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## Punjab's budget 2017-18

# PML-N re-asserts poll focus

**MUHAMMAD SALEEM**

LAHORE: With a total outlay of Rs 1970.7 billion, which is the biggest in the provincial history, a tax-free and relief-oriented Punjab budget for fiscal year 2017-18 was presented in the Punjab Assembly on Friday amid strong protest by the members of opposition benches.

Punjab Finance Minister Dr Ayesha Ghous Pasha presented the budget 2017-18 in the session chaired by Speaker Rana Muhammad Iqbal. Wearing black arm bands, opposition members attended the budget session. They kept on shouting slogans of "Go Nawaz Go" during budget speech of the finance minister.

Giving a break-up of the budget receipts and expenditures, the finance minister said that next financial year's general revenue receipts are estimated at Rs 1502 billion as the provincial government would receive a total of Rs 1154.18 billion from the federal divisible pool under the National Finance Commission (NFC) Award.

Moreover, a total sum of Rs 348.30 billion will be generated from the province's own revenues which include Rs 230.98 billion under the head of tax revenue and Rs 117 billion in the category of non-tax revenue.

The minister said Rs 636 billion were allocated for the annual development programme and hoped this huge allocation for ADP would result in the creation of new employment opportunities.

She said running expenditures for 2017-18 are estimated at Rs 1021 billion, out of which Rs 258 billion are for salaries, Rs 173 billion for pension, Rs 361 billion for local governments and Rs 228.10 billion have been reserved for service delivery expenditures.

Dr Pasha said the Punjab government has fixed minimum wage of labourer at Rs 15,000 while daily wagers under the Punjab government would also get Rs 15,000. She announced a 10 percent raise in salaries of government employees after merging adhoc allowance of 2010. The pensioners would also get 10 percent raise. For a review in salaries and allowances of government employees, she announced formation of a pay commission which will submit its recommendations to the government.

She announced a cut in GST on construction services from 16 to 5 percent which will help grow construction industry. The fee has been abolished for registration of any firm. The Punjab government, she said, has planned to issue Rs 25 billion investment bond with a view to promoting savings as well as investment.

During the next financial year, she added, the social sector is top priority of the government and Rs 201.63 billion have been allocated for education, health, water supply and sanitation, women development and social welfare.

She said the government has proposed allocation of Rs 345 billion for education sector which is 32 percent higher from current year's budgetary allocations. In the development programme of school education, Rs 53.36 billion have been allocated.

In the next financial year, Rs 230 billion have been set aside for district education authorities which are functional since January his year. Under non-salary budget programme for schools, Rs 14 billion have been allocated while Rs 6.50 billion have been reserved for "Zewar Taleem Programme" and Rs 3.50 billion have been allocated for provision of free text books in public sector schools. With an allocation of Rs 28 billion under strengthening of schools programme, missing facilities will be ensured in the next fiscal. Under Khadim-e-Punjab School Programme, 6519 additional rooms would be constructed in 3421 schools with an allocation of Rs 13 billion.

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An amount of Rs 5 billion has been allocated for net fiscal for disbursement among students under the Punjab Educational Endowment Fund (PEEF).

For higher education, Rs 44.60 billion have been allocated with an addition of over 18 billion for development programme. With allocation of Rs 7 billion under the Chief Minister's Lap Top Scheme, 100,000 more students would get lap tops in next fiscal on merit. Dr Pasha said Rs 263.22 billion have been allocated for health sector which is 15.4-percent of total budget. For primary and secondary healthcare, Rs 112 billion have been set aside while for district health authorities Rs 73.50 billion have been allocated in the next fiscal. For modernization of DHQ/ THQ hospitals, Rs 20 billion have been allocated.

For specialized healthcare and medical education department, Rs 120 billion have been allocated with further allocation of Rs 25.26 billion for development schemes. For provision of medicines, Rs 16 billion have been allocated, Rs 4 billion for setting up a modern hospital in Murree, Rs 3.50 billion for provision of medicines to hepatitis patients, Rs 400 million for provision of ventilators in hospital. In the next fiscal year, two new medical colleges in Bhakkar and Attock would be established. At least Rs 700 million have been set aside for provision of free dialysis facilities. The first phase of Pakistan Kidney and Liver Institute and Research Centre would be completed in December this year with a cost of Rs 19 billion. For health insurance scheme, Rs 2 billion have been allocated.

The minister said Rs 140.50 billion have been allocated for agriculture sector for the next fiscal. For the Kissan Package, Rs 15 billion have been allocated while the Punjab government would pay over Rs 6 billion for agri tube wells besides maintaining prices of fertilizer. For development schemes of this sector, Rs 41 billion have been allocated in the next fiscal. For FY 2017-18, another Rs 17 billion have been proposed to be allocated for further improving connectivity of rural areas. In the livestock sector, an amount of Rs 19.4 billion is proposed to be allocated.

To address the energy crisis, the minister said the government has not only initiated energy projects from its own sources but has also been focusing on providing an enabling environment to attract private sector investment in energy sector. The efforts of the government have started to bear fruit as 1,180 MW Bhikki LNG power plant and 1,320 MW Sahiwal/Qadirabad coal power plant have already started their production. Other major energy projects in Punjab include 1,223 MW Baloki LNG power plant in Kasur, and 1,230 MW Haveli Bahadur Shah LNG power plant at Jhang will add approximately 9,000 MW electricity to the national grid by March 2018.

Rs 15 billion have been allocated for uplift of industrial sector under the development programme. The Punjab government is going to start credit guarantee scheme through PSCIC to meet financing requirements of SMEs. For this purpose, Rs 3 billion have been allocated to provide finance to about 7,000 SMEs. For chief minister's self employment scheme, Rs 2 billion have been allocated fiscal. An amount of Rs 198 billion has been allocated for maintenance of law and order in the province in the next fiscal. For road sector, Rs 90.64 billion have been allocated while for sports and youth affairs Rs 8.50 billion have been set aside.

Dr Pasha said the government has decided to launch regional development programme for development of less developed areas for which Rs 5 billion have been allocated in the budget. For protection of minorities, Rs 1.16 billion have been allocated in the next fiscal.

The minister said with the start of first power projects of CPEC, Sahiwal/Qadirabad coal-fired power plant has starting contributing electricity to the national grid.

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# Banks, FIs to provide non-residents' info: FBR

SOHAIL SARFRAZ

ISLAMABAD: Chairman Federal Board of Revenue (FBR) Dr Muhammad Irshad Friday said the banks and financial institutions had agreed to provide information regarding non-resident persons to the board for automatic exchange of information under bilateral agreement or multilateral convention.

Giving rationale behind the amendment in section 165B of the Income Tax Ordinance 2001 through Finance Bill 2017, Dr Muhammad Irshad said that information of local persons was not covered under the section 165B of the Income Tax Ordinance 2001. Only information about the non-resident persons is required under bilateral agreement or multilateral convention as per section 165B of the Income Tax Ordinance 2001.

He said it was a minor change after "non-resident" and FBR had clarified that the terms "reportable person" and "financial institution" shall have the meaning as provided in Chapter XIIA of the Income Tax Rules, 2002.

As per international standards and norms, Pakistan is obliged to include the definitions under the primary law i.e. Income Tax Ordinance 2001.

He explained that banks and financial institutions had no issue in giving information regarding non-resident persons to the Board for automatic exchange of information under bilateral agreement or multilateral convention. Banks are happily giving this information under Foreign Account Tax Compliance Act (FATCA).

Under section 65B (furnishing of information by financial institutions including banks), every financial institution shall make arrangements to provide information regarding non-resident persons to the Board in the prescribed form and manner for the purpose of automatic exchange of information under bilateral agreement or multilateral convention. All information received under this section shall be used only for tax and related purposes and will be kept confidential.

Chairman of the Finance Committee Senator Saleem Mandviwalla said the banks were opposing section 165A (access to banking information) of the Income Tax Ordinance 2001. "I think banks have taken stay from courts against the provisions of Section 165A of the Income Tax Ordinance 2001," he added.

The committee endorsed the proposal of the FBR that the facility available to non-resident taxpayers having permanent establishment seeking advance ruling from the Board has been reinstated. The proposal has been made part of the Finance Bill 2017 on the recommendations of Tax Reform Commission (TRC), Dr Muhammad Iqbal, FBR Member Tax Policy, said.

The finance committee disapproved the proposal of the Finance Bill 2017 to include Employees Old Age Benefit Institution (EOBI) in the list of organisations, which can have access to the income tax returns and statements under section 216 of the Income Tax Ordinance 2001.

The FBR officials explained that the EOBI wanted the information of salaried persons for only verification of data. There are issues that certain individuals do not give accurate information to the EOBI. The EOBI wanted to have access to FBR information of salaried persons etc.

Under section 216 of the Income Tax Ordinance, taxpayers' personal information cannot be disclosed except notified agencies and organisations. The FBR had proposed to include EOBI in the notified list of organisations.

Under the proposed amendment, EOBI can access information regarding salaries in statements furnished under section 165 of the Income Tax Ordinance 2001.

The finance committee also disapproved another proposal of the Finance Bill

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to empower commissioners to prosecute persons, to whom notices were issued for filing of tax returns.

During the committee proceedings, the chairman of the committee expressed serious concern over a recent case of money laundering framed by FBR against a famous businessman of Karachi. "We had been assured by the FBR that taxpayers would not be tried under the money laundering laws. If action has been taken under rules framed for anti-money laundering, how such provision could be introduced in rules," he said. The FBR has changed the anti-money laundering law by including all taxpayers within the purview of money laundering. "I am surprised how the FBR has changed the law by including all taxpayers under anti-money laundering regime," he said. Senate Standing Committee on Finance will take up the matter with the FBR, Senator Mandviwalla added.

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## THE RUPEE
# Stable trend

**RECORDER REPORT**

KARACHI: Firmness persisted on the money market on Friday as the rupee held its levels against the dollar in the process of trading, dealers said.

**INTER-BANK MARKET RATES:** The rupee almost traded at present levels versus the dollar for buying and selling at Rs 104.86 and Rs 104.87 respectively, dealers said.

In the final Asian trade, the dollar hit a one-week high against the yen on Friday after upbeat US private sector job figures, while the closely-watched non-farm payrolls report out later in the global day could provide another boost.

The dollar hit 111.680 yen, its highest since May 26, in early trade before slipping back to 111.580, to hold a 0.2 percent gain on the day. For the week, it was on track to gain about 0.25 percent.

The dollar also received an additional lift as an improvement in broader risk sentiment - Japan's Nikkei reached a 22-month peak after Wall Street set record highs - curbed demand for the safe-haven yen.

"Dollar/yen has climbed on the stronger-than-expected advance by Japanese stocks today," said Masashi Murata, senior strategist at Brown Brothers Harriman in Tokyo.

