

EMBASSY OF PAKISTAN ECONOMIC DIVISION

Budgetary Measures For Nine Points Agenda-FY2010

Policy Framework

Policy Framework is based on Nine Pillars with twin objectives of stabilization with a human face and growth with equity:

- Macroeconomic Stability and Real Sector Growth
- Protecting the Poor and the Vulnerable
- Increasing Productivity and Value Addition in Agriculture
- Making Industry Internationally Competitive
- Capital and Finance for Development
- Removing Infrastructure Bottlenecks through Public Private Partnerships
- Integrated Energy Development Program
- Human Capital Development for the 21st Century
- Governance for a Just and Fair System

Tax Policy Regime

Tax and duties regime announced in the Budget for Fiscal Year 2010 is geared towards:

- Broadening the tax base
- Reviving manufacturing and industry, especially export-oriented industry
- Restraining unnecessary imports to improve the Balance of Payment position

- Protecting the poor and vulnerable against the current economic downturn

Protecting the Poor and Vulnerable

- ***Cash grant*** of Rs 1000 per month to 5 million households under Benazir Income Support Program [Rs 70 billion]
- ***Health insurance*** covering full hospitalization, pregnancy, daycare treatment, diagnostic tests and accident compensation for earning members of the family to a maximum limit of Rs 25,000/- per family per year
- ***Peoples' Works Program*** focusing on electricity, gas, water supply and farm to market roads to create employment [Rs 35 billion]
- ***Workers Welfare Development*** schemes in housing, health, education and technical education [Rs 10.8 billion]
- ***Outreach acceleration*** of microfinance from 2 to 3 million

Increasing Productivity & Value Addition in Agriculture

I. Agriculture

- ***Agriculture policy*** is aimed at ensuring food security through improved productivity of crops as well as development of livestock and dairy; generating jobs; and enhancing farm profitability and competitiveness
- ***Ensuring a minimum guaranteed price*** to the farmers based on international comparisons
- ***Focusing on research and development*** by upgrading existing R&D facilities and initiating the establishment of two world class institutes of research for wheat and cotton
- ***Development*** of new technologies
- ***Productive use of water*** through precision land leveling and high efficiency irrigation systems
- ***Promoting production*** and export of high value crops

- *Accelerating high-value* activities, such as livestock rearing
- *Dairy production*, fisheries, and horticulture
- *Creating* necessary infrastructure to support agriculture and livestock sector
- *Ensuring availability* of agricultural credit
- *Formation* of common facilitation centers
- *Encouraging* research and extension
- *Establishment of ten model* agricultural union councils for each major crop across the country will be undertaken
- *Promotion of model* organic farming would be supported
- *Agriculture Model Village Program* has been initiated in 26 villages to organize the farming community at the village level ensuring farmers easy access to agri credit

II. Water

- *Major water sector irrigation* projects being completed in the water sector include raising of Mangla Dam, Gomal Zam, Dam and Satpara Dam. Preparatory works on Basha, Akhori, Mujda, Naigaj Dam have been initiated. Kachi Canal in Balochistan and Rainee Canal in Sindh will be completed in mid 2010
- *Lining of irrigation channels* in saline zones is being undertaken in Punjab, Sindh and NWFP to save the seepage and other losses
- *National program of constructing* 32 Small Dams covering all the four provinces is being implemented

III. Livestock

- Initiatives to strengthen livestock sector include:
 - *Prime Minister's Special Initiative* on Livestock
 - *Livestock production and development* for meat production
 - *Prime Minister's Special Initiative* for White Revolution
 - *National Program* for the control and prevention of Avian Influenza
 - *Upgrading and establishing* animal quarantine stations;

- *Efforts to enter* into the halal food market; and
- *Improving reproductive efficiency* of cattle under smallholders system.
- *'Capacity Enhancement of Dairy Products* under Public Private Partnership' a project worth Rs 3,500 million for which Rs 300 million will be allocated during Fiscal Year 2009/10
- *'Poverty Reduction through Small Holders Live Stock and Dairy Development'* worth Rs 3,539.13 million, from which an amount of Rs 400 million will be allocated in Fiscal Year 2009/10
- *More model dairy community*, biogas and breeding farms, cooling tanks, rural services providers and pasteurization plants

IV. Fisheries

- The focus will be:
 - *Lifting European Union's* ban on fisheries export by upgrading fishing vessels
 - *Improvement of infrastructure* facilities for value added products
 - *Establishing a fisheries* training centre at Gawadar
 - *Landing sites* along the coastal line
 - *Reducing post harvest* losses through improved fish handling along the food chain and marketing
 - *Establishment of shrimp* aquaculture in the country.

---Making Industry Internationally Competitive

---Capital and Finance Development

---Removing Infrastructure Bottlenecks through Public and Private Partnerships

- *Establishing Export Investment Support Fund* to move industry towards consolidation and value addition [Rs. 40 billion]

