

**BUDGET 1998–99: ZERO HOUR  
AND NATIONAL PRIORITIES**

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## BUDGET 1998-99: ZERO HOUR & NATIONAL PRIORITIES

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For Pakistanis, the month of June symbolizes the moments of anxiety, uncertain times and the upcoming fears. This is the month in which the annual budget is usually presented; the budget which brings in its fold each year, the gift of increased indebtedness, enhanced economic hardship for the commoners, drift in prices, inflation and a multitude of new taxes. Over and above, every new ruler attributes flaws to the former government. It skillfully puts fresh burden on citizenry by making fresh promises and raising new hopes. This way, while the rulers steal the show, the vicious circle of poverty further tightens its hold of the poor.

Muslim League Nawaz Sharif government has completed around 1½ years of its second term in power. In coming few days, it shall announce its 2<sup>nd</sup> budget (2<sup>nd</sup> if we rank the 1<sup>st</sup> as exhaustive, overlooking the wholesale mini-budgets that came in-between). Budget does not simply means balancing the government's revenues and expenditures. It, in fact, represents overall national strategy in general and in-to economic policy of the government in particular. It is a mirror that reflects past achievements and future plans and helps their assessment. It is, therefore, the right time to critically assess government's economic performance in light of prevailing economic situation and its national priorities on the one hand, and on the other, to identify those basic issues which shall provide a criterion to judge the coming budget. This exercise is vital keeping in view the government institutions' ignoring policy-making and dialogue on matters of national import and instead their concentration on upbeat false propaganda and deceitful promises. In the last 16 months, the government has been unable to give with impunity a certain direction to its rule; what to talk of the decision-makers effectively controlling the policy and the working system. Despite constitutional and administrative powers resting in one hand, the real state issues are handled with princely indifference – as if there is no control at all.

### PML Manifesto and Economic Reforms

Politics in Pakistan denote that game of preserving the vested interests which is played by the feudal, the industrialists and the well-to-dos of the society. Together they form an oligarchy. During the last 50 years, the game is being played so deftly and the change of hands is done so

discreetly that the common lot usually remains ignorant of the original situation. And all this is being done under the banner of democracy. Political arena has always been kept under the thumb of this one and the only group (no matter how different its party names or coalitions). Muslim League and Peoples' Party are two faces of this class that have been ruling the roost since the last 30 years.

The present ruling elite – the Pakistan Muslim League – came into being during the Martial Law regime of General Ziaul Haq. First, this group got effective control of power in the general's party less system, and then, after 1985 held rein in the centre and provinces through the newly introduced democratic system. Thus, neither the present Muslim League government, nor those who ruled during Peoples' Party era, could be considered new comers and absolved from the responsibility of past flawed policies and their outcome. The existing situation is the direct result of the deeds of these two parties and their continuous governance. If the budget system and pattern of basic economic plans is analyzed particularly, they carry undisputed similarity. Let us ignore this fact for a while and examine the performance of the present Muslim League government in light of its 1997 election manifesto, the policies it pursued after coming into power and the targets it set in its 1<sup>st</sup> budget (1997-98).

First, take up the Muslim League manifesto. Self-reliance, competence and economic growth were the much-trumpeted slogans. Many a promise was made, but let's take "The Short-term One Year Program," given on pages 13 and 14 of the manifesto. We can weigh government's achievements of the past more than one year taking into the account the 1<sup>st</sup> year plan. The salient points of this plan were:

- I. Effective monetary policy will be pursued to bring down inflation while the tax collection system shall be overhauled to suit modern requirements;
- II. Government administrative expense shall be curtailed drastically to minimize the fiscal deficit. Fiscal irregularities will be removed to streamline adequate supply of credit and various industries will be revived by facilitating their functioning;
- III. Crash programs will be initiated in the agriculture sector to enhance production, more particularly of the commodities that directly affect the commoners;
- IV. Special efforts will be made to improve financial institutions. Honest and capable persons will be brought in to head these institutions. During the term of the previous government, the repayable loans of the banks rose by Rs. 43 billion, i.e. from Rs. 82 billion in 1993 to Rs. 125 billion in 1996. The Muslim League government will recover all these loans and also ensure independence of the State Bank of Pakistan;
- V. Privatization will be made transparent and the pace enhanced on firm commercial lines. To see the process is really transparent, a judge of the High Court or Supreme

Court will be made member of the Privatization Commission. All major cases of privatization will be (directly) telecast.

