



Bad Economics is Bad Politics

PML-N Economic Agenda

7th Tracking Report: January-June 2016

Policy Research Institute of Market Economy (PRIME)



With support from: Center for International Private Enterprise

PRIME is a public policy think tank working for an open, free and prosperous Pakistan by creating and expanding a constituency for protective function of the state and freedom of the market.

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Bad Economics is Bad Politics

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Executive Summary

This is PRIME's 7th Tracking Report on PML-N's federal government economic performance which judges the implementation of their economic manifesto. It serves the basic purpose of a functioning democracy: accountability. The report serves as a reminder to both the government in power and media and public at large on the status of implementation of electoral promises.

There are two pillars or "Areas" of PML-N economic manifesto: Economic Revival and Energy Security. The report tracks down 89 targets set out by PML-N to achieve economic revival and energy security. Out of a maximum score of 10, the report awards a plausible score on the basis of three parameters: legislative development (2.5), institutional framework (2.5) and implementation (5) on all targets.

While a quantifiable score is given in almost all targets, some targets are deemed as "As yet no development" and remain "not scored" because of no progress. The report authors provide a detailed methodology on the scoring technique and methodology which is adopted to ensure transparency, consistency and validity.

The 7th tracking report- covering the time period of January-June 2016- is titled "Bad Economics is Bad Politics". It argues that the PML-N central government has chosen to unfollow promised reforms i.e. privatization, deregulation and liberalization, and adopt popular economic measures underpinned by what it calls as "Development Politics" and other populist economic measures.

The report provides examples of a stalled privatization program in the energy sector, wherein privatization of GENCOs and DISCOs has already been shelved, though the government insists that the process has only been delayed.

The tracking report notes that in the energy sector certain reforms have been introduced during the last three years, though the process has been slow. The report includes these as examples: Mandatory wheeling of electricity by DISCOs and NTDC; Net-metering (sale-guarantee) for the small producers/consumers; Developing alternative renewable energy sources; and developing and creating a wholesale market for electricity.

Individually considered, in the Area of Economic Revival, the PML-N central government earned an overall average of 4.17 out 10; whereas in the Area of Energy Security the overall average score is 4.51.

PML-N has completed its three years. During this time, the score has kept on improving. In the area of Economic Revival, it got a lift from 3.17 to 4.64; that accrues a gain of 46 %; whereas in the area of Energy Security, it increased from 4.16 to 5.27; that constitutes a gain of 26 %.

Previous tracking reports have argued that without ensuring the Energy Security, the Economic Revival will remain a far-fetched dream. While reiterating its hypothesis, the 7th

report clarifies that ensuring Energy Security is a necessary condition for the Economic Revival, but not a sufficient condition.

Commenting on the development politics of PML-N, the report lays out two conditions for testing economic viability of an infrastructure project: first, whether in the long term it is beneficial or not; and second, whether it is beneficial for the majority or not. The report concludes that, most probably, “there are only very few infrastructural projects of the PML-N that will fulfil both of these conditions.”

The report ends at an optimistic note by hoping that: “the PML-N has got the guts to take heart to have a resolve to make use of whatever time it has left with at its disposal, and go for the way of “Good Economics is Good Politics.”

Introduction

Bad Economics is Bad Politics is 7th 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 January-June 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 three "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.

From this report onwards, 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 three "areas" i.e. "Economic Revival", "Energy Security" and "Social Protection" 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 plusses 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 1st January 2016 to 30th June 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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Bad Economics is Bad Politics

With the parliament's approval of this year's budget, the PML-N has entered the fourth year of its tenure. That means in 2017, it would be presenting its last budget, and in the early months of 2018, it would be going for the general elections provided the constitutional set-up runs smoothly.

However, the 2016-17 budget is being dubbed as the Election Year Budget. It's not just a simple opinion. That tries to say something very significant. On the face of it, it means that the said budget prioritizes such popular, and populist, measures that would earn the PML-N expectedly more and more votes in case it will have to go for snap election.

Analytically, it amounts to saying that the said budget does not envisage any such serious reforms that would go a long way on the one hand in opening up the economy and thus giving strength and freedom to the private sector to spur growth, and on the other hand in curtailing both the physical and non-physical size of the government and thus helping the same private entrepreneurs to play by the rules of the market.

Each of the both contentions is true. Notwithstanding, there is one exception. On the side of generating the projected revenue, the said budget is no different from the earlier ones. Very few have paid any attention to it. That is, in collecting taxes, the government is as partial and as unjust as it could be. Not only is it depending increasingly on indirect taxes, but is infamously shifting its whole thrust towards adopting the regime of withholding tax as the sole mechanism of generating ever-higher revenue. That does not preclude piling up of the huge domestic as well as external debt.

It should be obvious enough that the taxation policy of a government or its budget is more important than its spending priorities. That is, revenue comes before the spending; not the vice versa. That is, it is of paramount importance that how and for whom the taxes are levied and collected. Whereas this present government is no different from the past ones in basing its budgeting strategy on a principle according to which volume of taxes is determined by the spending.

That's here wherein lie the signs of Bad Economics, which the PML-N government has chosen to follow. That is: Leave the story of reforms almost totally unfinished, and go for the rhetoric of popular economic measures. Also, never change the ways of collecting taxes heavily depending on the extortionist prowess of the tax-collecting authority, i.e. the Federal Board of Revenue (FBR).

Economic Reforms Forsaken

Be it known that earlier six Reports, here and there, have meticulously analyzed the targets that the PML-N set in the Economic Manifesto for its May 2013 general elections campaign to pursue in case it is voted into power; and that what it wanted to achieve is the sort of an overhaul of the economy in favor of such reforms (i) that would empower the market forces to play their due role and would also (ii) define the role of the government as a supervisory and regulatory body ensuring just and fair practices by the market players on the one hand and on the other securing the rights of consumers as well as producers and traders equally.

It's no gainsaying that the echo of the refrain never dies which Nawaz Sharif, head of the PML-N and the incumbent Prime Minister has oftentimes uttered: 'It's no business of a government to do business!'

However, while in its 4th year, and with political uncertainty in the air, be it just a concocted hype, and thus very calculated time at its disposal, the PML-N seems to have forsaken its own economic manifesto with too little of it executed in fact.

Process of Privatization Halted

For example, and also for the purpose of record, it may be noted that one of the immensely important pillar of the envisaged reforms was (is): PRIVATIZATION. That had already been got stalled during the last year. In the energy sector, privatization of GENCOs and DISCOs already stand halted, though the government insists that the process has only been delayed.

Three mammoth tax-payers' money guzzlers, that is, Pakistan Steel Mills, Pakistan International Airlines, and Pakistan Railways, they are no more and nowhere on the list of 'SOEs to be privatized within the assigned timeframe.'

In addition, there are more than 100 SOEs that are still on the privatization waiting list. And, sure, there is no word about the status of corporations such as the PTV and Radio Pakistan.

That means most of them will remain dependent on the state's ability to generate enough revenue for them to consume and survive.

Doesn't that mean the Pakistani State earns for its own sake?

All that SOEs politics translates into an economics of bigger and bulkier size of the government that in turn requires as much tax-money to survive!

Energy Sector's Marketization in Doldrums

Another pillar of the envisaged reforms was (is): LIBERALIZATION and MARKETIZATION of the energy sector. Here performance of the PML-N government is not good either; though its score for the Energy Security is better than the score for the Economic Revival.

In the energy sector, whatever reforms have been introduced during the last three years, the process has been and is as slow as is not conducive to bring any tangible results in the remaining time period the PML-N may be believed to have at its disposal due to the coyish nature of politics in Pakistan.

In this regard the following may be mentioned:

- i) Mandatory wheeling of electricity by DISCOs and NTDC;
- ii) Net-metering (sale-guarantee) for the small producers/consumers;
- iii) Developing alternative renewable energy sources; and,
- iv) Developing and creating a wholesale market for electricity.

No doubt, at the level of policy-making, due developments have been made in the above-listed areas, however, these developments are not being executed; or the process of putting them into practice is desperately slower. For instance, as far as the net-metering is

concerned, the NEPRA prepared and approved the regulatory framework last year, but the DISCOs are yet to make the necessary arrangements in this regard.

Blunt No to Tax Reforms

One of the envisaged reforms that may rightly be interpreted as another pillar of the economic overhaul is: TAX REFORMS. Rather, it says the last word that determines the nature of the state and its economic system, as argued above.

That does not underestimate the significance of the regulation which has, like the taxation, the same power of destroying the private economy, upon which the state builds itself, while in the hands of a class or a lobby whoever and whichever it is.

Electoral Politics of Development

Another pillar, which the PML-N claims as the hallmark of its politics, is developing the infrastructure. That is what has been dubbed as the DEVELOPMENT POLITICS of the PML-N. It seems as if the PML-N has got itself obsessed with the cliché of developing infrastructure. From another angle, that may be diagnosed as a Complex that the PML-N has got afflicted with. Here it may be reminded that it is not the PML-N which has this Complex, it is the Complex which has the PML-N!

Whatever is the case, the PML-N has learned a lesson that it is developing infrastructure that distinguishes its politics from the politics of other political parties, among which PPP-P self-styles itself as the one which has a penchant for the new legislation. Ironically and equally, it also cherishes another penchant for flouting every rule and every law!