Prior to the boost from the stronger-than-expected May ADP employment report issued late on Thursday, the dollar had struggled with US political concerns and a consequent risk-off mood that had gripped the wider markets earlier in the week.

The dollar was trading against the Indian rupee at Rs 64.403, the greenback was at 4.279 in terms of the Malaysian ringgit and the US currency was at 6.814 in terms of the Chinese yuan.

**OPEN MARKET RATES:** The rupee was unchanged in terms of the dollar for buying and selling at Rs 105.90 and Rs 106.10 respectively, they said.

The rupee gained 10 paisas versus the euro for buying and selling at Rs 118.40 and 119.90 respectively, they said.

| | |
|---|---|
| Open Bid | Rs. 105.90 |
| Open Offer | Rs. 106.10 |

Interbank Closing Rates: Interbank Closing Rates for Dollar on Friday.

| | |
|---|---|
| Bid Rate | Rs. 104.86 |
| Offer Rate | Rs. 104.87 |

**RUPEE IN LAHORE:** The Pak rupee recovered on buying side while it stayed unchanged on selling side against the US dollar in the local currency market on Friday.

The dollar resumed trading on its overnight closing trend of Rs 105.90 and Rs 106.10 as its buying and selling rates, respectively.

At the close, it depreciated by 10-paisa on buying counter and ended at Rs 105.90. However, it did not observe any change on selling counter which prevailed till close of trading at Rs 106.10, said the local currency dealers.

Furthermore, the local currency remained under pressure for the second consecutive day versus the pound sterling. The pound's buying and selling rates further drifted from Thursday's closing rates of Rs 135.50 and Rs 136.50 to Rs 135.10 and Rs 136.10 respectively, they added.

**RUPEE IN ISLAMABAD AND RAWALPINDI:** The value of rupee against the dollar remained unchanged at the open currency markets of Islamabad and Rawalpindi here on Friday.

The dollar opened at Rs 105.90 (buying) and Rs 106 (selling) against same last rate. It closed at the same rate.

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# Power generation reaches record 18562MW level

ISLAMABAD: Ministry of Water and Power has claimed that the country's electricity generation reached a record 18562MW on June 1, breaking its own record earlier in the day of 17840MW.

According to Ministry's spokesperson, last year the highest generation recorded was 17340MW on June 19, 2016 during Ramazan.

The public sector generation plants (GENCOs) generation hit record high on June 1, at 3223MW with Guddu power plant reaching 1300MW level after refurbishment and installation of new compressors.

Khawja Asif in his tweet said that total generation was 16541MW at 3pm on Friday against demand of 18902MW, showing shortfall of 2361MW. He also claimed that there was no unscheduled loadshedding in the country, which is contrary to ground realities.

The Ministry of Water and Power's officials privy to the development claimed that generation is expected to further increase as there is room for 500 to 800MW additional hydel power generation, which with a boost in indent by IRSA, will be achieved.

Federal Minister for Water and Power Khawaja Muhammad Asif via Twitter posted all the figures and congratulated the teams at Ministry of Water and Power. In his tweet on highest Gencos generation the federal minister compared with 2013 when these plants were generating only a maximum of 1500MW.

In his social media message the federal minister reiterated government commitment to achieve loadshedding free Pakistan as per promise.

The Ministry of Water and Power also claimed that Thermal Power Station (TPS) Guddu, once the largest power complex of Asia, was left unattended and its total capacity restricted up to 650MW in 2014 but at present with the government's persistence its total available capacity is touching 1500MW.

The capacity of the project will be further enhanced by 150MW in July or August 2017 due to refurbishment of compressor and boiler of older unit 1. The plant is expected to touch 1650MW to 1700MW.—MUSHTAQ

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# What caused the stock market decline?

KARACHI: Pakistan Stock Exchange (PSX) witnessed one of the highest values traded in its history on May 31, 2017 (EVENT DATE) when international portfolio investors reshuffled their portfolio allocations based on Pakistan becoming reclassified into MSCI Emerging Market Index from June 01, 2017 from Frontier Market Index previously.

This was a culmination of a long journey which started in 2012/13 when PSX made a conscious decision to get Pakistan back into MSCI Emerging Market Index after having been demoted to Frontier market during the 2007/8 global financial crisis. The National Clearing Company of Pakistan (NCCPL) and Central Depository Company (CDC) also supported the Exchange in this campaign. Alongside PSX, the Securities and Exchange Commission of Pakistan (SECP) played a major role in bringing about capital market reforms that have significantly strengthened the regulatory and operational framework and initiated the process of streamlining the securities industry of the country.

The next step was to get Pakistan onto the radar screens of international investors. Under its Chairman, the Exchange systematically organized marketing road shows in major international financial centres, from Hong Kong to New York, from Shanghai to London, from Dubai to Singapore. This had never been done with such strategic focus, frequency and consistency by any private sector enterprise in the country. PSX delegations showcased the positively changing socio-economic environment of Pakistan, the reforms taking place in the capital market and stellar performance of Pakistani companies listed on PSX while SECP highlighted the regulatory achievements. The Exchange, along with the SECP, also remained in regular touch with MSCI and kept them in loop with the key developments in the capital market. All this effort paid-off when in May 2016, MSCI announced that Pakistan would be included in the MSCI Emerging Market Index from June 01, 2017.

Shares turnover on May 31, 2017 in the stock market (Ready and Futures) was 456.2 million valued at Rs 60.3 billion while the NDM market had transactions valued at Rs. 28.7billion. Thus, the number of shares traded on that day was 625.2 million with a total value of Rs. 89.05 billion or US Dollar 848.1 million. This is one side of the transaction thus the gross amount would be US$ 1,696 billion. Out of this, foreign funds gross value traded was US$985.5million (including NDM transactions) or 58.10% of the total value traded. On net basis the outflow was just US$81.7million.

All the transactions were smoothly handled by the Pakistan capital market infrastructure institutions, i.e. PSX, NCCPL and CDC. For three consecutive days and nights the IT and operations teams of the Exchange, NCCPL and custodian banks worked round-the-clock to ensure that transactions were handled seamlessly. International cross-border transactions are complex involving multiple parties including foreign institutional investors, their back-offices, their global broker dealers and custodians in different countries, international custodian banks in Pakistan and domestic brokers. Close cooperation and continual communication and data flow is required across several time zones for the whole transaction cycle to be completed. When volumes surge in a one-off event such as Pakistan's entry into MSCI-EM Index, tremendous pressure is brought to bear on capital market infrastructure and the entire country's reputation as an investment destination is at stake. Our combined performance earned our capital market institutions praise from the international investment community for their professionalism and dedication. Even before this, since last one month prior to the EVENT DATE the Exchange and NCCPL, with support and guidance of the SECP, had extensive discussions with domestic market participants, international broker-dealers

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(IBDs), Custodian Banks and some of the major global passive / index funds.

The issues and concerns of both international investors and domestic participants were carefully assessed. Then, keeping in mind aspects of market risk management, some temporary procedural changes were made in market timings and final price calculations to smoothen the transaction flows on the EVENT DATE. As a result of preparedness, the Pakistan capital market has shown its ability to handle significant volume of transactions on any given day. As the country begins to get on the radar screens of emerging market investors – both passive and active – over time, investment flows will grow apace and the capital market will be ready to handle them.

So what does being in the Emerging Market Index mean? There have been some comments that the fall in the KSE-100 Index since Pakistan's inclusion in the EM Index is not a good sign as Pakistan's weight in the MSCI emerging Market Index is only 0.14% whereas its weight in the Frontier Market Index was over 9%. While this is true, it must also be seen from the perspective of market dynamics. Once a country exits the Frontier Market Index, all funds following that Index must also exit immediately while those funds which follow the Emerging Market Index do not necessarily have to enter immediately, especially if the weight is small as in the case of Pakistan. This is what we believe has occurred in the immediate term and caused the KSE-100 to decline. At the same time, it must be remembered that the amount of global investment in emerging markets is well over a trillion dollars while the amount of investment in Frontier market is a fraction of that.

Over time, as emerging market investors return to Pakistan market the net foreign investment flows are likely to become much more positive. Furthermore, this pattern of underperformance of the Index after inclusion in the EM-Index is not unusual. Many domestic investors become over-optimistic and a sentiment driven rally takes the market up before the EVENT DATE. Once the event occurs, weak holders sell out and serious investors gradually begin to move in as they find attractive valuations. The same pattern is being seen in Pakistan market also.

More importantly, there is a significant symbolic value of a country being classified as an Emerging Market. Being part of the EM Index signals to international investors that the country's capital market has attained greater maturity in terms of efficiency, governance and regulatory framework. This encourages longer term investments in both portfolio mode as well as direct foreign investment (FDI). Simultaneously, as the country's presence is seen by a much larger universe of global investors there are greater opportunities for Pakistani companies who wish to raise capital by listing. Thus, Pakistan's inclusion in the MSCI Emerging Market Index should be viewed from this broader perspective rather than KSE-100 performance over the short term. Pakistan Market's total capitalization has gone up from around US$30billion to over US$90billion in the last five years. The average daily value traded has increased from US$50million five years ago to over US$200million today. In the last ten years the KSE-100 Index has shown average annual return of over 23% versus average inflation rate has been around 9%, thus providing investors with real return of 14% p.a. – meaning that their savings / wealth has almost tripled in the last decade. That is what the real performance Pakistan Stock Market has been!—PR

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# SBP injects Rs1.3trn into system

**RECORDER REPORT**

KARACHI: The State Bank of Pakistan (SBP) injected an amount of Rs 1.3 trillion into banking system to reduce the widening liquidity supply and demand gap.

The SBP on June 2, 2017, conducted the Open Market Operation and received overwhelming response from banks as they submitted 34 bids amounting to Rs 1.399 trillion at a rate ranging from 5.75 to 5.87 percent for 7-day (injection). In response to the quotations, the SBP accepted 33 bids amounting to Rs 1.325 trillion at 5.76 percent rate of return for 7 days.

Bankers said since the beginning of Ramazan banking system is facing liquidity shortage. Presently, there is massive withdrawal of cash from banks for Eid and Ramazan shopping that created some liquidity shortage in the domestic market, they added. They are expecting that liquidity shortage will continue this month.

According to SBP, total amount offered at 5.76 percent was Rs 603 million out of which SBP Rs 531 million on pro-rata basis.

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# Yarn merchants body rejects 5pc RD

**RECORDER REPORT**

KARACHI: The chairman of the Pakistan Yarn Merchants Association (Sindh-Balochistan Zone), Danish Hanif, has rejected the proposal to impose 5 percent regulatory duty (RD) on import of synthetic filament yarn of polyester.

He urged the government to save Pakistan's polyester filament fabric industry from total collapse.

He said that duty on polyester filament yarn, which is the basic raw material for the fabrics industry, was already higher, and therefore another 5 percent RD was unjustified.