- VI.** These were the top 5 items of "The Short-term One-Year Program." Some other promises and targets of immediate importance were also made. These were summarily:
- VII.** 10% growth in the industrial sector (page 15);
- VIII.** Attainment of self-reliance, minimal dependence on external loans, balancing the budget and self-sufficiency in agriculture and other sensitive sectors of the economy (page 16);
- IX.** All industrial institutions to be bound to undertake social welfare tasks (schools and clinics in their respective areas), commensurate with their capital size;
- X.** Judicious distribution of wealth, more reliance on direct taxes and cut in the share of indirect taxes (page 8);
- XI.** To construct small and big dams for power generation and farm irrigation (page 9);
- XII.** Peasants farming government lands will be given proprietorship at a very low price (page 10);
- XIII.** Government's expenditure will be cut down. Specifically the domestic and foreign air travel of the officials will be minimized, curtailing also the size of the entourage of the President and the Premier in foreign visits and see that, to the extent possible, only commercial flights are availed (p.82). A limit shall be imposed on both the federal and provincial cabinets and the foreign missions. The present large number of ministers and ambassadors shall be discouraged (p.5);
- XIV.** The assets of the elected representative will be openly declared (p.5), and the members engaged in private business will be restricted through the "interest-clash" law (p.6);
- XV.** Islamic welfare state shall be introduced and the Islamic economic system established.

In his address of February 23, 1997, Mr. Muhammad Nawaz Sharif, the Prime Minister said:

"Pakistan is an Islamic ideological state. Introducing here an Islamic banking system is our constitutional and religious obligation. Pakistan and many other countries in the world have made successful experiments of Islamic banking. With all sincerity, I wish that Pakistan adopts the Islamic banking instead of the present banking system."

In the same address, he further pledged:

Through the decisive mandate, our people have expressed the resolve that they want to be out of the economic crisis. Our primary duty is to implement the people's decision, and that is why the first target of the government is to revive the economy...It is not becoming of a nation, so much

fastened in external debt, to indulge in debauchery and extravagance. We are greatly curtailing public sector expenditure, commensurate to the present situation. As Prime Minister, I shall not incur a single penny for my person, so much so that I shall not use official vehicle, except for certain essential state businesses. The PM House expenditures will be more than brought down in a few days. In the name of security, the pomp and show of the Prime Minister, the governors and chief ministers will be stopped. The jawans of the police and security forces will no more face the punishment of standing for long hours on the passing routes of the dignitaries. I have directed all the federal ministries and the provincial governments to prepare within seven days, schemes to bring down their unnecessary expenditures...numbers of the ministers in the federal and provincial cabinets will be reduced...Those public servants who have held luxurious marital ceremonies, from 1990 to the present month, will face investigation and accountability...All public servants will have to declare their properties within the next 15 days. Any extra holdings found through investigations, will be confiscated. Those making fictitious declarations will be punished.

Both the manifesto and the Premier's address carry much of the niceties, but we shall restrict ourselves to the year-or-so long period government performance and that too in light of the above said 14 points. The Finance Minister also highlighted these same 14 points in his first budget speech (June 13, 1997) as the core points and declared them to be the economic policy of the government and the targets of his budget. Following is reproduced from Foreign Minister's speech (para 12):

- i.** Accelerating the economic growth so as to double the national income in 10 years and increase the per capita income by 2/3<sup>rd</sup>;
- ii.** The fruits of progress should not be limited to few hands; every area and citizen of Pakistan should rather benefit;
- iii.** Fiscal and monetary stabilization, increases in revenue and controlled expenditure, shall all lead to significant reduction in the budget deficit;
- iv.** Reliance on external loans and aid to be minimized. foreign (private) investment and export of value-added goods shall be increased;
- v.** Bank loans to be taken back and defaulters to be treated strictly;
- vi.** The social sector, particularly education, health, water supply, sanitation and drainage, increased employment, price stabilization shall be significantly improved to ameliorate the lot of poor;
- vii.** Peace, harmony, protection of life and property, cost effective and speedy justice and elimination of corruption shall be ensured and mis-appropriation of public funds shall be checked and the process accelerated through good offices of accountability;
- viii.** Administrative machinery shall be restructured and departmental sizes reduced;
- ix.** Defense shall be strengthened; and
- x.** Islamic values to be enhanced and the Islamic economic system to be further activated

The Finance Minister had also promised that:

"The phase of reviving the economy shall, God willing, be completed within the next few weeks."

