

BUDGET: ADHOC BALANCING ACT

During the recent weeks, the focus in parliament had been on the national budget. The presentation of the government's annual budget to parliament is looked forward to, as one of the most important events in the political agenda of parliament. The parliamentary debate deals not only with the totality of the budget, but also with the budgetary allocations of each and every ministry.

The former well-seasoned finance minister, Ronnie de Mel, has described the recent budget, as a tragedy for the country and its people and that it is a budget of a dying government ! On the other hand, the deputy minister of finance, G.L. Peiris, who presented the budget to parliament on behalf of the finance minister, President Kumaratunga, has emphasized that the budget balances military, development and welfare expenditures, and that the budget lays the foundation for a very stable economy to be developed and fostered in this country in the years to come.

How the ordinary citizens of this country comprehend such contrasting and contradictory positions is no doubt the dilemma, that they have been subjected to for a very long period of time, due to the confrontational nature of politics that has gripped this country as a cancerous menace. Whatever such contrasting contradictions that may be, one thing at least is certain; that is, that the economic policies, are intended for the country to pursue on a path towards developing a free and open market oriented economy.

NEED FOR A NATIONAL PLAN

Does the budget spell out the future destiny of the 18 million people of this country or at least throw light on the direction of the path being pursued to achieve economic development and the socio-economic emancipation of the people ? Ought not a budget be a guiding beacon showing the way, as to how the economy of the country is being endeavoured to be developed in the short-term, mid-term and the long-term ?

Economic parameters, statistics and ratios may have some meaning to elitist economists, but on the contrary, to the uninitiated public, what would all this economic jargon really mean ? Could the general public really understand and comprehend the economic jargon, that is invariably doled out by economic planners and often repeated parrot like by others, without any pragmatic understanding thereof ? Ought not the national budget and its implications be spelt out in a meaningful and pragmatic manner for the public at large to be able to understand and comprehend the same and visualise how their quality of life would be improved and the country developed ?

Could the approach to national budget formulation take the mere form of estimating or guesstimating projections of revenue and expenditures for the ensuing year ? Surely, the approach to national budget formulation has to be far more sophisticated and emancipated, than the mere approach to budgeting of revenues and expenditures to maintain services to rate payers at the level of municipalities. On the other hand, could the national budget formulation take the mere path of endeavouring to raise revenues, to meet the requirements of committed ongoing current expenditures and provide for capital expenditure on an adhoc basis ?

Is it not of paramount importance to set in motion a process to evolve a well co-ordinated and integrated macro plan for the socio-economic development of the country, taking into account the various segments and sectors of the economy ? The all important cogent question is, as to whether there is in place, a process by which a co-ordinated national plan is evolved for socio-economic development of the country in the short-term, mid-term and the long-term ? Ought not an annual national budget be an integral part of such a continuous national planning process and not a mere projection of the ensuing year's levels of expenditures and revenues ?

On the contrary, devoid of such national planning process for the socio-economic development of the country, has not the accentuation and the escalation of the North-East war taken centre stage at the cost of neglect of developing a meaningful and pragmatic approach to the evolution of a strategic national planning process for the socio-economic development of the country to be led it into the next millenium, with the socio-economic emancipation of its people ?

STRATEGIES FOR NATIONAL DEVELOPMENT ?

Is not the above scenario proven to be a truism by the very admission by the deputy minister of finance, G.L. Peiris, that the budget balances military, development and welfare expenditures, obviously, that too, for the ensuing year ? No doubt the deputy minister of finance, G.L. Peiris would have made such pronouncement on the advice of the economic strategists behind the national budget formulation. Has the process of national budget formulation descended to the level of the process of budgeting for the operations of a municipality providing services to rate payers ?

Ought not a budget be reflective of and provide strategically for the development planned for the various sectors and segments of the economy, in the context of the ground realities pertaining to such economic sectors and segments, given the prevalent characteristics of the country ? According to reforms agreed upon with the IMF/World Bank, the state sector personnel costs having been considered excessive and a burden on the economy, several strategies had been adopted to reduce and contain the growth of the state sector. Ironically on the contrary, tragically there has been a huge burgeoning of the security establishment, with the consequential ballooning of expenditure !

