



## PML-N: Relaxing into a Discretionary Policy Regime

### PML-N Economic Agenda

## 8<sup>th</sup> Tracking Report: July-December 2016

Policy Research Institute of Market Economy (PRIME)



With support from: Center for International Private Enterprise

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Discretionary Policy Regime**

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# Introduction

*PML-N: Relaxing into a Discretionary Policy Regime* is 8<sup>th</sup> report under PML-N Economic Agenda: Tracking Project which reviews Pakistan's economic performance by tracking the progress made on the implementation of economic manifesto announced by the party in power in Islamabad, Pakistan Muslim League-Nawaz (PML-N). The purpose is to initiate and inform policy dialogue and public debate on the progress made on the economic agenda of PML-N. This tracking directly serves the basic principle of a functioning democracy: accountability. Current report covers progress made during July-December 2016.

## Structure

The report picks two distinct sections of the PML-N manifesto: Economic Revival and Energy Security, which it terms as "economic agenda". These two "Areas" are then divided into "Components" and "Sub-components". In most cases, these are based on a simple reproduction of text of the manifesto, and in some cases, some editing has been carried out for the purpose of clarification and structure, but without altering the meaning of the authors of the manifesto. Under the area of Economic Revival, 10 components and 57 sub-components (or targets) have been identified. Energy Security includes 15 components (out of which 10 are targets) and 22 sub-components, making a total of 32 targets.

Since last report, this Tracking Report has stopped including Social Protection, as measures taken under this do not directly reflect economic priorities of the government, and a much smaller number of underlying targets (only 2) gave undue weightage to a better performance in this area, possibly over-shadowing the performance in the vital areas of Economic Revival and Energy Security.

In all, the report identifies 89 measurable "indicators" and allocates scores on all of them, subject to information availability, on the basis of three distinct parameters: policy and legislative developments, institutional development & reforms, and implementation. Policy and Legislative Development indicate the presence, or absence, of a supportive legal environment; Institutional Reforms indicate the quality of governance structure and Implementation shows the actual progress made on the policy.

## Scoring

The scorecard quantifies the status of implementation on announced goals in the PML-N economic agenda. For each of the target area, the score is assigned from 0 to 10 with 10 being the highest. The score is sub-divided in three categories namely Legislative and Policy Developments (2.5), Institutional Development and Reforms (2.5), and Implementation (5).

The team has developed and consistently applies a set of rules to minimize discretion.

1. Averages are computed on non-weighted basis. All two "areas" i.e. "Economic Revival" and "Energy Security" and their constituting components and sub-components carry same weight towards the overall score.
2. Negative scoring is not allowed as it has a disproportionate impact on the overall score of each category in computation of averages.

3. Previous score is maintained, if positive policy direction has been announced in the last report though no further progress is made. Statistically, it neutralizes the cumulative score.
4. Score of “As yet no development”, is awarded if work in the particular area or component is yet to begin. Such components and sub-components are not scored and are discarded while computing average.
5. If a goal is achieved, then in the subsequent editions, it is mentioned as “Target Stands Achieved” and is not counted towards taking averages.
6. Previous report is used as benchmark time period. Subject to information availability, the data included in the report pertains to the time period for which the scorecard is being published.
7. The law of diminishing returns applies on scoring in the case of “Implementation”. The increments in the scores tend to be smaller with time.
8. Score of 2 to 2.5 is assigned in “Policy and Legislative Development”, if one already exists or has been developed. A lower score is assigned if a policy exists only in a draft.
9. Score of 1 to 1.5 is assigned in “Institutional Development and Reforms” if some progress is being shown or if some arrangements are already in place.
10. Score of 1 to 2 is assigned in “Implementation” if some progress has started. A goal is considered to be achieved if the related policy is implemented.
11. Score of zero is assigned if progress has been reversed.

The structure and methodology of the report has been shared with a select group from the business community, politicians and economists for the purpose of feedback and has undergone several revisions.

The scoring gives a snapshot view on the performance of the government in a particular area as well as an aggregate perspective. These snapshots are more meaningful over time as performance would vary. Thus a new score is issued every six months and the baseline is normally the previous report. Based on six months progress, a narrative report is prepared.

### **Interpretation of Scoring**

For interpretation of score, following guidelines have been developed.

Zero: Progress has been reversed.

Nil: No progress made.

1 to 4.9: Policy direction is not clear, institutional bottlenecks exist and no or very little implementation has started.

5 to 7.9: Policy direction is supportive, institutional reforms are in progress and some implementation has started.

8 to 10: Policy direction is supportive, governance structure is functional and implementation is complete.

By ‘complete implementation’, one should not necessarily interpret it as having achieved the ultimate goals of the policy, e.g., welfare or industrial productivity, which does not lend to easy assessment.

While working on the scorecard, the tracking team remains too cautious to commit to any judgmental black & white, i.e. any statistical pluses or minuses, in-betweens, that may translate into unjustified positivities or negativities.

Another factor that needs to be highlighted is that the Scorecard and the Tracking Report represents the performance shown or not shown during the last six months, in this case, from 1<sup>st</sup> July 2016 to 31<sup>st</sup> December 2016. That means even though the PML-N has completed three years' time-period, i.e. 60 % of its tenure, the final verdict should rest in store and be delayed till the bell tolls.

### **Data Sources**

In order to develop a comprehensive scorecard, the team collects the data from publically available documents and secondary data sources including Quarterly Reports of the State Bank of Pakistan, Federal Budget, Pakistan Bureau of Statistics, Trade Policy, Proceedings of Parliament and newspapers. The team tracks five newspapers on daily basis and develops portfolio of news on the basis of classification system of the scorecard. These newspapers reports become the basis of an interim assessment of the "current status", which is then verified, endorsed or rectified in the light of secondary data available.

### **The Team**

The report and scorecard has been compiled by a team comprising political scientists and economists. The tool development was primarily undertaken by Mr. Ali Salman and the narrative report is developed by Dr. Khalil Ahmad. From PRIME research team, Mr. Talha Hassan also contributed in compiling this report, verification of data as well as review of scores computation.

- **Mr. Ali Salman:** Ali is the Executive Director Policy Research Institute of Market Economy (PRIME). Ali has worked as a consultant economist for major international development organizations, public sector organizations and non-profits in Pakistan and other countries. He is author of several studies and monographs and regularly writes for Express Tribune. Ali is a visiting fellow at the Institute of Economic Affairs, London; an alumnus of International Academy of Leadership, Germany and Atlas Leadership Academy, USA. He holds master degrees in Economics, Public Policy and Business Administration.
- **Dr. Khalil Ahmad:** Ahmad is a political philosopher by training, and is the founder of the first free market think tank of Pakistan, Alternate Solutions Institute. He is a writer, and his latest books include the path-breaking '*Pakistan Mein Riyasati Ashrafiya Ka Urooj*' (The Rise of State Aristocracy in Pakistan) and later, *Siyasi Partian Ya Siyasi Bandobast: Pakistani Siyasat Ke Pech-o-Kham Ka Falsafiyana Muhakma* (Political Parties or Political Arrangements: A Philosophical Analysis of Politics in Pakistan). Khalil holds a PhD in philosophy and has taught graduate and post-graduate classes in various institutions. He is the only member from Pakistan of a prestigious society of political philosophers, economists, and intellectuals, *The Mont-Pelerin Society*.

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## PML-N: Relaxing into a Discretionary Policy Regime

The 1<sup>st</sup> Tracking Report (June-December 2013) argued thus:

“It is no gainsaying that the energy crisis has irreparably crippled Pakistan’s economy, and tackling and overcoming it requires more than Herculean resolve. It is in this context that the PML-N’s election manifesto’s chapter on the Energy Security needs to be read, understood and appreciated.

“ . . . Energy shortage has been one of the most important causes of declining growth rate in the last few years, when it plummeted to around 2%. At this time, it is around 3%.

“ . . . in order to effect an Economic Revival, Energy Security needs to be stabilized and ensured.

“The PML-N Election Manifesto rightly focused on both, and its government needs to seek that implementation of the promises and targets it resolved in the manifesto prioritizing the ensuring of the security of energy so that a confident private sector is able to push the economic prosperity.”

The scorecard awarded in the last 7 Reports to both Areas, i.e. Economic Revival and Energy Security corroborates the above-stated view, as is demonstrable from the following table:

<b>Report</b>	<b>Area: Energy Security</b>	<b>Area: Economic Revival</b>
<b>1<sup>st</sup> Report: June-December 2013</b>	4.16	3.17
<b>2<sup>nd</sup> Report: January-March 2014</b>	4.34	4.47
<b>3<sup>rd</sup> Report: April-June 2014</b>	3.93	4.33
<b>4<sup>th</sup> Report: July-December 2014</b>	4.5	4.6
<b>5<sup>th</sup> Report: January-June 2015</b>	4.4	3.8
<b>6<sup>th</sup> Report: July-December 2015</b>	5.01	4.21
<b>7<sup>th</sup> Report January-June 2016</b>	5.27	4.64
<b>8<sup>th</sup> Report June-December 2016</b>	5.33	4.61
<b>Average</b>	<b>4.61</b>	<b>4.23</b>

The performance of the PML-N government in the Area of Energy Security has steadily been on the increase, except in the 3<sup>rd</sup> Report where it faltered to 3.93.

In contrast to that, its performance in the Area of Economic Revival is not stable and steady; there is unsteady fall and rise and fall that may be interpreted it as the plight of something left unattended.

Also, comparison of the averages of scores of both areas is revealing: The ER has an average score of 4.23; whereas in the case of ES, it is 4.61. That is a difference of 38 points, and that's considerably meaningful.

Other than the statistics, the sole focus of the PML-N on energy projects is evident from its general electoral preference, that's quite difficult to divorce from its politics. From the very first, the day PML-N came to power, it promised to not reduce, but completely eliminate the electricity load-shedding in 2018. Now it is promising load-shedding will vanish in November this year.

The "sole focus on energy projects" argument amenable to contestation. By bringing in the case of China-Pakistan Economic Corridor (CPEC), it may be objected that PML-N's other focus is on building the infrastructure; though the CPEC includes energy ventures also.

In addition to that objection, it has already been argued that in order to effect the economic revival, security of energy needs to be ensured, and it's only then that the growth rate may see a stable upward trend.

However, it needs to be seen that security of energy is not the only condition the fulfillment of which will revive the economy. Rather it is part of the infrastructure, the availability of which helps the economy to have a smooth run. That means there is something else that's missing. That means certain other conditions are to be fulfilled to see that economic revival materializing. That's Economic Reforms!

The State Bank's latest report points out the same thing. It says: "Notwithstanding the expected pickup in economic activities, the first quarter of FY17 experienced a widening of current account and fiscal deficits – the two key macroeconomic indicators – which suggests that the underlying structural issues are still there." [The State of Pakistan's Economy – First Quarterly Report 2-16-2017 (SBP)]

Be it known that in almost all the earlier Reports, it has been pleaded what the PML-N had promised and what the PML-N is identified with is its stance of letting the market forces play their due role in the economic growth; notwithstanding, after some dillydallying, the PML-N finally practically has backtracked from its market-oriented standpoint.

It seems as if the Prime Minister, Muhammad Nawaz Sharif, has found a new avatar which remembers nothing from its immediate past. That's not long ago that he used to say repeatedly that it is no business of the government to be in business. No doubt, that

translates into something that amounts to letting the market do its due job, and to the government it ascribes the role of a regulator only.

