BUSINESS
RECORDER
Monday, 5th June, 2017

Imported fuel power projects: Govt mulling lifting ban

MUSHTAQ GHUMMAN

ISLAMABAD: The government is considering lifting a ban on imported fuel power projects reportedly to "facilitate" those sponsors who failed to get the go-ahead during the tenure of Younas Dagha as Secretary Water and Power.

Well-informed sources told Business Recorder that lifting the ban on imported fuel projects was recently deliberated at a meeting of the Cabinet Committee on Energy (CCoE) presided over by Prime Minister Nawaz Sharif.

The sources said the Ministry of Water and Power held successful negotiations with M/s Sidddiqsons and M/s Lucky Group to establish power projects based on local coal instead of imported coal on the plea that imported fuel projects would put pressure on forex reserves.

It is however unclear as to who is behind the current move to lift the ban on imported fuel projects but it appears as if the Punjab government is the most focused on imported fuel projects.

The wording of the recent decision of the CCoE is as follows "Ministry of Water and Power and Finance Division will study reversal of the ban imposed by Government of Pakistan on setting up of new power projects on imported fuel, keeping in view projected additional demand and impact on decision on foreign exchange reserves".

According to sources, there is jubilation within the officials of the Private Power Infrastructure Board (PPIB) after receiving an indication that the government is considering lifting a ban on imported fuel projects.

The sources said, PPIB officials had made an effort in the past to put pressure on the Ministry through investors for lifting of the ban, however the then Secretary Water and Power, Younas Dagha had issued a stern warning to these officials.

Dagha, in a letter to MD PPIB had cited a presentation which revealed that 3600 MWs LNG and coal based power plants (both local and imported) and other renewable energy projects already under construction will bring in 13,207 MWs of new generation by 2018 end, sufficient not only to meet the country's power shortages but to provide comfortable reserves. And further maintained that the power generation being financed and under various stages of execution will bring further capacity of 20,380 MWs by 2022 bringing the total installed capacity to 53405 MWs.

According to the letter, Dagha said that it was decided that no further financial commitments would be justified to purchase power from the power sector especially imported fuels. It, however, appears that PPIB officials are giving mixed signals to investors about these decisions and are still pursuing the new Secretary Water and Power to allow PPIB to facilitate more projects on imported fuels.

Dagha advised MD PPIB Shah Jahan Mirza that no LoI or LoS will be issued nor extended by PPIB for any power plant on imported fuel except those agreed bilaterally by Government of Pakistan with Chinese government which are part of the prioritized list of CPEC projects.

Previously 1200 MW RLNG power plant for Muzaffargarh which was initially approved by the CCoE has been scrapped.

The source said the project came under discussion in the 108th meeting of the PPIB wherein the Board provided onetime exemption for this project from its earlier decision of May 3, 2016 regarding non-processing of power projects based on imported fuel in future. The Board in the same meeting also

BUSINESS
RECORDER
Monday, 5th June, 2017

approved the draft RFP submitted to Nepra by PPIB and the framework with the provision to subsequently incorporate changes as per Nepra's benchmark tariff, guidance/confirmation on some key outstanding issues, inputs MoP&NR/ gas supplier, any decision by ECC/ CCoE/ Cabinet etc.

According to MD PPIB, 10 parties registered with PPIB and accordingly were issued RFPs for the project. However, no bid was received by the bid submission deadline of December 20, 2016. The then Secretary Water and Power stated that no further action was required in this matter.

BUSINESS
RECORDER
Monday, 5th June, 2017

THE RUPEE
Firm trend

REcORDER REVIEW

KARACHI: The rupee managed to hold present levels versus the dollar on the money market during the week, ended on June 3, 2017.

OPEN MARKT RATE: The rupee shed paisas versus the dollar for buying and selling at Rs 105.90 and Rs 106.10. The rupee lost Re one in relation to the euro for buying and selling at Rs 119.00 and 120.00

INTER-BANK MARKET RATES: The rupee traded versus the dollar within the band for buying and selling at Rs 104.86 and Rs 104.87 and Rs 104.85 and Rs 104.88.

Commenting on the slight fluctuations in the value of the rupee against the dollar, some experts said that the inflows of dollars from foreign countries rose 15 percent in the first two days of Holy month of Ramazan.

Traditionally, monthly remittances more that doubled in Ramazan.

Country's foreign exchange reserves amounted to 21.77 billion dollars during the last week.

OPEN MARKET RATES: On May 29, the rupee rose by 10 paisas in terms of the dollar for buying and selling at Rs 105.80 and Rs 106.00. While, the rupee did not move any side versus the euro for buying and selling at Rs 118.00 and 119.50.

On May 30, the rupee did not move any side in terms of the dollar for buying and selling at Rs 105.80 and Rs 106.00. While, the rupee, gained 40 paisas versus the euro for buying and selling at Rs 117.60 and 119.10.

On May 31, the rupee shed 10 paisas in terms of the dollar for buying and selling at Rs 105.90 and Rs 106.10. The rupee also lost 80 paisas versus the euro for buying and selling at Rs 118.30 and 119.90.

On June 1st, the rupee was unmoved in terms of the dollar for buying and selling at Rs 105.90 and Rs 106.10. The rupee shed 10 paisas versus the euro for buying and selling at Rs 118.50 and 120.00. On June 2nd, the rupee was unchanged in terms of the dollar for buying and selling at Rs 105.90 and Rs 106.10.

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

On Saturday, the rupee was inert against the dollar for buying and selling at Rs 105.90 and Rs 106.10.

The rupee lost 60 paisas versus the euro for buying and selling at Rs 119.00 and 120.00.

INTER-BANK MARKET RATES: On Monday, rates not issued due to bank holiday, On Tuesday, the rupee sustained it's present levels against the dollar for buying and selling at Rs 104.85 and Rs 104.86, dealers said. On Wednesday, the rupee slipped by one paisa versus the dollar for buying and selling at Rs 104.86 and Rs 104.87, dealers said. On Thursday, the rupee almost traded in it's overnight levels versus the dollar for buying and selling at Rs 104.86 and Rs 104.88.

On Friday, the rupee almost traded at present levels versus the dollar for buying and selling at Rs 104.86 and Rs 104.88.

OVERSEAS MARKET OUTLOOK: In the first Asian trade, the dollar edged higher against a basket of currencies, moving away from last week's 6-1/2-month lows and shrugging off news of North Korea's latest missile test as investor attention turned to the Federal Reserve's expected interest rate hike next month.

The dollar index, which tracks the US currency against a basket of six major rivals, inched up 0.1 percent to 97.502, holding well above last week's nadir of 96.797, its lowest since Nov 9.

The dollar was trading against the Indian rupee at Rs 64.570 and the greenback was at 4.267

versus the Malaysian ringgit.

Inter bank buy/sell rates for the taka against the dollar on Monday. 80.53-80.55 (previous 80.53-80.55).

In the second Asian trade, the dollar firmed against a basket of currencies as the euro and sterling were pressured by political uncertainties in the UK and eurozone, even as it surrendered ground against the perceived safe-haven yen.

