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More Japanese investment in sight

YOKOHAMA: Finance Minister Ishaq Dar Sunday urged the Japanese corporations to reap the advantage of economic opportunities in Pakistan.

The Japanese firms already working in Pakistan were enjoying tremendous beneficial run, he said during a meeting with the Deputy Prime Minister and Finance Minister of Japan, Taro Aso, here on the sidelines of 50th Annual Meeting of Board of Governors of the Asian Development Bank (ADP).

Apprising Taro Aso of investment potential in Pakistan, Ishaq Dar also mentioned the recent report of PWC (PricewaterhouseCoopers - one of the world's largest professional services firms), which said Pakistan would be a member of G20 by 2030.

The Japanese Deputy Prime Minister appreciated the economic performance of the ruling democratic dispensation in Pakistan, saying the country was well poised for Japanese and international investors as an attractive investment destination especially in the textile sector.

Ishaq Dar extended invitation to Taro Aso to visit Pakistan on mutually convenient dates.

Earlier in his address at the Business Session of ADB 50th Annual Meeting, the finance minister informed the participants about macroeconomic stability achieved by Pakistan during last four years following successful implementation of a comprehensive structural reforms agenda.

Credit rating agencies, international financial institutions, development partners, think-tanks, independent economists and experts recognized Pakistan's economic turnaround and macroeconomic stability, he said, adding the country's focus was now on inclusive growth.

The minister lauded commitment of ADP President Takehito Nakao in pursuing reforms agenda, contribution towards economic development and poverty reduction in the Asia-Pacific region.—APP

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Dar optimistic about growth numbers

YOKOHAMA: Finance Minister Senator Muhammad Ishaq Dar Sunday said Gross Domestic Product (GDP) growth rate is expected to be above five per cent during current fiscal year with inflation slashed to single digit around 4 per cent - the lowest in 47 years.

In his address as Governor at the second business session of Annual Meeting of Board of Governors, Asian Development Bank here, chaired by Japanese Deputy Prime Minister Taro Aso, the Minister stated that additionally an effective resource mobilization strategy also helped in increasing tax collections by 60 percent over the last 3 fiscal years, a 20 percent average annual increase.

The government, as a result of these efforts, successfully brought down the fiscal deficit from 8.2 percent in FY 2013 to 4.6 percent in FY 2016 and projected at 4.1 percent for FY 2017, he added.
Despite curtailing fiscal deficit, "we have not only maintained but also significantly increased allocation to the social safety net programme from Rs. 40 billion to Rs. 117 billion and national development spending from Rs. 625 billion in FY 2013 to Rs. 1600 billion in FY 2017," Ishaq Dar said.

"Our focus, after achieving macroeconomic stability is now on realizing sustainable, inclusive and higher growth and country's target is to reach to GDP growth rate of 7 percent by FY 2019," he added.

"Our economy continued to maintain its growth momentum above 4 percent for the 3rd year in a row with real GDP growing at 4.71 percent in FY 2016, the highest in eight years" he noted and added, "Pakistan's economy is on the rise and we are open for business offering attractive investment opportunities."

Referring to ADB's 50th Anniversary - an occasion to celebrate Bank's achievements, the Minister extended felicitations to ADB President, fellow Governors and Bank Management on their contributions towards economic development and poverty reduction in Asia-pacific region over the past 50 years.

Only in last two decades, Asia registered 7 percent growth rate, average per capita income increased from US$ 1600 to US$ 4980+ and based on income below $ 1.25 per day, poverty line fell from 54 to 22 percent, he added.

It is commendable the way President Nakao and his team is pursuing

reform agenda in the setting of medium-term review, Strategy 2020, he observed maintaining, the strategy has been realigned to ensure effective implementation by streamlining business processes and undertaking organizational reforms in the wake of emerging development challenges being faced by the Asian and Pacific region.

"We also appreciate ADF-OCR merger which has enhanced ADB's financial resources to provide greater support to developing member countries. 'Asia Miracle' + 'Rapid Asia progress' have found undoubtedly great contributor and partner in the shape of their family doctor ADB, he said.

The Minister further said they are impressed with reforms and initiatives implemented under President Nakao's leadership and Pakistan looks forward to enhancing partnership with ADB and fellow member countries.

ADB's initiatives for regional connectivity projects like CAREC are praiseworthy as "financial and economic integration as well as regional connectivity" is the future way forward for even better successes for Asia Pacific, he said.

Expressing gratitude to the government and people of Japan for warm reception and hospitality on the eve of 50th annual meeting of the Asian Development Bank, he congratulated President Takehito Nakao, ADB's management and staff, on organizing a successful event in the beautiful host city of Yokohama.—APP

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THE RUPEE
Upward trend

RECORDER **REVIEW**

KARACHI: The rupee managed to gain modestly against the dollar on the money market during the week, ended on May 6, 2017.

INTER-BANK MARKET RATES: The rupee almost traded within a band of Rs 104.79 and Rs 104.81 and Rs 104.84 and Rs 104.85.

OPEN MARKET RATES: The rupee gained 30 paisas in relation to the dollar for buying and selling at Rs 105.60 and Rs 105.80. The rupee, however, shed 70 paisas in relation to the euro for buying and selling at Rs 115.50 and Rs 117.00.

According to reports, country's exports went up slightly as a result of rupee's fall against the major currencies. Besides, foreign exchange reserves dropped to 21 billion dollars, this factor may cause short supply position in days to come, they observed.

INTER-BANK MARKET RATES: On Tuesday, the rupee moved in a tight range in terms of the dollar for buying and selling at Rs 104.79 and Rs 104.81.

On Wednesday, the rupee shed three paisas in relation to the dollar for buying and selling at Rs 104.83 and Rs 104.84.

On Thursday, the rupee moved slightly in terms of the dollar for buying and selling at Rs 104.84 and Rs 104.85. On Friday, the rupee managed to hold overnight levels versus the dollar in process of trading.

OPEN MARKET RATES: On May 2nd, the rupee shed 10 paisas against the dollar for buying and selling at Rs 105.90 and Rs 106.10. The rupee also dropped by 20 paisas in relation to the euro for buying and selling at Rs 114.80 and Rs 116.30. On May three, the rupee, however, gained 10 paisas versus the dollar for buying and selling at Rs 105.80 and Rs 106.00 for buying and selling. The rupee did not depict any change in term of the euro for buying and selling Rs 114.80 and Rs 116.30.

On May 4, the rupee gained 10 paisas further against the dollar for buying and selling at Rs 105.70 and Rs 105.90. The rupee, however, dropped by 20 paisas in relation to the euro for buying and selling at Rs 115.00 and Rs 116.50.

On May 5, the rupee improved with 10 paisas further gains against the dollar for buying and selling at Rs 105.60 and Rs 105.80. The rupee, however, dropped by 30 paisas in relation to the euro for buying and selling at Rs 115.30 and Rs 116.80.

On May 6, the rupee was unchanged against the dollar for buying and selling at Rs 105.60 and Rs 105.80, they said. The rupee, however, shed 20 paisas in relation to the euro for buying and selling at Rs 115.50 and Rs 117.00, they said.

OVERSEAS MARKET OUTLOOK: In the first Asian trade, the dollar shrugged off early modest losses in holiday-thinned, while solid European inflation data underpinned the euro.

Several markets across Asia and Europe were closed for the May Day holiday. Tokyo markets will be closed for three days from Wednesday for a string of holidays known as Golden Week, and many investors take additional time off. The dollar index, which tracks the greenback against a basket of six rival currencies, edged up 0.1 percent to 99.144.

It is hard for markets to make big moves with holidays in so many places today, and people are just waiting for more information to come out," said Harumi Taguchi, principal economist at IHS Markit in Tokyo.

Against its Japanese counterpart, the dollar nudged 0.1 percent higher to 111.68. Dollar/yen is holding up, despite the weaker US GDP," said Masafumi Yamamoto, chief currency strategist for Mizuho Securities in Tokyo, as US Treasury yields rose.

In the second Asian trade, the dollar hit a one-month high against the yen, lifted by Treasury yields which surged after US Treasury Secretary Steven Mnuchin commented on the possibility of ultra long-term bond issuance.

The greenback last traded at 111.900 yen after touching 111.985, its strongest since March 31.