Another lesson wherein all the Pakistani politics consummates itself is that what gets you maximum number of votes. The PML-N considers it has found the touchstone: it's the tangible Development that earns it maximum number of votes. So it is devoting both itself and most of the generated revenue for the development projects most prominent of which are roads, ring roads, flyovers, underpasses, transport projects (metro bus service; metro train service). And now CPEC projects may be added to it.

On another note, it may be pointed out that the Development Politics of the PML-N is purely politically-driven. That is, the local logic and infrastructural context does not justify rationale of most of the projects, big or small.

That the Norm of this Development Politics is not giving due weight to the economic considerations, such as economic viability of a project, cost-effectiveness of it, long-term benefits it may or may not accrue, etc.

Also, another flaw of this type of Politics is that it thrives at the expense of others. That is, big cities are getting more funds and that leaves small cities and towns with almost nothing left for them to grow out of the dust of times.

That speaks volumes about the ad-hoc nature of the Development Politics of the PML-N.

Imagine the magnitude of the havoc when the Politics of Development collapses!

Let it be left to the next general elections which are crucial to determine the truth of this claim of the PML-N that the Development Politics converts into Electoral Victory! Things are not what they look apparently!

Present Budget Represents Bad Economics

It is this context that was outlined above in which the present budget may need to be analyzed, deconstructed and understood; of course, a budget of a government represents not only its economic philosophy, but its economic priorities also.

In the same context PML-N's performance over the last three years vis-à-vis the targets it set in its Economic Manifesto to be achieved while in the government may need to be compared, evaluated, and judged.

In simple words, it means that through the present budget, the PML-N has opted for Bad Economics that in the long run may reincarnate in the form of Bad Politics; though it believes it will help it make temporary electoral gains. Also, that perfectly fits in with its three-year performance in meeting its targets. Our last six Reports prove that.

Scorecard too reflects the Bad Economics

Here is a resume of its three year performance seen through the seven scorecards:

Table 1: Performance of the Government over Three Years

Report	Area: Economic Revival	Area: Energy Security	Average
1st Report: June-December 2013	3.17	4.16	3.66
2nd Report: January-March 2014	4.47	4.34	4.4
3rd Report: April-June 2014	4.33	3.93	4.13
4th Report: July-December 2014	4.6	4.5	4.55
5th Report: January-June 2015	3.8	4.4	4.15
6th Report: July-December 2015	4.21	5.01	4.61
7th Report January-June 2016	4.64	5.27	4.94
Average	4.17	4.51	4.34

So after ruling three years, the overall average score stands at 4.34. No doubt, it sounds quite negative in the face of the fact that now it's only about two years within which the PML-N has to make for what it could not achieve previously.

Individually considered, in the Area of Economic Revival, it earned an overall average of 4.17; whereas in the Area of Energy Security also, the overall average score of 4.51 doesn't fare better either.

No doubt, through the three years, the score though kept on improving, as is evident from the average score in both Areas; and also, though it is far better from the 1st Report score; as in the Area of ER, it got a lift from 3.17 to 4.64; that accrues a gain of 46 %. In the Area of ES, it increased from 4.16 to 5.27; that constitutes a gain of 26 %.

However, in the end, one may ask what is that it all translates into? It all translates into an average score of 4.17 for ER, and 4.51 for ES. And, the average of both stands at 4.34. It means so far as the performance is concerned, the PML-N is generally far behind the mid-way milestone.

That gives a fair picture of the progress that the PML-N has made; i.e. less than 5 score out of 10; however, when viewed against the mirror of its own Economic Manifesto targets, it appears smaller.

Devil and the Performance's Details

Let's delve into some of the devil's details:

As far as positives are concerned, here is a selective list of components from both Areas which showed some progress.

Table 2: Components from Economic Revival with Improvement

Economic Revival		7th Tracking Report	6th Tracking Report	Change (%)
		Jan-Jun 2016	Jul-Dec 2015	
		Score out of 10		
1.1	Double the GDP growth rate from 3% to over 6%	5.01	4.91	+ 2%
1.2	Budget deficit will be brought down to 4%	3.25	2.95	+ 10%
1.3	Inflation will be brought down to single digit in the range of 7%-8%	4.41	3.93	+ 12%
1.4	Other Initiatives for Economic Revival	5.56	5.13	+ 8%
1.6	Infrastructure	7.25	5.17	+ 40%
1.7	Creating Job Opportunities	6.25	5.38	+ 16%
1.8	Tax Reforms	2.71	2.54	+ 7%
1.9	State-owned enterprises	4.12	3.88	+ 6%

In the Area of Economic Revival, out of the eight components, only one component got a gain of 40 %; it is 'Infrastructure.' That corroborates the above-argued position declaring the PML-N as if under an obsession of Development Politics.

As for the rest of the components, only three of them saw an increase of more than 10 %; all other showed a progress of below 10 %.

Here are the ES components that got improved in the present Report as compared to the last Report.

Table 3: Components from Energy Security with Improvement

Energy Security		7th Tracking Report	6th Tracking Report	Change (%)
		Jan-Jun 2016	Jul-Dec 2015	
		Score out of 10		
2.2	Reforms of National Electric Power Regulatory Authority (NEPRA) by	4.54	3.75	+ 21%
2.5	Permanent elimination of circular debt	4	3.5	+ 14%
2.6	Rationalisation of energy tariffs in line with international prices across all fuels	5	4.5	+ 11%
2.7	Reforms of Oil and Gas Regulatory Authority	3.5	3	+ 17%
2.9	High priority to import gas through pipelines	6.5	5.5	+ 18%
2.15	Decentralizing and creating a wholesale market for electricity	5.5	5	+ 10%

Out of the six components of the ES, only one component improved 21%, and that aims at 'Reforming NEPRA.' That means the NEPRA somehow did its job well.

However, as for the rest of the five components, all of them showed an improvement of more than 10%, ranging from 11% to 18%.

Here are the ES components that declined:

Table 4: Components from Energy Security with Decline

Energy Security		7th Tracking Report	6th Tracking Report	Change (%)
		Jan-Jun 2016	Jul-Dec 2015	
		Score out of 10		
2.3	Reforming DISCOs	5.25	5.44	-3%
2.4	Reforming GENCOs	3.25	3.5	-7%

Both of the components upon which depend production and supply of the electricity has declined during the last six months. Though the decline appears too little (3 and 7 %), but if it is read in the context of government's hesitance in privatizing these entities, politics of the time, and the fast-culminating tenure of the PML-N, its impact may be far greater for the reforms in the energy sector.

A Statement of Overall Achievement

Another table explains this phenomenon well. Note that it is based on the gains the PML-N made in the last three years:

Table 5: Status of the Targets

Status of the Targets	Economic Revival	Energy Security	Total
Targets Stand Achieved	1	3	4
Positive	28	8	36
Status Maintained	11	12	23
As Yet No Development	6	6	12
Zero	3	1	4
Negative	8	2	10

In short, after full three years, the PML-N's Cumulative Progress Card has only four targets as achieved; only one of them is from ER, and rest of the three from ES.

The Indicators that showed progress are 28 for ER, and eight for ES; that makes a total of 36 Indicators that underwent development.

There are 12 Indicators which saw no development at all; both for ER and ES, they are six each.

Also, there are 23 Indicators, for which the previous status has been maintained; that is, therein took no development either positive or negative. For ER, they are 11, and for ES, 12.

Four of the Indicators have shown no progress, rather underwent reversal, and thus earned a score of Zero; for ER it is three, and for ES, one.

A total of 10 Indicators earned negative score; that is, after some progress, they lost a bit of it, but did not go for a reversal; for ER, they are eight, and for ES, two.

Concluding reflections:

1. In the earlier reports, it was argued that without ensuring the Energy Security, the Economic Revival will remain a far-fetched dream.

In the light of the present report, though the above proposition may be accepted as undeniable; however, it may need to be clarified that ensuring Energy Security is a necessary condition for the Economic Revival, but not a sufficient condition.

That means even if the PML-N government succeeds in ensuring Energy Security, that is, the shortage of electricity is minimized, reliable electricity supply is ensured, economical pricing of electricity is achieved, and liberalization and marketization of electricity (and energy) starts taking place; that won't help the envisaged Economic Revival to take off.

That amounts to saying that until and unless certain other fundamental reforms are put in place, the economy wouldn't be opening up to grow and expand.

2. First and the foremost reform concerns itself with the Tax Reforms, i.e. the government needs to change both its thinking and its ways according to which it levies and collects taxes.

In this regards, quoting this case is more than enough. Over the last three years, the volume of revenue grew 60 %; over the same period, the GDP increased 27 %; whereas for the same period, taxes recorded a growth of 120 %.

That's no good omen both for the economy and the PML-N government!

And, that unceremoniously reveals treachery of the economic philosophy and economic priorities of the PML-N.

3. Also, that points towards the unfruitful marriage of Bad Economics and Bad Politics, which would not be extending any opportunities for the entrepreneurs, investors, and the private sector to act on a level playing field; but, sure, it would help the special interests and lobbies, as is evident from the priorities of the present budget, which in the final analysis and ultimately would move to favour the entrenched lobbies be they are in agriculture or in textile.

4. As for the privatization policy of the PML-N government, it is already in doldrums since the last year. That's a pertinent example of how Bad Economics gives rise to Bad Politics, or vice versa. That means there are no chances for the process of privatization to be on track once again in the next two or one and half years.