And, sure, it's also on the Economic Agenda of the PML-N that the government will be providing a market-friendly regulatory environment. Let us first have a look at those components in both areas that are somehow related to the same.

### **Area: Economic Revival**

**1.2.3:** One-third reduction in current expenditures other than salaries, allowance and pensions

In it the previous meager score of 1.25 has been maintained.

**1.2.4:** Eliminate VIP Culture by reducing expenses on Presidency and Prime Minister Office

Though a 162% project escalation cost in Prime Minister Office has been approved, in it the score of Zero has been maintained. The Tracking Report's Scorecard Methodology does not allow score to be reduced below zero.

**1.2.5:** Reduction in losses on PSEs

Its score also saw a decrease from 3.75 to 3.50; since the PSEs losses are not going to be reduced.

That is no good omen for the size of the government to be reduced any time soon. Also, that means that the burden of unproductive taxes is not going to be lessened.

**1.3.2:** Limiting government borrowing

Unfortunately, here too the score went down, from 4.5 to 4. It needs to be mentioned that "reckless borrowing" is the catchword that's currently being used in media to denote the PML-N's borrowing policy.

". . . the external debt of public sector increased by US\$ 1.0 billion and reached US\$ 58.8 billion by end-September 2016." [The State of Pakistan's Economy – First Quarterly Report 2-16-2017 (SBP)]

In this regard, it may also be noted that: "While public sector investment is increasing despite resource constraints, investment by the private sector has not increased sufficiently. This has inhibited the country's potential growth." [The State of Pakistan's Economy – First Quarterly Report 2-16-2017 (SBP)]

**1.3.3:** Decreasing tax rates

In it, the previous score of 4.5, not too envious, has been maintained.

#### **1.3.4:** Lower interest rates through effective monetary policy

Again, in it too, the previous score of 4.25 remains the same. Ironically, the lower interest rate (5.75%) is benefiting the government that's intent upon borrowing relentlessly.

#### **1.4.2:** Opening up markets to encourage regional trade

This target too witnessed no development; hence the previous score of 6.5 has been retained.

#### **1.4.3:** Reforms in financial sector and capital markets

This component earned a bit of score; it went up by 0.5 point; from 8.0 to 8.5. But it is yet to be seen the reforms that the Securities and Exchange Commission of Pakistan (SECP) is bringing in how they fare in practice.

#### **1.4.4:** Improved regulatory environment on national level

In it, the previous meager score of 2.5 has been drained to zero.

Unfortunately and ironically, an unprecedented move by the PML-N government has generated and is generating a lot of criticism from many a quarter: Five regulatory bodies have been stripped of whatever autonomy they have been enjoying and put under the supervision of respective ministries/divisions. They include National Electric Power Regulatory Authority (NEPRA), Oil and Gas Regulatory Authority (OGRA), Pakistan Telecommunication Authority (PTA), Public Procurement Regulatory Authority (PPRA), and Frequency Allocation Board (FAB).

#### **1.5.7:** Necessary incentives for MNCs already operating in Pakistan

This target is having zero score; score maintained as was the case in the previous report.

#### **1.5.8:** Incentives for MNCs expected to invest in Pakistan in export-oriented manufacturing

The previous score of 2.75 has been retained from the previous report.

That exposes the true state of foreign investment in Pakistan.

Here, at this point, nature, quality and implications of the CPEC deserve one or two comments.

No doubt, the CPEC is the latest political cliché and is being presented as a panacea as well. The obsession with the CPEC not only on the part of the government but non-governmental institutions and personalities also is endemic. That reveals how the issues of local and international politics are addressed to and how no sense of nationalism finds its way into the political and economic discourse in Pakistan.

**But the most pertinent question about the CPEC is:**

Whether it is justly addressing the issue of building the infrastructure in Pakistan that its society requires or not?

Or, the nature and quality of the proposed infrastructure is being determined by the dynamics of local and international geopolitics?

Also, what Development Model does underlie the CPEC venture as a whole? Is it one that is imposed from the above, anti-local and tyrannical or one that is evolved from the below, local and makes an integral part of what is already existing?

In my view, without asking these fundamental questions, embarking on the CPEC bandwagon is going to be a dangerous ride so far as the long term perspective is concerned. At a smaller scale, it may be explained by quoting the example of Orange Line Metro Train project in Lahore, and which is now being heard in the apex court of the country.

It requires to be noted here that the issue of CPEC is inextricably related to the move of stripping the five core regulatory bodies which may conclude at the end of the day in the personal discretion of the incumbent Prime Minister. Keeping in mind the dynamics of the CPEC, it may also be surmised that this move aims ultimately at benefiting China, and distorting the market of the country.

The time-tested wisdom has it that when Principles are abandoned and Discretion turns out to be order of the day, everything becomes an Exception. The CPEC is such an Exception! And that is going to put everything in jeopardy, and devastating in the longer term.

**1.7.1: Create incentive programs for the private sector to create employment**

In it too, the previous score of 5.5 has been retained. In point of fact, there exists no such policy that addresses the issue at the national level; here and there some selective incentives do exist.

**1.8.4: No increase tax rates**

The same is the case with this target also. The previous meager score of 3.0 has been maintained. That means somehow taxes are on the way to rise!

**1.8.6: Rationalizing tax rates**

Deplorably, here in it, the score has gone down from 4.5 to 3.5; a decrease of one point. It may be noted that no serious attempt is in the offing to rationalize the tax rates either.

**1.8.7: Reform of tax administration both at the federal and provincial levels**

In it too, the score earned this time has gone down from a 4.25 to 4.0. It's beyond ordinary comprehension that the Tax Reforms Commission (TRC) that was formed in September 2014 its recommendations still exist on the paper only; although in January 2016 another high-powered committee was constituted to implement and monitor the proposed recommendations of the TRC.

**1.8.10:** Reduce the number of federal and provincial taxes

This target also has not witnessed as yet no development and no movement to that effect is on the horizon either.

**1.9.1:** Appointing independent professional boards

With Zero score, that requires no comment since the PML-N is already on the road to trample the autonomy of the most important regulatory bodies, and the day is not far away when the policy measures will be determined by absolutely personal likes and dislikes.

**1.9.2:** Identification and ensuring the completion of privatization process within the assigned timeframe

Herein addition of one score this time makes the previous score of 6 to reach to 7. But it needs to be cautioned that most of the work regarding the privatization of the state enterprises not so often comes out in the open, and most of the time it stays in the policy room undergoing this or that type of fine-tuning.

**Area: Energy Security**

**2.2:** Reforming NEPRA

In this component, the average score sees an increase of 0.08 point; it rose from 4.54 to 4.62. The reason behind this increase is progress made by the LESCO and IESCO in going forward with the sub-component of "Net-metering (sale guarantee) for small producers/consumers," where the score rose from 5 to 7.

In contradistinction to it, it needs to be cited that the axe has already fallen on the autonomy of the NEPRA, and it stands to be forfeited to the Discretionary Measures. In view of that, it makes no difference whether the average score increases or decreases. NEPRA is losing its teeth!

**2.3:** Reforming DISCOs

In this component, the average score sees a decrease of 0.6 point, going down from the previous 5.25 to 4.65, despite the fact that now instead of privatization the DISCOs will be undergoing the process of corporatization and that made its score to rise from 5.0 to 5.5.

#### **2.4: Reforming GENCOs**

Herein, the score sees a rise of 0.25. It's so for the same reason that now the GENCOs too will be undergoing the process of corporatization, and not privatization.

#### **2.6: Rationalization of energy tariffs in line with international prices across all fuels**

Here too the average score sees a rise of 0.5, since the government has deregulated the prices of higher grade fuel, RON; but that measure does not apply across all fuels.

#### **2.7: Reforming OGRA**

Here too the average score has undergone an increase of 0.25, rising from 3.5 to 3.75. That increase has been caused by a tricky measure according to which the deregulation of the CNG prices for Sindh and KP has been approved. That seems to be a half-hearted, uncooked measure, since it authorizes the CNG sellers to determine their own prices. That may not prove fruitful to the interests of the consumers because of the genuine fear of price-fixing by the sellers.

What the government needed to do is the privatization of the gas fields in the first instance! That may bring in competition among the producers at a larger scale, and not at the level of end-point distributors where it may not work at all as pointed out above.

#### **2.15: Decentralizing and creating a wholesale market for electricity**

In this component, the score remains the same, i.e. 5.5, as it was in the previous Report.

So now it may be summed up that what the PML-N government promised and what it was required to do is to provide a market-friendly regulatory environment, in the beginning towards which it made some progress, but now it seems it is hell-bent on defying that entire agenda, or the substance of it. That's itself a comment on the economic philosophy of the PML-N, which seems mostly driven not by principles but this or that sort of expediencies. That also tells about the fragility of its political commitment.

Here is the whole picture at a glance:

For the ES, out of the total 6 indicators taken into account:

- In the case of 4, the score went upward;
- In the case of only one, the score was maintained; and
- In the case of only one, the score went down.

Whereas for the ER, out of the total 18 indicators taken into account:

- In the case of only two, the score saw an increase;

- In the case of 10, the score was maintained;
- In the case of 5, the score went down; and
- In the case of one, no development took place.

That's the state of performance of the PML-N government after completing a period of three and half years; that's 70% of its tenure.

That also coincides with the OICCI's with the findings of the last Business Confidence Index Survey released in November last. According to it, overall Business Confidence Score is though positive, but it declined from 36% in April 2016 to 17% in September 2016. It may also be noticed that this BC Score went down across all the segments of trade and industry.

And as may be predicted due to its enviable victories in many a bye-election and sweeping success in the local bodies elections in Punjab, the PML-N is likely to go for snap elections in 2017; and as the political environment in the country is already teeming with the spirit of elections; and even if that's not the case, it is evident that the PML-N has got scant time to meet its promises and to do what it may like to do within this short span. But it is also clear that it has lost its way and the sense of direction as well, and is roaming about for something else which is not part of its Economic Agenda.

Let's have a look at its Progress Card:

<b>Report</b>	<b>Area: Economic Revival</b>	<b>Area: Energy Security</b>	<b>Average</b>
<b>1<sup>st</sup> Report: June-December 2013</b>	3.17	4.16	3.66
<b>2<sup>nd</sup> Report: January-March 2014</b>	4.47	4.34	4.4
<b>3<sup>rd</sup> Report: April-June 2014</b>	4.33	3.93	4.13
<b>4<sup>th</sup> Report: July-December 2014</b>	4.6	4.5	4.55
<b>5<sup>th</sup> Report: January-June 2015</b>	3.8	4.4	4.15
<b>6<sup>th</sup> Report: July-December 2015</b>	4.21	5.01	4.61
<b>7<sup>th</sup> Report January-June 2016</b>	4.64	5.27	4.94
<b>8<sup>th</sup> Report July-December 2016</b>	4.61	5.33	4.97
<b>Average</b>	<b>4.23</b>	<b>4.61</b>	<b>4.43</b>

So, over a period of more than three years, in the Area of Economic Revival, its score never went up to 5. It kept on fluctuating between 3.17, the minimum, and 4.64, the maximum. That comes up to an average score of 4.23 only.

