Scenario 171

PPP's FIVE YEARS GOVERNANCE

Referring to *Nazish Brohi*'s analysis in ***Dawn dated 27th October 2015;*** there stands a story of perpetual betrayals for the PPP:

> *'…..that Asif Zardari betrayed Benazir Bhutto's PPP; …..that Benazir had betrayed Z.A. Bhutto's PPP; ….. that ZAB himself betrayed the party's original conception…..'*

But it's no coincidence that the PPP had managed comebacks. The fact remained that the party had always been voted into political power in the wake of ending military regimes, almost like the arsenal of the ***army's 'anti-incumbency vote'***.

The PPP surfaced during Gen Ayub's regime, first voted into power after Gen Yahya Khan's two years military rule, re-elected after Gen Zia's eleven years regime, and lastly after Gen Musharraf's nine-years rule. The exception was BB's second tenure but there too her previous dismissal was seen as victimisation allegedly by the army-backed establishment.

The PPP's institutional paralysis and collapse of governance in Sindh since 2008 till today be kept in sight. The party claimed pushing the democracy forward through unanimously passed 18th Amendment, but while settling some of the long standing issues between the Federation and four provinces, the PPP in criminal collaboration with the PMLs [N&Q], punched the basic spirit of the same democracy by saying that: ***'there would be no elections in the party'***.

The PPP felt pride in quoting that it re-invented a parliamentary democracy instead of the distorted semi-presidential system; for the first time, the country saw consensus for a prime minister; the first ever democratic transition and completion of the presidential tenure; a serving prime minister appeared before the Supreme Court and other alike changes in Pakistan's genetic code with long-term implications.

What benefits of such ***'philosophical achievements'*** for the general populace the party ruled for five years. What they got out of it.

In the contemporary world, the good governance is not measured on such gimmicks. The real performance is measured by the factors with difference which the people could compare with the outer world. The people judged the party's achievements in comparison with the earlier figures available on record whether left by the Army rule or of its Kings Party whatsoever.

The ruling political party's achievements are now a day judged by:

- *How much increase in GNP / GDP was recorded.*
- *How much new employments were created.*
- *How much foreign investments were attracted.*
- *How much new venues of oil, gas, natural minerals or coal and nuclear resources were tapped.*
- *How much electricity was added in the national grid.*
- *How many target killers and terrorists were hanged.*
- *How many laws improved [in terms of international standards] in the parliament.*
- *How much increase in the exports was registered.*
- *How much trade deficit was reduced.*
- *How much foreign debts were curtailed off or paid off.*
- *How much %age of literacy rate improved all over the country.*
- *How much crime, heinous and white collared, reduced.*
- *How many tourists' spots developed and how much foreigners were attracted and adequately catered for.*
- *How many new industries installed and opened in public and private sectors or joint-ventured.*
- *How much new schools opened; new hospitals installed; new canals were built and opened for irrigation; how many new roads were built on the national level and in provinces.*

PPP stalwarts could see that how much services or improvements they had delivered during their five years un-interrupted rule over Pakistan.

The PPP trumpeted high that they were *'successful'* to drive out military regimes and to lessen the future coups' probability – but that has never been the prime aim of any democracy in the world. In the countries where the political governments deliver seriously, the military remains confined to their barracks at their own. In Pakistani scenario, the politics of reconciliation with both the army and the PML[N] that made term completion possible did agitate the PPP voter, but the party lost its own existence.

It is not only PPP's bold and loud stories of corruption but it totally forgot its hall-mark manifesto of ***'roti, kapra aur makaan'***. It also lost***:***

- ***…. its ability to use the anti-establishment card.***
-
- ***….held criminally compromising approach towards BB murder probe.***
-
- ***….didn't even push through the one populist steroid in its arsenal — the retrial of ZAB to declare it a judicial murder.***
-
- ***….could not handle its commitment to bring the security apparatus under civilian control.***
-
- ***…as leader of opposition, the PPP supported the formation of military courts but did not bother to equip the civilian courts with similar powers & procedures through the parliamentary channel.***

During its 5 years regime, it could not make out new laws or amend the existing laws to deliver speedy justice by any tier of the civilian courts with the same like legal powers and regulatory provisions for which the people had developed their liking for the military courts.

Coming to Sindh, the average PPP voters stood in support for democracy because they thought it would immediately better their lives. It didn't.

> **[*Five years after PPP's un-challenged rule and devolution, blame for Sindh's deteriorated condition could no longer be shifted to Punjab or the military establishment.*]**

Every department and tier of government remained a mess, proven curse of corruption and in-efficiency - thus needed a purge. Still the PPP's leadership was not ready to accept the blame. The PPP could rebuild on the fundamentals or it could sit back and pray for another military coup – but PML[N] or PTI might have travelled too far ahead till that wish comes true.

2013 - ELECTION GIMMICKS:

On 15th March 2013; just a day before leaving the throne, the PPP government released Rs:140.1 billion under the ***Public Sector***

Development Programme [PSDP] of 2012-13. It was further classified as Rs:74.8 billion for infrastructure sector, Rs:61 billion for social sector, Rs:1.5 billion for 'other' sectors and Rs:2.8 billion for Earthquake Reconstruction and Rehabilitation Authority.

The said releases were made for 1,113 various national developmental projects ***– knowingly that not a single rupee would be spent.*** It was done keeping in mind the forthcoming general elections on 11th May 2013.

The size of the federal PSDP 2012-13 was Rs:360 billion including Rs:100 billion as Foreign Exchange Component [FEC] and Rs:27 billion as special programme budget. The releases against special programmes were allocated to the Cabinet and Finance Divisions. The foreign aid disbursement amount was given to the Economic Affairs Division.

The Pak-currency component of power sector projects was arranged by Water and Power Development Authority [WAPDA] from its own resources. Therefore, the rupee component of power sector projects was not made part of the budget thus not released by Planning and Development Division except for a few projects.

