

# Spotlight on the Down 16-6-03 budget

Pak-Ed

By Anwer Mooraj

THE drafting of a national budget is not the kind of exercise that a politician with ambition looks forward to. There are no ideologies that have to be promoted, no slogans to hurl at the public, no promises to be made.

Preparing a national budget in a developing country like Pakistan is often an unrewarding task — whether it involves the capricious manipulation of numbers based on some tried and tested formula, or the result of a genuine attempt to push through some programme of reform. Irrespective of the extra amount of money doled out to hitherto grossly neglected areas like education and health, incentives that carry the whiff of inducement, and slashes in the huge military budget that always appears to take precedence over everything else, there will always be the odd critic who will find fault with the document which is to see the country through the next twelve months. This year has been no exception. Though the criticism has, on the whole, been fairly mild.

How often have we heard the familiar rebuke: the budget is about figures when it should be about values? And, the budget is about the economic consequences of imbalance, when it should be about its moral propriety? It's always a no-win situation for the people who produce the blueprint.

The budget for 2003-2004, which was presented by the urbane finance minister, Shaukat Aziz, has a special significance. To start with, it was presented before a National Assembly which has surfaced after a gap of four years. And the presentation was made in an atmosphere which was charged with tension, ignited by the ongoing confrontation over the controversial Legal Framework Order. Fortunately, the opposition displayed a certain restraint and restricted its disapproval to desk-thumping, instead of physically disrupting the proceedings, as it has done in the past.

good on paper and certainly gives the impression that prosperity is just around the corner and that Pakistan is heading towards a take-off point.

But, are the figures and the predictions really correct? The collection, rationalization and presentation of statistics in this country have always been a major problem, compounded by the receipt of politically motivated instructions and the recruitment of untrained staff. In the past, governments have often published glowing statistics, especially in the area of agrarian reform, which have little or no connection with reality, only because some head of state was trying to make a point, or because some ministry was trying to obtain a loan.

How else can one explain the rather ludicrous statistic presented by the finance minister for the unemployment and under-employment which exists in Pakistan today? The ten per cent figure was obviously distilled exclusively from registered urban sources and did not take into account the thousands engaged in operating the black economy and the vast army of the rural unemployed who continue to face a bleak future.

Most people don't really have the time to go through the plethora of facts, figures and percentages contained in the budget. But if one did, one would find a few decisions which are grossly unfair and which stick out like sore thumbs. Like the heavy reduction in the import duty of cars with 1800 c.c. engines, which one wit described as crass pandering to vital market demographics. One cannot see any logic in this, except a reaffirmation of the saying that Pakistan is a poor country with rich people. It is the rich, some of whom don't pay any taxes at all, who buy automobiles with powerful engines. Surely they can afford to pay the old duties.

The other bad decision, looked at from the perspective of the white collar employee, who dutifully pays his dues and cannot fiddle his tax return, even if he wanted to, is to tax all allowances previously enjoyed by him. Many salaried workers

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Shaukat Aziz must be given full marks. Exuding breezy confidence, buoyed no doubt by the recent economic recovery and the reduction in debt-servicing, he kept his composure in a difficult situation. Of course, he knew that he wasn't the real target of the opposition's ire. And he must have felt a certain satisfaction that a tacit agreement appears to have evolved between the government and the opposition, which, while it allows the latter to continue its protest, requires a certain parliamentary decorum being maintained. And knowing a thing or two about the low boredom threshold of parliamentarians, Mr Aziz kept his presentation to a little under 45 minutes.

In a nutshell, the main thrust of the budget was an attempt to meet the five challenges which the minister identified at the start of his speech. These are: accelerated growth designed to reduce poverty and create employment; an increased outlay on education, health and man development; exercising control over losses sustained in public sector enterprises; the development of a proper infrastructure in those areas where it is inadequate; and a further increase in investment levels with businessmen chipping in by playing a more significant role in economic development.

It was a good delivery which had the virtue of precision and brevity unvarnished by pedantry or verbiage. There were a few depressing statistics, though — like the point that out of the total resources of the government which will touch 805 billion rupees, debt servicing will take up 256 billion rupees, and defence outlay another 160 billion. Shaukat Aziz also spouted the usual platitude about not introducing any new taxes, which a cynical public knows can always resurface in various arcane and less obvious ways, like raising the cost of utilities or the introduction of a mini-budget.

He also threw in a bagful of statistics, some of which are at variance with those published by the Planning Commission and other agencies of the government. Among these is the raising of the growth figure from 4.5 per cent to 5.1 per cent, and next year's growth projection from 5.0 per cent to 5.3 per cent. This is stirring stuff. It looks jolly

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are finding it increasingly difficult to make both ends meet, and this imposition will hit him hard. Naturally, he is going to view with increasing resentment the decision to give government employees an across-the-board 15 per cent salary raise, without a proper merit check, and also to increase their pensions.

That hoary chestnut — poverty alleviation — which one doesn't come across in budgets in the western democracies, is going to receive 185 billion rupees next year, in spite of the fact that everybody in the finance ministry in Islamabad knows that poverty cannot be 'alleviated' unless something really drastic is done to the birth rate, and a little more attention is paid to M2 (money in circulation) as a proportion of GNP, which determines the state of the black economy in a country. The black economy, as everybody in the finance ministry also knows, provides employment, but it doesn't contribute to the exchequer.

The additional 15 per cent, the finance minister tells us, will be in the areas of education, health, population planning, water supply, sanitation, rural development and housing. The story doing the rounds is that officials in the education, health, population planning, water supply, sanitation, rural development and housing departments are already laughing all the way to the bank. They've never had it so good. And 2004 promises even better.

E-mail: a-mooraj@cybernet.pk