As far as the Area of Energy Security is concerned, the score oscillated from 3.93, the minimum, to 5.33, the maximum. That makes an average score to reach to but 4.61. So, here too, the average score does not cross over to 5.

Also the average score of both Areas' average score stays back at 4.43. That's the cumulative score that represents the Progress made by the PML-N, and means its way back from winning half the marks out of a total of 10. That may earn but at most an Average rank.

That amounts to saying that as far as its own yardstick is concerned, i.e. its own targets that it set for itself to fulfill, the PML-N's performance is disappointing! After moving forward on the right path and making promising progress in its initial years, it faltered; and it faltered fatalistically. Now it seems it has relaxed into a discretionary policy regime!

Under the circumstances, how could there lurch any such expectation that the PML-N has still time and guts to achieve something substantial that may bring it out at the end of the day victorious and proud, when it comes to announce the dates for the general elections!

## Annexure

**Table 1.1: Main Components Improved (Economic Revival)**

	Economic Revival	7 <sup>th</sup> Tracking Report	8 <sup>th</sup> Tracking Report	Change (%)
		Jan-Jun 2016	Jul-Dec 2016	
		<b>Score out of 10</b>		
<b>1.1</b>	Double the GDP growth rate from 3% to over 6%	5.01	5.11	2%
<b>1.8</b>	Tax Reforms	2.71	3.44	27%
<b>1.9</b>	State-owned enterprises	4.12	4.50	9%
<b>1.10</b>	Building the confidence of private sector	3.75	4.25	13%

**Table 1.2: Main Components Declined (Economic Revival)**

	Economic Revival	7 <sup>th</sup> Tracking Report	8 <sup>th</sup> Tracking Report	Change (%)
		Jan-Jun 2016	Jul-Dec 2016	
		<b>Score out of 10</b>		
<b>1.3</b>	Inflation will be brought down to single digit in the range of 7%-8%	4.41	4.25	-4%
<b>1.4</b>	Other Initiatives for Economic Revival	5.56	5.20	-6%
<b>1.5</b>	Industry and Trade	3.87	3.60	-7%
<b>1.6</b>	Infrastructure	7.25	7.00	-3%
<b>1.7</b>	Creating Job Opportunities	6.25	5.50	-12%

**Table 2.1: Main Components Showing Improvement (Energy Security)**

	Energy Security	7 <sup>th</sup> Tracking Report	8 <sup>th</sup> Tracking Report	Change (%)
		Jan-Jun 2016	Jul-Dec 2016	
		<b>Score out of 10</b>		
2.2	Reforms of National Electric Power Regulatory Authority (NEPRA)	4.54	4.62	2%
2.4	Reform of Generating Companies	3.25	3.50	8%
2.6	Rationalisation of energy tariffs in line with international prices across all fuels	5.00	5.50	10%
2.7	Reforms of Oil and Gas Regulatory Authority	3.50	3.75	7%
2.9	High priority to import gas through pipelines	6.50	7.00	8%
2.10	Setting up of coal and LNG import terminals, and coal transportation facilities	7.00	7.50	7%
2.11	Development of Thar coalfields and setting up of at least 5,000 MW of new coal fired power plants	8.50	8.75	3%

**Table 2.2: Main Components Showing Decline (Energy Security)**

	Energy Security	7 <sup>th</sup> Tracking Report	8 <sup>th</sup> Tracking Report	Change (%)
		Jan-Jun 2016	Jul-Dec 2016	
		<b>Score out of 10</b>		
2.3	Reform of Distribution Companies	5.25	4.65	-11%
2.5	Permanent elimination of circular debt	4.00	3.13	-22%

**Table 3: Status of the Targets**

Status of the Targets	Economic Revival	Energy Security	Total
Targets Stand Achieved	2	3	5
Positive	14	11	25
Negative	9	0	9
Status Maintained	24	12	36
As Yet No Development	6	4	10
Progress Reversed (Zero)	2	2	4
<b>Total</b>	<b>57</b>	<b>22</b>	<b>89</b>

# Policy Research Institute of Market Economy (PRIME)

## PML-N Economic Agenda: 8<sup>th</sup> Tracking Report

**Overall Score: 4.43**

**Economic Revival: 4.61**

Manifesto Chapter: Economic Revival: 4.61		Implementation Status					
1	Manifesto Targets	Baseline (January-June 2016)	Current Status (July-December 2016)	Legislative and Policy Developments (score out of 2.5)	Institutions & Institutional Reforms (score out of 2.5)	Implementation (score out of 5)	Total Score 10
1.1	Double the GDP growth rate from 3% to over 6%	-		-	-	-	5.11
1.1.1	Double the GDP Growth rate	4.71% <sup>1</sup>	Various projections were made but we have kept the previous number as GDP is officially revised only once a year.	-	-	-	4.25

<sup>1</sup> [http://www.finance.gov.pk/survey/chapters\\_16/Overview\\_of\\_the\\_Economy.pdf](http://www.finance.gov.pk/survey/chapters_16/Overview_of_the_Economy.pdf). Despite a controversy on GDP estimates, this report prefers official numbers. The score of 4.25 represents an approximate proportionate increase over the baseline.

1.1.2	Higher investment in the energy sector	Rs 101 billion or almost 89% has been released <sup>2</sup> . During Jan-May 2016, net FDI in power was \$168.3 million.	\$394.4 m net FDI recorded in July-November 2016. <sup>3</sup>	2.5	2	4.25	8.75
1.1.3	Converting at least 50% of the remittances by Overseas Pakistanis into investments	As yet no development	Remittances declined by around 2% during Jul-Nov 2016 as against the same period in 2015.	-	-	-	Not Scored
1.1.4	Infrastructure projects (motorways, dams, housing projects, new urban centers and cities)	Rs 74.1 billion released, which is 46.8% of allocated amount <sup>4</sup> .	Various projects are at different stage of progress. GoP has so far released Rs. 248 b under PSDP against the	2.5	2	2.5	7

<sup>2</sup> Planning Commission, PSDP Releases as on 13<sup>th</sup> May 2016, [http://www.pc.gov.pk/wp-content/uploads/2016/05/ReleaseSummary2014-15\\_13-05-2016.pdf](http://www.pc.gov.pk/wp-content/uploads/2016/05/ReleaseSummary2014-15_13-05-2016.pdf)

<sup>3</sup> Net Inflow of Foreign Direct Investment by Economic Groups, [http://sbp.org.pk/ecodata/NIFP\\_Arch/index.asp](http://sbp.org.pk/ecodata/NIFP_Arch/index.asp)

<sup>4</sup> [http://www.pc.gov.pk/wp-content/uploads/2016/05/ReleaseSummary2014-15\\_13-05-2016.pdf](http://www.pc.gov.pk/wp-content/uploads/2016/05/ReleaseSummary2014-15_13-05-2016.pdf) .

		Approved Rs187.95 billion for such projects <sup>5</sup> .	allocation of Rs800 b for FY17. <sup>6</sup> 7 infrastructure related schemes worth Rs145bn has been approved. <sup>7</sup>				
1.1.5	Foreign investment in oil, gas and other minerals	During Jan-May 2016, net FDI in these sectors is US \$89.60 million <sup>8</sup> .	FDI in Oil and Gas exploration sector dropped to \$61.9 million in Jul-Nov 2016 as compared to \$120.6 million in the similar period of 2015.	1	0	0.25	1.25
1.1.6	Investment to GDP ratio will rise to 20%	Investment to GDP ratio reached to 15.21%. <sup>9</sup>	FDI Jul-Oct 2016 \$316mn as compared to \$610mn is the same period of last year- a decline of around 48 percent. <sup>10</sup>	-	-	-	4.3

<sup>5</sup> <http://www.brecorder.com/market-data/stocks-a-bonds/0/31003/>

<sup>6</sup> <https://www.thenews.com.pk/print/168831-Govt-disburses-Rs248bln-under-PSDP-201617>

<sup>7</sup> <http://www.dawn.com/news/1303483/7-schemes-worth-rs145bn-approved>

<sup>8</sup> Net Inflow of Foreign Direct Investment by Economic Groups, [http://sbp.org.pk/ecodata/NIFP\\_Arch/index.asp](http://sbp.org.pk/ecodata/NIFP_Arch/index.asp)

<sup>9</sup> Economic Survey: "Investment to GDP ratio has reached to 15.21 percent in FY 2016" [http://www.finance.gov.pk/survey/chapters\\_16/01\\_Growth\\_and\\_Investment.pdf](http://www.finance.gov.pk/survey/chapters_16/01_Growth_and_Investment.pdf). This shows an increase of only 0.59% therefore score remains unchanged.

<sup>10</sup> [http://www.sbp.org.pk/ecodata/Balancepayment\\_BPM6.pdf](http://www.sbp.org.pk/ecodata/Balancepayment_BPM6.pdf)

			PSDP Rs167bn in Q1FY17 as compared to Rs146bn in Q1FY16 an increase of around 14 percent. <sup>11</sup>				
1.2	<b>Budget deficit will be brought down to 4%</b>	-		-	-	-	3.25
1.2.1	Bring down budget deficit to 4%	Expected to be at 4.3% of GDP during FY 2016 <sup>12</sup> .	Previous score maintained.	-	-	-	5.25
1.2.2	Increase tax to GDP ratio from 9% to 15%	2 <sup>nd</sup> Half: Jan-May Rs. 1169 Billion <sup>13</sup> . Collection in 2 <sup>nd</sup> half is 11% higher. Tax to GDP ratio reached to 10.1%. <sup>14</sup>	FBR collected Rs1458bn (5% of GDP) during Jul-Dec FY17- a growth of 6pc as compared to Rs1372bn (4.6% of GDP) in the corresponding period FY16. <sup>15</sup>	-	-	-	6

<sup>11</sup> <http://www.sbp.org.pk/reports/quarterly/fy17/First/Chap-4.pdf>

<sup>12</sup> Economic Survey: "For FY2016, the fiscal deficit is expected to be at 4.3 percent of GDP".

[http://www.finance.gov.pk/survey/chapters\\_16/04\\_Fiscal\\_Development.pdf](http://www.finance.gov.pk/survey/chapters_16/04_Fiscal_Development.pdf)

<sup>13</sup> <http://sbp.org.pk/ecodata/tax.pdf>, <http://www.pkrevenue.com/exclusive/fbr-heading-towards-achieving-rs3104bn-target-may-collection-grows-by-30pc/>

<sup>14</sup> Economic Survey 2015-16. [http://finance.gov.pk/survey/chapters\\_16/04\\_Fiscal\\_Development.pdf](http://finance.gov.pk/survey/chapters_16/04_Fiscal_Development.pdf)

<sup>15</sup> <http://www.pkrevenue.com/inland-revenue/fbr-collects-rs1458-billion-in-first-half-of-2016-17/>

1.2.3	One-third reduction in current expenditures other than salaries, allowances and pensions	Current expenditure (non-salary) 3.64 trillion grew by 11% in 2016-17 budget.	Previous score maintained.	1.25	0	0	1.25
1.2.4	Eliminate VIP Culture by reducing expenses on Presidency and Prime Minister Office.	For 2016-17, budgeted expenditure of PM House is Rs881 million and Rs863 million for Presidency <sup>16</sup> .	Previous score maintained. 162% project escalation cost in Prime Minister Office approved. <sup>17</sup>	0	0	0	0
1.2.5	Reduction in losses on PSEs	In 2013-14, Profit for profit making PSCs: Rs. 367.57 billion Loss for loss	The cumulative losses incurred by PIA, Pak. Railway and the three PSEs and the power sector companies have increased to Rs1.365 trillion. <sup>19</sup>	1.75	1.50	0.25	3.50

<sup>16</sup> <http://tribune.com.pk/story/1116011/rs863m-go-presidency-pm-secretariat-gets-rs881m/>. In real terms, there is an increase of about 6% on Presidency and PM Office, instead of a reduction.

