

A Critical Analysis of Pakistan's Budget 2023-24: The Fiscal Challenges

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Abstract

The paper presents a comprehensive analysis of Pakistan's Budget 2023-24 and its fiscal landscape, sketching the challenges and opportunities within its revenue generation, economic growth, and debt management. The primary challenge facing Pakistan's economy is the gap between government revenue and expenditures. The country faces hurdles in tax collection, marked by a complex tax system, tax evasion, and discrepancies impacting the middle and lower-income classes. A mixed research method was used in conducting this study, analysis of fiscal data, extensive literature review, and consultations with economic experts. An in-depth analysis of Pakistan's revenue sources, inflationary trends, budget deficits, and global economic conditions was conducted. The results show a complex web of challenges in Pakistan's fiscal framework, the gap between revenue collection and government spending, high inflation rates, the imbalance between exports and imports, encircling tax evasion, and an intricate tax system. The paper offers a sequence of strategic reforms, emphasizing expense reduction, tax simplification policy, political and legislative reforms, and encouraging investment for economic stability. It also highlights the need for coordination among government organizations, strategies to attract Foreign Direct Investment (FDI), and endorsing Human Resource Development (HRD) for a skilled workforce. The analysis highlights the importance of reforms in the governance structure, taxation system, and spending to achieve stability and economic growth in the country.

Keywords: Fiscal Deficit, Expenditures, Revenue, FDI, Tax evasion, Strategic Reforms

1. Introduction

In a modern governance structure, the most vital policy document is the budget of the state. Every year the budget has been tabled in the parliament, and the ideas are then converted into implementable policies by allocating funds. An annual budget statement is the intended financial plan for a single fiscal year. The consistency of budgets in Pakistan has historically been questionable, as they are often adjusted or disregarded as the fiscal year progresses. The current budget also appears to follow this pattern, resembling another unreliable accounting exercise that lacks a clear vision of the government's objectives. Given the challenging state of the Pakistani economy, it's crucial to determine the right priorities. The underlying motive behind crafting such a budget raises questions: Is it primarily aimed at appeasing the IMF regardless of the consequences? This skepticism is reinforced by the subsequent announcement that the country intends to pursue external debt restructuring without IMF involvement. This contradictory approach has left the public as confused as the budget drafters themselves.

Since COVID-19 the economy of Pakistan is grappling with severe economic issues. The country is under a severe financial strain as the foreign reserves are dwindling, and currency devaluation, inflation, and a deteriorating business environment where enterprises are downsizing daily, the sources of minimal growth are elusive. It's difficult to ascertain how the government plans to generate an additional amount of projected revenues. Moreover, securing the necessary foreign exchange to cover planned expenses for oil subsidies and increased defense spending—both reliant on foreign exchange—poses a significant challenge. Undoubtedly, if the Rupee continues to decline, the situation could become even more challenging. This potential slide appears likely due to increased risks in the external account, which is exacerbated by factors such as a significant decrease in Foreign Direct Investment (FDI), struggling exports, reduced remittances, and a potential negative impact on donor perceptions following a restructuring announcement.

The economic crisis is deepening day by day, and no signs of imminent recovery have been observed. Having political instability, economic meltdown, terrorism, and impending elections on their part, the finance minister of Pakistan Mr. Ishaq Dar presented the coalition's second proposed budget for the fiscal year 2023-24 budget on Friday ninth of June. The main objectives of the budget 2023-24 were focused on economic revival and stability. The government also wants to overcome the current account deficit, pro-poor spending, maximum resource generation, and policies that are friendly toward business.

1.1. Budget 2023-24: A Tempted Populist Budget

The intention behind presenting this budget was to focus on populist measures aimed at gaining electoral support for the current government. The unprecedented increase in the salaries of the employees is a sign to attract the working class to get maximum votes. Also, if we look at the budget document, the increase in taxes is very limited which too in hard times is a sign of appeasement. However, the entire budget cannot be termed as populist but a part of it can be considered as populist. As we have observed in the past PML-N is not friendlier with the services sector because they always focus on the industrial sector as most of them are business-oriented.

Aiming to gain electoral support for the ex-government, the idea could be to address the more difficult aspects of the economic situation after potential re-election or to leave these challenges for the incoming administration to handle. However, this argument has two critical faults. Firstly, the adverse effects of this budget are anticipated sooner than economic managers might expect.

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The repercussions are likely to emerge before the next election cycle. Secondly, taking a nationalistic perspective into account, this approach delays crucial measures that are currently necessary for the country by at least another year. Given the current circumstances, such a delay is something the nation can hardly afford.

Considering the limited fiscal space available, what alternative strategies could the economic managers have pursued? The answer lies not solely in the size of the expenditure, distribution of subsidies, or granting of amnesties, but primarily in how resources are organized and allocated to convey a clear message about Pakistan's economic priorities moving forward. Contradictorily, the message conveyed by this budget seems to reward those outside the tax net, implying that they should continue on this path, while legitimate taxpayers are burdened, having to pay almost one-third more than what they paid the previous year. It was believed that more taxes would be imposed to generate maximum revenue, but we haven't seen any major increase in taxes. To realize the public, they have tried to beautify the numbers and manipulate the data so that the public may believe that the country is on the right track towards prosperity and economic stability.

2. The Parliamentary Budget Process in Pakistan

Pakistan and India both gained independence in 1947. Amid independence, the economy's survival appeared dim as the country inherited a fragile economy. The Reserve Bank of India never released the allocated financial resources allocated to Pakistan. Life magazine in 1948 predicted the country's economic collapse within six months. On the other hand, India was leading on all indicators ranging from economic sustenance, resource endowment, potential output, and growth. From 1950-1990, Pakistan was amongst the fastest-growing economy in the developing world. In this phase, Pakistan's growth rate was 6.31 while India's growth rate was 3% half of Pakistan's growth rate.⁴ Since 1990, India has become one of the fastest-growing economies in the world leaving behind Pakistan in almost every aspect like growth rate, per capita income, human development index, and other social indicators. Our economy is dependent on IMF loans and in the last thirty years, the country has approached the IMF 22 times to meet its Balance of Payments (BOP) issues. Keeping in view the above-mentioned factors in consideration, we will try to elaborate on the budget process of Pakistan and its priorities.

The budget process in Pakistan encompasses six key stages. It initiates with the national/provincial cabinets establishing policies and priorities, followed by ministries and departments formulating policies via the Ministry of Finance. The departments then communicate their expenditures and receipts to the Ministry of Finance, which consolidates and reviews these estimates. The Annual Budget Statement is presented before the assembly in the third stage, where debates and discussions lead to approval by the assembly and authentication by the Prime Minister, resulting in the Schedule of Authorized Expenditures submitted to the President for ultimate endorsement. Execution follows as the Ministry of Finance disseminates the budget to departments and units for planned activities. Subsequently, departments record and report expenditures for monitoring, managed by the accountant general's office. Finally, the financial performance and policy objectives are periodically reviewed, with the accountant general's office and public accounts committee overseeing audit evaluations of departmental expenditures.



Figure 1: Stages of Pakistan's Budget process, Author's Compilation

3. Pakistan Current Budget 2023-24

3.1. Total Budget Outlay

The total budget outlay for the Fiscal year 2023-24 is 14.46 trillion. If we compare it with the last 6 years it is almost tripled. The following chart will explain the comparison between the current and past budgets.

⁴ Ishrat Husain, "Seventy-Five Years of Pakistan's Economy," The News, 2022, <https://www.thenews.com.pk/print/983444-seventy-five-years-of-pakistan-s-economy>.

