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Prepared by IMF, current budget designed to increase loans, says Bengali

KARACHI: "The 2019-20 budget has deficit increases for the first time. There are small growth targets in there but bigger tax targets pointing to so many missing links. It looks like the budget, prepared by the International Monetary Fund [IMF], has been designed to increase loans," said noted economist Dr Kaiser Bengali.

He was speaking during the launch of a report, prepared by him in collaboration with economist Iffat Ara for the Pakistan Institute of Labour Education and Research (Piler), titled Analysis of Budget 2019-20: Recipe for External Debt Trap? at the Karachi Press Club on Monday.

Dr Bengali feared an increase in the inflation rate during the current fiscal year because according to him industrial growth has decreased and imports have increased. He said most of the time the government figures were incorrect. "The figures, the statistics point towards negatives but we are being told that the economy will improve. Perhaps they mean it will improve through inflation. Because when inflation increases, the taxes will also shoot up. Otherwise, I see no measures in this budget to improve the economy. In fact, it will push us into greater debts," he added.

Calls for a ban on imports to help local industry create jobs

He said that unemployment rate would further increase because of a slowdown in industrial production as most of the industries have cut their production, and thus laid off employees with the decrease in working hours. This has adversely affected the income of the employees. "And not just in the manufacturing sector, the number of employees in the services sector such as restaurants has also declined," he said while also pointing out that the service standards of many restaurants had declined due to reduction in their employees.

"Over 95 per cent of the budget is allocated for meeting government expenses, debt service, defence and maintenance of law and order. This year there was only two per cent increase in the social protection budget," he added.

'Gambling economy'

"Our economy is import-based as most of our raw material is imported. These days I cannot find local items in supermarkets and big departmental stores in our urban areas. We have converted our economy into gambling economy," he said.

"Budget deficit is a big problem and last year the federal government reduced 28pc budget of the development schemes. This year further reduction is proposed in the budget. The government plans to privatise more state units, which may further increase unemployment.

The government has already privatised over 100 industries, but unfortunately most of the privatised industries have been closed down," he added.

"It also looks like the government has relinquished its actual responsibility of providing basic facilities such as education, health, housing, environment, etc, to the public. Launching programmes is not enough. How are they going to run these programmes?" he questioned, while pointing out some of the things which the government can do in order to actually improve the economy.

"Ban foreign imports. That will help your own industry with the employment rate coming up again. The 17pc tax on the local industry is too much and should be brought down to five per cent. Another thing to do is decrease non-development expenditures at home. The military expenditures, especially the military's non-combat expenditures, should be reduced by 20pc," he said. "Actually, if the government reduced only two per cent in the defence budget, it can save Rs200 billion from that one head."

During her presentation, the analysis report's co-author economist Iffat Ara said that the external financing growth nearly doubled from 20pc over 2016-18 to 36pc in 2018-19 and was 26pc above the budget in 2018-19. "The budget 2019-20 projects external revenue growth at 116pc," she said.

'Chase IMF people away'

Earlier, Karamat Ali of Piler, while recalling his childhood in Multan, said that during those days the simple folk there used to borrow money from moneylenders who would loan them money for collateral of their choice. "My friends and I were 12 to 14 years old when we saw one such moneylender banging the door of someone who had borrowed money from him and harassing him on his apologetically telling him that he was unable to pay up that month's instalment and interest. That's when we children picked up stones and started stoning the moneylender to leave alone the poor man he was harassing. We kept stoning him till he ran away and we chased him out of town. I wish someone could stone the IMF people now and chase them out of the country so that they never bother us again," he said.