

Budget without a plan

THE budget unveiled by the government on Friday has been crafted amid uncertainties that are unprecedented. The economy was already reeling under the sharp slowdown brought on by the macroeconomic adjustment that began last July with accession to an IMF programme when the Covid-19 pandemic hit in March 2020. Today, the country faces the prospect of a second round of adjustment given the impact on the fiscal balance sheet, as well as the fallout from the Covid-19 spread and the consequent mitigation measures that might well need to intensify in the months ahead if the rate of virus transmission does not decrease. On top of that, there is the massive slump that has hit the global economy, the source of Pakistan's remittance and export earnings. Given the scale of the uncertainties that lie ahead, perhaps it is understandable when the government's finance team tells us that it is impossible to plan ahead and the best strategy must be to take it as it comes.

But there are good grounds for scepticism too. For one, there is an equally plausible alternative explanation for why the government announced a budget that contains no credible revenue plan yet has a sharp hike of 27pc as the target for FBR taxes. The explanation is that the budget is only intended as a pro forma submission in the ongoing talks for the second review with the IMF, during which both sides are trying to chart a course to resurrect Pakistan's programme that was temporarily suspended in March once the lockdowns began.

If it is true that the government's finance team has hurriedly put out a document just to keep the talks going, and the real targets and revenue plan are still under discussion, then the public invocations of massive uncertainty will sound very disingenuous.

Another reason to be doubtful of the 'massive uncertainty' explanation (also reflected in the lack of any credible specifics in the budget) is that this is another term for massive ad hoc management.

There are tools with which to measure uncertainty and risk in highly volatile situations, and map out the various scenarios facing the government. Surely the government cannot be planning to fly blind into the coming dark clouds? It is true that revenue at a time of extreme stress is a difficult proposition, and this is why repeatedly voices of reason have advocated broadening of the tax base, to make the state's revenue position more secure, and for the country to be better able to weather the unpredictable conditions. At around the same time last year, the government began an aggressive drive towards this end, which ended with a whimper with the departure of its architect Mr Shabbar Zaidi. It is time to return to bold and decisive thinking, rather than seek cover behind a diminishing status quo.