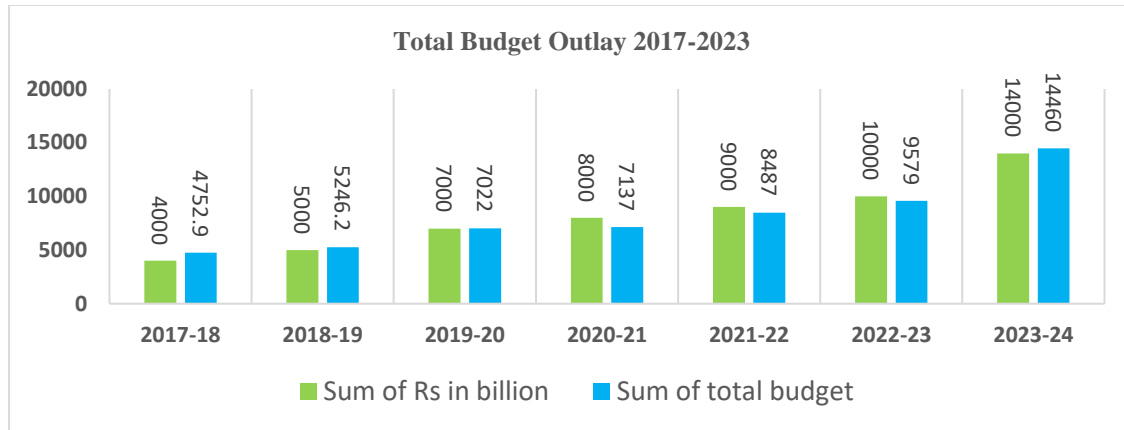


Figure 2: Ministry of Finance, Government of Pakistan, Author's compilation

The graph no 02 depicts budget allocations spanning from the fiscal year 2017-18 to the present fiscal year 2023-24. The initial projected budget for 2017-18 is Rs. 4752.9 billion, followed by subsequent years showing figures of Rs. 5246.2 billion in 2018-19, Rs. 7022 billion in 2019-20, and Rs. 7137 billion in 2020-21. This trend then experiences a substantial increase, reaching Rs. 8487 billion in 2021-22, and further advancing to Rs. 9579 billion in 2022-23. Notably, the ongoing fiscal year of 2023-24 witnessed a significant surge, with the budget elevated to Rs. 14460 billion.⁵

3.2. How to Calculate Budget Deficit

When the annual expenditures of a state exceed its annual revenue, the economy shows a sign of unhealthiness.⁶ It shows that the government has not achieved the set tax target and the expenses have exceeded revenue. The deficit can impact a country in both positive and negative ways. When a government invests in different mega projects to get high returns economists termed it a positive deficit and if that is not the case then we call it poor expenditures. The government requires borrowing money to fill the gap between expenditures and revenues. If the outcome of the debt is severe, it will have a devastating impact on the health of the economy, and if the impact is mild, the debt is not a problem.⁷

Throughout history, Pakistan has faced the budget deficit phenomenon except in the 1960s. During General Ayub's era, the country observed a budget surplus for the first time. The Ayub era was considered the "Golden Age" in the economic history of the country in terms of high growth. It was achieved by providing subsidies and tariff protection to agriculture and industry. The government encouraged domestic manufacturers, introduced high tariffs on imported goods, and cheap credit schemes, and even imposed direct control on competing goods.⁸

As mentioned above Pakistan remained a budget-deficit country since its inception, and the year 2023-24 is no different. The country is facing a huge deficit and that can only be overcome by introducing robust policies and commitment. The total budget outlay for the current Fiscal year 2023-24 is Rs 14.46 tr whereas the estimated revenue for the current year is estimated at Rs. 12.163 tr. The budget deficit for the current fiscal year is Rs. 6.923 tr. To calculate the budget deficit, the following formula has been used.

Budget Deficit = Gross Revenue - transfer to provinces + Provincial Surplus - Total Expenditure

The transfer to provinces is Rs. 5.27 tr and the provincial surplus share given to the provinces will be Rs. 0.650 tr.

Budget Deficit = Rs. 12.163 - Rs. 5.27 + Rs. 0.650 - Rs. 14.46

Budget Deficit = Rs. 6.923 tr

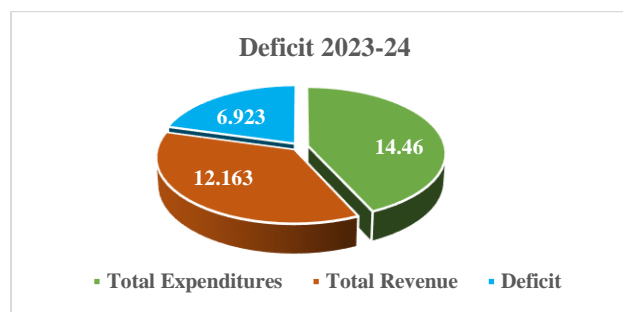


Figure 3: Budget Deficit 2023-24, Ministry of Finance GOP

⁵ Ministry of Finance, "[Ministry of Finance | Government of Pakistan]", 2023, https://www.finance.gov.pk/publications_latest.html#pub-1.

⁶ William G. Gale, "Budget Deficits," *The New Palgrave Dictionary of Economics*, 2018, 1131-37, https://doi.org/10.1057/978-1-349-95189-5_1921.

⁷ Shrivastav, Ashish Kumar, and Dheeraj Vaidya. "Budget Deficit - What Is It, Formula, vs Fiscal Deficit, Types." Budget Deficit. WallStreetmojo. Accessed August 10, 2023. <https://www.wallstreetmojo.com/budget-deficit/>.

⁸ Akmal Hussain, "Economic Policy, Growth and Poverty in Historical Perspective," *The Encyclopedia of Pakistan*, 2006.

Pakistan's history is marked by persistent budget deficits. Fluctuations in revenue collection, coupled with unmanaged expenditures, have contributed to these deficits. The country has often turned to external sources, including international lending institutions, to bridge the deficit gap. Pakistan's chronic budget deficits have hindered private investment. The uncertainty surrounding government borrowing and economic stability has deterred potential investors, constraining the growth of key sectors such as manufacturing and services. The country has faced episodes of high inflation, partially attributed to budget deficits. The government's borrowing practices, especially from the central bank, have added to the money supply and aggravated inflationary pressures. While Pakistan has made progress in various sectors, including technology and services, the persistent budget deficits have hindered sustained growth. Resources that could have been invested in infrastructure, human capital, and research have been diverted to meet debt obligations.

Inflation, the general increase in prices, is a significant repercussion of budget deficits. To finance budget deficits, governments often resort to money creation. This increases the money supply in the economy without a corresponding increase in output, which can lead to demand-pull inflation as more money chases the same amount of goods and services.⁹ A budget deficit can lead to a weaker currency, especially if it's financed by borrowing from abroad. A weaker currency can raise the cost of imported goods, contributing to inflationary pressures.

Illustrated in the provided graph are inflation rates spanning a decade, revealing the current inflation rate to be the highest within this timeframe. It is important to recognize that the surge in inflation is not unique to this country, as global factors such as the COVID-19 pandemic and the worldwide energy crisis have exerted widespread inflationary pressures. Pakistan's situation, however, is exacerbated by ineffective financial strategies and the misallocation of resources, culminating in the present elevated inflation rate of 29.4%, as indicated by the current budget. A visual examination of the graph underscores the persistent high inflationary trends observed over the past ten years.¹⁰

Economic growth is the ultimate aspiration of any nation, and budget deficits can exert both positive and negative influences on this objective. In certain cases, judicious government spending, even if financed by borrowing, can stimulate economic activity. Investments in infrastructure, education, and healthcare can enhance human capital and boost overall productivity, leading to sustainable economic growth. Uncontrolled budget deficits can stifle growth prospects. High levels of debt can lead to debt overhang, where a substantial portion of government revenue is dedicated to servicing existing debt, leaving limited room for productive investment.