Understandably, the privatization of the entities like DISCOs, PIA, Pakistan Steel Mills, Pakistan Railways, will earn the PML-N wrath of the labor unions, workers, a section of the general public, and a section of the media also; and all that wrath may cause damage to the PML-N's vote-bank. However, that is a fundamentally indispensable step if the government wants to move in the direction of reforms.

A slim and smart government works far better than a lethargic and bulkier one!

5. Also, as a matter of principle, the physical size of the government is generally inversely proportional to the size of the private sector. The larger the size of a government, the smaller the size of the private sector! More than that, that provides a fertile land for the Cronyism and Rentier classes to flourish. Pakistan is a typical case in point.

6. However, in contradistinction to the privatization, the issue of Tax Reforms is not sort of a Political Taboo. Instead, it is herein that the blessings of the "Good Economics is Good Politics" reveal themselves.

No doubt, fundamental tax reforms, including the dismantling of the FBR, an absolute failure, which has, time and time again, proved to be more than a white elephant, and a Stumbling Block in the way of smooth collection of taxes, will be earning the PML-N government not only the goodwill of businessmen but of ordinary citizens also. That is, people would be paying taxes but not to an extortionist and selfish taxman.

7. Another area, where the PML-N government needs to have second thoughts is “developing infrastructure.” It should not mind, since it is bound to give due heed to what the people and civil society has got to say about its developmental choices and priorities. That is, it must come out of its shell of blindly believing in the miracles of the Development Politics. The constitutional mandate does not empower it to do what it likes. Things must be judged and sorted out on merit and merit alone.

8. Simply, there are two conditions that every project needs to be tested against in order to see its economic viability: first, whether in the long term it is beneficial or not; and second, whether it is beneficial for the majority or not. Most probably there are only very few infrastructural projects of the PML-N that will fulfil both of these conditions.

That’s what convincingly proves that the PML-N, on the whole, has gone for the Bad Economics that is giving rise to Bad Politics. Also, it exposes the reality of its Development Politics.

9. In the end, on a positive note, it may be hoped that the PML-N has got the guts to take heart to have a resolve to make use of whatever time it has left with at its disposal, and go for the way of “Good Economics is Good Politics.”

It’s time it should leave behind the political mantra that “Bad Economics is Good Politics.” That means it will have to abandon its lust for the temporary gains, be they political or otherwise. It’s time that has provided the PML-N with a unique opportunity to prove its mettle and go for the fundamental reforms that the economy of Pakistan so desperately is in need of, and it is only thus that it would be able to differentiate itself from the lot of other political parties, that have been doing a Bad Politics through Bad Economics.

Is the PML-N ready to accept this challenge? Or it is there not to be any different from the “Bad Economics is Good Politics” lot!

Policy Research Institute of Market Economy (PRIME)

PML-N Economic Agenda: 7th Tracking Report

Overall Score: 4.34

Economic Revival: 4.64

1		Implementation Status					
Manifesto Chapter: Economic Revival: 4.64							
1	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
1.1	Double the GDP growth rate from 3% to over 6%	-		-	-	-	5.01
1.1.1	Double the GDP Growth rate	4.5% ¹ World Bank projected GDP growth rate 4.5% FY5-16 & 4.8 in FY16-17 ²	4.71% ³	-	-	-	4.25

¹ Dawn, Pakistan's GDP to expand by 4.5pc: ADB, December 4th, 2015. <http://www.dawn.com/news/1224026/pakistans-gdp-to-expand-by-45pc-adb>

² Business Recorder, Growth to accelerate to 4.5pc: WB. November 12th, 2015. <http://epaper.brecorder.com/m/2015/11/12/1-page/541432-news.html>

³ 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.

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1.1.2	Higher investment in the energy sector	Rs 55 billion or almost 50% has been released ⁴ . In Jul-Dec 2015, net FDI in power is \$320.2 million ⁵ .	Rs 101 billion or almost 89% has been released ⁶ . During Jan-May 2016, net FDI in power was \$168.3 million. ⁷	2.5	2	3.75	8.25
1.1.3	Converting at least 50% of the remittances by Overseas Pakistanis into investments	As yet no development		-	-	-	Not Scored
1.1.4	Infrastructure projects (motorways, dams, housing projects, new urban centers and	Rs 32.1 billion released ⁸ , which is 19.8% of allocated amount.	Rs 74.1 billion released, which is 46.8% of allocated amount ⁹ .	2.5	2	2.25	6.75

⁴ Planning Commission, PSDP Releases as on 15th January 2016, http://www.pc.gov.pk/wp-content/uploads/2016/01/ReleaseSummary2015-16_15-01-2016.pdf

⁵ State Bank of Pakistan: <http://www.sbp.org.pk/ecodata/Netinflow.pdf>

⁶ Planning Commission, PSDP Releases as on 13th May 2016, http://www.pc.gov.pk/wp-content/uploads/2016/05/ReleaseSummary2014-15_13-05-2016.pdf

⁷ Net Inflow of Foreign Direct Investment by Economic Groups. http://sbp.org.pk/ecodata/NIFP_Arch/index.asp

⁸ Planning Commission, PSDP Releases as on 13th May 2016. http://www.pc.gov.pk/wp-content/uploads/2016/01/ReleaseSummary2015-16_15-01-2016.pdf

⁹ Planning Commission, PSDP Releases as on 13th May 2016, http://www.pc.gov.pk/wp-content/uploads/2016/05/ReleaseSummary2014-15_13-05-2016.pdf.

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	cities)		Approved Rs187.95 billion for such projects ¹⁰ .				
1.1.5	Foreign investment in oil, gas and other minerals	Net FDI in these sectors: US \$157.0 million for Jul-Dec 2015 ¹¹ .	During Jan-May 2016, net FDI in these sectors is US \$89.60 million ¹² .	1	0	0.50	1.50
1.1.6	Investment to GDP ratio will rise to 20%	Investment to GDP ratio 15.12%. ¹³	Investment to GDP ratio reached to 15.21%. ¹⁴	-	-	-	4.3
1.2	Budget deficit will be brought down to 4%	-		-	-	-	3.25

¹⁰ Business Recorder, CDWP approves uplift projects worth Rs 218.22 billion, 31st March 2016. <http://www.brecorder.com/market-data/stocks-a-bonds/0/31003/>

¹¹ SBP, FDI in Pakistan by Country, <http://sbp.org.pk/ecodata/Netinflow.pdf>

¹² Net Inflow of Foreign Direct Investment by Economic Groups, http://sbp.org.pk/ecodata/NIFP_Arch/index.asp

¹³ https://www.quandl.com/data/ODA/PAK_NID_NGDP-Pakistan-Total-Investment-of-GDP

¹⁴ 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. This shows an increase of only 0.59% therefore score remains unchanged.

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1.2.1	Bring down budget deficit to 4%	5.3 %	Expected to be at 4.3% of GDP during FY 2016 ¹⁵ .	-	-	-	5.25
1.2.2	Increase tax to GDP ratio from 9% to 15%	According to the Finance Minister, tax-to-GDP ratio went up to 9.45% from 8.4% in the last couple of years. ¹⁶ 1 st half FY 2016: Jul-Nov Tax collection Rs1048 bn.	2 nd Half: Jan-May Rs. 1169 Billion ¹⁷ . Collection in 2 nd half is 11% higher. Tax to GDP ratio reached to 10.1%. ¹⁸	-	-	-	6
1.2.3	One-third reduction in current expenditures other than salaries, allowances and pensions	Current Expenditure (Non Salary): Rs. 3.28 trillion (2015-16). ¹⁹	Current expenditure (non-salary) 3.64 trillion grew by 11% in 2016-17 budget.	1.25	0	0	1.25

¹⁵ 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

¹⁶ Dawn, Tax-to-GDP ratio rises to 9.45pc: Dar, July 25th 2015. <http://www.dawn.com/news/1196174/tax-to-gdp-ratio-rises-to-945pc-dar>

¹⁷ State Bank of Pakistan: <http://sbp.org.pk/ecodata/tax.pdf>, and Pkrevenue.com, FBR heading towards achieving Rs3,104bn target; May collection grows by 30pc, May 25th 2016. <http://www.pkrevenue.com/exclusive/fbr-heading-towards-achieving-rs3104bn-target-may-collection-grows-by-30pc/>

¹⁸ Economic Survey 2015-16. http://finance.gov.pk/survey/chapters_16/04_Fiscal_Development.pdf

¹⁹ Economic Survey 2015-16. http://finance.gov.pk/survey/chapters_16/04_Fiscal_Development.pdf

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1.2.4	Eliminate VIP Culture by reducing expenses on Presidency and Prime Minister Office.	For 2015-16, budgeted expenditure of PM House Rs842 million and Rs801 million for Presidency ²⁰ .	For 2016-17, budgeted expenditure of PM House is Rs881 million and Rs863 million for Presidency ²¹ .	0	0	0	0
1.2.5	Reduction in losses on PSEs	For 130 Commercial Public Sector Companies for which public data is now available (2012-13): Profit for profit making PSCs: Rs. 339.86 billion Loss for loss making PSCs: Rs. 181.68 billion.	In 2013-14, Profit for profit making PSCs: Rs. 367.57 billion Loss for loss making PSCs: Rs. 149.93 billion ²² .	1.75	1.75	0.25	3.75

²⁰ The News: Presidency, PM House, SC and IHC budgets increased, June 5th 2015. <http://www.thenews.com.pk/print/12885-presidency-pm-house-sc-and-ihc-budgets-increased>

²¹ The Express Tribune: Rs863m go to presidency, PM secretariat gets Rs881m, June 4th 2016. <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.

