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Research Note – PML-N manifesto: The Way Forward

May 15, 2013

How Targets will be met: A PML-N perspective

Finally the uncertainty is over with Center and Punjab firmly in the grip of the PML-N's tiger. Furthermore, it is highly probable that it will form a coalition government in the province of Balochistan. Whereas, in Khyber Pakhtun Khuwa the newly emerged third party led by Imran Khan seems to form a coalition government.

Although it seems that some political parties are finding it difficult to accept the results, our local equity market and investors seems to think otherwise. Positivity has floated all-round the market with KSE-100 surging to an all-time high of 20,244 points right after the elections. This indicates that investors are expecting a lot from this government and more importantly they believe that this government has the credentials to take Pakistan out of this mess.

Undoubtedly, a lot will be required to achieve the targets that PML-N has set in its manifesto. Over here we will try to throw some light on the policies that might be implemented in order to achieve those targets.

Economy

Throughout his election campaign and manifesto, the chief of PML-N Mian Nawaz Sharif iterated that Economy will be his top priority if he comes into power. Pakistan's economy is in dismal state and serious efforts will be required to bring it back on its track. Following are the concrete targets that PML-N seeks to achieve in its tenure.

- Increase the GDP Growth rate from 3% to over 6% in the next 5 years
- Surge the Investment to GDP Ratio from 12% to 20% in the next 5 years
- Bring down the budget deficit to 4% of its GDP.
- Increase Tax GDP ratio from 9% to 15% by 2018

Policies to be implemented

- Remittances by Overseas Pakistanis are considered to be an important part of our Economy. This figure currently stands at USD 13 billion a year. PML-N will seek to convert at least 50% of it into channelized investments by creating incentives that could serve as a multiplier for development. It aims to take this progressive initiative by offering special financial products to Pakistani diaspora.
- Increase in Government Spending through construction of major infrastructure projects like Dams, flyovers, motorways, Housing schemes.
- PML-N will ensure that ample credit is available to the private sector, interest rates are conducive to borrowing and there is a sturdy supply of energy to the industrial hubs.
- PML-N will focus on developing major infrastructure projects through private sector on BOO/BOT (Build Own Operate/Build Operate Transfer basis). Moreover, infrastructure building and financing institutions will be encouraged through public private partnership in addition to Public Sector Development Program (PSDP).
- Bureau of Infrastructure Development will be established to facilitate and administer the private sector participation program in infrastructure and financing development schemes.
- Replicating the model of most developed nations, PML-N will allow the provinces and local governments to raise their own funds in order to facilitate their projects. This would be done through issuance of Provincial and Municipal Infrastructure bonds or project specific bonds.

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To meet the taxation target, PML-N will bring in the following reforms:

- Tax will be charged on all income and greater equity in the tax system will be achieved by increasing dependence on direct taxes.
- Tax rates will stay at the current levels. However, tax rates will be reduced once the tax system is implemented properly.
- Provincial Governments will be required to increase their tax revenues to increase their contribution to overall taxation.
- A regulatory duty will be imposed on non-essential imports in order to discourage import of luxury items.
- Sales tax to be rationalized by ensuring standard rate for all items and broadening the scope of sales tax.

State Enterprises:

Several state-owned institutions including PIA, Pakistan Steel Mills, WAPDA are in an appalling state and are considered to be a major drag to the economy. PML-N will take following initiatives in order to turn around the loss making state enterprises as it did in its previous tenures.

- Political Interference will be stopped in the daily affairs of these organizations. Moreover, privatization targets will be identified and those targets will be handed over to the privatization commission to ensure that the process is completed in an effective and efficient manner.
- Independent and Professional boards will be appointed who in turn will appoint a competent CEO.
- Special Focus will be on PIA and Pakistan Railways in order to turn them into profitable institutions.

Private Sector

- To build confidence of private sector, Pakistan Business and Economic Council shall be established, chaired by the Prime Minister, with equal membership of public and private sector for monitoring performance of economy. The Council shall meet every quarter.

Industry & Trade

- No Sales-Tax will be charged on exports.
- An equity Fund will be established by the Private and Public Sector organizations in order to encourage Pakistani markets to meet the needs of niche markets through acquisitions of overseas brands or companies.
- Up-front cost of investment will be reduced to facilitate investments for prioritized sectors.
- An Export-Import bank (EXIM) will be set up to deal exclusively with finances related to the export of capital goods and other manufactured items, consultancy and technological services involving deferred payment terms.
- Multinational Corporations (MNC's) in Pakistan will be encouraged to expand their production facilities.

Energy

'Reliable and reasonably priced energy is vital for the economic and social development of Pakistan', quotes the PML-N manifesto. However, the nation still faces a huge shortfall of energy and over one-third of the population still does not have access to electricity. This certainly presents a worrying picture and drastic measures will be required in order to curb this issue. The incoming PML-N government has set the following concrete targets in order to resolve the energy crisis:

- Additional 10,000 MW of electricity will be generated including 5,000 MW from the new coal fired power plants under IPP mode.
- Progressively condense transmission and distribution losses to 10%
- USD 20 billion investment will be mobilized for power plants and associated infrastructure.