The dollar was boosted as long-term Treasury yields soared to multi-week highs after Mnuchin reiterated his view in an interview with Bloomberg, saying the government issuing debt exceeding 30-years in maturity "can absolutely make sense."

The dollar is moving in tandem with Treasury yields, which saw its benchmark rise above the 2.3 percent threshold with Mnuchin seemingly very enthusiastic about issuing so-called ultra long-term bonds," said Yukio Ishizaki, senior currency strategist at Daiwa Securities.

The jump in US debt yields helped the dollar brush off negative pressure from downbeat data.

The dollar was trading versus the Indian rupee at Rs 64.178, the greenback was at 4.326 in terms of the Malaysian ringgit and the US currency was at 6.896 against the Chinese yuan.

Inter bank buy/sell rates for the taka against the dollar on Tuesday: 80.35-80.35 (previous 80.23-80.23).

In the third Asian trade, In the third Asian trade, the dollar traded below a six-week high against the yen, as the market awaited the Federal Reserve's policy statement for hints on the US interest rate outlook, while the kiwi strengthened after strong New Zealand jobs data.

The Federal Reserve is widely expected to keep interest rates unchanged at the end of its two-day policy meeting on Wednesday, but investors will look to see whether the central bank downplays the recent soft patch in the economy to leave the door open for a rate increase in June.

The dollar last traded at 112.02 yen, still not very far from a six-week high of 112.33 yen set on Tuesday.

The dollar was trading against the Indian rupee at Rs 64.130, the greenback was at 4.313 versus the Malaysian ringgit and the US currency was at 6.891in relation to the US currency.

Inter bank buy/sell rates for the taka against the dollar on Wednesday.80.40-80.40 (previous 80.35-80.35).

In the fourth Asian trade, the dollar hit a six-week high against the yen, after the US Federal Reserve downplayed weak first-quarter economic growth and was seen as leaving the door open to raising interest rates in June.

The Fed kept interest rates unchanged on Wednesday while emphasising the strength of the labour market - a sign it was still on track for two more rate rises this year.

The central bank said consumer spending continued to be solid, business investment had firmed, and inflation has been "running close" to its target.

The dollar rose to 112.89 yen earlier on Thursday, its strongest level in more than six weeks. It later pared those gains and last traded at 112.76 yen, little changed from late US trade on Wednesday.

The US currency benefited as the Fed kept the door "wide open" to a June rate hike, said Mitul Kotecha, head of Asia macro strategy for Barclays in Singapore.

The dollar was trading against the Indian rupee at Rs 64.205, the greenback was at 4.323 in terms of the Malaysian ringgit and the US currency was at 6.897 in relation to the Chinese yuan.

Inter bank buy/sell rates for the taka against the dollar on Thursday: 80.44-80.45 (previous 80.40-80.40)

In the final Asian trade, the Canadian dollar set a 14-month low and the Australian dollar hit a four-month trough as oil prices slid on Friday, while the safe haven yen edged higher as risk sentiment wavered.

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The Canadian dollar slipped to C$1.3790 per US dollar at one point, its weakest level since late February 2016. The loonie was last down 0.3 percent at C$1.3786.

The Australian dollar slid to $0.7372 at one point, its lowest level since Jan. 11, last trading at $0.7381, down 0.4 percent on the day.

Commodity-linked currencies took their cues from a slide in oil prices, said Stephen Innes, a senior trader for FX broker OANDA in Singapore. I think that's really driving it. It's just a direct correlation with oil prices and a little bit of risk aversion coming into the dollar/yen," Innes said. US West Texas Intermediate (WTI) crude oil futures slid 3 percent on the day. The dollar fell 0.3 percent against the yen to 112.19, pulling away from a seven-week high of 113.045 yen set on Thursday.

The euro touched a six-month high of $1.0990 at one point, supported by expectations that centrist Emmanuel Macron will win the final round of France's presidential election on Sunday. The euro last traded at $1.0985, little changed on the day but up 0.8 percent for the week.

The dollar was trading against the Indian rupee at Rs 64.310, the greenback was at 4.335 in terms of the Malaysian ringgit and the US currency was at 6.895 versus the Chinese yuan.

At the week-end, the US dollar hit its lowest level in roughly six months against the euro on Friday after data showing US jobs growth rebounded sharply in April was not enough to shake investors' bullishness toward the euro ahead of the second round of France's presidential election.

US non-farm payrolls surged by 211,000 jobs last month, the Labour Department said, beating expectations of economists polled by Reuters for a gain of 185,000. The drop of one-tenth of a percentage point in the unemployment rate to 4.4 percent took it to its lowest level since May 2007.

They also said the weaker March jobs figure and labour force participation rate gave traders an excuse to continue holding the euro.

The euro hit $1.0991, its highest since early November 2016, after the US jobs data and has risen to that level from a 14-year low of $1.0339 touched in early January.

The dollar rose slightly against the yen and was last up 0.1 percent against the Japanese currency at 112.54 yen after the data, but remained below Thursday's roughly seven-week high of 113.04 yen.

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800MW Mohmand hydropower project: Wapda chief's proposal rejected

MUSHTAQ GHUMMAN

ISLAMABAD: The Cabinet Committee on Energy (CCoE) headed by Prime Minister Nawaz Sharif has rejected a proposal of Chairman Wapda, Lt-General Muzammal Hussain (retired), to award contract of 800MW Mohmand hydropower project to FWO-JV on a negotiation basis instead of international competitive bidding, official sources told Business Recorder.

Chairman WAPDA briefed the meeting about Mohmand Dam project. He stated that proposed dam would have 1.2 MAF storage capacity and generate 800 MW electricity after completion. The PC-I for project had been submitted to Ministry of Water and Power on April 12, 2017.

He presented three options for award of contract for the project: (i) pre-qualification (standard tendering process); (ii) post qualification (no prior short listing involved); and (iii) negotiated tendering.

He stated that if the project is implemented through prequalification tendering then the work on the project would start on February 1, 2019 and completed by September 30, 2024 whereas, if negotiation tendering is adopted then the work on the project can start on November 1, 2017 and be completed by October 31, 2022.

Prime Minister directed Ministry of Water and Power to adopt standard tendering process in light of PPRA Rules. The security audit of all power generation plants should be carried out by NESCOM.

Chairman WAPDA further suggested that due to security issues and experience gained from Kurram Tangi and Gomal dam projects, the government should go for negotiated tendering in light of rule 43(d) (iii) of PPRA Rules, 2004. FWO, in Joint Venture with well reputed firms having Technical and Financial capability to construct large dams, was recommended for an early initiation and timely completion of the project.

Secretary to the Prime Minister maintained that Wapda should not go for negotiated tendering for the project as it will be against the spirit of transparent procurement. He proposed that contract of the project should be awarded through tendering process, and FWO-JV should participate in the process.

Chairman Wapda also briefed the meeting about Dasu Dam. He stated that the dam was being constructed on the Indus River upstream of Dasu in KPK and it would be completed in two phases. The first phase would be completed by 2021 and would generate 2,160 MW of electricity. The total cost of the project would be $ 4.300 billion which would be met through foreign as well as local funding.

The World Bank would provide IDA credit loan for the project. Civil works contract had been awarded, while the E&M contract for the project was under process with the World Bank. The ground breaking ceremony would be held in June, 2017.

Chairman WAPDA gave progress review on Diamer Bhasha Dam time line. He stated that cost of Land Acquisition & Resettlement (LA&R) was Rs.1 16 billion. Government of Pakistan had approved funding for LA&R through PSDP, while the power generation facilities would be built on commercial basis. PC-I for both dam part and power generation had been submitted to Ministry of Water and Power. He further stated that Wapda would arrange finances for construction of power plants through own resources/foreign loans. 85% land had been acquired for the project. He apprised the meeting that a Chinese team was currently preparing a detailed assessment report on the feasibility of executing of the project under CPEC programme. The report

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would be placed before Joint Energy Working Group of China and Pakistan on the basis of which formal decision would be taken. He further apprised that there was boundary dispute between Gilgit-Baltistan and KPK, which was affecting the work on KKH Bypass 34.83 Km (Shatial-Thar Nullah). He proposed that the implementation of CPEC route from Thakot to Raikoty be expedited. He also suggested that an alternate route involving 9 Km tunnel across Babussar Pass may be studied by NHA on priority basis.