The manifesto targets of one year, the Prime Minister's promise to initiate reforms in a week to 15 days and the Finance Minister's consolation to complete the process within few weeks – these are the parameters within which we shall judge the performance of the present government. And, it is they themselves, and not us, who proposed this criterion. The nation should note the government's achievements so far and in light of these, squarely determine where we are standing now. Are we proceeding in the right direction, or getting farther removed from our objective?

### Social Uplift Programs

Before discussing budget, we feel it useful to glance at the manner and mood of the PML governance. The Prime Minister's vow that all the elected representatives and public servants shall declare their assets has not materialized up till now. Rather, the caretaker government's ordinance, which proposed punishment for the contesting candidates making false statements during elections, was allowed to vanish in oblivion at the first instance. No legislation in that regard has been done to date. The Chief Election Commissioner did not entertain the petitions submitted to him regarding the wrong and false declarations of candidates. He rejected the complaints regretting that the relevant law (ordinance) was no more operational. Furthermore, premier's order to do away with the lavish marriage spending was scoffed at. The influential that spent heavily on marriage ceremonies were not even fingered. The law of "conflict of interest" was never made substantive part of the code. The way accountability is being conducted is not only helping outlaws to emerge as innocent but is at the same time encouraging them to deceive the nation once again. So much so that the Mohtrama, who once declared never to become prime minister, after giving a second thought to her decision had now re-entered the contesting arena.

The fate of promises made in regard to control over public money has gone awry. The slogan of optimal utilization of this sacred trust, the hoax of brief cabinet and all efforts to economize expenditure, are instances worth quoting. Today the promised small sized cabinet is composed of 27 ministers, 28 ministers of state and 24 advisors with the status of ministers – totaling 79 in all. Then there are two dozen parliamentary secretaries and 40 chairmen of the subject committees in the National Assembly and the Senate – they all have been provided with offices, secretaries, residences, chauffeured transport and generous allowances. The team of these federal ministers and advisors alone devour precious Rs. 35 million daily (The Nation, London, April 17, 1998). Simple arithmetic calculation totals thereby an expenditure of Rs. 15 billion over the past 17 months. Not to forget, the caretaker government of Moeen Qureshi's defaulters' list showed Rs. 82 billion as the outstanding default money in 23 years. PML's small cabinet has worked wonders –

consuming more than a 6<sup>th</sup> of that amount (Rs. 15 billion) only in 17 months. Moreover, the President House and the Prime Minister House together spend more than Rs. 3 billion a year – amount more than what is allocated for the federal health sector and close to education. The provincial cabinets follow the same pattern. In Baluchistan – the poorest province – 23 out of 44 Assembly members enjoy the minister ship over and above the advisors.

### The Economic Dilapidation

External Loans: No substantial shift has occurred in the much-publicized curtailment of government's foreign visits; the situation has rather deteriorated. Nawaz Sharif availed 16 foreign tours covering 65 days in 17 months. Since the latter's visits were targeted to attract foreign investment (which did not show up so much), so the entourages were of the grand size and thus have no match to the past. Pakistan used to receive on average, \$500 million investment yearly; it was \$600 million this year. The government's policy to attract investors is dubious. On the one hand capital is invited while on the other, thermal projects investors are being snubbed in the most bizarre manner. This mishandling is sure to wash away the confidence that has been gained in the foreign investment sector so far. The China visit provides the masterpiece case. Reportedly, the MoU signed on Jan. 21, 1998 for the expansion of Pakistan Steel Mills – about which the Chinese hosts were fully ready to finalize matters – was not at all mentioned during the Prime Minister's recent visit. Why! Because our Foreign Office forgot to place it on the agenda.