<sup>17</sup> Express Tribune, 24<sup>th</sup> December 2016.

<sup>19</sup> <http://www.dawn.com/news/1290493>

		making PSCs: Rs. 149.93 billion <sup>18</sup> .					
<b>1.3</b>	<b>Inflation will be brought down to single digit in the range of 7%-8%</b>	-		-	-	-	<b>4.25</b>
1.3.1	Bring down inflation	CPI 3.2% YoY change in May 2016. <sup>20</sup>	CPI 3.8% YoY change in November 2016. <sup>21</sup>	-	-	Target stands achieved.	-
1.3.2	Limiting government borrowing	From July-October FY16 Govt. domestic Debt: Rs. 50745.57 billion; Total External Debt= Rs. 19491.38 Billion Q3 FY2016 Govt. Domestic Debt	From July-October FY17 Govt. domestic Debt: Rs. 56,477 billion- 11% higher than the same period FY16; Total External Debt= Rs. 21,932.65 Billion- 12% higher than the same period FY16. <sup>23</sup> During past 3 years govt. borrowed \$25bn as foreign loans, \$30bn from domestic	1.5	1.5	1	4

<sup>18</sup> [http://www.finance.gov.pk/publications/State\\_Owned\\_Entities\\_FY\\_2013\\_14.pdf](http://www.finance.gov.pk/publications/State_Owned_Entities_FY_2013_14.pdf). For the first time, Government of Pakistan released comprehensive statistics on the performance of Public Sector Companies as earlier these reports have reported only selectively available data.

<sup>20</sup> Ibid. The CPI estimates were largely corroborated by an independent study published by PRIME, Pasha, Hafiz A. et'al (2016).

<sup>21</sup> Pakistan Bureau of Statistics

<sup>23</sup> State Bank of Pakistan

		Rs. 13,398 billion; Total External Debt and Liabilities Rs. 7,286.6 billion. <sup>22</sup>	market. <sup>24</sup>				
1.3.3	Decreasing tax rates	Corporate Tax decreased from 32% to 31%; Withdrawal of 16% FED on certain services; customs-maximum tariff slab reduced to 20%. Sales tax remains unchanged <sup>25</sup> .	Previous score maintained.	1.5	1.5	1.5	4.5
1.3.4	Lower interest rates through effective monetary policy	SBP Policy rate 5.75% <sup>26</sup>	SBP current Policy Rate 5.75% <sup>27</sup>	-	-	-	4.25
				-	-	-	

<sup>22</sup> <http://www.sbp.org.pk/ecodata/Summary.pdf>

<sup>24</sup> <http://tribune.com.pk/story/1203863/external-debt-three-years-pakistan-taken-25b-fresh-loans/>

<sup>25</sup> Budget Speech 2016-17.

<sup>26</sup> <http://www.sbp.org.pk/ecodata/OVR-Repo-History.pdf>

<sup>27</sup> <http://www.sbp.org.pk/ecodata/sir.pdf>

1.4	<b>Other Initiatives for Economic Revival</b>						5.2
1.4.1	Reducing energy shortage and cost of producing energy	On 8 <sup>th</sup> June, 2016 Electricity shortfall closed at 5,000 MWs. <sup>28</sup>	Overall power generation reached to 6,840 GWh in Nov-2016 as compared to 6,540 GWh in Nov-2015, an increase of around 4 percent. <sup>29</sup> Cost of production of electricity declined by around 50 percent in Nov-2016. <sup>30</sup>	1.75	2	2	5.75
1.4.2	Opening up markets to encourage regional trade	Govt. evolves a three pronged strategy of trade diplomacy in the multi-lateral, bi-lateral and	No further development. Previous score maintained.	2.5	2	2	6.5

<sup>28</sup> <http://www.dawn.com/news/1263672>.

<sup>29</sup> <https://www.thenews.com.pk/print/174606-Power-generation-up>

<sup>30</sup> <http://tribune.com.pk/story/1275728/november-2016-power-production-cost-halves-rise-hydel-generation/>

		regional areas. <sup>31</sup>					
1.4.3	Reforms in financial sector and capital markets	Pakistan Stock Exchange established integrating three stock exchanges.	SECP approved regulatory framework for Debt & Equity Securities <sup>32</sup> , under Companies Ordinance 2016. SECP simplified procedure for convening AGMs. <sup>33</sup> Approved “Principles of Corporate Governance for Non-listed Companies” <sup>34</sup> SECP simplified regulatory requirements for distributors of mutual funds. <sup>35</sup>	2.25	2.75	3.5	8.5
1.4.4	Improved regulatory environment on national level	Some improvements observed; e.g. CNG market to be deregulated, power	Five regulatory bodies stripped of autonomy (NEPRA, OGRA, PTA, PPRA, FAB) <sup>36</sup>	0	0	0	0

<sup>31</sup> <http://www.dawn.com/news/1247498/govt-plans-to-expand-trade-diplomacy>

<sup>32</sup> <http://www.dawn.com/news/1292859>

<sup>33</sup> <http://epaper.brecorder.com/2016/11/20/1-page/818784-news.html>

<sup>34</sup> <http://tribune.com.pk/story/1167955/non-listed-companies-secp-approves-principles-corporate-governance/>

<sup>35</sup> <https://www.thenews.com.pk/print/163349-SECP-approves-simplified-regulatory-requirements>

<sup>36</sup> Express Tribune, 20<sup>th</sup> December 2016

		distribution deregulation on the cards.					
<b>1.5</b>	<b>Industry and Trade</b>			-	-	-	<b>3.6</b>
1.5.1	Making ample credit available to the private sector	During Jul-Nov 2015, credit to private sector was Rs20 trillion. <sup>37</sup>	During Jul-Nov 2016 credit to private sector was Rs74bn, an increase of more than 100 percent as compared to Rs36bn in the same period last year. <sup>38</sup>	1	1	0.75	2.75
1.5.2	Industrial Manufacturing growth will be taken to 7% to 8%	LSM registered a growth of 4.48% in Jul-Oct FY16 over the corresponding period in FY15. <sup>39</sup>	LSM grew 2.03 % during Jul-Oct FY17 over the corresponding period in FY16. <sup>40</sup>	-	-	-	5
1.5.3	Reforming tariffs to eliminate anti-export bias			-	-	-	Not scored

<sup>37</sup> Source: State Bank of Pakistan: <http://www.sbp.org.pk/ecodata/index2.asp> -- Credit/Loans Classified by borrowers (Archive)

<sup>38</sup> Source: State Bank of Pakistan: <http://www.sbp.org.pk/ecodata/index2.asp> -- Credit/Loans Classified by borrowers (Archive)

<sup>39</sup> Source: Pakistan Bureau of Statistics: [http://www.pbs.gov.pk/sites/default/files//industry\\_mining\\_and\\_energy/qim/2016/qim\\_webnote\\_october\\_2015.pdf](http://www.pbs.gov.pk/sites/default/files//industry_mining_and_energy/qim/2016/qim_webnote_october_2015.pdf)

<sup>40</sup> Source: Pakistan Bureau of Statistics: [http://www.pbs.gov.pk/sites/default/files//industry\\_mining\\_and\\_energy/qim/2016/qim\\_webnote\\_oct\\_2016.pdf](http://www.pbs.gov.pk/sites/default/files//industry_mining_and_energy/qim/2016/qim_webnote_oct_2016.pdf)

1.5.4	Establishing an Equity Fund consisting of private and public sectors	-	-	-	-	-	Not scored
1.5.5	Creating Industrial Parks for large and small industries especially in the under-developed areas	Already mentioned projects are in progress. <sup>41</sup> 25 Industrial zones along CPEC identified. <sup>42</sup>	Govt. offered a one-time exemption from all taxes on all imported capital goods and exemption from income tax for 5 years thereafter for SEZ Zone enterprises. <sup>43</sup>	2.25	1.75	3.5	7.5
1.5.6	Developing Clusters for industries (Gems, Jewellery, Fans, Halal Meat, Sports Goods, Furniture, Crockery, Utensils)	Working group on economic zones has not been finalised as yet. <sup>44</sup>	Previous score maintained.	1.75	1.5	1	4.25
1.5.7	Necessary incentives for MNCs already operating in Pakistan	Instead, continuation of Super tax on MNCs reporting more than Rs. 500 million of income creates	Previous score maintained.	0	0	0	0

<sup>41</sup> <http://www.nip.com.pk/projects/index.php>

<sup>42</sup> PRIME Institute (2016) "China Pakistan Economic Corridor: Mapping Business Opportunities"

<sup>43</sup> <http://tribune.com.pk/story/1202575/economic-expansion-govt-wants-private-sector-invest-pakistan/>

<sup>44</sup> <http://tribune.com.pk/story/1025902/cpec-programme-centre-tight-lipped-on-sites-for-economic-zones/>

		disincentives.					
1.5.8	Incentives for MNCs expected to invest in Pakistan in export oriented manufacturing	Status maintained. Above mentioned Super Tax may act as a disincentive for MNCs.	Previous score maintained.	1.25	0.5	1	2.75
1.5.9	Intensifying participation in regional cooperation forums like SAARC and ECO, including FTAs and PTAs	Ministry of Commerce developed a policy to enhance Pakistan's product market through Multilateral, unilateral and regional trade. <sup>45</sup>	FTA with Turkey to be signed in Dec. <sup>46</sup> FTA with South-Korea in 2017. <sup>47</sup> Negotiations on FTA with Thailand are in plan. <sup>48</sup>	2	1.5	2	5.5

<sup>45</sup> <http://www.dawn.com/news/1247498/govt-plans-to-expand-trade-diplomacy>

<sup>46</sup> <https://www.thenews.com.pk/print/152117-Talks-on-Pak-Turkey-FTA-to-be-finalised-by-December>

<sup>47</sup> <http://tribune.com.pk/story/1186072/kicking-off-negotiations-pakistan-south-korea-move-forward-fta/>

<sup>48</sup> <http://www.dawn.com/news/1283354/fta-talks-with-thailand-close-to-conclusion>

1.5.10	All exports will be sales tax free	Government has decided to introduce the zero-rated regime for exports (of five sectors) from the next financial year. <sup>49</sup>	Previous score maintained.	1	0.5	1	2.5
1.5.11	Export-Import Bank will be set up	Setting up of the Bank is in the process.	Target stands achieved.	-	-	-	Not scored.
1.5.12	Technology Up-gradation Fund will be set up	Technology Upgradation Fund is being established. <sup>50</sup>	Previous score maintained.	2	-	-	2
<b>1.6</b>	<b>Infrastructure</b>	-		-	-	-	<b>7.25</b>
1.6.1	Bureau of Infrastructure Development will be established for private sector participation	As yet no development.	Previous score maintained.	-	-	-	-
1.6.2	Construction of National Trade Corridors	Estimated size of investment in infrastructure Rs.	Work started on Lahore Sialkot Motorway project under an estimated cost of Rs.	2.5	2	3.75	8.25

<sup>49</sup> <http://tribune.com.pk/story/1056704/extending-scope-ministry-considering-zero-rated-facility-for-9-sectors/>

<sup>50</sup> Budget Speech 2016-17.