At a recent meeting of ECC, Ministry of Water & Power revealed that Dasu Hydropower Project was one of the major projects currently being implemented by WAPDA. PC-I of the project was approved by ECNEC at a cost of Rs 486 billion ($ 4.38 billion). With an installed capacity of 2160 MW (6x360 MW) for stage-1, the project would provide for 12,225 GWh of clean electricity to the national grid annually and will help in addressing Pakistan's existing energy challenge.

The overall implementation schedule for construction of stage-1 from start of mobilization to commissioning of the final 6th generating unit is five years. The project was being partly funded by the World Bank through IDA credit-I of $ 588 million along with Partial Credit Guarantee (PCG) of $ 460 million (four times leveraged against IDA credit of $ 115 million). The additional IDA/IBRD credit of $ 533 million was expected in 2017 with additional PCG of $ 460 million. At present PCG of $ 460 million was available for commercial financing.

Ministry of Water & Power further stated that in the Project Appraisal Document (PAD) prepared by the World Bank, it was envisioned that commercial loans of $ 2,446 million for main works would be arranged on the strength of $ 460 million PCG. In addition, the tenure of the loan may also be extended to 15-20 years at competitive pricing in the international capital market. For meeting local currency component of the project cost, out of intended $ 2.446 billion, commercial loan of Rs.144 billion (equal to $ 1.44 billion) had already been arranged from local banks without using PCG. In order to arrange commercial credit of $ 800 million ($300 million loan + $500 million bond) under PCG for foreign currency cost component of the project, four commercial banks were engaged.

In the process of structuring of said credit, World Bank however, restricted the use of PCG of $ 180 million (60%) for $ 300 million loan and $200 million (40%) for $500 million bond, leaving $80 million spare for further commercial borrowing.

After lengthy deliberations with international banks, along with the World Bank, it was agreed that Wapda would raise $ 350 million upfront through international capital market for a tenure of 10 years by using PCG of up to 60% i.e. $ 210 million which was equivalent to four times surrendered IDA credit of $ 52.5 million and the remaining amount (both principal and interest) would be guaranteed by GoP. However, to provide standalone exposure to Wapda in the international capital market, the Interest During Construction (IDC) of one year (3rd year) would be exclusively on Wapda's balance sheet with no GoP/World Bank guarantee. The remaining Foreign Commercial Component of approx $ 500 million would be raised either through loan/bond in early 2018 by using remaining PCG of $ 250 million ($460 million minus $210 million), which was equivalent to four times the surrendered IDA credit of $ 62.5 million. The foreign currency commercial borrowing in this phased manner would mitigate the negative impact of IDC on the project unnecessarily. The Credit Suisse bank through competitive bidding has quoted lowest all-in cost at IRR of 5.736% for $ 350 million loan of 10 years tenure with interest rate of Libor + 3%, $ swap rate of 2.40%, arrangement fee of 1.5% of the loan amount, commitment fee of 40% of the spread and capped transaction cost of $ 250,000/-.

Additionally Wapda would also be required to pay guarantee fee @ 0.75% p.a. on the IDA PCG of $ 210 million provided for $ 350 million loan amount. Wapda as borrower of $350 million would be responsible to repay this loan amount from hydel power sale income.

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The ECC approved repayment of loan amount of $140 million i.e. 40% of loan amount of $350 million, whereas World Bank will provide guarantee for remaining $210 million i.e. 60% of $350 million loan amount whereas mark-up payments for entire loan amount of $ 350 million except for 3rd year of loan, on which no guarantee from any agency is required. Ministry of Finance informed the Ministry of Water and Power on April 28, 2017 that according to their letter they had cleared the facility with the interest rate of "$ LIBOR Swap Rate + 3%".

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18 containers seized
Smuggling of banned Indian grey cloth foiled

SOHAIL SARFRAZ

ISLAMABAD: Directorate General Intelligence & Investigation (Customs) of the Federal Board of Revenue (FBR) has busted an organized gang involved in smuggling of banned Indian origin grey cloth into Pakistan and intercepted 18 containers loaded with Indian cloths, en route from India to Lahore via Dubai.

Sources told Business Recorder, here on Sunday that FIRs have been registered and cases of money laundering will also be framed against the gang comprising so-called importers. The money has been siphoned-off illegally to the actual manufacturers/sellers of the cloth in India, which constitutes an offence under the Anti-Money Laundering Act, 2010.

The Directorate General, Intelligence & Investigation (Customs) will also report the matter to the State Bank of Pakistan (SBP) and establish money trail. A dedicated team of intelligence officials have got it confirmed from concerned countries that the documents such as purchase contracts and certificates of origin were false.

Experts of the agency unearthed that the gang was involved in import of greige/grey cloth from India to Dubai. The Indian cloths were cleared from Dubai Customs and after repacking, the banned item is re-shipped from Dubai to Lahore via Karachi. The false documents were presented that the cloths have been manufactured in China and shipped to Pakistan via Dubai.

Sources said that the Customs Intelligence appears to be determined to create serious deterrence against smuggling of banned Indian origin greige/grey cloth into Pakistan through various ports of the country. On the directions of its Director General Shaukat Ali, its various regional offices have seized seven containers which were imported at or cleared from various dry ports of Lahore. These containers had been imported by six notorious Lahore-based commercial importers namely (i) M/s Dastagir Traders, Lahore, (ii) M/s IC Master, Lahore, (iii) M/s Mustafa Enterprises, Lahore, (iv) M/s SBS Group of Companies, Lahore, (v) M/s Shahzad Traders, Lahore, and M/s World Fashion Textiles, Lahore. Eleven more identical containers detained by Customs Intelligence at NLC Dry Port of Lahore will be examined soon, after approval for such examination is accorded by the Chief Collector of Customs (Central), Lahore. Thus, the number of total containers presently under custody of Customs Intelligence is eighteen and customs import data emphatically suggests that, previously, this racket had unlawfully imported, and cleared, from NLC and Prem Nagar Dry Ports of Lahore, eighty eight (88) containers of banned Indian greige/grey cloth. The total number of such containers was 106 and the quantity of the banned cloth smuggled into Pakistan by the smugglers masquerading as importers was 58,457,586 metres: M/s Dastagir Traders, Lahore has imported/cleared 14 containers; M/s IC Master, Lahore has imported/cleared 43 containers; M/s Mustafa Enterprises, Lahore has imported/cleared 10 containers, M/s SBS Group of Companies Lahore has imported/cleared 01 container; M/s Shahzad Traders Lahore has imported/cleared 11 containers and; M/s World Fashion Textiles Lahore has imported/cleared 09 containers.

Investigations conducted by Customs Intelligence have led to startling revelations. The modus operandi adopted by the six importers is well-orchestrated: import the greige/grey cloth from various cities of India to Dubai through nine Dubai-based commercial entities (namely M/s Syed Kamran Trading LLC, American Silk General Trading LLC, City Mountains General Trading

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LLC, Imperial Arts General Trading LLC, Salwa City Trading LLC, Al-Shafiq General Trading Co LLC, Abu Senan Trading LCC, Murad Suliman Trading LLC and Al-Safura General Trading LLC); clear the cloth from Dubai Customs; do the repacking; re-ship it from Dubai to Lahore via Karachi and; secure clearance of the cloth from various dry ports of Lahore against patently false documents, mis-stating that the cloth had been manufactured in China and shipped to Pakistan via Dubai. Customs Intelligence has gathered legally sustainable evidence to prove the importers' story wrong. Overseas investigation carried out by Customs Intelligence has established that the purchase contracts and certificates of origin presented by the so-called importers are false. Bulk of the cloth was stated to have been purchased from M/s Union Textile of China, Room 2015, JYW 199, Trend Centre 29-31, Cheung Lee Street, Chaiwan, Hong Kong, through a purported commercial entity named M/s Shenzhen Unite Trade Import & Export Co Ltd, China. However, the Consul General, Embassy of Pakistan, Hong Kong, has categorically, and formally, confirmed that the aforesaid company does not exist and the telephone number stated to be the contact of the purported seller (M/s Shenzhen Unite Trade Import & Export Co Ltd, China) of the impugned cloth has been installed in some government office. The same is the case with the other so-called suppliers of the six importers - Guangzhou China Favour Star Ltd, for example. It was proved that the impugned cloth had not been imported from Hong Kong or China. This finding is further strengthened by the confirmation provided by the shipping lines to the effect that the shipments of the cloth to Pakistan had originated from Dubai, and not from China. Even more astonishing is the fact that the postal/notified business addresses (in Lahore) of the importers of the banned Indian cloth have been found to be fake on verification by Customs Intelligence.