He said that on top of the abovementioned problem, there is an ongoing anti-dumping duty investigation by the National Tariff Commission (NTC) and the preliminary findings came out to be 6.23 percent (on average) on Chinese Polyester Filament /Synthetic Yarn (PFY). Therefore, the total impact on the import on PFY will be CD 12 percent + RD 5percent (Proposed) + 6.23 percent anti-dumping duty = 23.23 percent, whereas the finished polyester filament fabric will have CD 16 percent + RD 5 percent = 21 percent. Therefore, the tariff on imported polyester filament fabric will be cheaper than its basic raw material i.e., polyester filament yarn, he said. This will be a total disaster for SME sector of the looms in Pakistan and it will lead to huge unemployment.

Danish Hanif pointed out that Pakistan started PFY manufacturing at the same time as Thailand, Indonesia, Malaysia and India, whereas China started it a decade later on similar plants.

In due course, all these countries moved to the direct spinning process and kept increasing their capacities as well as modernizing them by replacing texturing machines, providing a full range of products domestically and internationally at competitive prices.

On the other hand, the two Pakistani units producing 58,000MT in 2002 have remained at the same production capacity, with third-one of them having very small production and they still depend on import of pet chips.

"Is it justified to put RD to protect 2 or 3 industries vs 500,000 people? These 2 or 3 industries give employment to only 1,500 families vs 200,000 families of the SME sector," he added.

He said that there is no justification for higher customs duty and imposition of RD when the domestic production is only at 25% of the total domestic requirement with limited range of products. As you can see from the above polyester chain except PFY, all the other industries are paying custom duty in single digit without any RD imposed.

If corporate entities like spinning mills and the packaging industry can survive only at 7 percent and 8.5 percent CD, respectively, how can the SME sector of polyester fabric sustain 12 percent CD, along with 5 percent RD and a hanging sword of anti-dumping duties (6.23 percent expected to be levied in July 2017), he asked. It would be like a mass massacre for the SME sector of polyester fabric loom industry, he added.

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# Coal-fired project included in CPEC

**MUSHTAQ GHUMMAN**

ISLAMABAD: The government has included another 1320MW imported coal-fired power project in China-Pakistan Economic Corridor (CPEC) to be established in Rahimyar Khan as an Independent Power Producer (IPP) at a cost of $ 1.6 billion.

According to an official website of CPEC, the executing agency/ sponsors of super critical technology project are Shanghai Electric Power Generation, China Machinery Engineering Corporation / Nishat Power Company.

Power sector experts argue that power consumers will pay Rs 500 billion in 30 years as capacity payments for a plant which will come into operation in 2021 when there will already be a surplus of at least 5000 MW.

On April 28, 2017, the Cabinet Committee on Energy (CCoE) headed by Prime Minister Nawaz Sharif had directed the Ministry of Water and Power to immediately initiate process for inclusion of Rahim Yar Khan coal-fired power plant in CPEC priority list with imported fuel i.e. RLNG, according to agreed procedure for the CPEC projects and in addition to the agreed list of 15 prioritized projects.

Insiders claim that former Secretary for Water and Power, Younas Dagha opposed Rahimyar project in CPEC on the plea that the country would have surplus power after 2018, hence there is no need to include this project in the priority list. The Ministry of Water and Power is abuzz with the rumour that Mr. Dagha was replaced with Yousaf Naeem Khokhar due to his opposition to this project and his successor has since included the project in CPEC.

Earlier in 2016 PPDB had also sought expressions of interest from sponsors interested in development of coal fired power project of 2 x 660 / 1320 MW capacity at Cholistan Tehsil Liaqat Pur, Rahim Yar Khan in Punjab. The Board had asked interested companies to submit their Statement(s) of Qualification (SOQ) in line with the Pre-qualification Document to be purchased from the office of undersigned according to the following procedure. Each interested company/consortium was to register with PPDB on payment of $100.00 or equivalent in Pak Rupees as registration fee. Already registered companies were also eligible. Each PQD was to be evaluated and the first ranked qualifying sponsor would be issued LoI to conduct feasibility study for development of the project in accordance with the provisions of the “Punjab Power Generation Policy, 2006 Revised 2009”.

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# Senate body asks FBR to clip withholding agents' wings

ZAHEER ABBASI

ISLAMABAD: The Senate Standing Committee on Finance has described the withholding a nightmare, saying that government has made withholding agents to even those people who had no understanding of tax.

The meeting of the Senate Standing Committee on Finance chaired by Senator Saleem Mandviwalla Friday suggested to the Federal Board of Revenue (FBR) for limiting the withholding agents to the corporate sector and "don't bring it down to the level of small traders."

The validation of SROs was again came under discussion during the meeting after FBR official sought support from the committee on the issue but the committee was reluctant to validate the SROs. Mandviwalla said "as this is a principle decision, the committee has to be cautious about taking any decision." However, he added the committee would take in principle a decision.

Chairman of the committee added the problem was created because federal cabinet meetings were not being held and decisions were being implemented with the approval of Prime Minister. Consequently a writ-petition was filed in the Supreme Court against this practice, which led to definition of the federal government. "We are the collateral damage," remarked chairman.

The committee was told that initial reaction of the law Minister was as to why this proposal seeking validation of notification/SROs issued by the FBR during the last three to four years was included in the Finance Bill 2017.

Senator said that Senates Forum for Policy Research (SFPR) has also opposed the proposal for seeking validation of last three to four years notifications and wanted it to be deleted.

Chairman of the committee stated that also questioned why validation of notification/SROs was not being taken from the Federal Cabinet and stated the government wants to use the shoulder of the committee for validation of bulk of the SROs about whom it had no know how.

Representatives of Steel Melters Association also turned up in the committee to complain the government has not considered their proposal for taking action against those Melters units, which are not in the tax net. Tax avoiding by some steel melters is estimated at Rs 200 million monthly in Lahore, they said adding the government had not taken action against them despite their requests during the last two years.

Representatives of the Council of Textile Sector Association blamed government measures responsible for revenue loss and decline in exports and suggested that zero rating should be implemented through an Act so that the industry should not face the problem again and again.

They also pointed out 2 percent further tax an additional burden and requested the committee to recommend to the government to for rescinding it. The committee agreed to their recommendation on 2 percent further tax, according to Mohsin Aziz.

The committee meeting was also informed that the government has included some measures in the Finance Bill 2017 which should not have been made part of the

Finance such as SROs power to the Federal Board of Revenue (FBR), etc.

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# PM's export package: 'Only 4bn for textile sector reflects govt's non-seriousness'

KARACHI: Chairman of Pakistan Apparel Forum and Chief Coordinator Pakistan Hosiery Manufacturers and Exporters Association, Jawed Bilwani articulated that allocation of only Rs 4 billion to textile out of Prime Minister's 180 billion export package reflects non-seriousness of the government towards the sector.

Whereas, according to annual Export estimate and careful observation, the said allocation should be worth about Rs 35 billion. He stated that the textile sector contributes to 8 percent of national GDP remained a low priority area for the government and the sector has not been given deserving importance. As compared to last year, there was a negative growth of 0.92 percent from July to April which reflects non-seriousness of the Government towards the sector.

Jawed Bilwani while giving a comparison on textile exports under the Prime Minister Export Package of Rs 180 billion highlighted that from January to April 2017 textile exports were $ 4.13 billion while after announcement of PM's export package textile exports from Jan to April 2017 were $ 4.14 billion with an increase of 0.4 percent only. While, from July to April, textile export has seen a negative growth of 0.92 percent. The export policies of the Government towards enhancement of export are not realistic and balanced. Pakistan textile exports in 2012-13 were 13.06 billion US $, faced negative growth of 4.67 percent and drastically declined to 12.45 billion US dollars in 2015-16. In this manner the exports have overall declined to 15 percent and textile exports declined to 3 percent. If situation not improved the export may further decline to further 8 percent, he observed.

Bilwani recalled that the Finance Minister in Budget speech 2014-15 announced all sales tax refunds claims of exporters shall be released by 30th September 2014 and promised that in future all admissible refund claims of exporters shall be disposed of within 3-months. In budget speech 2015-16 Finance Minister stated that the refunds due to the export oriented sectors relating to tax periods till 31st May 2015 shall be issued by 31st August 2015. Finance Minister in Budget speech 2016-17 stated that all sales tax refunds till 30th April whose RPOs have been approved, will be paid by 31st August 2016. In his last budget speech 2017-18, Finance Minister, spoke that all the pending sales tax refunds whose RPOs have been sanctioned by 30th April 2017 shall be paid in two parts. RPOs up to the value of Rs 1 million will be paid till 15th July and the remaining RPOs will be paid till 14th August 2017. In spite of announcement in Budget speeches the refunds have not been made till date. He was surprised to note that funds allocated during the last four budgets was not released, how can we expect that funds allocated in budget 2017-18 shall be released to exporters? He was of the view that the Government should inform the public as to where those allocated funds were spent and why not released to textile sector?

He voiced that for Textile Industry the Budget was disappointing and had not attraction. As usual, the Government ignored the Budget proposals of Associations. To enhance exports, the Government must accord importance to the recommendations of exporters. Due to inordinate delays in payment of refunds the problems of exporters have been multiplied. The Government itself is not adhering to the Sales Tax Rules 2006 under which after approval of claims payments cannot be delayed, they expressed concern. Refunds approved last year have not been paid till date. How could the newly allocated funds for refunds shall be released on given dates? He questioned. No practical steps and measures have been taken to decrease the cost of manufacturing.

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Higher cost of manufacturing, delays in refunds, higher tariffs of power and gas, lack of business friendly environment are the main causes of decline in exports, he added.

He stated that textile remained a low priority area for the PMLN Govt. In Budget 2014-15 Rs 6 billion were allocated under textile policy but released only 4.84 billion. Likewise, in 2015-16 budget Rs. 6 Billion were allocated and in 2016-17 another Rs 6 billion were allocated but were never released. He was not sure whether the Government shall release the funds allocated in budget 2017-18 or not? During tenure of PMLN Govt from 2015-2017 allocated Rs 18 billion but release only Rs 4.84 billion for payments. In PPP last Govt tenure Rs 188 billion were allocated for textiles. In annual budgets from 2009 till 2014 Rs 17 billion were allocated and Rs 28.25 billions were released. Under Textile Policy 2014-19 Rs 80 billion were allocated but were not released. The Government knows best where those funds were utilized, he added.–PR

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## Punjab budget 2017-18

# Rs15.05bn proposed for industries & investment sector

**MUHAMMAD RIAZ**

LAHORE: The Punjab government in its budget presented here on Friday has proposed to allocate an amount of Rs 15.05 billion for the financial year 2017-18 for industries, commerce and investment sector which also include an allocation of Rs 2 billion for Chief Minister's self employment scheme.

An amount of Rs 4 billion has been made available for Punjab Industrial Estate Development and Management Company (PIEDMC) while Rs 3 billion have been earmarked for SME credit scheme and Rs.4.6 billion for skill development sector in Punjab.