		16,524 Billion. 47% of these projects will be completed in next 2 years and 20% by June 2019. <sup>51</sup>	45.4 billion. <sup>52</sup>				
1.6.3	At least 1000 clusters of 500 houses each for lower income families will be developed	PHA Foundation has opened booking of apartments in its I-12/1 project. <sup>53</sup> Balloting of I-16/3 Project, Islamabad is also completed. <sup>54</sup>	The project of establishing 1000 clusters is yet to be placed before the cabinet. Housing ministry asked for Rs. 350 million- only Rs10 million allocated for project's secretariat. <sup>55</sup>	2	1.5	2	5.5
1.7	<b>Creating Job Opportunities</b>	-		-	-	-	5.5

<sup>51</sup> Presentation by Chairman NHA at the PM Office, 9<sup>th</sup> June 2016.

<sup>52</sup> <http://tribune.com.pk/story/1167946/lahore-sialkot-pm-starts-work-motorway-just-hours-approval/>

<sup>53</sup> <http://www.pha.gov.pk/NewsDescription.aspx?NewsNO=195>

<sup>54</sup> <http://www.pha.gov.pk/NewsDescription.aspx?NewsNO=199>

<sup>55</sup> <http://tribune.com.pk/story/1153279/pml-ns-low-cost-housing-scheme-limited-files/>

1.7.1	Create incentive programmes for the private sector to create employment	As a matter of policy, no such programme exists at the national level, but selective incentives have been provided e.g. grant of Tax Exemption under Gwadar Port Concession Agreement, <sup>56</sup> 40-year tax exemption from sales tax and federal excise duty for Gwadar Port Authority and its operating companies, contractors and subcontractors. <sup>57</sup>	Previous score maintained.	2	1.75	1.75	5.5
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<sup>56</sup> <http://www.brecorder.com/top-stories/0/48477:gwadar-free-zone-grant-of-tax-exemption-approved/>

<sup>57</sup> <http://tribune.com.pk/story/1109013/massive-tax-exemptions-gwadar-port-operators/>

		Other incentives include tax credits under various schemes, reduction in customs duty on import of machinery etc. <sup>58</sup> .					
1.7.2	Starting an especially designed employment programme	Prime Minister's Youth Programme projected at Rs20 billion. Interest on Youth Business Loan decreased to 6%. NBP disburses Rs. 6.5 billion to more than 7,000 youth.	PM Youth Loan scheme: fresh applicants has increased by 12% but the pace of approval is slow: Against the target of Rs100-200bn, so far only Rs7.7 billion had been disbursed among 8,139 clients. <sup>59</sup>	2	2	1.5	5.5
1.8	<b>Tax Reforms</b>	-		-	-	-	<b>3.44</b>

<sup>58</sup> Budget Speech 2016-17.

<sup>59</sup> <http://tribune.com.pk/story/1179658/pm-scheme-loan-requests-rise-pace-approval-remains-slow/>; <http://tribune.com.pk/story/1169425/disbursements-pm-youth-loan-scheme-nbp-president-advises-government-patient/>

1.8.1	Bringing informal economy into tax net	Voluntary Tax Compliance Scheme cleared by IMF. <sup>60</sup> Only 10,000 traders have filed income tax returns against the target of one million. <sup>61</sup>	Previous score maintained.	1.5	0	2	3.5
1.8.2	Broadening tax base	Active tax payers reached to 1,023,150. <sup>62</sup> The number of non-filers having National Tax Number is four times that of the number of filers. <sup>63</sup>	The FBR received 1.1 million income tax returns in tax year 2016. <sup>64</sup>	0.5	1	1.25	2.75
1.8.3	Tax all income	As yet no development.	Previous score maintained.	-	-	-	Not scored.

<sup>60</sup> <http://www.dawn.com/news/1237662/imf-clears-tax-compliance-scheme>

<sup>61</sup> Business Recorder, 25<sup>th</sup> March 2016

<sup>62</sup> Active Tax Payers List, FBR: <http://www.fbr.gov.pk/ActiveTaxpayersList.aspx>

<sup>63</sup> <http://tribune.com.pk/story/1059606/changes-in-fbrs-functionality-govt-implements-new-three-tier-hybrid-administration/>

<sup>64</sup> Ibid

1.8.4	No increase in the tax rates	<p>Withholding tax rates for non-filers have been increased. Capital Gains Taxes have been increased. No change in income tax slabs for salaried individuals.</p> <p>New taxes:  Capital Gains Tax of 10% if sold in 5 years.  WHT of 5% on mining.  Tax on dividend income increased from 17.5% to 20%.  WHT on prize bond 15% to 20% for non-filers,  FED on aerated water 10.5% to 11.5%, Sales tax on poultry ingredients 5% to 10%.</p>	Previous score maintained.	0.5	1	1.5	3
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1.8.5	Reduce Tax evasion	FBR sent 450,000 notices to non-filers. <sup>65</sup>	Pakistan signed Multilateral Convention on Mutual Administrative Assistance in Tax Matters to avoid tax evasion. <sup>66</sup>	1.75	0.5	2	3.75
1.8.6	Rationalizing tax rates	In order to rationalize taxes on property sale/purchase, which are done on DC rate, higher rates of withholding tax have been introduced <sup>67</sup> .	Issue of taxes on real estate transaction is still to be resolved. Ad hoc measures are being taken.	1	1	1.5	3.5
1.8.7	Reform of tax administration both at the federal and provincial levels	Tax Reforms Commission developed a list of recommendations	Out of 36 reform proposals (mentioned in TRC Report last year) govt. has implemented only 6. <sup>68</sup>	1.75	2	0.25	4

<sup>65</sup> Jang, 8<sup>th</sup> May 2016, [www.jang.com.pk](http://www.jang.com.pk)

<sup>66</sup> <http://www.dawn.com/news/1283988/pakistan-signs-oecc-convention-to-fight-tax-avoidance>

<sup>67</sup> Budget Speech 2016-17.

<sup>68</sup> <http://tribune.com.pk/story/1196776/creating-hurdles-implementation-trc-report-put-backburner/>

1.8.8	Ensuring tax compliance by small businesses	Traders availing Volunteer Tax Compliance Scheme were to be subjected lower rate on banking transactions.	Previous score maintained.	1.5	0.5	1	3
1.8.9	Publish an Annual Tax Directory indicating the taxes paid and assessed in the last 3 years	Tax Directory not published.	Tax Directory Published. <sup>69</sup>	-	-	-	10
1.8.10	Reduce the number of federal and provincial taxes	As yet no development.	As yet no development.	-	-	-	Not scored.
1.8.11	Rationalizing sales tax by ensuring standard rate for all items	TRC recommended a flat rate of sales tax on petroleum products, a fixed rate of turn over tax on small retailers, rationalization of extra tax regime, withdrawal of all tax	Previous score maintained.	0.5	1	0	1.5

<sup>69</sup> <http://www.brecorder.com/taxation/181:pakistan/83997:sardonic-comment-on-tax-culture-26-mps-paid-no-tax/?date=2016-09-10>

		amnesties/fixed taxes and value addition schemes and new incentives for registered persons.					
1.8.12	Broadening the scope of sales tax	Sales tax regime extended to milk and dairy products. Simplified scheme for Retailers Tier-1 for payment of sales tax at 2% of turn over introduced <sup>70</sup> .	Previous score maintained.	1	1.25	0.5	2.75
1.8.13	Ensuring elimination of money laundering and whitening of black money	Government shows resolve to amend relevant laws and plug loopholes <sup>71</sup> .	Previous score maintained.	2.5	1	0	3.5
1.8.14	Improving self-assessment and audit compliance	No further progress.	FBR taken initiatives for: establishment and	1	0.50	0.50	2

<sup>70</sup> Budget Speech 2016-17.

<sup>71</sup> <http://tribune.com.pk/story/1107827/pakistani-laws-facilitate-money-laundering/>

			maintenance of a central databank, simplification of tax procedures, increased reliance on direct taxes, minimum tax exemptions and withholding tax, robust audit and greater transparency, to promote a culture of tax compliance. <sup>72</sup>				
1.8.15	Regulatory duty will be levied on non-essential imports	Regulatory duty on non-essential imports levied through ECC.	Previous score maintained.	0.5	0.5	0.5	1.5
<b>1.9</b>	<b>State-owned enterprises</b>	-		-	-	-	<b>4.5</b>
1.9.1	Appointing independent and professional boards	No progress made and government intervened in SOEs governance several times e.g. in the cases of LESCO and	GoP has restored powers of the PM to sack heads of public sector entities (PSE) without assigning reasons. <sup>73</sup> PM gave administrative control of 5 autonomous regulatory bodies- Nepra, Ogra, PTA, PPRA & FAB- to	-	-	-	0

<sup>72</sup> <http://www.dawn.com/news/1288242>

<sup>73</sup> <http://www.dawn.com/news/1299920/pm-takes-back-powers-to-sack-heads-of-public-entities>

		NTDC.	related ministries. <sup>74</sup>				
1.9.2	Identification and ensuring the completion of privatisation process within the assigned timeframe	In case of power sector (DISCOs), government decides to revisit privatisation policy and introduce outsourcing of operations <sup>75</sup> ; Government assures IMF to privatise PIA, PSM and State	According to a National Assembly panel Pakistan Steel Mill will be privatised till March 2017. <sup>77</sup> Ministry of Industries blocked the privatisation process of Heavy Electricity Complex (HEC). <sup>78</sup> Govt. planned to privatise two 2550MW RLNG projects. <sup>79</sup> Cabinet committee on Privatisation allowed Privatisation Commission to	1.5	1.75	3.75	7

<sup>74</sup> <http://tribune.com.pk/story/1268592/five-regulatory-bodies-stripped-autonomy/>

<sup>75</sup> Pakistan Today, 16<sup>th</sup> May 2016.

