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Cotton output target revised downward

TAHIR AMIN

The government has revised downward the cotton production target and set it at 14.04 million bales for 2017-18, after missing the production target of 14.1 million bales for 2016-17 by around 25 per cent. Pakistan has missed the cotton production target by around 25 per cent as the production has been recorded at 10.6 million bales against the set target of 14.1 million bales for 2016-17; however, the number surpassed the cotton production of 9.7 million bales recorded during the same period of the last fiscal year (2015-16).

The sixth meeting of the Federal Committee on Cotton (FCC) was held under the chairmanship of Cotton Commissioner Ministry of Textile Industry Dr Khalid Abdullah where the committee unanimously agreed to fix the cotton area and production target for the year 2017 as Punjab will have to cover 2.429 million hectares to produce 10 million cotton bales, Sindh will have to cover 0.650 million hectares to produce 4 million cotton bales, Balochistan will have to cover 0.038 million hectares and produce 0.038 million bales and Khyber Pakhtunkhwa will have to sow cotton on 0.001 million hectares to produce 0.002 million bales of cotton.

Talking to Business Recorder, Abdullah said that the target of 14.1 million bales was set for year 2016-17. However, cotton sowing fell short by 20.82 per cent in Punjab province, leading to overall 15.78 per cent less sowing at national level. The reasons for less cotton sowing were mainly attributed to low cotton prices during 2015-16.

He further said that the meeting was attended by representatives from Pakistan Central Cotton Committee (PCCC), Pakistan Metrological Department, Federal Plant Protection Department, Pakistan Bureau of Statistics, Zarai Taraqiati Bank Limited (ZTBL), State Bank of Pakistan (SBP), Federal Seed Certification and Registration Department (FSCR&D), Trading Corporation of Pakistan (TCP), agriculture departments from Punjab, Sindh and Khyber Pakhtunkhwa, and progressive cotton farmers.

The representative from Meteorological Department informed the participants that below normal rainfall are anticipated in the cotton belt during March to May 2017.

The representative from State Bank of Pakistan (SBP) stated that an amount of Rs700 billion has been allocated for agricultural loans to be disbursed by commercial banks and microfinance institutions. Out of this target, Rs10 billion have so far been disbursed to 35,000 cotton farmers of Punjab and Sindh provinces from July to December 2016.

The SBP has also launched a Mandatory Crop Insurance Policy for five major crops including wheat, rice, sugarcane, cotton and maize.

The representative from ZTBL stated that financing for cotton crop-specific loans have been targeted at 60 per cent of the total loan disbursement by the bank. The representative of FSCRD stated that 38,000 metric tons seed of cotton (certified and approved) will be available against the requirement of 40,000 metric tons during the season 2017-18. Hence, there will be no shortage of quality seed.

The cotton commissioner urged the representative to direct all seed dealers to market cotton seed as per standard germination of 75 per cent and there should be no comprise on standard. He further stated that since there is almost 100 per cent availability of certified seeds, therefore, a campaign should be launched for sowing of only certified seeds.

The representative from the Federal Plant Protection Department stated that sufficient quantity of pesticides and weedicides is in the import process.

The farmers'' members stressed upon the availability of irrigation water and stated that since the Punjab government has banned cotton sowing before April 15, therefore, the farmers would have only 30 days period (April 15 to May 15) left for sowing cotton crop. Therefore, during this period, the government should ensure supply of irrigation water to the farmers so that the cotton is sown as planned. The farmers'' members also urged the government to announce the support price for cotton crop to encourage the farmers for enhancing cotton acreage.

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Load-shedding challenge to persist in 2018: report

MUSHTAQ GHUMMAN

ISLAMABAD: Pakistan will not be a power load-shedding free country by 2018, a deadline given by the incumbent government including Prime Minister Nawaz Sharif due to transmission and distribution constraints.

This was the crux of a State of Industry report 2015-16 drafted by the power regulator i.e. National Electric Power Regulatory Authority (Nepra) which is expected to be released within a couple of weeks .

The government will, as it claims, be able to generate sufficient electricity by 2018 to meet country's requirement but the companies would be unable to supply it to the consumers due to obsolete distribution and transmission systems and other financial constraints .

Projects including 1320MW coal-fired Port Qasim, Sahiwal coal, Neelum Jehlum hydropower project, Tarbela 4th Extension, and 3600 MW LNG-fired power plants at Bhiki, Balloki, and Haveli Bahadar Shah etc will come online on time with cumulative capacity of 10,000 MWs.

The installed capacity in 2017 will be 24000MW plus but the shortfall will hover around 3750 MW whereas shortfall in 2018 is estimated to be 500MW. According to analysts, 500 MW shortfall in demand and generation is translated into one hour load shedding across Pakistan except Karachi.

According to the PPIB, the country will see the launch of six power projects with a cumulative capacity of 4,907MW in the current calendar year.

"Installed capacity would be higher than the demand of NTDC system in 2017 and 2018 whereas the capability of power generation plants will be lower due to de-rating on account of aging, imprudent utility practices, seasonality and due to site conditions. With careful operations by the NPCC load shedding in May, June and July can be avoided in 2017 whereas in 2018 no load shedding is expected in the system. However, transmission and distribution constraints will not allow smooth supply of electricity to the consumers'," informed sources told Business Recorder.

The systems of four Discos i.e. Multan Electric Power Company (Mepco), Peshawar Electric Supply Company (Pesco), Hyderabad Electric Supply Company (Hesco), Sukkur Electric Supply Company (Sepco) and Quetta Electric Supply Company (Qesco) will be unable to transmit and distribute required electricity to their consumers due to system constraints.

Hesco, Sepco, Pesco and Qesco are unable to draw their allocated quotas due to system constraints. For instance, out of 220 transformers' in Pesco, 124 are overloaded which is 56 per cent. Likewise, 67 per cent transfers are overloaded as feeders of 109 transformers have to be switched off to avoid tripping.

"It is a major issue which will not resolve in one year's time. This needs investment, will and capability," the sources continued.

Nepra has allowed billions of rupees investment to the Discos but they do not invest because companies are still run from a centralised system, said an official on condition of anonymity.

Documents reveal that interruptions of the system, a reflection of maintenance of the system and addition of lines, increased from just 660,000 during FY-2010 to as much as 8,50,000 during FY 2014, 9,50,000 in FY 2015, again 850,000 during FY 2016 and a high of 420,000 during the first six months of the current financial year.

A comparison of damage to distribution transformers for Pepco network for the period of 2010-2017 reveals an increase in the damage rate from 10,000 transformers in FY-2010 with a loss of 1000 MVA in capacity to 17000 in FY 2016 and a 2000 MVA loss in capacity. 13500 transformers of 1500- MVA capacity were damaged in FY-2014, 16,500 transformers with 1900 MVA capacity in FY 2015 and the system has already suffered a loss of 85000 transformers of 1000 MVA capacity during the first two quarters of the current fiscal.