The major targets set for the next financial year included provision of infrastructure for establishment of new industries, establishment of e-portal for business registration, development of Quaid-e-Azam Apparel Park, provision of need-based technical and vocational training, customized lending and empowerment of artisans, promotion of handicrafts industry and preservation of regional crafts, cluster development to enhance colonization, skills training of 645,000 individuals under Punjab Skills Development, Technical Education and Vocational Training Authority (TEVTA), Punjab Vocational Training Council (PVTC) and Punjab Skills Development Fund (PSDF).

Industries, commerce and investment sector is one of the main pillars of Punjab growth strategy that envisages promotions of industry, commerce and investment for technological upgradation, employment generation in industrial and services sector. Moreover, it focuses on attracting private sector investment as well as increasing exports. The department has also focused on facilitating the skill sector for meeting the requirement of industrial sector.

It is worth mentioning that during the financial year 2016-17, Rs 14.587 billion were allocated to this sector including Rs 3 billion for Chief Minister's self-employment scheme, Rs 2.1 billion for PIEDMC/FIEDMC for establishment of industrial estates and Rs 8.515 billion for skill enhancement programmes in Punjab.

The provincial government during the current financial year made some achievements like completion of infrastructure work in Small Industries Estate, Faisalabad, development of infrastructure in Small Industries Estates of Sialkot (SIE-Phase I), Small Industries Estate Phase I & II Gujranwala, and Small Industries Estate Bahawalpur, research and publication of books on crafts and life of craftsmen/artesian of five districts of Punjab including Lahore, Gujranwala, Sheikhupura, Gujrat and Chakwal, construction of new hall in government printing press Lahore/Bahawalpur, training of 591,000 individuals through skills development programme/projects of PSDF, TEVTA and PVTC.

The provincial government also proposed to allocate an amount of Rs 1.5 billion for the next financial year for mines and minerals sector which includes Rs 500 million for regular program and Rs 1.0 billion for Punjab Minerals Company (PMC).

Punjab has almost one billion tons of coal and 900 million tons of iron ore reserves. Mines and minerals department is leaving no stone unturned to promote and facilitate mines and minerals exploration in Punjab to attract local and foreign investment, thereby ensuring a positive thrust in the provincial GDP. Punjab is lavishly blessed with mineral wealth that needs to be exploited systematically.

With a view to tap the mines and mineral potential in the province, seven projects would be completed during the year out of 13 projects. Major targets for 2017-18

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include short-term skill development project (chief minister skill development initiative), study of semi mechanized mining techniques in salt range, capacity building and strengthening of directorate general mines and minerals, Punjab, strengthening of mines sample testing laboratory, Khushab, upgradation of Punjab School of Mines in Katas, District Chakwal, establishment of strategic planning unit to capacitate the department, construction of offices and residences in Lahore, Mianwali, Khushab and Chiniot and setting up of rescue squad at Pull No 111 District Sargodha.

The Punjab Mineral Company (PMC) is presently working on exploration and resource estimation of iron ore and associated metallic minerals in Chiniot Rajoa and coal mines survey in Punjab. Major initiatives of the company include feasibility study and selection of concessionaire/investor(s) for iron and associated minerals mining and establishment of steel mill in Punjab is in progress, underground coal mines survey in Punjab is near completion, mineral resource mapping, estimation, exploration and data cataloguing is in progress, study of establishment of model mine based on semi mechanized mining techniques in salt Range Khushab/Chakwal, and development and implementation of coal pricing framework in Punjab.

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# Subdued business on cotton market

RECORDER REPORT

KARACHI: Subdued business was witnessed on the cotton market on Friday in the process of trading, dealers said.

The official spot rate was unchanged at Rs 6800, they said. In the ready session, over 1300 bales of cotton changed hands between Rs 6750 and Rs 6950, they said.

According to market sources, in Sindh, the arrivals of new cotton have started, so some leading mills preferred to be on the sideline in expectations of availing better quality at reasonable rate.

Cotton analysts, Naseem Usman said spinning mills owners and exporters were watching the situation carefully ahead of new crop's arrivals.

Recently, the Federation of Pakistan Chamber of Commerce and Industry (FPCCI) said that it supports the decision of the government to discourage imports of needless items to save foreign exchange and reduce trade deficit.

The decision of the Finance Minister Ishaq Dar will support local producers while it will reduce imports and increase revenue for the government, it said.

Adds Reuters: ICE cotton futures on Thursday rose about 1 percent on expectations of strong weekly sales data from the US Department of Agriculture that is due on Friday.

The December cotton contract on ICE futures US settled up 0.71 cent, or 0.98 percent, at 73.5 cents per lb. It traded within a range of 72.48 and 73.7 cents a lb.

The July cotton contract on ICE Futures US was up 0.84 percent, at 77.63 cents per lb.

As for December, a potential move in July could take the December back toward 75 cents per lb," Lee said.

Total futures market volume rose by 9,266 to 31,085 lots. Data showed total open interest gained 76 to 241,569 contracts in the previous session.

The following deals reported as 200 bales of cotton from Rahim Yar Khan sold at Rs 6950 and 1036 bales from same station at Rs 6750, they said.

| THE FOLLOWING ARE THE KCA OFFICIAL SPOT RATES FOR 2016-17 FOR LOCAL DEALINGS IN PAK RUPEES FOR BASE GRADE 3 STAPLE LENGTH 1-1/16" MICRONAIRE VALUE BETWEEN 3.8 TO 4.9 NCL | | | | | |
|---|---|---|---|---|---|
| **Rate For** | **Ex-Gin Price** | **Upcountry Expenses** | **Spot Rate Ex-Karachi** | **Spot Rate Ex-Karachi As on 01.06.2017** | **Difference Ex-Karachi in Rupees** |
| **37.324 Kgs Equivalent** | 6,800 | 135 | **6,935** | **6,935** | NIL |
| **40 Kgs** | 7,288 | 145 | **7,433** | **7,433** | NIL |

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# Cotton rises ahead of export sales report

NEW YORK: ICE cotton futures on Thursday rose about 1 percent on expectations of strong weekly sales data from the US Department of Agriculture that is due on Friday.

The December cotton contract on ICE futures US settled up 0.71 cent, or 0.98 percent, at 73.5 cents per lb. It traded within a range of 72.48 and 73.7 cents a lb.

The July cotton contract on ICE Futures US was up 0.84 percent, at 77.63 cents per lb.

"If we don't see cancellations causing a net negative sales number tomorrow, I don't see the justification for the July market to move any lower," said Ron Lee, general manager at McCleskey Cotton in Bronwood, Georgia.

"With a still sizable open interest in July and an imbalanced on-call position, I really see the chance for July to trade back above 80 cents per lb and possibly very quickly. As for December, a potential move in July could take the December back toward 75 cents per lb," Lee said.

Total futures market volume rose by 9,266 to 31,085 lots. Data showed total open interest gained 76 to 241,569 contracts in the previous session.

"I think the market was very close to doing a technical bearish breakout to the downside and it sort of held itself," said Keith Brown, principal at cotton broker Keith Brown and Co in Moultrie, Georgia.

"There's not a lot of selling in the market right now so the market is just running back up to find the level of willing sellers."—Reuters

# New York cotton

**RECORDER REPORT**
The fluctuations observed during the day:

| | Current Session | | | | | | Prior Day | | |
|---|---|---|---|---|---|---|---|---|---|
| | Open | High | Low | Last | Time | Set | Chg | Vol | Set |
| May'17 | 77.72 | 77.77 | 76.57 | 76.63 | 14:20 MAY 17 | - | -1.00 | 15165 | 77.63 |
| Jul'17 | 75.75 | 75.75 | 75.75 | 75.75 | 14:20 MAY 17 | - | 0.06 | 9 | 75.69 |
| Oct'17 | 73.50 | 73.67 | 72.80 | 73.09 | 14:20 MAY 17 | - | -0.41 | 13837 | 73.50 |

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# Punjab's offer to investors

Chief Minister Punjab Shahbaz Sharif while addressing a two-day second international seminar on business opportunities urged national and international investors to "move forward and take full benefit of opportunities of investment in Pakistan, especially in Punjab", without any fear of red-tapism, bribe or any other form of corruption. One can fully and unequivocally support the Punjab Chief Minister in his sustained effort to lure investors – local and foreign. Additionally, his decision to hold a seminar in the country must also be fully supported given that the outcome of our federal cabinet members' efforts to lure foreign investors by holding badly attended seminars in foreign countries have been a major drain on the taxpayers with Foreign Direct Investment (FDI) falling consistently for the past four years with the exception of under the umbrella of the China Pakistan Economic Corridor.

It comes as no surprise that the majority of those who attended the conference were from China and Turkey given that these two countries have, over decades, proved to be far more than fair weather friends to Pakistan. China is of course mainly working under the CPEC agreements estimated at over 57 billion dollars; however, Turkey has been involved in several mega projects that are closely associated with Shahbaz Sharif notably the metro bus system, roads (including the DG Khan to Muzaffargarh and between Muzaffargarh and Alipur road), hospitals, collecting garbage in Lahore, providing basic facilities to schools as well as parking in Liberty Chowk Lahore. Critics challenge the scale and extent of Turkish firms' engagement in this country, which is clearly not reciprocated with respect to Pakistani firms' engagement in Turkey. Chairman of the Committee of Foreign Economic Relations Vardan stated in November 2016 that Pakistan could become "our production and exportation base thanks to our companies' enterprises" and gave the example of Turkish company Koç Group. This Turkish company is planning to have a base for exportation operations across the region by buying Dawlance, an outstanding white appliances producer.

Clearly, there is a dearth of investment in Pakistan, reflected by the gap between investment and savings that has compelled the government to borrow from abroad to finance infrastructure projects. However, the government must focus on the element of reciprocity or in other words Pakistani firms desirous of operating in Turkey must have the same conditions that are being allowed to Turkish firms in Pakistan and at the same time, it is critical that domestic investor must be allowed to compete with Chinese or Turkish firms on the same terms.

At present, there is a growing concern that both the federal and the Punjab governments are focused exclusively on investment inflows at whatever the cost – the cost associated with flouting the Public Procurement Regulatory Authority rules as well as giving a guaranteed payment; for example, for electricity irrespective of whether the government purchases it or not. Infrastructure provided at such terms to the Pakistani public would be expensive and disable our productive sectors from competing internationally.

To conclude, one must support the approach taken by the Punjab Chief Minister and urge the federal cabinet to desist from taking expensive foreign tours with the objective of luring foreign investors. That has not worked in the past and it will not work in the future. Its international conferences held in Pakistan with the chief executive of the province extending guarantees together with the finance minister of the province that would assure prospective investors that the government means business. And it is noteworthy that Shahbaz Sharif noted in his address that in the first international conference Ashmore had invested 70 million Euros in a beverage project – an investment that was certainly a lot more than what the conference cost to arrange.