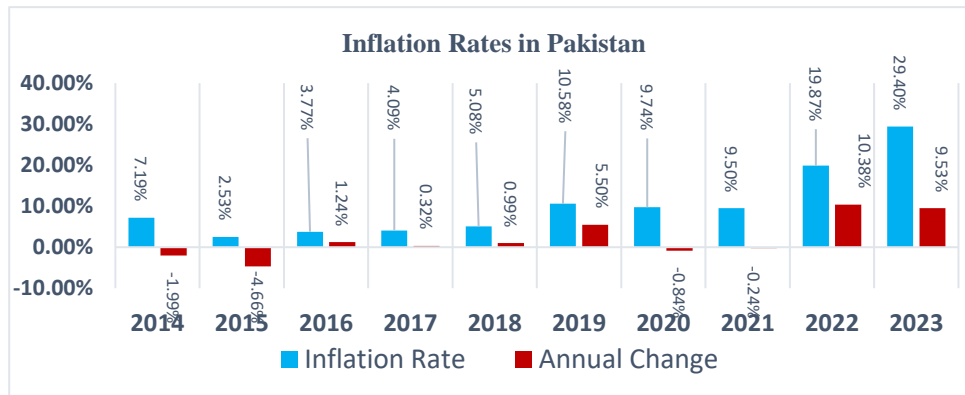


Figure 4: Macro Trends, Author's Compilation

4. Total Expenditure

Government expenditure and economic growth have a strong correlation. Various studies have been conducted to find the relationship between economic growth and government expenditures. It is best explained in Keynes' theory of government expenditures and economic growth and Keynes termed government expenditures as a policy instrument that can influence economic growth. The theory further explained that via expansionary fiscal policy, when the government spends more, the production and aggregate demand increase which also increases the Gross Domestic Product.¹¹ There is still debate that the results obtained from these government expenditures vary from country to country. In some countries, it shows positive relations, and in others there exist negative relations. A study was conducted to find out the relationship between economic growth and government expenditures in Nepal showed a significant and positive relationship while in Afghanistan using the same variables the results obtained were insignificant and negative.¹²

⁹ George L. Perry, "Demand-Pull Inflation," *The New Palgrave Dictionary of Economics*, 2008, 1–4, https://doi.org/10.1057/978-1-349-95121-5_39-2.

¹⁰ MacroTrends, "Pakistan Inflation Rate 1960-2023 | MacroTrends," 2023, <https://www.macrotrends.net/countries/PAK/pakistan/inflation-rate-cpi>.

¹¹ Eliyathamby A. Selvanathan, Saroja Selvanathan, and Maneka Savithri Jayasinghe, "Revisiting Wagner's and Keynesian's Propositions and the Relationship between Sectoral Government Expenditure and Economic Growth," *Economic Analysis and Policy* 71 (September 1, 2021): 355–70, <https://doi.org/10.1016/J.EAP.2021.05.005>.

¹² Kwasi Poku, Emmanuel Opoku, and Priscilla Agyeiwaa Ennin, "The Influence of Government Expenditure on Economic Growth in Ghana: An Ardl Approach," *Http://Www.Editorialmanager.Com/Cogentecon* 10, no. 1 (2022), <https://doi.org/10.1080/23322039.2022.2160036>.

Pakistan is also going through the same pattern as we have observed that government expenditures have tripled in the last six years and the results obtained in Pakistan's case are also insignificant and negative. As mentioned above in the budget outlay the total expenditure for the current fiscal year is Rs. 14.46 tr. The total expenditure is further divided into two main categories – Current and development expenditures.

Current expenditures are the spending of the government on a day-to-day basis to run the affairs of the state. That encompasses several categories including debt servicing, Defense spending, pensions, grants and transfers to provinces, running of civil government, and provision for emergency and others.

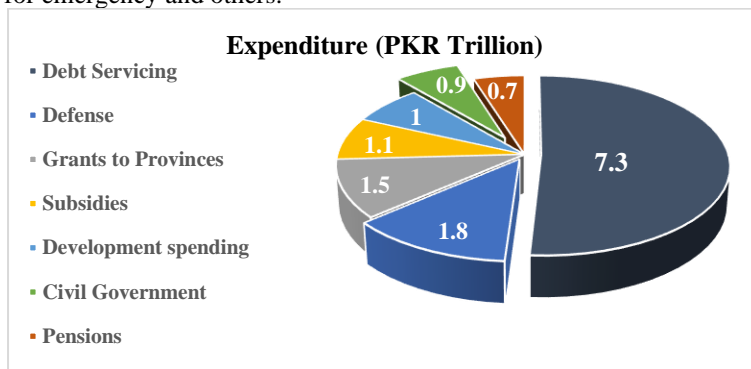


Figure 5: Total Expenditures 2023-24, Ministry of Finance, GOP

4.1. Debt Servicing

Debt servicing or interest payment remained a consistent concern for every government. The country's major portion of the revenue goes into debt servicing and cannot take out resources to invest in other areas like infrastructure, human development, education, technology, and health care.¹³ In the current year, the country is to pay a huge amount of debt \$22bn which will put pressure on Pakistan's economy. The government regarding its debt obligations has allocated Rs. 7.303 tr or 50.4% of the total current expenditures.¹⁴

4.2. Defence Affairs and Services

The defense outlay for the current fiscal year 2023-24 is Rs. 1.804 tr as compared to the previous year which was Rs. 1.591 tr. A 16% increase has been recorded in the defense budget outlay for the current fiscal year. The budget details also reveal that this figure does not include Rs. 0.563 tr for pensions of the armed forces, Rs. 0.280 tr for the development program of armed forces, and Rs. 0.58 tr for the UN peacekeeping missions.¹⁵ The army, navy, and air force received equal increases in defense spending even though the army got the major chunk due to its role and size. The overall share of defense spending in the GDP for the current expenditures is recorded at 1.7%, whereas, in 2022-23, it was 2% of the GDP.

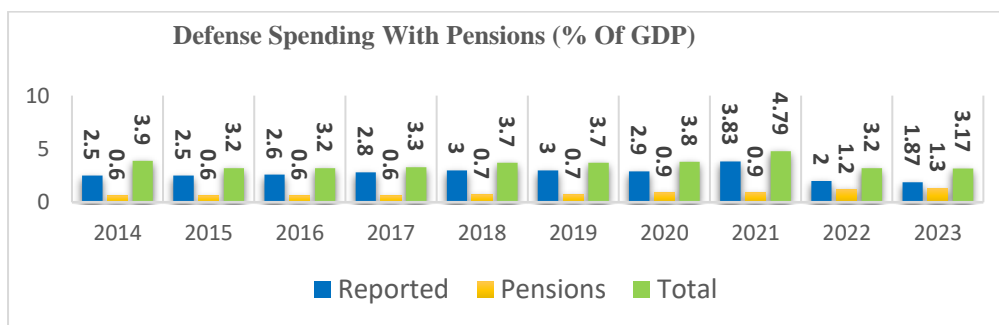


Figure 6: Ministry of Finance, Government of Pakistan, Author's Compilation

Pakistan's defense spending for the fiscal year 2023-24 is at 12.4% of total expenditure and 1.7% of GDP. This shows a decline compared to the figures for the previous fiscal year 2022-23, which were 14.3% of total expenditure and 1.87% of GDP. The most important projects, like the JF-17 Thunder fighter program, will continue to receive funding. Missile systems and nuclear programs historically have been protected from budget cuts during economic crises.

However, the economic situation might lead to delays in equipment delivery and discourage the acquisition of new weapon systems. The military should cut recurring expenditures and allocate those funds for arms/equipment acquisition and modernization campaigns.

¹³ Agencies, "Massive Debt Servicing to Put Pressure on Investment Spending in FY24," *The Nation*, 2023, <https://www.nation.com.pk/18-Jun-2023/massive-debt-servicing-to-put-pressure-on-investment-spending-in-fy24>.

¹⁴ Government of Pakistan Finance Division, "Budget in Brief," 2023.

¹⁵ Kamran Yousaf, "Defence Budget Jacked up by 16%," *The Express Tribune*, 2023, <https://tribune.com.pk/story/2421038/defence-budget-jacked-up-by-16>.

