A BIRD'S EYE VIEW OF SRI LANKAN GOVERNMENT BUDGET AND ECONOMIC, SOCIAL AND CULTURAL RIGHTS

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Abstract

The government concern towards preservation of Economic, Social and cultural rights of citizens of a country can be clearly visible through the fiscal policy changes and the trends in public finance. This article intends to decompose and analyse the trends of government expenditure of Sri Lanka over the past years and to investigate whether the public expenditure has been allocated for productive sectors which truely facilitate public welfare and uplift the Ecoomic,Social and cultural rights of the citizens .The considered period for the data analysis is 2010 to 2018 and also a special emphasis has been given on 2019 budget as the latest. The trends of Public expenditure on education, health and main welfare programs and recent taxation policies have been taken into account as a proxy of the attention towards ESCR by the government. The study has illustrated a significant decline in the public expenditure on education, health and welfare with heavy burden generated by indirect taxes that can draw harmful impacts on economy's future productive potential as well as on the obligation of protecting ESCR.

***Keywords**:* Budget, Economic, social and cultural rights, public expenditure, taxation, education, health, social welfare

Introduction

> All peoples have the right of self-determination. By virtue of that right they freely determine their political status and freely pursue their economic, social and cultural development.[1]
>
> There are limits to the capacity to squeeze out surpluses from developing countries' economies. Strapped by austerity measures that lock them into chronic economic stagnation, the prospect of their repaying debts has frequently receded into some distant future.[2]

The budget can be identified as a mirror that reflects the government's perspective and commitment with regard to ensuring human rights, particularly economic, social and cultural rights (ESCR) in any economy. The budget which bears the components of Fiscal policy of a government has wide scope to improve the Economic Social and Cultural Rights of the Citizens. The foundation for ESCR is laid down to allow the freedom to obtain basic needs of the human beings which requires a proactive role on the part of the

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[1] Article 1, International Covenant for Economic, Social and Cultural Rights of United Nations

[2] David Harvey, A Brief History of Neoliberalism, (Oxford University Press, 2005), pp.74-75

state at the national, regional and international level. The legitimacy for these rights was confirmed in 1966 by the International Covenant for Economic, Social and Cultural Rights while outlining a number of important principles in the progressive realization of ESCR and vesting in the state parties the responsibility of securing these rights. On June 11, 1980, nearly forty years ago, the Government of Sri Lanka (GoSL) ratified the International Covenant of Economic, Social and Cultural Rights (CESCR) pledging that it would take necessary steps towards the progressive realization of ESCR within the given the constraints of the country's maximum resource availability and productive potential. Though the Sri Lankan Constitution of 1978 recognizes some of the ESCR as directive principles of the state under Article 27, they are not enforceable in any court or tribunal. Attempts were made in 2016, during discussions around the draft constitution to include them as justiciable. However, the proposal of the Subcommittee Report on Fundamental rights 2016, have floundered along with the broader constitutional reform process.

Mr. Juan Pablo Bohoslavsky, United Nations Independent Expert on Foreign Debt, other Financial Obligations, and Human Rights, visited Sri Lanka in the period from 3rd to 11th of September, 2018. In his report, he highlighted the effects of foreign debt and other related international financial obligations on the advancement of human rights, particularly economic, social and cultural rights (ESCR). His report is an eye-opener for all stakeholders related to ESCR and one that the government and civil society organizations should take into account and use as a guideline through which to review the programs on development in their designs and executions. It appears that so far no government has seriously taken the human rights dimension into account in formulating economic and development policies. Human rights tend to be confined to the political arena but not to the economic and social spheres. The above mentioned report of the independent expert calls for a paradigm shift so that total development efforts are approached from a human rights perspective.