The dollar index, which tracks the greenback against a basket of six rival currencies, rose 0.2 percent to 97.659, pulling further away from a 6-1/2-month low of 96.797 plumbed last week.

Sterling slipped 0.2 percent to $1.2816, moving back toward a three-week low of $1.2775 touched on Friday, while the euro dropped 0.3 percent to 1.1128.

The euro was also on the defensive after former Italian Prime Minister Matteo Renzi said on Sunday that it makes sense “from a European perspective” for Italy’s next election be held at the same time as Germany’s, scheduled for September. His comments led to a sell-off in Italian government debt on Monday.

The dollar was trading against the Indian rupee at Rs 64.650 and the greenback was available at 4.282 in terms of the Malaysian ringgit. Inter bank buy/sell rates for the taka against the dollar on Tuesday.

80.55-80.57 (previous 80.53-80.55).

In the second Asian trade, The British pound dropped on Wednesday after a new poll found that British Prime Minister Theresa May’s Conservative Party risks falling short of an overall majority in the June 8 national election.

The pound was down 0.3 percent at $1.2816 after falling as low as $1.2791 earlier, approaching a one-month low of $1.2775 touched on Friday. It also slipped to a low of 0.8738 pound per euro, near Friday’s eight-week low of 0.8750.

The dollar was available against the Indian rupee at Rs 64.525, the greenback was at 4.275 in terms of the Malaysian ringgit and the US currency was at 6.825 versus the Chinese yuan.

Inter bank buy/sell rates for the taka against the dollar on Wednesday: 80.57-80.57 (previous 80.55-80.57).

In the fourth Asian trade, the Australian and New Zealand dollars were stung by a private survey showing an unexpected slump in China’s manufacturing activity.

The Australian dollar fell to $0.7394, from $0.7431 earlier in the day. A break of $0.7370 would test a trough of $0.7329 touched last month.

The Aussie dropped around half a US cent after a disappointing economic report from China, Australia’s top export market.

The Aussie fell hard against the safe-haven Swiss franc to stand near one-year lows.

The dollar was trading against the Indian rupee at Rs 64.475, the greenback was at 4.287 versus the Malaysian ringgit and the US currency was at 6.800 in terms of the Chinese yuan. Inter bank buy/sell rates for the taka against the dollar on Thursday. 80.57-80.57 (previous 80.57

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

BUSINESS
RECORDER
Monday, 5th June, 2017

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.

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The euro was little changed at $1.1217 after losing 0.3 percent the previous day. The common currency had risen to a nine-day high of $1.1257 on Thursday and was still poised for a 0.4 percent weekly gain.

BUSINESS
RECORDER
Monday, 5th June, 2017

SRB cannot impose ST on services provided by CAA: SC

SOHAIL SARFRAZ

ISLAMABAD: Supreme Court of Pakistan has declared that the functions and regulatory duties performed by Civil Aviation Authority (CAA) are within the exclusive sphere of the Federal Legislature and the Sindh Revenue Board (SRB) cannot impose sales tax on the purported services provided by CAA.

It is learnt that the SC has issued the judgment in the civil petition number 767 of 2014 and C.M.A. number 565-K/2013 in case of SRB (appellant) versus CAA (respondent).

The case of CAA was pleaded by Syed Naveed Andrabi Advocate Supreme Court of Pakistan.

According to the judgment, SC has declared that the CAA performs functions mentioned in the Federal Legislative List and is also a federal regulatory authority envisaged in item 6 of Part I of the Federal Legislative List.

Matters of common concern to the federating units of Pakistan are attended to by the Federal Legislature and the Federal Government has the power to exercise executive authority in respect of all such matters itself or through an authority (like CAA) in terms of Articles 97 and 98 of the Constitution.

Amongst the objectives of the Eighteenth Amendment was to further strengthen the Federation and institutions therefore it cannot be interpreted to weaken the Federation and institutions like CAA.

SC held that the Sindh Sales Tax on Services Act and the Sindh Sales Tax on Services Rules, 2011 to the extent that they impose on CAA sales tax on services are contrary to the provisions of the Constitution, are void ab initio and of no legal effect.

The Sindh Sales Tax on Services Act and the Sindh Sales Tax on Services Rules, 2011 to the extent that they tax CAA violate Article 142(a) since only the Federal Legislature can make laws with respect to matters pertaining to CAA, it added.

The impugned judgment of the High Court is upheld to the extent that it had determined that, CAA "…is not liable to pay the tax under the Sindh Sales Tax on Services Act, 2011. All demands made, proceedings initiated, orders passed or notices issued to the petitioner [CAA] under or in terms thereof are hereby quashed and set aside". Consequently, this appeal is dismissed. Since this case required the examination and scope of provincial laws and determining their constitutionality, which had not previously been done by the court.

Having already determined that the province did not have the power to impose sales tax on CAA the second question, whether CAA provides taxable services, no longer needs to be answered, it said.

SC has examined the nature of Constitution and the distribution of the legislative powers between the Federal and the provincial legislatures. The significance of powers vesting in the Federal Legislature, and the manner in which the Federal Legislative List and the incidental or ancillary matters clause therein, and the Constitution was interpreted. The background of Eighteenth Amendment and what was sought to be achieved thereby, considered the significance of the five words which were added to item 49 of the Federal Legislative List and whether they simply affirmed the pre-Eighteenth Amendment position or provided a new taxing power to the provinces. SC has also examined the scope of the CAA Ordinance, the establishment of CAA, its functions and regulatory role. The Sindh statutes which attempted to tax CAA were scrutinized.

The question whether CAA provides services and, if it does, can these be taxed was also examined. After scrutinizing all these different matters and from different perspectives SC come to the same conclusion; a province cannot impose sales tax on CAA. Therefore, the question whether CAA can benefit from the "exemption" under Article 165(1) of the Constitution becomes irrelevant, it said.

Background of the case revealed that the High Court of Sindh at Karachi allowed a petition filed by the Civil Aviation Authority ("CAA") under Article 199 of the Constitution. The CAA, which was established under the Pakistan Civil Aviation Authority Ordinance, 1982 ("the CAA Ordinance"), had filed the said petition challenging the imposition of sales tax on services levied upon it under the Sindh Sales Tax on Services Act, 2011 (hereinafter "the Act") and the Sindh Sales Tax on Services Rules, 2011 (hereinafter "the Rules").

The Division Bench of the High Court allowed the petition filed by CAA and declared that CAA was, "not liable to pay the tax under the Sindh Sales Tax on Services Act, 2011", consequently, all demands made, proceedings initiated, orders passed or notices issued to CAA under the Act and the Rules were quashed and set aside. Since this case required the interpretation of the Constitution notices under Order XXVII-A of the Code of Civil Procedure were issued to the Attorney General for Pakistan and the Advocate General of Sindh.