What are the growth strategies spelt out in the short-term, mid-term and long-term for the development of sectors such as agriculture, industry, fisheries, tourism, mining, exports, etc. ? At this stage of transformation from primarily a public sector driven economy to a private sector driven economy, can investment for growth in such sectors be blissfully left to be the sole responsibility of a not so developed private sector by the mere offering of fiscal measures and incentives ? Would not the public sector have differential roles to play to ensure a pragmatic approach to development in these various sectors and segments of the economy in this period of economic transformation ?

Then again, the development and maintenance of economic infrastructure is the responsibility of good governance. Whether it be highways, bus transport, railways, ports, electricity, telecommunications, water, etc., it is the prime responsibility of the state to ensure the growth and provisioning of such economic infrastructure to meet the requisite requirements of the public; furthermore, thereby to facilitate investment and growth in the various sectors and segments of the economy to create opportunities for employment and improve the quality of life of the people.

Mobilising private sector resources be it capital, technology or management would not absolve the responsibility of the state to ensure the provisioning of economic infrastructure at the requisite levels of demand, quality and price. In this context, the regulatory role of the state, particularly where private sector resources have been mobilised comes into play, to ensure the achievement of the requisite national objectives and goals in the context of the planning process for the overall development of the country.

Then again, there is the duty and obligation cast on the state to ensure the growth and provisioning of social infrastructure such as in sectors of education, health, social security, etc. Ought not such sectors be developed in conformity with a national planning process to meet the pragmatic requirements of this country ? No doubt, here again the private sector could and would have a role to play in the provisioning of such social infrastructure.

That however, cannot absolve the state from enforcing adequate regulatory safeguards and requirements, to ensure that the growth and development of such socio-economic infrastructure is in conformity with the objectives and goals as deemed required for national development in the context of an integrated planning process, including the facets of reliability, quality and affordability to the consumer public.

Is the national budgetary process in the poor plight, as the deputy minister of finance, G.L. Peiris has admitted, that it is a mere act of balancing military, development and welfare expenditures for the ensuing year, obviously admittedly devoid of a national planning process to take this country forward into the next millenium. The accentuation and escalation of the North-East war, not only appears to consume the bulk of the budgeted national expenditure, but also does it not essentially consume the managerial resources of the government, thereby neglecting and relegating strategy formulation, for national economic development to have become a virtual non-event !

50% OF CURRENT EXPENDITURE FOR INTEREST & DEFENCE

The current and capital expenditure allocations to the respective ministries, as per the Appropriation Bill tabled in parliament on October 7, 1998 is given. Whatever the jargon of economic parameters that are propounded, that invariably confuse and confound laymen, a mere glance at the data would reveal the total emphasis of expenditure on the accentuated and escalated North-East war, in contrast to the comparative low levels of expenditure on education, health and for the development of the various segments and sectors of the national economy ! The expenditure incurred on the North-East war for this year i.e. 1998, has been reckoned at Rs. 57 billion, which averages to an expenditure level of Rs. 1.096 billion per week !

BUDGETARY ALLOCATIONS – 1999			
	Recurrent	Capital	Total
	<u>Expenditure</u>	<u>Expenditure</u>	<u>Expenditure</u>
	<u>Rs. Mn.</u>	<u>Rs. Mn.</u>	<u>Rs. Mn.</u>
Office of President, Prime Minister, Supreme Court, Cabinet, Parliament, Commissions, etc.	3,895.0	1,579.8	5,474.8
<u>Ministry</u>			
Buddha Sasana	73.8	48.2	122.0
Defence	39,045.2	8,307.1	47,352.3
Vocational Training & Rural Industries	610.2	480.5	1,090.7
Foreign Affairs	1,749.0	214.0	1,963.0
Co-operative Development	46.1	15.0	61.1
Internal & International			
Trade, Commerce & Food	142.2	330.6	472.8
Tourism & Civil Aviation	297.2	877.9	1,175.1
Education & Higher Education	9,535.2	6,724.0	16,259.2
Forestry & Environment	288.1	793.7	1,081.8
Irrigation & Power	690.3	10,460.0	11,150.3
Labour	301.3	97.6	398.9
Housing & Urban Development	300.9	8,382.9	8,683.8
Industrial Development	264.7	883.0	1,147.7
Finance & Planning	9,165.4	16,128.5	25,293.9
Plan Implementation			