Releases for some of the important projects were; National Programme for Family Planning and Primary Health Care Rs:7.602 billion, Population Welfare Programme Punjab (2010-15) Rs:1.116 billion, Population Welfare Program Sindh (2010-15) Rs:620 million, National Maternal, Neonatal and Child Health Programme (MNCH-UK) Rs:786 million, Safety Analysis Centre to provide Regulatory Support and for Indigenisation of NPP in Pakistan Rs:50.712 million, Establishment of National Dosimeters and Protection Level Calibration Laboratory Rs:42.272 million, Expo Centre Lahore Phase - II Rs:200 million, two 50 megawatts (MW) Power Plant from Syngas (IGCC - 2009) & Tharparkar Rs:900 million.

Out of the block allocation of Rs:9.547 billion for Azad Jammu and Kashmir, the government released Rs:6.205 billion immediately. Establishment of New Campus of Jalozai Khyber PK University of Engineering and Technology Peshawar Rs:645 million, Gilgit-Baltistan (Block Allocation) Rs:2.716 billion, Federal Programme under ***Access to Justice Programme***, Islamabad Rs:722 million.

In Railways; Procurement of 150 DE Locos Rs:200 million, Procurement of 202 New Design Passenger Carriages from China (Revised) Rs:654.015 million, Replacement of Old and Obsolete Signal Gear from Lodhran - Khanewal - Shahdara Bagh Mainline Section of PR (IBD) Rs:1.230 billion, Rehabilitation of Railways Assets Damaged during Riots of 27th & 28th

December 2007 Rs:600 million, Rehabilitation of 27 Number (HGMU - 30) Diesel Electric Locomotives Rs:938 million, Rehabilitation, Up-gradation and Conversion of 400 Coaches Rs:116.975 million, Replacement of Three Break Down and Rescue Cranes and Procurement of Five Sets relief train equipment Rs:550 million, Federally Administered Tribal Areas [FATA] Rs:10.04 billion.

Raising of Mangla Dam including resettlement Rs:3.850 billion, Extension of Right Bank Outfall Drain from Sehwan to Sea, Dadu and Thatta Districts Rs:960 million, Revamping and Rehabilitation of Irrigation and Drainage System of Sindh Rs:980 million, Construction of Small Storage Dams, Delay Action Dams, Retention Weirs and ISSO Barriers in Sindh Rs:833 million, Rehabilitation of Irrigation System in Khyber PK Rs:280 million, *Makhi Farash* Link Canal Project (Chotiari Phase-II) Sindh Rs:400 million and Construction of Fall Structure on Nara Canal, Resection of Rato Canal RD 0-72 and Strengthening of Jamro Canal, Sindh Rs:385.4 million.

The government released Rs:7.112 billion for Chashma Nuclear Power Project (C3 and C4). The government released Rs:3.114 billion for Construction of Diamer Bhasha Dam Project Land Acquisition. M-4 Motorway, 57 Km Package-IV (Including Rs:1 billion for LA) Rs:1.242 billion, and Dual-way of Mandra to Chakwal Road (64 kilometres) Rs:2.1bn.

Execution of ***33 Miscellaneous Development Schemes in NA-51 in Various Union Councils of Gujar Khan, electoral constituency of the PM Raja Pervaiz Ashraf***, the government released Rs:1.650 billion on immediate basis.

TRADERS MOST FRUSTRATED:

On 16th March 2013; the Pakistan Peoples Party [PPP]'s five years rule ended smoothly. The PPP trumpeted their success [?] in very high tone that a political party had completed its tenure first time in the history of Pakistan. The critics said that to earn that splendour and glory, the PPP had pushed the country at least two decades back.

The Pakistan Peoples Party [PPP] government took over from Gen Musharraf - what started with a great promise turned quickly into a major disappointment. Within months, the air leaked from the new government's balloon.

[*While Gen Musharraf regime posted 6% to 8% economic growth rates, the Zardari government couldn't muster even 4% GDP growth in first three years whereas the last two years registered 2.5% and 2% growth respectively.*]

Democracy is all about the fulfilment of physical and spiritual needs of the people; and for Pakistanis, the democratic rule brought darkness, hunger, violence, poverty and bleak future.

The traders termed PPP govt's 5-year tenure as worst in history.

The *All Pakistan Anjuman-e-Tajran* [APAT] executive committee declared that the ruling PPP during its five-year constitutional tenure fulfilled no promise it had made to the masses in its election manifesto of 2008 titled ***'Towards Peace and Prosperity in Pakistan'***.

The 'broken promises' included sustainable high economic growth, sound macroeconomic policies, elimination of energy shortage, environmental protection, world class irrigation system; ridding Pakistan of violence, bigotry and terror; employment for youth and lowering inflation; provision of quality education; healthcare and clean potable water; bringing progress to the doorstep of workers, farmers and small businesses; supporting the disadvantaged; making Pakistan business–friendly; women empowerment; citizen-centric governance and good governance.

While comparing the price tags of certain items of daily usage, the economists noted that it was common man's class that suffered the agony of price hikes during the PPP's rule. Following was the statistics comparing the two indices from **MAY 2008 TO MARCH 2013** in Pakistani Currency - RUPEE:

	MAY 2008	**MARCH 2013**	**%age UP**
PETROL	56/Lit	106/Lit	89.26%
DIESEL	39/Lit	109/Lit	179.49%
CNG	30/cub m	89/cub m	196.67%
Bi-Cycle	35,000	65,000	85.71%
US $ Rate	60	90	50%
FLOUR	13/kg	38/kg	192.31%
SUGAR	21/kg	60/kg	185.71%
MILK	25/Lit	70/Lit	180%
C'KING OIL	90/Lit	190/Lit	111.11%
UREA	1300/bag	4700/bag	261.54%
EL'TRIC	2.13/unit	9.39/unit	340.38%

LOADSHEDDING increased from 30% to 150%
CALLS & SMS increased from 10% to 21%
G SALES TAX increased from 15% to 20%

EDUCATION FIRST: When the PPP took over in early 2008, there were 256,088 educational institutions of all categories in Pakistan, with a total enrolment of 37,462,884 students.