Another important aspect of the investigation carried out by Customs Intelligence relates to money trail regarding the payment made for purchase of the disputed cloth for import to Pakistan. According to the Customs record, the cloth imported into Pakistan through 106 containers under reference had been purchased for an amount of US $ 6.782 million (that is, over Rs700 million) or thereabout. If the importers' story was to be believed for a moment for the argument's sake, the aforementioned amount should have been paid to the (purported) manufacturers/sellers of the cloth in China. However, no evidence to that effect has been produced to the investigators of Customs Intelligence by the so-called importers. Clearly, that amount has been siphoned-off illegally to the actual manufacturers/sellers of the cloth in India, which constitutes an offence within the meaning of Anti-Money Laundering Act, 2010. Outcome of the investigation on this point alone will trigger serious and wide-ranging proceedings against a number of people. The investigations and actions of Customs Intelligence appear to vindicate the persistent stance of APTMA that banned Indian greige/grey cloth is being smuggled into Pakistan in huge quantities, resulting in closure of greige/grey cloth manufacturing units in Pakistan and lay-off of thousands of skilled and semi-skilled workers.

Sources said smuggling of Indian cloth has badly hurt domestic manufacturers and factories in textile sector. The ongoing anti-smuggling drive against banned Indian items, particularly cloth, would not only restore confidence of local manufacturers, but also generate employment in textile industry.

The intelligence arm of the FBR will continue its investigation against the rackets involved in smuggling and mega scam would reach its logical conclusion.

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Inflation: whys and wherefores

Anjum Ibrahim

Inflation is a function of both internal and external economic factors while in Pakistan the onus can also be placed on “non-economic factors” that include the activities of a ‘profiteer’ - vendors operating in the informal private sector - who charges according to what he/she perceives’ is the ability to pay of the prospective customer.

The internal economic factors that fuel inflation are mainly two-fold. First, shortages of any perishable commodity would naturally lead to a rise in their price. Thus while farm output is adversely affected due to bad weather conditions, an external factor, yet it is equally susceptible to availability of infrastructure, input costs that vary due to tax measures for example the high tax imposed on fuel raises the cost of farm to market delivery and the availability of credit at rates that are affordable for the average farmer. The reliance on individuals who lend at usurious rates to the poor farmers because they have little or no collateral that would enable them to seek a loan from the formal banking sector raises not only their costs of production but also accounts for their much lower yield per hectare in comparison to rich farmers as well as in comparison to their counterparts in India. And most disturbingly, administration after administration has never focused on increasing the yield of the poor farmers.

Manufacturing output too may decline due to inadequate infrastructure notably energy and flawed economic policies that, again, include exorbitantly high taxes on electricity and fuel. In Pakistan, this has prompted many an industrial unit to relocate to Bangladesh, a decision that also reflects the better trade deals that Bangladesh enjoys with foreign buyers in comparison to Pakistan especially with respect to textile exports. Smuggling given our long porous borders with neighbours is another deterrent to domestic productivity based on the fact that the economic factors that manufacturers operate under in India and Afghanistan are better than those that are prevalent here.

And secondly, the management of the macroeconomy can also be a source of inflation. A high budget deficit funded by borrowing both internally and from external sources simply fuels prices. However, during the tenure of Ishaq Dar as the Finance Minister Pakistan has been subjected to inflation that, though low compared to previous years, is nonetheless higher than should have been achieved given the massive decline in the international price of oil (from over 140 dollars per barrel to lower than 40 dollars per barrel) and Dar’s claim of a significant reduction in the budget deficit.

In this context, it is relevant to note that data manipulation during the current administration shows a higher growth rate and a lower fiscal deficit than is in fact the case – a charge leveled by independent economists and substantiated by rationalizing data released by the Pakistan Bureau of Statistics (PBS), under the administrative control of the Finance Ministry, and other government sources as well as credible industry sources. An attempt to understate inflation by manipulated data does little to convince the common man of its accuracy as all consumers assess the inflation rate not on the basis of what the government claims but by the value of each rupee he/she earns whenever he/she goes to the market.

Withholding tax in the sales tax mode currently accounts for over 70 percent of all direct tax collections, a tax that should qualify as an indirect tax whose incidence on the poor is greater than on the rich, instead of being lumped under direct taxes. Additionally, the bulk of the tax collected from mobile phones is also heavily skewed against the poor relative to the rich. And finally, the heavy reliance on revenue generation from fuel and products, to the tune of 42 percent, a critical input in productive activity, keeps prices higher than would have been the case otherwise.

Additionally, external loans procured from the banking sector abroad, a reliance that began during Dar's tenure, account for net outflows by December 2016 instead of inflows. This in turn accounts for his flawed policy decisions to keep the rupee overvalued, and keep petroleum prices unchanged even though there has been a decline in the international market – inflationary policies both.

A rise in the general price level has been tackled through the following measures that are not unique to the Sharif administration: (i) an available alternate source of consumer essential items notably through their sale in the Utility Stores Corporation. Unfortunately, there are constant complaints that shelves are under-stocked with USC management accused of selling to large buyers for example sale of sugar when its price is high to bakeries and hotels who should not be eligible; (ii) setting up Sunday bazaars where the price is strictly monitored by the local authorities, however here too many stalls hide the better quality products and sell at the higher rate to their old clients; and (iii) extending subsidy for an item whose price has legitimately increased.

As mentioned before private vendors routinely engage in profiteering – be they representing a market where perfect competition prevails (consumer durables including fruits, vegetables), where there is oligopoly (where a few sellers collude to set a high price and items like toothpaste and cars come in this category), and where monopoly conditions prevail. Disturbingly monopoly pricing in Pakistan exists in those markets where there are numerous sellers but through an association of sorts they exert considerable influence over its price. This type of managed monopoly is not limited to high value adding products but include cartels in say sugar, cement, existing auto makers/assemblers, etc.

To conclude, in the matter of inflation the government does have a major role, especially given the decline in the international price of oil, yet the private sector too has played a negative role. While the onus to tackle the former rests with the Finance Ministry, yet one would hope that consumer organisations are set up in each locality to monitor and enforce prices of essentials in USCs, and Sunday bazaars as well as in shops around the area.

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Reinsurance

Outflow of funds abroad

AFSHAN SUBOHI

Pakistan is losing 95pc of insurance premium funds to reinsurance entities overseas.

Despite moderate growth the retention ratio of non-life insurance business is the lowest in the region and declining. The economy is underserved by the insurance industry.

Insurance companies, with a few exceptions, were not particularly concerned. Some leading insurers pointed out that the 'Draft Insurance Bill 2016' focuses on best practices but misses out on the core issue of the low insurance penetration ratio and foreign exchange drainage from the sector because of the limited depth of the country's reinsurance sector. They said the sole reinsurer, Pakistan Reinsurance Company, is too conservative and lethargic to respond to the market's call.

The shallow operations of the sector are reflected in low retention ratios in the country. According to a global insurance information service, AXCO, the non-life retention ratio in Pakistan has declined from 55pc in 2010 to 49pc in 2014 against 81pc in India, 57pc in Bangladesh, 59pc in Indonesia and 73pc in Turkey. Retention refers to amount of premium retained as opposed to portion transferred abroad to buy reinsurance.

A closer study of this service landscape reveals that many Pakistani companies are local just in name. They are actually functioning as front offices for global players, who are reluctant to open their own offices in Pakistan. Under the arrangement, a local company fulfils legal requirements and books business locally but transfers premium funds to the veiled patron in return for 4-5pc of the proceeds.

Certain dynamic companies who wish to expand their business base in Pakistan find the insurance policy framework stifling. Besides avoidable financial hurdles for serving clients in the region they blame the weak oversight and framework that fails to check defacto agents for the sectors under performance.