<sup>77</sup> <http://epaper.brecorder.com/2016/12/14/1-page/827562-news.html>

<sup>78</sup> <http://tribune.com.pk/story/1251868/heavy-electrical-complex-govt-stumbles-fifth-attempt-privatise-hec/>

<sup>79</sup> <https://www.thenews.com.pk/print/154147-Govt-plans-to-privatise-2550MW-RLNG-power-projects>

		Life in 2016. <sup>76</sup>	privatise PSM, PIA, KAPCO and power sector entities. <sup>80</sup>				
1.9.3	PIA will be transformed into a profitable and reputed airline of the region	Parliament adopted Pakistan International Airlines Corporation (Conversion) Bill 2016 which allows divestment of 49% share to the private sector. <sup>81</sup> PIA losses also curtailed.	PIA showed operational profit during march 2016, average number of daily flights has crossed 120. <sup>82</sup> PM constituted a committee to finalise financial plan of PIA for the procurement of 13 new air crafts. <sup>83</sup>	2	1.5	2	5.5

<sup>76</sup> <https://www.imf.org/external/np/sec/pr/2016/pr16137.htm>

<sup>80</sup> <http://www.brecorder.com/market-data/stocks-a-bonds/0/65338/>

<sup>81</sup> <http://www.dawn.com/news/1251544/bill-to-turn-pia-into-company-adopted>

<sup>82</sup> <https://www.thenews.com.pk/print/134241-Hildenbrand-magic-makes-PIA-profitable>

<sup>83</sup> <http://www.brecorder.com/top-news/pakistan/327168-pm-forms-body-to-finalise-pias-financial-plan.html>

1.9.4	Improving the operations of Pakistan Railways, such as by setting of autonomous Board	Earnings improved and losses being reduced. <sup>84</sup>	Pakistan Railways incurred a loss of Rs27bn in 2015-16 as compared to Rs30bn in 2012-13. <sup>85</sup>	1	2	2.5	5.5
<b>1.10</b>	<b>Building the confidence of private sector</b>	-		-	-	-	<b>4.25</b>
1.10.1	Encourage participation of private sector in planning	No further progress made.	Bill on Public-Private Partnership to attract investment introduced. <sup>86</sup>	1	1	3	5
1.10.2	Establishment of Pakistan Business and Economic Council, chaired by the Prime Minister with equal membership of public private sector, meeting every quarter	An Economic Advisory Council exists that meets under the Finance Minister but it comprises of only experts and does not have a representation from the private sector.	Previous score maintained.	-	-	-	3.5

<sup>84</sup> <http://www.pildat.org/publications/publication/QualityofGovernance/PerformanceAnalysisofPakistanRailways.pdf>

<sup>85</sup> <http://www.pid.gov.pk/?p=24341>

<sup>86</sup> Business Recorder, 10<sup>th</sup> May 2016.

**Overall Score: 4.43**

**Energy Security: 5.33**

2	Manifesto Chapter: Energy Security: 5.33	Implementation Status					
	Manifesto Targets	Baseline (July-December 2015)	Current Status (January-June 2016)	Legislative and Policy Developments (score out of 2.5)	Institutions & Institutional Reforms (score out of 2.5)	Implementation (score out of 5)	Total Score 10
2.1	Creation of a Ministry of Energy and Natural Resources through the merger of Ministries of Water and Power and Petroleum and Natural Resources.	As yet no development.	Status maintained.	-	-	-	Not scored.

2	Manifesto Chapter: Energy Security: 5.33	Implementation Status					
	Manifesto Targets	Baseline (July-December 2015)	Current Status (January-June 2016)	Legislative and Policy Developments (score out of 2.5)	Institutions & Institutional Reforms (score out of 2.5)	Implementation (score out of 5)	Total Score 10
2.2	Reforms of National Electric Power Regulatory Authority (NEPRA) by	-		-	-	-	4.62
2.2.1	Upfront/Feed-in-tariff for wind, solar, small hydel, and biomass projects	<p>NEPRA withdrawn tariffs for 3 RLNG fired power plants of National Power Parks Management Company (Pvt) Ltd.<sup>87</sup></p> <p>Kot Addu Power Company (KAPCO) has secured an upfront tariff of Rs. 8.1176/kWh<sup>88</sup>.</p> <p>NEPRA approved tariff for low head hydropower generation</p>	Previous score maintained.	2	1.5	2.5	6

<sup>87</sup> <http://www.brecorder.com/market-data/stocks-a-bonds/0/15023/>

<sup>88</sup> <http://www.thenews.com.pk/print/118921-Nepira-approves-tariff-for-Kapcos-coal-power-plant>

2	Manifesto Chapter: Energy Security: 5.33	Implementation Status					
		Manifesto Targets	Baseline (July-December 2015)	Current Status (January-June 2016)	Legislative and Policy Developments (score out of 2.5)	Institutions & Institutional Reforms (score out of 2.5)	Implementation (score out of 5)
		<p>projects: 1) 100% foreign financing- Rs11.1016/kilowatt hour. 2)100% local financing- Rs13.0297/kWh.</p> <p>For high head hydropower projects: 1) 100% foreign financing- Rs10.2559/kWh. 2) based on 100% local financing, is fixed at Rs12.0606/kWh.<sup>89</sup></p> <p>Approved upfront tariff of Rs8.12 per unit for HUBCO power plant.<sup>90</sup></p>					
	Mandatory wheeling of electricity by DISCOs and the NTDC	NEPRA approved wheeling of electricity regulations-GENCOS	Previous score maintained.	2.5	2.5	0.5	5.5

<sup>89</sup> <http://www.thenews.com.pk/print/111903-Neptra-notifies-tariff-for-hydropower-projects>

<sup>90</sup> <http://www.dawn.com/news/1239977/rs812-per-unit-tariff-approved-for-hubcos-power-project>

2	Manifesto Chapter: Energy Security: 5.33	Implementation Status					
		Manifesto Targets	Baseline (July-December 2015)	Current Status (January-June 2016)	Legislative and Policy Developments (score out of 2.5)	Institutions & Institutional Reforms (score out of 2.5)	Implementation (score out of 5)
2.2.2		can sell their electricity across Pakistan. <sup>91</sup> DISCOs will be required to maintain and improve their service quality. <sup>92</sup>					
2.2.3	Net metering (sale guarantee) for small producers/consumers	Under new net metering regulations, the consumers can sell extra electricity to the power distribution companies at off peak rates.	LESCO and IESCO has started implemented Net Metering policy.  LESCO has received and installed solar net metering system of 135KW; <sup>93</sup> installed first net metering system	2.5	2	2.5	7

<sup>91</sup> <http://www.thenews.com.pk/print/126759-Neptra-allows-wheeling-of-electricity-regulations>

<sup>92</sup> <http://tribune.com.pk/story/1119724/neptra-regulations-producers-can-sell-power-consumers-anywhere/>

<sup>93</sup> <http://www.dawn.com/news/1295624/lesco-gets-solar-metering-system>

2	Manifesto Chapter: Energy Security: 5.33	Implementation Status					
		Manifesto Targets	Baseline (July-December 2015)	Current Status (January-June 2016)	Legislative and Policy Developments (score out of 2.5)	Institutions & Institutional Reforms (score out of 2.5)	Implementation (score out of 5)
			meter at a private factory. <sup>94</sup> IESCO has given 16 net metering connections to domestic consumers; <sup>95</sup> has acquired 1.5MW of electricity worth Rs2.5mn from consumers so far. <sup>96</sup>				
2.2.4	NEPRA determined tariffs to be notified tariffs	NEPRA has accused Water and Power Ministry of not notifying the determined tariff of DISCOs for FY2014-15 due to which higher	NEPRA declined to defer hearing of the “reconsideration request” by the Min. of Water and Power on tariff determination. <sup>98</sup>	0	0	0	0

<sup>94</sup> <http://epaper.brecorder.com/2016/11/11/3-page/815878-news.html>

<sup>95</sup> <http://tribune.com.pk/story/1232521/easing-shortages-iesco-provides-16-net-metering-connections/>

<sup>96</sup> <http://tribune.com.pk/story/1195290/net-metering-system-iesco-now-ready-buy-electricity-consumers/>

2	Manifesto Chapter: Energy Security: 5.33	Implementation Status					
		Manifesto Targets	Baseline (July-December 2015)	Current Status (January-June 2016)	Legislative and Policy Developments (score out of 2.5)	Institutions & Institutional Reforms (score out of 2.5)	Implementation (score out of 5)
		tariff of the previous year is being charged. <sup>97</sup>	Govt. proposed an amendment to Nepra Act 1997 to make it binding on the regulatory body to implement policy guidelines of the fed. govt. <sup>99</sup>				
2.2.5	Deregulating and decentralising by allowing small power producers to sell power directly to consumers through the distribution systems of DISCOs	As yet no development.	Status maintained.	-	-	-	Not scored.

<sup>98</sup> <http://www.brecorder.com/fuel-a-energy/193/62106/>

<sup>97</sup> Business Recorder, 29<sup>th</sup> September 2015.

<sup>99</sup> <https://www.dawn.com/news/1289369/govt-proposed-amendment-to-clip-powers-of-energy-regulators>

2	Manifesto Chapter: Energy Security: 5.33	Implementation Status					
		Manifesto Targets	Baseline (July-December 2015)	Current Status (January-June 2016)	Legislative and Policy Developments (score out of 2.5)	Institutions & Institutional Reforms (score out of 2.5)	Implementation (score out of 5)
2.3	Reform of Distribution Companies	-	-	-	-	-	4.65
2.3.1	Corporatization and privatisation of DISCOs	Privatisation of FESCO <sup>100</sup> and other DISCOs is delayed but board of directors of some DISCOs may be changed. <sup>101</sup>  In case of power sector (DISCOs), government decides to revisit privatisation policy and introduce outsourcing of operations. <sup>102</sup>	Mode of Privatisation of DISCOs has been changed and now the shares of these companies will be offered on Pakistan Stock Exchange. <sup>103</sup>	2	2	1.5	5.5

<sup>100</sup> <http://www.brecorder.com/top-stories/0/20675/>

<sup>101</sup> <http://www.thenews.com.pk/print/106162-Govt-shelves-plan-to-privatise-Discos-for-now>

<sup>102</sup> Pakistan Today, 16<sup>th</sup> May 2016.

<sup>103</sup> <http://www.brecorder.com/market-data/stocks-a-bonds/0/68154/>

2	Manifesto Chapter: Energy Security: 5.33	Implementation Status					
		Manifesto Targets	Baseline (July-December 2015)	Current Status (January-June 2016)	Legislative and Policy Developments (score out of 2.5)	Institutions & Institutional Reforms (score out of 2.5)	Implementation (score out of 5)
2.3.2	Reduction of transmission and distribution losses to less than 10%	T&D Losses now stand at 18% (excluding Karachi Electric). <sup>104</sup>	T&D losses increasing since 2013: number of units lost in 2013-14 was 16,325 Million kilowatt hours (M.kwh); 16,744 M.kwh in 2014-15 and was recorded at 16,762 M.kwh in 2015-16. <sup>105</sup>	1	0.5	1	2.5
2.3.3	Collection of electricity bills to 100%	BR reported recovery reached to 93.1%. <sup>106</sup>	Previous score maintained.	1.5	2	2.25	5.75
2.3.4	Ending of cross subsidy among DISCOs	In 2015-16, subsidy payments have jumped to Rs196.54 billion from	Government is mulling over eliminating the power	-	-	-	8

<sup>104</sup> Presentation by Secretary Water & Power, Briefing Session at PM Office, 9<sup>th</sup> June 2016.

<sup>105</sup> <http://tribune.com.pk/story/1166781/power-distribution-line-losses-soaring-since-2013/>

<sup>106</sup> <http://epaper.brecorder.com/2016/04/07/3-page/747582-news.html>

2	Manifesto Chapter: Energy Security: 5.33	Implementation Status					
	Manifesto Targets	Baseline (July-December 2015)	Current Status (January-June 2016)	Legislative and Policy Developments (score out of 2.5)	Institutions & Institutional Reforms (score out of 2.5)	Implementation (score out of 5)	Total Score 10
		<p>the target of Rs137.6 billion.<sup>107</sup></p> <p>For 2016-17, Rs95.4 allocated for energy subsidy.<sup>108</sup></p> <p>Energy subsidy as a % of GDP: 0.7% 2014-15, 0.5% 2015-16 and 0.4% target for 2016-17.<sup>109</sup></p> <p>At the same time, subsidy for Karachi Electric has been increased from Rs. 20 to 22 billion<sup>110</sup>.</p>	<p>subsidy for power consumers with the introduction of uniform tariff throughout the country.<sup>111</sup></p>				

<sup>107</sup> <http://tribune.com.pk/story/1116003/gdp-energy-subsidy-target-goes/>

<sup>108</sup> Ibid.

