

# Talk about higher growth

*Pak. Econ.  
Down  
29.5.03*  
By Sultan Ahmed

PERSONS holding top offices in the country are singing their economic songs constantly prior to presenting the annual budget. And these are the songs of their own economic success or macro-economic feat. Prime Minister Zafarullah Jamali, who joined the scene only recently, is singing the chorus with equal zest and has promised the maximum possible relief to the people which may not mean much, judging by finance minister Shaukat Aziz's cautious utterances in this regard.

We have been told the provinces will now be free to frame their own budgets instead of being tutored by the central or federal finance ministers setting the parameters for the provincial fiscal targets and expenditure limits. The provinces do want to be free of excessive manipulation by the Centre and improve their own resources.

The prime minister wants the finance minister to announce the composition of the National Finance Commission early so that they can know how much of the federally collected revenues would they get before framing their own budget. And it

Pakistanis abroad after 9/11 the home remittances might not have shot up to almost four billion dollars from less than one billion dollars nor the balance of payments improved to that incredible extent. Nor might the outflow of dollars stopped and the rupee becomes stronger against the dollar from around 68 to Rs 57.63 dollar.

When he addressed a crowded meeting of the Management Association of Pakistan in Karachi Shaukat Aziz came up with five pre-conditions for the success of his second generation reforms. And they begin with political stability which those in the government, beginning with the President alone can ensure. Seven months after the general elections, which followed three years of military rule we do not have a truly working government at ease with itself or the country.

The new figures show the growth is picking up momentum. Secondly, the macro economy has become stabilized only now and its positive results cannot become visible instantly. In fact, the finance minister has often been talking of economic revival instead of economic progress, while some external indicators do speak of notable progress, thanks largely to external factors like the global effects of 9/11.

recently. He asked them to collect far more revenues but without violating the CBR laws and rules or offending the tax payers. But when he talked of the low tax collection what he did not say was that if the tax revenues from the petroleum and gas surcharges and some other taxes were treated as tax revenue the collection would go up by 2 per cent. But the government treats them simply as surcharges.

He has been on a kind of campaign trail to exhort his men to collect larger revenues and he has succeeded amply, judging by the fact that the tax targets have been met this year. So new tax survey is to be launched this year.

He is determined to make a success of the CBR reforms suggested by the Shahid Hussain Committee which contains no exceptional reforms but a good many common sense measures. The tax-ation commissioners were concerned about their own future.

He said their emoluments could not be doubled overnight but would double by the end of next year.

He said Rs 120 million is to be spent on retaining them and in sending them to Ivy league business schools in Pakistan and abroad. But they would have to secure their admission on merit and there would be no reservation for them. Let us see how many of them make to Harvard, Yale and Stanford on merit and come back smarter.

Meanwhile it does not seem

their own budget. And it appears that only name of the Balochistan member of the NFC is awaited for announcing the new NFC.

When President Musharraf constantly talks of the country having come to the take-off stage economically, that should apply not only to the Centre but also to the provinces which have the responsibility to promote education, public health, environmental safety etc. along with law and order which has become more of a federal object in practice with a strong army presence.

It is easy for the finance minister to be generous to the provinces this year because of the vastly improved tax revenue position, and generous external assistance and the tax revenue target of Rs 460 billion being even exceeded which has encouraged the government to propose a tax revenue target of Rs 505 to Rs 510 billion next year. If all goes well, next year too the provinces should be fiscally comfortable.

The finance minister now says the country should be prepared for the second generation economic reforms after the success of the first. And that, he cautions, is not easy-going as its success depends on a number of major factors. Meanwhile the question is: will the new reforms be directly more helpful to the people than the macro economic reforms? and quick enough? Will they raise the standard of living of the low income groups and not of the very poor alone?

Meanwhile we are old economic growth this years is not 4.5 per cent but, in fact 4.8 per cent and the highest for several years of low growth. On the basis of the higher growth recorded, the economic growth anticipated next year will be 5.3 per cent and not 5 per cent, as earlier projected. If these projections or estimates are real we have reasons to be happy as these show a positive growth trend.