4.3. Grants and Transfers to Provinces

Being a federal country, Pakistan has two constitutional tiers of government the federal government and the provincial government. The provinces are not capable of producing the required revenue to meet their current expenditures. To meet the requirement, this calls for grants and transfers from the federal government to enable them to effectuate their functional responsibilities. Before 1996 the per capita was the only formula through which the federal divisible pool shared grants and transfers among the provinces. Since 1996, except for Punjab, all three provinces demanded the inclusion of other elements Sindh demanded that revenue generation be made part of the distribution criteria, and Balochistan contended that having such a huge geographical area and low population density the cost of service delivery is very high, so the element of the geographic area must be included in the criteria, and both Khyber Pakhtunkhwa and Balochistan demanded that element of poverty must be included into the criteria. The deadlock arose in 1996 and Punjab took a firm stance that the distribution would be solely on a per capita basis and argued for the retention of this criteria.¹⁶

The 7th NFC Award is considered a landmark in this regard because it broke the deadlock created in the 1996, 2001, and 2006 commissions. The deadlock ended by reducing the share of the federal government by 10 % in the federal divisible pool and introducing new indicators like Poverty and backwardness, inverse population density, and revenue collection in the grants and transfers to provinces.

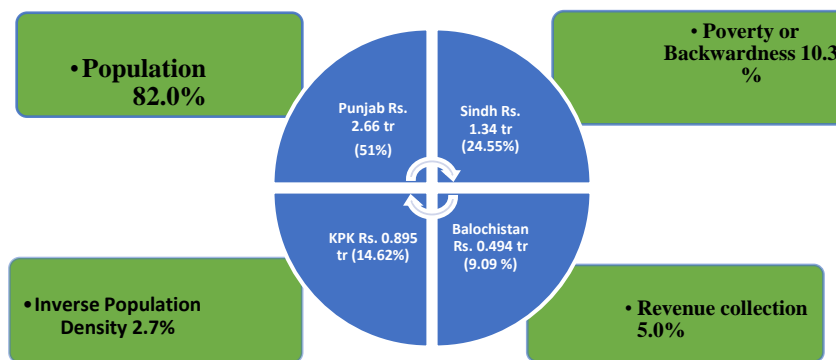


Figure 7: Provincial Shares of Revenue under NFC, Macro Trends, Author’s Compilation

For the current fiscal year 2023-24, the estimated grants and transfers to the provinces will be given as per the 7th NFC award. The estimated amount for Punjab from the federal divisible pool is Rs. 2.66 tr (51%). As per the previous year 2022-23 record, the proposed amount in the budget from the federal divisible pool was Rs. 2.167 tr, and it was revised and the province received Rs. 2.0 tr. The proposed amount for Sindh province is Rs. 1.34 tr (24.55%). In 2022-23, the allocation in the budget from the federal divisible pool to the province was Rs. 1.097 tr, but it was revised and the province got only Rs. 1.019 tr. In the case of Khyber Pakhtunkhwa, the estimated amount for the current fiscal year from the federal divisible pool is Rs. 0.895 tr (14.62%). In 2022-23 Khyber Pakhtunkhwa received Rs. 0.678 tr. The amount allocated for Balochistan from the federal divisible pool for the current fiscal year is Rs. 0.494 tr (9.09%). In the previous year 2022-23, the province got a share of Rs. 0.38tr.

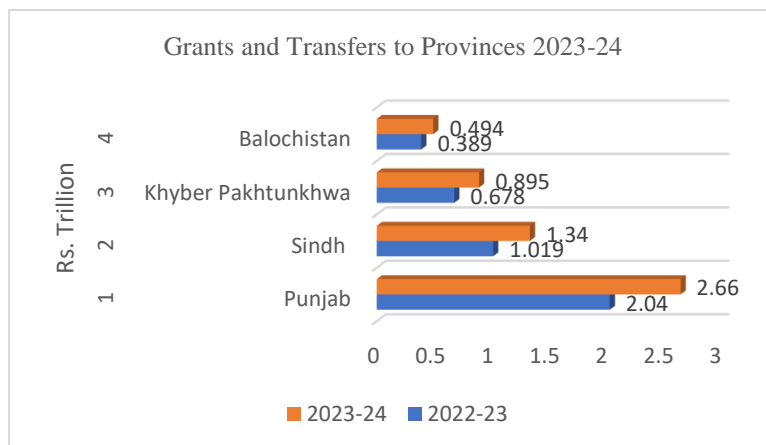


Figure 8: Macro Pakistan’s Grants and Transfers, Government of Pakistan

¹⁶ Idrees Khawaja Musleh ud Din, “Intergovernmental Transfers: An Evaluation of Mechanism and Design of Transfers in Pakistan on JSTOR,” *The Pakistan Development Review* 52, no. 01 (2013): 45–68, <https://www.jstor.org/stable/c19f15cf-af12-31aa-9455-9db696ad2bf8?seq=3>.

4.4. Subsidies

Subsidies refer to financial support provided by the government to various sectors of the economy. The main objective of these subsidies is to promote economic growth, reduce the cost of essential goods and services, support specific industries, and address social issues.¹⁷ Pakistan's Government has always provided subsidies to different sectors of the economy to promote economic growth. The largest sector receiving subsidies is the energy sector and that includes subsidies on electricity, natural gas, and petroleum products. In providing these subsidies, the aim is to keep the cost of energy affordable for consumers and these subsidies lead to fiscal challenges for the country. The second largest sector in the list is agriculture and the government provides subsidies to farmers by offering reduced prices for fertilizers, seeds, and other inputs. These subsidies aim to enhance agricultural productivity and ensure food security.

The Government of Pakistan has proposed Rs. 1.074 tr for subsidies for the current fiscal year despite mounting pressure from the IMF. As compared to the previous year 2022-23, a slight decrease of 2.6% has been observed in the subsidies, and the revised amount for 2022-23 was Rs. 1.13 tr.

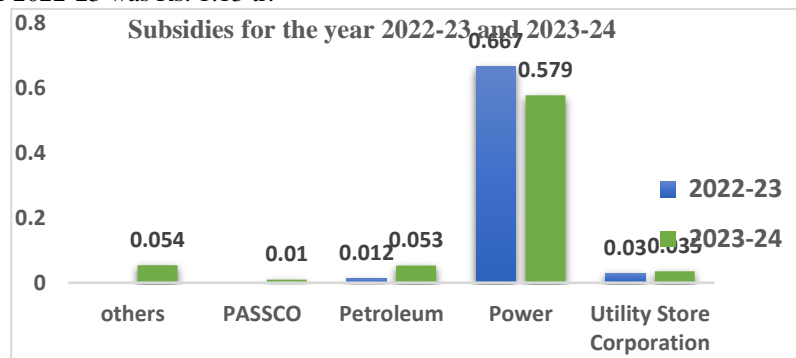


Figure 9: Authors` Compilation

The Power Department had the highest budget allocation in both years, starting at 66.7% in 2022-23 and decreasing to 57.9% in 2023-24. There was a noticeable decline of 8.8% in the budget share over this period. The Petroleum Department's budget allocation was 10.2% in 2022-23, which decreased significantly to 5.3% in 2023-24. This department experienced a reduction of 4.9% in its budget share. PASSCO had no budget allocation in 2022-23, but it received a 1.0% budget share in 2023-24. This indicates that PASSCO received a budget allocation for the first time in 2023-24. The Utility Store Corporation's budget allocation slightly increased from 3.0% in 2022-23 to 3.5% in 2023-24. This represents a 0.5% increase in budget share for this department. Other Budgeting Services had a budget allocation of 5.4% in 2022-23, but there is no data available for its allocation in 2023-24. It's unclear whether this department received a budget or if the data is missing.¹⁸

4.5. Development Expenditures

A significant allocation of 950 billion rupees is set aside for the Public Sector Development Programme (PSDP) in the coming year. The overall development budget, including 200 billion rupees for public-private partnerships, totals 1,150 billion rupees.¹⁹

4.6. Other Expenditures

An allocation of 1,464 billion rupees is designated for regions like Azad Kashmir, Gilgit-Baltistan, Khyber Pakhtunkhwa, and merged districts, supporting institutions such as HEC and BISP. In a bid to support specific groups, health insurance cards will be issued for artists, journalists, sportspeople, women, minorities, and welfare initiatives. Additionally, a pension fund will be established to address future pension-related expenditures.