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# CPEC going global

**Farhat Ali**

It is reported that the Asian Development Bank, under its programme "Scoping of Economic Corridor Development in Pakistan", aims to identify potential economic corridors to enhance trade, regional connectivity, growth, and job creation through evidence-based mapping.

"The ADB is conducting a study on the potential economic development along the corridor for which ADB would select node cities," Farzana Noshab, senior economics officer ADB, said while giving a detailed presentation at the headquarters of Board of Investment (BoI). The study shall cover the area/city/location and match it with its economic potential, i.e., market niche so that investment and economic activity is generated on the potential. Under focus is CPEC, Pakistan Economic Corridors Programme (PECP), and Central Asia Regional Economic Cooperation (CAREC) as the economic corridors immensely impacting the economy of Pakistan.

Asian Development Bank has been a strong partner in the development of Pakistan in the Energy sector, infrastructure and social sector through its technical support and soft term financing. Lately, it has pledged to support Peshawar Mass Transit Mega project. This is one strategic and tested partner Pakistan must work with extensively.

The UK after Brexit and the EU shaken from the "US first policy" are looking for new markets and business alignments to fill in the gap and sustain their economies. The most promising candidate for the CPEC is the UK. After Britons voted in favour of Brexit this past summer, the UK sees the need to bring its investments into the non-EU projects, and the CPEC could become this very platform for investments.

UK Secretary of State for Foreign and Commonwealth Affairs Boris Johnson echoed his country's interest in the CPEC during his most recent visit to Pakistan. Johnson even described the CPEC as "a wonder project" and expressed his desire for the UK companies to participate in various projects of it.

"I am very excited about the CPEC idea. And I would like the UK firms to participate in the construction of this fabulous venture," Johnson said while addressing the students and faculty of the Government College University in Lahore. "But this should be part of an even more ambitious vision that would revive the ancient Silk Route and see the rebirth of trading caravans connecting East and West." Boris Johnson urged UK businesspeople to invest in Pakistan.

Johnson also said that Karachi should be Asia's "biggest trading entrepot" alongside Singapore and Shanghai. The British Secretary of State also pledged that his country will "play a part" in helping Pakistan achieve closer economic integration.

He praised Islamabad for making a huge progress in recent years, noting that national security in Pakistan has improved while democracy has been strengthened. Those are the two key points to attracting investors, as they serve as an indication of stability in the country. So his words may be interpreted as a direct invitation to British firms to invest in various sectors of Pakistan's economy and become part of the CPEC. All of this has a positive effect and a number of UK businesses are visiting Pakistan these days.

France too is interested in the CPEC. Ambassador Fenet stated that his country is keen to further strengthen bilateral trade and economic relations between the two nations. Praising the CPEC for creating many business and investment opportunities, Fenet said that France is taking a huge interest in the South Asia country. In a message that was backed by the French Embassy's Head of Economic Department, Philippe Fouet, Fenet also said that his country has what Pakistan needs to

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boost its economy – the advanced technology and expertise.

German companies are keen to join China-Pakistan Economic Corridor (CPEC) to further improve trade relations, said Ina Lepel, German Ambassador to Pakistan in her recent address at Federation of Pakistan Chambers of Commerce and Industry (FPCCI). Germany is the second largest partner in trade with Pakistan in Europe and will do whatever possible to improve these ties, she added. The ambassador said there is a lot of potential for enhanced cooperation.

The Swiss Embassy in Islamabad and the Swiss Consulate in Karachi, in collaboration with Swiss Business Council Pakistan, recently organized events in Islamabad and Karachi to mobilize the interest of the Foreign Investors, notably, the European investors to invest in the CPEC. The events were participated by diplomats, business chambers, media and government functionaries. The next event on the subject of the CPEC will be organized in Switzerland in early July 2017.

Russia too is looking forward to investing in the CPEC. It is learnt that Russian companies investments in energy, coal mining and metal industry of Pakistan may reach $5 billion over the next five years.

Iranian President Hassan Rouhani has expressed his country's desire to become a part of the China Pakistan Economic Corridor (CPEC) during his meeting with Prime Minister Nawaz Sharif on the sidelines of 71th UNGA session. The Iranian president lauded Islamabad's vision for translating the CPEC into a strong reality and pointed out that connectivity projects were recognised by both countries as vital to the progress of the region. "The two leaders reiterated the complementarity between Gwadar and Chabahar sea ports that could boost regional trade exponentially in the decades ahead," he said.

President Recep Tayyip Erdogan has urged Turkish businessmen to invest in the CPEC, arguing that the CPEC is a game changer for the region. He stated this while addressing the Pakistan-Turkey Roundtable Investment Conference recently.

Afghanistan's Ambassador to Pakistan Dr Omer Zakhilwal said Kabul absolutely supports the China Pakistan Economic Corridor (CPEC) and wants to become a part of the project. "The CPEC was a great project that was equally relevant to Afghanistan like Pakistan, and anything that will be good for Pakistan will be good for the entire region." The Afghan envoy asserted that the people of Afghanistan are "thirsty for development" and wants to see their homeland prosper. "I think the CPEC is not limited to Pakistan; it is for the entire region particularly Central Asia," the envoy maintained.

In the recent bilateral meetings held with the President of Turkmenistan in Islamabad, the indications are that Turkmenistan will become part of the CPEC project. Its decision will encourage other Central Asia states to be part of the corridor. Moreover, Pakistan and Belarus recently signed a roadmap for bilateral cooperation and decided to establish special economic zones. The two countries also plan on conducting a study for exploring the possibilities of participating infrastructure projects within the framework of China Pakistan Economic Corridor (CPEC).

With the interest and goodwill of all these countries from Europe, Russia, Central Asia and our neighbouring countries we have a great chance to work on them and position their footprints in Pakistan as stakeholders in the CPEC in real terms. This could turn out to be a great investment mix and dispel the apprehensions of CPEC being an all-China affair. We must take on board other countries, notably, Japan and South Korea with a view to achieving the global mix insofar as CPEC is concerned. (The writer is former President, Overseas Investors Chamber of Commerce and Industry)

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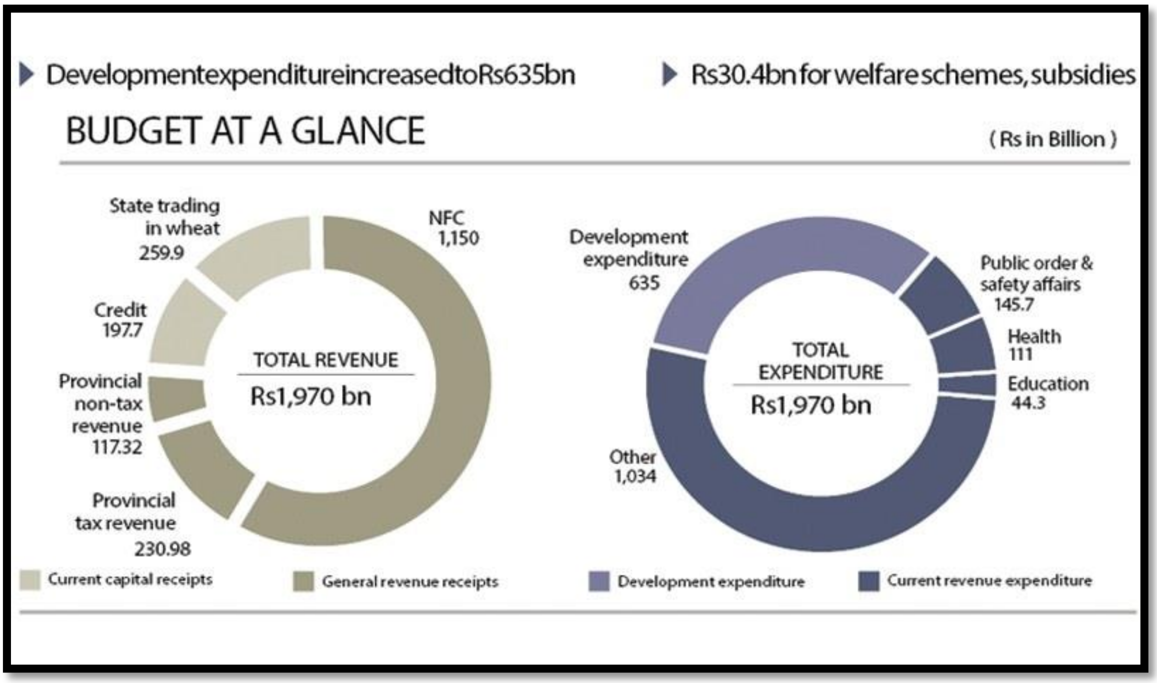
# Punjab govt unveils Rs1.97tr 'election year' budget

**Nasir Jamal**




LAHORE: The Shahbaz Sharif government on Friday unveiled an election year budget for 2017/2018, spiking public development investment on its large road, mass transit and other infrastructure projects by a fifth to Rs635 billion from the revised estimates of Rs440bn for the outgoing fiscal, and offering more money for public welfare schemes and subsidies to the tune Rs30.4bn for different segments of voters.

The consolidated budget outlay (inclusive of expenditure of Rs259.8bn on state trading in wheat) has been estimated at Rs1.97 trillion, up by 17.2 per cent from the original estimates for the outgoing year, with current expenditure projected to rise by 17.6pc to over Rs1tr on a year-on-year basis.

The bulk of money Rs1.1tr — for meeting its current and development expenditure — will come as Punjab's share from the federal divisible pool. The rest of the cash will be raised by hiking the provincial own tax target by a quarter to just below Rs231bn and increasing non-tax revenue target by 22.6pc to Rs117.3bn, obtaining foreign debt of Rs132.7bn (including a Chinese loan of Rs93bn for metro train project in Lahore).

Besides, the government plans to secure suppliers' credit of Rs40bn for its safe city project, and issue provincial treasury bills and saving and investment bonds — a first by any provincial government — worth Rs25bn in the domestic debt market. For its commodity operations, the province will raise Rs260bn by borrowing Rs130.3bn from the commercial banks (for wheat procurement) and Rs133bn by selling its wheat stocks.

Announcing the budget amid continuous boos and chants of "go Nawaz go" from the opposition members, Punjab Finance Minister Ayesha Ghaus-Pasha recounted the efforts of the PML-N government to boost inclusive economic growth, facilitate private domestic and foreign investment, curb terrorism, and build social and economic infrastructure under and outside the China-Pakistan Economic Corridor initiative in the province.

