

## PML-N's Five Years and Unfulfilled Promises

By Dr Khalil Ahmad

For the first time in the history of Pakistan, a think tank has tracked the promises made by a political party in its Election Manifesto. The think tank is: Policy Research Institute of Market Economy (PRIME, based in Islamabad); and the party is: Pakistan Muslim League (N). The initiative was known as the "PML-N Economic Manifesto Tracking Report" and the funding for it was provided by the Center for International Private Enterprise (CIPE), an Institute of the USA's National Endowment for Democracy (NED).

PRIME, aka Prime Institute prepared and released in total 10 Tracking Reports, the first in January 2014 and the last in January 2018.

I was part of the Tracking Team, but not for the concluding Report. Basically, the idea and the methodology was the brainchild of Ali Salman, Executive Director of the Institute. I did the primary data collection, verified in turn by the Prime research fellows before its use. Ali and I worked jointly on the Scorecard and it was left to me to develop the narrative by interpreting the assigned scores to various targets.

The Prime Tracking Report considered all the targets as equal in importance and thus they all were judged and allotted a score of one to ten, as the case may be. In the course of working on various scorecards, both of us, Ali and I, realized that there is an imbalance which is unjust. No doubt, some of these targets had no economic significance at all; but they uplifted the graph of the PML-N's overall performance. It was justified since these were the promises that the PML-N made to the electorate and we needed to track and score them all accordingly regardless of their importance.

In this short study, I would like to attempt a different evaluation of the PML-N's overall performance through the five years of its tenure. For this, an entirely different methodology has been applied. It requires that the PML-N's targets be rationalized and signified anew in view of the larger goal of economic growth it wanted to achieve, and then the score be allotted to them.

Hence, the following evaluation is based on two things: Rationalization and signification of the targets that the PML-N's Election Manifesto of May 2013 contained. By rationalization is meant the degree of importance of a target, and, by signification is meant the quantification of the level of significance of a target in spurring economic growth, where economic growth is understood to be a function of entrepreneurship. Then, instead of venturing in for a new scoring, the same Scorecards, except the first and the 10<sup>th</sup> ones, that the Prime Team prepared and released, will be used with due credit to the Prime Institute.

It is pertinent to note that as far as May 2013 general elections were concerned, no other political party had such an ambitious and detailed Election Manifesto, especially the Economic part of it, to share with the electorate, as the one the PML-N did. In order to achieve the Economic Revival (ER), as the economic part elaborated, the PML-N promised a number of economic reforms, no doubt, based on the principles of market philosophy.

As it is, when the PML-N came into power back in June 2013, electricity shortage was at its peak causing irreparable losses to economic activities. The growth rate for the year 2012-13 stood at 3.6% and the government admitted 'deterioration of power sector as the main constraint on growth and that the power outages ate up 2% annual GDP growth.' [See the Highlights of the Pakistan Economic Survey 2012-13]

That's the backdrop the PML-N acted against and chalked out a plan for Energy Security (ES) in its Economic Manifesto without which no ER could be made possible.

While the Prime Tracking Reports treated all the targets under the ES equally by assigning them a score of 1 to 10, as it did in the case of ER, the present evaluation considers ES an integral part of the ER, and for the purpose of determining its weightage, treats it under the single head of Economic Growth.

### Rationalization and Signification of the Targets

All the targets have been divided into two categories, i.e. Most Important Targets and Important Targets with regard to their significance in facilitating and spurring economic growth. To the first category (the most important targets), a weightage of 50% may be allotted, and to the second category (important targets), a significance of 35%. The remaining 15% goes to the lot of the ES as a whole.

The table below shows the significance of the targets in terms of percentages:

Significant Targets	Number of Targets	Significance in Percentage
ER: Most Important Targets	10	50%
ER: Important Targets	6	35%
ES: Number of Most Important Targets	4	10%
ES: Number of Important Targets	5	5%

The ER had 54 targets, 10 main and 44 sub-targets.