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THE RUPEE: Posts modest gains

RECORDER REVIEW

KARACHI: The rupee managed to post fresh gains in relation to the dollar on the money market during the week, ended on April 1st, 2017.

OPEN MARKET RATES: The rupee rose by 20 paisas against the dollar for buying and selling at Rs 106.10 and Rs 106.30. It also gained Rs 2.10 in terms of the euro for buying and selling at Rs 112.50 and Rs 114.00.

INTER-BANK MARKET RATES: The whole week, the rupee traded within a band of Rs 104.85 and Rs 104.86.

Market sources said that the local currency managed to hold it's present levels versus the dollar due to balanced demand and supply position.

It is most likely that the rupee may not fluctuate sharply in terms of the dollar in the near future, they said and adding that if exports of textile products show any improvement, the rupee may gain strength versus the greenback.

INTER-BANK MARKET RATES: On Monday, the rupee moved slightly versus the dollar for buying and selling at Rs 104.85 and Rs 104.86. On Tuesday, the rupee did not show any visible change versus the dollar for buying and selling at Rs 104.85 and Rs 104.86. On Wednesday, the rupee was unmoved versus the dollar for buying and selling at Rs 104.85 and Rs 104.86. On Thursday, the rupee was inert in relation to the dollar for buying and selling at Rs 104.85 and Rs 104.86. On Friday, the rupee inched up by one paisa in relation to the dollar for buying and selling at Rs 104.84 and Rs 104.85.

OPEN MARKET RATES: On March 27, the rupee recovered week-end losses against the dollar, picking up 10 paisas for buying and selling at Rs 106.30 and Rs 106.50, they said. It, however, lost 50 paisas in terms of the euro for buying and selling at Rs 114.75 and Rs 116.25. On March 28, the rupee maintained overnight levels against the dollar for buying and selling at Rs 106.30 and Rs 106.50. It, however, gained 15 paisas in terms of the euro for buying and selling at Rs 114.60 and Rs 116.10.On March 29, the rupee also showed no visible change against the dollar for buying and selling at Rs 106.30 and Rs 106.50. It, however, gained 80 paisas in terms of the euro for buying and selling at Rs 113.75 and Rs 115.25.

On March 30, the rupee picked up 10 paisas against the dollar for buying and selling at Rs 106.20 and Rs 106.40. It also rose by 25 paisas in terms of the euro for buying and selling at Rs 113.50 and Rs 115.00. On March 31, the rupee showed no change against the dollar for buying and selling at Rs 106.20 and Rs 106.40, they said. It extended overnight gains, picking up more 45 paisas in terms of the euro for buying and selling at Rs 113.05 and Rs 114.55, they said.

On April 1st, the rupee picked up 10 paisas against the dollar for buying and selling at Rs 106.10 and Rs 106.30. It also gained 55 paisas in terms of the euro for buying and selling at Rs 112.50 and Rs 114.00.

OVERSEAS OUTLOOK FOR DOLALR: In the firs Asian session, the dollar slid to a near two-month low against a basket of currencies early on Monday as concerns mounted about the chances of US fiscal stimulus after the stinging defeat of President Donald Trump's healthcare package.

The inability to overhaul the US healthcare system, a major election campaign promise of Trump and his allies, marked a significant political setback for the president in a Congress controlled by his own party.

The blow so early in Trump's term has heightened worries about the chances of economy-boosting steps being enacted, such as tax reforms and big spending packages.

"Concerns towards the Trump administration have been reignited after his healthcare legislation setback. This is resulting in a bout of risk aversion weighing on the dollar," said Shin Kadota, senior strategist at Barclays in Tokyo.

The dollar index against a basket of major currencies was down 0.3 percent at 99.299 after going as low as 99.292, its lowest since Feb. 2.

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The index had risen to a 14-year high near 104.00 early in January when expectations for significant stimulus under the Trump presidency were at their peak. In a sign of stress for Wall Street stocks, US equity index futures fell to a six-week low.

The dollar was down 0.8 percent at 110.470 yen after touching 110.420, its weakest since Nov. 22. The euro was 0.45 percent higher at $1.0847 following a rise to $1.0849, its strongest early December.

The dollar was trading against the Indian rupee at Rs 65.080, the greenback was at 4.410 in terms of the Malaysian ringgit and the US currency was at 6.873 versus the Chinese yuan. Inter bank buy/sell rates for the taka against the dollar on Monday: 79.65-79.65 (previous 79.65-79.65).

In the second Asian session, the dollar limped off multi-month lows against major peers, with much of the lift from the “Trump trade” now gone.

The greenback had taken a beating as market participants saw the prospects for a US fiscal spending boost from President Donald Trump significantly diminished by his failure to pass a key healthcare reform bill.

The dollar was trading against the Indian rupee at 65.035, the greenback was at 4.415 in terms of the Malaysian ringgit and the US currency as at 6.885 in terms of the Chinese yuan.

Inter bank buy/sell rates for the taka against the dollar on Tuesday: 79.66-79.67 (previous 79.65-79.65).

In the third Asian session, the dollar pulled away from 4-1/2-month lows against a currency basket after solid data backed expectations for more US interest rate hikes this year, while sterling was knocked by Britain triggering its exit from the European Union.

The dollar index, which tracks the greenback against six major rival currencies, edged up slightly to 99.751. It managed to crawl off a low of 98.858 plumbed earlier this week, its weakest level since Nov 11, in the wake of US President Donald Trump’s failed healthcare reform bill.

The healthcare failure reform raised doubts that Trump would be able to carry out his fiscal stimulus and tax cuts, and pressured the dollar to 110.11 yen, its lowest since Nov. 18. It last stood at 111.22 yen, up slightly on the day.

The dollar was trading against the Indian rupee at 64.94, the greenback was at 4.4200 in terms of the Malaysian ringgit and the US currency was at 6.8910 in relation to the Chinese yuan. Inter bank buy/sell rates for the taka against the dollar on Wednesday: 79.67-79.67 (previous 79.66-79.67).

The dollar edged up on Friday, poised for weekly gains after solid US economic data contrasted with cooling euro zone inflation, though it was set to book losses in the first quarter amid concerns about the direction of US President Donald Trump’s policies.

The dollar index, which tracks the US currency against a basket of six major rivals, was up 0.2 percent at 100.59, up 1 percent for the week and within a hair of a two-week high of 100.60 hit overnight. It was down 1.6 percent for the first quarter, and 0.5 for the month. The euro nursed losses, flat on the day at $1.0675 and down 1.1 percent for the week. It was up 0.9 percent for March, and 1.5 percent for the quarter.

German and Spanish consumer price data released on Thursday showed inflation slowed more sharply than expected in March as oil prices slumped, offering some respite to the European Central Bank as it faces pressure to wind down its monetary stimulus.