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"We have brought transparency and good governance in the implementation of our energy, transport, health, education and other projects in Punjab to put its economy on the road of sustainable growth," she said. She also claimed to have saved Rs220bn in the award of contracts and implementation of large infrastructure projects. She said investors from 20 countries, excluding China and Turkey whose companies had already invested big amounts of money in Punjab, had expressed their desire to invest in different sectors in the province, which was a sign of confidence in the provincial government and its policies. The allocations in the next budget for such "pro-poor" initiatives as Ramazan package, and wheat subsidy and public transport fare subsidies and so on are estimated to be Rs30.4bn. However, officials told Dawn the number does not capture the actual "volume of the subsidies". "The actual size of the subsidies being given is much higher than the number booked under this head in the budget," an official contended. A third of development budget will be spent on social sector, 27pc on road, irrigation, energy, and other infrastructure and 16pc on mass transit (in Lahore) and other public services.

Among other major election-related goodies the minister announced to woo the voters are up-gradation of over 300,000 primary schoolteachers and increase in honoraria of secondary schoolteacher, continuation of the interest-free loan scheme for farmers under the Rs50bn Kissan package, laptop scheme for students, provision of interest-free "orange" cabs for the unemployed (at a whopping cost of Rs35bn), interest-free loans for self-employment (Rs30bn have already been disbursed), reduction in GST on construction services from 16pc to 5pc, provision of subsidized laser land levellers to growers, payment of sales on electricity for agriculture tube-wells, and so on.

The government also announced a 10pc raise in pay and pension of its employees and increased minimum wages to Rs15,000 per month in line with the federal decisions. The pay and pension increase will put an additional burden of around Rs20bn on the next budget.

The minister announced launching a metro bus project in Faisalabad, public bus system in all major cities and clean drinking water project in the remoter districts, especially in the south Punjab.

The provincial development programme for next fiscal places "special" importance to projects related directly or indirectly to the Corridor initiative. For example, the government plans to complete an apparel park near Lahore in order to facilitate relocation by Chinese investors of their value-added textile industry. Additionally, the budget documents say, the provincial government is developing a long-term engagement strategy with the Chinese (firms and investors) in (the) light of CPEC (initiative and identifying industries for joint ventures (between Chinese and Pakistani investors) and investment. "… special focus is being placed on production sectors, building modern infrastructure, development of the small and medium enterprise (SME) sector, formulation of a comprehensive industrial and land use policy, and development of domestic commerce strategy," it says.

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# Punjab Budget 2017-18: Rs635bn set aside for development

**Amjad Mahmood**

LAHORE: The Punjab government has allocated a record Rs635 billion for the Annual Development Programme (ADP) for 2017-18 under a strategy to optimise investment decisions. The allocation is 15.45 per cent higher than Rs550bn for the outgoing fiscal year.

The budget documents say recognising the scarcity of resources a shift is being made in the planning by developing an ADP portfolio containing only the approved schemes and side-stepping from block allocations against “concept schemes” and unallocated pools.

It argues that the step will ensure immediate implementation of development project with the budget cycle resulting in better utilisation and smaller throw-forwards.

One-third allocations go to social sector, education, health, water supply and sanitation

Like in the previous ADP, priority has been given to develop the social sector, education, health, water supply and sanitation, with an allocation of Rs201bn, or 32pc of the ADP.



The second priority has been assigned to infrastructure development as it gets more than Rs172bn with major focus on roads construction (Rs90.7bn) and irrigation (Rs41 bn). Each sub-sector contains Rs16bn foreign-aid component.

Major initiatives in the irrigation sector include construction of intake and allied structures on Ravi River to augment water supply to Lahore, construction of Kas Umar Khan canal system, Papin and Dadoacha dams, and phase-II of the Greater Thal Canal project.

A sum of Rs103bn has been earmarked for service delivery. Of this, the transport sector claims the lion’s share of Rs97bn, including Rs93.5bn foreign-aid component.

The production sector, which includes agriculture, cooperatives, forestry, wildlife, fisheries, food, livestock, industries, etc, has been earmarked Rs51.69bn. Of this, agriculture lays claim on Rs21bn and industries Rs15bn.

A huge chunk of Rs88bn has been apportioned for special initiatives.

The highlights of the ADP included earmarking of Rs15bn for Kissan Package and a similar amount for the prime minister’s Sustainable Development Goals programme.

A sum of Rs3bn has been set aside for a special loan plan under a credit scheme for small and medium enterprises.

Under the regional development programme for less-developed districts, an allocation of Rs5bn has been made.

To develop the districts falling along the western route of China-Pakistan Economic Corridor in the province, an allocation of Rs1bn has been made.

Besides, Rs50bn has been allocated to modernise the police and its capabilities under the Punjab Safe City Project.

At least Rs15bn has been earmarked for constructing classrooms and providing missing facilities in public schools, whereas 500 new schools will be opened under the Punjab Education Foundation.

Allocations have also been made for Ujala Programme to provide off-grid solar power to 10,000 schools, setting up the Punjab Agriculture, Food and Drug Authority and the Women Protection Authority.

A sum of Rs25bn has been made for the ‘Saaf Pani’ project to ensure clean water for un-served and underserved rural areas. Moreover, Rs15bn has been set aside for comprehensive rural sanitation and solid waste management programme.

An amount of Rs53.5bn has been allocated for good governance initiatives and information technology while Rs45bn will go to Local Development Programme for the provision of basic amenities in backward and leftover areas of the province.

To attract foreign investment in the textile sector, the government plans to establish an apparel park near Lahore. The province will also start work on the 135-megawatt Taunsa Hydel Power project, a biomass power project at Faisalabad, and an energy resource centre in Lahore.

Foreign-funded projects

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In collaboration with world development partners, the government is launching Strengthening Markets for Agriculture and Rural Transformation (SMART) to remove market distortions, develop skills of youth, provide easy access to IT and finance.

To preserve religious sites of Sikh, Buddhist and Hindu communities and to promote religious tourism, Punjab Cultural Heritage and Economic Growth Project will be initiated with a $50 million World Bank fund.

The public-private partnership will be encouraged with a $100m plan and skills of youth will be developed with a $50m credit facility from the International Development Association.

Likewise, the quality of life in five towns — Sialkot, Sahiwal, Bahawalpur, Rahim Yar Khan and Sargodha — will be improved through the Intermediate Cities Improvement plan, while the World Bank will provide $300m for the three-year Education Support Project-III.

The World Bank will also provide $130m for high-efficiency irrigation technologies and fostering agricultural value chains.

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# GST slashed to 5pc for construction industry

**Mansoor Malik**

LAHORE: In order to boost construction industry in Punjab, the provincial government has slashed GST on construction services from 16 per cent to 5pc as well as merged separately charged CVT, stamp duty and registration fee on properties to facilitate customers.

The Punjab government has withdrawn exemption given in sales tax on internet services worth Rs1,500 and above packages. However, the exemption on internet packages under Rs1500, primarily being used by students, will continue as such.

The Punjab government has also abolished exemption on GST in furnishing supply contracts to bring in the tax net all companies and firms concerned.

The government was earlier giving exemption on furnishing supply contracts up to Rs50 million. However, the companies and firms involved in the furnishing supply contracts were evading taxes by splitting their bills below the ceiling of Rs50 million.

The government has also abolished the registration fee for all new business firms.

The exemptions and reduction on sales tax on various services have been introduced in the Punjab Finance Bill 2017 announced by the provincial finance minister Dr Ayesha Ghaus Pasha soon after her budget speech in the Punjab Assembly. The finance bill will come into force from July 1, this year.

With a mindset that no new taxes be imposed but widen the tax net, the Punjab government has enhanced its provincial revenue target from current fiscal's Rs280 billion to Rs348.3bn for the next 2017-18 financial year. Under the direct taxes head, the government aims at collecting Rs230.98 billion as compared to this year's target of Rs184.4 billion. Under non-tax revenue head, the government aims at collecting Rs117bn as compared to current fiscal's Rs95bn.

The government has slashed 11pc GST on construction services, hoping that underreporting in the construction sector will be minimised and would bring in some Rs3bn more tax revenue.

Similarly, the government plans to save some Rs3bn by slashing sales tax on internet services.

After abolishing the ceiling of Rs50m for GST exemption, the government will now be charging sales tax at the rate of 16pc on all bills for furnishing supply contracts.

Giving the rationale of abolishing GST on internet services, the finance department officials said the government had given exemption to benefit internet users but the Internet Service Providers (ISPs) were not passing on the relief to the users.

The finance minister in her budget speech said the government had not imposed any new tax as it was more interested in widening the tax net and introducing revenue collection in a transparent and 'irregularities-free' manner. She said the government wanted to enhance its revenue without burdening the masses so that it could allocate more funds for the development projects.

Citing one example, the finance minister said the government during the current fiscal enhanced its income from auction of minerals from Rs3bn to Rs10bn by just streamlining its affairs and controlling the "influential mafia" in the minerals sector.

BoR for easing tax collection

The Board of Revenue has proposed merger of all taxes, duties, fees in one head count of Stamp Duty which would be issued through e-stamping system.

The merger of all taxes will ease the procedure of deposits and helpful in reconciliation process as well.

The BoR, it may be mentioned, has proposed the merger of all taxes and duties following great success of e-stamping project that eliminated the usage of counterfeit stamp papers.

DAWN
Saturday, 3rd June, 2017

# Slow trading on cotton market

**From the Newspaper**

MULTAN: Trading was slow on the cotton market on Friday amid lack of interest from buyers. The Karachi Cotton Association kept its spot rate unchanged.

Brokers said that spinning-mill owners were not taking interest in buying as they were waiting for the arrival of new crop.

The arrival of new crop in Sindh has started and the first ginning factory will start working from June 5.

Cotton growers were also facing hardship to irrigate their crop due to the shortage of canal water for irrigation and loadshedding, brokers said. They said AMR meters have been installed on tube wells which become faulty frequently, resulting into a lengthy process of their replacement which was also causing hardship for farmers.

They said that so far 22 per cent additional cotton seed has been sold out in the market during the ongoing cotton sowing season.

The consumption of cotton in the country has been reduced by up to 15pc during the last three years. However, there are hopes that the percentage will be lower. Major deals on the ready counter were: 200, 1,036 and 200 bales from Rahim Yar Khan at Rs6,950, Rs6,750 and Rs6,975, respectively, per maund (around 37 kilograms), 200 bales from Bahawalpur at Rs6,800, and 400 bales from Liaquatpur at Rs6,925.

| THE FOLLOWING ARE THE KCA OFFICIAL SPOT RATES FOR 2015-16 FOR LOCAL DEALINGS IN PAK RUPEES FOR BASE GRADE 3 STAPLE LENGTH 1-1/32" MICRONAIRE VALUE BETWEEN 3.8 TO 4.9 NCL | | | |
|---|---|---|---|
| **Rate For** | **Ex-Gin Price** | **Upcountry Expenses** | **Spot Rate Ex-Karachi** |
| **37.324 Kgs Equivalent** | **6,800** | **135** | **6,935** |
| **40 Kgs** | **7,288** | **145** | **7,433** |

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# MARKETS

## FOREX

Exchange Rates for Currency Notes (Rs)

| | Interbank market* | | Open market** | |
|---|---|---|---|---|
| | Buying | Selling | Buying | Selling |
| USA | 104.50 | 104.70 | 105.90 | 106.10 |
| UK | 134.59 | 134.84 | 135.75 | 137.25 |
| Euro | 117.21 | 117.43 | 118.40 | 119.90 |
| S.Arabia | 27.86 | 27.92 | 28.20 | 28.40 |
| UAE | 28.45 | 28.51 | 28.85 | 29.05 |
| Japan | 0.9361 | 0.9379 | 0.9437 | 0.9637 |

*forex.com.pk **ECAP

## KIBOR

Karachi Interbank offered rates

| | Bid | Offer |
|---|---|---|
| Three months | 5.89 | 6.14 |
| Six months | 5.91 | 6.16 |
| One year | 5.96 | 6.46 |

## LIBOR

Special US dollar bonds for May 31

| | |
|---|---|
| Three months | 1.21806 % |
| Six months | 1.42239 % |

THE NEWS
Saturday, 3rd June, 2017

# Yarn merchants reject regulatory duty

**By our correspondent**

KARACHI: Pakistan Yarn Merchants Association (PYMA) has rejected five percent regulatory duty on the import of polyester yarn to be implemented from July 1.