Policies to be implemented:

- Ministry of Energy and Natural Resources will be created through the merger of Ministries of Water & Power and Petroleum and Natural Resources.
- Reforms of National Electric Power Regulatory Authority (NEPRA):
 - NEPRA determined tariff to be notified tariffs
 - Mandatory wheeling of electricity by DISCOs and the NTDC.
 - Upfront / Feed-in tariffs for wind, solar, small hydel, and biomass projects.
 - Deregulating and decentralizing the energy sector by allowing small power producers to sell power directly to consumers through the distribution systems of DISCOs. NEPRA (or regional regulators) to allow and regulate prices.
 - Net metering (sale guarantee) for small producers/consumers.
- Reforms of Distribution Companies (DISCOs):
 - Corporatization and privatization of DISCOs.
 - Ending of cross subsidy among DISCOs.
 - Transmission and Distribution losses to be progressively brought under 10%.
 - Collection of electricity bills to be brought as close to 100% of billing as possible.
 - Introduction of prepaid billing system to improve bill collection and reducing bad debts.
- Reforms of Generating Companies (GENCOs):
 - Corporatization and privatization of each GENCO under an independent Board.
 - Retrofitting of all equipment to ensure that thermal efficiency is raised to the original specification and where required converting all simple cycle plants to combined cycle technology. This will cost US\$ 300 to US\$ 400 million only but increase production capacity by 600 MW, thus giving more than 3,000 GWh (or 3 billion units) of electricity at zero marginal cost. Payback period of this investment is about one year.
 - Replacement of all furnace oil boilers by coal fired boilers. This will cost around US\$ 2 billion (for all GENCOs and IPPs furnace oil fired boilers) and again the payback period is less than two years. This will result in substantial reduction in the cost of energy production even if, at first, imported coal is used.
- Permanent elimination of circular debt, a major proportion of which is caused mainly due to system wide losses incurred by GENCOs and DISCOs. PML-N will take the following measures in order to resolve this issue:
 - Narrowly target tariff subsidies only to lifeline consumers who consume up to 100 units per month, and provide for this subsidy in the federal budget.
 - Notify electricity tariffs according to the average system wide cost.
 - Power dispatch to be strictly according to plant efficiency and generation cost.

- Supply gas to all power plants that can run on natural gas to minimize generation on expensive fuels.
 - Convert all furnace oil-fired power plants to coal-fired boilers.
 - Reduce distribution and transmission losses and improve collection rates.
- Reforms of Oil and Gas Regulatory Authority (OGRA):
 - Blanket ban on the setting up of new CNG stations until the gas crisis is resolved.
 - Priority to public transport in the use of CNG.
 - Narrowly targeted subsidy for the poor for natural gas and LPG.
 - Tariff rationalization in gas sector.
- Aggressive wellhead pricing for Oil and Gas exploration companies in order to substantially increase production of oil and gas.
- High priority to import gas through pipelines.
- Expeditious setting up of coal and LNG import terminals, and coal transportation facilities.
- Development of Thar coalfields and setting up of at least 5,000 MW of new coal fired power plants under the IPP mode in Sindh.
- Developing consensus among the various stakeholders to facilitate setting up hydropower projects by the Federal and Provincial Governments.
- Developing alternative renewable energy sources, such as solar, wind, bagasse, biogas, and biomass projects, especially for off grid and micro-grid applications.
- Decentralizing and creating a wholesale market for electricity.

Agriculture and Food Security

Agriculture is the single largest sector of Pakistan's Economy as it contributes over 21% to the national GDP. Moreover, it provides employment to over half of the country's working force. Keeping in mind its importance, PML-N has set the following targets in order to boost this sector further:

- Expedite the agriculture growth to an average of 4% per annum, as an important component of a comprehensive national food security strategy.
- Increase total spending on Non-pension social security by 1% by 2018.

Policies to be implemented:

- Convert agriculture into a fully-viable economic industry by changing the policy framework and terms of trade in favor of agriculture.
- Top priority will be given to the development of the livestock sector and self-sufficiency in oilseeds.
- Revamp all agriculture research organizations to ensure that there is sustained increase in productivity to meet the demands of a growing population and that the benefits of research actually reach the farmers.
- Build consensus on the basis of the 1991 Water Accord to allow new water projects to be undertaken and extension of irrigation facilities to additional areas.
- Convert Pakistan into a large net exporter of food and high value crops to regional markets by modernizing post-harvest storage and marketing systems. There is very large demand for halal products in these markets.
- Revitalize corporate agriculture to overcome the limitation of the small land owners by setting up land development corporations with majority equity of the poor and managed by professional managers.

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- Reform the agriculture credit system to ensure that at least 50% of the total is provided to small farmers and that land owners are able to obtain credit on the basis of the market value of the land rather than outdated produce index units. High priority to women borrowers in micro credit programs.
- Increase irrigation intensity through fuller utilization of available water resources by expanding the on-farm water management programs, and generating hydel electricity on a large scale from local water reservoirs and small dams.

Health

Health, in Pakistan, is a luxurious idea. Here, health care is not a right but a privilege, afforded only by wealthy. Pakistan is the sixth most populous country across the globe boasting of a population of more than 180 million people, Pakistan spent just 0.27% of its GDP on health in 2011-12 which is insufficient to cater the needs of the population, according to the Economic Survey of Pakistan of 2011-2012. In order to improve this situation following targets are set by PML-N:

- Expenditure on health to be increased from 1% of GDP to 2% by 2018, as per United Nations requirements.
- Introduce a comprehensive National Health Service across Pakistan with participation of the private sector.
- The basic aim of the health program will be to achieve, within 5 years, 100% vaccination of children, 50% reduction in maternal and infant mortality and at least 10% reduction in the rate of population growth.

Policies to be implemented:

- A new National Health Insurance Scheme will be introduced. This facility will be free for children under 12 in full-time education, senior citizens over 65 and families with low income.
- Hospitals participating in the program shall receive payments from Insurance companies. Premiums to Insurance companies shall be paid by the provincial government. Program shall be managed by provincial governments.
- Private sector will be encouraged to expand pharmaceutical manufacturing and setup manufacturing of diagnostic equipment so that cheap and effective treatment is available to the people.
- An independent Drug and Food Administration will be set up to enforce proper standards, check spurious drugs and regulate prices of medicines to keep them within affordable limits.

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