There were 182,477 (71%) education institutions in the public sector and 73,611 (29%) in private sector. Enrolment wise, public sector had an enrolment of 25,213,894 (67%) in various categories of educational institutions whereas 12,248,990 (33%) enrolment was in the private sector. The total teaching staff was 1,363,501, out of which 0.756 million (56%) was in the public sector and 0.606 million (44%) in the private sector.

When the PPP left the throne in March 2013, **there was not a single addition in the state-run school numbers;** the number of total students registered an increase of 2.8% whereas the strength of teaching staff in the state-run schools increased by 6% because of the ***'ghost enrolments'*** on the political basis – mostly in rural Sindh areas.

Referring to the '***Dawn' of 18th March 2013;*** Murtaza Haider rightly pointed out that:

> *'If electoral democracy were a cake, Pakistanis would be coming off of a five-year binge. Instead,* ***the nation is poorer, hungrier, and more deprived today than it was in March 2008.***
>
> *For the first time since independence in 1947, democratically elected legislatures completed their constitutionally mandated tenures in Pakistan without being summarily uprooted by a military regime or its civilian proxy.*
>
> ***The sorry state of the federation where law and order disappeared and corruption became omnipresent, and where economy and utilities faltered, would prompt the electorate to question the real value of electoral democracy.***
>
> *Has electoral democracy delivered jobs to the un-employed, and food to the poor?'*

Hats off to the PPP's elected government; when it assumed power in 2008, the demand for Pakistani goods declined and investment flows dried up, thus starving Pakistani industries.

However, while the economic growth was dismal at best, the stock markets in Pakistan continued to touch new heights. Even with the worsening of law and order and a near complete collapse of the power sector that crippled the manufacturing sector, the KSE 100 index continued to grow, fuelled most likely by ***'irrational exuberance.'***

It resulted in a sustained higher than usual unemployment rate that lasted throughout the five year democratic rule.

> [***During the five years PPP rule from 2008-13, the per capita GDP grew by merely $30 – that too through Rupee's un-precedented devaluation.***]

Further, the economic managers failed to arrest the sharp increase in consumer prices that grew by 80% in a short span of five years. The result was catastrophic for low to mid-income households who faced limited opportunities to earn a living, while the cost of living continued to shoot up.

Murtaza Haider reminded that good governance, amongst others, is as much a part of democracy as electioneering is. Governance has never been a core value for the political parties in Pakistan. This time, PPP's 5 years rule left the nation buried under a mountain of **foreign debt that ballooned from $45 billion in 2008 to over $65 billion in 2012**. Thus the PPP's rule left the nation poorer and hungrier.

A 2011 national survey revealed that widespread ***malnutrition in Pakistan had caused 44% of the children fewer than 5 years of age to have stunted growth***. In Sindh, the power base of the Zardari government, three in four households were food insecure.

The traders, while reviewing the five-year performance of the PPP-led coalition government, observed that it was the worst-ever era in view of economy, as foreign debt escalated by unprecedented margin in their five years' rule.

Referring to a report published in ***Daily Times*** dated ***17th March 2013***, the PPP had failed to respect the commitments the party had made to the masses. The report explained:

> *"Pakistan was caught in debt trap and ratio of total loans reached 72% of the gross domestic product;* ***the rupee depreciated by almost 65%*** *against the greenback during this tenure. Foreign direct investment plunged to the lowest level during this era owing to energy crisis and alarming level of insecurity.*
>
> *The misery remained that the* ***power tariff was raised in the range of 40 to 95% while circular debt escalated to Rs:872 billion from Rs:326 billion*** *during the five years.*
>
> *The unannounced power load shedding and gas suspension halted the industrial production as well as agriculture growth leading to skewed economic growth between 1.7% to 3.5% while taxpayers subsidy of Rs:1,500 billion could not rescue the power sector.*
>
> ***Prices of petroleum and its products went up 80-160%*** *during that five years rule while the same index was up just by 3.29% in the global market.*
>
> ***Inflation index was registered as 15% up*** *during the PPP's five years and the consumer price index increased from 100 points to 173 points. In one year 2012 alone, Pakistan's ranking on the* ***Ease of Doing Business Survey*** *had fallen from 104 to 107.*
>
> *Government writ was seen paralysed as terrorism, violence, target killing of traders and extortion hit the country hard during this black era of the PPP rule.* ***Around 57% resources were shifted to provinces under National Finance Commission Award but the provinces never shown surplus budget.***
>
> *Quoting National Accountability Bureau [NAB]'s Director General, the oil mafia, agriculture cartel and tax evasion contributed to a* ***daily loss of Rs:5 billion to the national exchequer****."*

According to Transparency International, <u>Pakistan lost more than Rs:8.5 trillion in corruption, tax evasion and bad governance during four years tenure of PM Gilani's governance.</u> More so, the mega scandals like Hajj scam, Pakistan Steel plunder, Railways corruption, Rental Power loot and others, neither the Federal Investigation Agency [FIA] nor the NAB probed the cases fairly because of involvement of their political masters.

All Pakistan Business Forum [APBF] also demonstrated the similar concerns and had asked all leading political parties to spell out their priorities before going for general elections. Reviewing the five-year period of the PPP's rule, the forum unanimously observed that the overall business contracted primarily due to energy crisis coupled with law and order issues while deficit remained at an unbearable 6-7% of the gross domestic product [GDP].

Pakistan on average spent 7.5% of GDP on buying fuel due to soaring energy crisis but with zero result as the industrial sector continued to suffer for the whole span of five years. The tragedy remained that the PPP's federal government, which controlled the load management as well as power distribution system, continued to penalise those consumers, who paid their bills regularly, by imposing fuel adjustment surcharge.