- ***Establishing SME Credit Guarantees Fund*** [Rs 10 billion] to support SME sector
- ***Establishing Venture Capital Fund*** [Rs 10 billion] to provide equity financing for those who lack equity
- ***A new DFI*** is being created for industrial financing
- ***Involving industrial clusters*** for skill development to ensure ownership, monitoring/oversight and relevance of programs
- ***Priority to industry*** in allocation of gas and electricity
- Phasing out cross subsidy in electricity and gas tariffs to provide relief to the industry
- ***Establishing Large Export Houses*** to support the export industry
- ***Fast tracking*** Development of Special Economic Zones and Special Industrial Zones
- ***Negotiating Market access*** to USA and EU to provide level playing field to our industry in international market
- ***Finalizing Corporate Rehabilitation Act*** (CRA) to improve bankruptcy and insolvency regime
- ***Formation of Resolution Trust Corporation*** (RTC) to promote consolidation of industry
- ***SECP Reforms like Holding Company Formation*** facilitation and number of other business environment improvement initiatives are underway to develop competitive markets for the private sector
- ***Developing Capital markets*** for financing of trade and industry.
- ***Industrial Relations Act 2008*** has been passed by the Parliament to improve the labor-owner relationship regime
- ***Transparent privatization policy*** based on Public Private Partnership is being pursued through sale of 26 percent shares to the private sector or allow privatization of management on profit sharing basis to provide opportunities to the entrepreneurs for expansion as well as assist the government in disposing off public assets
- ***Implementation*** of the National Trade Corridors Improvement Program has been launched to improve industrial competitiveness

Integrated Energy Development Program

I. Circular Debt

- Government specially *created holding company* which will assume the entire bank loan liabilities of *Rs 216 billion* and pay the markup on these loans from budgetary resources
- Government has already *arranged TFC facilities of Rs 92 billion* for PEPCO from banks to discharge its payment obligations towards Independent Power Producers and oil and gas companies
- Government will assist to *settle the remaining payables* of PEPCO at Rs 61 billion
- Government has decided to *pick up the entire past arrears of PEPCO against FATA consumers* to the tune of Rs 80 billion and pay the current electricity bill of FATA
- Government will *help PEPCO to clear* its outstanding receivables from federal and provincial government departments and entities, mainly KESC and KW&SB

II. Supply Side Measures

- *15 Independent Private Power Houses* with a total capacity of 2,921 Megawatts are in different stages of development. Out of these, 9 projects for 1,861 Megawatts will be commissioned in 2009; 4 projects for 776 Megawatts will be completed in 2010; while 2 projects for 284 Megawatts are due for completion in 2011
- *5 rental Power Projects* for 800 Megawatts
- *16 Hydropower Projects* in the private sector with a total capacity of 4,160 Megawatts are under process
- *Two new combined cycle power projects* of 500 MW each in the public sector to supplement total capacity are planned at Chichoki Mallian and Nandipur and *induction of two hydro projects* i.e. Khan Khwar & Jinnah Hydro, with total capacity of 168 Megawatts

III. Demand Side

- Massive media campaign to raise public awareness for energy conservation

- Induction of energy saver lamps for peak chopping
- Enforcement of Daylight Saving Time during summer
- setting up call centers in all Distribution Companies to improve customer services
- Infrastructure development to reduce energy losses

IV. Renewable Energy

- *Establishing a 50 Megawatt* Solar Thermal Power Project to be established in Southern Punjab
- *Development of Wind Farms* in areas in addition to Gharo-Keti Bandar, identifying new corridors of available wind potential in Punjab, Balochistan and NWFP
- *Solar Water Heaters Program*
- *Production of solar cells* and modules up to an annual capacity of 80 Kilowatts
- *Depreciation allowance* for renewable energy being enhanced by 100 percent
- *Allowance of duty free import* of equipment under nine categories of alternate energy being considered

Human Development for the 21st Century

I. Education

- *Strengthening the planning* and implementation capacity of the Government
- *Improving utilization of resources* by educational institutions
- *Enhancing governance* for greater accountability of education service providers to the community;
- *Capacity building* of district and local level institutions
- *Strengthening the role* of communities through school committees.
- *Establishment and operation* of basic education and community schools in the country; (Rs 2 billion)

- *Education for All* through providing missing facilities to primary schools (Rs 2 billion)
- *Development funding* to Higher Education Commission is being enhanced by 60% to Rs 22.5 billion
- *National Vocational & Technical Education* Commission is targeting one million trainees every year in a phased program [Rs 2.2 billion]
- *Skill development* (vocational/technical) programs aimed for labour export market are being planned

II. Health

- *Allocations for health* under the PSDP have increased by 66 percent, from Rs 13.99 billion in Fiscal Year 2008/09 to Rs 23.15 billion during Fiscal Year 2009/10
- *National programs* for Family Planning and Primary Healthcare
- *Expanded Program of Immunization* continue to receive top priority with respective allocations each of Rs 7 billion and Rs 6 billion
- *Prime Minister's Emergency Action Plan* for disease has been launched and will cost Rs 11 billion in the next five years

III. Clean Drinking Water for All and Environment

- *Installing 3,500 plants*, one in each union council by end of Fiscal Year 2009/10
- *Budget for environmental protection* has been increased from Rs 1.14 billion in Fiscal Year 2008/09 to Rs 2.96 billion for Fiscal Year 2009/10. This amount will be spent on forestry; environment friendly public transport and on provision of clean drinking water

IV. Gender Equality

- Federal Budget for women specific expenditures has increased from Rs 7.7 billion in FY2007-08 to Rs 44.7 billion in FY2009-10, an increase of 480%

Governance For A Just and Fair System

- ***Establishment of Public Defender*** and Free Legal Aid System across the country
- ***Establishment of Fast Track*** and Evening Courts at the federal level and provincial headquarters; and
- ***Pro-poor legislation and automation*** of the justice sector
- ***Pay and Pension Commission*** is expected to make realistic recommendations regarding the following concepts:
 - ***Monetizing*** incentives for civil servants
 - ***Making public sector*** the ultimate choice for talent, in other words
 - ***Employer*** of choice
 - ***Improved*** service delivery
 - ***Greater transparency*** and self-accountability
 - ***Market-based competitive*** salary structure.