

**Mini budget anxiety**

AS the talks with the IMF enter their decisive phase when benchmarks for the next quarter will be set, anxiety in the business community is mounting that the government will end up agreeing to fresh measures in order to plug the growing shortfalls in revenue collection. By January, the shortfall had risen to Rs387bn, and is projected to continue rising. FBR officials, speaking off the record, estimate that the best they can do is to collect Rs4.8tr by the end of the fiscal year, which would still be almost Rs500bn short of the target revised downward. A lot now depends on how the government presents its position to the Fund during the policy phase of the talks that are set to begin on Monday. The FBR has made it clear that further revenue measures in this slowing economy is not the way forward, while the finance adviser to the prime minister, Dr Hafeez Sheikh, is being evasive in his public remarks on the matter even as he tries to point towards non-tax measures as the way to help plug the shortfall.

The Fund programme contains the most ambitious targets that we have seen in a long time. At the moment, the government is swimming upstream to even come close to those targets. At the heart of those targets are revenues, because failure to meet the targeted amount would mean more borrowing, less spending, and more constriction in growth. It is enough to make one wonder what the prime minister means when he goes around the country promising that 2020 will be the 'year of growth'. The only growth that his finance team is focused on at the moment pertains to revenue.

The temptation will now be before Dr Sheikh to brush aside the FBR's reservations about new revenue measures and seek to plug the gap by resorting to quick-yielding measures such as a hike in the sales tax rate or further taxes on fuels. That temptation must be resisted because it will further fuel inflation and burden an already exhausted population. Instead, he is right to talk about non-tax revenues as the driver for the remaining months of the fiscal year. We await the revenue plan on that side once the talks conclude, but chances are high that we will see the government make a strong push on privatisation in the weeks ahead and try to conduct at least one large transaction before the fiscal year ends. The problem with that approach is that it cannot be counted as involving revenue. Privatisation is and always has been a financing item. Selling state assets to plug the fiscal deficit is also wrong. Eventually, there is little to do but concede that the target agreed on with the IMF was more ambitious than it should have been.