ER - Most Important Targets (50% weightage):

Tracking Report Target no.	Serial no.	Detail of the target	Signification of the target	Quantification in percentage
1.2.3	1	One-third reduction in current expenditures other than salaries, allowances and pensions	The less the government consumes, the more is available for the people to make use of.	3%
1.3.2	2	Limiting government borrowing	That allows private sector to make use of capital.	3%
1.3.3	3	Decreasing tax rates	Lower tax rates help increase savings and investment.	2%
1.4.4	4	Improved regulatory environment on national level	Facilitating regulatory environment helps businesses to grow simultaneously protecting the rights of consumers	5%

			and producers.	
1.8.4	5	No increase in tax rates	Increased or increasing tax rates hamper savings and investment.	3%
1.8.6	6	Rationalizing tax rates	Rationalized tax rates allow businesses save their money and time.	2%
1.8.7	7	Reform of tax administration both at the federal and provincial levels	An extortionist, discretionary and corrupt tax administration, that the FBR happens to be, is an anathema to the growth of businesses.	10%
1.8.10	8	Reduction in the number of federal and provincial taxes	The less the number of taxes, the less cumbersome is the process of paying them.	10%
1.9.1	9	Appointing independent and professional boards	Independent and professional boards try to ensure the running of state entities like a business.	2%
1.9.2	10	Identifying and ensuring the completion of privatization process within the assigned timeframe	Private sector allocates the available resources in the most efficient manner.	10%

#### ER - Important Targets (35% weightage):

Serial No.	Serial no.	Detail of the target	Signification of the target	Quantification in percentage
1.1.4	1	Infrastructure projects (Motorways, dams, housing projects, new urban centers and cities)	Infrastructure is the bedrock for all economic development.	12%
1.2.5	2	Reduction in losses in PSEs	That reduces the burden of taxes.	10%
1.4.2	3	Opening up markets to encourage regional trade	Trade encourages local entrepreneurship and investment.	5%
1.5.5	4	Creating industrial parks for large and small industries especially in the underdeveloped areas	That allows entrepreneurs to make use of given opportunities to their best advantage.	3%
1.5.7 and 1.5.8	5 & 6	Necessary incentives for MNCs already operating in Pakistan; and, Incentives for MNCs expected to invest in Pakistan in export-oriented manufacturing	That brings a larger chunk of investment in the country and helps grow a multitude of local vendor industries in most cases.	5%

So that means a large number of targets, i.e. 38, are either of no importance or are least important as far as facilitation of economic growth is concerned. The other 16 targets have been selected here with a view that, in the Pakistani context, they usually determine the pace of economic growth.

The ES had a total of 30 targets, 15 main and 15 sub-targets.

#### ES – Most Important Targets (10% weightage):

Tracking Report	Serial no.	Detail of the target	Signification of the target	Quantification in percentage
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Target no.				
2.2.5	1	Deregulating and decentralizing by allowing small power producers to sell power directly to consumers through the distribution networks of DISCOs	It is the monopolization of power's generation, transmission and distribution by the state that caused huge electricity shortages over the years. Deregulation and decentralization could reverse the process.	3%
2.3.1	2	Corporatization and privatization of DISCOs	That could have made DISCOs efficient and responsive and less corrupt.	1.5%
2.4.1	3	Corporatization and privatization of GENCOs	Same is the case with GENCOs.	1.5%
2.15	4	Decentralizing and creating a wholesale market for electricity	Had the market been allowed to play its role in the power sector since the early days while WAPDA ruled the roost, there would have been no shortage of electricity that the people have suffered for decades.	4%

#### ES – Important Targets (5% weightage):

Tracking Report Target no.	Serial no.	Detail of the target	Signification of the target	Quantification in percentage
2.2.4	1	NEPRA-determined tariffs to be the notified tariffs	At least, that would have replaced political decision-making with an economic one.	1%
2.3.5	2	Introduction of pre-paid billing system	That would have stopped once and for all electricity stealing and pilferage by the Riyasati Ashrafiya and its affiliated classes.	1%
2.6	3	Rationalization of energy tariffs in line with international prices across all fuels	Again that would have replaced political decision-making with an economic one.	1%
2.9	4	High priority to importing gas through pipeline	That would help the local industry facing gas-shortages.	1%
2.13	5	Developing alternative renewable energy sources such as solar, wind, bagasse, biogas, and biomass projects	That would allow the most economical source of energy to win its place in the market provided the government incentivized it properly.	1%

Out of the 30 targets, four have been singled out as the most important and five as important. That leaves behind a large number of targets, 21, as having no bearing on the measures that would reduce the shortage of gas and electricity and help produce more electricity.