"Some insurance giants exited while others are contemplating relocating their business to Dubai, Singapore or elsewhere. This is sad. On the one hand the government is offering liberal incentives to lure new foreign investors but on the other it looks the other way when the established ones, operating in the country against all odds, land in trouble", a top executive of a multinational insurance company commented.

The situation appears to be grim as the regulator was unruffled. Zafar Hijazi, chairman SECP, was not accessible but in a detailed response the SECP defended its role. It did indirectly confirm the huge outflow of foreign exchange for reinsurance purposes every year.

In its email the SECP contested that companies are leaving. "The SECP has the legal mandate of the regulator as well as facilitator for market development... The impression that non-life insurers are leaving Pakistan is rather misleading ... only one insurer ... has wound up its business ... insurance grew by 19pc during 2016 in terms of gross written premium, compared to 5pc in 2015".

It dismissed OCAX data as incorrect but confirmed the foreign exchange bleeding. "... OCAX has not taken into account the premium ceded to the national reinsurer i.e. PRCL which is retained within the country. The accurate retention ratio for the year 2015 is 57pc and not 49pc ... the non-life sector is growing consistently ... while there's only one reinsurer to absorb the reinsurance risk... In the absence of adequate reinsurance risk absorption capacity in Pakistan, insurers are compelled to obtain reinsurance abroad, which results in the flight of reinsurance premium...".

It added, "Since reinsurance is a global business, the insurers in Pakistan are also willing to, and are capable of, accepting reinsurance risks from abroad ... The SECP has taken up the matter with the State Bank so as to allow insurers to issue dollar denominated policies. This will enable insurers to accept inward facultative reinsurance from abroad (per risk basis) ... The SBP had been restricting such policies due to concerns related to foreign exchange reserves".

On the issue of unregistered insurers the SECP said, "... it may be noted that primary insurance law, the Insurance Ordinance 2000, stipulates the regime for registration/licensing of insurance brokers while the subordinate

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legislature i.e. Insurance Rules 2017 (previously Insurance Rules, 2002) stipulate detailed form and manner for seeking registration…

“Moreover, the Insurance law prescribes detailed requirements to regulate the conduct of insurance agents including the qualification, training, integrity and track record, disclosure requirements, receipt and payment of money related to insurance policies, conflict of interest, among others. In addition to this, an enabling provision to prescribe the registration of insurance agents has been added in the draft insurance bill”.

The regulator did not forward a direct comment on the future prospects of the insurance sector in the wake of the CPEC. On the Draft Insurance Bill 2016 it gave a detailed account of the consultation exercise asserting, “The draft insurance bill is in the process of revision and once done it will be processed further including legal vetting of the draft bill”.

The 30-member Insurance Association of Pakistan did not offer its position as the chairman, Hasan Ali Abdullah, CEO EFU, was out of station. Most members were shy and discussed contentious issues informally.

Muhammad Ali Zeb, CEO Adamjee Insurance, talking over phone from Lahore, stressed the need to address anomalies and strengthen the reinsurance segment.

Sohel Najam Kidwai, CEO, Shaheen Insurance, defended insurance companies. In a mailed comment he said, “The reinsurance premium is passed on to foreign companies due to limited financial capacity of the local industry that retains a very small percentage risk coverage ... we need more reinsurance companies to start operating.

“For growth, the regulators needs to take steps to increase consumer awareness”, he added.

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The SECP’s full response regarding the country’s insurance sector can be read here.

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Balochistan budget — surplus unlikely this year

NASIR JAMAL

Balochistan is not likely to produce any budget surplus as required by the federal government to hold down the country's consolidated deficit as the provincial government already faces the challenge of covering a very large hole of Rs37bn in its planned development spending for the present year.

"We are facing a deficit of around Rs37bn this year. So I don't think we will be able to create a surplus," Provincial Finance Secretary Akber Khan Durrani told Dawn from Quetta by phone.

We will see what the federal government has to say (about provincial budget surplus), he added.

The province, according to the federal finance ministry web site, has been showing 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.

"We are facing a deficit of around Rs37bn in the current year. So I don't think we will be able to create a surplus", says Provincial Finance Secretary Akber Khan Durrani

The federal budget for the present financial year requires the province's to together produce a surplus of over Rs339bn to meet the fiscal deficit target of 3.8pc of GDP.

Balochistan is required to contribute a budget surplus of slightly less than Rs31bn according to its share of 9.09pc in the federal taxes.

Balochistan's Rs282.77bn budget for the current financial year boosted its development spending by a third to Rs71bn — including a foreign project assistance component of Rs6bn — from last year's original estimates of Rs54bn.

But the planned provincial development spending faced a financing gap of approximately 57pc of its core uplift investment of Rs65bn from its own resources as the total available resource was estimated to be just over Rs28b.

"We have been cutting our non-development expenditure to cover our budget deficit," Durrani said. He contended that the finance department had already released 62pc of the province's core development budget of Rs65bn during the first three quarters of the ongoing year. But the actual utilisation of the funds remains quite low.

According to the details of Balochistan's fiscal operations posted by the federal finance ministry on its web site, the provincial government had spent Rs17.68bn in the first nine months of the current year.

At the time of announcing its budget, the Balochistan government had claimed that the allocations for development, transport, education, health, water supply, infrastructure and productive sectors, and security had been boosted to attract foreign investors and turn the province into a regional commercial and industrial hub in the wake of the China Pakistan Economic Corridor (CPEC).

The total provincial consolidated fund for 2016-17 was estimated to be Rs289.37bn as it included an expenditure of Rs6.58bn for state trading in food.

The budget size, excluding the food account, was just over 16pc, heftier than the previous year's Rs243.53bn.

The revenue estimates included federal transfers, including straight transfers, of Rs196.84bn, tax and non-tax receipts of Rs9.12bn, GDS arrears of Rs10bn, ways and means debt of Rs17.70bn, loan recoveries of Rs5.38bn and foreign development assistance of Rs6.18bn.

The budget proposed current expenditure of Rs184.76bn on service delivery; of this, an amount of Rs30.26bn was earmarked for security, Rs43.67bn for education, Rs17.37bn for health, Rs17.79bn for social protection and pro-poor subsidies and Rs28.29bn for general public services. Likewise, Rs26.83bn had been allocated for capital spending and Rs18.9bn for debt payments while an investment of Rs3bn was to be made in the provincial pension fund and Rs1bn in the education endowment fund.

The government has been implementing austerity measures to cut expenditure and improve tax revenues in order to reduce its budget deficit, officials claim. The current expenditure during the first nine months of the year stood at Rs112.08bn against

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Rs185bn budget for the entire year.

The provincial tax collection has also improved with provincial GST on services yielding Rs2.84bn in the first three quarters of the year and motor vehicle tax another Rs580m. Non-tax revenues collection was just below Rs4bn during the period.

Durrani said the details of the next budget were being worked out but the total size of the provincial budget for 2017/2018 was expected to grow to more than Rs300bn. “We plan to further increase our development expenditure next year. The public investment will focus on social sector, infrastructure, agriculture, fisheries, etc.”

Until end March, Balochistan had received Rs150bn in federal transfers from its promised share of Rs196.84bn for the entire year.

Balochistan’s share in the country’s tax income has already surged by more than six times from Rs29bn in 2010/2011, the first year of the 7th NFC award.

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 wellhead prices.

The increase in provincial revenue has since helped it significantly raise its development investment from its own resources by almost five times from a little above Rs13bn in 2010/2011.

Durrani said the province’s share from the federal divisible tax pool was guaranteed under the 7th National Finance Commission (NFC) award. “It means that we will continue to get the money promised by the federal government even if it fails to meet its tax collection target.”So far we have not seen any cut in our share in the federal transfers.”

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Budget 2017-18
Draft taxation proposals

MUBARAK ZEB KHAN

Draft taxation proposals for the 2017-18 budget stipulating an increase of Rs500bn, or 15pc by jacking the IMF's proposed total revenue target to Rs4,007bn, from the current fiscal year's revised estimate of Rs3,500bn, have been scaled down. However, the FBR is not ambitious.

The FBR has worked out a final tax target of Rs3,887bn, seen as more realistically achievable —an increase of 11pc from the current fiscal year's revised target. "We want to set a modest tax collection target", an FBR official said.