²² Ministry of Finance: 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.

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1.3	Inflation will be brought down to single digit in the range of 7%-8%	-	-	-	-	-	4.41
1.3.1	Bring down inflation	CPI 2.7% YoY change in Nov 2015. ²³	CPI 3.2% YoY change in May 2016. ²⁴	-	-	Target stands achieved.	-
1.3.2	Limiting government borrowing	Q1 FY16 Govt. Domestic Debt Rs. 12,714.6 billion; Total External Debt & Liabilities Rs 6,945.7 billion. ²⁵	Q3 FY2016 Govt. Domestic Debt Rs. 13,398 billion; Total External Debt and Liabilities Rs. 7,286.6 billion. ²⁶	1.5	2	1	4.5
1.3.3	Decreasing tax rates	Corporate Tax reduced to 32% Maximum customs tariff 25% FED 16% Sales Tax 17%	Corporate Tax decreased from 32% to 31%; Withdrawal of 16% FED on certain services; customs-maximum tariff slab	1.5	1.5	1.5	4.5

²³ PBS, Monthly Review, November. <http://www.pbs.gov.pk/cpi>

²⁴ Ibid. The CPI estimates were largely corroborated by an independent study published by PRIME, Pasha, Hafiz A. et'al (2016).

²⁵ Ibid

²⁶ State Bank of Pakistan: <http://www.sbp.org.pk/ecodata/Summary.pdf>

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			reduced to 20%. Sales tax remains unchanged ²⁷ .				
1.3.4	Lower interest rates through effective monetary policy	6% ²⁸	5.75% ²⁹	-	-	-	4.25
1.4	Other Initiatives for Economic Revival	-		-	-	-	5.56
1.4.1	Reducing energy shortage and cost of producing energy	Nov 15, Electricity shortfall, 6000 MW ³⁰ . Another news item reports 5,000 MWs.	On 8 th June, 2016 Electricity shortfall closed at 5,000 MWs. ³¹	1.5	2	1.75	5.25

²⁷ Budget Speech 2016-17

²⁸ The News, Policy rate slashed by 50bps to six percent, September 13th 2015. <http://www.thenews.com.pk/print/14612-policy-rate-slashed-by-50bps-to-six-percent>

²⁹ State Bank of Pakistan: <http://www.sbp.org.pk/ecodata/OVR-Repo-History.pdf>

³⁰ The News: Pakistan needs coal-based power projects to meet energy shortfall, November 15th 2015. <http://www.thenews.com.pk/print/72616-pakistan-needs-coal-based-power-projects-to-meet-energy-shortfall>

³¹ Dawn: Power shortfall nears 5,000MW, June 9th 2016. <http://www.dawn.com/news/1263672>

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1.4.2	Opening up markets to encourage regional trade	Negotiations are going on with number of countries and MoUs signed with Sri Lanka, Turkey etc. No tangible policy measures taken.	Govt. evolves a three pronged strategy of trade diplomacy in the multi-lateral, bi-lateral and regional areas. ³²	2.5	2	2	6.5
1.4.3	Reforms in financial sector and capital markets	Pakistan Stock Exchange established integrating three stock exchanges.	Status maintained.	2.25	2.75	3	8
1.4.4	Improved regulatory environment on national level	No progress reported.	Some improvements observed; e.g. CNG market to be deregulated, power distribution deregulation on the cards.	0.75	0.75	1	2.5
1.5	Industry and Trade	-		-	-	-	3.87

³² Dawn: Govt plans to expand trade diplomacy, March 24th 2016. <http://www.dawn.com/news/1247498/govt-plans-to-expand-trade-diplomacy>

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1.5.1	Making ample credit available to the private sector	Credit to Private Sector in Jun-Dec 2015 was Rs 235.5 billion. ³³	During Jan-May 2016, credit to private sector was Rs 67.3 billion. ³⁴	0.5	0.5	0.5	1.5
1.5.2	Industrial Manufacturing growth will be taken to 7% to 8%	According to PBS, LSM increased by 2.81% for Jul-Mar 2014-15 ³⁵	LSM registered a growth of 4.7% in Jul-Mar 2015-16. ³⁶	-	-	-	7
1.5.3	Reforming tariffs to eliminate anti-export bias	-	-	-	-	-	Not scored
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-	Presumably, already mentioned projects are in the process of being completed. ³⁷	Already mentioned projects are in progress. ³⁸ 25 Industrial zones	2.25	1.5	3.5	7.25

³³ State Bank of Pakistan. <http://www.sbp.org.pk/ecodata/CreditLoans.pdf>

³⁴ Ministry of Finance, Budget Speech 2016-17. http://www.finance.gov.pk/budget/budget_speech_english_2016_17.pdf

³⁵ PBS, <http://www.pbs.gov.pk/qim>

³⁶ Economic Survey of Pakistan 2015-16

³⁷ Express Tribune, Headless National Industrial Parks in disarray, March 15th 2015. <http://tribune.com.pk/story/853715/headless-national-industrial-parks-in-ray/>

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	developed areas		along CPEC identified. ³⁹				
1.5.6	Developing Clusters for industries (Gems, Jewelry, Fans, Halal Meat, Sports Goods, Furniture, Crockery, Utensils)	Pakistan and China would establish a joint Investment and Industrial Cooperation Working Group for setting up Industrial Zones and Special Economic Zones (SEZs) under China-Pakistan Economic Corridor (CPEC). ⁴⁰	Working group on economic zones has not been finalised as yet. ⁴¹	1.75	1.5	1	4.25

³⁸ National Industrial Parks Development and Management Company. <http://www.nip.com.pk/projects/index.php>

³⁹ PRIME Institute (2016) "China Pakistan Economic Corridor: Mapping Business Opportunities"

⁴⁰ Business Recorder, China-Pakistan Economic Corridor: Body being formed to set up industrial zones, SEZs, October 3rd 2015. <http://www.brecorder.com/general-news/172/1232346/>

⁴¹ The Express Tribune: CPEC programme: Centre tight-lipped on sites for economic zones, January 12th 2016. <http://tribune.com.pk/story/1025902/cpec-programme-centre-tight-lipped-on-sites-for-economic-zones/>

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1.5.7	Necessary incentives for MNCs already operating in Pakistan	Imposition of super tax at the rate of 3% & 4% in FY 16 discouraging for MNCs ⁴²	Instead, continuation of Super tax on MNCs reporting more than Rs. 500 million of income creates disincentives.	0	0	0	0
1.5.8	Incentives for MNCs expected to invest in Pakistan in export oriented manufacturing	Corporate tax for foreign firms bringing new FDI reduced to 20%. ⁴³	Status maintained. Above mentioned Super Tax may act as a disincentive for MNCs.	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. ⁴⁴ Pakistan has become full member of	2	1	2	5.5

⁴² OICCI Business Confidence Index, (November 2015) <http://oicci.org/wp-content/uploads/2014/01/OICCI-BCI-survey-Wave-11-Summarised-Highlights.pdf>.

⁴³ PRIME Institute (2016), "PML-N Sidetracking Long-term Reforms"

⁴⁴ Dawn: Govt. plans to expand trade diplomacy, March 24th 2016. <http://www.dawn.com/news/1247498/govt-plans-to-expand-trade-diplomacy>

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			Shanghai Cooperation Organisation (SCO) ⁴⁵				
1.5.10	All exports will be sales tax free	As yet no development.	Government has decided to introduce the zero-rated regime for exports (of five sectors) from the next financial year. ⁴⁶	1	0.5	1	2.5
1.5.11	Export-Import Bank will be set up	According to Finance Minister, Rs 7b equity fund to be released on Jan 4 2016. ⁴⁷	Setting up of the Bank is in the process.	2	1	3	6
1.5.12	Technology Up-gradation Fund will be set up	As yet no development	Technology Upgradation Fund is being established. ⁴⁸	2	-	-	2

⁴⁵ The News: Pakistan becomes member of SCO, June 25th 2016. <https://www.thenews.com.pk/print/130574-Pakistan-becomes-member-of-SCO>

⁴⁶ The Express Tribune: Extending scope: Ministry considering zero-rated facility for 9 sectors, March 1st 2016. <http://tribune.com.pk/story/1056704/extending-scope-ministry-considering-zero-rated-facility-for-9-sectors/>

⁴⁷ Dawn, Exim Bank to be made functional this fiscal year, December 4th 2015. <http://www.dawn.com/news/1224027/exim-bank-to-be-made-functional-this-fiscal-year>

⁴⁸ Budget Speech 2016-17

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1.6	Infrastructure	-		-	-	-	7.25
1.6.1	Bureau of Infrastructure Development will be established for private sector participation	Private Power and Infrastructure Board already functioning	As yet no development.	-	-	-	-
1.6.2	Construction of National Trade Corridors	National Trade Corridors were planned in 2005, and now several of CPEC routes overlap with NTC corridors. Progress started on: Karakorum Highway, Karachi-Lahore-Motorway, Gwadar-Port East Bay Express Way & Gwadar International Airport	Estimated size of investment in infrastructure Rs. 16,524 Billion. 47% of these projects will be completed in next 2 years and 20% by June 2019. ⁴⁹	2.5	2	3.5	8

⁴⁹ Presentation by Chairman NHA at the PM Office, 9th June 2016.