5. Discussion and Analysis of Total Expenditures

5.1. Critical Analysis of Debt Servicing

Pakistan has accumulated a substantial amount of debt over the years, which raises concerns about the country's ability to service these debts in the long run. The high level of debt, both domestic and external, is unsustainable and could lead to a debt crisis if not managed properly. A significant portion of the government's budget is allocated to debt servicing, leaving limited resources for critical sectors such as health, education, infrastructure, and social welfare. Allocating a substantial share of the budget to debt repayment hampers the government's ability to invest in essential development projects. The substantial funds earmarked for debt servicing could have been directed toward development projects that could stimulate economic growth, create jobs, and improve living standards. Heavy debt servicing diverts resources away from productive investments and stifles long-term economic progress.

The debt-to-GDP ratio, a measure of a country's ability to manage its debt, is often cited as a concern. This ratio has been consistently high in Pakistan, which raises alarms about the country's fiscal stability and its capacity to generate enough revenue

¹⁷ Danlu Bu, Chenyu Zhang, and Xiaoyan Wang, "Purposes of Government Subsidy and Firm Performance,"

https://doi.org/10.1080/21697213.2017.1292730 5, no. 1 (January 2, 2017): 100–122, <https://doi.org/10.1080/21697213.2017.1292730>.

¹⁸ Syed Irfan Raza, "Budget 2023-24: Over Rs1tr in Subsidies, but Still Less than Last Year," *Dawn*, 2023, <https://www.dawn.com/news/1758954>.

¹⁹ Finance Division, "Budget in Brief."

to service its debt obligations. The lack of transparency in the terms and conditions of loans obtained by the government. There have been concerns about undisclosed terms, hidden costs, and potential risks associated with these loans. Lack of transparency can lead to misconceptions and mistrust among the public and stakeholders.

Reliance on external borrowing, particularly from multilateral institutions and bilateral lenders, can lead to economic vulnerability. Depending heavily on foreign loans can compromise national sovereignty, as external lenders might impose conditions that may not align with the country's best interests. A significant portion of Pakistan's debt is denominated in foreign currencies. This exposes the country to currency fluctuations, as a depreciation of the local currency can significantly increase the burden of debt repayment in terms of local currency.

5.2. Critical Analysis of the Defense Budget

Pakistan faces real security threats, including internal conflicts and tensions with neighboring countries. However, the question arises whether the current defense budget allocation effectively addresses these concerns or if there are more efficient ways to allocate resources. Pakistan has historically allocated a significant portion of its budget to defense, often at the expense of other crucial sectors like education, healthcare, and infrastructure. A substantial defense budget comes with an opportunity cost. Pakistan often relies on international aid and loans to manage its budget deficit. High defense spending might affect negotiations for aid packages and international perceptions of the country's priorities. The critical analysis should explore whether there is a middle ground that ensures national security without compromising the development of other sectors crucial for the country's well-being.

5.3. Critical Analysis of Grants and Transfers to Provinces

With the passing of the 18th Amendment, the provinces got control over their financial affairs but we haven't seen any increase in revenue generation or collection. Inadequate tax collection at the provincial level contributes to Pakistan's overall unsatisfactory taxation performance. After the 18th Amendment, the province could collect taxes on agriculture, services, automobiles, property, and stamps but the provinces still are dependent on the transfers from the federal government. Undoubtedly, the value of tax collection by the provinces has increased in the last decade but still, the provinces only contribute 8% of all the tax revenue. The provinces are still having a lot of room to improve their tax collection mechanism.

5.4. Critical analysis of subsidies

Subsidies are complex and their impact can vary significantly depending on the context and how they are implemented. Subsidies can have both positive and negative impacts. On the positive side, it helps in poverty alleviation, access to necessities, agricultural support, industrial growth, and the Human Development Index (HDI).

In the case of Pakistan, it is budgetary pressure and can strain government budgets, leading to leading to fiscal deficits and potentially crowding out spending on other essential services like education, healthcare, and infrastructure. It can also lead to inefficient resource allocation, as artificially lowered prices can encourage overconsumption and waste, distorting market signals. Subsidies may not always reach the intended beneficiaries due to administrative inefficiencies, corruption, or mismanagement. This can result in the benefits going to those who don't need them, while the needy miss out. Subsidies can also lead to market distortion. Artificially low prices due to subsidies can discourage innovation and investment in the private sector, as businesses might not see the need to improve efficiency or quality. In Pakistan, we have observed that long-term reliance on subsidies has created a sense of dependency among recipients and deterred self-sufficiency and entrepreneurship.

5.5. Critical Analysis of Development Expenditures

Development spending is also called capital expenditure and it plays a vital role in economic growth, job creation, poverty reduction, and infrastructure improvement. When a government allocates a minor portion of the budget to development, it will result in slow economic growth. It can create jobs in various sectors such as construction, manufacturing, and services. A decrease in funding for such projects could lead to a reduction in job opportunities, resulting in higher unemployment rates. Development spending is often allocated to education and healthcare, which are critical for building a skilled and healthy workforce. Cutting funding in these areas can lead to a less skilled and less healthy population, ultimately impacting productivity and economic competitiveness.

6. Total Revenue

The country is currently grappling with a high inflation rate of 29.4%, and this is expected to worsen. In the current fiscal year 2023-24, the government has forecasted an inflation rate of 21%. Additionally, the anticipated economic growth rate is around 3.5%. The projected budget deficit is approximately 6.54%, with a primary surplus in the GDP of 0.4%. Key contributors to revenue generation, namely remittances, and exports, are predicted to grow by 33% and 30% respectively in the upcoming fiscal year.

Figure 9 shows the announced budget revenue collection for the fiscal year 2023-2024, the government has outlined its revenue generation targets through various means. The Federal Board of Revenue has been assigned a target of 9.2 trillion Pakistani rupees, while net external receipts are expected to contribute around 2.275 trillion rupees. Bank borrowing has been earmarked at 3.124 trillion rupees or 21% of the total, whereas non-bank borrowing is projected to reach 1.906 trillion rupees, making up about 13.2% of the total revenue. Additionally, the estimated privatization proceeds are approximately 0.0015 trillion rupees, constituting 0.1% of the total revenue.

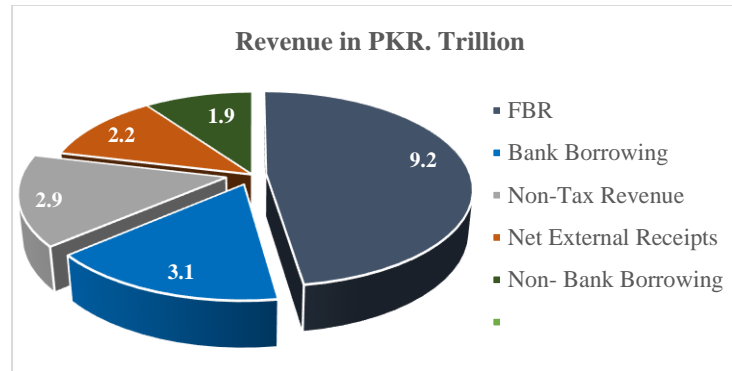


Figure 10: Author`s Compilation

7. Discussion and Analysis of Total Revenues

The tax target for the fiscal year shows a 21% increase over the previous year. However, the tax collection target for the outgoing fiscal year fell short of reaching 7.2 trillion rupees by about 450 billion rupees, as reported by the Ministry of Finance. The newly proposed target stands at around 2 trillion rupees, signifying a 27% rise from the previous goal of 7.2 trillion rupees. Officials within the Ministry of Finance expressed confidence in achieving this 27% target, given the projected 25% nominal economic growth in the upcoming fiscal year.