FOREIGN INVESTMENTS FLED AWAY:

Through an analysis published in ***'the News'*** dated ***18th March 2013***, distinguished economist **Dr Ashfaque A Khan** made a miserable note of Pakistan's economic state of affairs. The PPP government completed its five-year term but within and outside Pakistan, the consensus remained that the country's economy went weakened. Poor macro-economic policies, fiscal indiscipline, a weak and frivolous economic team and bad governance were the contributory factors in the destruction of the economy.

Prior to PPP's ascension to power in March 2008, Pakistan's economic performance was robust. International financial institutions and global investors were upbeat on growing economic fundamentals. ***Pakistan's economy was regarded as one of the fastest growing economies in the Asian region*** and Goldman Sachs, a global investment bank, included Pakistan in the elite group of emerging economies.

Fiscal year 2007-08 was a defining year in Pakistan's economic history. The descent into political instability in mid-2007, followed by sudden shocks such as skyrocketing oil and food prices, adverse security developments and global financial turmoil buffeted the economy of Pakistan. These shocks, combined with policy inaction during the political transition to the PPP in March 2008, made the economy crippled and then reverse.

The PPP took charge in March 2008 - and that year the food and fuel price shocks affected almost every country around the world and Pakistan was no exception. While other countries undertook corrective measures and overcame the crisis, the PPP government in Pakistan continued to lurch from one crisis to another having no sense of direction. Frequent changes in the economic team characterized the government's modus operandi. As the ***economy was never given priority during the whole 5 years tenure***, the catastrophic results were the natural outcome.

Dr Ashfaque Khan despondently noted that:

> ***".....the PPP's five years marked its economic growth to about 3% per annum at average as compared to the almost 7%+ during Gen Musharraf's last five years; industrial growth stagnating at 0% as against the 12.4% per annum in the preceding five years.***
>
> *Industrial growth started declining immediately after the PPP-led coalition government assumed power. It dropped to 4.1% in the first half of 2008.*
>
> *In its first full year in power, large scale manufacturing (LSM) growth plummeted to minus 8.2% in 2008-09.*
>
> *Productivity increased to 4.81% in 2009-10, but again declined to 1.14% in 2010-11, then to 1.02% in 2011-12 and the same trend in 2012-13."*

In 2012-13, Pakistan's car production was about 30% lower than the high level achieved during the year 2007 of Gen Musharraf's rule. In most categories, textile production declined from previous levels. Cement production was at almost the same level as was in 2006-07 although the industry added over five million ton additional capacity; the expansion was planned, funded and started in Gen Mushaff's regime.

Talking of other sectors; Pakistani industries manufactured fewer refrigerators, television sets and split air conditioners than they were producing five years back. The fertiliser sector added a two million ton capacity, thanks again to planning that took place during Gen Musharraf's times but even then less urea was produced than in 2006-07.

During PPP's regime [2008-13], many foreign investors left Pakistan, selling their industries to local entrepreneurs at low prices.

- The ICI sold its interest in polyester yarn, soda ash and paints to different local parties.
-

- An American chemical company disinvested its share in a chemical plant to a Lahorite chemical manufacturer.
-
- Some Japanese TV manufacturers had shut down their manufacturing facilities;
-
- A Korean vehicle plant manufacturing closed its premises.

Those entrepreneurs shifted their capital to Bangladesh, India and Sri Lanka. It was during the five-year rule of the PPP-led coalition government that Bangladesh surpassed Pakistan as the second largest exporter of textiles and clothing in the region, after India. Pakistan's knitwear and garment units closed down gradually.

During the last week of PPP's rule, in March 2013, the outgoing federal cabinet approved the ***new investment policy*** announced in 2012, hoped to pull more than $5 billion in foreign investment in 2013-14. However, the policy came at a time Pakistan's growing political instability and weak security environment had already eroded foreign investment to an all-time low; from $5.4 billion in 2007-08 to just $813 million in 2011-12. Ihtasham ul Haq wrote:

> *"The erosion of the Pak rupee, the critical law and order situation and worldwide recession deflected investment from Pakistani shores to nearby countries.*
>
> *The road map for the much-needed foreign investment will be given by the next government, after taking into account current bottlenecks such as crumbling infrastructure, the serious shortage of energy and the high cost of doing business in Pakistan."*

Not only had the Board of Investment [BoI] failed to play its role in generating investment, agonizingly slow decision-making and cumbersome bureaucratic procedures also scared away the few who were interested.

Comparatively, places such as Dubai continued to thrive on the back of one-window operations, which provided potential investors with all infrastructural facilities, speedily and under one roof. While Pakistan kept meaning to amend the rules of business to this end, nothing happened.

Finally, tussles among the federal ministries – particularly, finance, commerce and petroleum and natural resources – caused FDI to drop and led to the flight of local capital to Sri Lanka, Bangladesh, the Middle East, Turkey and India. As a result, investment levels dropped to just 12.4 percent of GDP during the years 2008-13.

And then the severity of the global financial crisis and a sharp surge in investment disputes brought another issue regarding the BITs to the fore: the potential downside of investing in a country so tied up with various treaties with different colours in various shades.

> **[*The final indictment came at a conference in Brussels in 2012, when the US and European countries said they could neither trust Pakistan nor did the country have the investment climate required to attract foreigners.*]**

But there were other issues too that needed urgent attention:

- *First, a downgrade in sovereign credit rating – particularly by the New York-based Moodys and Standard and Poor – eroded investor confidence. Since macro-economic instability had been a hallmark of successive governments, Pakistan was no stranger to such downgrades.*
- *Second, serious security threats to foreign investors and concerns about Pakistan's political stability were a major deterrent.*
- *Third, the recent past witnessed a host of protracted disputes between foreign investors in Pakistan and the federal government and this unpredictability scared off investors.*
- *Finally, a low-grade intellectual property rights regime and arbitrary application of government regulations by federal and provincial bureaucracies didn't help much to inspire confidence.*

Most disturbing was the fact that the investment rate continued to decelerate during the PPP's five years and declined to a 50-year low at 12.5% of GDP from as high as 22.5% five years ago. About 2.5-3 million people were going jobless every year in addition to fresh crop of youth striving to get employment. During PPP regime, the pool of unemployed had grown over while most people slipped below the poverty line.

