

Finance amendment bill amid grim conflict

Federal Finance Minister Asad Umar laid the second Finance Amendment Bill 2019 before the National Assembly on 23 January 2019, a mere four months and five days after he introduced the first finance supplementary amendment bill 2019 to the lower house on 19 September 2018. The current situation is that the Senate Standing Committee on Finance has completed its debate on the bill and the Senate has approved its recommendations, however, the government has not yet tabled the bill in the National Assembly Standing Committee on Finance with the intent to pass the bill without going to the committee.

It stands to reason that the second finance amendment bill 2019 was necessary after the first amended finance bill 2019 failed to raise the revenue projected by the Finance Minister, with a shortfall of 173 billion rupees, acknowledged by the Federal Board of Revenue during the first six months of the current fiscal year. This newspaper had cautioned the government at the time that measures to raise revenue contained in the amended bill were unlikely to bear fruit while noting that the previous two administrations, irrespective of large-scale corruption during their tenures, had projected higher revenue generation from these very same sources, for example, through improved use of technology.

What was even more disturbing with respect to the first amended finance bill 2019 was the fact that while the finance minister stated that the April 2018-19 budget presented by the PML-N government in April overestimated expenditure by 250 billion rupees yet he did not identify any expenditure item in his amended bill which would be curtailed. Instead official uploaded data indicated that defence spending rose by more than what was budgeted.

Higher expenditure and lower revenue collection from what was budgeted implied that the budget deficit, a key macroeconomic indicator with a major contribution to growth and inflation, was not dealt with at all in the first amended bill and no doubt prompted the government to present the second amendment finance bill 2019. The latest bill is more in the nature of an industrial promotion package designed to reverse the process of deindustrialization that has been taking place in the economy for over a decade, than a finance bill focused on narrowing the budget deficit and, as per independent economists, would raise the budget deficit by around 100 billion rupees rather than curtailing it.

Be that as it may, the ongoing tension between Pakistan and India has dramatically changed the economic ground realities and in this context, one would hope that the government revisits the second amendment finance bill 2019 rather than to seek its approval from the assembly by using its majority. Unlike the two amended finance bills that the government has already presented to parliament, he needs to present a more realistic picture of the revenue likely to be generated in the current year as well as expenditure; or in other words, the government needs to redo the maths based on the changed circumstance.

To conclude, it is important that a more informed exercise is undertaken that would project any additional expenditure likely to be incurred as an outcome of our serious and legitimate security concerns across our Eastern border with India. Not to do so would necessitate a third amendment to the finance bill 2019 which would make a mockery of the serious budget-making exercise.

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