The additional revenue will be collected by raising the rates of indirect and direct taxes coupled with administrative measures to plug loopholes.

The taxation proposals follow consultation meetings with IMF officials last months in Dubai under Article-IV.

The Fund believes the proposed tax collection for the next fiscal year could be achieved, without any extra effort, through tax buoyancy

A senior FBR official said the proposed tax proposals were drawn in line with the IMF's recommendations, while keeping the impending general elections in mind. While the IMF's advice is no longer binding, but if Pakistan wants to avail more loans from the World Bank and the Asian Development Bank, it will not be able to do so without winning a Letter of Support from the IMF.

The IMF has asked Pakistan to impose Rs180bn worth of new taxes in the budget. The Fund believes the proposed tax collection for the next fiscal year could be achieved, without any extra effort, through tax buoyancy.

The official said Finance Minister Ishaq Dar will finalise the proposed tax proposals after his return from abroad.

Official data shows additional taxes worth Rs1.2 trillion have been imposed in the last four budgets under the IMF programme. Most of these taxes were regressive in nature and implemented through withholding tax provisions.

A senior tax official, who is a part of the tax exercise, said that the FBR's draft budgetary proposals were shared with the finance ministry and the IMF. Increasing the rate of 56 withholding taxes (WHTs) for income tax return non-filers by 100pc, in the next fiscal year, has been proposed.

The scope of these taxes will be extended to a maximum number of sectors that were not covered previously. It is expected that the increase in the incidence of taxation will compel people to file tax returns and come under the tax net to avoid higher rates meant for non-filers.

The PML-N government has imposed 20 new WHTs since June 2013, while increasing the rates for non-filers to improve tax compliance. The number of WHT categories has risen to 56 from 36 since June 2013. As a result, the share of WHT shot up to 68pc of the total direct tax collection in the first eight months of the current fiscal year.

The withholding tax, introduced in the 1990s, has become an easy tool for tax collection and is gradually making the income tax department irrelevant.

The government is also considering an increase in the WHT rates on properties. In the next budget, more imports will be brought under this regime. In the banking sector, the tax rate is proposed to be increased to 0.6pc on transactions exceeding Rs50,000 a day. Currently, it is 0.4pc.

The changes in the rate of super tax will be made by the finance minister in order to create difference between filers and non-filers.

Similarly, the government will revise rates on petroleum and other products.

In the next budget, the government will also consider proposals from the Tax Reform Commission for changes in tax laws and procedures. A proposal on the table is to forbid all businesses from using cash to settle any transactions larger than Rs50,000.

Prize bonds may also be bought under the tax net. A new law is being suggested that makes transactions related to property and vehicles be carried out only through cheques.

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No doubt all these measures will help the FBR to improve revenue collection, but the tax system will still be facing the twin problems of low tax compliance and greater reliance on indirect taxes, especially withholding taxes.

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Linking CPEC to sustainable national development

ZULFIQAR QAZILBASH

The much improved CPEC-related infrastructure projects will help develop industrial capabilities that can provide large-scale skilled employment, increase manpower productivity and raise per capita earnings.

The improved infrastructure will increase trade and cause an economic boom but, in the absence of enlightened legislation and structural changes in the economy, most of this will benefit a very narrow and connected business class.

Infrastructure spending alone cannot be relied on to move an economy of 200 million into the middle to high income territory in an inclusive manner. That requires masterminding a consistent increase in manpower productivity and orchestrating the transition from an agriculture-led, low value addition, economy to an industrialised one with higher value addition achieved though enlightened interventions.

For this systemic societal issues which restrict productivity must be addressed. These issues consist of education, skills development and healthcare; enabling policies that improve the ecosystem and encourage private sector investment; increasing the size of the formal economy; empowering women empowerment, etc.

In the absence of enlightened legislation and structural changes in the economy, most of the developed infrastructure will benefit a very narrow and connected business class

For national development in key elements the development plan could include:

Public private partnerships: Improving infrastructure in Punjab and Sindh makes economic sense if you want to leverage what already exists. However you can't write off the lesser developed areas and the government needs to propose a plan on how these will catch up.

Private sector participation will guarantee sustainability but our private sector doesn't have the investment capacity or risk appetite to do it alone. The government needs to play its part to make the investment environment for industries more attractive than the real estate and stock market.

This includes providing research and development credits and technical assistance for existing SMEs that want to upgrade.

Inclusive agenda: The best way to ensure security and sustainability of CPEC projects is by vesting economic interests in local communities. Some of the gains from the industrial zones and transportation hubs need to flow into local communities perpetuating inclusivity.

There are now many successful internationally applied partnership models that involve community participation for infrastructure development which have reduced labour and other costs.

Brain drain: Pakistan has suffered from brain drain with its best educated minds being forced to go abroad due to the paucity of opportunities in the country. It would do well to offer incentives to harvest the crop of many senior, internationally experienced, expatriates who would be willing to relocate to Pakistan for the right opportunity.

Taiwan is one of many examples of a country that successfully created a whole new industrial sector that propelled its economic growth and for which it primarily depended on its returning expatriates for technical and managerial know how.

Energy: To reduce the import bill hydro and solar projects must be preferred, particularly hydroelectric projects that help build water reservoirs to address increasing water scarcity issues. In ten years' time, Pakistan is projected to face severe water scarcity which has yet to be effectively addressed.

An increasing quota on CPEC transportation should be set for hybrid and electric vehicles so that the project can be used to reduce dependence on oil which will otherwise drag on our foreign exchange reserves and hence, the economy.

The present opportunity to bundle CPEC projects with a coordinated national development plan that provides solutions to Vision 2025, should not be missed.

—The writer is the president of Islamabad Consulting.

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Fed leaves key interest rate unchanged

ANA SWANSON

Federal Reserve Chair Janet Yellen speaks during a news conference in Washington. With the US economy on solid footing and unemployment at a near-decade low, the Federal Reserve remains in the midst of a campaign to gradually raise interest rates from ultra-lows. On May 03, the Reserve's release acknowledged the sluggish first quarter, saying that the labour market continued to strengthen 'even as growth in economic activity slowed.'—AP

The Federal Reserve left its influential interest rate unchanged at the conclusion of its two-day meeting in Washington last Wednesday, citing a recent slowdown in growth that it said was likely 'transitory.'

The release acknowledged the sluggish first quarter, saying that the labour market continued to strengthen 'even as growth in economic activity slowed.' It added that the Fed expects the economy to evolve in a manner that will warrant gradual increases in its interest rate, the same language it has used in previous months.

Investors had widely been expecting the central bank to remain on hold this week, given that economic data has been somewhat weaker in the past month and that the Fed still has plenty of time to realise its plan of raising interest rates twice more this year. Markets are more confident of seeing a rate hike in June, when the Fed is scheduled to hold a press conference where it can provide more details on its decision.

In March, the Fed raised its interest rate by 25 basis points to a range of 0.75pc to 1.0pc, only the third such increase since it slashed interest rates to buoy the economy in the depths of the financial crisis.

Consumer and business confidence remain high, but analysts say there is a risk these measures could begin to flag if more economic-friendly policies don't emerge soon

Government data released last week showed that the US gross domestic product, a broad measure of economic activity, grew at just 0.7pc on an annualised basis in the first quarter, the slowest pace in three years. Federal figures on the number of new jobs created in March also fell far short of the high levels seen in January and February, while inflation measures remain below the Fed's targeted rates.

In its release, the Fed mentioned that consumer prices, excluding energy and food, declined in March, as inflation continued to run somewhat below the central bank's two per cent target. It added that household spending has risen only modestly since its last meeting in March, but that the fundamentals underpinning consumption growth still appear solid.

Most economists believe these figures are just a temporary blip, due to seasonal measurement issues and the vagaries of spring weather. If the string of disappointing figures continues, however, that could persuade the Federal Reserve to hold off on raising rates while the economy strengthens further. The central bank has emphasised that the pace of rate hikes will hinge on the state of the economy.

Yet other analysts caution that raising rates too slowly also holds a risk. If the Fed does not move to head off inflation by raising rates gradually now, that could put it in a situation where it needs to hike rates more quickly later, a hard transition for businesses and consumers.