Stock Market: During the PPP's five-year term [2008-13], the economy had its share of ups and downs, with some of the highlights being:

1) Entry and exit from the International Monetary Fund (IMF) programme,

2) **Inflation** from single digit to the double plus digits,
3) Persistent decline in foreign investment,
4) Continued growth trajectory of home remittances,
5) No permanent solution envisaged for circular debt and
6) Sluggish industrial sector performance.

However, during this period, the equity market continued to track corporate earnings growth, with local investors being net buyers. Foreign investors had not really returned to Pakistani equities with full confidence, with the floor imposition in August 2008 being at the forefront of their worries.

The KSE-100 index lost more than half of its value during the first year of democracy, losing 60%. Since then the index provided four consecutive years of positive returns with 65% in the second year, 18% in the third year, 13% in the fourth year and 34% in the fifth year. The average daily trading volume did not reach the peak levels as was witnessed in 2007, averaging just 134 million shares per day during 2008-13.

Despite the last four years' compound annual growth rate of 32 percent, the equity market was unable to attract new investors, resulting in no increase in market depth. Only the change in CGT rules during 2012 resulted in average trading volume of 176 million shares per day during 2012-13. In fact, average daily volume in the third and fourth years stood at meagre 110 million shares and 100 million shares, respectively.

Foreign investors also shied away from Pakistan's equity market even though high returns were visible. There were niche investors, focusing mainly on: food and consumer goods, banking, oil and gas exploration, fertiliser and power generation sectors. On net basis, foreign portfolio investors ended up taking out money from Pakistani equities during 2009.

Key-Point: High gain in Stock Exchange Trading without sustainable industrial production is always more dangerous. Pakistan, in fact, got more shares trading because the industrialists could not feel comfortable in manufacturing due to various factors in play.

FLAWED MONETARY POLICY:

During the PPP's five [2008-13] years rule, Pakistan witnessed the removal of one prime minister [Yusuf Raza Gilani], four finance ministers [Ishaq Dar, Naveed Qamar, Shaukat Tarin and Dr Hafeez Shaikh], and change of guards at the State Bank of Pakistan [Dr Shamshad Akhtar, Salim Raza and Dr Hafeez Kardar]. Despite all these changes, economic woes and the people's plight continued unabated.

These five years have been the worst for the economy where average growth stood at 1.5 percent to 3.5 percent and domestic debt surged to Rs:8.5 trillion as compared to June 2008 where it stood at Rs:3.2 trillion, while external debt witnessed a substantial rise of $20 billion to $65 billion.

According to government's released statistics, food inflation remained in double digits throughout the tenure of the people's government. In FY2007-08, it was recorded at 17.6 percent, while in the following year it climbed to 23.7 percent. During the government's first year in power, despite having adequate sugar stocks the end user suffered. The price of sugar once hiked to as much as Rs:120 per kg.

Furthermore, shortage of wheat was created artificially, resulting in price hike. In order to benefit growers – the backbone of the previous setup – and fetch unanimous support from this particular group, the PPP government enhanced the support price of wheat. ***The support price of wheat witnessed an unprecedented increase to Rs:1,200 per 40kg from Rs:650 per 40kg.*** This was the most hard-hitting factor for the government to tame inflation, thereby increasing pressure on the people.

Despite immense pressure from the business community to reduce the interest rate to a single digit, it took the SBP five years to do so. Reckless government borrowing and excessive note printing created hindrances in economic growth.

The central bank repeatedly cautioned the government on excessive borrowing and also advised it to amend the Fiscal Responsibility and Debt Limitation Act 2005, to incorporate appropriate provisions to restrict debt monetisation. Excessive borrowings from the central bank also resulted in an increase in floating debt; comprising short-term instruments like the treasury bills.

The budgeted fiscal deficit increased primarily due to shortfall in estimated Federal Board of Revenue [FBR] tax revenue collection by Rs:188 billion; non-realisation of fee from the auction of 3G licences amounting to Rs:79 billion; due amount of Rs:80 billion from ***Etisalat for privatisation of PTCL;*** Rs:50 billion from floating of euro bond; increase in domestic interest liability due to higher fiscal deficit by Rs:100 billion; increase in defence expenditure by Rs:30 billion due to increase in salaries as a result of Cabinet's announcement at the time of budget 2012-13; reduction of anticipated surplus from provinces by Rs:30 billion; Rs:15 billion for providing power supply to agricultural tube-wells at a flat rate and increase in electricity subsidy by Rs:108 billion due to non-increase in electricity tariff. The fiscal deficit soared to hit Rs:2 trillion from the budgeted estimates of Rs:1.110 trillion.

In the absence of fiscal reforms and weak economic growth, despite tall claims made by the finance ministry [MoF] and FBR that growth was impressive, revenue collection had room to grow by at least Rs:800 billion per annum – the tax managers had gone glaringly corrupt.

The balance of payments recorded surplus on a couple of occasions due to the much talked about Coalition Support Fund [CSF] from America. Pakistan received $2 billion to $3 billion from the US under CSF, which helped heal wounds but the economy was still starving for foreign investment inflows, which went largely dried considerably in the five years of PPP's rule.

Fiscal indiscipline was the hallmark of the PPP government run by Zardaris. The fiscal deficit averaged 7% of GDP during years 2008-12 but reached as high as 8.5% in their last year [2012-13]. The persistence of a large fiscal deficit over their five years term along with sharp depreciation of exchange rate almost doubled the country's public debt.