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1.6.3	At least 1000 clusters of 500 houses each for lower income families will be developed	The federal government is planning to construct 1,000 housing colonies with 500 low cost houses across the country. Pakistan Housing Authority is planning to launch the low cost housing scheme in Sector I-12 Islamabad with 4,200 apartments to be launched in next two months where 50% of the apartments will be allotted to BS 1-16 federal employees and remaining 50% will be allocated to general public. ⁵⁰	PHA Foundation has opened booking of apartments in its I-12/1 project. ⁵¹ Balloting of I-16/3 Project, Islamabad is also completed. ⁵²	2.5	1.5	2.5	6.5

⁵⁰ Business Recorder, Government to build 1,000 Housing Colonies for the poor, December 11th 2015. <http://www.brecorder.com/business-and-economy/189:pakistan/1255041:government-to-build-1000-housing-colonies-for-the-poor>

⁵¹ PHA Foundation, Ministry of Housing and Works. <http://www.pha.gov.pk/NewsDescription.aspx?NewsNO=195>

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1.7	Creating Job Opportunities	-		-	-	-	6.25
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, ⁵³ 40-year tax exemption from sales tax and federal excise duty for Gwadar Port Authority and its operating companies,	2	1.75	1.75	5.5

⁵² PHA Foundation, Ministry of Housing and Works. <http://www.pha.gov.pk/NewsDescription.aspx?NewsNO=199>

⁵³ Business Recorder: Gwadar free zone: grant of tax exemption approved, March 24th 2016. <http://www.brecorder.com/top-stories/0:/48477:gwadar-free-zone-grant-of-tax-exemption-approved/>

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			contractors and subcontractors. ⁵⁴ Other incentives include tax credits under various schemes, reduction in customs duty on import of machinery etc ⁵⁵ .				
1.7.2	Starting an especially designed employment programme	-	Prime Minister's Youth Programme projected at Rs20 billion. ⁵⁶ Interest on Youth Business Loan decreased to 6%. ⁵⁷ NBP disburses Rs. 6.5 billion to more than 7,000 youth ⁵⁸ .	2	2	3	7

⁵⁴ The Express Tribune, Pakistan approves massive tax exemptions for Gwadar port operators, March 24th 2016. <http://tribune.com.pk/story/1109013/massive-tax-exemptions-gwadar-port-operators/>

⁵⁵ Budget Speech 2016-17

⁵⁶ Budget 2016-17. http://www.finance.gov.pk/budget/Budget_in_Brief_2016_17.pdf

⁵⁷ Ibid

⁵⁸ Business Recorder, NBP disburses over Rs6.5bn under PMYBL Scheme, January 26th 2016. <http://epaper.brecorder.com/2016/01/26/8-page/727565-news.html>

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1.8	Tax Reforms	-		-	-	-	2.71
1.8.1	Bringing informal economy into tax net	Voluntary Tax Compliance Scheme legislated.	Voluntary Tax Compliance Scheme cleared by IMF. ⁵⁹ Only 10,000 traders have filed income tax returns against the target of one million. ⁶⁰	1.5	0	2	3.5
1.8.2	Broadening tax base	980,964 active tax payers as of January 2016 ⁶¹ , registering 18% growth.	Active tax payers reached to 1,023,150. ⁶² FBR curtailing tax evasion by keeping an eye on transactions in the real estate sector, purchase of vehicles,	0.5	0.75	1.25	2.5

⁵⁹ Dawn: IMF clears tax compliance scheme, February 6th 2016. <http://www.dawn.com/news/1237662/imf-clears-tax-compliance-scheme>

⁶⁰ Business Recorder: Only 10,000 have filed tax returns under VTCS: FBR, March 25th 2016. <http://www.brecorder.com/market-data/stocks-a-bonds/0/28728/>

⁶¹ Active Tax Payers List, FBR: <http://www.fbr.gov.pk/ActiveTaxpayersList.aspx>

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

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1	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
			foreign travels and bank accounts to assess the extent of tax avoidance and tax evasion. ⁶³ The number of non-filers having National Tax Number is four times that of the number of filers. ⁶⁴				
1.8.3	Tax all income	As yet no development.	As yet no development.	-	-	-	Not scored.
1.8.4	No increase in the tax rates	Super tax 4% & 3%, Sales tax 17%, Tax on corporate services with low profit margin 2%,	Withholding tax rates for non-filers have been increased. Capital Gains Taxes have been increased. No change in income tax slabs for salaried individuals. New taxes:	0.5	1	1.5	3

⁶³ Dawn: Tax return filings cross 1m mark, May 25th 2016. <http://www.dawn.com/news/1256262/tax-return-filings-cross-1m-mark>

⁶⁴ The Express Tribune: Changes in FBR's functionality: Govt implements new three-tier hybrid administration, March 5th 2016. <http://tribune.com.pk/story/1059606/changes-in-fbrs-functionality-govt-implements-new-three-tier-hybrid-administration/>

1		Implementation Status					
1		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
Manifesto Chapter: Economic Revival: 4.64							
Manifesto Targets							
1.8.5	Reduce Tax evasion	Anti-Laundering Bill instead of 26 proposed tax crimes includes only tax frauds, forgery and obstruction in official tax related work ⁶⁵ . Around 233,000 notices were issued by the FBR to potential taxpayers till Dec 23, 2015, but	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%. FBR sent 450,000 notices to non-filers. ⁶⁹	1.5	0.5	1.5	3.5

⁶⁵ Express Tribune, Anti-money Laundering: Govt. agrees to whittle down fiscal crimes list, October 3rd 2015. <http://tribune.com.pk/story/966452/anti-money-laundering-govt-agrees-to-whittle-down-fiscal-crimes-list/>

1 Manifesto Chapter: Economic Revival: 4.64		Implementation Status					
1	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
		only 33,000 of them filed their tax. ⁶⁶ Out of 60,000 registered companies, 25,551 pay corporate income tax. FBR taking other measures like merging of NTN with CNIC ⁶⁷ and training also. ⁶⁸					
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 ⁷⁰ .	1.5	1	2	4.5

⁶⁹ Jang, 8th May 2016 (www.jang.com.pk)

⁶⁶ Dawn, A meagre 33,000 new taxpayers file returns, December 25th 2015. <http://www.dawn.com/news/1228559/a-meagre-33000-new-taxpayers-file-returns>

⁶⁷ The News, Frantic FBR efforts to broaden tax base, July 15th 2015. <http://www.thenews.com.pk/print/13627-frantic-fbr-efforts-to-broaden-tax-base>

⁶⁸ The News, TRC proposes FBR to train graduates to enhance tax base; July 25th 2015. <http://www.thenews.com.pk/print/52757-trc-proposes-fbr-to-train-graduates-to-enhance-tax-base>

⁷⁰ Budget Speech 2016-17

1		Implementation Status					
Manifesto Chapter: Economic Revival: 4.64							
1	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
1.8.7	Reform of tax administration both at the federal and provincial levels	TRC recommended to have a single-stage, single digit non-adjustable sales tax rate, and confiscate domestic assets of people with offshore tax accounts & promulgation of Benami Transactions Prohibitions Act 2015. ⁷¹	Information Technology is used for simplification of tax procedures. ⁷² TRC recommended: merger of Appellate Tribunal Inland Revenue and Customs Tribunal in to national tax tribunal ⁷³ ; Global Positioning System (GPS) mapping of shops in major cities of Pakistan ⁷⁴ , field audit in case of reduction of	1.75	2	0.5	4.25

⁷¹ Express Tribune, Reformation: Oversight committee formed to implement tax reforms, October 11th 2015. <http://tribune.com.pk/story/970715/reformation-oversight-committee-formed-to-implement-tax-reforms/>

⁷² Business Recorder: Taxes: FBR takes new measures to simplify procedures, April 11th 2016. <http://www.brecorder.com/taxation/181:pakistan/34744:taxes:-fbr-takes-new-measures-to-simplify-procedures?date=2016-04-11>

⁷³ Business Recorder: TRC for ATIR-CT merger to create 'national tax tribunal', February 14th 2016. <http://www.brecorder.com/market-data/stocks-a-bonds/0/16347/>

⁷⁴ Business Recorder: TRC recommends GPS mapping of shops in big cities. <http://epaper.brecorder.com/m/2016/02/23/3-page/562231-news.html>

1	Manifesto Chapter: Economic Revival: 4.64	Implementation Status					
1	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
			tax compliance, reforming entire tax system, declaration of assets outside Pakistan, Simplification of income tax ordinance, Urdu translation of tax laws, FBR should be separated from policy making, formation of national tax agency. ⁷⁵ Single officer to carry out audit function instead of four ⁷⁶				
1.8.8	Ensuring tax compliance by small businesses		Traders availing Volunteer Tax Compliance Scheme were to be subjected	1.5	0.5	1	3

⁷⁵ Business Recorder: FBR-TRC recommendations: Dar forms panel for implementation oversight, February 13th 2016. <http://www.brecorder.com/top-stories/single/595/0/15999/>

⁷⁶ The Express Tribune: Changes in FBR's functionality: Govt implements new three-tier hybrid administration, March 5th 2016. <http://tribune.com.pk/story/1059606/changes-in-fbrs-functionality-govt-implements-new-three-tier-hybrid-administration/>