The Ministry of Finance reported that the tax collection target for the previous fiscal year fell approximately Rs.450 billion short of the Rs.7.2 trillion goal. The tax target for the fiscal year 2023-24 shows a 21% increase over the previous year. The newly proposed target stands at around Rs.2 trillion, signifying a 27% rise from the previous goal of Rs.7.2 trillion. Officials within the Ministry of Finance expressed confidence in achieving this 27% target, given the projected 25% nominal economic growth in the upcoming fiscal year. The FBR may implement additional measures of heavier taxes to ensure the collection of the remaining funds. Or, the tax target might be further revised upwards if the IMF demands seeing the economic indicators. Challenges are anticipated due to stringent import restrictions, potentially causing the FBR to miss its target. The performance of the revenue collection is particularly intertwined with the performance of the import sector for raw materials.

The Federal Revenue Board may implement additional measures to ensure the collection of the remaining billion rupees. Moreover, the tax target might be further revised upwards if government endorsement from the International Monetary Fund (IMF) becomes necessary. Challenges are anticipated due to stringent import restrictions, potentially causing the Federal Board of Revenue to miss its target. The performance of the revenue board is particularly intertwined with the performance of the import sector.

The primary challenge facing Pakistan`s economy is the gap between government revenue and expenditures. The financial plan right at the beginning outlines a mix of domestic and foreign borrowing, nominal privatization proceeds, and wishful surplus funds from provinces to bridge this gap. The Financial Act 2023-24 presents an ambitious fiscal management plan for Pakistan, with the goals of significantly increasing revenue, supporting provincial governments, and sustaining development projects. At no level, any reduction in expenditures at the federal and provincial levels has been even considered much less ordered. The top brass lives in full comfort as before, with many subsidies, and frequent air travel, often by chartered executive jets or PAF executive jets. Pricey cars and SUVs provided by the government are in abundance and more are being ordered. The Judges and the Parliament will increase their pay and allowances and pass laws to continue enjoying such royal perks even after retirement at the cost of Taxpayers and money begged from foreign donor countries. This behavior is highly non-professional.

The basic principle of administration is that authority and responsibility must be commensurate with each other. The judiciary and the legislative have no responsibility to govern the country, but they assume authority without responsibility to raise their emoluments. This is not done even in the West well-developed countries having per capita incomes of \$56,000 and more. While we are under severe pressure of debt servicing, the life and work style of government servants and elected persons continue as if there is a bottomless pit full of money available to them. The latest breach of national trust took place when the Chairman Senate approved the same perks and privileges even after retirement. The judiciary has already done it. The burden of tax before the budget and even after the budget is being painfully felt by middle-income and poor people. Taxpayers` money is casually spent with no consideration of the extreme poverty which the Taxpayers are passing through. The poverty has grown. Expenditures and subsidies at middle and higher levels of bureaucracy and politicians must be hugely curtailed, if Pakistan is to survive. Indeed, when poverty increases as it already has, street crimes also increase. There is a clear danger of social uprising by the poor against the rich. It can still be obviated if self-serving loot is stopped, and taxpayers` money is treated as a trust. The erstwhile authority should not give a license to any officeholder to loot.²⁰

²⁰ Nadeem Ul Haque, Muhammad Ajmal Khan, Nadeem Khan, Khurram Ellahi Khan, and Hassan Rasool, "Life Time Cost Of Public Servants," *PIDE*, 2023, <https://pide.org.pk/research/life-time-cost-of-public-servants/>.

The projection of a large budget deficit that requires increased borrowing underscores the economic hurdles ahead. One should keep in mind that these projections are only proposed figures, and the actual outcomes will rest on various factors, including geopolitics, global economic conditions, domestic political and economic stability, the effective implementation of the plan, and unforeseen crises.

According to an official from FBR, one of the biggest challenges facing FBR is tax evasion and a large informal, /undocumented and black economy. Many businesses and individuals remain outside the tax net, leading to revenue losses. Pakistan's tax laws are known for their complexity, making it challenging for taxpayers to understand and comply with them. Corruption within the FBR and among tax officials is also a commonly known obstacle. Medium-level, often rather uneducated people are served with Notices by the Regional Tax offices. The agents lurk around these offices and offer to 'manage' by paying some bribe to get off the hook. The night before 30 June 2023, many unwarranted notices went out to taxpayers with malicious intent to not let 5 years period pass and keep the Taxpayer on the hook. Perhaps such notices should be analyzed by Collectors to see who all were working for self-interest rather than the FBR and Pakistan.

Additionally, wealthy individuals and businesses often use legal loopholes to avoid paying taxes, which erodes the tax base. The enforcement of tax laws remains weak, with limited capacity to go after tax evaders. Tax litigation is often a lengthy process, leading to delayed revenue collection. Political interference in tax matters, such as granting undue tax exemptions to influential groups, also undermines the FBR's ability to collect revenue fairly and efficiently.

The government is trying to burden the already burdened segment of society in the middle, lower middle, and poor classes. The coalition government had removed a significant requirement for the integration of large retailers with the FBR's system under the Finance Act of 2023. However, concurrently, the government had imposed additional taxes for revenue collection from the captive salaried class. Every commodity, everything except perhaps air is slapped with many successive taxes. The term Filers and Non-Filers has become a joke. No one is paying scores of taxes to the government even if he is a non-Filer. Some of the Taxes are indeed comic, such as the Electric and Gas Bills demanding so many taxes that they have run out of even names for these taxes. Radio and TV Taxes are also listed in these bills.

The State has only two obligations towards the public it rules, ensure security in its broadest sense, and ensure the wellbeing of the subjects. The State is, unfortunately, failing in both these universally accepted obligations across Pakistan. It is a sad observation, but true.

8. Way Forward

Role of the Constitution and the Budget: The budget is made and approved by the Parliament to govern the people to ensure their security and well-being. The existing constitution is tilted heavily in favor of the political parties, and individuals, and not the public, who should be the focus. The social contract between the state and the public through the constitution needs to be critically reviewed and amended where necessary, even when analyzing the budget. This research paper is aimed at the budget of Pakistan and not at the constitution. However, it is impossible to ignore the elephant in the room and debate only the budget without examining the constitution which lays down the approach and methodology for making the Budget. The constitution allows massive waste of funds and has been devoid of checks and balances. Where necessary in this research, the constitution, therefore, will be considered.

Pakistan's Dependence on War Economy: Historically, the economy of Pakistan has been dependent on foreign aid based on the war economy due to the rivalry of the major powers. During the 1950s it was NATO vs Warsaw Packet in which Pakistan became part of the US-led CENTO. Then the Soviet Union invaded Afghanistan in December 1980 and Pakistan became more favorable to the US as it fought the proxy war of the US against Soviet occupation. And then the US invaded Afghanistan on the pretext of the so-called 9/11 in October 2001 to contain China and Russia. Once again Pakistan enjoyed the perks of the war economy in the neighborhood. The historical ebbs and tides of foreign aid show that right after the USSR invaded Afghanistan, the inflow of dollars started into Pakistan, and the value of currency remained stable. The country faced a great economic depression after conducting the nuclear test in 1998 and the US slapped many economic and military sanctions on Pakistan. At this point, the country's currency devalued to its maximum till then and the exchange rate rose to Rs.65 to a US dollar. Once again, the cycle of war economy started right after the US invasion of Afghanistan, and Pakistan was forced to become part of the so-called geopolitical gimmick, the Global War on Terror. Pakistan provided air bases, supply routes, and military support to the US and its allies. In return, Pakistan received military aid in the form of weapons, and some civilian aid.