In a statement issued on Friday, Danish Hanif, zonal chairman of PYMA, urged the government to withdraw the regulatory duty to save the industry. He said Customs duty had already been imposed on the entire chain of polyester ranging from five percent to 12 percent.

The National Tariff Commission (NTC) has also initiated investigations for imposing anti-dumping duty, he said, adding that NTC may apply 6.23 percent anti-dumping duty. In case the anti-dumping duty is imposed than the total impact of duty on import of yarn would reach 23 percent, he said, adding that the higher duty would make it difficult for the SME sector to continue their operations in uncompetitive environment.

THE NEWS
Saturday, 3rd June, 2017

# Pakistan ranked 9th in infrastructure development index

BEIJING: Pakistan has been ranked 9th in the Belt and Road Infrastructure Development Index, according to a report issued at the 8th International Infrastructure Investment and Construction Forum in China's Macao.

Indonesia tops the index. Iran, India, Brazil, Vietnam, Singapore, Russia, Portugal and Bulgaria also ranked in the top 10 in the index. The report was made by China International Contractors Association and Dagong Global Credit Rating, and is based on infrastructure development environment, development potential and development trend of the countries and regions along the Belt and Road.

The overall infrastructure development in those countries and regions features an upward development momentum with fluctuation, the report said. Meanwhile, the infrastructure market is vibrant, especially in the Association of Southeast Asian Nations (Asean) member states and Central and Eastern European countries, the report added.

The eighth International Infrastructure Investment and Construction Forum was held on Thursday in China's Macao Special Administrative Region with the aim of promoting global infrastructure development with sustainability and innovation.

The two-day event with the theme of building a diversified, innovative and sustainable infrastructure with industry connectivity has attracted more than 1,700 officials, enterprises, investors and professionals from 163 countries and regions, including those from Africa, Latin America, Southeast Asia and Central and Eastern Europe.

Fang Qiuchen, chairman of China International Contractors Association, said that as the mode and contents of international infrastructure cooperation have undergone tremendous changes, the forum is to focus on hot issues of global infrastructure development and seeking ways for mutually beneficial and win-win cooperation.

Yu Jianhua, vice minister of China's Ministry of Commerce, said that as the Belt and Road Forum for International Cooperation was held in Beijing two weeks ago, the international infrastructure forum serves as an important platform for promoting international infrastructure cooperation with countries along the Belt and Road.

The Belt and Road Infrastructure Development Index (2017) and the Report on the Belt and Road Infrastructure Development Index (2017) were also issued at the opening ceremony.

THE NEWS

Saturday, 3rd June, 2017

# Rs1.970tr record Punjab budget unveiled

**Rs635 bn earmarked for development, Rs345 bn for education and Rs140.5 bn for agriculture; pay & pension up by 10pc; Rs2 bn allocated for loans to unemployed youth; GST on construction slashed from 16pc to 5pc; opposition creates worst rumpus during budget speech**

LAHORE: Amidst the worst rumpus by the opposition parties, Minister for Finance Dr Ayesha Ghaus Pasha presented Rs1.970 trillion Punjab budget for 2017-18 with development outlay of Rs635 billion.

Pay and pension of the Punjab employees have been increased by 10 percent, in line with the increase made by the federal government. The salaries would be increased after including the ad hoc allowance, given in 2010 in the basic salary.

To facilitate small and medium enterprises, the provincial government is starting credit guarantee scheme through the Punjab Small Industries Corporation allocating Rs3 billion for this purpose. For the Quaid-e-Azam Apparel Park at Sheikhupura, an amount of Rs4 billion has been earmarked. For the Punjab government's interest-free loans for unemployed youth, Rs2 billion has been allocated in the upcoming budget.

To ensure supply of clean drinking water to its population, the Punjab government has allocated Rs25 billion under its Saaf Pani Program. Another Rs30 billion would be spent on installing hand-pumps spent on installing hand-pumps in the province.

An amount of Rs15 billion under the Kissan Package has also been announced to carry out programmes that increase general agriculture productivity. After accounting for the current expenditure of Rs1.335 trillion, the Punjab government is left with revenue surplus of Rs517.899 billion only that could be spent on development. The provincial government, however, expects a balance amount of Rs117.2 billion as foreign assistance to finance its development budget.

In the year 2016-17, Punjab included foreign assistance of Rs114.952 billion to finance its development programme but at the end of year it received assistance of Rs54.553 billion only – with a shortfall of Rs60.03 billion. Still Punjab succeeded in spending Rs532 billion on development against the original target of Rs550 billion. It generated higher surplus for development of Rs478 billion against original estimate of Rs435.05 billion.

Punjab would receive Rs1154.18 billion from the federal divisible pool while the province would generate revenues worth Rs348.30 billion; including tax revenue of Rs248.99 billion and non-tax revenue of Rs117 billion. Provinces are reaping the fruit of high revenue generation by the federal government as they get 60 per cent of tax revenue generated. Federal transfers provide most of the funds for their budget.

The provincial government has allocated 32 per cent of the development budget for social sector programs like water supply, education and health. The current expenditure on education got the lion's share of Rs345 billion. District education authorities have been strengthened this year with allocation of Rs230 billion, which is Rs36.6 billion higher than last year. To upgrade school infrastructure, Rs6.4 billion has been earmarked.

The Punjab government has also allocated funds to provide solar power to 10,000 schools in the province. In order to provided scholarship to students on merit, a sum of Rs5 billion has been budgeted for the next fiscal year. Higher Education would get Rs44 billion. The Punjab government would provide laptops to 115,000 students for which Rs7 billion have been earmarked. The posts of primary and secondary teachers have been upgraded which would cost Rs9 billion.

The government would be spending Rs263.22 billion on heath next year which is 15.4 per cent of the 2017-18 budget. Punjab government would provide free medicines worth Rs16 billion to its hospitals in new budget which Rs4 billion higher than current budget. A separate amount of Rs3.50 billion has been allocated for free medicines to hepatitis patients.

In 2017-18, the government plans to create 6,000 new vacancies for doctors and paramedical staff in tertiary hospitals. The government also plans to add 2,000 beds next year in Punjab hospitals.

The total allocation for agriculture would be Rs140.5 billion to promote irrigation, livestock, forests, fisheries and food. Under the rural road programme, the Punjab government plans to build 1400 km of roads for which Rs17 billion have been allocated.

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For security and justice, Rs198 billion has been allocated. Safe City Project would be spread to six more districts for which Rs45 billion has been budgeted. For Punjab Highways and bridges, the Punjab government has earmarked Rs90.64 billion.

Punjab government has revived green cab scheme for the youth under which 50,000 cabs would be given on credit to unemployed youth which will cost Rs35 billion.

The work on Metro Bus in Faisalabad would be started this year. The Chinese Exim Bank has agreed to provide Rs94 billion for the Orange Train Project this year. To provide respectable employment to educated youth, the Punjab government is establishing 40 e-rozgar centres, where 10,000 students would get assistance in seeking jobs. For the welfare of minorities, the government has allocated Rs1.16 billion in next budget.

The GST on construction has been reduced from 16 per cent to 5 per cent. The government has also waived registration fee on registration of new firms. The Punjab government would issue Rs25 billion investment bond, which would be listed in the market. Institutions and general public could buy and trade these bonds. The amount thus generated would be spent on development projects.

Asim Hussain adds: Irrespective of the budgetary policies, Punjab Finance Minister Dr Ayesha Ghaus Pasha faced one of the toughest days of her life while presenting the last budget of the PML-N government in Punjab Assembly on Friday, as the belligerent opposition, led by Pakistan Tehreek-i-Insaf (PTI) created one of the worst rumpus in the house.

The opposition members made an innovative move to frustrate the treasury members on Friday. They brought in whistles with them which they kept blowing all through the two hours proceedings, besides making sloganeering against the PML-N leadership, booing and hooting, that left nothing audible in the house. Even Speaker Rana Iqbal Khan had to retreat in the face of loud noise and hullabaloo as he quit shouting “Order in the House, Order in the House,” after some time, probably seeing that his own voice was far lower than the prevailing noise of the whistles.

As soon as the speaker invited the finance minister to present the budget, about 10 opposition members, led by Arif Abbasi, Aslam Iqbal and Saadia Suahil Rana gathered in front of the speaker’s dice, blowing whistles and hooting. They kept tearing up budget papers and throwing shreds on the treasury benches from time to time. They were aided by other PTI member Asif Mehmood, Ali Salman, and some female members, while the leader of the opposition Mian Mehmoodur Rasheed kept supervising them from standing a few feet behind.

The leader of the house, Chief Minister Shahbaz Sharif, also appeared very upset and uneasy in the face of such an unusual noise. But he kept sitting with a stern expression on his face till the end.

Moayyed Jafri adds: Chairing a cabinet meeting on Friday, Punjab Chief Minister Shahbaz Sharif said that special measures were being taken for development and prosperity of southern Punjab. He said record funds would be available for prosperity of the people living in southern districts of the province.

The meeting accorded approval to budget proposals for financial year 2017-18. It also approved revised estimates for the financial bill 2017 and financial year 2016-17. The cabinet appreciated ministers of different departments, chief secretary, chairman P&D, secretary finance and officers of the departments concerned for preparation of the budget proposals. The meeting also commended the performance of Finance Minister Dr Ayesha Ghaus Pasha and her team.

The chief minister congratulated the Punjab cabinet and the nation over production of 1320-MW electricity from Sahiwal Coal Power Project Shehbaz Sharif said that historic budget had been given by the provincial government for the next financial year. This public-friendly, balanced and historic development budget will usher in new era of development and prosperity in the province, the CM said.