The senior counsel Farooq H. Naek, represented Sindh Revenue Board ("the Board"), took SC through the various provisions of the Act, the Rules, the CAA Ordinance and the Constitution. He stated that only the Federal Government is exempt from taxation under Article 165(1) of the Constitution and this exemption would not extend to CAA as it is a statutory body set up under the CAA Ordinance. By referring to item 49 of Part I of the Federal Legislative List (the Fourth Schedule to the Constitution) he stated the Eighteenth Amendment to the Constitution (Act X of 2010) amended the said item 49 by inserting therein the words, "except sales tax on services" thereby meaning that the Federal Legislature does not have the power to impose sales tax on services and the power to impose sales tax on services exclusively vests in the provinces. He next referred to section 8 of the President's Order No. 5 of 2010 (published in the Gazette of Pakistan on May 10, 2010) which stipulates that, "sales tax on services is a provincial subject under the Constitution … and may be collected by respective provinces". Through the said Presidential Order the recommendations of the National Finance Commission were implemented. The provinces, according to the counsel, have always had the legislative power to tax services and the imposition of the sales tax on the services provided by CAA accords with the Constitution, the Act and the Rules; and cannot be circumvented by misplaced reliance on Article 165(1) of the Constitution. After referring to the CAA Ordinance the senior counsel stated that from these provisions it is clear that the CAA is not the Federal Government nor can it be equated with it, therefore CAA cannot avail of the exemption provided to the Federal Government in Article 165(1) of the Constitution. It was alternatively canvassed by Naek that with regard to the regulatory functions of CAA in connection with air-navigation no sales tax is imposed and it is only on the commercial activities undertaken and billed by CAA on which sales tax is imposed. The learned senior counsel alternatively averred that, neither on the property nor on the income of CAA sales tax has been imposed therefore on this ground too Article 165(1), which only exempts property and income, is not applicable. Mr. Naek took us through the provisions of the Act and the Rules where under sales tax on the services provided by CAA is levied and the mode and manner of calculation and payment thereof.

BUSINESS

RECORDER

Monday, 5th June, 2017

A set of broken promises

Anjum Ibrahim

The PML-N government was swept to power in 2013 after successfully highlighting the PPP-led coalition government's appalling performance in terms of provision of basic utilities particularly electricity and the numerous multi-billion dollar scams associated with the party's top leadership that surfaced during 2008-13. In addition, PML-N strengthened the general perception that Nawaz Sharif had an experienced team with the capacity to resolve all outstanding issues.

Perhaps the most apparent failure of the PPP government in its five-year term, which was successfully exploited by the PML-N during the run up to elections 2013, was the double whammy in the party's handling of severe electricity shortages or so it was perceived by the general public: (i) raising electricity tariff, which partly reflected an unprecedented rise in the international price of oil (peaking at over 140 dollars per barrel) coupled with the decision to go an International Monetary Fund (IMF) propgramme (a necessity given the inherited unsustainable deficit) that disabled the government from extending high subsidies required to keep prices low. Poor governance of the sector as indicated by around 500 billion rupee circular debt also contributed to high prices; and; (ii) allegations of flawed contracts at best or massive corruption at worst in the award of the rental power projects. The man who has since rejoined the Peoples Party namely Faisal Saleh Hayat popularized the epithet Raja Rental for Raja Parvez Ashraf the then Minister for Water and Power. And what sealed the public impression that all was not well with the rental power projects was the third party audit report that was carried out on the insistence of the then Finance Minister Shaukat Tarin. This report noted that Pakistan's capacity generation is near 21000 MW, however actual supply is less than half (especially during the summer months when demand rises) and that the transmission capacity is limited to 15000MW at best. The state run generation companies (Gencos) are old with extremely low efficiency rates and are fully mobilized only when street protests get violent; the Independent Power Producers (IPPs) use furnace oil to generate electricity which implies that a rise in its international price would make our electricity price prohibitive. Hydel generation, the cheapest, fluctuates based on availability of water.

So what has the Sharif administration done so far to resolve the energy crisis? Instead of getting sector experts to determine the best and the cheapest way to resolve the crisis which would have required a revisit of several good studies gathering dust in the Ministry of Water and Power the party stalwarts, with preconceived notions of the best way forward, decided that increasing generation through mega projects, irrespective of the borrowing cost, would resolve the crisis once and for all. Hydel, the cheapest energy source, became the focus of the Sharif administration and ignored were two disturbing but well-known facts. First, as per an IMF report, Pakistan's capita annual water availability has dropped alarmingly and against a dismal supply of 191 million acre feet (MAF), the demand for water is projected to escalate to 274 MAF by 2025, leading to a deficit of 83 MAF; the report ranked Pakistan as the world's fourth highest rate of water user and the third most water-stressed country. And in this context it is relevant to note that as per the Economic Survey 2016-17 "during July-March fiscal year 2017 although installed capacity increased to 25100MW from 22900MW during the corresponding period of last year, however there was a decline in generation as it remained 85,206 GW/h during July-March fiscal year 2017 compared to 101,970 GW/h during July-March fiscal year 2016." The decline the Survey points out was due to a reduction in hydel share of total generation - from 34 to 30 percent - due to weather conditions and less flow in rivers – factors that would unfortunately become even more relevant with time. Additionally, Narendra Modi's India has already made some veiled and some not so veiled threats that the World Bank-brokered Indus Water Treaty would be used to the fullest extent, which allows India a percentage of water from the Western rivers; there is a danger of the treaty being eventually violated by Modi if his biased version of events/facts is considered credible by the international community – a version that is gathering prominence as India emerges as an economic power in its own right. In this context it is relevant to be reminded of the cable by the US Ambassador to India revealed in WikiLeaks a decade or so ago that India and Pakistan may go to war on water.

And second, there has been no improvement in power sector governance – a claim substantiated by the fact that load shedding hours during the PPP-tenure peaked at between 6500MW to 7000MW and in recent days, reports indicate a shortfall of 7000MW. The circular debt is slightly higher than during the PPP government though the price of electricity is much cheaper – a reflection of external factors notably the lower oil price in the international market which incidentally has not once been fully passed onto consumers during the past four years and taxes on these imports remain the major source of revenue for the government. Be that as it may, the setting of electricity price to ensure full cost recovery is a standard normal IMF condition and the PPP and PML-N administrations were both bound by this as the two went on a Fund programme the same year that they took over power – 2008 and 2013.

The initial focus of the Sharif administration was to embarrass the Zardari-led government's performance, which accounts for the disastrous focus on Nandipur. Strengthening the transmission network continues to not be the focus – it was not for the PPP and it is not for the PML-N. The Matiari-Lahore transmission line, being constructed under the China Pakistan Economic Corridor (CPEC) envisaging 550.65 kilometres in Punjab province, and 314.9 kilometers in Sindh to transmit energy from the coal power plants still under construction, is expected to be completed between 36 and 42 months, and is unlikely to be completed before the next elections.

Ishaq Dar was misinformed when he claimed that an oil price rise this year accounted for a billion dollar rise in the oil import bill; however, the Economic Survey reveals that the rise is mainly due to a rise in quantity of petroleum products imported with a 38 percent rise in crude oil imports alone.

The Sharif brothers were also extremely successful in highlighting the Swiss case and the footage of the cigar smoking then Pakistan Ambassador to Switzerland waiting for the files to be loaded in the boot of his car reinforced the general perception that the then President Zardari misused state organs to suppress all evidence of his Swiss accounts. The Panama case involves a lot more money than the Swiss cases did and the Sharif defense that the family was rich, a claim that Bhutto family can also make, may certainly disenchant thousands who voted for him in 2013.