The dollar was trading against the Indian rupee at Rs 64.84, the US currency was at 4.4240 versus the Malaysian ringgit and the greenback was at in relation to the 6.8973 Chinese yuan.

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In the fourth Asian session, the dollar edged up to a nine-day high against a basket of currencies, with the euro sagging as the European Central Bank showed no sign of stepping away from monetary easing anytime soon.

The US currency was up 0.3 percent at 111.385 yen, putting some distance between the four-month low of 110.110 it plumbed on Monday.

The euro dipped 0.2 percent to $1.0745, having drifted down from a 4-1/2-month high of $1.0906 scaled on Monday.

The common currency had dropped about 0.5 percent overnight following a report by Reuters that European Central Bank (ECB) policymakers were wary of changing their policy message after tweaks this month had raised expectations of the central bank ending its super-easy policy and eventually hiking interest rates.

The euro was boosted earlier in the month by a report that the ECB had discussed the possibility of raising interest rates before the end of its quantitative easing programme. The pound inched up 0.1 percent to $1.2450 following choppy moves the previous day.

The dollar was trading against he Indian rupee at Rs 64.94, the greenback was at 4.4185 against the Malaysian ringgit and the US currency was available at 6.8925 versus the Chinese yuan. Inter bank buy/sell rates for the taka against the dollar on Thursday: 79.67-79.68 (previous 79.67-79.67).

At the week-end, the dollar was flat as a Federal Reserve official's seemingly dovish remarks and uninspiring data on the US economy "squelched" the sanguine mood from earlier this week.

The euro rebounded from a two-week trough, and the dollar fell to its low on the day against the Japanese yen after comments from New York Fed President William Dudley. Seen as one of the most important members of the Fed's rate-setting committee, Dudley said the central bank was in no rush to tighten monetary policy.

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Textile exports 8MFY17

For all the fanfare and attention it received, the PM's export package doesn't seem to have worked so far; for the month of February, Pakistan's textile exports were down six percent over last month, and around three percent year-on-year. For the cumulative eight months ended FY17, textile exports are down two percent year-on-year.

The low-value segment saw huge declines, offsetting the positive impact from the value-added end. Although cotton yarn has seen a 3.9 percent increase in volume, the dollars earned were less by 6.1 percent over 8MFY16. Raw cotton seems to have seen the largest decline – 53 percent in volume and 49 percent in value. The period under review has been marred by low cotton production for the second year in a row, hurting cotton exports and escalating the costs for spinners and the further downstream industry.

Nevertheless, the value-added end has seen some positive results. Knitwear, bed wear, and readymade garments have seen higher quantity exports (2.1%, 8.9%, and 3.3%, respectively) for the eight months ended FY17. As per the SBP's recently released quarterly State of the Economy report, higher quantum exports indicate that these products are in demand in key export markets. However, it says the recovery in international cotton prices has yet to translate into higher unit values for Pakistan's high value-added textile exports. This may be why in spite of higher volumes, the dollar earned by these items have not increased by as much (except in the case of readymade garments).

Thus far, the export package doesn't seem to have made much of an impact. Various associations are still making hue and cry over unreleased refunds. Although the energy situation has improved significantly, the core issue of competitiveness still needs to be addressed if the industry is to be revived

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Unbundling of gas utilities

The government has commenced the process of splitting the two gas utilities – Sui Northern Gas Pipelines Limited (SNGPL) and Sui Southern Gas Company Limited (SSGC) – with a majority shareholding by the federal government into operational and accounting functions – a requirement for eligibility to access loans from the World Bank and the Asian Development Bank, according to a section of the press. This is a standard normal condition for multilaterals who maintain that such reform measures are critical to ensuring reduction in losses and improved performance.

As early as in 2003, the World Bank during an oil and gas review workshop highlighted what it stated were impressive reforms by the then government including (i) establishment of an independent regulator Ogra; (ii) reform of tariff structure with the objective of phasing out subsidies in 3 years; and (iii) commitment to establish third-party access (TPA) that allows for competition. The residual reforms the workshop concluded must include (i) giving powers to Ogra – a condition that was compromised recently after a notification was issued in December 2016 bringing five regulatory bodies, including Ogra, under the control of their line ministries though the Islamabad High Court has stayed the notification; (ii) unbundling; and (iii) third-party access (TPA).

Unbundling, as per the World Bank, must consist of transforming vertically integrated monopoly that provides 'bundled' services at single tariffs to competitive markets with separated monopoly and competitive activities and separate tariffs for each service. Unbundling as per the Bank would require (i) separation of natural monopoly network function from potentially competitive supply activities, and (ii) contractual arrangements for commodity and transportation services. SNGPL operates in Khyber Pakhtunkhwa (KPK), Punjab and AJK and is divided into eight regions while SSGC operates in Sindh and Balochistan and is divided into 5 regions thus unbundling would imply 13 gas distribution companies and one transmission company.

Key economic issues relating to TPA would, the Bank further proposed, necessitate a detailed set of market rules and regulations relating to the following: (i) open non-discrimination and cost-reflective, (ii) separate commodity and capacity charge, (iii) regulate TPA as opposed to negotiating TPA, (iv) capacity rules to include (a) calculation of existing capacity, (b) allocation of capacity rights, (c) minimum periods for capacity booking, (d) capacity hoarding and use it or lose it provisions, (e) public data bank and (f) secondary market for trading capacity.

This newspaper supports these economically viable reforms and it is relevant to note that in July last year, the four provincial governments agreed to unbundling of SSGC and SNGPL in principle. The objective of the exercise is to reduce UfG (Unaccounted for gas) losses that are hovering around 12 to 13 percent – a source of significant financial losses to both companies. A summary submitted to the Economic Coordination Committee in 2013 maintained that unbundling of the gas sector and establishment of a gas market had assumed immense and immediate importance as the Liquefied Natural Gas (LNG) and the pipeline imports could not be managed in the current regulatory environment.

However, the decision by the Prime Minister to grant exemptions on the moratorium on new gas connections in constituencies that are currently represented by his loyalists (including the Minister for Petroleum and Natural Resources), family members (including his son-in law) as well as some key coalition partners (including Maulana Fazlur Rehman) has been challenged in the court. In addition, the Sindh Chief Minister has through a letter also expressed his concern over this highly partisan decision by the Prime Minister. He has argued, among other things, that expansion of new gas network in Punjab, which produces only about 3 percent of gas but consumes over 42 percent of the total gas produced in the country, is in complete disregard of Article 158 of the Constitution which accords priority to the province where a wellhead is situated. It is unfortunate that all economically viable decisions as well as reforms focused on improving performance of state-owned entities are held hostage to political considerations and one can only hope that the unbundling of the two gas utilities does not suffer the same fate.

