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Round Table Discussion

June 01, 2013



Budget 2013-14: Challenges & Opportunities for Economic Justice & Development

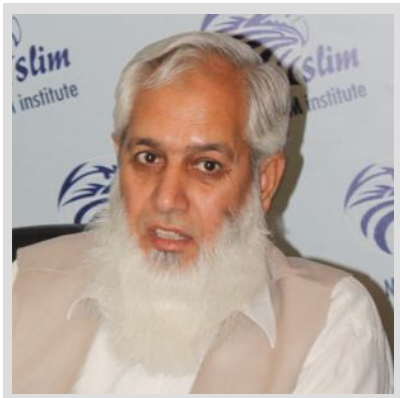
The MUSLIM Institute organized a round table discussion on “Budget 2013-14: Challenges & Opportunities for Economic Justice & Development” in Islamabad. Dr. Abdul Qayyum (HOD Econometrics and Statistics, Pakistan Institute of Development Economics-PIDE) and Mr. Shahid ur Rehman (Correspondent Kyodo News, Japan) were speakers on the occasion. Research associates of the MUSLIM Institute as well as from other think-tanks participated in the round table discussion.



Mr. Tahir Mehmood

Initiating the discussion, Program Coordinator MUSLIM Institute Mr. Tahir Mehmood gave a presentation on Challenges to Pakistan's Economy. He said that in recent years, consumption rate in Pakistan is about 85% and savings just 15% whereas in China it is about 50%. For growth rate of 6%, we need 20-25% investment rate. Only 40% of our imports are financed by export earnings and also we have not access to dynamic markets. Energy crisis is affecting economic growth and 2.5-3% growth rate is lost.

Our tax collection system too is very weak and needs overhauling. External debt and liabilities (EDL) rose from \$46 billion in June 2008 up to \$61 billion by March 2013.



Dr. Abdul Qayyum

Dr. Abdul Qayyum analyzing economic conditions of Pakistan said that our major issues are growth rate, inflation and unemployment. Financial management and governance is also a challenge. we have power capacity more than our demand but unable to manage it. By increasing the interest rate, deficit rate increases and interest is controlled by IMF. In budget, interest payment is our biggest problem. Corruption is a serious issue from economic point of view also.

If we manage circular debt and corruption, we can easily solve our energy crisis and improve economy. We should manage our own policies and take strong decisions. We have to appoint managers on merit basis instead of political basis. He said that contingent liabilities must be clearly mentioned in budget and implicit agreements need to be investigated.



Mr. Shahid ur Rehman

Mr. Shahid ur Rehman in his discussion said that we need economic reforms to handle our economic issues. Unfortunately our agenda of reforms is set by donors. We have to give subsidy of 6 Rupees per unit on electricity to the private sector generating electricity. This huge amount of subsidy is big hurdle in eliminating circular debt. Our fuel usage for power generation is inefficient and there is corruption in this process. We are creating wind power at cost of 20 cent per unit and selling at 10 cents.

Subsidy of 10 cents per unit is not affordable. We need to review implicit agreements with liabilities to solve these issues. We should deliver natural gas only to domestic consumers and power sector. We need sustainable economic reforms. Such reforms should be endorsed by our own people and not to be dictated by donors. In first 90 days, the new government should take bold decisions. He further added that other countries like China developed their economies through investments from overseas. We have not tried to attract overseas as well as domestic investors. Talking about revenue he said that we have huge potential for revenue generation. We should adjust tax rates according to income. Indirect taxes like general sales tax affect all the classes on equal footing and further widen the gap among different classes of society. If rich people are made to pay more taxes, we can generate more revenue as well as bridge the gap present in society. Property tax is also not fully streamlined. Land record should be computerized so that property tax is adjusted according to actual land value. Profit in property business also needs to be brought in tax net.

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