The Prime scores assigned to these Targets through the eight of its Tracking Reports are presented below:

#### ER: Most Important Targets

Number and Detail of the Most Important Target	Score assigned in the 2 <sup>nd</sup> Report	Score assigned in the 3 <sup>rd</sup> Report	Score assigned in the 4 <sup>th</sup> Report	Score assigned in the 5 <sup>th</sup> Report	Score assigned in the 6 <sup>th</sup> Report	Score assigned in the 7 <sup>th</sup> Report	Score assigned in the 8 <sup>th</sup> Report	Score assigned in the 9 <sup>th</sup> Report	Average of assigned score
1.2.3: One-third reduction in current expenditures other than salaries, allowances and pensions	2.5	2.0	2.0	1.5	1.5	1.25	1.25	1.0	1.62
1.3.2: Limiting government borrowing	8.5	8.0	7.0	6.0	4.8	4.5	4.0	3.5	5.78
1.3.3: Decreasing tax rates	5.0	5.5	5.5	5.0	3.0	4.5	4.5	5.5	4.81
1.4.4: Improved regulatory environment on national level	4.0	2.0	2.0	2.0	2.0	2.5	Zero	Zero	1.81
1.8.4: No increase in tax rates	Zero	5.5	5.5	5.0	4.0	3.0	3.0	2.0	3.5
1.8.6: Rationalizing tax rates	AYND	2.5	2.5	3.0	3.0	4.5	3.5	3.5	2.81
1.8.7: Reform of tax administration both at the federal and provincial levels	AYND	1.0	3.0	3.5	4.0	4.25	4.0	4.25	3.0
1.8.10: Reduction in the number of federal and provincial taxes	AYND	AYND	AYND	AYND	AYND	AYND	AYND	AYND	Zero
1.9.1: Appointing independent and professional boards	Zero	Zero	Zero	AYND	Zero	Zero	Zero	Zero	Zero
1.9.2:	6.0	7.5	8.0	6.5	7.0	6.0	7.0	3.0	6.37

Identifying and ensuring the completion of privatization process within the assigned timeframe									
Average of assigned score	2.6	3.4	3.55	3.25	2.93	3.0	2.72	2.27	2.97

In the Area of ER, the Most Important Targets earned an average score of 2.97 only.

#### ER: Important Targets

Number and Detail of the Most Important Target	Score assigned in the 2 <sup>nd</sup> Report	Score assigned in the 3 <sup>rd</sup> Report	Score assigned in the 4 <sup>th</sup> Report	Score assigned in the 5 <sup>th</sup> Report	Score assigned in the 6 <sup>th</sup> Report	Score assigned in the 7 <sup>th</sup> Report	Score assigned in the 8 <sup>th</sup> Report	Score assigned in the 9 <sup>th</sup> Report	Average assigned score
1.1.4: Infrastructure projects (Motorways, dams, housing projects, new urban centers and cities)	5.5	7.0	7.5	8.0	6.5	6.75	7.0	7.5	6.96
1.2.5: Reduction in losses in PSEs	3.5	3.75	3.25	3.0	3.25	3.75	3.50	3.50	3.43
1.4.2: Opening up markets to encourage regional trade	6.5	6.5	6.5	6.0	6.0	6.5	6.5	6.0	6.31
1.5.5: Creating industrial parks for large and small industries especially in the underdeveloped areas	2.0	3.0	6.0	6.0	6.0	7.25	7.5	8.5	5.78
1.5.7 and 1.5.8: Necessary incentives for MNCs already operating in Pakistan; and, Incentives for MNCs expected to invest in Pakistan in export-oriented manufacturing	Nil and AYND	5.0 and 5.0	5.0 and 5.0	2.0 and 3.0	1.5 and 3.0	Zero and 2.75	Zero and 2.75	2.0 and 1.0	1.93 and 2.81
Average of assigned score	2.91	5.04	5.54	4.66	4.37	4.5	4.54	4.75	4.53

And for the Important Targets in the Area of ER, the average score stands at 4.53.