<sup>109</sup> Ibid.

<sup>110</sup> Express Tribune, 4<sup>th</sup> June 2016.

2	Manifesto Chapter: Energy Security: 5.33	Implementation Status					
		Manifesto Targets	Baseline (July-December 2015)	Current Status (January-June 2016)	Legislative and Policy Developments (score out of 2.5)	Institutions & Institutional Reforms (score out of 2.5)	Implementation (score out of 5)
2.3.5	Introduction of pre-paid billing system	As yet no development.	ECNEC approved Rs47bn foreign funded smart meters project in the jurisdiction of IESCO and LESCO. <sup>112</sup>	1.5	0	0	1.5
2.4	<b>Reform of Generating Companies</b>						3.5
2.4.1	Corporatisation and Privatisation of GENCOs under an independent Board. <sup>113</sup>	Govt. delayed plans to privatise power companies. <sup>114</sup>	The privatisation process has been stopped and now the shares of GENCOs	2	2.5	1.5	6

<sup>111</sup> <http://tribune.com.pk/story/1201310/proposal-govt-considering-away-power-subsidy/>

<sup>112</sup> <http://tribune.com.pk/story/1146088/pushed-adb-ecneec-approves-rs47b-smart-metering-project/>

<sup>113</sup> '2 DISCOs, 1 GENCO: PC board accords approval to restructuring, sell-off', Business Recorder, February 21<sup>st</sup> 2014. <http://www.brecorder.com/market-data/stocks-a-bonds/0/1155462/>

<sup>114</sup> <http://www.thenews.com.pk/print/96047-Pakistan-shelves-plan-to-privatise-power-firms>

2	Manifesto Chapter: Energy Security: 5.33	Implementation Status					
		Manifesto Targets	Baseline (July-December 2015)	Current Status (January-June 2016)	Legislative and Policy Developments (score out of 2.5)	Institutions & Institutional Reforms (score out of 2.5)	Implementation (score out of 5)
			will be offered on PSE. <sup>115</sup>				
2.4.2	Retrofitting of all equipment	As yet no development.	Status maintained.	-	-	-	Not scored.
2.4.3	Replacement of furnace oil boilers by coal fired boilers	The govt. has decided to put a cap on oil consumption in electricity production & produce about 21,000 MW with the help of coal, gas, wind and LNG.	Previous score maintained.	1	0	0	1

<sup>115</sup> <http://tribune.com.pk/story/1146096/delayed-pm-stops-privatisation-power-companies/>

2	Manifesto Chapter: Energy Security: 5.33	Implementation Status					
		Manifesto Targets	Baseline (July-December 2015)	Current Status (January-June 2016)	Legislative and Policy Developments (score out of 2.5)	Institutions & Institutional Reforms (score out of 2.5)	Implementation (score out of 5)
2.5	Permanent elimination of circular debt						3.125
2.5.1	Eliminate circular debt	On April 30 <sup>th</sup> , 2016 circular debt reached to Rs 318 billion. <sup>116</sup>	On November 24, 2016 Minister for Parliamentary affairs stated that circular debt is reached to Rs328bn. <sup>117</sup>	-	-	-	0
2.5.2	Narrowly target subsidies for consumers up to 100 units	Subsidy for lifeline consumers using up to 50 units continued.	Previous score maintained.	-	-	-	6.5
2.5.3	Notify electricity tariffs according to the average system wide cost	Target Stands Achieved.		-	-	-	Not scored.

<sup>116</sup> <http://www.brecorder.com/top-stories/0:/47460:power-sectors-circular-debt-stands-at-rs-318-billion-national-assembly-told/?date=2016-05-20>

<sup>117</sup> <http://www.dawn.com/news/1298484/circular-debt-stands-at-rs328bn-senate-told>

2	Manifesto Chapter: Energy Security: 5.33	Implementation Status					
		Manifesto Targets	Baseline (July-December 2015)	Current Status (January-June 2016)	Legislative and Policy Developments (score out of 2.5)	Institutions & Institutional Reforms (score out of 2.5)	Implementation (score out of 5)
2.5.4	Power dispatch to be strictly according to plan, efficiency and generation cost	As yet no development.	Efficiency in distribution and management of load shedding observed.	-	0.5	-	0.5
2.5.5	Ensure supply of gas to power plants	LNG imports enables government to supply round the clock gas. <sup>118</sup>	Previous score maintained.	1.5	1.5	2.5	5.5
2.6	<b>Rationalisation of energy tariffs in line with international prices across all fuels</b>	Govt. is ready to deregulate RLNG Prices and putting aside the role of OGRA. <sup>119</sup> Govt. is considering deregulating the prices of gasoline and diesel. <sup>120</sup>	Govt. has deregulated the prices of higher grade 95 RON (Research Octane Number) fuel. <sup>121</sup>	2	1.5	2	5.5

<sup>118</sup> Business Recorder, 6<sup>th</sup> April 2016

<sup>119</sup> <http://www.thenews.com.pk/print/97029-Govt-set-to-deregulate-RLNG-prices-putting-Ogras-role-to-rest>

<sup>120</sup> The News, 28<sup>th</sup> January 2016.

2	Manifesto Chapter: Energy Security: 5.33	Implementation Status					
		Manifesto Targets	Baseline (July-December 2015)	Current Status (January-June 2016)	Legislative and Policy Developments (score out of 2.5)	Institutions & Institutional Reforms (score out of 2.5)	Implementation (score out of 5)
2.7	Reforms of Oil and Gas Regulatory Authority			-	-	-	3.75
2.7.1	Blanket ban on new CNG stations	Target stands achieved.		-	-	-	Not scored.
2.7.2	Priority to public transport in the use of CNG	Target stands achieved.		-	-	-	Not scored.
2.7.3	Tariff rationalisation in gas sector	CNG prices likely to be deregulated <sup>122</sup> . Some reports however, suggest that govt. is likely to give regulatory powers (demand- supply) to OGRA. <sup>123</sup>	ECC approved deregulation of CNG prices for Sindh and KPK on the pattern of Punjab. <sup>124</sup>	2	1.5	1	4.5

<sup>121</sup> <https://www.thenews.com.pk/print/169089-Govt-deregulates-higher-grade-fuel-prices>

<sup>122</sup> <http://tribune.com.pk/story/1055681/cng-prices-body-to-examine-legal-aspects-before-deregulation/>

<sup>123</sup> <http://tribune.com.pk/story/1048909/petroleum-products-ogra-may-get-powers-to-regulate-oil-demand-supply/>

2	Manifesto Chapter: Energy Security: 5.33	Implementation Status					
		Manifesto Targets	Baseline (July-December 2015)	Current Status (January-June 2016)	Legislative and Policy Developments (score out of 2.5)	Institutions & Institutional Reforms (score out of 2.5)	Implementation (score out of 5)
2.7.4	Narrowly targeted subsidy for natural gas and LPG users	Subsidy is available for households consuming up till 300 M <sup>3</sup> per month.	Previous score maintained.	1	1	1	3
2.8	<b>Aggressive wellhead pricing for oil and gas exploration companies</b>	ECC has replaced cost based formula with a market based formula withdrawing annual state subsidy to Mari Petroleum.	Previous score maintained.	2	1.5	1	4.5
2.9	<b>High priority to import gas through pipelines</b>	Four TAPI member countries signed an initial investment agreement of \$10 billion. <sup>125</sup> Rs. 850 billion	Project is in final stages of financing: Siemens offered credit facility of \$2.5bn on the supply of compressors for TAPI-Turkmenistan agreed	2	2	3	7

<sup>124</sup> <http://www.dawn.com/news/1302176/subsidised-export-of-wheat-products-allowed>

<sup>125</sup> <http://tribune.com.pk/story/1058949/tapi-gas-pipeline-four-countries-ink-deal-for-10-billion-project/>

2	Manifesto Chapter: Energy Security: 5.33	Implementation Status					
		Manifesto Targets	Baseline (July-December 2015)	Current Status (January-June 2016)	Legislative and Policy Developments (score out of 2.5)	Institutions & Institutional Reforms (score out of 2.5)	Implementation (score out of 5)
		investment in pipelines in progress. <sup>126</sup>	to buy the compressors from Siemens. <sup>127</sup> ADB offered \$1bn and IDB offered \$500mn for the pipeline. <sup>128</sup> Roadshows to attract remaining funds are in plan. <sup>129</sup>				
	<b>Setting up of coal and LNG import terminals, and coal transportation facilities</b>	Rs. 120 billion investment in 4 LNG Terminals in progress. <sup>130</sup>	ECC approved the bid for the construction of 2 <sup>nd</sup> LNG terminal which will be	2	1.75	3.75	7.5

<sup>126</sup> Presentation by the Ministry of Petroleum and Natural Resources at the PM Office, 9<sup>th</sup> June 2016.

<sup>127</sup> <http://tribune.com.pk/story/1263555/talks-progress-siemens-offers-2-5b-credit-facility-tapi-pipeline/>

<sup>128</sup> <http://tribune.com.pk/story/1263555/talks-progress-siemens-offers-2-5b-credit-facility-tapi-pipeline/>

<sup>129</sup> Ibid.

<sup>130</sup> Ibid.

2	Manifesto Chapter: Energy Security: 5.33	Implementation Status					
		Manifesto Targets	Baseline (July-December 2015)	Current Status (January-June 2016)	Legislative and Policy Developments (score out of 2.5)	Institutions & Institutional Reforms (score out of 2.5)	Implementation (score out of 5)
2.10			completed by mid-2017. <sup>131</sup>  ECNEC approved \$2bn Gwadar-Nawabshah LNG terminal. <sup>132</sup>				
2.11	<b>Development of Thar coalfields and setting up of at least 5,000 MW of new coal fired power plants under the PPP mode in Sindh</b>	Financial close of Thar Coal Power Project at Thar Block-II has been completed. As of 9 <sup>th</sup> April 2016, funds worth \$1.5bn were available to start work on the project. <sup>133</sup>  Govt. has issued	The project is progressing 5 months ahead of schedule- out of total 112m cubic meter excavation, 7m cubic metres excavation is completed. The project will add 660MW of	2.5	2	4.25	8.75

<sup>131</sup> <http://tribune.com.pk/story/1133173/construction-ecc-gives-go-ahead-second-lng-terminal/>

<sup>132</sup> <http://tribune.com.pk/story/1191420/strategically-important-ecnece-approves-2b-gwadar-nawabshah-lng-terminal/>

<sup>133</sup> <http://www.brecorder.com/fuel-a-energy/193:pakistan/33784:groundbreaking-on-11th:-financial-close-of-660-megawatts-thar-coal-fired-plant-achieved:-cm?date=2016-04-09>

2	Manifesto Chapter: Energy Security: 5.33	Implementation Status					
	Manifesto Targets	Baseline (July-December 2015)	Current Status (January-June 2016)	Legislative and Policy Developments (score out of 2.5)	Institutions & Institutional Reforms (score out of 2.5)	Implementation (score out of 5)	Total Score 10
		guarantee of \$2 billion to Engro Powergen Thar Ltd.  Syndicate of local banks will provide \$500 million for mining and \$240 million for power plant. <sup>134</sup> Shareholders will inject \$500 million. <sup>135</sup> Two Chinese bank will provide \$820m loans. <sup>136</sup>	electricity to the national grid by 2019. <sup>137</sup>				
2.12	Developing consensus among the various stakeholders to	As yet no development.	Status maintained.	-	-	-	Not scored.