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Over ambitious cotton output target

AHMAD FRAZ KHAN

PUNJAB'S plan to revive its cotton area and production to its historical level this season seems to be running aground. Normally, the province cultivates cotton on 6m acres, harvesting around 10m bales.

Over the last few years, however, the acreage has dropped sharply and hit a historically low of 4.3m acres. Last year production fell to 6.9m bales, which alarmed the officials, industrial and farming sectors.

Punjab made a serious effort to restore the crop output to the previous record level in a single year — 6m acres and 10m bales. The basis of this optimism, as stated by the officials, was the price recovery of around 25pc over the last year and a plan to combat — what had become a limiting factor — the pink bollworm attack on the crop.

The province banned sowing before April 15 in order to break the life cycle of the pest. It was thought that the price recovery will bring the acreage back and pest control help restore production to its historical level.

The debate now in the province is that whether both these factors can provide a sound basis for such a recovery plan.

However, the climate, which has always been of crucial importance to cotton, has started becoming unfavourable even before sowing. The water stress is making sowing even harder.

According to the Indus River System Authority, the current shortages are over 40pc and would persist right up to April 15 before they start declining, slowly

The climate change is unprecedented. The usual March temperatures are absent; first half of the month brought a cold wave like February, and its last two weeks had high temperatures (close to 40oC in the plains) normally experienced in late April — setting in the summer season much earlier.

With this change arrived the massive water stress. Though early kharif is normally the leanest period anyway, the late March and first two weeks of April are going to be exceptional for water shortages.

Both dams hit the dead level on March 10, leaving the entire irrigation requirements to run off the river supplies.

According to the Indus River System Authority, the current shortages are over 40pc and would persist right up to April 15 before they start declining, slowly.

The scale of this shortage was not foreseen. Otherwise, the province could have held its horses. In order to ensure the ban, Punjab ploughed up around 200 acres and booked over 60 farmers violating the ban in March.

This ban has squeezed the sowing period by almost two months with water not available now — when it is most essential for land preparation and sowing.

The emerging scenario is thus threatening the official revival plans. Both, the farmers and planners, now believe that the province would miss the acreage target by a huge margin — possibly 1m acres, if not more.

Can a single year's marginal improvement in price pull the farmers back to cultivating cotton and become a basis for such over-optimistic targets? Land gone to crops like cane (around 2m acres) is locked for the next three years and cannot be retrieved regardless of any incentives.

Cotton production is a result of multiple factors — staring from seed, management, pest control, weather and marketing. Thus, planning and projecting production on rigorous pest control or price factor hardly makes sense.

Though conceding the over-optimistic content of the targets, officials maintain that targets are supposed to be like that. They are kept high to gear efforts for better outputs. The current targets should be taken in the same spirit and be appreciated, they say.

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Priority area performance

KHALEEQ KIANI

A general lack of coordination within the government's planning, implementation and monitoring machinery has always been a challenge in public investment and development areas. That this is not changing at the desired pace despite a massive loss of opportunity cost and delayed benefits is a worrisome aspect.

Huge cost overruns, waste and misuse of public money and missed or delayed benefit of public investments remain part of the public discourse but improvements, at best, are sometimes seen only in the incremental sense in the absence of deep-rooted governance reforms.

As the government prepares for the next year's budget and development planning, a country portfolio review jointly carried out by the Asian Development Bank and the Government of Pakistan this month exposed the dismal performance of external flows to the development sector.

It revealed that Pakistan's implementing agencies, mostly in the energy and road sector, could utilise only less than one-third of an active loan portfolio of almost $6.7bn. In other words, only the bulk of $4.9bn remained un-disbursed or unspent during calendar year ending Dec 31, 2016.

But that is not all. The government has been paying commitment charges at the rate of 0.15-0.20pc for the committed funds without utilising them for any productive outcomes. This is despite the fact that energy sector and infrastructure development have been the top most priorities of the current government.

The review said the active loan and grant portfolio amounted to $6.68bn against which contracts could be awarded for only $1.34bn and only $1.2bn actually disbursed in 2016.

Procedural, contractual and institutional problems both at the level of the government agencies and the lending agency even led to cancellation of $194m loan. 3pc out of 30 projects were declared problematic while 17pc were found to be potential problem. About 80pc projects were found on track at the end of 2016, relatively better than 77pc of 2015.

As the government prepares for the budget and development planning, a country portfolio review… exposed the dismal performance of external flows to the development sector

All sovereign loans in Pakistan's portfolio were approved, signed and reached effectiveness in 4.9 months, relatively better than previous year average of 6.8 months. Seven newer projects approved during 2015-16 were signed and declared effective within 4.9 months while seven other projects of $1.26bn were yet to be signed or effective.

The delays were mostly because of non-availability or hang-ups in PC-1 approvals that has been a hallmark of the government's ill-planned project announcements without actually analysing them through cost benefit ratio or compound annual growth rate (CAGR) of development activity.

The two sides have now agreed to get prior approval of PC-1 from the relevant forums before their submission to the lending agency to minimise project start-up delays.

On top of this was the project procurement readiness problem. The time taken to award the first contract after loan approval was almost six months on average in 2016, better than previous five year's average of around a year.

On average 17 months have passed in three projects where no contract was signed up to Dec 31, 2016. These included the Power Distribution Enhancement Programme, Central Asia Regional Economic Cooperation (CAREC) Regional Border Services improvement project and Public Sector Enterprise Reform, where the current government has faltered in delivery despite tall promises.

In addition, the total contact award under the Jamshoro Power Generation Project is only $22.8m (2.5pc of the approved loan amount) even after 58pc of time having lapsed.

Some of the key reasons for delayed procurement were related to unavailability of designs, weak procurement capacity of implementation agencies, litigations due to mid course changes and delays in setting up project management units. As a result, the contract awards projection provided in the procurement plan could not be achieved.

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It is clear from completed works that projects needed to be scanned through readiness filters during processing and specifically before approval for efficient project implementation.

That the authorities were ill-informed about the ADB's measures project readiness parameters like project design, procurement, safeguards and government approvals.

For few other programmes, loans were approved in November 2015, but the loan agreements were signed in December 2016 due to delayed project papers and have yet to become effective.

"It is unfortunate that even though the project is procurement ready no activity could be started due to issues relating to delayed PC-1 approval. As a result, implementation of the project has been delayed for almost a year", said the joint review report on one of these projects.

Even though the power sector challenges were on the top of the PML-N's top policy agenda, ADB disbursements amounted to just $440m during calendar year 2016 against 14 actual loans of almost $3bn for the sector.

The review noted that in 2016 the institutional arrangements of Project Management Units (PMUs) remained a challenge.

The project management unit of Energy Efficiency Investment Programme could not be made functional despite lapse of seven years. A PMU at NTDC remained understaffed for almost all of 2016 and resultantly project implementation suffered.

