

### **Relief budget**

The upcoming budget-making exercise is going to be a major challenge for both the federal and provincial governments. Though the government is reported to be working on a relief-oriented budget, with duty cuts on imported raw items and reduction in other regulatory duties, it remains to be seen how much it can turn around the traditional budget-making which has almost never been people-friendly. The proposed duty reduction is supposed to help in economic revival in the aftermath of Covid-19. A major issue for the government right now is to convince the IMF to revise the tax collection target downwards to Rs4.8 trillion. In all likelihood this is going to be the worst year in Pakistan history in terms of economic activity, industrial production, and in tax collection. In the past seven decades it will be the first time that the GP growth rate will plunge into the negative. Even during the years that were affected by wars, Pakistan managed to show at least some positive growth. This unprecedented economic decline which is essentially the result of the past two years of bad macroeconomic policies and fiscal mismanagement – compounded by Covid-19 – calls for a fundamental rethink in the way the government has been handling the economy.

Since 2018, the primary objective of this government has been to reduce imports, and now suddenly there will be yet another U-turn if major reductions in customs and regulatory duties are allowed. Though these reductions will reportedly apply to only raw material and intermediary goods, these duty cuts will have a far-reaching impact on the national exchequer in the upcoming financial year. Of course it is the government's prerogative to regulate duties as it deems appropriate, but more than this what the people would like to hear about is how relief-oriented the budget will be. We can take a clue or two from the Sindh government that has clearly announced that the provincial budget this year will use a new strategy under which priorities will be given to health services, employment generation, social security, and innovation in the education sector. Some of the problems that both the federal and provincial governments are facing include increase in expenditures due to the coronavirus emergency and a decrease in government revenues. This will further aggravate with a decline in exports and unemployment which will result in loss of purchasing power.

These problems cannot be addressed unless a new strategy is developed, and to date the federal government has not been able to announce any new strategy apart from standalone measures such as duty cuts. These are not normal times and if the usual old patterns of budget-making are followed, they will not deliver anything new. It is the responsibility of both federal and provincial governments to not only fight the pandemic but also restore economic stability that was there before 2018. Here are a couple of things that the governments must focus on: the agriculture sector must be bolstered on sound grounds, because food security is and will remain a major issue in the coming months and years. The federal government has not yet announced any package for the agriculture sector, which it must do. In fact most of the relief package amounting to Rs12 billion was already budgeted in different heads. Similarly, the BISP budget is being announced as a new Ehsaas programme which is simply a rejigging of the budget already in place. The tax refunds were already due and are again announced as a package. There are numerous other announcements also such as wheat procurement that have

been projected as a new package. Lastly, the medical workers are also waiting for a package which has not been announced as yet.