established with the help of Pakistan Atomic Energy Commission for which a plot at the cost of Rs. 3.5 million has been procured and handed over to PAEC for establishment of a Cancer Hospital at Nawabshah.

- ✓ Accident Emergency & Ancillary Services Complex is being set up at Civil Hospital Karachi through Federal financing at a cost of Rs. 1.43 billion. Similar units will be established in PMCH Nawabshah, Liaquat University Hospital & Gambat Institute of Medical Sciences through ADP.
- ✓ After the opening of Sukkur Medical College, the Government has decided to upgrade the Civil Hospital Sukkur to a Teaching Hospital. Government has also decided to establish a Medical College at Mirpurkhas
- ✓ An allocation of Rs. 3 billion was kept in the Social Security Fund last year. The procedure and the rules of operation of this Fund are under preparation. A Rs. 3 billion allocation has been provided for next year to provide relief to people in distress.

### ***Employee Benefits***

- ✓ In order to bring the salary of police staff in Sindh at par with those in Punjab, an amount of Rs. 500 million has been allocated in the new budget
- ✓ Government has recently signed an agreement with M/S Alliance for providing health insurance to its employees. Initially health insurance would be provided to the 4000 provincial secretariat employees and

subsequently it will be gradually expanded to other employees. Under this health cover will be available for employee and his or her dependants through various private hospitals in the city. Government would be approximately spending Rs.120 million annually once all the secretariat employees get registered

- ✓ With a view to manage various employee benefit schemes scientifically through an integrated institutional framework Government intends to undertake a study to evolve an integrated system for a more cohesive management of various employee benefits
  
- ✓ In pursuance of Government of Pakistan's announcement Government of Sindh would be increasing pay of Government employees with effect from July 2006. Under this a 15% Dearness Allowance will be given to serving employees; and 20% increase will be provided to pensioners who retired prior to May 31, 1977 and 15% to those who retired after this date

Let me end this with a prayer that may God help us in serving our people sincerely and to the best of our capability.

***Pakistan Paindabad***

**I would like to now lay before the house the Finance Bill 2006-07**