There were also challenges relating to communication gaps among various government agencies, including procurement and accountability agencies.

Misunderstandings and overstretching of Rule 5 of the Public Procurement Regulatory Authority also allowed awarding contracts without competitive bidding in case of companies designated by a foreign government.

In terms of lending modality, the multi-tranche financing facility (MFF) accounted for 31pc of the active loan portfolio. However, except for the MFF in the agriculture sector, more than half of the MFF amount remained uncommitted.

A substantial under-utilisation was in the transport and energy sectors.

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Will energy shortage be overcome?

ALI SHAN AZHAR

Pakistan continues to face an average shortage of 4,000 megawatts in the power sector owing to a substantial disconnect between installed power capacity and actual generation.

Due to energy shortage, industrial and commercial entities have installed back-up diesel generators, while households use battery-powered Uninterrupted Power Supply (UPS) apparatus, often at significantly higher costs.

Small and medium-sized industrial and commercial enterprises and households which cannot afford these high-cost alternatives have frequently been at the rough end of the stick.

Despite hydropower being the cheapest source of electricity for Pakistan, the prohibitively high capital costs to supplement the existing hydro resources has distorted the hydro-thermal ratio in the power generation mix and resulted in a significant increase in energy cost.

In the absence of cutting edge technology and transmission network challenges, the indigenisation cost of solar and wind-based power is untenable.

Pakistan has also been looking forward to electricity imports from central Asia to mitigate pressing power shortages.

Central Asia-South Asia Electricity Transmission and Trade Project (CASA) through which Tajikistan and Kyrgyzstan will supply 1,300MW of electricity to Pakistan during the summer season, was formally launched last May. The fragile security situation in Afghanistan has already led to upward cost revisions in the project which will ultimately have an impact on the final tariff.

However, Prime Minister Nawaz Sharif's plans — to add to the national grid and overcome the acute electricity shortage by 2018 — have been boosted by the large funding received under the China-Pakistan Economic Corridor framework.

The project has essentially provided coal-based (especially Thar coal) energy financing which Pakistan was seeking to replace costlier generation. Reportedly, 19 energy projects valuing $34bn have been identified as 'early harvest', prioritised by the CPEC Joint Cooperation Committee.

Primarily coal-based power projects, with a cumulative capacity of about 5,000MW, would be operational during 2018. The government expects that this generation, added to the output from some other non-CPEC projects, will all but overcome the envisaged 8,000MW demand-supply gap.

There are apprehensions that major power projects may not come on stream as per announced schedule due to a variety of factors including technical, physical, and financial limitations.

There are also questions about how well the weak and unreliable Transmission and Distribution (T&D) system will cope with this new influx of energy and whether there is enough infrastructural support to transmit it across the country.

Currently the system is barely able to cope with the existing power generated. Transmission lines, cables and transformation copper parts are dilapidated due to inadequate upgrading, repair and maintenance; while most transformers are over-loaded with little or no maintenance by the cash-strapped government-owned distributors.

To improve system resilience, under the CPEC, an 878 kilometre long 4,000MW transmission line is to be constructed for power dispersal from south Pakistan to Lahore and Faisalabad in the North. This key link in the transmission infrastructure is expected to be in place by end-2018 at the earliest.

Power sector analysts, however, believe that the timelines of power generation and transmission have not been coordinated effectively.

No new infrastructure initiative is planned to transmit power to energy-starved Balochistan which currently does not have the capacity to absorb energy beyond 500MW.

Also the government´s desperation to end power shortages has led to investors being offered far too generous tariffs, saddling consumers with some of the most expensive electricity in the region.

While new generation projects can help alleviate the physical shortfall once completed, they have been negotiated without being subjected to competition to provide electricity at an optimum cost. The government has in fact offered up to 34.5pc annual return on equity contributions

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under the CPEC and loans have been obtained at 6pc interest rate, excluding insurance cost.

The energy sector will continue to be a major focus in the lead-up to the 2018 elections since resolving this crisis figured prominently in PML-N's manifesto.

Due to almost 5pc greater electricity generation by independent power producers (IPPs), the average duration of load-shedding in urban areas has currently been reduced to 2-5 hours per day, as compared to the 6-10 hours when PML-N assumed control.

However, chunks of rural areas continue to remain off-grid and those that are connected suffer through prolonged power outages.

The government is still looking for quick fixes to the mega crisis. Since taking office, the government has repeatedly stated its intent to overcome load shedding in time for the next poll, likely in May 2018. However, the PM's regular stock taking of the progress notwithstanding, the inadequate and obsolete T&D network and partial progress in addressing the deep structural issues casts a shadow over the viability of the timeline.

There is growing anxiousness among PML-N leaders about the extent to which the government will be able to tackle load shedding before they hit the road for the general election campaign.

The government is low on credibility as regards its pronouncements about solving energy constraints. Only one-fourth of the Public Sector Development Program (PSDP) budget for water and power projects has been released in the first eight months of the ongoing fiscal year.

The Thar coalfields were declared a 'game changer' last April with the potential to generate 100,000MW of electricity. The same is true for the liquefied natural gas (LNG) agreement with Qatar. The outcomes that have followed have been decidedly modest and show the sheer opacity under which the entire power sector operates.

Even information on the basic nature and intensity of the energy crisis as shared by concerned authorities is often inconsistent. Transparency is needed in every area of the sector so that a reliable picture can be built of its state of affairs.

According to a Nationwide Public Opinion Poll, conducted last August by the Pakistan Institute of Legislative Development and Transparency (PILDAT) on assessing citizens' views on 'quality of governance' in Pakistan, only 38pc of the respondents expressed satisfaction with the performance of the federal government to improve the electricity situation. A much higher proportion (58pc) believes that the present government is unlikely to solve the energy crisis.

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Bank deposits rise

FROM INPAPERMAGAZINE

THE government raised Rs156.18bn from the auction of MTBs of various tenors last Thursday, smaller against the received bids of Rs197.52bn. It was however, higher against the auction target of Rs100bn.

Of the total raised amount, three month T-bills fetched the highest Rs90.06bn at a cut off yield of 5.99pc, followed by six month T-bill Rs66.12bn at 6.01pc.

Six month T-bill attracted the highest amount of Rs102.04bn: six month T-bill Rs95.48bn. No bids were received for 12 month T-bills.

The government raised Rs28.56bn from the auction of PIBs on March 24, smaller against the received bids of Rs70.83bn.

It generated Rs26.28bn from three year PIBs at a cut off yield of 6.40pc, followed by five year PIB Rs1.05bn at 6.89pc, and ten year PIBs Rs1.22bn at 7.94pc. Bids received for 12 year PIBs were rejected.

According to the weekly statement of position of all scheduled banks for the week ended March 17, deposits and other accounts of all scheduled banks stood at Rs10,812.53bn after a 0.17pc increase over the preceding week's figure of Rs10,794.04bn.