The stock of public debt stood at Rs:4.8 trillion in June 2007 [at Rs:6 trillion in 2008] reached over Rs:13 trillion by December 2012; at Rs:14 trillion in 2013 – an addition of over Rs:8 trillion in five years.

The other debacles of the PPP's rule included the addition of over $20 billion in external debt, the vanishing of foreign direct investment, 50% depreciation in the value of the rupee, foreign exchange reserves dipping to dangerously low levels of $7.6 billion [*which normally provide import cover of two months only*] and inflation persisting at high double digit levels for more than 5 years in a row, creating enormous hardship for the poor and even middle class households.

During the PPP-led coalition government, the Pak rupee value continuously declined in the period 2008-13; by over 56 percent against the US dollar.

On 25th March 2008, when Yusuf Raza Gilani took over as prime minister, the rupee stood at Rs:62.61 against the dollar. The rupee depreciation continued till ending the PPP's tenure under the premiership of Raja Pervez Ashraf - the exchange rate reached Rs:97.98 by ***15th March 2013***.

Pakistan's foreign exchange reserves stood at $12.807 billion by the week ended 1st March 2013 – once the same were hitting high of $18.313 billion by the week ended 30th July 2011. The IMF portrayed Gen Musharraf's ending FY2007-08 scenario as:

> *"…Adverse security developments, large exogenous price shocks, notably related to increase in oil and food import prices and global financial turmoil buffeted the economy.*
>
> *These shocks, combined with policy inaction during the political transition to the new government and large central bank financing of the growing fiscal deficit, led to slower growth, higher inflation and a sharp deterioration of the external position."*

In early FY2008-09, the rupee fell sharply as the economic crisis deepened. In the first four months of FY09, the local currency declined by 18.69 percent, from 68.83 by early July 2008 to 81.70 by end-October 2008. The consequent rapid depletion of the country's foreign exchange reserves severely dented confidence in the domestic currency.

From July 2010 to December 2011, the rupee either remained stable or declined at a slower pace over economic shocks, such as the devastating floods of 2010, and shifting of oil payments from the SBP to private commercial banks.

The floods of FY2009-10 were termed as biggest disaster in the history of Pakistan as large areas of the country were devastated, particularly agricultural lands causing significant damage to standing crops of cotton, rice and sugarcane and livestock. The economy also suffered extensive damage to infrastructure (bridges, road networks, gas / power plants, and industrial units), productivity losses from supply-disruptions, large-scale displacement of people, etc. ***According to estimates, up to 20 million people were displaced and lived without shelter, food, clean drinking water and basic health facilities.***

In these two years, the country managed to control the balance of payment position as the current account balance posted a deficit of $3.94 billion in FY2009-10 and a surplus of $214 million in FY2010-11. However, in the second half of FY2010-11, the rupee value started to fall at a faster pace due to scheduled repayments to the IMF starting from February 2012 and non-realisation of budgeted flows. Furthermore, large payments to the IMF during the second half of FY2010-11 deteriorated the rupee value and it plunged to Rs:94.53 by end-June 2012.

Pakistan's exports peaked at $25 billion in FY2010-11, despite energy crisis, political uncertainty and deteriorating security situation. Export receipts in the following year followed a similar trend, despite adverse conditions. Similarly, remittances witnessed healthy growth during 2010-13 years as they crossed the $13 billion mark for the first time in the country's history in FY2011-12.

On 26th February 2013; the SBP paid the 10th instalment of IMF's SBA programme amounting to $391.8 million – making the total repayment of $3.232 billion since July 2012, the SBP press statement is referred. The next instalment under the IMF's SBA facility was due at the end of May 2013, amounting to $258.4 million.

The central bank is considered the most important economic and financial institution of countries around the world. During the PPP's five years rule - through frequent changes in its leadership, this institution was also weakened and reduced to functioning as the monetary wing of the ministry of finance. The Board of Directors of the State Bank of Pakistan [SBP] was weakened through the appointments of unqualified people there.

The fact remained that five years of economic mismanagement by the outgoing PPP regime had shattered the economy beyond recognition. The fiscal year 2012-13 could not sustain beyond *'business-as-usual scenario'* because that fiscal year had seen three governments at the helm of affairs – the PPP, the caretaker, and a post-election new government pf PML[N].

The PPP government purposefully indulged in financial bungling by generating a financial tsunami during the last few days of its tenure. In the absence of significant capital inflows, foreign exchange reserves dwindled further and huge debt repayments during 2012-13 dragged the country closer to global default – thus getting it labelled as a 'failing state'.

INDUSTRY & POWER SECTORS:

Manufacturing: The government's emphasis on promoting imports also played havoc with local production. Consider the example of tractors, instead of protecting their industries the PPP government encouraged the import of tractors in Pakistan making it zero rated. Even after this measure, demand for imported tractors remained low as Pakistani tractors were at least Rs:150K cheaper. The Zardari government then announced Rs:100k subsidy on imported tractors just to crush the local manufacturers and created more unemployment.

On top of it; the government suddenly imposed 16% sales tax on tractors, increasing their price by Rs:120K in one go. Tractor sales plummeted to 30,000 units from over 65,000 units in the previous year when there was no sales tax on tractors. The government subsequently reduced the sales tax on tractors to 5% but the sales could not improve.

> ***The manufacturing sector's performance suffered because of inflation, high bank mark up, poor law and order, energy shortages, inconsistent government policies, flawed regulations, an incompetent economic team, increased smuggling and rampant under invoicing.***

Employment in the industrial sector is directly linked to its productive output. As there was minimum industrial activity so unemployment soared up – giving rises to more crime in short.

In 2010, the government imposed a quota on yarn exports in response to a plea to support the local clothing industry. However, after four months the sales statistics showed that the local sales of yarn remained stagnant even during quota regime. The quota was lifted but Pakistan lost valuable yarn sales and the confidence of foreign buyers; many of whom shifted to India for yarn purchases.