1		Implementation Status					
1		Manifesto Chapter: Economic Revival: 4.64					
1	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
			lower rate on banking transactions. ⁷⁷				
1.8.9	Publish an Annual Tax Directory indicating the taxes paid and assessed in the last 3 years	Tax Directory published. ⁷⁸	Tax Directory not published.	-	-	-	0
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 amnesties/fixed taxes and value addition schemes and new		0.5	1	0	1.5

⁷⁷ Dawn, IMF clears tax compliance scheme, February 6th 2016. <http://www.dawn.com/news/1237662>

⁷⁸ The News, Tax details of govt., opposition MPs published, April 11th 2015. <http://www.thenews.com.pk/Todays-News-13-36918-Tax-details-of-govt-opposition-MPs-published>

1		Implementation Status					
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1	Manifesto Chapter: Economic Revival: 4.64	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
	Manifesto Targets						
		incentives for registered persons.					
1.8.12	Broadening the scope of sales tax	In addition to 17.5% GST, 5-5.7% tax has been imposed on retailers whose electricity bill is more than Rs. 1 million.	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 ⁷⁹ .	1	1.25	0.5	2.75
1.8.13	Ensuring elimination of money laundering and whitening of black money	Senate of Pakistan passed Anti Money Laundering Amendment Bill in October 2015. ⁸⁰	Government shows resolve to amend relevant laws and plug loopholes ⁸¹ .	2.5	1	0	3.5
1.8.14	Improving self-assessment and audit compliance	In 2015, 75,871 audits were done; while 1.2	No further progress.	1	0.25	0.50	1.75

⁷⁹ Budget Speech 2016-17

⁸⁰ The News, Senate body passes anti-money laundering bill sans govt. input, October 29th 2015. <http://www.thenews.com.pk/print/15430-senate-body-passes-anti-money-laundering-bill-sans-govt-input>

⁸¹ The Express Tribune: Pakistan's laws facilitate money laundering, tax evasion, May 22nd 2016. <http://tribune.com.pk/story/1107827/pakistani-laws-facilitate-money-laundering/>

1 Manifesto Chapter: Economic Revival: 4.64		Implementation Status					
1	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
		million income tax returns were filed ⁸² .					
1.8.15	Regulatory duty will be levied on non-essential imports	Regulatory duty on non-essential imports levied through ECC.	Status maintained.	0.5	0.5	0.5	1.5
1.9	State-owned enterprises	-		-	-	-	4.12
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 NTDC.	Status maintained.	-	-	-	0
1.9.2	Identification and ensuring the completion of privatisation process within the assigned timeframe	Up till August 2015, evaluation reports of procurement for Financial Advisory Consortium for 16 state owned enterprises (including PIA, DISCOs, Pakistan Steel Mills etc.)	In case of power sector (DISCOs), government decides to revisit privatisation policy and introduce outsourcing of operations ⁸⁴ ; Government assures	1.5	1.25	3.25	6

⁸² Pakistan Today: 75,871 tax returns selected for audit through random ballots, September 15th 2015.

<http://www.pakistantoday.com.pk/2015/09/15/business/75871-tax-returns-selected-for-audit-through-random-ballots/>

1 Manifesto Chapter: Economic Revival: 4.64		Implementation Status					
1	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
		were prepared, out of which only NPCC has been privatised as yet. ⁸³	IMF to privatise PIA, PSM and State Life in 2016. ⁸⁵				
1.9.3	PIA will be transformed into a profitable and reputed airline of the region	Pakistan International Airlines Corporation (PIAC) converted via Ordinance from a statutory corporation into a company but revoked by the Senate. ⁸⁶ "Pakistan will privatize its national carrier by next July." ⁸⁷	Parliament adopted Pakistan International Airlines Corporation (Conversion) Bill 2016 which allows divestment of 49% share to the private sector. ⁸⁸ PIA losses also curtailed.	2	1.5	1.5	5

⁸⁴ Pakistan Today: DISCOs privatisation plan being re-evaluated, 6th May 2016. <http://www.pakistantoday.com.pk/2016/05/06/business/discos-privatisation-plan-being-re-evaluated/>

⁸³ Privatisation Commission, www.privatisation.gov.pk

⁸⁵ International Monetary Fund: <https://www.imf.org/external/np/sec/pr/2016/pr16137.htm>

⁸⁶ Business Recorder, Government Takes Concrete Step Towards PIA Sell-off, December 7th 2015. <http://www.brecorder.com/top-stories/266405/1253498:government-takes-concrete-step-towards-pia-sell-off/?date=2015-12-07>

⁸⁷ AAJ TV. <http://aaj.tv/2015/12/pia-to-be-privatized-by-july-2016-zubair/>

⁸⁸ Dawn: Bill to turn PIA into company adopted, April 12th 2016. <http://www.dawn.com/news/1251544/bill-to-turn-pia-into-company-adopted>

1	Manifesto Chapter: Economic Revival: 4.64	Implementation Status					
1	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
1.9.4	Improving the operations of Pakistan Railways, such as by setting of autonomous Board	According to Railways Minister Pakistan Railways losses at Rs 24 billion by the end of 2015-16 against Rs 27 billion during the last fiscal year ⁸⁹	Earnings improved and losses being reduced. ⁹⁰	1	2	2.5	5.5
1.10	Building the confidence of private sector	-		-	-	-	3.75
1.10.1	Encourage participation of private sector in planning	No further progress made.	Status maintained.	-	-	-	4
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	No progress made regarding Pakistan Business & Economic Council	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.	-	-	-	3.5

⁸⁹ Business Recorder, End of 2015-16 Railways' losses to be reduced to Rs24bn: Saad, December 31st 2015. <http://epaper.brecorder.com/2015/12/31/12-page/719406-news.html>

⁹⁰ PILDAT: <http://www.pildat.org/publications/publication/QualityofGovernance/PerformanceAnalysisofPakistanRailways.pdf>

Overall Score: 4.34

Energy Security: 5.27

2	Manifesto Chapter: Energy Security: 5.27	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)
2.1	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.
2.2	Reforms of National Electric Power Regulatory Authority (NEPRA)	-		-	-	-	4.54
2.2.1	Upfront/Feed-in-tariff for wind, solar, small hydel, and biomass projects	NEPRA to cut upfront tariff for new solar power plants by more than 27 %; new tariff would be 11.35 cents to 11.53 cents per kWh for North region and 10.72	NEPRA withdrawn tariffs for 3 RLNG fired power plants of National Power Parks Management Company (Pvt) Ltd. ⁹³ Kot Addu Power	2	1.5	2.5	6

2	Manifesto Chapter: Energy Security: 5.27	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
		to 10.89 per kWh for South region ⁹¹ NEPRA has approved a 30-year levelised upfront tariff of Rs9.345 per unit for a 350MW coal-fired power plant to be set up at Port Qasim by Siddiqsons Energy Limited (SEL). ⁹²	Company (KAPCO) has secured an upfront tariff of Rs. 8.1176/kWh ⁹⁴ . NEPRA approved tariff for low head hydropower generation projects: 1) 100% foreign financing- Rs11.1016/kilowatt hour. 2)100% local financing- Rs13.0297/kWh. For high head hydropower projects:				

⁹³ Business Recorder: 3 RLNG-fired power plants: Nepra withdraws upfront tariff, February 11th 2016. <http://www.brecorder.com/market-data/stocks-a-bonds/0/15023/>

⁹¹ Dawn, Solar tariff cut by 27pc for new plants, December 17th 2015. <http://www.dawn.com/news/1226822/solar-tariff-cut-by-27pc-for-new-plants>

⁹² Dawn, NEPRA approves upfront tariff for coal-fired power plant, August 11th 2015. <http://www.dawn.com/news/1199723/nepra-approves-upfront-tariff-for-coal-fired-power-plant>

⁹⁴ The News: Nepra approves tariff for Kapco's coal power plant, 11th May 2016. <http://www.thenews.com.pk/print/118921-Nepra-approves-tariff-for-Kapcos-coal-power-plant>

2	Manifesto Chapter: Energy Security: 5.27	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)
			1) 100% foreign financing- Rs10.2559/kWh. 2) based on 100% local financing, is fixed at Rs12.0606/kWh. ⁹⁵ Approved upfront tariff of Rs8.12 per unit for HUBCO power plant. ⁹⁶				
2.2.2	Mandatory wheeling of electricity by DISCOs and the NTDC	No further progress	NEPRA approved wheeling of electricity regulations-GENCOs can sell their electricity across Pakistan. ⁹⁷ DISCOs will be required to maintain	2.5	2.5	0.5	5.5

⁹⁵ The News: Nepra notifies tariff for hydropower projects, May 12 2016. <http://www.thenews.com.pk/print/111903-Nepra-notifies-tariff-for-hydropower-projects>

⁹⁶ Dawn: Rs8.12 per unit tariff approved for Hubco's power project, February 17th 2016. <http://www.dawn.com/news/1239977/rs812-per-unit-tariff-approved-for-hubcos-power-project>

⁹⁷ The News: Nepra allows wheeling of electricity regulations, June 10th 2016. <http://www.thenews.com.pk/print/126759-Nepra-allows-wheeling-of-electricity-regulations>

2	Manifesto Chapter: Energy Security: 5.27	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)
			and improve their service quality. ⁹⁸				
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.	Status maintained.	2.5	2	0.5	5
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 tariff of the previous year is being charged. ⁹⁹	Status maintained.	0.5	0	0	0.5
2.2.5	Deregulating and decentralising by allowing small power	As yet no development.	As yet no development.	-	-	-	Not scored.