Research Problem

Musgrave and Musgrave (1989) in their predominant work on public finance have recognized the importance of fiscal policy for three main functions in an economy.[3]They are; allocation function, distribution function and stabilization function. "The provision for social goods or the process by which total resource use is divided between private and social goods and by which mix of social goods is chosen" may be termed as allocation function of the budgetary policy. Distribution function includes "adjustment of the distribution of income and wealth to ensure conformance with what society considers a "fair" or "just" state of distribution. Stabilization function refers to "the use of budgetary policy as a means of maintaining high employment, a reasonable degree of price level stability and an appropriate rate of growth with allowances for effects on trade and on the balance of payment"[4]. As such, through the rights based approach as well as from an economic perspective, the contribution by the government towards providing essential public and merit goods, redistribution of income and wealth in a way that creates a fair

[3] Musgrave, Richarad A, and Peggy B Musgrave. *Public Finance in Theory and Practice ; Fifth Edition.* (United State: McGraw Hill Book Co., 1989), p.6
[4] *Ibid.*

society protecting the inherent ESCRs of people cannot be undermined. However, in the recent past, the data shows that the government seems to be continuously ignoring its responsibilities of spending more on the important merit goods such as education, health and safety networks. This article intends to explore and analysis the relationship between the Government budget of Sri Lanka and its contribution towards preserving economic, social and cultural rights of Sri Lankan citizens.

Data and Methodology

This article employs a descriptive analysis to achieve its objective of exploring the relationship between the Government budget of Sri Lanka and its contribution towards securing economic, Social and Cultural rights of its citizens. The data of government expenditure on education, health and social welfare programs, together with composition of taxation and government debt for the period from 2010 to 2018 has been utilized in the analysis, drawing a special attention to the 2019 budget as well. 2020 and 2021 budgets are not taken into consideration has it would not be depicting the general trend due to the severe catastrophic situation face by the country due the pandemic of Covid-19. The data has been extracted from Central Bank Reports of Sri Lanka from 2015-2019 and it has been analyzed statistically based on diagrams representing the trends of the past decade considered.

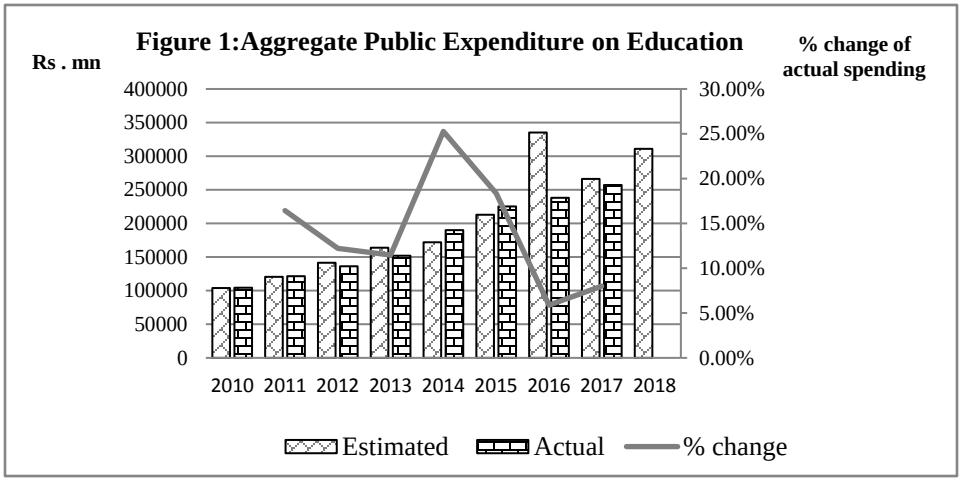
Analysis

Government Expenditure and ECSR

The above mentioned UN Expert who visited Sri Lankan recognized that, "while maintaining macroeconomic stability is an important concern, this aim should not prevent human rights assessments of these planned reforms, in line with international human rights standards."[5] In Sri Lanka, the government focuses to pursue the objective of fiscal consolidation together with the goal of achieving a budget deficit of 3.5 percent of the GDP (Gross Domestic Product) (GDP) by 2030. It transpires that this goal triggers from the conditions associated with structural reforms prescribed by the International Monetary Fund and other financial agencies. Sri Lanka is a constant receiver of IMF financial assistance. The Sri Lankan government received another extension of IMF loan of $1.5 billion for three years under the Extended Fund Facility (EFF) on 3rd of June 2016. The loan granted was to support "the country's economic reform agenda" which is to be based on the six pillars of neoliberal policies. As prescribed by the IMF, the government's strategy to address short-term imbalances and medium-term challenges lies on six main pillars namely 1*) Fiscal consolidation 2) Revenue mobilization 3) Public financial management 4) State enterprise reform 5) Enhancing monetary policy 6) Trade and investment facilitation.* These pillars are premised on the need for fiscal consolidation and revenue mobilization together with Public financial managements. They are premised on the implementation of austerity measures and a significant reduction of public expenditure.

