

EAC advises PM to come clean on state of economy

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ISLAMABAD: The newly-constituted Economic Advisory Council (EAC) on Thursday recommended that Prime Minister Imran Khan's government take "tough decisions" on the economy, including the withdrawal of tax incentives for higher income brackets introduced in the federal budget for the financial year 2018-19.

The EAC advised Khan to present a true picture of the economy to the general public, because the premier was in a position to lead from the front. After sharing the realities of Pakistan's economy, the prime minister could fulfill his promise of turning around the economy during his term in office, it said.

"The EAC members unanimously asked the government to revise the budget for 2018-19 because it was built on unrealistic assumptions that require to be adjusted in accordance with the emerging ground realities," a member of EAC told The News, on condition of anonymity, after the meeting here on Thursday. Instead of hiking gas and electricity prices, it was recommended that the Pakistan Tehreek-i-Insaf government withdraw the tax incentives for top income earners introduced by the previous Pakistan Muslim League-Nawaz administration. However, the EAC asked the government to retain the minimum income taxation slabs during the reversal process.

The Prime Minister Imran Khan told the EAC members that he was not an economist and would seek their guidance on these complex. The EAC members also asked the government to abolish subsidies for textiles and other sectors. They said innovation and research development, as well as the diversification of goods and markets, could boost Pakistan's declining exports.

In their remarks to the inaugural session of the EAC, chaired by the Prime Minister, the participants unanimously advised the government to publicly air key economic challenges, particularly the twin budgetary and current account deficits. The longer the process was delayed, the harder it would become to fix it, they advised.

On the external financial front, the EAC members recommended that the government should precisely calculate Pakistan's gross financing requirements, because massive discrepancies persisted between official projections and the estimates of independent economists.

The independent economists have calculated the external financing requirement ranges from \$21 billion to \$26 billion a year, whereas officials put the figure at a considerably more modest \$15-16 billion.

After calculating the exact gross financing requirements, the government could devise a plan to manage dollar inflows. The EAC was told that the government had not yet

decided whether to approach the International Monetary Fund for emergency balance of payments support. All options are still on the table.

The EAC has attracted criticism because the councils established since 2002 failed to produce any policy initiatives for their supervising governments.

In the newly reconstituted EAC, five out of its 11 are associated with the UK Department for International Development, while four other advisors work for other international donors. It remains to be seen whether this EAC would make a break with the forum's unimpressive past.