The begging bowl will be broken was yet another mantra of the PML-N before the 2013 elections. Dar has increased borrowing from multilaterals mainly at market rates, concessional lending is limited as it is linked to performance and Pakistan's performance in utilization of loans is poor. However what is extremely disturbing is the fact that Dar has engaged heavily in borrowing from the foreign commercial banking sector (the total borrowed this year to date is over 2 billion dollars) and issues Eurobonds and sukuk at rates well above the market rates that he terms equity and fails to mention it as debt equity. The lower debt service payments compared to previous years are through (i) an overvalued rupee; and (ii) reducing the interest on products of national savings centre which are procured by the pensioners, the middle to lower middle income earners.

To conclude, the Sharif

BUSINESS RECORDER
Monday, 5th June, 2017

administration has clearly not delivered on its promises but what is relevant in Pakistan's political context is whether there is another contender for power in the centre. And it is here that Panama papers take an importance as few believe that other than in Sindh the PPP will win enough seats to form a government. The daily verbal abuse heaped on Imran Khan by select federal ministers as well as the Prime Minister's media team and, in recent months, by the Sharifs themselves indicate that the party stalwarts consider the Pakistan Tehreek-e-Insaf (PTI) as the major political threat for 2018 elections with the battleground in Punjab. Whether PTI will come up to their expectations, time will tell, but the PML-N's four years in government have given the electorate, especially in cities, a desire for change just as this desire was manifest in 2008 and 2013 elections and seized by savvy politicians.

BUSINESS
RECORDER
Monday, 5th June, 2017

Finance Bill: NPOs

Federal Finance Minister Ishaq Dar in his budget speech clarified that those non-profit organizations (NPOs) unable to spend more than 75 percent of their income on charitable and welfare activities would retain their NPO status after payment of a 10 percent tax whereas at present they lose their NPO status and their entire income is taxed at 30 percent. In the Finance Bill 2017, he referred to the 25 percent left unspent with the NPO as surplus funds and defined these surplus funds as money: (i) not spent on charitable and welfare activities; (ii) received during the tax year as donation, voluntary charity, subscriptions and other income; (iii) more than 25 percent of total receipts of NPO received during the tax year; and (iv) not part of restricted funds (defined as any fund received that could not be spent and treated as revenue during the year due to an obligation placed by the donor). This definition is baffling as voluntary contributions and donations cannot by any stretch of the imagination be defined as surplus; besides the amount left over would eventually be used for charity.

One may assume that the Finance Minister's rationale for amendments relating to the NPOs may be premised on the existing rules that govern the Baitul Mal required to spend all donations and federal/provincial government allocations within the year that these donations and federal/provincial government allocations were made. However, this condition accounts for much reduced scrutiny of applications for assistance at the end of each year prompting many economists to suggest to the government to shut down Baitul Mal and use the money for mainstreaming government's activities relating to assistance to the vulnerable.

Dar also noted in his budget speech that the associated administrative and management expenses of NPOs be limited to 15 percent of their total receipts. One cannot but support this amendment as this would contain the administrative costs of those NPOs that are not operating efficiently.

Successive governments, including the first two tenures (uncompleted) of the Pakistan Muslim League-Nawaz in the centre as well as during its ongoing tenure, have allocated trivial amounts as a percentage of Gross Domestic Product for social sector development. With social sectors devolved to the provinces post-2013, the Ishaq Dar-led finance ministry has pressurized the provinces to generate large surpluses in order to enable it to meet its budget deficit targets which in turn has reduced allocations for social sector development considerably. And to add insult to injury, preference is being given to Metrobus rather than to clean drinking water and these NPOs are filling the gap left by the federal and provincial governments by undertaking projects in these sectors very successfully. In addition, Pakistanis have little confidence in their government's capacity to undertake projects in a transparent manner and the recent controversy surrounding the China Pakistan Economic Corridor (CPEC) well reflects the continuation of this sentiment.

The Pakistan Centre for Philanthropy made a startling disclosure a couple of years ago: as a nation Pakistanis give around 240 billion rupees to charity per annum. And as several projects take time to be implemented if the unused amount is 25 percent of the total – 60 billion rupees – money that Dar would like to see in the treasury. However, there can be no two views that while the bulk of the money would be spent by a dedicated NPO on welfare activities the government may use it for politically expedient purposes or on raising the salaries and perks of the privileged.

DAWN
Monday, 5th June, 2017

Punjab budget 2017-18

Punjab to raise funds from capital market

Nasir Jamal

Provincial Finance Minister Ayesha Ghaus Pasha arrives at the Punjab Assembly building for the Punjab Budget Session 2017-18 on June 2 in Lahore.—INP

Punjab is expected to become the first province to directly borrow Rs25 billion from domestic debt markets by selling bonds, during the next financial year.

“The government plans to raise debt from the capital market through issuance of (provincial) government securities,” the budget documents for FY2017-2018 say.

The funds thus raised will be used to “enhance the size of the provincial annual development programme (of Rs635bn for the next fiscal year).

The provincial securities are to be issued with the help of the State Bank of Pakistan (SBP) and will be classified in two categories: Punjab Treasury Bills (PTBs), and Punjab Savings and Investment Bonds (PSIBs).

The provincial T-bills are discount instruments with maximum maturity of one year or less and bonds are coupon bearing fixed rate instruments with maturities of more than one year, the budget documents explain. The securities will be tradable in the secondary market, which will help discover and determine the market-based pricing of the Punjab government’s debt.

The float will help the provincial government diversify the maturity profile of its debt since these can be issued for a variety of tenor.

“(This) will have a positive impact on the repayment capacity and creditworthiness of the Punjab government,” the budget documents elaborate. “The issue will provide the provincial government access to potential lenders and investors like pension funds, provident funds, mutual funds, insurance companies, corporate treasuries, individuals, and so on in addition to domestic banks.”

The debt secured through the sale of provincial securities will form just less than four per cent of its planned development investment next year.

The Shahbaz Sharif government has decided to borrow a small portion of money required to increase the size of its development programme under a previous National Economic Council (NEC) permission to the provinces to borrow from the domestic debt market a total of 0.5pc of GDP (gross domestic product) according to the National Finance Commission (NFC) award formula.

The federal government last month raised the limit for procurement of domestic debt to 0.85pc of GDP as the provinces were demanding it be enhanced to 1pc of GDP. However, the new NEC decision is yet to be notified.

At present, Punjab’s limit for domestic debt procurement is calculated to be Rs61.75bn.

The government also plans to launch municipal bonds at a later stage for raising money for investments and development at the district level as well.

“We had the option of borrowing from banks flushed with liquidity these days to raise the funds for our development programme in one go.

“But we are choosing to start a bond programme to develop a sub-national bond programme instead of direct borrowing from the banking system,” a senior Punjab finance department official told Dawn after the announcement of the new budget.

He claimed that the debt thus raised will cost the provincial government less than bank borrowings.