End of the War Economy: That bonanza ended in August 2021, when the US hastily withdrew from Afghanistan after two decades without gaining its geostrategic objectives. Pakistan had to shift from a war economy to a frugal, self-sustainable economic model. The leadership did not realize the impact of the war-economy ending and its aftermath. In the short run, it seemed like the country was progressing, but, in the long run, its repercussions are evident from the current economic situation that the country is confronted with.

Devaluation of Rupee Vs US\$: Enemies of Pakistan are trying their best to destroy the country and its spirit without going to war. PM Modi last year stated, "Don't think about Pakistan; they will die their death" which is not far wrong if the present trend of managing the economy is allowed to continue mindlessly. Under yearly adverse balance of payment, the rupee started losing its purchasing power making the middle class and the lower classes poorer by the weeks and days. Many businesses and even well-off people started converting rupees to dollars and Afghanistan also started hoarding dollars bought from Pakistan

in rupees, through unofficial means. The cycle of Supply and Demand brought the rupee to Rs.320 at one time for US\$. Everything in Pakistan, even services, haircuts, and local produce became more and more expensive as the imported fuel and food rose in the Pakistan rupee. Unprecedented inflation came into being.

Prodigal Nation - Lack of Realization of Being a Dirt-Poor Country: The foreigners frequently use derogatory remarks when they notice the royal standards of governance at the provincial and federal levels. The IMF repeatedly stated that state expenditures ought to be reduced. However, Pakistanis in power, at all levels almost, think that they are successors of the erstwhile British colonial master, and they must live in their style. The custodians of finances at all levels consider the budgeted money as the Government Money, and not as the Taxpayer's money which the State has collected from the spending on the Taxpayers and not for maintaining royal styles of working and living. The Taliban's standard of living next door is a perfect example of how to live a simple life. This is the time for the leaders to realize that we are a Dirt Poor, Third-World Country that must live what the national economy and taxpayers' money allow and stop mimicking the lifestyles of the First-World country at the expense of the taxpayers a great majority of whom are very poor. Indeed, the First-World top brass also lives more frugally than the Pakistanis.

Bringing Down Neocolonial Style of Working/Living: The use of official or chartered executive jets by government officials and even elected party heads and restricting them to use commercial flights and vehicles with engine sizes not exceeding 1600 cc, will make huge financial savings. It will also announce that Pakistan is serious about controlling its royal living style at the cost of the poor taxpayers and loans from the IMF or other donors. It will be a visible demonstration of showing fiscal responsibility. Such measures send a strong message to the public that the government is committed to cutting unnecessary expenses and making responsible use of public resources

Managing the Ever-growing Debt Trap: To get out of the debt trap, a roadmap has to be made by the highest politico-military authorities, focused on reducing the recurring debt every year and bringing it to zero in ten years, as a Vital National Interest. It is possible only if the political and administrative will exists at the highest levels. Pakistan needs to engage in constructive negotiations with international creditors to restructure its debt and obtain favorable terms. Additionally, seeking assistance from global financial institutions with conditionalities that support economic reforms and development projects can help alleviate the burden of debt. This approach ensures that debt repayment doesn't hinder vital domestic investments.

Critical Role of Exports: Increasing exports is pivotal to improving Pakistan's economic health. The taxes on exports should be decreased to compete with Indian, Sri Lankan, and Bengali products in the global market. If the current tax structure and facilities of gas, electricity, and internet for export remain as they are, then there will be no major exports. The government should provide incentives and guaranteed support of utilities to key industries such as textiles, agriculture, medical instruments, sports materials, and IT services. This could include reducing export-related taxes, improving infrastructure, and enhancing trade facilitation measures. Diversifying export products and markets can also make Pakistan's economy more resilient. Smuggling must stop. Iran and Afghanistan are two neighbors with whom Pakistanis have undocumented roaring trade, officially it is called Smuggling. Due to extremely high taxes, vehicles coming through Chaman and now Dalbandin are sold at a fraction of the price in the market. Similarly, petroleum products are smuggled from Iran and sold in Pakistan. The investors make huge profits, but the retailer sells petroleum products only Rs. 10-15 cheaper than the officially imported petroleum products. The outgoing smuggling from Pakistan is of sugar, flour, fertilizers, etc. but the State receives no export Tax. Yes, the employees get huge bribes which become part of Black Economy.

FBR's High Tax Slabs: FBR's tax slab must be reduced, with the highest slab not more than 15%, especially since the captive salaried class is worst hit by the present tax slab. This was done during Shahid Khaqan Abbasi's period as Prime Minister from August 2017 to May 2018. He brought down the maximum percentage of tax to be levied on income above Rs. 4.8 million per annum at 15%. The records show that tax collections surpassed previous collections. If done today, it will initially create a setback, but eventually, it will increase -tax collection. Implementing a fair and simplified tax system is essential. This should broaden the tax base, reduce tax evasion, and also minimize the number of exemptions. Such reforms will not only generate revenue but also encourage investment and economic growth. High-income corporations should be taxed at a progressive rate to ensure they contribute their fair share, without forcing them to keep two ledgers, one for the FBR and one real. The present high slab of tax will stifle the growth and reinvestment of the income. The essential feature of the capitalist system of the economy has been the motive to make a profit without the state taking away the profits and reinvesting. This system has made the US the number one economy in the world.

Theory of Human Needs and Regressive Taxation: According to Maslow's hierarchy Theory of Needs, at the bottom of the pyramid lie the basic needs of food, clothes, and shelter.²¹ Even these basic needs are unattainable for a large portion of the population. The taxation system in Pakistan has imposed progressive taxes which target the poor, lower-middle, and middle classes. Huge taxes on real estate have brought the real estate business and construction to a standstill. The huge taxes on all activities relating to real estate, including buying, selling, and building, all badly require major relief from draconian taxes so that they can restart functioning. A fair and progressive taxation system is essential to ensure that the burden is equally

²¹ Aj Willingham, "Maslow's Hierarchy of Needs: Examples and Explanation," CNN, 2023, <https://edition.cnn.com/world/maslows-hierarchy-of-needs-explained-wellness-cec/index.html>.

distributed equitably providing essential services, social safety nets, and economic opportunities for the lower-middle and middle classes.

Need to Obtain Benefits of the 10th Amendment: The 10th Amendment to the constitution, passed in July 1977, mandated that the members who crossed the floor would be dismissed and would have to try getting re-elected with their new allegiance. This, essentially, made the leaders of the political parties the sole spokespersons of that Party. The expenditure on having nearly 400 MNAs, many MPAs, and over 100 Senators is, therefore, completely unnecessary. If the US, with a population of some 331 million, can have democracy with 100 senators from 50 states and 435 congressmen, so can Pakistan by drastically reducing the strengths of the elected houses. With our constitution laying down that the Leader of a party must be followed, we can easily reduce these elected houses by 75%. Besides, making fewer constituencies will bring tribes and feudal families together as they would be dependent upon each other's votes. The Sardari system and Bradari system will be highly diluted promoting national integration. This will save huge money spent on the Member's daily and the Election Commission's functional expenditures as well.

Reinstating the Role of the Senate: Presently, Senate seats are either sold or the political parties nominate Senators who fail to protect and present the provinces' interests, they become unable to protect the rights of their provinces. The very purpose of the Senate has been lost for a long time. The election of the Senate, reduced to possibly 20-25 only, should be direct. Reducing the number of Members of the National Assembly (MNA) and Members of the Provincial Assembly (MPA) can lead to major cost savings for the government. Indirect election of women and minorities should also be done away with. They should fight in direct elections. This streamlining of political representation can enhance efficiency in decision-making processes, reduce bureaucracy, and free huge funds for more critical public needs.