The present government's prime economic campaign Qarz Utaro, Mulk Sanwaro, which was launched with great fanfare, defused within few months. Only \$250 million were collected, including half as new loan. Nobody today speaks about the scheme while during the last 17 months indebtedness has only increased. The beggars' bowl is intact and rotating. The country is getting deeper into the economic quagmire. External indebtedness was \$17.2 billion in 1990-91, which rose to \$22.04 billion in 1992-93. When the PPP and caretaker governments bade adieu in 1996, the load was worth \$29.61 billion. Today it is more than \$32 billion. A hefty sum of \$10-11 billion is in the pipeline against which interest has to be paid. There are \$10.5 billion in the FCA, which is a liability. A careful estimate is that \$5 billion have been added to our external loans during the 17 months of this government. Short- and mid-term loans availed at the market rate interest are most alarming for Pakistan's economy because the bulk of increased external indebtedness is due to these loans. Due to such loans, debt-servicing charge has increased. They were 10% of the external loans in 1990-91, while today they stand at 21%. Last year the chargeable debt service reached the figure of \$4.9 billion. Total indebtedness (internal plus external) has increased by 100% over the past 5 years. Every Pakistani family owes Rs. 106000, and for nothing. External aid and loans are now used for only one purpose – to pay back the annual installment and the interest on past loans. During 1997-98, the official and institutional aid disbursement was \$2351 million. Repayments during the year were to the tune of \$2309 million – which mean after all hue and cry, the net disbursement were only \$42 million. This much of amount has made us



mortgage our honor and self-esteem to the World Bank, the IMF and the Western powers. The U.S. is giving no new aid, rather receives from us \$426 million every year against the previous liabilities. The amount we advanced to U.S. for the supply of F-16 aircrafts, is accounted nowhere.

Internal conditions: That was the situation regarding external loans. The loans government is getting internally are also increasing as usual. Now interest is settled through market on the short term federal bonds (STFB). Previously the interest paid was 6%; it has now gone upto 16%. By Dec. 1997, the government had availed Rs. 84 billion through this auction method. The result is that debt service, both on internal and external loans, was snowballing. The amount thus paid in 1990-91, was Rs. 73.5 billion, which increased to Rs. 107.9 billion in 1992-93. By 1995-96, the figure jumped to Rs. 201.8 billion and in 1996-97, it was Rs. 254.6 billion. It shall be more than Rs. 300 billion next year. With this trend, the whole revenue will be paid against loans and interest within the next 3 years. For all other items of the budget, the only resort will be to get more loans. The question thus naturally arises: Is what is termed as economic development?

The issue of bank defaults has also assumed great importance in the wake of country's sick economy. Government had claimed that every penny of the national wealth would be taken back, but practically little happened. During Moeen Qureshi's term, the sunken loans were Rs. 82 billion. Out of this amount, Rs. 20 billion are said to have been recovered while Rs. 62 billion were assumed then to be outstanding. After Benazir's ouster and during Meraj Khalid's brief stint of power, the outstanding amount doubled and stood at Rs. 124 billion. Hopes were pinned with the present government that if it could not reduce the deficit burden, it would not let it increase at least. But, actually the amount increased by Rs. 2 billion every month and over a period of 13 months reached the figure of 150 billion. All possible incentives were provided, yet nothing could be realized from the 8000 defaulters. Instead a number of them were allowed re-scheduling and advanced new loans. The State Bank had to extend its last date for refund of outstanding money three times in respect of its concessional package. The State Bank's so-called autonomy and free-will is manifest in its governor's resignation who resigned because he could no more bear drubbing from the Prime Minister. At last the rules and regulations were changed, so that defaulters could get new loans. The national press greatly lamented this whole affair. (See Dawn, editorial note, April 13, 1998; Nawa-e-Waqt and The Nation, column by M. Aftab, March 15, 1998)

### Taxation and Corporate

No change could be affected in the tax system in vogue. Much is being talked about the re-organization of the CBR, but the way it was mocked by the traders of Liberty Market, Lahore, is admonitory. Twice the target of tax revenue has been lowered. Even in that minimum level, only 65% was collected during the first 9 months. It is feared that the budget deficit might cross the figure of Rs. 66 billion. Performance of the public sector is very disappointing. The expected deficit of WAPDA is Rs. 40 billion, of KESC Rs. 9.7 billion, PIA Rs. 9 billion and of the Pakistan Steel Mill Rs.