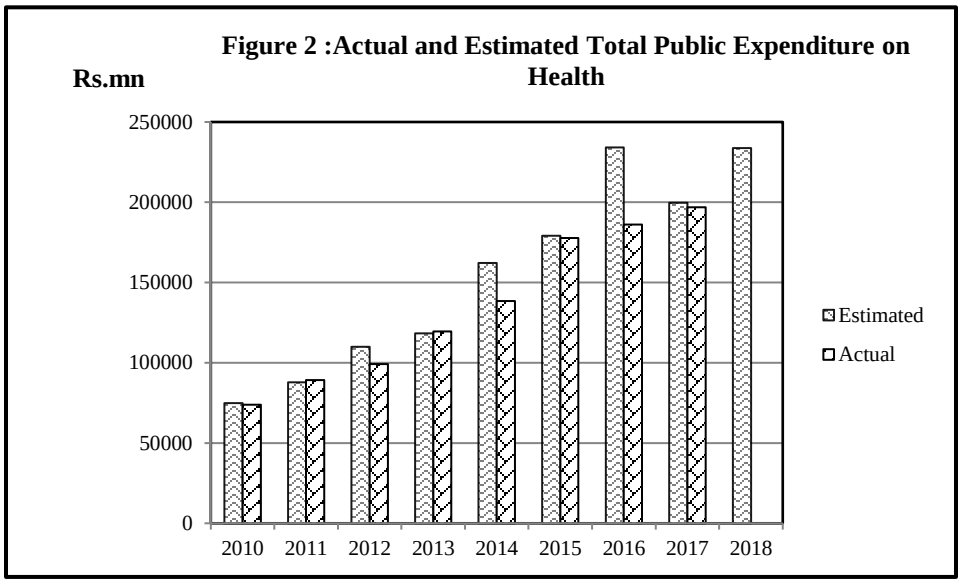
[5] Bohoslavsky, Juan P. "End of Mission Statement- Sri Lanka." September 11, 2018.Available at: https: //www.ohchr.org/EN/NewsEvents/Pages/DisplayNews.aspx?NewsID=23523&LangID=E.

These budget cuts mainly affect education, healthcare, welfare expenditure and other social security programs. Figure 1 illustrates the trends in total government expenditure on education for the period from 2010 to 2018. Despite the fact that the estimated government expenditure had been increasing gradually since 2010, a considerable decline in the budgeted expenditure on education could be observed, which is accounted as a 20.7 percent decline in 2017. This reduction of the budget in 2017 was caused by around 2 percent reduction in the recurrent expenditure and more than 40 percent drop down in the capital expenditure. This is a worrisome fact since the capital expenditure is the most vital segment of investments for the improvement of the education sector while recurrent expenditure focuses on the maintenance of the existing infrastructure. Further, the government has actually spent less than the budgeted amount in both years of 2016 and 2017. To highlight, in 2016 the government has spent 71 percent of what it had budgeted.



Source: Researcher's own creation based on the data available in Central Bank Annual Reports 2010-2017

The total government expenditure on health is shown in figure 2 which depicts a similar nature to the situation of public expenditure on education. Despite the continuous increase in the budgeted amount and the actual amounts of total public expenditure in health sector since 2010, it could be observed that there is a tremendous decline in approved estimates on Health expenditure in 2017 accounted as a 14.7 percent drop down. Similar to the case of education, underutilization of funds could be observed in 2016 and 2017, which was quite adverse in the year 2016. In 2016, around 79 percent funds has only been spent for health services. Further, the capital expenditure which signifies the real investment of the health sector improvement declined by approximately 41 percent in 2017. Less importance is given to capital expenditure, nevertheless it is crucial while a large amount flows as the recurrent expenditure which is nearly 81 percent of total spending on health in 2017.