Deposits and other accounts of all commercial banks stood at Rs10,738.40bn against preceding week's deposits of Rs10,721.55bn, showing a rise of 0.16pc

Compared with last year's corresponding figure of Rs9,486.87bn, the current week's figure was higher by 13.98pc.

Deposits and other accounts of all commercial banks stood at Rs10,738.40bn against preceding week's deposits of Rs10,721.55bn, showing a rise of 0.16pc. Deposits and other accounts of specialised banks stood at Rs74.13bn, higher by 2.27pc against previous week's figure of Rs72.48bn.

Total assets of all scheduled banks stood at Rs14,945.73bn, higher by 0.06pc over preceding week's figure of Rs14,936.78bn. Current week's figure is higher by 9.76pc compared to last year's corresponding figure of Rs13,617.21bn.

Total assets of all commercial banks stood at Rs14,692.86bn, higher by 0.06pc over previous week's figure of Rs14,684.50bn, while total assets of specialised banks at Rs252.87bn, were higher 0.24pc over the previous week's Rs252.27bn.

Gross advances of all scheduled banks stood at Rs5,543.30bn, larger by 0.37pc over the preceding week's figure of Rs5,523bn. Compared with last year's corresponding figure of Rs4,836.68bn, current week's figure is higher by 14.61pc.

Advances by all commercial banks increased to Rs5,376.54bn from previous week's Rs5,356.57bn indicating a rise of 0.37pc, whereas advances of specialised banks stood at Rs166.76bn against previous week's Rs166.42bn.

Borrowings by all scheduled banks decreased in the week under review. It fell by 0.07pc to Rs2,022.71bn against previous week's Rs2,024.10bn. Compared to last year's corresponding figure of Rs2,020.64bn, current week's figure is higher by 0.10pc.

Borrowings by commercial banks in the week at Rs1,941.34bn were lower by 0.02pc against previous week's Rs1,941.75bn. Borrowings by specialised banks stood at Rs81.37bn against the previous week's Rs82.35bn.

Investments of all scheduled banks stood at Rs7,524.18bn against preceding week's figure of Rs7,538.73bn, showing a decrease of 0.20pc. Compared to last year's corresponding figure of Rs7,050.03bn, current week's figure is higher by 6.72pc.

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INSIGHT

Downward spiral

By Ihtasham Ul Haque

The country's export sector is choking fast and warrants innovative short and long term measures urgently to arrest declining exports that have already started widening the trade gap disproportionately. The issue gets compounded due to falling home remittances as well as foreign exchange reserves.

The Rs180 billion export package given by the government a few weeks ago has so far not yielded any results to halt deteriorating export trends. While terming it 'insufficient', the exporters want serious action to address the issue.

Exports have gone down from $24.5 billion in 2012-13 to $20.9 billion in 2015-16 and experts are sounding a warning both to the government and the export industry to play their due roles to arrest the falling exports - a life line for accumulating fast depleting reserves. These reserves have fallen from the peak of $23 billion plus to less than $22 billion, though mostly contained by borrowed external loans and still largely considered inadequate may force the future elected government to once again revert to IMF for emergency lending to avoid any upcoming default.

The country's exports, which remained stagnant at $24-25 billion during 2010-11 to 2013-14, were declining for the last three years. The situation seeks exigent export oriented investment. How China and India have channeled foreign direct investment (FDI) to stimulate exports are good examples to follow to increase exports.

Earlier three year Strategic Trade Policy Framework (STPF 2015-18) announced by the PML(N) government did not help much to increase exports and discourage unnecessary imports. This STPF is said to have remained unimplemented as all the related efforts aimed at promoting exports could not produce any tangible benefit. Cash support schemes announced with all fanfare under STPF also proved unhelpful for improving product design and encourage innovation.

Blame game between the exporters and the ministry of commerce, however, continues as both sides are accusing each other of doing little to bridge trade gap that is swiftly increasing. While the government urges exporters to improve their competitiveness by diversifying their products through value addition, exporters maintain that they cannot do much as the cost of doing business is still very high. They also lament that the supply of electricity and gas is still to be improved to help increase their productivity to a desired level.

Former finance minister Dr Salman Shah believed that the government will have to play a major role to increase exports as it controls the energy sector. "Unlike other competing countries, the cost of doing business is very high in Pakistan and the government must support its private sector by giving services, essentially power and gas on reduced tariffs to boost our falling exports."

"Pakistan did not have any competitive edge in the international export market because of inferior quality of its exportable goods." The exporters face tough competition and must strive hard to compete particularly against China, India, Hong Kong and Bangladesh.

"But in the short term the government must improve its exchange rate to enhance exports", Dr Shah said, adding that long term solutions are needed instead of achieving any momentary benefit. "The need of the day is competitiveness of export industry without which no objective could be achieved to enhance exports that may result in improved balance of payment position. Moreover supply chain up gradation needs special attention."

Prominent exporter and chairman of Bed Wear Association Shabbir Ahmad regretted that over the years the export mix has not changed as a result of which domestic industry was still uncompetitive against its rival countries. According to him there were three fundamentals that explained the country's failure. "We have not much to export, we have little incentive to export and we have no compulsion to export."

He explained that Pakistan continued to produce goods that did not largely sell in the international export market. "It all suggests that the government needs to prepare and announce new industrial policy that promotes export growth leading to jobs creation and additional revenue generation," Ahmad said.

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He urged the government to give up political expediency and go for long-term planning to enhance falling exports. "I would blame both the ministers for commerce and finance for not taking any interest to boost exports on one hand and discourage rising imports that have in fact doubled and have created a yawning trade imbalance. Our central bank should also focus on long term gains in facilitating exporters, including to help recover their over Rs150 billion sales tax refunds," Ahmad said. The export relief package would not do the trick to enhance exports and that without taking policy level decisions and ensuring their implementation, Pakistan would continue to struggle to enhance its exports at some sustainable level, he added.

But Ashraf Mahmood Wathra, governor State Bank of Pakistan (SBP), believed that new thinking has to be developed to increase exports. To begin with, he pointed out, new entrepreneurs should enter the export market who should concentrate on product diversification and market diversification to increase the existing low level of exports.

"Our exporters would have to part with export model of 50s' and 60s' and new entrepreneurs must enter in the export market who should not look up for government's incentives but effectively compete with other nations through hard work and new methodologies and techniques."

Wathra, who is expected to be given an extension in service by the federal government because of his proactive policies, did not believe that exchange rate was a cause of any worry and said: "the depreciation of our currency would only help in nominal term but would culminate on piling up of more debt."

He is of the view that now when the weighted average lending is just 7 percent and 5 to 6 percent for the textile sector, the exporters should avail more credit line to boost their exports. The amount of credit has increased from Rs267 billion in 2015 to Rs350 billion in 2016 which is a sound improvement. The issue of sales tax refund is also being addressed by the government.