⁹⁸ The Express Tribune: NEPRA regulations: Producers can sell power to consumers anywhere, June 10th 2016. <http://tribune.com.pk/story/1119724/nepra-regulations-producers-can-sell-power-consumers-anywhere/>

⁹⁹ Business Recorder: Ministry accused of not notifying determined tariff of Discos for fiscal year 2015, September 29th 2015. <http://www.brecorder.com/fuel-a-energy/193:pakistan/1231140:ministry-accused-of-not-notifying-determined-tariff-of-discos-for-fiscal-year-2015?date=2015-09-29>

2	Manifesto Chapter: Energy Security: 5.27	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)
	producers to sell power directly to consumers through the distribution systems of DISCOs						
2.3	Reform of Distribution Companies	-		-	-	-	5.25
2.3.1	Corporatization and privatisation of DISCOs	The federal government is all set to privatise Faisalabad Electric Supply Company Ltd (FESCO) and the Expression of Interest (EoI) for its sell-off is likely to be received. ¹⁰⁰ Faisalabad Electric Supply Company (FESCO) has sought a tariff increase of up to Rs4.91 per unit from the regulator. ¹⁰¹	Privatisation of FESCO ¹⁰² and other DISCOs is delayed but board of directors of some DISCOs may be changed. ¹⁰³ In case of power sector (DISCOs), government decides to revisit privatisation policy and introduce outsourcing of operations. ¹⁰⁴	1.5	2	1.5	5

¹⁰⁰ Business Recorder, EoI for FESCO sell-off to be received tomorrow: Zubair, November 1st 2015. <http://www.brecorder.com/general-news/172/1241878/>

¹⁰¹ Express Tribune, FESCO seeks hefty tariff rise before privatization, September 22nd 2015. <http://tribune.com.pk/story/961067/cost-benefit-fesco-seeks-hefty-tariff-rise-before-privatisation/>

2	Manifesto Chapter: Energy Security: 5.27	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)
		Evaluation of bids for financial advisory for other DISCOs completed.					
2.3.2	Reduction of transmission and distribution losses to less than 10%	T&D Losses at 19.1%.	T&D Losses now stand at 18% (excluding Karachi Electric). ¹⁰⁵	1	0.5	1	2.5
2.3.3	Collection of electricity bills to 100%	According to statement of Minister in Senate recovery of bills has improved from 85% to 91%. ¹⁰⁶	BR reported recovery reached to 93.1%. ¹⁰⁷	1.5	2	2.25	5.75

¹⁰² Business Recorder: Fesco sell-off delayed till approval of new strategy, February 28th 2016. <http://www.brecorder.com/top-stories/0/20675/>

¹⁰³ The News: Govt shelves plan to privatise Discos for now, March 18 2016. <http://www.thenews.com.pk/print/106162-Govt-shelves-plan-to-privatise-Discos-for-now>

¹⁰⁴ Pakistan Today: DISCOs privatisation plan being re-evaluated, May 6th 2016. <http://www.pakistantoday.com.pk/2016/05/06/business/discos-privatisation-plan-being-re-evaluated/>.

¹⁰⁵ Presentation by Secretary Water & Power, Briefing Session at PM Office, 9th June 2016.

¹⁰⁶ Business Recorder, recovery improves: circular debt stands at Rs 310 billion, December 29th, 2015. <http://www.brecorder.com/business-and-economy/189:pakistan/1259842:recovery-improves-circular-debt-stands-at-rs-310-billion/?date=2015-12-29>

¹⁰⁷ Business Recorder: Recoveries improve: Power sector collection soars to 93.1pc. <http://epaper.brecorder.com/2016/04/07/3-page/747582-news.html>

2	Manifesto Chapter: Energy Security: 5.27	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)
2.3.4	Ending of cross subsidy among DISCOs	Minister for Water and Power: subsidy on power tariff has been cut back by around 50% in the last three years ¹⁰⁸	In 2015-16, subsidy payments have jumped to Rs196.54 billion from the target of Rs137.6 billion. ¹⁰⁹ For 2016-17, Rs95.4 allocated for energy subsidy. ¹¹⁰ Energy subsidy as a % of GDP: 0.7% 2014-15, 0.5% 2015-16 and 0.4% target for 2016-17. ¹¹¹ At the same time, subsidy for Karachi Electric has been increased from Rs. 20 to 22 billion ¹¹² .	-	-	-	7.75

¹⁰⁸ Express Tribune, Power subsidy cut by 50% in three years, October 8th 2015. <http://tribune.com.pk/story/969269/power-subsidy-cut-by-50-in-three-years/>

¹⁰⁹ The Express Tribune: % of GDP: Energy subsidy target goes down further, June 4th 2016. <http://tribune.com.pk/story/1116003/gdp-energy-subsidy-target-goes/>

¹¹⁰ Ibid

¹¹¹ Ibid

¹¹² Dawn: Cost of subsidies cut by 29pc, June 4th 2016. <http://www.dawn.com/news/1262621>

2	Manifesto Chapter: Energy Security: 5.27	Implementation Status					
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2.3.5	Introduction of pre-paid billing system	As yet no development.	Status maintained.	-	-	-	Not scored.
2.4	Reform of Generating Companies	-	-	-	-	-	3.25
2.4.1	Corporatisation and Privatisation of GENCOs under an independent Board. ¹¹³	Two transactions are on track. PC board has approved the hiring of a Dubai Islamic Bank-led consortium as financial advisor for strategic sale of the government's remaining 40.3% stakes in KAPCO. ¹¹⁴	Govt. delayed plans to privatise power companies. ¹¹⁵	2	2	1.5	5.5

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

¹¹⁴ Express Tribune, KAPCO privatisation: DIB-led consortium hired as financial adviser, July 28th 2015. <http://tribune.com.pk/story/927567/kapco-privatisation-dib-led-consortium-hired-as-financial-adviser/>

¹¹⁵ The News: <http://www.thenews.com.pk/print/96047-Pakistan-shelves-plan-to-privatise-power-firms>

2	Manifesto Chapter: Energy Security: 5.27	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)
2.4.2	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.	Status maintained.	1	0	0	1
2.5	Permanent elimination of circular debt	-		-	-	-	4
2.5.1	Eliminate circular debt	According to statement of minister in Senate circular debt now stands at Rs 310 billion. ¹¹⁶	On April 30 th , 2016 circular debt reached to Rs 318 billion. ¹¹⁷	-	-	-	0

¹¹⁶ Business Recorder, recovery improves: circular debt stands at Rs 310 billion, December 29th 2015. <http://www.brecorder.com/business-and-economy/189:pakistan/1259842:recovery-improves-circular-debt-stands-at-rs-310-billion/?date=2015-12-29>

¹¹⁷ Business Recorder: Power sector's circular debt stands at Rs 318 billion, National Assembly told, May 20th 2016. <http://www.brecorder.com/top-stories/0:/47460:power-sectors-circular-debt-stands-at-rs-318-billion-national-assembly-told/?date=2016-05-20>

2	Manifesto Chapter: Energy Security: 5.27	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)
2.5.2	Narrowly target subsidies for consumers up to 100 units	No updated data available. NEPRA exempted lifeline consumers using 50 units per month from increased tariff ¹¹⁸ .	Subsidy for lifeline consumers using up to 50 units continued.	-	-	-	6.5
2.5.3	Notify electricity tariffs according to the average system wide cost	Target Stands Achieved.	Status maintained.	-	-	-	Not scored.
2.5.4	Power dispatch to be strictly according to plan, efficiency and generation cost	As yet no development.	Status maintained.	-	-	-	Not scored.
2.5.5	Ensure supply of gas to power plants	The government has allowed installation of power plants on 46 gas fields.	LNG imports enables government to supply round the clock gas. ¹¹⁹	1.5	1.5	2.5	5.5
2.6	Rationalisation of energy tariffs in line with international prices across all fuels	Fuel prices being decreased as per reduction in	Govt. is ready to deregulate RLNG Prices and putting	1.5	1.5	2	5

¹¹⁸ Pakistan Today, 21st January 2016. <http://www.pakistantoday.com.pk/2016/01/21/city/karachi/nepa-increases-power-tariff-for-k-electric/>

¹¹⁹ Business Recorder, CNG, fertilizer, industrial sectors: LNG import enables government to supply round-the-clock gas, April 6th 2016. <http://www.brecorder.com/fuel-a-energy/193:pakistan/32844:cng-fertilizer-industrial-sectors-lng-import-enables-government-to-supply-round-the-clock-gas/?date=2016-04-06>

2	Manifesto Chapter: Energy Security: 5.27	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)
		international oil prices.	aside the role of OGRA. ¹²⁰ Govt. is considering deregulating the prices of gasoline and diesel. ¹²¹				
2.7	Reforms of Oil and Gas Regulatory Authority			-	-	-	3.5
2.7.1	Blanket ban on new CNG stations	Target stands achieved.	Status maintained.	-	-	-	Not scored.
2.7.2	Priority to public transport in the use of CNG	Target stands achieved.	Status maintained.	-	-	-	Not scored.

¹²⁰ The News: Govt set to deregulate RLNG prices putting Ogra's role to rest, February 9th, 2016. <http://www.thenews.com.pk/print/97029-Govt-set-to-deregulate-RLNG-prices-putting-Ogras-role-to-rest>

¹²¹ The News, 28th January 2016.