Power shortage remained the key problem. Small and medium enterprises [SMEs] could not afford alternate energy production. Most SMEs were booted out of production due to their inability to generate power at their own. In year 2013, about 200,000 power looms in Faisalabad, Kasur and Multan were shut down and few were operating just one shift due to power shortages. Thousands of plastic moulding machines operated at home by small entrepreneurs were also closed down due to the energy shortage.

Pakistan's exports had shown robust growth during the last three years of Gen Musharraf's regime. Despite turmoil in the manufacturing sector in 2007-08, Pakistan's total exports were 33 percent more than those for the previous year. In 2008-09, exports declined by 19 percent; and went down to Rs:23.641 billion in 2011-12. In comparison with India and Bangladesh, in Pakistan, textile machinery imports were almost nil during 2010-13; data released by the International Textile Machinery Federation is referred.

Textiles account for about 50 percent of total exports from Pakistan. Official statistics revealed that from 2000-05, the growth in yarn exports averaged six percent a year, cotton cloth 10 percent a year, knitwear 20 percent per year, bed wear 16 percent per year, towels 27 percent per annum and garments one percent per year. This was in line with the growth of textiles in China, India, Bangladesh and Vietnam.

During 2006-13, these regional economies maintained their growth rate while Pakistani textiles lost growth momentum in terms of quantity. This opportunity was lost mostly due to the country's business climate spoiled by the stooge policy makers of the PPP government. In 2007-08, textile exports were $10.561 billion; rose in 2010-11 to $13.788 billion but then declined to $12.356 billion in 2011-12.

Karachi, being the major industrial city, had seen little power or gas shortages but the drawback was the extremely volatile law and order situation in the city. The extortion mafia in the city was so strong that it imposed a parallel tax on businesses. Punjab had no politically backed extortion gang but it faced acute shortages of power and gas. The problems faced by businesses in both, Karachi and Punjab, stem from bad governance that spanned the last five years.

On 24th February 2013, the whole country experienced total blackout; which took nearly a week to restore in most parts of the country – utter shameful and bad governance mark of a country living in the star-age of today – all due to PPP government's blemished management.

Early 2008 saw a power sector burdened with nearly Rs:231 billion of bank loans secured to generate more power; and nearly Rs:80 billion of unpaid FATA bills were seemingly lost in the air. There was also a gap of nearly 5,000 MW between demand and supply, and a difference of nearly Rs:2.5 per unit between the cost and the consumer end tariff, which had to be met by raising the power tariff by a comparable amount or through the provision of subsidies.

Against the supply side, the 425 MW Nandipur and 525 MW Chichoki-Malian Projects in the public domain and five rental power plants contracted by PEPCO were evident but all had eaten up the poor people's budget. The government brought 14 IPPs in the pipeline but, in the end, those Rental Power Plants [RPPs] met with sad demise, probably because the sponsors attracted by PEPCO and the PPIB could not deliver as planned.

This could be because most of them were politically sponsored companies - not private industrialists. The short-lived RPPs could only add 350 MW at best. Conservation and energy efficiency implemented by PEPCO from 2007-10 soon fizzled out because of the generalist approach from respective ministries - who were far from professional.

During five years of PPP regime, public sector enterprises [PSEs] continued to bleed profusely, consuming over Rs:300 billion annually of taxpayer money. ***Pakistan's important institutions such as Railways, PIA, Pakistan Steel, WAPDA and OGDC were systematically destroyed as the government treated them as employment bureaus.***

The financial health of these institutions was weak even earlier but the induction of thousands of workers on political considerations in PPP's five years had demolished all hopes of their revival as viable institutions.

UNEMPLOYMENT AT THE PEAK:

On 29th March 2008; the then newly inducted Prime Minister, Yousaf Raza Gilani, announced PPP government's 100-day programme in the National Assembly. The programme called for the:

- i) setting up of an employment commission to facilitate creation of jobs;
- ii) a national employment scheme to provide employment to one member of every poor family from 50 percent of the districts in the country;
- iii) construction of one million housing units a year;
- iv) measures to enhance income from the livestock sector;
- v) developing a coordinated system of supplying milk from rural to urban areas;
- vi) raising the minimum wage of an unskilled worker from Rs:4600 to Rs:6000;
- vii) raising the pension of workers;
- viii) change of rules facilitating access of pensioners benefits to government employees having less than 10 years of experience and unable to continue work due to illness / accident;
- ix) restoration of trade unionism.

The PPP government was expected to be cognizant of employment, labour market issues and living conditions; and how to tackle them. The above given nine points of the first 100-day programme presented by the new government were well-received. The question was what measures were taken to embark upon the issues and how far were those measures sustainable in given scenario of Pakistan?

A **National Employment Commission** and a task force on employment were announced with the appointments of a Chairman and Director General – ***but it never became functional*** and the task force was wound up in the first year in power. Hard luck also happened to the programme that was envisioned to provide employment to one member of every poor family from 50 percent of the districts. The government had lost its interest just after few months of their oath.

No wonder, in contrast to a sustained decline in unemployment rate in Gen Musharraf's regime, the PPP's rule witnessed a sustained rise in unemployment. Though the measures it took included: regularising hundreds of thousands of contract employees in various government departments, forcing public sector entities to employ more and reinstating employees sacked decades earlier; but these steps proved to be non-productive. There was an acute shortage of housing units in the country [about 10 million then], however, this programme was not implemented.

The minimum wage of an unskilled worker was first raised from Rs:4600 to Rs:6000 and then to Rs:8000; the Punjab government went ahead and announced Rs:9000. The salaries of government employees had seen significant increase during the PPP's five years; each successive budget announcing a rise of 15-20 percent – plus 'special' allowances.

