KARACHI: The temporary economic refinance facility, which lapsed in March, led directly to a Rs400 billion investment in plant and machinery and indirectly to an approximately Rs300 billion investment in land and industrial buildings, Pakistan Business Council (PBC) Chief Executive Ehsan Malik said on Monday

Some of the measures undertaken by the SBP to revive the Covid-impacted economy need to be retained for at least two more years to strengthen the growth trajectory, Malik said. PBC chief said fragmentation between the federal and provincial authorities further made doing business more complex, citing unharmonised food standards and double taxation as two examples.

“The recent move to unify reporting of federal and provincial GST on a common portal and the Single Window initiative to speed up clearance of consignments portend well for the economy,” Malik said in a letter to minister of finance and revenue Hammad Azhar.

The continued bleeding of revenue by state-owned enterprises (SOEs) remains a lingering concern. This depletes the amount that the government can invest in socio-economic development. Several attempts to restructure and dispose SOEs have failed. Impeding this process are PPRA regulations, public sector recruitment rules and fear of action by the National Accountability Bureau (NAB). These and other factors need to be addressed to arrest the bleeding of SOEs. Reform of the NAB law will also address the near paralysis of decision making by the bureaucracy.”

Malik said addressing food shortages and inflation, building export momentum, and developing capability and competitiveness of domestic industry to stem the pressure of rising commodity cost on balance of trade are the challenges.

“Yet the direction of recent measures is counter to these objectives,” he said. “The surest way to sap growth of the economy is to drain it of jobs and disposable income, curb demand, deny competitiveness to industry and hurt investor sentiment through knee-jerk reversal of policies,” he said, referring to the 27 percent increase in power tariff.

“The narrative on deanying the five main export sectors of energy at a regionally competitive cost and forcing the captive power producers to switch to the grid, reliability of which is yet unproven, does not portend well for exports,” he said. “Efforts should instead be focused on fixing the inefficiency and losses of transmission and distribution. Ominously, the delay in settlement of the agreed dues of the IPP’s threatens the gains made on renegotiating capacity charges. Industry, both export oriented and domestic is the engine of employment. Burdening it with the cost of systemic inefficiencies and cross subsidies to residential users impedes its competitiveness and restricts its capability to create jobs.”

PBC chief said a 27 percent increase in the tax target for FY22 with little evidence of improvement in FBR’s capability to broaden the tax base bodes ill for existing tax-payers.

“Relying on existing taxpayers for additional revenue accelerates the informalization of the economy. The recent reversal of tax exemptions, some which had just a few years to run, and others which were conceptually aimed at promoting scale, formalization, wider shareholding, and improved governance have hurt the investor sentiment."

The PBC has long advocated for the separation of fiscal policy from collection of taxes and for addressing the talent and technology gaps that prevent the FBR from broadening the tax base. Unrealistic tax target is putting the cart before the horse. Taxing the already taxed is akin to killing the goose that lays the golden eggs. "Fundamental fiscal reforms will take time to deliver, and the benefits will be sustainable. We must not be distracted by short-term targets," he said.

Malik said higher cost of food also reduces discretionary spending, lowering demand, a critical driver of growth. "The government should walk the talk on "agriculture emergency," especially on wheat and cotton. These have the greatest impact on hunger, jobs, and exports.