"In our view, the US economy has now reached full employment and is likely to overshoot meaningfully, a path that has often proven risky. From this perspective, the case for further tightening is strong," Goldman Sachs analysts wrote in a note May 1.

US stock markets opened slightly lower last Wednesday morning, after approaching record highs in recent weeks.

Consumer and business confidence remain high, but analysts say there is a risk these measures could begin to flag if more economic-friendly policies don't emerge soon.

"We're seeing is a greater level of scepticism," said Greg McBride, chief financial analyst at Bankrate.com. "I think consumers, businesses and investors have shifted into show-me-the-money mode. They'll believe it when they see it with regard to faster-economic growth, tax cuts, infrastructure spending."

If these policies fail to materialise, that could have more serious consequences than just disappointing voters, he said.

“The risk is reality not matching up to expectations could lead to a notable pull back in the stock market and perhaps even in business and consumer spending,” McBride said. “There’s nothing on the immediate horizon that makes you think that growth is going to materialise in the near future.”

Trump had been highly critical of Yellen during the campaign, accusing her of keeping interest rates low to benefit the Obama administration — charges Yellen fervently denied. But in an interview with The Wall Street Journal in early April, the president indicated that he might be open to keeping Yellen as chair.

“I do like a low-interest rate policy, I must be honest with you,” he said.

—The Washington Post Service

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INSIGHT

Mouldy matters

By Ihtasham Ul Haque

Pakistan's fragile economy continues to suffer due to growing political instability, now being witnessed more intensely due to the increasing civil-military standoff over the highly damaging Dawn leak's report published last year.

The civil/military relations went soar for the first time so openly over the issuance of a notification by the prime minister's principal secretary last week, which was instantly rejected by the DG ISPR through his tweet that sought the publication of complete relevant portions of the investigation report as was mutually agreed between the two sides.

Insiders say that the military authorities are unprepared to accept anything short of punishing those involved in Dawn leaks under the Official Secret Act-1923. The government, they said, was adequately told that breach of national security had occurred that warranted serious action against the wrongdoers.

As if Panama scandal was not enough to harm the country's $300 billion economy, confrontation over Dawn's highly objectionable report further brought political uncertainty at a time when the next budget is to be presented within this month. One of the serious issues is fast depleting foreign exchange reserves of the central bank, which now stand at $16.1 billion.

Separately, little over $5 billion are being maintained by the private commercial banks, out of which $3.93 billion have just been borrowed by the government to what is being said, to "artificially sustain reserves at $16 billion level". This was done against the conditions agreed with the International Monitory Fund under the three year $6.2 billion Extended Fund facility (EEF) that ended in September 2016. Now on one side there is an escalating confrontation between the government and the army, and on the other side a stop–gap budget is being finalised by temporarily posted officials in the ministry of finance, Federal Board of Revenue (FBR), Economic Affairs Division (EAD) and the State Bank of Pakistan (SBP).

Questions are being asked everywhere as to how can there be any serious preparation for the new budgetary proposals when officials are working as "acting" heads, and this shows that the government is too busy fire fighting political matters, and is left with no time to take into account the deteriorating economic issues.

The beleaguered Pakistan Muslim League-Nawaz (PML-N) government, being last year in office, faces serious challenges both on political and economic fronts, and things are reportedly getting tougher because of increasing tense civil and military relations as both sides seem to be sticking to their point of view.

A few well- wishers of the prime minister are believed to have told him to mend fences with the military and deal with the Dawn leaks issue, including by ordering the closure of the Daily for 15 days for publishing a highly controversial report that had serious implications for national security.

A worried PML-N Senator Enver Baig believes that national security must not be compromised at any cost, being very important to the nation's vital interests. He urged the prime minister to immediately replace what he termed a "team of under-19 of advisors" with a mature political and economic team to ensure both political and economic stability which, this time around, has terribly been hit by the worsening civil and military relations.

"Our rulers relish crisis after crisis and this is suicidal for our leadership," he said, and added that the Dawn leaks issue needed to be resolved on war-footing.

"Whatever had been agreed with the military authorities on Dawn leak must be honoured to avoid repeating the past that was full of acrimony and had ultimately led to the dismissal of the previous PML-N governments," the senator said.

He was of the view that "there was an urgent need to convene the Central Executive Committee (CEC) meeting of the party", the only forum, he believed, which could give strength to the prime minister under these puzzling circumstances.

The country's economy, Senator Baig said, was in doldrums as the economic managers preparing 2017-18 national budget had been posted on ad-hoc basis which did not reflect good governance. "There is no sign of economic stability due to renewed political controversies because the ruling party is bent upon having crisis after crisis."

When asked about the official position of Maryam Safdar in the party fold, Senator Baig said the household must be kept away

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from any party decision or any statement related to the prime minister. "I am sorry to say that she does not hold any official title within the party or the government, therefore, all the statements made on behalf of the prime minister must be routed through his official press secretary and not her," he maintained.

While the political atmosphere gets murkier due to the unending Panama gate and Dawn Leaks, the economic situation is turning even scarier. The preparation of the new budget by ad-hoc appointees is a new phenomenon never experienced before.

These appointees, some believe, were incapable of working out the nitty gritties of the budget, but appeared ready to "oblige" the finance minister in any way.

Now, when the Planning Commission had already been bypassed by the finance minister, the minister for planning and development Ahsan Iqbal is reportedly too frustrated and has said privately on a couple of occasions that he was not given a free hand nor his Commission allowed to prepare the broad contours of the budget. This is said to be happening for the last four years. It did not happen when he was the planning and development minister in the second PML-N government.

It is in this backdrop that the experts have been saying that the Planning Commission must be wound up, as it is just a drain on the national exchequer, and that those working in it should either be absorbed in other ministries or asked to go.

Former deputy chairman planning commission and senior economist Dr Nadeem ul Haque believes that the mounting political uncertainty being seen in the presence of Panama and Dawn leaks was suicidal for the economy as all transactions and investment proposals had been put on hold. "This is most unfortunate that our rulers are unconcerned about our ailing economy and are just trying to push forward their own political agenda meant only to get away with Panama and Dawn leaks," he said.

"Uncertainty is appallingly affecting the market," Dr Haque said, and added that now when the budget was around the corner, no policy planning was being done to come up with any viable budget having clear priorities about the income and the expenditure.

"The ministry of finance has destroyed the economy as no tax reforms and other reforms were undertaken by the present government." How could there be any viable budget in the presence of increasing current account and capital account, he asked.

"Economic fundamentals have to be addressed to improve the current rotten tax structure. There is no debt management, there is no asset management and there is no exchange rate policy. The Economic Committee of the Cabinet (ECC) is only a transacting forum, so is the cabinet that has lost its meaning in terms of guiding the institutions," Dr Haque lamented.

He said there were no economists who could help carve better budget and give policy guidelines on major economic issues. "All those sitting in the ministries are working for donor agencies and are running their consultancies instead of doing their job honestly and professionally," he said.

Dr Haque said he has no doubt that the new government which would come into power after the next election would have to go back to the International Monitory Fund for emergency lending. The situation on the external sector is very precarious as reserves are depleting fast because of falling exports and decreasing home remittances, he added.

A Karachi-based prominent businessman and Pakistan Bedwear Exporters Association (PBEA) chairman Shabir Ahmed regretted that the widening divide between the government and the army was causing new problems to the already crippling economy.

The issue of Panama and Dawn leaks, he pointed out, was terribly mishandled by the government that brought more economic instability in the country. He said he did not know how would the officials of the ministry of finance and the FBR firm up new budgetary proposals aimed at fixing the ailing economy. "Exports are failing, foreign exchange reserves are waning, home remittances are declining and the FBR is failing to restrict revenue shortfalls and this all shows how vulnerable the economy of the country is."

Ahmed said both the ministers for finance and commerce have failed to repair the economy and hastened to add, "When they would not look after their ministries and only indulge in political matters, how could there be any improvement in the economy?"

He was of the view that the economy needed to be fixed on war footing and this job, he believed, could not be done by the present rulers who were out only to protect their political interests and have no time to ensure good governance.

While increasing revenue shortfalls are not allowing the

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planners to firm up credible new budgetary proposals, the reduction in foreign inflows is also fast becoming a serious problem for the government.