Officials say the province plans to issue the debt in instalments every three months (rather than mopping it up in one go) to generate float and create a cycle to leverage for investment without burdening the budget with huge repayment demands. Besides, it will help the government keep the window open for emergency borrowing from the market.

The official said the finance department had already drafted a provincial law — Fiscal Debt Responsibility Law— which would soon be brought to the cabinet for approval. It restricts the use of domestic debt (raised through the sale of government papers or borrowings from banks) for investment and development purposes alone to boost sustainable economic growth.

“The federal government’s decision does not stop the provinces from using the funds raised from the domestic debt market for unproductive spending. But the passage of the provincial draft law will hopefully put certain restrictions on the mode of borrowing, quantum and use."

It is unclear if the government intends to launch the bonds before the passage of the draft law.

"Unless you put restrictions on the use of the debt for productive investments and development projects, you will end up adding to the burden of debt on the provincial finances and taxpayers," the official argued.

DAWN
Monday, 5th June, 2017

Eyeing better corporate tax revenues

Khaleeq Kiani

While market players have generally taken recent budgetary measures with a pinch of salt, the government expects a minimum of Rs82 billion estimated additional revenue from the corporate sector through proposals introduced by Finance Minister Ishaq Dar in parliament as part of the 2017-18 finance bill.

In his budget speech, Dar said the government had made an attempt last year to ensure that the small shareholders get a return on their investments and to protect shareholder's interest by encouraging companies to distribute dividends.

Through budget 2015-16, an amendment was made in the Income Tax Ordinance 2001 that any public company which has derived profits for the year but does not distribute cash dividends within six months of the end of the tax year — or distributes dividends to such an extent that its reserves remain in excess of 100pc of its paid up capital — shall be taxed at the rate of 10pc for the excess amount.

He said there was now an exemption from tax on undistributed reserves if at least 40pc of after tax profit, or 50pc of the paid up capital (whichever is less), is distributed as dividend. But the condition of distributing 50pc of the paid-up capital has minimised the effectiveness of this provision and desired objectives were not being achieved.

"It is also being proposed that if profits are not distributed, 10pc tax shall be levied on the profits for the year and not on the reserves"

Mr Dar, therefore, proposed in his budget speech this condition be omitted. "It is also being proposed that if profits are not distributed, 10pc tax shall be levied on the profits for the year and not on the reserves".

In a background paper, the SECP has explained the scheme with the expected revenue generation. The concept of tax on undistributed reserve was re-introduced through Finance Act 2015.

Previously, a similar tax was introduced through the Finance Act, 1999, which remained effective till promulgation of the Income Tax Ordinance 2001.

The 2015 law introduced section 5A under which a tax at the rate of 10pc was imposed on the excess reserves of a listed company that derives income during a tax year but does not distributes cash divided or distribute cash dividend to an extent that after distribution reserves are in excess of 100pc of its paid-up capital.

Section 5A, however, did not apply to a company that distributes profits equal to either 40pc of after tax profit or 50pc of paid-up capital (whichever is less), is a bank, modaraba, a government-owned company or a company exempted under clause 132, part 1 of second schedule of the of Income Tax Ordinance 2001 i.e. power producers.

Since July 2015, 419 companies have distributed profits. However, only 26 companies were subject to tax under section 5A due to the aforementioned exclusions.

The SECP explained that out of the total 419 companies, 63 companies had Rs42 billion paid-up capital but Rs716bn equity therefore these were not subject to section 5A — despite paying a cash dividend less than 40pc of after tax profit — as they paid a 50pc dividend.

There were reports of its misuse or windfalls enjoyed by some multinationals besides oil refining and marketing companies.

Under the 2017-18 finance bill such companies are proposed to be made subject to tax if 40pc of after-tax profit or 50pc of shareholder's equity, whichever is less, is not distributed. This means a net profit after tax (NPAT) was Rs130bn last year.

The SECP believed that such companies would either pay tax on undistributed reserves, capitalise reserves by issuing bonus shares, or pay more cash dividends. In case of no or lessor distribution, a tax at 10pc should be charged on undistributed reserves.

Based on historical data of total reserves of these companies, a tax up to Rs63bn is expected to be charged. In case of issuance of bonus shares, an additional tax at 5pc on sponsors shares plus CGT on half of free float shares will be generated which is estimated to be Rs17.8bn.

In case of payment of cash dividends, an additional tax at the rate of 12.5pc will be generated on amounts of dividends which are estimated to be Rs2bn based on historical data.

DAWN
Monday, 5th June, 2017

In addition, the government has progressively reduced the rate of corporate tax to encourage taxpayers to declare their actual profits. The minister has, however, observed that profit declarations have not improved and a large number of companies and other businesses are still paying only minimum tax on their turnover.

Therefore, he proposed that rate of minimum tax on turnover be increased from1pc to 1.25pc to encourage the organised and compliant sector in whose case the rate will be reduced from 31pc to 30pc. This he hoped will create a disincentive for entities not declaring their actual profits.

DAWN
Monday, 5th June, 2017

PRE-BUDGET 2017-18

Expected 11pc increase in Balochistan budget

Nasir Jamal

The Pakistan Muslim League-Nawaz-led coalition government in Balochistan will increase the size of its total budget — including state trading in commodities and annual development programme — by 11pc from the original estimates of Rs289 billion to Rs321bn for the outgoing fiscal year; carrying a deficit of Rs41bn or about 13pc of the outlay.

The deficit for the current year was estimated to be around Rs37bn, about the same size as the per cent of the total budget outlay proposed for the next fiscal.

The budget is expected to be announced on June 9.

The size of the Annual Development Programme (ADP) is pitched at Rs76bn, almost 17pc greater than the original estimates of Rs65bn for the ongoing year.

The increase in provincial revenue has since helped the province significantly spike its development investment from its own resources, but it has not done much to escalate economic growth

The province expects to receive foreign project loans of Rs2.63bn for development. The bulk of the project assistance, Rs2.1bn, will come from the International Development Association (IDA) for water and nutrition schemes in the province. The rest of Rs533 million will be lent by the International Fund for Agriculture Development (IFAD).

Although the coalition government had targeted Rs5.3bn in foreign project loans for development for the outgoing year, they could raise only Rs1.2bn.

Additionally, the provincial government is also expecting foreign development grants of Rs3.38bn from the Multiple Donors Trust Fund (MDTF) for education, the immunisation programme, and governance and policy reforms in the province.

The province was able to receive foreign grants of Rs3.37bn this year against the original estimate of Rs876m.

Foreign project loans and grants will raise the total estimated development spend size in the province for the next financial year to Rs82bn, or 15pc higher than the original estimates of Rs71bn for the present year.

Apart from the estimated foreign project loans and grants (of Rs6bn), the Nawab Sanaullah Zehri government expects to receive federal transfers of Rs229bn under the National Finance Commission (NFC) award, according to its finance secretary Akber Khan Durrani.

The projected amount is 10pc greater than the revised estimates of Rs206bn and 14.5pc higher than the original estimates of Rs196bn for the present year. Besides, the secretary told Dawn from Quetta over telephone, the government plans to raise its own provincial receipts to above Rs12bn from Rs9bn for the present year.