"This is not a good economic and monetary strategy to devalue rupee for some less gain that in return brings incredible increase in our overall debt burden," Wathra said. He did not accept that the central bank was manipulating the issue by keeping disadvantageous exchange rate for the exporters. "The government has to protect the interests of all and not the exporters alone."

The view that the government must develop linkages to have export driven foreign direct investment (FDI) aimed at enhancing exports is gaining strength. The FDI, it is said, can help increase exports through multiple spillover effects on the local exporting firms that in turn can benefit by learning through observing the foreign firms' export activities, new technologies and modern management techniques.

But then people do talk about the overall security environment further to be improved to attract sizable FDI which is currently hovering between $900 million and $1 billion annually for the last many years. It reached the peak in 2007-08 when the country received $5.5 billion foreign investment. There is no doubt that security situation has greatly improved during the last few years albeit with the help of the armed forces who offered plentiful sacrifices to restore peace across Pakistan particularly in Sawat, Karachi and tribal agencies.

Previously foreign investors and their hundreds of firms made significant profit by investing in Pakistan despite facing security issue which compounded during previous PPP government and the initial one and half years of incumbent PML(N) government.

The government needs to woe and channelize FDI inflows into export oriented market, though during the last decade more than two-thirds of a total of $20 billion foreign investment went into non-manufacturing sectors including construction, oil and gas, telecom and power. In this regard Pakistan has to compete with China, India, Bangladesh, Malaysia, South Korea and Vietnam in terms of ease of doing business to enhance its FDI related exports and the job requires reviewing faulty investment promotion strategy.

Exchange rate is an issue that needs to be sorted out by the ministry of finance/central bank by negotiating with exporters who maintain that rupee is 20 to 25 percent overvalued against dollar and has to be brought down to boost exports. They often cite the example of China, Turkey, India and Bangladesh which frequently depreciate their currencies against dollar to promote their exports.

In comparison with other South Asian countries, Pakistani exports are declining for the last many years with rulers failing to reach at any remedy. Part of the problem is that exporters do have their own inherent weaknesses such as not going into value addition and mainly concentrating on export of raw cotton benefiting countries like Bangladesh.

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According to Economic Survey of Pakistan 2014-15, Pakistani exports remained stagnant at $24-25 billion and actually decreased in the year 2016 while Bangladesh's exports surpassed the $30 billion mark last year and is set to hit $34 billion mark this year. This all is happening due to sluggish growth in Pakistan's major trading partners – UK-USA and China – due to expensive gas/electricity that always delays in order deliveries.

Major exports including rice, cotton, leather, jewelry and the chemical sector have been hit hard by the slump in exports and the situation calls for drastic improvements. The government needs to help diversify exports whose current base is mostly limited to basic commodities like textiles, leather, cotton, grains, fruit etc. Making a transition from these exports to more value added goods in the global value chain like computer chips, integrated circuits, semiconductors, parts used in mobile and laptop manufacturing and other high tech items seems imperative.

At the end of the day one finds that two important sectors of the economy –exports and agriculture - stumbled since 2013 which is one-third of the country's Gross Domestic Product (GDP). A positive development is slight growth in agriculture that had remained negative during the last many years.

But the most worrisome is the export earning which have declined by almost 20 percent from $25.1 billion in 2012-13 to $20.8 billion in 2015-16. This decline is calculated to be larger after adjusting for exports under the EU GSP Plus status. Overall there is a decline in both textile and non- textile exports.

Dr Salman Shah

former finance minister

Unlike other competing countries, the cost of doing business is very high in Pakistan and the government must support its private sector by giving services, essentially power and gas on reduced tariffs to boost our falling exports. Pakistan did not have any competitive edge in the international export market because of inferior quality of its exportable goods. The need of the day is competitiveness of export industry without which no objective could be achieved to enhance exports.

Ashraf Mehmood Wathra

SBP governor

New thinking has to bedeveloped to increase exports. Our exporters would have to part with export model of 50s' and 60s' and new entrepreneurs must enter in the export market who should not look up for government's incentives but effectively compete with other nations through hard work and new methodologies and techniques."

Shabbir Ahmad

Chairman Bed Wear Association

We have not much to export, we have little incentive to export and we have no compulsion to export. Pakistan continued to produce goods that did not largely sell in the international export market. It all suggests that the government needs to prepare and announce new industrial policy that promotes export growth leading to jobs creation and additional revenue generation.

Going forward the phenomenal low export base has to be improved along with policy decision to ensure value addition of products. Both the finance and the commerce ministers, who are being accused of side stepping the export issue must take into confidence the exporters' community.

The writer is Islamabad based senior journalist

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FOCUS

Back to square one!

By Zeeshan Haider

Punjab chief minister Shahbaz Sharif has recently claimed that the PML-N government would not only overcome the power crisis by the end of the current year but it would produce so much surplus electricity that it could even be exported to the Narendra Modi-ruled India.

But with increasing reports that the monster of circular debt is rearing its ugly head again doubts are appearing that whether such promise could be fulfilled and there are fears that people have to again face another harsh summer.

Circular debt has, of late, been one of the major problems of our power industry.

The present government after coming into power in 2013 cleared the entire Rs480 billion in circular debt it inherited in one go as a first step towards resolving the power crisis.

There were hopes that the circular debt would be kept under check and since the government had won the elections with a resounding majority there was a general optimism that it would use its strength to take concrete measures to rid the power industry of the malaises which has literally crippled its performance.

While there have been considerable decline in power outages over the past one year and a half and the government tried to address the problems faced by the power sector, the results are far from satisfactory.

Secretary Water and Power Mohammad Younus Dagha in a newspaper article a couple of months ago claimed that government has overcome circular debt issue to a large extent and painted a rosy picture about the performance of the power sector, claiming that it has come out of its worst financial crisis.

He backed up his assertion by providing figures showing decline in distribution losses, significant raise in recovery of unpaid bills and reduction in energy subsidies.

The biggest achievement, in his words, was government efforts to limit the increase of annual arrears to just Rs8 billion in 2016 from whopping Rs200 billion every year, meaning that the level of circular debt was capped close to Rs348 billion.

But if recent reports are to be believed then it sounds that problems of the power sector are as serious as they were before.

The Independent Power Producers Advisory Council (IPPAC) recently placed advertisements in the newspapers warning that the monster of circular debt is rearing its ugly head once again, effectively contradicting Water and Power secretary claim that it has been put under check.

According to IPPAC calculations, though circular debt stood at Rs414 billion as of February 15, the verified, audited and undisputed figure to be paid to IPPs is Rs254 billion.

Analysts say the circular debt issue would further aggravate in the coming months given the increase in international oil prices.

Most of the Council members called for invoking of the sovereign guarantees for the payment of due amounts. Additionally, Pakistan State Oil has called for immediate payment of Rs30 billion out of Rs290 billion owed by producers to it.