& Parliamentary Affairs	966.7	2,506.3	3,473.0
Transport & Highways	3,069.3	14,523.9	17,593.2
Justice, Constitutional Affairs, Ethnic Affairs & National Integration	1,451.7	428.3	1,880.0
Social Services	2,221.1	150.2	2,371.3
Fisheries & Aquatic Resources Development	250.2	1,533.8	1,784.0
Samurdhi, Youth Affairs & Sports	9,745.0	1,143.2	10,888.2
Posts, Telecommunications & Media	3,051.7	4,554.5	7,606.2
Health & Indigenous Medicine	7,743.7	4,854.4	12,598.1
Agriculture & Lands	3,568.2	5,176.0	8,744.2
Mahaweli Development	906.4	2,215.7	3,122.1
Port Development, Rehabilitation & Reconstruction	201.1	3,818.7	4,019.8
Livestock Development & Estate Infrastructure	113.8	495.5	609.3
Women's Affairs	78.2	12.4	90.6
Provincial Councils & Local Government	20,829.8	2,657.1	23,486.9
Cultural & Religious Affairs	256.3	463.7	720.0
Science & Technology	469.7	860.0	1,329.7
Public Administration, Home Affairs & Plantation Industries	14,994.0	2,797.2	17,791.2
District Secretariat	<u>1,757.8</u>	<u>358.8</u>	<u>2,116.6</u>
Total	<u>138,079.3</u>	<u>103,872.5</u>	<u>241,951.8</u>

Is it not evident, that the whole process of government, national effort and the mobilisation of resources appear to be committed and concentrated towards the prosecution of the accentuated and escalated North-East war, which in addition, results in the ravage of human resources and the destruction of established economic infrastructure, further stultifying development and necessitating the accentuation and escalation of consequent rehabilitation and social welfare expenditures.

As a consequence, is not the country, limping with a stone round its leg as it were, into the next millenium, in an adhoc manner, contrary to the *Daily News* caption of November 16, 1998 on President Kumaratunga's television interview – " 5th PA Budget seeks to propel Lanka into next millenium " ?



**Finance Minister President
Kumaratunga — "It is my budget"**

To facilitate the understanding by an average layman, the characteristic features of the national budget for 1999 would be best brought out in considering some of the more important budgeted levels of expenditures, both recurrent and capital, as an average in respect of each person of this country, as given below:

	Average per <u>person</u> <u>Rs.</u>
Interest on Public Debt	3321
Defence	2631
Education	903
Irrigation / Power	619
Housing / Urban Development	482
Transport / Highways	977
Social Services	132
Fisheries	99
Youth	605
Posts / Telecommunications	423
Health	700
Agriculture / Lands	486

In pragmatic terms that ought to evoke concern – it ought to be noted, that the recurrent defence expenditure of Rs. 39,045 million amounts to 28% of the total recurrent expenditure of Rs. 138 million allocated to all the ministries for the ensuing year 1999. In addition, the interest payments on public debt is reckoned at Rs. 59,780 million for the year 1999, which amounts to a level of 43% of the total recurrent expenditure allocated to all the ministries.

In a nutshell, of the total recurrent expenditure of Rs. 200.3 million (including interest payments), the defence expenditure and the interest payments alone amounts to Rs. 98,825 million, which is almost 50% of the total recurrent expenditure, thereby leaving only the balance 50% of recurrent expenditure for all other national needs, bearing in mind also, that the total defence budget for this year i.e. 1998, of Rs. 46 billion was exceeded by as much as 25% to result in an actual defence expenditure of Rs. 57 billion. This, no doubt, is how the budget had balanced the military, development and welfare expenditures !

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