A large chunk of the increase from federal transfers — Rs13bn — will however be used to make up for the 10pc raise announced by the federal government in the pay and pensions of government employees, Durrani said.

“Our salary and pension bill will rise to Rs124bn next year from Rs111bn this year, offsetting much of the impact of the increase in our share from the federal tax money,” he said.

The secretary said the Balochistan government will have sufficient (identifiable) resources to meet its current expenditure, which have risen to Rs244bn, and partially finance (Rs35bn) its development spending.

“The development deficit next year will be funded through savings in the current expenditure and other means,” he said without elaborating on the ‘other means’.

The province had produced a budget surplus of Rs34.5bn for the first three quarters of the ongoing fiscal year to March as its total development and non-development expenditure stood slightly less than Rs130bn against revenue receipts of Rs164.26bn for the period — as it saved on its current expenditure.

The current expenditure during the first nine months of the year stood at Rs112.08bn against budget projections of Rs185bn for the entire year while only a sum of Rs17.68bn was spent on development in the current year.

Balochistan’s share in the country’s tax income has spiked

DAWN
Monday, 5th June, 2017

by almost eight times from Rs29bn in 2009/2010 to Rs220bn in the estimated provincial revenue receipts for the next fiscal year following the implementation of the 7th National Finance award in 2010-2011.

Additionally, the province is also being reimbursed gas development surcharge arrears of Rs120bn, outstanding since 1954, in equal annual instalments of Rs12bn after the retrospective increase in gas and wellhead prices.

The increase in provincial revenue has since helped it significantly spike its development investment from its own resources, but the hefty revenue surge has not done much to escalate economic growth, bridge social and economic infrastructure gaps, or improve the quality of governance.

Public service delivery remains poor and coverage patchy in a province wracked by years of low-intensity Baloch insurgency and growing religious militancy that make execution of development projects a daunting task for the weak political coalition.

THE NEWS
Monday, 5th June, 2017

ENERGY

Widening gap

By Hussain Ahmad Siddiqui

There seems to be no respite for electricity consumers across the country from long hours of scheduled and unscheduled load-shedding, as the electricity demand and supply shortfall has widened to about 6,000 megawatt.

There seems to be no respite for electricity consumers across the country from long hours of scheduled and unscheduled load-shedding, as the electricity demand and supply shortfall has widened to about 6,000 megawatt.

Civic life has become miserable in the month of Ramazan, despite the government announcements of minimal load-shedding and that of no outages during Sehr and Iftar. The government directives remained ineffective, and massive load-shedding has become a primary reason for large-scale protests in various provinces supported by major political parties. A large number of people took to the streets against unannounced power cuts in different cities, including Peshawar, Charsadda, Malakand, Karachi, Sukkur, Hyderabad, Jamshoro, Larkana, Tando Allah Yar, Tando Muhammad Khan, Lahore, Faisalabad, Taxila-Khanpur and others. In some areas the protests and dharna have turned violent, thus creating law and order situation, which killed at least two and wounded another 14 persons.

The masses—already over-burdened with highly inflated electricity bills—have to brace with 10-hour load-shedding on a daily basis in major cities, while small towns and rural areas face up to 18-hour-long outages. The relentless load-shedding has also resulted in acute shortage of drinking water in these areas. The large-scale load-shedding has crippled civic life as well as industrial, trade and commercial activities. The situation in Karachi is not any better either, as K-Electric power projects have not come on stream as per schedule. On the first day of Ramazan, Karachi was hit with a major power breakdown that plunged almost 70 percent of the metropolitan city in darkness for two days or so. On the other hand, Karachi is facing a shortfall of 650MW, causing massive and continuous power load-shedding.

Sadly, the government has been unable to bridge the gap between the demand and supply of electricity, in spite of tall claims of adding significant power generation capacity during recent years. Prime Minister Nawaz Sharif has, once again, directed the authorities that efforts be made for minimising electricity load-shedding during the month of Ramazan, while chairing a meeting of the Cabinet Committee on Energy on May 30. This was a record sixth consecutive meeting of the Committee in last two months, and third consecutive meeting during May, reflecting on the gravity and severity of the prevalent energy crisis.

Expressing displeasure over implementing the load-management plan, PM Nawaz Sharif has ordered resolving power distribution and transmission issues without delay, providing the much-needed relief to the masses amid the on-going persistent heat waves. The measures adopted, if any, did not yield any positive results however and, meanwhile, the masses across the country continue to brace the long-hour scheduled and unscheduled electricity load-shedding. According to the reports, the power deficit in the national network is likely to widen in the coming months due to fast-growing demand for electricity, if the extreme hot weather persists.

All the promises made by the prime minister and his ministers, from time to time, have proved to be false and deceptive, and, in reality, there has been no improvement in the situation of electricity demand and supply. The National Power Policy 2013 envisaged addition of over 21,000MW grid-connected power by 2017, resulting in a complete elimination of the energy shortfall by then, but just a few months later, the government had admitted that the target was unrealistic.

The nation however was assured, time and again, that the electricity shortfall would be minimal during 2017 summer, resulting in load-shedding in the range of four to six hours a day in all areas. For long, the government has repeatedly made tall claims of taking steps to overcome power shortages and outages. Obviously, the government has failed to address energy crisis effectively. It has paid no serious attention to the mismanagement, inefficiencies and a host of other institutional issues of the power sector.

The crisis has so far been addressed largely through ad-hoc

THE NEWS
Monday, 5th June, 2017

measures, and an integrated energy plan through institutional framework has been lacking. There are policy- and management-related issues that need to be addressed. Besides outdated and weak distribution and transmission systems, the power situation has worsened primarily due to inadequate generation capacity, flawed strategy, imprudent use of available resources, and transmission and distribution losses.

The circular debt has swelled again to Rs401 billion and independent power producers (IPPs) are facing difficulties in servicing their dues and have cut down generation. Most importantly, laxity on the part of the government has resulted in increased technical and collection losses, or electricity theft.

According to the Pakistan Economic Survey 2016-17, power generation during the 9-month period of July 2016-March 2017 declined by over 16 percent, registering 85,206GWh, compared to 101,907GWh achieved during the corresponding period last year, though power generation capacity increased during the period and there was no significant change in the consumption pattern of electricity.

Ironically, the prime minister had emphasised, only weeks ago, that it was his highest priority to completely eliminate load-shedding in the shortest possible time, and the government had steadfastly worked in the last three years to achieve the goal. On the contrary, the system currently faces a shortfall of over 6,000MW during peak hours, which is comparable to the shortfall of 2013 summer.

The government had claimed that 866MW power generation was restored to national grid system in April and another 400MW in May last year. Yet, the current total power generation is around 16,255MW in the system (excluding K-Electric), which is at the same level as last summer. This is in spite of significant addition to the power generation capacity, in the wake of inauguration of a number of new power plants in recent months that are said to be connected to national grid, including 660MW (first unit) Sahiwal coal-fired and 717MW (out of total 1,180MW installed capacity) Bhikki LNG-based power plants, inaugurated by PM Nawaz Sharif on May 25 and April 19, respectively.