Source: Researcher's own creation based on the data available in Central Bank Annual Reports 2010-2017

Depicted in Table 1, the budget allocations for the major social security programs have also declined in 2017 despite the minimal increase in total expenditure on welfare and community services. In 2017, grants provided for Divineguma / Samurdhi Subsidy programme have been curbed by 2.5 percent whereas grants for nutrition allowance program and dry ration programme have also shown declines of 5.9 percent and 24 percent respectively in 2017.

Table 1
Major Welfare Programs- Value of Grants

Rs .mn	2013	2014	2015	2016	2017
Divineguma / Samurdhi Subsidy Programme	15,256	15,042	39,994	40,740	39,707
% change		-1.4%	165.9%	1.9%	-2.5%
Nutrition Allowance Programme	204	279	2,422	5,746	5,408
% change		36.8%	768.1%	137.2%	-5.9%
Dry Ration Programme	33	28	118	111	84
% change		-15.2%	321.4%	-5.9%	-24.3%

Source: Central Bank Annual Report 2017

Further the reduction of capital expenditure has a direct unfavorable impact on agriculture and fisheries, which are based on small and petty ownership. The ever increasing external debt burden and the resulting escalat of current expenditure on interest payment has also been an inducement for diminishing public expenditure of the social and economic infrastructure sectors. In addition to this, attempts have been made to amend the existing

labor laws under the proposal for flexibilization of labor markets with serious implication on the wage workers, especially female workers. Similar efforts may also be seen in the proposed amendments to laws related to small scale production. It has been indicated by the rule that is to be imposed prohibiting a new registration of small boats (*sulu panna* fishing boats). Although giving legal rights to colony land appears to be a step towards empowering the peasantry in colonization schemes, it may end up as a step towards the concentration of land in a few hands through land sales, mortgage and many other means.

Although Sri Lanka can be praised for its free health and education to its citizens, the recent years have shown a tendency towards deviation of this policy. This policy has so far helped to maintain the literacy and health standard at a reasonable high level which has contributed to the , the high human development index figures obtained by Sri Lanka mainly due to education and health standards achieved by Sri Lanka in the past. Recent attempt to deviate from this policy by introducing a private system and private and public partnership may have serious negative implications as the experience in many countries that adopt a similar polices have indicated. In the words of the UN independent expert, "These efforts of public private partnerships should not replace the Government's primary obligation of ensuring the economic, social and cultural rights equally among everyone and its obligation in allocating maximum available resources." As such the government cannot undermine or undervalue the provision of these services to the citizen in the framework of ensuring Economic Social Cultural Rights and this must have been taken in to account in preparation of the budget estimates of 2019. And it is worthwhile to analyse the Budget 2019, bearing the situations occurred in the recent historical context in mind.

The overall budget 2019 signifies the impact of a contractionary fiscal policy since the leakage of taxation from the system is increasing at a higher rate than the injection of government expenditure to the economic circular flow. Accordingly the government has depicted a primary surplus in the budget. A government can convert its primary deficit which is the negative balance obtained by deducting the total expenditure excluding interest payment by the total revenue mainly by several means; by cutting down the expenditure while keeping the tax revenue constant, if not while keeping the government expenditure constant it can enhance the government revenue or it can increase the tax revenue at a higher rate than the government expenditure etc. The government has adopted the latter to show a primary surplus in the 2019 budget. That is the total revenue has been increased by 21.7 percent which is greater than the 13.02 percent increment of the total government expenditure. In 2017, the Sri Lankan economy recorded the lowest real GDP growth rate of 3.3 percent for the past decade. It further declined to 2.9 percent by the third quarter of 2018. In such a context where the growth of the economy is hindered by a variety of factors; the contractionary nature of fiscal policy which is expected to implement for 2019 is unacceptable in one way. It is observed that the more focus of the government has been taken by the monetary policy stimulus through the means of development programs such as Enterprise Sri Lanka. However, it is considered that fiscal policy is more effective in stimulating the economic activities and driving the economy towards the growth trajectory.