2	Manifesto Chapter: Energy Security: 5.27	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)
2.7.3	Tariff rationalisation in gas sector	Status maintained. CNG prices likely to be deregulated. ¹²²	CNG prices likely to be deregulated ¹²³ . Some reports however, suggest that govt. is likely to give regulatory powers (demand-supply) to OGRA. ¹²⁴	1.5	1.5	1	4
2.7.4	Narrowly targeted subsidy for natural gas and LPG users	Subsidy is available for households consuming up till 300 M ³ per month.	Status is maintained.	1	1	1	3
2.8	Aggressive wellhead pricing for oil and gas exploration companies	ECC has replaced cost based formula with a market based formula withdrawing annual state subsidy to Mari	Status maintained.	2	1.5	1	4.5

¹²² Express Tribune, Mega hydel projects: Govt. studies plan to offer stake to private investors, July 30th 2015. <http://tribune.com.pk/story/928837/mega-hydel-projects-govt-studies-plan-to-offer-stake-to-private-investors/>

¹²³ The Express Tribune: ECC to examine legal aspects before deregulation of CNG prices, February 28th 2016. <http://tribune.com.pk/story/1055681/cng-prices-body-to-examine-legal-aspects-before-deregulation/>

¹²⁴ The Express Tribune: OGRA may get powers to regulate oil demand, supply, February 17th 2016. <http://tribune.com.pk/story/1048909/petroleum-products-ogra-may-get-powers-to-regulate-oil-demand-supply/>

2	Manifesto Chapter: Energy Security: 5.27	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)
		Petroleum.					
2.9	High priority to import gas through pipelines	Turkmenistan, Afghanistan, Pakistan and India inaugurated 33 billion cubic metres TAPI; to be fully operational by the end of 2018. ¹²⁵ Gas pipeline from Turkmenistan to Gwadar under consideration ¹²⁶ . Negotiations on Iran-Pakistan pipeline under way.	Four TAPI member countries signed an initial investment agreement of \$10 billion. ¹²⁷ Rs. 850 billion investment in pipelines in progress. ¹²⁸	2	1.5	3	6.5

¹²⁵ Business Recorder, Major Energy Breakthrough: TAPI launched, December 14th 2015. <http://www.brecorder.com/top-stories/0/1255821/>

¹²⁶ Business Recorder: Turkmenistan to Gwadar: government's decision to lay another gas pipeline welcomed, December 17th 2015. <http://www.brecorder.com/fuel-a-energy/193/1256637/>

¹²⁷ The Express Tribune: Four countries ink deal for \$10 billion TAPI gas pipeline project, March 4th 2016. <http://tribune.com.pk/story/1058949/tapi-gas-pipeline-four-countries-ink-deal-for-10-billion-project/>

¹²⁸ Presentation by the Ministry of Petroleum and Natural Resources at the PM Office, 9th June 2016.

2		Manifesto Chapter: Energy Security: 5.27						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						
2.10	Setting up of coal and LNG import terminals, and coal transportation facilities	Status maintained.	Rs. 120 billion investment in 4 LNG Terminals in progress. ¹²⁹	2	1.5	3.5	7						
2.11	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	Govt. gives sovereign guarantees for \$2 billion for Thar Coal Mine Power Generation project ¹³⁰ . Bank syndicate to give \$1.194 billion loan for Thar Coal ¹³¹ . Other developments include \$820 million financing arrangements ¹³² and Implementation Agreement with Sindh	Financial close of Thar Coal Power Project at Thar Block-II has been completed. As of 9th April 2016, funds worth \$1.5bn were available to start work on the project. ¹³⁴ Govt. has issued guarantee of \$2 billion to Engro Powergen Thar Ltd. Syndicate of local	2.5	2	4	8.5						

¹²⁹ Ibid.

¹³⁰ Express Tribune, 11th November, 2015. <http://tribune.com.pk/story/988906/thar-coal-mine-and-power-project-government-finally-gives-sovereign-guarantees/>

¹³¹ Business Recorder, 22nd December 2015. <http://epaper.brecorder.com/m/2015/12/22/1-page/549901-news.html>

¹³² Express Tribune, China, Pakistan ink \$820m Thar coal agreement, December 22nd 2015. <http://tribune.com.pk/story/1014068/china-pakistan-ink-820m-thar-coal-agreement/>

2	Manifesto Chapter: Energy Security: 5.27	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)
		Engro Coal Mining Company (SECMC) & a Water Utilisation Agreement with Engro Power gen Thar Limited worth \$600m. ¹³³	banks will provide \$500 million for mining and \$240 million for power plant. ¹³⁵ Shareholders will inject \$500 million. ¹³⁶ Two Chinese bank will provide \$820m loans. ¹³⁷				
2.12	Developing consensus among the various stakeholders to facilitate setting up hydropower	As yet no development.		-	-	-	Not scored.

¹³⁴ Business Recorder: Groundbreaking on 11th: financial close of 660 megawatts Thar coal-fired plant achieved: CM, April 9th 2016.

<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>

¹³³ Business Recorder, Thar coal project makes new strides, November 22nd 2015. <http://www.brecorder.com/top-stories/0:/1248333:thar-coal-project-makes-new-strides/?date=2015-11-20>

¹³⁵ Dawn: Thar coal project achieves \$2bn financial close after govt guarantee, April 12th <http://www.dawn.com/news/1251498/thar-coal-project-achieves-2bn-financial-close-after-govt-guarantee>

¹³⁶ Ibid

¹³⁷ Ibid

2	Manifesto Chapter: Energy Security: 5.27	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)
	projects by the Federal and Provincial Governments						
2.13	Developing alternative renewable energy sources, such as solar, wind, bagasse, biogas, and biomass projects	Alternate Energy Development Board plans to enhance the energy mix up to 20 to 25% by adding 3,000 to 3,500 MW wind-based electricity to the national grid system by 2018. ¹³⁸ In all, nine projects under progress.	CPEC Wind projects 200 MW; Solar 900 MWs in progress to be completed in 2017.	2.5	2.5	4	9
2.14	Introducing solar-thermal water heaters for domestic and industrial use	No further progress observed.	Import of solar- thermal water heaters has started.	1	0.5	0.5	2
2.15	Decentralizing and creating a wholesale market for	Draft Electricity Act 2015 proposes development of private electricity market.	Deregulation of electricity generation & distribution ¹³⁹ .	2	2	1.5	5.5

¹³⁸ The News, Wind projects of 3,500MW to be set up by 2018, November 20th 2015. <http://www.thenews.com.pk/print/74175-wind-projects-of-3500mw-to-be-set-up-by-2018>

¹³⁹ cf. 2.2.2, 2.2.3 and 2.6 above.

PML-N Economic Agenda: Snapshots from 1st, 2nd, 3rd, 4th, 5th, 6th and 7th Tracking Reports

	1 st Tracking Report	2 nd Tracking Report	3 rd Tracking Report	4 th Tracking Report	5 th Tracking Report	6 th Tracking Report	7 th Tracking Report
	Jul-Dec 2013	Jan-Mar 2014	Apr-Jun 2014	Jul-Dec 2014	Jan-Jun 2015	Jul-Dec 2015	Jan-Jun 2016
Overall Score (Out of 10)	3.66	4.4	4.13	4.55	4.1	4.61	4.94
Economic Revival	3.17	4.47	4.33	4.6	3.8	4.21	4.64
GDP Growth	-	5.5	4.60	5	5.04	4.91	5.01
Budget Deficit	0	4.25	4.35	4.45	296	2.95	3.25
Inflation	2	6.75	4.12	5.13	4.92	3.93	4.41
Government Borrowing	0	8.5	8	7	6	4.8	4.5
Reducing Energy Shortage	-	6.5	5.5	5.5	6	4.5	5.25
Regional Trade	-	6.5	6.5	6.5	6	6	6.5
Reforms in Financial Sector and Capital Markets	-	6	7	7	7	8	8
Interest Rates	0	0 (Nil)	Nil	2	3.75	4	4.25
Industry and Trade	5.75	2.8	3.94	4.7	4.06	4.47	4.025
Infrastructure	6	3.17	4.5	5	5.2	5.2	7.25
Job Opportunities	-	4.25	5	5.25	5.13	5.38	6.25
Tax Reforms	5	1.75	3.27	2.9	2.4	2.54	2.71
State Owned Enterprises	4	3.5	4.5	5	3.63	3.88	4.12
Energy Security	4.16	4.34	3.93	4.5	4.4	5.01	5.27
Reforms of NEPRA	-	4.5	4.25	3.5	1.63	3.75	4.54
Reform of Distribution Companies	3.33	2.83	5.83	5.25	5.38	5.44	5.25
Reform of Generating Companies	1.5	2.5	4	2	3	3.5	3.25
Permanent Elimination of Circular Debt	5.33	3.25	3.63	3.6	3.5	3.5	4
Wellhead Pricing of Oil and Gas Exploration Companies	4.5	3.5	3.5	3.5	4.5	4.5	4.5
Gas Imports	4	2	2	2.5	3.5	5.5	6.5
Coal and LNG Import Terminal	-	3.5	5	6	7	7	7
Thar Coalfields	5	7	7.5	8	8	8.5	8.5
Alternative Renewable Energy	-	7	8.5	8.5	8.75	9	9

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)

Bad Economics is Bad Politics

PML-N Economic Agenda

7th Tracking Report: January-June 2016

The 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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