<sup>134</sup> <http://www.dawn.com/news/1251498/thar-coal-project-achieves-2bn-financial-close-after-govt-guarantee>

<sup>135</sup> Ibid

<sup>136</sup> Ibid

<sup>137</sup> <http://www.dawn.com/news/1286734/thar-coal-project-ahead-of-schedule>

2	Manifesto Chapter: Energy Security: 5.33	Implementation Status					
		Manifesto Targets	Baseline (July-December 2015)	Current Status (January-June 2016)	Legislative and Policy Developments (score out of 2.5)	Institutions & Institutional Reforms (score out of 2.5)	Implementation (score out of 5)
	facilitate setting up hydropower projects by the Federal and Provincial Governments						
2.13	Developing alternative renewable energy sources, such as solar, wind, bagasse, biogas, and biomass projects	CPEC Wind projects 200 MW; Solar 900 MWs in progress to be completed in 2017.	NEPRA accepted 4 applications seeking licences for power generation from wind, solar and bagasse. <sup>138</sup>	2.5	2.5	4	9
2.14	Introducing solar-thermal water heaters for domestic and industrial use	Import of solar-thermal water heaters has started.	Previous score maintained.	1	0.5	0.5	2
	Decentralizing and creating a wholesale market for electricity	Deregulation of electricity generation and distribution is already taking place <sup>139</sup> .	To attract private investments in the energy sector govt. is likely to offer market	2	2	1.5	5.5

<sup>138</sup> <http://tribune.com.pk/story/1133797/nepra-grants-alternative-energy-production-licences/>

<sup>139</sup> cf. 2.2.2, 2.2.3 and 2.6 above.

2	Manifesto Chapter: Energy Security: 5.33	Implementation Status					
	Manifesto Targets	Baseline (July-December 2015)	Current Status (January-June 2016)	Legislative and Policy Developments (score out of 2.5)	Institutions & Institutional Reforms (score out of 2.5)	Implementation (score out of 5)	Total Score 10
2.15			based rate of return. <sup>140</sup> Prime Minister has decided to deregulate electricity generation. <sup>141</sup>				

<sup>140</sup> <https://www.thenews.com.pk/print/168308-Govt-mulls-market-based-IRR-for-power-generation-investors>

<sup>141</sup> <http://www.brecorder.com/top-stories/0/90617:prime-minister-decides-to-deregulate-power-generation/?date=2016-10-04>

## PML-N Economic Agenda: Snapshots from 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup>, 4<sup>th</sup>, 5<sup>th</sup>, 6<sup>th</sup>, 7<sup>th</sup> and 8<sup>th</sup> Tracking Reports

	1 <sup>st</sup> Tracking Report	2 <sup>nd</sup> Tracking Report	3 <sup>rd</sup> Tracking Report	4 <sup>th</sup> Tracking Report	5 <sup>th</sup> Tracking Report	6 <sup>th</sup> Tracking Report	7 <sup>th</sup> Tracking Report	8 <sup>th</sup> Tracking Report
	Jul-Dec 2013	Jan-Mar 2014	Apr-Jun 2014	Jul-Dec 2014	Jan-Jun 2015	Jul-Dec 2015	Jan-Jun 2016	Jul-Dec 2016
<b>Overall Score (Out of 10)</b>	<b>3.66</b>	<b>4.40</b>	<b>4.13</b>	<b>4.55</b>	<b>4.10</b>	<b>4.61</b>	<b>4.94</b>	<b>4.97</b>
<b>Economic Revival</b>	<b>3.17</b>	<b>4.47</b>	<b>4.33</b>	<b>4.60</b>	<b>3.80</b>	<b>4.21</b>	<b>4.64</b>	<b>4.61</b>
GDP Growth	-	5.50	4.60	5.00	5.04	4.91	5.01	5.11
Budget Deficit	0.00	4.25	4.35	4.45	2.96	2.95	3.25	3.25
Inflation	2.00	6.75	4.12	5.13	4.92	3.93	4.41	4.25
Government Borrowing	0.00	8.50	8.00	70.00	6.00	4.80	4.50	4.00
Reducing Energy Shortage	-	6.50	5.50	5.50	6.00	4.50	5.25	5.75
Regional Trade	-	6.50	6.50	6.50	6.00	6.00	6.50	6.50
Reforms in Financial Sector & Capital mkts	-	6.00	7.00	7.00	7.00	8.00	8.00	8.50
Interest Rates	0.00	0 (Nil)	Nil	2.00	3.75	4.00	4.25	4.25
Industry and Trade	5.75	2.80	3.94	4.70	4.06	4.47	4.03	3.60
Infrastructure	6.00	3.17	4.50	5.00	5.20	5.20	7.25	7.25
Job Opportunities	-	4.25	5.00	5.25	5.13	5.38	6.25	5.50
Tax Reforms	5.00	1.75	3.27	2.90	2.40	2.54	2.71	3.44
State Owned Enterprises	4.00	3.50	4.50	5.00	3.63	3.88	4.12	4.50
<b>Energy Security</b>	<b>4.16</b>	<b>4.34</b>	<b>3.93</b>	<b>4.50</b>	<b>4.40</b>	<b>5.01</b>	<b>5.27</b>	<b>5.33</b>
Reforms of NEPRA	-	4.50	4.25	3.50	1.63	3.75	4.54	4.62
Reform of Distribution Companies	3.33	2.83	5.83	5.25	5.38	5.44	5.25	4.65
Reform of Generating Companies	1.50	2.50	4.00	2.00	3.00	3.50	3.25	3.50
Permanent Elimination of Circular Debt	5.33	3.25	3.63	3.60	3.50	3.50	4.00	3.13
Wellhead Pricing of Oil & Gas Exploration	4.50	3.50	3.50	3.50	4.50	4.50	4.50	4.50
Gas Imports	4.00	2.00	2.00	2.50	3.50	5.50	6.50	7.00
Coal and LNG Import Terminal	-	3.50	5.00	6.00	7.00	7.00	7.00	7.50
Thar Coalfields	5.00	7.00	7.50	8.00	8.00	8.50	8.50	8.75
Alternative Renewable Energy	-	7.00	8.50	8.50	8.75	9.00	9.00	9.00

## Endorsements

“A constructive effort to critique government policy...this is just the kind of analysis and debate we need to improve performance of elected government to help serve the people of Pakistan better.” **Asad Umar** (*MNA and Central Senior Vice President Pakistan Tehreek-e- Insaf*)

“PRIME should be appreciated for the report which is the first such effort to hold political parties to their election campaign promises. The pioneering effort has done a fairly good job but had the time frame been at least a year rather than six months. The policy directions need some more time to show their effect.” **Mohsin Leghari**, *Independent Senator*

"If our Governments are truly to serve the public we need to move beyond rhetoric towards an informed and objective discussion of policy and implementation. This can only happen if tools are available to objectively assess government performance against stated goals and objectives. Ali Salman and his team have produced one such tool and deserve much praise and encouragement for this stellar effort. The results will not make happy reading for the Government but it is hoped that they will be taken in the right spirit, and efforts made to address the shortcomings identified in the scorecard." **Senator Osman Saifullah Khan** (*Pakistan People's Party Parliamentarian*)

“The Scorecard, developed by PRIME with assistance from CIPE, is an innovative mechanism in that it is tied to the platform of a national government itself, in this case the economic platform of the party elected by a majority to govern Pakistan. As such, it can be useful for the government itself to measure its progress, show by an independent third party (PRIME) how progress is going, and serve as a useful mechanism for public-private dialogue enabling the private sector to both observe progress and advise on priorities for fulfilling its mandate. This scorecard is therefore unique among other existing indices, such as the World Economic Forum’s Global Competitiveness Index and the World Bank’s Doing Business Indicators in that the benchmarks come not from an external third party but from the government itself, making it all the more relevant. “

**Kevin X. Murphy** *Chairman, Partners for Sustainable Development, President & CEO, JE Austin Associates Inc.*

“PRIME has successfully initiated an important exercise whereby civil society can track the economic progress and hold political representatives accountable. Equally important is to mention that this research is being conducted by an independent think tank of Pakistan.” **Dr. Vaqar Ahmed** (*Deputy Executive Director, Sustainable Development Policy Institute*)

“The concept of evaluating government performance on the basis of its promises made in its election manifesto is very unique, remarkable and objective. I congratulate PRIME for formulating tool which can trace direction of the government. Pushing government to fulfill its promises made in manifesto is the only way that Pakistan can progress leaps and bounds in a democratic fashion.” **Khawaja Muhammad Usman** (*President, Multan Chamber of Commerce & Industry*)



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## Policy Research Institute of Market Economy (PRIME)

### *PML-N: Relaxing into a Discretionary Policy Regime*

### PML-N Economic Agenda

### 8<sup>th</sup> Tracking Report: July-December 2016

Current Report reviews Pakistan's economic performance by tracking the progress made on the implementation of economic manifesto announced by the party in power in Islamabad, Pakistan Muslim League-Nawaz (PML-N). The purpose is to initiate and inform policy dialogue and public debate on the progress made on the economic agenda of PML-N. This tracking directly serves the basic principle of a functioning democracy: accountability.

#### **Inflation in Pakistan: Understated, Especially for the Poor**

The study presents a critical analysis of measurement of inflation, its results and implications in Pakistan. As a pilot study, it considers price data of February 2016 as released by Pakistan Bureau of Statistics by taking consumption items which constitute 80% of monthly expenditure for an average household. By applying splicing technique of weights rectification and standardisation, it identifies discrepancies between reported inflation rates and adjusted inflation rates, in particular for the low income households. It is authored by Dr. Hafiz A. Pasha et'al.

#### ***Towards Flat, Low-rate, Broad and Predictable Taxes***

The study analyses the structural and operational weaknesses of the existing tax system at federal level and suggests alternate solutions in the areas that require fundamental reforms. It argues that taxpayers have to deal with multiple tax agencies adding to their cost of doing business and the non-existence of tax-related benefits is the most neglected area of our discourse on reforms. It highlights the existing four-tier tax appellate system, how it has failed to deliver and the alternate system which can be adopted. This study is authored by Huzaima Bukhari and Dr. Ikramul Haq

#### ***Unilateral Liberalisation: Pakistan's Path to Trade Revival***

The study focuses on significant shifts in trade policy over the last 25 years and their impact on Pakistan's overall trade performance. This study argues that 'Pakistan has become relatively open compared to 1990s but when compared to its neighbouring countries today, it is still much protectionist'. In this regard, this study discusses the different trade regimes of Pakistan since 1990s till 2014 and compares Pakistan's trade performance with that of neighbouring countries. It is authored by Sara Javed.

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<http://www.primeinstitute.org>