And that possibly provides the answer to the academic economists who ask if the macro-economy has improved or macro-economic stability has been achieved why is economic growth not gaining momentum? The new figures show the growth is picking up momentum. Secondly, the macro economy has become stabilised only now and its positive results cannot become visible instantly. In fact, the finance minister has often been talking of economic revival instead of great economic progress, while some external indicators do speak of notable progress, thanks largely to external factors like the global effects of 9/11.

But for the scare generated among the

The second pre-requisite is regional stability which depends on India wanting to work together with Pakistan. Regional peace is important to attract foreign investors and speed up the economic progress and attract larger foreign assistance as well. It is difficult to predict the pattern of Pak-India relations before even the first meeting at any level between the officials of the two countries.

Shaukat Aziz also wanted sound law and order, consistency in policies, and fiscal accountability of the government.

Positive initiatives for all such actions have to come from the government which has not only to announce their policies but also enforce them and monitor their implementation and punish the officials violating them or ignoring them. That has not been our history. Will we make a new beginning now after the prolonged political squabbling?

The Economic Adviser to the ministry of finance Dr Ashfaq Hasan Khan, too, has come up with five pre-requisites for a sustainable economy that helps the country stay out of the debt-trap. Among them are political stability, consistent economic growth, regional peace and stability, continuation of transparent economic policies, and Pakistan's lasting image as fiscally responsible country. He said it would be ridiculous to expect economic growth from a debt trapped country.

But it is usually the government which follows erratic policies which need heavy borrowing and while it is not able to raise enough tax revenues, it borrows at any rate of interest, even from private banks. So the government or the leadership alone can find solutions for such problems and not the people who are the victims of the policies of the government, including heavy inflation and high interest rates as had prevailed in the past.

The chairman of the Central Board of Revenue Raaz Ahmed Malik says the fiscal problem in Pakistan has arisen due to the fact that for long now the average tax revenues was 13 per cent of the GDP. The recent elimination of the wealth tax and reduction in import and central excise duties have resulted in loss of revenues to the extent of 2.9 per cent.

He has been on a mission to rouse his tax collecting tribe and he addressed his 15th meeting of about 200 income tax commissioners and deputy commissioners in the city

proper for Prime Minister Jamali to get too over-ecstatic about Gwadar and say it would soon be the most important port in the world. Are we to believe it would be more important than New York, or the ports of Japan and Europe?

Meanwhile, are we going to pay off the more costly debt of the IMF and not accept any more of its conditionalities? India can afford not to impose VAT, while most of the provinces have agreed at last it should be as the ruling BJP is facing elections in Delhi, Rajasthan and Madhya Pradesh which are strong supporters of BJP in November elections as India is not under the IMF regime.

But in Pakistan we are under the IMF regime and hence the new budget is to pass through the IMF scanner and IMF is insisting that the sales tax of 5 per cent should be extended to new areas making life more costly to more people. Now are we going to pay off the costly debt of the IMF quick, or wait?

And as we step up our cooperation with the US in fighting terrorism, is the US going to write-off more of our loans, at least to the extent of 1.2 billion dollars as reported, and reduce our debt servicing cost? And is it coming up with larger budgetary support to reduce our budgetary squeeze?

Meanwhile the Group of Seven has done well to advise its rich members to consider debt relief for other indebted developing countries than the Highly Indebted Poor Countries.

What ultimately matters is the welfare of the poor masses who have been suffering for long. In this regard, judging by a TV interview of Shaukat Aziz, no direct relief to the poor is conceived, except in terms of poverty reduction. Direct employment measures are not contemplated through vast infrastructure schemes. But they are to be provided employment through housing schemes and construction and through small and medium industries. If they can absorb sufficient number of workers through such means as well as agricultural expansion that is very welcome. But what the West sees now is economic revival without an increase in jobs. I hope that pattern is not repeated here as we have too many millions unemployed.

Secondly, such employment can take quite some time and the unemployed cannot wait that long. Hence the government has to come up with more direct employment schemes until the private sector takes over from it and reduces the fury of the unemployed.