3.4 billion. Stolen Electricity in WAPDA is close to 40% and in the KESC 24.4% (of the capacity). 20% bills are not paid at all. Major defaulters are the federal and provincial governments and their corporations. WAPDA's total loan has grown well above Rs. 140 billion. In spite of pledges, the utility charges and surcharge were increased, ranging from 12 to 30 % increase. Surcharge is three times the cost of electricity consumed. There seems no way out of this torment. There appears no end to government's extravagance or to the ostensible-spending life style of affluent. Unemployment is increasing. Even the questionable official figure concedes that hundreds of thousands are being added to the unemployed labor force each day. Three hundred thousand were rendered unemployed in the name of downsizing, whereas no new jobs were created. The large manufacturing sector face slump. Production in the agriculture sector has supported the economy somewhat, but it is due more too favorable weather conditions than policy. The large manufacturing that grew by 8 to 10% in the past will hardly show a growth of 4%; last year the growth was a meager 1.4%. There seems no way to achieve the GDP growth target of 6%. We can feel satisfied, if the growth is within 5.2 and 5.5%.

With increased unemployment, there is danger that poverty level and its magnitude will increase. Trends of wealth distribution are in favor of well to dos and against the have-nots. Economic disparity is continuously on the increase. Tax load is more on the common citizen and less on the affluent and this imbalance is on the rise. The Governor State Bank of Pakistan expresses disquietude in one of his articles:

"Pakistan's poverty profile is not particularly encouraging.....About 1/4<sup>th</sup> of the population, or nearly 30 million people, live below the poverty line in Pakistan.....At the same time, the pattern of income distribution has worsened over time.....In these 20 years, the share in national income of the lowest 20% of the population has declined from 8.4% to 5.7%. On the other hand, the share of the highest 20% of the population has gone up from 41.5% to 49.3% over the same period."

**(Dr. M.Yaqub, Factors Affecting Poverty in Pakistan, An IPS Study, 1998, p.87)**

Umar Nauman's book, "Economic and Social Progress in Asia: Why Pakistan Did Not Become a Tiger" (published in 1997 by the Oxford University), also reaches the same conclusion and indicates increase in poverty and disparity in income distribution as the basic causes of economic weakness. During the 1½ years of Nawaz Sharif government, the situation has only worsened. Nothing significant has been done to get out of this quagmire.

Those in government refer to two achievements as their success. One, decline in the negative bop in foreign trade and; two, arresting inflation to bring it down to 9% from 12% per annum. Regarding the improvement in trade deficit, the real cause is the 11% decline in imports and 4.3% increase in the exports (export target was 15%, of which about 1/3<sup>rd</sup> has been achieved). We feel the improvement is temporary, which does not tell of the revival of the economy. Economy is still facing recession and stagnation. Saving in the import bills is due to the decrease in oil prices in the

world market (lowering from \$18 per barrel to \$10-11), that again is a temporary factor and cannot be relied upon. The second important factor was the decline (by about 25%) in the import of machinery, which is not a good sign for future production capacity and the resultant value-added exports in future. It is not fair – rather cruel on the part of the government – that in spite of promise to transfer the benefit of lowered prices to the consumer, it did nothing (the promise was made when prices were increased in the country due to increase in the international market). Thus the Rs. 18 to 20 billion realized through surcharge were used to meet the budget deficit, which amounted to indirect tax imposed on the people.

## Inflation

The most ridiculous claim is regarding inflation, which only adversely affects the credibility of official statistics. Every one experienced that cost of living has reached an unbearable level, but the Statistics Division was busy spreading false rumors. The facts cannot be denied that during the year:

- Wheat price was raised by Rs. 55 per bag of 40 kg;
- Cement was costlier by Rs. 52 per bag;
- Electricity tariff increased by 10% and that of gas by 12%;
- Telephone charges increased by 25% and its fixed charges by 150%;
- Sales tax and excise duty were enhanced;
- Transport charges/fares were increased;
- Rupee was devalued by 8.7%, which increased the prices of all imported commodities including the raw material;
- money in circulation increased by 14.7 %;
- Interest-rates were not lowered and remained at 17-20 %