The IPPAC's advertisement evoked strong reaction from the Private Power and Infrastructure Board (PPIB), warning legal action against the IPPAC members for maligning the board through publicity campaign.

Industry officials fear that intensification of the row between PPIB and IPPAC would send a negative signal to foreign investors who have already been wary of putting their money into Pakistan because of Reko Diq fiasco and other such issues.

Crippling power outages were one the major issues agitated by the PML-N during its 2013 election campaign and it had promised to resolve it permanently after coming into power.

Prime Minister Nawaz Sharif in his public addresses has been promising to people that the power crisis would not only be overcome but government is making strenuous efforts to produce electricity at affordable price.

Analysts say much of government's efforts have been focused on increasing power generation and it may succeed in producing surplus electricity but it is unfortunate that it has failed to introduce badly-needed energy

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sector reforms to address the long-standing problems afflicting the industry.

"They had made promises in their election manifesto about power sector reforms but those promises have largely remained unmet," Dr Shahid Hassan Siddiqui, a renowned economist said.

The ruling party had promised total elimination of circular debt, creation of energy and natural resources ministry after the merger of ministry of water and power and petroleum ministry, privatisation of power distribution and generation companies and replacement of power generation from high-cost imported fuel to that of one based on indigenous fuel.

But the government, which is close to completing its fourth year in office, has very little to show it achievements on these promises.

Siddiqui also questioned government's claim that it had brought down budget deficit to 4.6 percent in last fiscal year than 8.6 percent in fiscal year 2012-13.

"In fact, they paid Rs480 billion in circular debt and showed it the budget deficit in that year," Siddiqui said. "Right now, the circular debt has risen to almost same previous levels but they are reluctant to clear these dues as it would result in sharp increase in the budget deficit which they want to avoid at this moment."

Moreover, he said the Senate Standing Committee on Finance has also cost doubt on government's taxation as well budget deficit figure.

Former secretary Ministry of Petroleum and Natural Resources Dr. Gulfaraz Ahmed, however, sounds hopeful and says the power crisis could still be overcome, at least by the end of 2018, if things are managed properly.

According to him, Pakistan is switching much of its power generation to non-expensive non-oil based sources.

He said Liquefied Natural Gas (LNG) based power plants in Balloki near Kasur, Haveli Bahadur Shah near Jhang and Bhikki near Shaikhupur would go a long way in mitigating power shortages.

The Balloki and Havel Bahadur power plants were initially expected to be completed by early 2018 that could have given a big boost to the PML-N election campaign but they are now likely to be ready for operation by the end of next year because of delay in the delivery of high efficiency gas turbines from their American supplier.

Ahmed said there are also elaborate plans for power generation from other non-oil sources like water, wind, nuclear and solar. "If they (government) speed up the pace of completion of these projects then I am hopeful that power outages would be reduced to minimum level by the end of next year."

He said less dependence on expensive oil for power generation would also help in overcoming the circular debt problem to a large extent. "One could anticipate easing of circular debt problem as well as power shortages by the end of 2018. We are moving towards those goals."

The writer is a senior journalist based in Islamabad

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Despite producing 17pc gas Baloshistan consumed 2pc in ‘15-16

Fawad Yousafzai

ISLAMABAD - Baluchistan produces 17 percent of the total natural gas in the country; however, the province consumed only 2 percent natural gas during 2015-16, according to the Oil and Gas Regulatory Authority (Ogra) report.

The gas consumption in all the provinces have increased during the year 2015-16; however, it was decreased in Baluchistan where the gas consumption was reduced by 4 mmcfd from 55 mmcfd in 2014-15 to 51 mmcfd in 2015-16, said the Ogra report on the State of the Regulatory Petroleum Industry 2015-16.

In Punjab, the consumption increased from 1035 mmcfd in 2014-15 to 1154 mmcfd in 2015-16, Sindh consumption from 1139 mmcfd to 1256 mmcfd while KP consumption increased from 241 mmcfd to 266 mmcfd, the report maintained. The report said that Sindh and Punjab are the biggest gas consumers with 46 percent and 42 percent share respectively, followed by Khyber Pakhtunkhwa and Baluchistan using 10 percent and 2 percent gas, respectively.

About the province-wise gas production and consumption during FY 2015-16 in SNGPL and SSGC Systems, the report said that Sindh produces 63 percent of the natural gas, Baluchistan 17 percent, KP 7 percent, Punjab 3 percent while 7 percent is LNG import, the report said. On average, during the last 5 years, more than 324,534 consumers are connected to gas network in 2015-16 out of which about 255,736 consumers were in Punjab.

It is projected that in face of ever increasing demand for gas, Pakistan will face an increasing deficit in gas supply. Since the increase in demand of natural gas will amplify further in the next few years therefore the government has initiated various measures to bridge the gap between demand and supply which includes incentivising indigenous exploration, import of natural gas in the form of Liquefied Natural Gas and import through development of Cross Country Gas Pipelines, the report maintained.

Regarding LPG, the report said that the size of LPG market during the period under review was 1,115,130 MT/annum, mainly consumed by domestic, commercial and industrial sectors with respective shares of 38 percent, 37 percent and 25 percent, respectively. The total supply of LPG during FY 2015-16 was 1,022,367 tonnes, accounted for about 0.5 percent of the total primary energy supplies in the country. Around 64 percent of the LPG consumed is met with local production in Pakistan, whereas the rest is imported.

Regading LNG, the report said that injection of additional volume of RLNG in the national grid shall mitigate the natural gas shortfall. Pakistan produces around 4,000 mmcfd (4 bcfd) of indigenous natural gas against demand of over 6,000 mmcfd (6bcfd). Regarding the oil consumption, the report said that the consumption of petroleum products registered a moderate growth rate of 5.2 percent (23.7 million tons) during FY 2015-16 compared to previous year’s growth of 5.1 percent (22.6 million tons).

The consumption of Motor Spirit (MS) in transport sector witnessed a growth of around 22 percent during period under review. This may be attributed to lower prices and increased demand of generators. Similarly, Pakistan State Oil (PSO) remained the lead player in total energy products supply to the consumers with 56 percent market share. In 2014-15 PSO share was 57 percent; however, PSO lost around 1 percent of its total market share to other players and lost five percent of its share in Motor Spirit (MS) sale which was reduced from 47 percent last year to 42 percent during the year.

Similarly, PSO supplied about half of total High Speed Diesel (HSD) sales during 2015-16; however, its market share was reduced to 48 percent from the early 50 percent last year. Furnace Oil (FO) was mainly supplied by the PSO and its market share was increased to 71 percent from 67 percent last year. Total production by the refineries during 2015-16 was 11.31 million tons compared to previous year’s 11.43 million tons. This year’s production fell to 1 percent from 3.5 percent last year.