Budget 2019 was presented by the finance minister under the theme of "Enterprise Sri Lanka-Empowering the People and Nurturing the Poor". At first sight the development

plan of the government seems to be to nurture the poor by granting loans at subsidized interest rates. The economic theories do not have a positive opinion on debt especially since the global economic crisis and the credit crunch triggered in US in 2008. David Harvey has highlighted the consequences of debt as "the interest rate is about discounting into the future. And borrowing is about foreclosing on the future. Debt is a claim on future production. So the future is foreclosed on, because we've got to pay our debts"[6] Nevertheless the government's intention is to stimulate the investment activities through increasing credit supply. This may have multiple consequences and few of them would result in high inflation by increasing money supply and higher interest rates with the increasing demand for loanable funds. On the other hand, the government focus of the banking sector to ease liquidity levels of the economy will make banking sector vulnerable to a financial crisis. Recent Debt Shift Theory of the Global Financial Crisis stemmed from the collaborative study done by Dirk Bezemer, Josh Ryan-Collins Frank van Lerven and Lu Zhang encounter the truth that "Globally, debt shifted toward financing the purchase of pre-existing assets like real estate and stocks, and away from financing businesses that produce goods and services. Credit flowing into goods and service businesses typically leads to investments that lead to increased productivity and wage growth. Credit flowing into real estate and financial assets typically does not lead to increased productivity in the real economy to the same degree."[7]This again is an indication to say that debt is not a proper solution.

Government taxation and ECSR

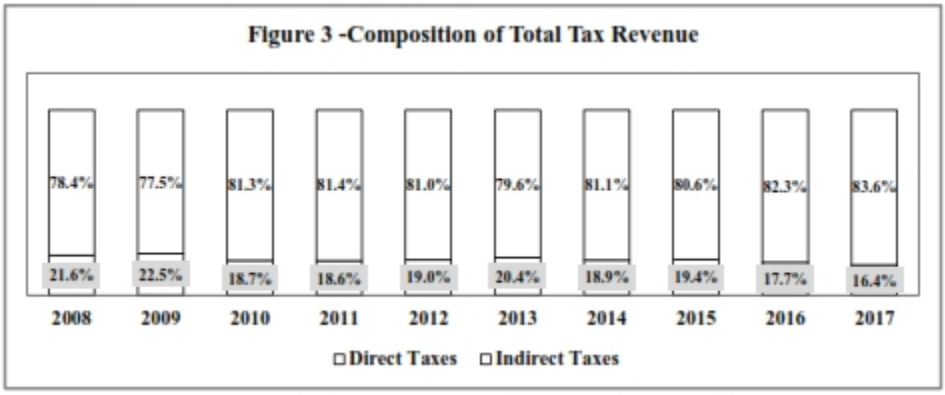
It is worthwhile to look at taxation as it is the main source of revenue generation of the government and a variable which has a strong relation with Economic and Social Rights as well as equitable income distribution of the society.

The term of fiscal consolidation emphasized by International Monetary Fund (IMF) and other global financial agencies is not only confined to cutting down public expenditure, but also enhances government revenue. The total government revenue of Sri Lanka is the summation of both tax revenue and non- tax revenue and the major part of it, accounted around 91.2 percent in 2017, covered by tax revenue. Did IMF conditionality on Sri Lanka impose an extra tax burden on people?

The total tax revenue which comprises both direct and indirect taxes has increased by 14.11 percent in 2017 has been mainly caused by the increment of indirect taxes. Accordingly, the rise in indirect tax revenue was accounted as 15.83 percent while the boost in direct taxes was only 6.07 percent for the year of 2017. Analyzing the composition of the total tax revenue, it could be visible that the indirect tax segment as a part of total tax revenue has widened over the years. Indirect tax revenue which was 78.4 percent of the total tax revenue in 2008 has increased up to 83.6 percent in 2017 as depicted in figure 3. A similar story seems to be continued in 2019 too. In 2019, the taxes

[6] The interview with David HaveybyDaniel Denvir for Jacobin Radio's podcast *TheDig* availableat:https://www.jacobinmag.com/2018/07/karl-marx-capital-david-harvey
[7] Wake, Jhon. "The Debt Shift Theory Of The Global Financial Crisis And The Great Real Estate Bubble." March 15, 2019. https://www.forbes.com/sites/johnwake/2019/03/15/the-debt-shift-theory-of-the-great-financial-crisis-and-the-great-real-estate-bubble/amp/.