Interestingly, federal minister for water and power Khawaja Asif admits that prevalent load-shedding was not due to generation capacity constraints. Still, the Cabinet Committee on Energy was told, initially, that a total of 5,710MW would be added to the system by the end of 2017 and, in the last meeting, 9,107MW by March 2018 as a measure to eliminate load-shedding. On May 17, the minister had reiterated the government's resolve of enhancing power generation capacity, adding that "addition of more power will further help in bridging the gap between demand and supply".

Khawaja Asif's statement of May 26 given to a foreign news agency is laughable. He has lamented that no attention was paid either by public or the government on saving electricity; rather focus was on inauguration of new power plants on routine basis. The minister needs to be reminded that the National Energy Efficiency and Conservation Act 2016 was announced on July 1, 2016, and there exists a National Energy Efficiency and Conservation Authority under his own ministry that is responsible for implementing the act. Indeed, the government has not been successful so far in providing an enabling legal environment for energy conservation, but then who is responsible?

For example, energy conservation measures, such as restricted timing for commercial activities in the evening, were not implemented. One of the short term strategies for immediate reduction of electricity load-shedding could be its conservation. Optimal conservation of electric supply in all sectors of economy, resulting in saving estimated 3,000MW, could play a significant role to minimise prevalent massive load-shedding countrywide.

The writer is retired chairman of the State Engineering Corporation

THE NEWS

Monday, 5th June, 2017

INSIGHT

‘Slogan budget’

By Ihtasham Ul Haque

The federal budget for 2017-18 pledges very little to spur the much needed real growth but does speak of an expansionary and very inflationary budget that is bound to further increase the fiscal deficit which is fast getting unsustainable.

The federal budget for 2017-18 pledges very little to spur the much needed real growth but does speak of an expansionary and very inflationary budget that is bound to further increase the fiscal deficit which is fast getting unsustainable.

The million dollar question, nonetheless, is how would the government fund its new budget? The Pakistan Muslim League-Nawaz administration led by Prime Minister Nawaz Sharif pulled through the outgoing financial year by getting printed Rs1 trillion currency notes from the central bank.

For the fiscal year of 20017-18, the government has no magic wand to manage resources. It is, apparently, left with only one option of once again resorting to deficit financing (printing of notes) proximately amounting to Rs1.2 trillion to Rs1.4 trillion to manage its pressing financial needs.

As long as the government remained with the International Monetary Fund (IMF) under a three-year $6.6 billion Extended Fund facility (EFF), it was not allowed by the Washington based lending agency to seek deficit financing. But as soon as the IMF programme ended in October 2016, the government went for Rs1 trillion deficit financing from the central bank as there was no oversight by any local or foreign agency.

Under these circumstances independent economists maintain that fiscal deficit target of 4.2 percent set in the new budget is destined to jump to minimum six percent and thus trigger runaway inflation. This is not being ruled out that the single digit inflation could go into doubt digit.

Collecting resources both internal and external seems a formidable task during the days ahead. Questions are being asked how would the government collect Rs4 trillion tax revenue when over Rs200 billion revenue shortfall is expected to occur by June 30 this year. Next year too there is a fear that there will be Rs200 billion revenue shortfall especially when the government has allowed a number of tax breaks on machinery imports.

Non tax revenue has been shown on the higher side despite the fact that there was a reduction in Coalition Support Fund (CSF) from the United States. The government was supposed to receive Rs170 billion under CSF programme during 2016-17 but actually Rs64 billion were disbursed by the US government. For 2017-18, the government is expecting Rs147 billion through CSF programme which seems very difficult, if not impossible under President Donald Trump’s government.

The government is allegedly to have changed the revenue base by increasing its expenditure during the last quarter of the outgoing financial year. Moreover, no provision is shown in the new budget about Rs125 billion kept for increase in salaries and pensions.

“History is repeating itself as no course correction is being adopted and the government as usual has worked out its new budget without doing a proper exercise,” said the renowned economist and former finance minister Dr Hafiz Pasha.

“I really do not know whether this is a real or elusive budget,” he said, adding that the government has started doing deficit financing ever since it came out of the IMF programme which is not good for the economy.

He did not believe that the government could get required revenue because of making unrealistic projections and that the new budget was bound to cause more inflation as it entailed expansionary policies.

Dr Pasha was of the view that it was good that the government had announced Rs180 billion massive export enhancing package last year. “But then there will be more growth in imports due to CPEC-related machinery imports and this would cause increasing trade imbalance,” he added.

It was largely expected that budget deficit would start coming down at the end of three years IMF programme particularly when the government kept its deficit target at 3.8 percent of GDP in the outgoing financial year. The objective was to ensure that there was no unrealistic rise in public debt.

But if one looks at the details of first ten months, the budget deficit is increasing and going to be 6 percent (over Rs2 trillion) significantly up from the last year level.

This deficit has increased due to a number of reasons including the rise in oil prices. There is no windfall gain available due to unprecedented oil prices coming down from over $140 a barrel to $27 which are now again increasing and likely to be $60 a barrel during the next financial year.

Another prominent economist and former special secretary ministry of finance Dr Ashfaque Hasan Khan was also critical of the government and said the new budget has been presented in an environment of extreme political uncertainty in the country. Its implementation, therefore, he said, will be a challenging task for the government.

“It is an election budget as well as a slogan budget,” he said, and added that for the first time in the history of Pakistan, Rs1 trillion development budget has been announced, and hastened to add, “the government cannot have so much money for development which is why I call it an election budget only to fool people”.

Dr Khan said revenue was grossly overstated while expenditure was grossly understated to achieve a slogan oriented budget deficit target, the lowest deficit shown in the last ten years. “But at the end of the day, we will be standing at the same level of 2013 to post a minimum six percent budget deficit in 2017-18.”

The government, he pointed out, started with 6.2 percent budget deficit, and after five years with the IMF was facing the same balance of payment problem. Achieving Rs4 trillion revenue collection target with current Rs3,521 billion base would be impossible to manage, he said.

“There was just 7.3 percent revenue growth during the first ten months of the current financial year. The important question now is can the government collect Rs1,000 billion in less than two months to arrive at a revised revenue collection target of Rs3,521 billion,” Dr Khan asked.

Independent economist maintain that the next financial year would witness more financial problems in the absence of reduced CSF funds, continued reduction in central bank’s profit, increase in the cost of debt servicing due to constant appreciation of dollar, seen and unforeseen increase in security expenditure in the wake of significant increase in Raddul Fasaad operation, and the tariff differential subsidy. All these projections could increase the size of the federal budget to over Rs5 trillion with net revenue receipt of Rs2.9 trillion.

The increasing gap between income and expenditure is causing a real problem as no real efforts were being made to explore new resource mobilisation except to burden people with more direct and indirect taxes. The ratio between direct and indirect tax is still 40:60 the major burnt of which is born by the common people who pay tax on every item including a match box, phone cards, eggs, milk etc.

The government continues to claim that it has not imposed many taxes, and the poorer sections have been spared from these. The reality is different, as there are more and more indirect taxes. Also, nobody knows as when the government will announce mini budgets during the next financial year, starting July 1, 2017.

