Focus on development

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HB Sheikh

The Jamali government's maiden budget is unmistakably directed at speeding up economic activity in the country by mobilising investment. Given the measures announced in the budget, it can be predicated that it would help accelerate economic growth, increase exports and imports and, subsequently, create employment opportunities. In the backdrop of global recession, 5.1 per cent economic growth can be described a remarkable feat of this government. Equally promising is the economic prospects. The most prominent feature of the budget is the 15 per cent increase in government salaries and pensions.

According to reports, Prime Minister Zafarullah Jamali personally intervened in order to ensure an increase in salaries and pensions, which, doubtless, reflects on his overriding concern for the plight of the salaried class. This decision becomes all the more appreciable when measured against the fact the increase in salaries and pensions will incur the government quite a hefty sum. The increase is salaries will surely provide some respite to the salaried class and lessen their hardships. As for the increase in pensions, its positive effect on old pensioners/ senior citizens cannot be gainsaid.

This particular class has been enduring hardships because of successive governments' apathy towards their plight. Having served their country to the best of their abilities, pensioners mainly depend on the pensions they receive from the government, which prior to this increase were not adequate. The prime minister had earlier announced a special National Savings Scheme (NSS) package for pensioners, which has now been extended to widows in this budget. Following the NSS package, the increase in pensions is suggestive of the high priority the PM attaches to the welfare of senior citizens.

Electricity will be provided a subsidy of Rs 53 billion so that its prices do not spiral out of control and are kept at affordable levels. The Asian Development Bank (ADB) has reportedly taken exception to this subsidy afforded to the power sector but at the same time, this decision amply indicates that the Jamali government does not believe in blindly following any imposed term and prefers to serve the interests of the people at all costs. The steps like these taken for people's welfare nullify the arguments of this government's critics who accuse it of adhering to the dictates of the IMF and the World Bank.

These critics, who mostly belong to the parties that ruled this country in the last decade, conveniently forget that their governments lapped up every term foisted upon them by lenders and donors hook, line, and sinker, and very obsequiously followed the nostrums of these international institutions. But what these governments failed to do was to shift economic benefits to the people; this government has deviated from this path and has transferred whatever economic benefits accrued to it to the people. In any case, this government has declared that it won't require any further foreign assistance in framing future budgets.

The incentives given to boost the housing sector such as provision of housing loans to government employees, in addition to the reduction in the prices of cement and other housing material, are yet another step in the direction of serving the interests of the people. In most economies it is the housing sector, which leads the growth of the economy; in fact, even in developed countries in times of stagnation, a boost is given to the housing industry to reactivate the economy. In the context of people's welfare, the decision to curtail levies on paper and board is prudent, as it would help reduce the cost of books and stationery.

The reduction in the levies on the agricultural machinery will also have a ricocheting salutary effect on the consumers. In the same vein, it has to be said that the development outlay of Rs. 160 billion, which is a 30 per cent increase, is evidently geared towards improving the social sector in the country.

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That said, the total outlay of the budget has been projected at Rs. 805.2 billion, comprising Rs.645.2 billion for current expenditure and Rs.160 billion for development expenditure. The gross revenue receipts after the deduction of provincial share in taxes is Rs. 513.5 billion; net capital receipts Rs. 36.7 billion; external receipts Rs. 159.1; privatisation proceeds Rs. 10 billion; and bank borrowing Rs. 27.9 billion. The deficit of Rs. 179 billion will mainly be covered through the targeted revenue.

The budget, as suggested above, is investment friendly, development and export-oriented. The reduction in import duty on over one hundred raw material items relating to heavy engineering, light engineering, fans, wire and ceramic will help reduce the cost of production and enable exporters to compete in the world market. Removal of C.E. Duty on wires and cables, 25 per cent reduction in C.E. Duty on cement, increase in the limit of tax exemption on mark-up are the major incentives for the construction industry.

These measures will result in creating jobs and providing boost to the allied industries. The ratio of direct and indirect taxes to the total federal tax collection is 32 per cent and 68 per cent, respectively. The provision of Rs. 256 billion for debt servicing is lower than the previous years. It is a pity that previous governments had taken those loans on stringent terms but squandered them, thereby impoverishing the people further.

Had they conducted themselves well and lived within their means and resources and invested the loans judiciously and transparently to create employment opportunities and generated income to pay back the loans, the people would not have been burdened with debts. It is ironical that the people have been punished for these governments' profligacy, extravagance and shenanigans.

The taxation measures contained in this budget provide the local investor the much-needed fiscal space to take investment risks. It is expected that the private sector will take advantage of these taxation measures and begin investing in a big way while nurturing a sense of self-assurance. The expectation is that the private sector will also invest in the social sector. The same applies to foreign investors for whom incentives have been announced.

Given the above facts, the federal budget is as a whole a good effort on the part of the government to cater to the needs of the common people as well as pave the way for investment in order to sustain economic growth. However, it is imperative that the political situation in the country remains calm so that continuity of the economic reforms can be ensured. This brings us to the role of the opposition parties in ensuring that no political crisis hinders or obstructs the economic reforms that have yielded such good results. What has been on display, particularly during the budget speech of the finance minister, however, does not inspire much confidence in the opposition's ability to tailor its agenda according to the needs of the country.

The opposition will have to temper its aggressive politics if it is sincere in its declaration that it accords priority to the nation's interests. This nation's interests demand that the opposition parties scale down its politics of agitation and join ranks with the prime minister so that collective endeavor could be made to bring about prosperity in the country. As far this government is concerned, its first budget has proved that it is pursuing a well-directed economic agenda and is imbued with the spirit of alleviating the problems of the people.