

# Investment sans savings?

Whether the indignant opposition likes it or not, the Federal budget for 2003-04, technically, stands passed by country's parliament. Consensus of opinion — barring the opposition parties and their leaders — is in favour of the Budget. Readiness of the government to accept suggestions has only added to its appeal. The government should, now, worry about implementing the proposals. Since the budget was discussed and approved without the presence and the consent of members of the opposition, there is every possibility, that elements inimical to the government would create hurdles in the execution of various measures enunciated by the finance minister. Every pervasive deed has some loose ends which can be used as a handle to agitate and whip the government; the next year's budget is no exception.

Rightly or wrongly, one would like to see the 2003/4 budget as harbinger of more comfortable and relaxed economic circumstances in the country. After all, at what time did we cross the threshold of rhetoric and affect some tangible breakthrough, like reducing the expenditure on debt servicing, retiring foreign debt, reducing domestic debt burden, reaching new levels of remittances from abroad, setting a new record on the stock exchange, surpassing the ten billion dollars mark in exports, keeping the defence budget static? And the new budget has pledged to bring about a thoroughgoing change in the agriculture and water management combine, besides continuing related thrust developed in the last year, thus fixing natural development priorities instead of adopting prescribed preferences.

One must confess that one is feeling somewhat comfortable about economic future of the country in view of last year's performance and articulated vision in next year's prospects. This might be a subjective ambience but there must be some substance behind it. This sentiment has mainly sprung from the sharp emphasis laid on only major targets rather than the usual kindling of small fires all over the place. The focus is on growth, employment, and a lasting benefit to consumers through housing. The second target area is Agricultural productivity, the volume of production and the importance of water as a basic input. A third emphasis is on improving — or at least sustaining — the macro-economic picture of the economy. I, for one, welcome this prioritisation out of the customary development sprawl created by lobbies, pressures or even honest intellectual convictions and preferences of individuals.

One has witnessed the sway of these factors in different administrations over the years. An exercise to narrow down the focus to a single target would yield investment, and of course, savings as the fundamental macro-economic measures needed to fulfill the promises made in the Budget



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year. They are, however, so intertwined with all the programmes for the next year, that their performance will be an important factor in promoting savings and investment, and encouraging the flow of resources towards sectors proven to be lucrative. The inverse relationship is obvious: Every sector will need investment to flourish, and that cannot be ensured without higher productivity.

Investment, in particular foreign direct investment, is a tricky affair. No amount of persuasion, concessions and facilities will overcome the fear of terrorism or the perception of life in a developing country. It is not the financial risk alone that decides investment in a far-off land, it is also the security of staff, living conditions, health and education facilities, and social freedoms which determine the commitment of a foreign company to invest in the middle of a reputedly 'inhospitable and dangerous' land. The Foreign Direct Investment during the period 2002/03 was US\$ 700 million which could rise to \$ 800 by the end of the financial year. It will be more than double the amount invested last year. It is quite satisfying given the difficult global trend. But it is still short of the effort put into attracting foreign investment and that almost 30 per cent was due to the Oil and Gas sector. Let us not indulge in advancing lame explanations for rather stagnant foreign investment and bask in the comfort of doubling the figure within a year. The fact remains that our image abroad still does not imbibe confidence which would prompt sizeable investment by foreigners. Even the Pakistani expatriates are investing their remittances in real estate and consumers' goods rather than industry or other value adding activities. There is something still missing in our package for foreign investors which needs to be provided — professionalism, atmosphere of offices, promotional literature of quality, standards of communication — and the bane of our society; attitudes and knowledge and persistence. These are intangibles which make or break a contract. Total investment during the current year has been reported to be 15.5 per cent of GDP — up from 14.7 per cent in 2001/2. It is not the type of increase that one would expect after such a heavy import of foreign remittances and increase in exports. However, one can take some cheer that at least the trend was healthy!

However, investment is related to savings, and in my parlance, to attitude towards life, especially the tendency to indulge in luxuries and non-productive pursuits. The national savings rate in the current year has been calculated to be

19.2 per cent of GDP as compared to 17.0 per cent last year. This is, at best, a welcome indication rather than a breakthrough. However, as compared to about 14 per cent in the 1990s — which one remembers as a disappointment — 19.2 is a gratifying figure. It needs to be raised to at least 22 per cent if investment rate has to be raised.

In the context of Savings, one cannot refrain from mentioning the life of consumerism and show-off that we have chosen for ourselves. I do not recall if Mr Shaukat Aziz condemned consumerism in his speech or the press briefings. But he did emphasise investment in productive projects and the importance of value-added goods. Those pleading consumerism and indulgence in the name of enhanced commercial activity and trade, totally ignore the long-term goals of the Pakistani nation and the continuously rising poverty. The divide between rich and the poor is widening and most of the comforts pass by the poor without leaving even a dim ray of light in their lives. We have been entrapped so blindly by the dogmas enunciated by Western thinkers that our traditional values stressing simplicity, austerity and frugality are fast being forgotten.

Savings in such an environment will never pick up. And that will put limits on investment. Our economic policies could be driven by supply or by demand but the crucial factor remains to be the realisation of what we can afford. If we insist on drowning ourselves in conspicuous consumption and emulation of the rich industrial countries, then we should be ready for slow and faulty economic development, only a creeping progress of poverty reduction objectives and the high levels of burgeoning population growth which is natural product of such a situation.

As one can see, the entire game of economic prosperity and social development is related to social and attitudinal change. And it is a painfully slow process. It entails the obliteration of archaic and by now redundant customs and beliefs, and their replacement by traits and norms needed for a progressive and modern society. The beginnings made so far have not taken us very far. There has to be a vigorous effort to educate the nation the real values and traditions and what is needed to make a niche in the modern world. A budget cannot accept such an undertaking but it can definitely send signals to bring about such a change — encourage education and literacy, block harmful expenditure, avoid ostentation and adopt moderation, and save. Our record in this respect is not convincing. We have sent wrong signals by lowering duty on large cars and tried to impose taxes on savings. That is not on. This tendency must be curbed. Social change is a movement; every step under such a movement has to serve as a building block! Who can differ with the desirability of adopting simplicity and austerity?