on goods and services increased by Rs.231 billion which is a 21 percent increase compared to 2018 provisional figures. The country is already facing 2.9 percent of food inflation and 6.7 percent of Non-food inflation as per National Consumer Price Index on Year on Year basis (February 2019 –Department of Census and statistics website). The increase in indirect taxes would have the potential to accelerate cost-push inflation thereby lowering the living standard of the people. Especially the rise in VAT for domestic sale of certain garments by export oriented BOI companies is indirectly intended to encourage exports. However, does it not have the potential to redirect the expenditure of domestic consumers for imported garments? Should not the government be concerned about providing a quality product for the domestic consumers in the first place and make the country self-sufficient? Nevertheless, the imposition of a carbon tax and the raising of luxury taxes on cars are commendable measures in terms of protecting the environment and curbing excessive consumption patterns respectively. However, the implementation and monetary mechanisms for charging these taxes were not clearly mentioned. Apart from taxes, right after re-gaining of power, the government has re-activated their rigorous price formula which has doubled, tripled the burden of the general public.



Source: Researcher's own creation based on the data available in Central Bank of Sri Lanka Statistics

This facet pictures the argument that the main trait of the proposed Inland Revenue Bill (IRB), which is to introduce a 60:40 direct to indirect tax ratio from the current direct to indirect tax ratio of 20:80 by 2020, is a mere disguise in nature. Direct taxes such as income taxes are progressive in nature i.e. when income increases percentage in tax decline, and operate as automatic stabilizers to bring the economy to the moderate levels from business cycles. In contrast, indirect taxes are regressive in nature where everyone in the economy pays the same amount such as VAT and when income increases the percentage paid as indirect tax will automatically reduce. Further due to the key feature of indirect tax to shift the tax incidence on the consumer, it implies that he burden on the common people including the lower rung is much higher than the direct tax burden which is mainly imposed on high income earners and corporate sector.

Although looking from a different prism, the operation of the same logic may be seen. In Sri Lanka, the total income share of the richest 20 percent households in the country is around 50 percent. Table 2 depicts an analytical comparison of the relationship between

the income share of richest 20 percent household of the country and the amount of non-corporate tax. It is of course necessary to emphasize in order to avoid any misunderstanding that this does not mean that all non-coporate taxes are paid by the 20 per cent of richest households. Nonetheless, since the major portion of non-corporate tax has come from them, these proportions may be used as a proxy. As mentioned above, the progressive nature of the personal income tax cannot be seen with respect to changes in the income of 20 percent richest households in Sri Lanka for the period after 2013.i.efrom 2009/10 to 2012/13, the Gross income held by the richest 20 percent households in Sri Lanka increased by 44 percent and the non-corporate income tax revenue has also enhanced accordingly. However, the non-corporate tax revenue has declined by 10 percent in 2016 though the aggregate income hold by the richest households in the economy has increased. Despite the fact that 20 percent richest is not the only source of non -corporate income tax, this clearly contributes to the argument that government has not even exploited the existing tax base while no attention was given to enhance the income tax revenue in the recent budget as well. The major source of income tax as seen by them was minor accounts of banks which is even more ironical. All other adults with NRFC and RFC accounts get tax exemptions.

Table - 2
Relationship between changes of income of richest 20% households and Non corporate Income tax revenue

	2009/10	**2012/13**	**2016**
Income Share by Richest 20% Households of Sri Lanka *	**54.1**	**52.9**	**50.8**
Gross national income(Current Prices) Rs.mn**	6,343,892.00	9,366,039.00	11,585,492.00
Aggregate Income Share by Richest 20% approx; Rs.mn	**3,432,045.57**	**4,954,634.63**	**5,885,429.94**
% change		**44%**	**19%**
Non- corporate income tax revenue Rs.mn ***	60,415,279.464	105,016,533.154	94,264,851.743
% change		**74%**	**-10%**

Source : * The Annual reports of Central Bnak of Sri Lanka 2015 and 2017 –Statistical Appendix ** Central Bank Report 2017 –Special Statistical Appendix *** Performance reports of Inland revenue 2010/2013 and 2016