#### ES: Most Important Targets

Number and Detail of the Most Important Target	Score assigned in the 2 <sup>nd</sup> Report	Score assigned in the 3 <sup>rd</sup> Report	Score assigned in the 4 <sup>th</sup> Report	Score assigned in the 5 <sup>th</sup> Report	Score assigned in the 6 <sup>th</sup> Report	Score assigned in the 7 <sup>th</sup> Report	Score assigned in the 8 <sup>th</sup> Report	Score assigned in the 9 <sup>th</sup> Report	Average of assigned score
2.2.5: Deregulating and decentralizing by allowing small power producers to sell power directly to consumers through the distribution networks of DISCOs	AYND	AYND	4.5	AYND	AYND	AYND	AYND	AYND	0.56
2.3.1: Corporatization and privatization of DISCOs	2.5	7.0	7.0	5.0	6.0	5.0	5.5	4.0	5.25
2.4.1: Corporatization and privatization of GENCOs under an independent board	2.5	4.0	4.0	5.0	6.0	5.5	6.0	6.5	4.93
2.15: Decentralizing and creating a wholesale market for electricity	Nil	Nil	4.5	5.0	5.0	5.5	5.5	5.5	3.87
Average of assigned score	1.25	2.75	5.0	3.75	3.25	4.0	4.25	4.0	3.65

As far as the Most Important Targets in the Area of ES are concerned, they earned an average score of 3.65.

#### ES: Important Targets

Number and Detail of the Most Important Target	Score assigned in the 2 <sup>nd</sup> Report	Score assigned in the 3 <sup>rd</sup> Report	Score assigned in the 4 <sup>th</sup> Report	Score assigned in the 5 <sup>th</sup> Report	Score assigned in the 6 <sup>th</sup> Report	Score assigned in the 7 <sup>th</sup> Report	Score assigned in the 8 <sup>th</sup> Report	Score assigned in the 9 <sup>th</sup> Report	Average assigned score
2.2.4: NEPRA-determined tariffs to be the notified tariffs	4.5	3.5	Zero	1.0	0.5	0.5	Zero	Zero	1.25
2.3.5: Introduction of pre-paid billing system	AYND	AYND	AYND	AYND	AYND	AYND	1.5	1.5	0.37
2.6: Rationalization	5.0	Nil	4.5	4.5	4.5	5.0	5.5	6.0	4.37

of energy tariffs in line with international prices across all fuels									
2.9: High priority to importing gas through pipeline	2.0	5.0	2.5	3.5	5.5	6.5	7.0	8.0	5.0
2.13: Developing alternative renewable energy sources such as solar, wind, bagasse, biogas, and biomass projects	7.0	8.5	8.5	8.75	9.0	9.0	9.0	9.25	8.62
Average assigned score	3.7	3.4	3.1	2.55	3.9	5.3	4.6	4.95	3.92

And in the Area of ES, the Important Targets got an average score of 3.92.

Here it may be noted that while calculating the average score of every target, the same methodology has been used which the Prime Tracking Report had developed and applied. It means that as for the present evaluation, the 9<sup>th</sup> Tracking Report has been considered as the final Report, and thus all the targets under the 9<sup>th</sup> Report (see the last column) have been treated as concluded, i.e. either they earned a score from one to ten or a Zero. No other statuses, such as AYND (As Yet No Development) are allowed to linger on now.

Finally the significance in terms of percentage for the Most Important Targets and Important Targets for both Areas is tabled below:

Significant Targets	Number of Targets	Significance in terms of percentage	Average of the assigned score	Weightage in terms of assigned percentage
ER: Most Important Targets	10	50	2.97	14.85% [50% of the assigned score]
ER: Important Targets	6	35	4.53	15.85% [35% of the assigned score]
ES: Most Important Targets	4	10	3.65	3.65% [10% of the assigned score]
ES: Important Targets	5	5	3.92	1.96% [5% of the assigned score]
Total	25	100	15.07	36.31%



That brings PML-N's achievements through its five years in government to a meager 36%. In other words, what it promised to the electorate (not what the electorate or the rigors of long-term economic reforms demanded) it could deliver only about 1/3<sup>rd</sup> of it.