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# Cotton firm

Karachi
Slow trading was witnessed at the Karachi Cotton Exchange on Friday, while spot rates remained unchanged.
The spot rates remained unchanged at Rs6,800/maund (37.324kg) and Rs7,288/40kg. Ex-Karachi rates also stood firm at Rs6,935/maund and Rs7,433/40kg after an addition of Rs135 and Rs145 as upcountry expenses, respectively.
An analyst said slow trading was witnessed in the market, while prices remained firm. “Traders are waiting for the new crop and the first ginning factory in Mirpurkhas, Sindh is likely to commence operations on Sunday, June 4, as cottonseed started arriving in the mills in that area,” he added.
The cotton market recorded two transactions of around 1,200 bales at Rs6,750 and Rs6,950/maund. Rahimyar Khan’s 200 bales were sold at Rs6,950/maund, while another lot of 1,036 bales of Rahimyar Khan was sold at Rs6,750/maund.

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# Ministry claims achievement of 18,904MW generation

## In a social media message, Asif said generation touched new height

**Fawad Yousafzai**

ISLAMABAD - The Ministry of Water and Power claimed that it had achieved the highest-ever generation record of 18904MW on Friday peak hours, breaking its own recorded highest generation of 18680MW on same day.

"Another record of 18671 MW at 2037 hours achieved. Will beat the load shedding," claimed Minister for Water and Power Khwaja Asif in his tweeter message on Friday evening. However within less than hour the minister retweeted and said that the generation is increasing and reached to 18904MW which is very close to 19000MW.

In his another twitter message, the minister said, "Alhamdulillah record high generation of 18562MW achieved." Last year the highest generation recorded was 17340MW on June 19, 2016 during Ramazan. Giving the break up, the official said that on Friday evening total Gencos generation was 3078MW, IPPs 9793MW and Hydle 6033MW.

Similarly, it was also claimed that with the achievement of 18904MW generation capacity, the public sector generation plants Gencos generation hit record highest on June 1 at 3223MW with Guddu power plant reaching 1300MW level after refurbishing and installation of new compressors. It is pertinent to mention here that the generation of Guddu power plant decreased to 650MW in 2014.

The Ministry of Water and Power sources privy to the development claimed that generation is expected to further increase as there is a room of more hydel power generation which with the boost in indent by Irsa will be achieved.

The minister via Twitter posted all the figures and congratulated the teams at Ministry of Water and Power. In his tweet on highest Gencos generation the federal minister compared the current generation capacity with 2013 when these plants were generating only a maximum of 1500MW.

In his social media message, the minister reiterated the government commitment to achieve the loadshedding-free Pakistan as per promise and fill in the power shortfall. On Friday sehri time, electricity shortfall closed at around 2361MW as the demand was 18902 MW against the generation of 16,541MW.

The minister claimed that there was no forced or unannounced loadshedding anywhere in the country. On Friday, power supply was 98pc to urban areas and 80pc to rural areas at Sehr and Iftar. According to the ministry, there is no unannounced loadshedding in the country and electricity supply at Sehr, Iftar and Taraweeh was being monitored directly.

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# Dar urges FBR to meet tax target

**Our Staff Reporter**

ISLAMABAD : Finance Minister Ishaq Dar on Friday chaired a meeting at the Ministry of Finance on discuss the matters related to the Federal Board of Revenue (FBR).

The FBR chairman briefed the minister on the progress of tax collection during the current fiscal year and the targets for FY2017-18. Dar urged the FBR to take all necessary measures to meet the tax collection target for the current fiscal year. He said that the tax measures, which have been proposed in the budget for FY2017-18, are based on extensive consultations with all relevant stakeholders. He expressed the confidence that the measures announced in the budget will enhance the welfare and prosperity of the general public, and enable Pakistan to achieve higher, sustainable and inclusive economic growth.

Dar said that the government will welcome all constructive and positive suggestions regarding the budget from parliamentarians during the ongoing budget session in Parliament. He directed the FBR to finalise a tax revenue collection strategy for the next year in a timely manner in order to effectively pursue the tax collection targets for FY2017-18.

PM's Special Assistant on Revenue Haroon Akhtar Khan, Finance Secretary, EAD secretary, FBR chairman and senior officials of the Ministry of Finance and FBR attended the meeting.

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# Ayesha presents supplementary budget for 2016-17

**Our Staff Reporter**

LAHORE: Continuing the old tradition of over-spending in non-development expenditures by around 21 percent, Finance Minister Ayesha Ghous Pasha on Friday also presented the supplementary budget of Rs168 billion for the concluding fiscal year of 2016-17 for the approval of Punjab Assembly.

The government had estimated the running expenditures of Rs0.9 trillion in its current fiscal year's total budget outlay of Rs1.67 trillion which was increased by Rs168 billion. It is to be noted that the same finance minister had presented the supplementary budget of Rs154 in her last budget speech for the fiscal year of 2016-17.

Total current expenditure for next fiscal year is estimated at Rs1.021 trillion, indicating that next year running expenditures will also face a shortfall of at least Rs200 billion. According to budget documents, almost every department has shown over spending of around Rs1 billion, including police, education, health services, fisheries, museum, industries, veterinary, communication, housing and irrigation. It is unfortunate that almost all departments of the Punjab failed miserably to utilise their development funds fully.

During current fiscal year, most of the departments could utilise only 35-48 percent of their development budget and some sectors even did not touch their budget in this regard. However, in non-development head, almost all departments and sectors reported over spending in salaries, perks, allowances, TA/DA and maintenance and rents of their offices etc.

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## IMF's pressure

# Govt. reduced subsidies by 13.4pc in 9 months

**Imran Ali Kundi**

ISLAMABAD - The federal government has drastically reduced the subsidies amount by 13.4 percent during first nine months (July-March) of the ongoing financial year on the pressure of international monetary fund (IMF).

The federal government had cut the subsidy amount by 13.4 percent to Rs107.8 billion during nine months of the current fiscal year from Rs124.5 billion of the corresponding period of the previous year. According to the documents of the Ministry of Finance, the Sindh government has slashed the subsidy amount by 65.5 percent to Rs5.5 billion during July-March 2016-17 from Rs9.1 billion of the same months of the last year.

However, other three provinces including Punjab, Khyber Pakhtunkhawa and Balochistan had enhanced the subsidy amount. The Punjab government had enhanced the subsidy amount to Rs25.1 billion during period under review from Rs22.2 billion of the last year. The Khyber Pakhtunkhawa government also increased the subsidy to Rs5.3 billion from Rs3.5 billion. Similarly, the Balochistan government had enhanced the subsidy to Rs2.3 billion from Rs748 million.

The overall subsidy given by federal and four provincial governments had come down to Rs146.08 billion during July-March of the year 2016-17 from Rs160.07 billion of the same period of last year reflecting a decline of 8.7 percent.

Subsidy is part of the Annual Poverty Reduction Strategy Paper (PRSP) expenditures. The PRSP initiative was launched in 2000 with close collaboration of international lending agencies aimed at improving and monitoring pro-poor spending in Pakistan.

According to the PRSP summary for July-March of 2016-17, poverty reduction expenditures by the federal and four provincial governments stood at Rs1681.7 billion, which were just Rs134.3 billion higher than the previous year's spending.

The combined federal and provincial spending on education in the first quarter of the current financial year remained at Rs477.5 billion - higher by Rs27.8 billion or 6.1pc over the previous fiscal year. Out of the total spending, 87pc of the budget was spent on account of current education expenditures like salaries and other expenditures.

On health, the combined spending increased to Rs181.2 billion - up from Rs20 billion. About three-fourths of the total spending was on account of current expenditures.

The combined spending on social security and welfare also dropped by 23pc to Rs3.1 billion. The spending on natural calamities and other disasters contracted 81pc to just Rs2.4 billion. According to the latest PRSP figures, spending on improving law and order enhanced to Rs43.9 billion from Rs15.08 billion. The spending on low cost housing had decreased to Rs240 million during July-March of the FY2016 from Rs246 million of the same period last year. The federal government spent Rs221 million and Punjab government spent Rs19 million low cost housing. However, Sindh, Khyber Pakhunkhawa and Balochistan government had not spent a single penny on housing projects.

The federal and provincial governments have spent Rs225.16 billion on improving law and order situation of the country during July-March period of 2016-17 as against Rs203.64 billion of the corresponding period last year showing an increase of 10.57 percent in one year. The government's spending on natural calamities and other diseases had reduced to Rs20.9 billion from Rs37.4 billion.

The Nation on Web

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## Import of synthetic filament yarn

# Merchants reject proposal of 5pc duty

**Our Staff Reporter**

KARACHI - Pakistan Yarn Merchants Association (Sindh-Balochistan Zone) Chairman Danish Hanif has rejected the proposal to impose 5 percent Regulatory Duty on import of synthetic filament yarn of polyester and urged the government to save Pakistan's polyester filament fabric industry from total collapse.

The PYMA chairman said that duty on polyester filament yarn, which is the basic raw material for fabric industry, was already higher therefore another 5 percent Regulatory Duty was unjustified. He said that on top of the above mentioned, there is an ongoing Anti-Dumping Duty investigation by National Tariff Commission (NTC) and the preliminary findings came out to be 6.23 percent (on average) on Chinese polyester filament/synthetic yarn (PFY). Therefore, the total impact on the import on PFY will be CD 12pc + RD 5pc (proposed) + 6.23pc Anti-Dumping Duty = 23.23pc, whereas the finished polyester filament fabric will have CD 16pc + RD 5pc = 21cp, so the tariff on imported polyester filament fabric will be cheaper than its basic raw material ie polyester filament yarn, he informed, adding that this will be a total disaster for SME sector of the looms in Pakistan and it will lead to huge unemployment.

Danish pointed out that Pakistan started PFY manufacturing at the same time with Thailand, Indonesia Malaysia and India, whereas China started a decade later on similar plants. In due course, all these countries moved to direct spinning process and kept on increasing their capacities as well as modernising them by replacing texturising machines, providing a full range of products domestically as well as internationally at competitive price. On the other hand, the two Pakistani units producing 58,000MT in 2002 remained at the same production capacity till date with third one having very small production still depends on import of pet chips. "Is it justified to put RD to protect 2 or 3 industries vs 5,00,000 people. These 2 or 3 industries are providing employment to only 1500 families whereas 2,00,000 families are associated with the SME sector", he added.

He was of the view that there is no justification for higher Customs Duty and imposition of RD when the domestic production is only at 25 percent of the total domestic requirement with limited range of products. As you can see from the above polyester chain except PFY, all the other industries are paying custom duty in single digit without any RD imposed.

If the Corporate sectors like Local Spinning Mills and Packaging industry can survive only at 7pc and 8.5pc CD respectively, how can the SME sector of Polyester Fabric Industry sustain 12pc CD along with 5pc RD and a hanging sword of antidumping duties (6.23pc expected to be levied in July 2017), he asked, adding that It would be like a 'mass massacre' for the SME sector of polyester fabric loom industry.