Ad-hoc Development Plans and Lack of Transparency on Development Strategy in the Recent Budgets

The entire budget speech 2019 was repetitively stressing on neo liberal policy agendas and the subsidized debt scheme of "Enterprise Sri Lanka" with the implicit expression of identifying them as parts of the development policy. Vision 2025, the development plan of the government underlying the focus of the development agenda is as follows;

> Our vision is to make Sri Lanka a rich country by 2025. We will do so by transforming Sri Lanka into the hub of the Indian Ocean, with a knowledge-based, highly competitive, *social-market economy.* We will create an environment where all citizens have the opportunity to achieve higher incomes and better standards of living. To achieve this we must create the conditions which will generate economic growth with equity.[8]

It is doubtful that the government realized the true meaning of the social market economy when they were setting up development plans and further it seems that they are straight away changing their ideology in Budget speech to neo liberalism. Heise and Heise (2013) elaborate the Social market economy as follows;

> Historically, the notion of the Social Market Economy1 can be clearly traced back to the ideas of German ordoliberalism posited by Walter Eucken, Franz Böhm, and Alfred Müller-Armack. Ordoliberalism places faith in the allocative efficiency of decentralized market coordination but – in a clear point of departure from neoliberalism – strives to achieve "social balance" through redistributional interventions. ….The Social Market Economy was seen as a middle road between the excesses of unregulated capitalism and – particularly for social elites and the Western occupying powers – the scourge of communism.[9]

Nevertheless, even a trace of these characteristics of a social market economy could not be observed in the budget and instead the finance minister was explicitly and implicitly mentioning the governments development plans are directed towards neoliberal agenda;

> Our determination to pursue a liberal outward oriented economy is more steadfast than ever. Towards this end, we are continuing the phasing out of para-tariffs and reducing barriers to trade.[10]

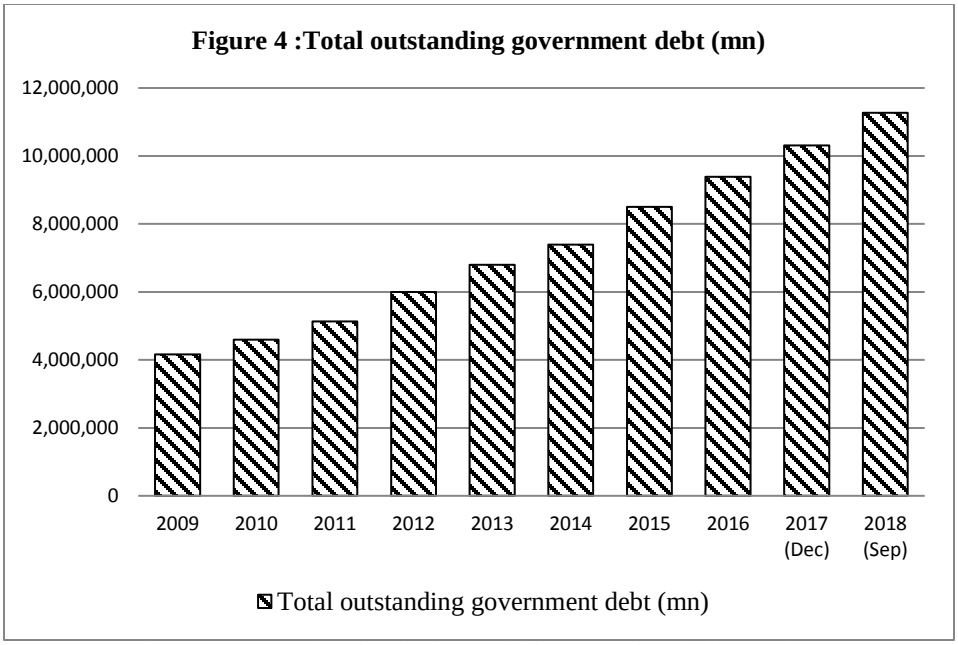
The total expenditure of the government in 2019 has been accounted as Rs.3149 billion which is a 13.03 percent increase compared to previous year whereas this was fueled by 10 percent increase in recurrent expenditure and 20 percent increase in public investment which can also be called as capital expenditure. This seems to be pretty impressive at first sight. However, an in-depth analysis of the development programs reveals the ad-hoc nature of the policies and absence of a properly planned long-run development policy to direct the country towards the right path. For, instance, the program of Enterprise Sri Lanka provides an interest subsidy loan scheme and other non-financial support to encourage the investment and improve the entrepreneurship in the economy. Most of the allocations of the budget seem to be unrealistic and inadequate. For instance, Rs.250 billion allocated for Debt relief Scheme continue via the cooperative, rural banks and thrift and credit Societies is not sufficient at all for 2.8 million poor who have been caught in the debt traps, where 80 percent of 2.4 million women of them have resorted to more than

