

Govt ready to take tough decisions, amend budget

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ISLAMABAD: Amid demand by majority of the private sector members of the Economic Advisory Council (EAC) for tough economic decision-making within its first two months, the government on Thursday pledged to introduce major changes to the federal budget 2018-19 to make it 'realistic'.

The first meeting of the [recently reconstituted EAC](#) was presided over by Prime Minister Imran Khan which could not be attended by three international economists of Pakistani origin because of technical reasons. "They could not make it because our web-link was down," an official said.

The three members were Dr Atif R. Mian of Princeton University and Woodrow Wilson School of Public Policy, Dr Asim Ijaz Khawaja, Sumitomo-FASID professor of Member International Finance and Development at the Harvard Kennedy School, and Dr Imran Rasul, professor of Economics at University College, London.

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The meeting was told that there would be major changes to the budget 2018-19 based on ground realities and realistic revenue and expenditure projections. The question of approaching the International Monetary Fund for a bailout did not come under discussion, the sources said.

No discussion by EAC on approaching IMF; three working groups on debt, fiscal challenges and current account deficit to be formed

The meeting decided to set up three working groups on debt, fiscal challenges and current account deficit and have separate meetings with Finance Minister Asad Umar over the next week based on which another follow-up meeting would be held with the prime minister.

Most of the participants told the government to make best use of its political and social capital to take tough decisions, wherever required, without taking into account political repercussions within first two months. They believed it would get difficult day by day if the government delayed major decisions.

Some of the members also advised the government to review a major tax relief, particularly relating to income tax exemptions and discounts offered by the PML-N government because that could provide more than Rs90bn cushion. This should be given a serious thought to undo popular and pro-rich decisions of the previous government instead of increasing electricity and gas rates for all because energy costs burden the lower and middle income groups the most.

Informed sources said the finance minister responded that it would be a very difficult decision to withdraw tax relief. He said once given a facility could not be withdrawn.

Likewise, it was also proposed not to expand subsidies, particularly for the big fish like textile sector's basic products and instead value-addition sectors should be supported because that was where the big return could be secured.

Majority of the participants advocated expanding the tax net and strengthening budgeting besides taking long-term steps to long-term development challenges like job creation, developing the

education sector, enhancing productivity and improving the performance of the government sector.

The prime minister assured the participants that the EAC should come up with recommendations and the government would fully implement them irrespective of the political cost provided they were in the long-term economic interest of the people and the country.

The participants also recommended institutionalising the role of EAC for better coordination and continuous policy advice and complained it used to be a debating club in the past governments. It was in this background that the prime minister desired a follow-up meeting next week of the EAC on the basis of initial consultations of the working groups on financial, debt and current account related matters.

Imran Khan welcomed the participation of members of the council and hoped their experiences and recommendations would be fruitful for addressing immediate and long-term challenges facing the national economy besides improving reform agenda of the PTI-led government.

Those who attended the meeting from private sector included Dr Farrukh Iqbal, Dean and Director of the Institute of Business Administration; Dr Ashfaq Hassan Khan of National University of Sciences and Technology; Dr Ijaz Nabi of Lahore University of Management Sciences; Dr Abid Qaiyum Suleri of Sustainable Development Policy Institute; Dr Asad Zaman of Pakistan Institute of Development Economics; Dr Naved Hamid of Lahore School of Economics; Syed Salim Raza, former governor of the State Bank of Pakistan (SBP); and Sakib Sherani, former principal economic adviser.

The official members who attended the meeting included Minister for Finance, Revenue and Economic Affairs Asad Umar, Minister for Planning Development and Reforms Division Khusró Bakhtiar, Secretary of Finance Division Arif Ahmed Khan, SBP Governor Tariq Bajwa, Adviser on Institutional Reforms Dr Ishrat Husain and Adviser on Commerce Abdul Razaq Dawood.

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