The most relevant question is: how much difference it all could make or made? And, certainly at what cost to the people? How much tax-money of the people did it spend on non-development expenditures? A cost-benefit analysis therefore of the PML-N's five years in the government is due and it will establish the truth.

As for the details, in the Area of ER, the PML-N's Most Important Targets earned a weightage of 14.85% and Important Targets 15.85%; a total of 30.7%. Whereas in the Area of ES, Most Important Targets got a weightage of 3.65% and Important Targets 1.96%, making it to 5.61%. Separately, Most Important Targets from both Areas show a progress of 18.5%, and Important ones 17.81%.

In the end, assuming that what the PML-N actually wanted to do to bring about an Economic Revival, which was no doubt the ultimate target of its economic manifesto, reflects in the category of economic growth, i.e. whether the growth rate increased or not. The figures that the PML-N's government presented and the figures that the independent economists put forward do not concur. Regarding the growth rate, a fierce controversy is still raging.

The 10<sup>th</sup> Tracking Report that the Prime Institute released in January (2018), puts the growth rate as 'close to 6%', or 'touching 6%', which, is 5.8%. [See The 10<sup>th</sup> Tracking Report] Note that Prime used data only from government sources.

Dr Ashfaq Hasan Khan, after a detailed analysis of sub-sectors, contends that "real GDP growth has been in the range of 4.7-4.9 percent in 2017-18 and not 5.8 percent as reported by the government." [See, *Grossly inflated growth number*, in Business Recorder, May 4, 2018]

Dr Hafeez Pasha 'has termed 5.8 percent GDP growth projected by the government for the current fiscal year as data manipulation of at least 0.8 percent.' According to Dr Pasha's calculations, 'growth rate for 2015-16 was 3.1 percent (against government claim of 4.5 percent), 4.4 percent in 2016-17 against government claims of 5.3 percent and 4.9 percent in the current year against the claim of 5.8 percent, an assessment he based on projecting the rate for the last four months.' [See, *Pasha disputes PBS data*, in Business Recorder, June 1, 2018]

Leaving the controversy aside, even if it is accepted that the PML-N met its target of doubling the growth rate from 3% to 6%, it still remains to be seen if it has succeeded in bringing an economic turnaround, or Economic Revival as it termed it. The answer is clearly a No!

There are two things which need to be mentioned. A lot was added to the capacity of electricity generation, without paying any attention to modernizing the worn out transmission and distribution systems. The second is the China Pakistan Economic Corridor (CPEC), complete details of which so far have not been shared publicly. It may take time to bear fruit and it is only when we have the fruit on our table that we would find out if it is sweet or sour.

However, as its government has completed its tenure, I am eager to share this "afterthought" that had the PML-N focused on two things only, which were not extraneous to its economic manifesto, it would have succeeded in laying some sort of basis for long-term economic reforms: i.e. its agenda of

privatization and tax-reforms. As far as privatization is concerned, it failed miserably, with a Zero score assigned by the Prime 10th Report. And, as regards the tax-reforms, subjectively I believe the PML-N deliberately did nothing despite forming a commission for that purpose. Objectively, the 10<sup>th</sup> Tracking Report gave it a score of 2.93 only.

It is admitted that political opposition from within the Senate and the national and provincial assemblies created hurdles in its way, especially in the case of PIA and Pakistan Steel Mills, but why did it stop short of corporatizing/privatizing many other state entities! It may be so, but what happened to the target of tax-reforms! There was no opposition, no hurdles, etc, in reforming the taxation and its administration. Why did the PML-N shy away? It seems to me that in this particular case it did not care for any reforms.

So, the final verdict now is that the PML-N did nothing to bring about any long-term reforms. It lost the opportunity and possibly entrepreneurs' trust as well.

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