[8] Vision 2025, p.11
[9] Heise, Arne, and Özlem G Heise. "The Social Market Economy Revisited:The German Variety of Capitalism in Retrospect." *Izmir Review of Social Sciences Vol:1, No:1*, 2013: pp.7-20.
[10] Ministry of Finance, Budget Speech 2019, p.4

three borrowings. The program of "Gamperaliya" is reminiscent of "Gama Naguma" of the previous Mahinda Rajapaksa regime, which seems to be designed under the concept of integrated rural development focusing on infrastructure development in rural areas. Through our past experiences, it was observed that implementation of such development program is more beneficial to contractors and politicians rather than the public, since some public resources have been squandered drastically. One major reason behind that could be the governments try to inject and accumulate more and more capital rather than concentrating it on the productivity of such capital goods. Mass investments in infrastructure development will improve the country's productivity only if they are properly designed and planned. Such a sophisticated and organized plan cannot be seen through the budget 2019.

Inflationary Means of Financing the Deficit; Further Accumulation of Public Debt Burden

Overall budget deficit was calculated at 4.4 percent of the GDP in 2019. What means the government will use to finance this deficit of Rs.685 billion along with their consequences is another aspect to draw attention. Looking at the numbers, it could be observed that there is a shift from foreign borrowing to domestic borrowing. Foreign borrowing have declined by 88 .17 percent which is a significant decline from Rs. 465biilion to Rs.55 billion. Perhaps the government is not able to have foreign borrowing due to worsening economic instability and credit ratings. The Government has pledged to repay Rs.665billion of foreign loans by placing the burden on the common people. The accumulated debt burden of the government peaked in 2018 with a debt to GDP ratio of 84 percent. In 2019, a significant change could not be observed since it decline only to 83 percent. The accumulated debt burden of the government for the end of 2018 is Rs.11,271,389 mn and its gradual increment over the past was depicted in figure 4. Scrutinizing the debt figure of the country over the past years, it is clear that the country is vulnerable to a debt crisis; at both micro-level and macro-level. Debt contagion is spreading at a faster rate which is hardly stoppable. However, in 2019 budget, the government's focus is more on domestic borrowing and it has escalated by 112.83 percent. Among them though more attention was given to non – bank borrowing ,pulling money from the banking sector has also increased significantly by 131.5 percent , which is generally considered an inflationary measure in theory, and therefore expected to increase the burden of the households further.



Source: Researcher's own creation based on the data available in Central Bank of Sri Lanka Statistics

Conclusion

On the basis of the analyses above, one concluding remark that can be made about the Budget 2019 is that the policy direction it has proposed is more implicit than explicit, more hidden than open. Hence the silences predominate so that to get the real kernel of the budget needs deconstruction of proposals even reading between the lines. The Parliamentary Committee of Government Finance in its recent report has clearly indicated that the figures used and given in the budget are not correct. As its chairperson Mr. M.A. Sumandhiran informed, even prior to the budget that the Ministry of Finance had inflated the government revenue while dealing the government expenditure. This revelation has questioned the operational capacity of the budget. Furthermore, as illustrated above, a significant decline in the public expenditure on education, health and welfare with heavy burden generated by indirect taxes that can draw harmful impacts on economy's future productive potential as well as on the obligation of protecting ESCR. And the widened gap between the rich and the poor can draw unfavorable impacts on the ability of the government for fulfilling its pledge of securing ESCR of majority of the people in the lower rung.

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