Constitutional Amendments: Implementing direct Senate elections and reducing the number of elected houses by 75% will require constitutional amendments. While controlling major expenditures, these amendments will increase the transparency and accountability of Pakistan's political system. It will reduce the influence of money and corruption in politics ensuring that senators truly represent the will of the people of their respective provinces rather than the interests of a political party that presently makes them senators. Similarly, smaller Houses will start doing their jobs at far less cost to taxpayers.

9. Conclusion and Recommendations

Overview of Fiscal Management: The management of the budget in Pakistan remains a critical task, with complex challenges and opportunities that demand well-considered decision-making at belt-tightening, strategic enhancement, and frugal allocation of resources. On the contrary, the budget for 2023-24 fell far short of addressing critical issues like drastically curtailing expenses across the board, expanding the tax net beyond the captive salaried class, not specifying a strategy for achieving revenue targets, and halfhearted investment in human resource development. The government proposed no effort to reduce growing debt, instead, it lavishly released billions to the MNAs and MPAs in the name of 'development' while knowing their tenure was ending. It allowed millions of loans to Judges for five years without interest and even spent billions on buying cars for the bureaucracy of Punjab. The foreign tours were undertaken either in chartered aircraft or official Executive jets. An amount of Rs.6.923 trillion was shown in the budget as a deficit to keep increasing the previous year's outlays concerning an imaginary GDP, cheating the IMF and the public.

Economic Hitman's Budget: This last budget seems to have been made by an Economic Hitman out to destroy Pakistan rather than by a national government. The government has failed to formulate strategies to reduce loans, rather than drastically cutting down expenses, indeed, no reduction in expenses was made at all. The emphasis has been to overload the captive taxpayers, the salaried class. Additional taxation in billions, stated to be at the desire of the IMF, was repeatedly passed on to the low-income public. A huge, repeated increase in utility costs and petroleum products is especially painful for the poor right up to the lower middle classes. No such taxation was applied to big industry, and neither was any department of the government ordered to cut down all expenditures by at least 15%. The following recommendations are made to make the budget workable.

Drastic Reduction in Expenses including PSDP: The existing huge budget deficit will be very difficult to manage, if not impossible. The printing of money will further increase inflation. The percentages of various expenditures when seen with "Deficit included as Income" are highly misleading. There is a dire need to bring about a noticeable decrease in the huge burden of loans, both domestic and foreign. This situation demands a ruthless reduction in spending at all levels of the government, including every major head, and even PSDP.

Economy Drivers and Managers: The government must appoint competent people, with proven performance and with a clean reputation at the helm of affairs of finance and FBR to deal with the most serious economic issues that are confronting Pakistan. No one with dual nationality should be entrusted with the national economy.

Safety Nets and Withholding Taxes: While expenses must be curtailed at all levels, the underprivileged segments of society must be provided relief. Benazir Income Support Program (BISP) is a good practice to provide some relief to the poor, never mind that many misuse this facility by stealing money from the poorest. The withholding tax (WHT) on National Savings Certificates (NSC) goes against the government's spirit of helping the lower middle and poor classes, who have no other alternatives to earn from their lifelong savings. Most low-income, poor, retired, and widowed people are incapable of becoming 'Filers', which is a highly complicated exercise. Their lifelong savings, placed helplessly in NSC, are mindlessly subjected to 30% WHT. The filers, including widows who cannot earn from anywhere else being retired and old, are also subjected to 15%

WHT. Even pensions are being taxed. This goes against the noble spirit of providing a safety net to the lower-middle and poor classes of society whose life-long savings are not enough to survive. Food is not the only requirement. The older people have extended families; some have children still studying and they are expected to dole out financial support on various occasions as long as they are alive. The dividend received is badly needed by the people who invest in NSC, who cannot earn or augment their low pensions or earnings through any other means. The WHT from NSC should be done away with altogether. The 'Filers' would end up paying taxes on the dividend when they submit Income Tax Returns. The non-Filers, in any case, pay taxes on everything in the country, and will also be paying indirectly enough taxes as per their level, because everything in Pakistan is taxed, often repeatedly, except perhaps the air.

Drastic Reduction in the Elected Houses: In the presence of the 10th Amendment, there is no need to have many elected persons as the political party's heads decide for the entire party and no member can deny them. Many elected persons contribute nothing in "collective wisdom", as the head of the party is the one who decides upon all and every legislative decision. Therefore, 75% of all elected bodies should be removed from the election saving billions through a constitutional amendment. There is a need to cut down the strength of the Senate, National Assembly, and Provincial Assemblies with a full focus on the economy and less focus on meaningless representation of people. The US has a population of almost 331 million people, a GDP of almost \$26.8 trillion, and a total of 535 members including the Senate and the House of Representatives. Pakistan has a population of 230 million with a GDP of \$348 billion and has 1,194 elected members. This makes no sense at all. The Baradari system and tribal electable will have to reach out to other tribes and Baradari, thus promoting National Integration.

Stop Bribes to the Elected Representatives: The federal and provincial governments should revert to the pre-Gen Zia-ul-Haq period when five-year plans used to be made. The Planning Commission must be entrusted to plan midterm and long-term development plans. The short term should be left to the local governments without intervention from MPAs and MNAs. The long-term plans should be executed by the Planning Commission to stop corruption in the development projects by the elected representatives. Legislative bodies should remain as such and not become developers and builders nor become executive officers of various departments, appointing, promoting, and transferring officials. Such practices end up in corruption and rejection of merit.

Technocrats as Ministers: Like the US, Pakistan must leave the Legislators to make laws and appoint Technocrats as ministers.

Drastic Reduction in Perks and Privileges: Pakistan must ensure a smaller allocation of funds to all departments. Only then the perks and privileges presently shaming 1st World standards of living/working of government officials, including MNAs, MPAs, Senators, Judges, civil-military bureaucrats, and other authorities can be reduced. This can be achieved through a transparent and objective assessment to identify the doable elimination of benefits and privileges, even for retired persons, that strain the budget. Officials of Grade 21 and above presently enjoying free electricity, gas, and no-limit travel expenses must be denied these perks to save. This will also require reducing travel allowances, denying access to chartered aircraft and military executive jets, and luxury vehicles, and revising housing and pension schemes. Pensions are becoming unmanageable. All new employees should have a kind of provident fund and no pensions be allowed to the new employees excluding the defense personnel because of their peculiar job limitations and non-availability of jobs post-retirement. Labor laws should also be reverted to the pre-2008 period so that the labor leaders stop bullying the CEO and the Board of Directors. Unions of all types, even Academic Staff Unions of Universities and schools behave grossly irresponsibly demanding authority to use unauthorized funds and undertake even management duties without having any responsibility. Simultaneously, strict accountability measures should be established to discourage the misuse of taxpayer funds.

Coordination between FBR and NADRA: Coordination among FBR and NADRA should be ensured to broaden the tax net.

Private Sector Participation and FDI: To mitigate the adverse effects of budget deficits on investment, policies that encourage private sector participation and foreign direct investment should be prioritized.

Investor-Friendly Environment: Creating an investor-friendly environment through ease of doing business reforms can spur economic activity.

Role of the State Bank: Central banks should be equipped to address the inflationary consequences of excessive borrowing by the government and refuse to give any amount asked by the government beyond the rules.

Human Resource Development: To create economic stability and prosperity, investment in education especially in technical education, and vocational training is necessary to develop a skilled workforce. Pakistan must get over the mental lock of producing 'Clerks of the Colonial Period' by mindlessly raising universities and sub campuses which usually focus on degrees having no demand in the job markets. They should produce mechanics, technicians, and the expertise to handle emerging technologies, microprocessors, and Artificial Intelligence.

Encouraging Remittances: The present privileges announced by the government for encouraging remittances ought to be further made temptingly encouraging. All Pakistanis working abroad should also be given the right to vote. They are indeed, the 'breadwinners' of Pakistan, they must be honored and made to feel valued as special people.

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