The 18th amendment in the Constitution in 2010 was a turning point in the country's political history. It touched 98 articles and two schedules of the Constitution. It also abolished the concurrent list of 47 entries that also had six labour-related ones.

The concurrent list numbers 26, 27, 28, 30, 31 and 45 dealt with labour welfare, labour conditions, provident fund, employers' liability, workers' compensation, health insurance including invalidity pension, old age pension; trade unions – industrial and labour disputes; establishing and carrying out labour (employment) exchanges, employment information bureaus and training establishments; regulation of labour and safety in mines, factories and oil fields; unemployment insurance; and inquiries and statistics for any issue in this list – astonishingly ***all rights and welfare schemes vanished in one night.***

Reviewing this government's performance with respect to employment and workers' issues, the unsustainable schemes such as Benazir Income Support Programme, *Waseela-e-Rozgar,* Benazir Bhutto Shaheed Youth Development Programme – all became high class sources of political corruption as all the funding, generally up to Rs:96 billion, were diverted to the Faryal Talpur like respectable ladies accounts straightway.

Agriculture: Pakistan is known as an agrarian country but the agriculture growing at average 2.2% per annum – close to the country's population growth – as compared to the 4.7% during the previous five years of so-called military rule - was an awesome aspect.

The average growth rate of the agriculture sector in the 80s was at 5.4 percent, which fell to 4.4 percent in the 90s. From 2000-07, the average growth rate stagnated at 4.7 percent. During the five-year term of the PPP-led coalition government, the sector's average growth rate nosedived to a miserable 2.8 percent. The 2013's four percent growth target was hardly equal to population growth rate, thereby signalling that the sector's net growth was stagnating.

Though the PPP's federal government took steps for increasing the prices of various types of farm produce, but it failed to contain the cost of production; the support price mechanism [subsidy] also went ineffective. Wheat support price had almost been doubled during the five-year term of the PPP government — from Rs:625 per 40kg to Rs:1,200 but didn't work.

In addition, Pakistan became increasingly non-competitive in the international wheat market due to abnormal price hikes. Resultantly, Pakistan continued to sit on a heap of grains years after years and there was literally no buyer. With respect to stagnation in the production of various crops due to short supply of water, Punjab was responsible for its continuously poor performance – a special reference by the way.

On 16th March 2013, the last day of PPP's regime, the Chairman FBR Abdullah Yousaf, while addressing Lahore Chamber of Commerce, himself admitted that:

> ***"Foreign Direct Investment [FDI] was $8.5 billion in 2006 which had come down to $500 million during PPP's five years indicating the poor health of Pakistan's economy.***
>
> ***The phenomenal increase in country's overall debts from Rs:6 trillion in 2008 to Rs:14 trillion in 2013 had also affected the economic activities to much extent."***

Heavy government borrowing and currency devaluation could be blamed for huge debt; it increased by more than Rs:63 billion whenever the dollar price up by Rs:1.

Chairman FBR Abdullah Yousaf further divulged that:

> *'…..out of total Rs:2 trillion government revenues, 58% goes to provinces under NFC award while out of remaining 42%, Rs:1 trillion is utilised for debt servicing, Rs:600 billion for defence and Rs:500 billion are spent on public sector enterprises including Pakistan Railways, Pakistan International Airlines [PIA], Pakistan Steel Mills and WAPDA'.*

It clearly reflected that the PPP government had no priority for energy sector that was why the industry doomed. It was irony of fate that **tax-to-GDP ratio of Pakistan remained lowest in the world, which was then at 9%** of the GDP.

> [*As a principle, low-income countries normally have tax-to-GDP ratio between 15 – 18% of the GDP; middle-income countries have tax-to-GDP ratio ranging between 22 – 25% of the GDP and tax-to-GDP ratio in high-income countries is recorded at 40% of the GDP*].

The main point is that in Pakistan, repeated issuance of SROs by the FBR creates multiple problems for the business community and the culture of SROs gains strength in political governments.

One can also see the dark aspect of Pakistan's economy during political governments that all sectors could never be taxed sincerely. For instance, Agriculture having 20.1% share in GDP contributes only 1.2% to the national taxes. On the other hand, manufacturing sector has 25.5% share in GDP but contributes 62.2% in the national taxes. Services sector share is 54.4% in GDP while paying only one third of its share in the national taxes.

An Unforgettable Lesson:

During the World War-II, when the Germans [*while in occupation of Paris*] felt that they have got defeated; they had lost the war, the German Commander In-charge addressed his soldiers; he told his soldiers about the hard fact of defeat and while concluding his address said:

> *'Comrades; we've lost the war. We cannot stay in France – we will not be allowed to enter France in future – may be for decades.*
>
> *So we'll go their world famous museums, loot every mentionable thing from there and gather all those in that train in which we'll be leaving Paris tomorrow.'*

The German troops immediately attacked the known museums of Paris, collected all the collectables like Mona Lisa's portraits, the Last Supper, De-Vinci's paintings and valuable statues etc and loaded in the train.

Next day, the train left Paris. German Commander was happy that with such valuable treasure trove he'll be welcome in Hamburg – but the train's engine went faulty after ten kilometre journey. German army's engineer diagnosed the fault and put it right.

The train started but after fifteen kms again it stopped. The German engineer again set it right but took six hours to set it right.

The train started again but got another fault after some distance. But while the German soldiers cum engineers were looking into the fault, the French Army chased them and attacked. The German forces fled away in various directions leaving behind their stolen treasure and some of their own ammunition etc.

The French Army officer came to Train's driver and asked about the fault. A strange and proud reply with a sarcastic smile came:

> *'No fault Sir, the engine is alright. I'll immediately lead the train back. I'm French driver and* ***nationalist****.* ***The German Commander should have made sure first that who would be driving and leading the train.'***

The Pakistani nation is suffering since decades because they had mostly chosen wrong drivers for their country's train – often pseudo nationalists.