If all these indicators are true, then how and where did the miracle of decline in inflation occurred? The common consumers, the housewives and the independent economic analysts, all agree that inflation is somewhere between 12 and 15%. Some even insist it was 20%, but the government announced 9%. Daily Frontier Post editorials note is very appropriate in this regard, and we fully agree with it: "They want us to believe that inflation rate in the country has declined from 13% to 8.2%. Obviously, it is more than putting to test one's credibility. Most of us know that (even) 13% do not truly reflect the market. In Pakistan, the rate of inflation has been fluctuating only about 20%. No one will believe the story of 8.1% being narrated by the Finance Minister. If he will try to convince some common house-wife, he would be mocked in turn.

These false claims by the government have once again highlighted the necessity that unless its monopoly over the information and statistics is not done away with, the nation shall never know the truth. Without true statistics, neither policy-making nor planning is possible nor shall

government's claims earn popular credibility. It is regrettable that the Central Statistical Organization is fully in hands of the government. The National Database Organization is still in the embryonic stage. In spite of its so-called independence, the State Bank is in no position to freely provide the facts and figures; as usual, it is bound to acknowledge signals of Finance Ministry and the Prime Minister's Secretariat. All this is only fatal for good governance and healthy policy-formation.

### The True Situation

The country is in grip of severe economic crisis. The government has, over the year, not at all been able to bring any fruitful change, what to talk of basic structural change. The trader-friendly government has not only disappointed the economists, but more so the trading community itself. The common man is in thick of plight. Having impartially analyzed the economic situation of the last 16-17 months and the various packages of the government, we have come to the conclusion that the present rulers have not realized the gravity of country's economic crisis. Applying a mid-level trading mind and bureaucratic mannerism some efforts have certainly been made in the traditional way, but this is neither realistic analysis of the situation, nor can it help understand features of any integrated policy. Evidently, the government does not possess a comprehensive economic strategy, which could resolve economic problems of the poor. The present team has not so far proved fit for any such task.

Pakistani nation is unfortunate in that its political and economic leadership neither fully comprehends the problems, nor is it capable to rise above personal and class interests and set economic policy targets in true interest of the nation and the objectives of Ummah. Economic policy-making remained subservient either to immediate expediency and temporary demands only to avail external aid and loans and to meet the urge of personal interests, or to conceal the directives and incentives of the foreign institutions under the garb of 'local policy'. We wish not to point out anybody by name. Yet the fact is that key persons of our Finance Ministry have developed illicit relationship with the World Bank and IMF. These institutions prime target has always been to shun free policy-making trend of 3<sup>rd</sup> world countries, and, Pakistan is the worst manifest example of their urge. The root cause of our economic ills is the development strategy based on external loans. It has badly mauled the priority of the nation and the government. This is the astride foundation brick that has resulted into the awry wall. We spoiled 50 years to build and the foreign aid took few years to bring Pakistan under an enormous load of Rs. 2500 billion. Today this burden is breaking the back of the country and the nation while no salvation is in view.

### The Way out

No solution to the economic problem of Pakistan is possible unless the infirmity is diagnosed, the target established, priorities are set, and all segments of the state are taken into confidence and

involved in decisions-making. A reorientation is required. The economic strategy should be devised according to the priorities set by the Muslim Ummah of Pakistan and not according to the dictates of Washington. This is the only way-out.

The Prime Minister and the Finance Minister did mention the Islamic economy and Islamic banking, but no action has been taken in this direction worth mentioning. This is because the approach to govern state affairs has not changed. It is clear that nothing but total disaster will be the result of treading upon this beaten path. Unless revolutionary changes are brought in the policy and it is framed in the light of true aspirations and objectives of the nation and the Ummah, mere patchwork will yield nothing. The prominent features of fundamental changes that we feel essential are as follows:

- The objective should be to establish a healthy economic system based on justice and not merely economic development – a system not concerned only to safeguard the interests of special groups, but rather aiming to realize economic strength that ensures honorable earning to every citizen and provides protection to our independence and cultural values as well;
- To realize this objective, it is essential to get rid of an economic development approach, which is based on loans. Interest should be eliminated and economy restructured on equity and venture basis. The Parliament should stop the interest-based transactions through an Act and frame the alternative modes founded on self-reliance. No contracts are made with the governments and international financial institutions regarding foreign loans and every known and accepted way for their rescheduling and restructuring be followed. Also, moratorium is obtained for a reasonable period, so that the economy is put back on track to be able to meet international obligations. A program should be chalked out to liquidate the internal debt through a laid down process. It is a fundamental problem without solving which we shall remain bogged down. It is both the dictate of our faith and the suggestion of economic wisdom;
- The first priority is to cleanse the economic and political profile of corruption, dishonesty and exploitation. It is not tolerable that more than a fourth of our population has little means of food and clean drinking water, whereas a few thousand influential capitalists and landlords control the country's wealth and use it for personal, luxuries. Disregarding any other need, these affluent people are busy ruthlessly plundering anything coming their way. Authorities in government openly confess that half of the national wealth is in the grip of black economy. Taxes are not paid annually to the tune of Rs. 100 billion. Two to three billion dollars are siphoned out from the country illegally every year. Bank's defaulted amount is close

to Rs. 200 billion. Ninety three percent of rural people are in the grip of 3% 'jagirdars' and landlords. The country is not short of resources. Poverty is because of the cruel exploitative system, that has kept the people deprived of their rights and the national resources are channeled for the welfare of a few families. It is time to break this power structure and change the resultant socio-economic setting. This will generate new waves of energy, which will end up in economic abundance and multi-dimensional welfare. If this whole process is completed within moral bonds and employing the known and established legal forces, the whole scene will be changed without clash and bloodshed;

- The questions of open-market economy and the economic role of the state and government also warrant examination. Sense and experience caution that both these extremities are wrong and injurious. Neither suits us the type of economic openness that ends up, in the menace of globalization into the monopoly of foreign and local capitalists, nor the government can easily swallow the economic authority which usurps the freedom and kills the emotions of the individual. To strike a balance between the two is necessary. We should benefit from the market's capabilities, but state should be able to play effective role to provide justice, protect the weak and enable them to compete;
- Besides getting rid of the corruption, equally important is to do away with the culture of consumerism. Both the individual and the State should bring expenditures within their available resources. Living beyond means is not a healthy economic policy. But we are running fast on such a self-defeating path. This needs correction. We need to encourage a culture of saving and investment. A big problem here is that our savings do not meet the investment requirements. This is exactly what gives birth to the loan-based economy. In our neighborhood (India), the national savings range between 20 to 30%, whereas our savings are 12 to 14% and the investment rate is 18%. Required rates are 22 and 24%. The new economic policy will have to assign importance to savings, tax, investment and its proper priorities;
- Along with the large sector manufacturing, arrangement for the growth of small industries and progress in the agriculture sector are important. A delivery system is to be devised for micro-credit and provision of farm inputs at reasonable price. The investment level of the small scale industry (SSI) is to be brought to the level that helps bring about industrial revolution at the grass-roots. One third of Indian exports today come from the small industrial sector. If Pakistan also makes Rs. 5.0 million the ceiling for small scale industry and provide required incentives, the whole face of economy will be changed in few years.

- Development of education, health and human capital should also feature prominent in this approach. Also the wealth distribution, proper wages structure and a participatory model at all levels of economy is essential. The tax system need total restructuring. Incentives have to be provided at all levels.
- To ensure mass awareness and mobilization, reforms are needed in many areas: namely, freedom in the political system, upholding the democratic values, supremacy of law, arrangement for merit, impartiality and professionalism of the administrative machinery, independence of the judiciary and police reforms and purification. A properly drawn effective information policy will also be part of this improvement program.

The type of fundamental and revolutionary changes the country needs will cover the above suggestion to play decisive role. We have reached a point today that conventional budgeting and economic programming seem useless. We need the type of changes and reforms that break the status quo, and release new popular energies. An economic system should now emerge that provides to all, equal opportunities and to live with honor, so that human beings are saved from the two mischiefs – ‘faqr’ (poverty) and ‘kufr’ (profanity). Only then man can devote the potentials of his body and soul for realizing those sacred objectives, which are obligatory for him as Allah’s vicegerent on earth.

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