Like always, the government this time too avoided to adequately tax agriculture income which could help achieve substantial resources. It can help, provided tax on agriculture becomes a federal subject through legislation; something both Pakistan Peoples’ Party and PML-N don’t want to do.

Pakistan Tehreek-e-Insaf does support adequate tax on agriculture sector which still forms part of 23 percent of the country’s $300 billion plus economy. Why there is no political will to bring agriculture sector in the tax net? All previous governments deliberately avoided tax on agriculture income due to their own vested interest - 70 percent of MNAs and MPAs belong to the rural areas. They always joined hands, whether belonging to PPP, PML-N or PML-Q, against the issue in the parliament. Worst rivals of each side become considerate to each other when it comes to taxing agriculture income.

Resultantly, poor, including the middle and lower income groups, are forced to help raise revenue by giving increasing amount of taxes. Besides they have to pay for all coming indirect taxes which have no limits. Those who are influential can always get away without paying their due taxes; they can get their loans written off; get targeted and untargeted subsidies and tax breaks, and can have a windfall gain by indulging in corrupt practices.

There is no dispute among the concerned quarters that the outgoing financial year witnessed a huge decline in external inflows due to deterioration in exports on one hand and an exceptional surge in imports on the other hand. This caused close to $8 billion current account deficit in 2016-17 compared to $2.378 billion in 2015-16. This mainly

THE NEWS
Monday, 5th June, 2017

happened when exports had gone down to less than $22 billion compared to $25 billion in 2013-14, a decline of over 12 percent in two years.

Going forward, without curtailing expenditure and increasing the gaping income, there is no way to get rid of the fiscal deficit which no doubt is the number one economic problem yet to be dealt with honestly and professionally. Legislators confess that the current political system does not allow them to be fair and they are helpless about reforming the system.

The writer is a senior journalist based in Islamabad

“I really do not know whether this is a real or elusive budget. The government has started doing deficit financing ever since it came out of the IMF programme which is not good for the economy.”

Dr Hafiz PashaFormer finance minister

“There was just 7.3 percent revenue growth during the first ten months of the current financial year and the important question is whether the government can collect Rs1,000 billion in less than two months to arrive at a revised revenue collection target of Rs3,521 billion.”

Dr Ashfaque Hasan KhanFormer special secretary ministry of finance

The Nation on Web
The Nation
Monday, 5th June, 2017

Country producing 3.5MT coal, importing 5MT annually

APP

ISLAMABAD - Pakistan is producing 3.5 million tons (MT) coal and importing 4 to 5 MT coal every year to meet needs of different sectors like steel, cement and power generation, official sources in the Ministry of Petroleum and Natural Resources said.

"The coal is imported mainly from Afghanistan, Australia, Canada, Indonesia, South Africa and the US and consumed in steel and cement manufacturing and power generation units," they told APP. Commenting on domestic production, they said so far nineteen coalfields have been discovered in the country. The recent geological investigations have shown that around 186 billion tons of coal reserves existed in different parts of the country, which could be used as a primary and inexpensive source for power generation, they added.

The sources said that the provincial governments have granted more than 1,100 coal mining concessions to public and private sector companies to carry out exploration and mining operations in the licenced and leased areas.

"More than 185 billion tons deposits are located in Sindh, with Thar coal field being the largest followed by Thatta-Sonda, Lakhra and Jhimpir. The coal is lignite to lignite-A to sub bituminous B&C in character with an average heating value of 6000 BTU/lb," they said. Coal is primarily classified into four major categories, or 'ranks' like lignite, sub-bituminous, bituminous and anthracite. One of the most valuable content of coal is its carbon content which supplies most of its heating value.

The sources informed that further investigations were being carried out to explore and evaluate coal deposits in Musakheil, Kingri and Toisar Basin, Musakheil district, Balochistan. Answering a question, they admitted that the primary reason for not getting maximum benefit of the natural resources was the application of out-dated technologies and inadequate capital besides security situation in some areas where the bulk of the mineral resources were located. The mineral sector of Pakistan is spread over 600,000 square kilometres and 92 known minerals, while 52 are commercially exploited.

The Nation on Web
The Nation
Monday, 5th June, 2017

Sahiwal plant to generate 9b KWH per year: Chinese official

APP

BEIJING - With the formal commissioning of its second unit later this month, the Sahiwal power plant will become one of Pakistan's clean coal power plants with the largest installed capacity, generating 9 billion KWH of electricity per year, which will meet the energy needs of nearly 10 million local people.

The first unit of the coal-fired power plant with capacity of 660 megawatt has already been inaugurated by Prime Minister Nawaz Sharif last month and connected to the national grid. The second unit of the plant with another 660 megawatt capacity has been put on a trial run and is likely to be formally inaugurated by the end of this month. Sahiwal coal-fired power plant is an important energy project under the China Pakistan Economic Corridor.

Once completed, the plant will become one of Pakistan's clean coal power plants with the largest installed capacity, generating 9 billion KWH of electricity per year, which will meet the energy needs of nearly 10 million local people, spokesperson of Chinese Ministry of Foreign Affairs, Hua Chunying said while responding to a question about the inauguration of the power plant in Sahiwal, Punjab project.

She said that PM Nawaz attended the inauguration ceremony and highly commended workers of Pakistan and China for setting a record by completing the construction within just 22 months. China's Belt and Road Initiative is creating positive effects in Pakistan, and will also change the fate of countries and people along the routes, he observed.

She informed that 11 out of the 17 priority energy projects jointly planned by the Chinese and Pakistani sides under the corridor are under construction. “The inauguration of the first unit of the Sahiwal power plant signifies that we will soon see a host of energy projects under the corridor be constructed and completed,” she added.

The spokesperson said that a majority of energy projects are expected to be completed by the end of 2019, which will help relieve energy shortage in Pakistan and bring benefits to people there. “We are glad to see that the Belt and Road, the CPEC included, delivers benefits to countries and people along the routes. Following the principle of extensive consultation, joint contribution and shared benefits, we will work with people from all countries including Pakistan to make sure that the Belt and Road Initiative will bring more tangible benefits to relevant countries and people,” she added.

Another senior Chinese diplomat talking to APP emphasized that the building of CPEC was progressing very smoothly and it has entered into stage of comprehensive implementation. When asked to share progress on the energy projects being completed under the CPEC to overcome electricity shortage in Pakistan, he said that out of 17 projects planned in the field of energy, 11 of them have been put into construction.

He maintained that the completion of energy related programmes will greatly provide relief to people. Under the CPEC framework, early harvest energy generation projects including Sahiwal coal fired project, Port Qasim power plant and Karot Hydro power station would be completed by 2017-18 which would help meet growing energy requirements of the country.

These energy generation projects would produce over 5000 MW of electricity and overcome power demand supply gap in the country, according to an official in ministry of Planning, Development and Reforms. He informed that the early harvest projects were related to energy generation projects based on coal, solar, wind and hydel. The Chinese companies involved in the project are working tirelessly to complete energy projects in time, he said. Coal-based power plants of about 6,600MW will also be installed in Thar in order to tap coal reserves in the area, and turn it into a power capital for Pakistan.