Shabir Ahmed

PBEA chairman

"Exports are failing, foreign exchange reserves are waning, home remittances are declining and the FBR is failing to restrict revenue shortfalls and this all shows how vulnerable the economy of the country is...When they would not look after their ministries and only indulge in political matters, how could there be any improvement in the economy?"

Dr Nadeem ul Haque

Senior economist

"Economic fundamentals have to be addressed to improve the current rotten tax structure. There is no debt management, there is no asset management and there is no exchange rate policy. The Economic Committee of the Cabinet is only a transacting forum, so is the cabinet that has lost its meaning in terms of guiding the institutions."

Enver Baig

PML-N Senator

"Our rulers relish crisis after crisis and this is suicidal for our leadership...Whatever had been agreed with the military authorities on Dawn leak must be honoured to avoid repeating the past that was full of acrimony and had ultimately led to the dismissal of the previous PML-N governments...there was an urgent need to convene the Central Executive Committee meeting of the party."

According to the central bank, the country's total reserves, including $5.1 billion being held by the commercial banks, stood at $21.1 billion by April 21. In absolute terms $2.1 billion were borrowed for a month and $1.825 billion for two to three months. These short-term loans had been obtained by the government from the commercial banks.

The situation calls for careful handling of both internal and external accounts so as to plan a practical budget for 2017-18 aimed at reducing fiscal deficit and achieving five percent plus GDP growth. Can all this be achieved under the present political circumstances, is a question being currently debated in all the official and unofficial quarters.

The writer is a senior journalist based in Islamabad

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ENERGY

Backup plan

By Raheel Amer

As the employment of variable power generation like solar and wind grows, energy storage systems will turn out to be of great essence for the electric grids in the developing nations. Pakistan, where power shortfall is usually addressed through the establishment of large coal, oil, hydroelectric, and some solar projects, can benefit from energy storage to an unprecedented extent.

Also, with much of the world pouring investments into renewable and clean energy, Pakistan is in the line of environmentalists' fire for relying on coal-fired projects as part of a plan to boost urgently needed generating capacity.

It goes without saying that the huge power projects are outrageously expensive, take years to come online, and generate costly electricity. Pakistan has long needed more power than it can produce, with the energy deficit currently around 4,000 megawatts.

As reported by the International Energy Agency (IEA), average energy demand in the country is around 19,000MW against the generation of around 15,000MW. Demand soars beyond 20,000MW during peak summer months of May to July, when air conditioning systems place an extra burden on the national power grid, often causing power cuts. The IEA forecasts that total electricity demand will rise to more than 49,000MW by 2025 as the country's population increases.

Only 67 percent of Pakistan's approximately 190 million people have access to electricity, according to the World Bank. To improve access and keep pace with the economic growth, the country needs to invest between 3.7 percent and 5.5 percent of its GDP each year in increasing electrical production, the bank said in a report on South Asian infrastructure published in 2013.

In this situation, a fusion of domestic renewable generation and power storage technology seems to be an expeditious, efficient, and affordable answer, which can also cut the costs, incurred in expansion, operation, and maintenance of the power infrastructure, down to almost a naught.

On domestic consumer level, the usage of an uninterruptible power supply (UPS) is common in Pakistan. The UPS helps maintain electrical service during outages and/or poor power quality. During outages, the stored energy is used to maintain power for the specific end-user's electricity using equipment. UPS also filter and otherwise offset power quality anomalies, continuously. It is being used in commercial and industrial setups in many parts of the world.

In Balochistan, irrigation-scale water wells are being run on solar power. And, solar water heaters and solar UPS, and inverters are not so uncommon in KP and northern areas.

According to an Asian Development Bank (ADB) report, the advantages of energy storage systems could help power-starved developing countries including Pakistan in various ways. These systems offer a wide range of services to the grid, including load balancing, load following, reserve generation, and frequency and voltage support.

The ABD report says that marginal cost of production is a well-established concept in the power industry and it is used to determine which generators should be used to meet the projected demand of electricity in the grid, hour-by-hour.

"Generators with the lowest marginalised cost of production are scheduled first, and the last scheduled generator has a cost that is lower than all the generators that are not scheduled for the hour of interest," the report explained.

It added that the logic gets complicated, as cost of start-up and shutdown are taken into account, while it is also well-established that marginalised cost of production for a generator is the cost of fuel consumed per kWh of electricity produced.

Put simply, all other costs are considered fixed costs that do not vary with production. "Wind and solar power plants have zero marginalised cost of production because the cost of fuel is zero," the report said. Therefore, it said, the wind and solar power plants are dispatched with the highest priority, unless the grid is likely to experience instability or other problems.

"For this reason, most power purchase agreements are "take-or-pay," which means that the buyer of renewable energy pays for the energy produced and curtailed. In take-or-pay contracts, the utility pays for curtailed renewable energy—electrical energy that it did not receive."

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Thus, energy storage can alleviate this problem by storing the curtailed energy and delivering it during times of peak demand.

The country can make the most of energy storage systems as planned renewable energy projects under China-Pakistan Economic Corridor (CPEC) include a solar park, four wind farms, and three hydro plants that together would generate around 3,900MW, at a cost of about $7.5 billion.

Pakistan Alternative Energy Development Board says the country has the potential to generate annually 2.9 million megawatt of clean energy from solar, 340,000 megawatt from wind and 100,000 megawatt from hydropower.

As reported by the Asian multilateral lender's report, the cost of energy storage is reducing rapidly, led by a huge amount of public and private research and development funds invested on a wide range of energy storage technologies. "The fast growth in energy storage in the automotive industry (led by Tesla and others) has produced an order of magnitude increase in demand for energy storage compared to just two years ago."

This had resulted in a scale-up of lithium-ion battery technology as demonstrated by the construction of a gigawatt-scale energy storage factory in the US. This facility will produce storage units for automobiles, grid storage, and residential storage. The forecasted pricing for grid scale storage is in the range of $150/kWh for the battery -- excluding the converter.

With more and more stress on cutting greenhouse gas discharges from the energy sector, more and more renewable energy sources will end up powering the grids. The grid-level energy storage can help increase the integration of renewable energy into the power system. It's needless to say that services delivered by energy storage to cover for the variability and uncertainty of renewable energy resources have made it work.

The writer is a staff member

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BUDGET

Concluding account

By Mansoor Ahmad

As the current government presents its fifth and last budget this term, it also will be facing the curse of the Rs500 billion circular debt; the same amount that it cleared in its first budget as a curse inherited from the previous government.

As the government rightfully claims that growth rate has accelerated during its first four years, for which it has earned accolades from creditable global institutions for managing the economy, the warnings have also been pouring in. Every institution that praises the government, also warns it of several risks that, if not addressed, would derail the macroeconomic stability achieved in the past four years.

They warn of the mismanaged power sector, they point out the huge loss making state-owned enterprises where the losses are increasing every year. They warn against the tendency to subsidise and they consider the SRO culture, a threat to fair practices. These warnings are realistic.

Power sector mismanagement is a big issue. Although this government has made tremendous efforts to add new generation capacity in the system, it failed miserably in reforming the corrupt culture in the power system.

And while it has also made a conscious effort to ensure that new power projects produce electricity at reduced rates, the percentage of power losses have increased instead of decreasing.

Meanwhile, the recovery of power dues is far from ideal. The ever increasing circular debt is the undeniable proof in this regard.

According to power sector experts, on supply of power costing Rs100, the government recovers merely Rs70. The rest is lost in theft named line losses and non-recovery of billed amount. It would be a nightmare for the next government if 10,000MW of reliable power is added in this corrupt system in the next one year. The circular debt would soar to unprecedented heights.

It is a major hindrance in achieving true economic growth. Various economic measures however, can help the government achieve short-term growth. One of those measures is foreign inflows.

As long as the country receives a steady amount in foreign inflows, the economy would continue to grow. However, if the inflows are used for balancing the budget, the economy would nosedive as soon as there is stoppage of inflows and pressure to pay back the past foreign loans.

Spending those inflows on sustainable development projects would make it possible to service those loans from the positive economic activity generated by these projects. The development projects would not be able to service the loans if they are handed over to those who mismanaged similar projects in the past. The power sector projects, if transparently operated would definitely be able to service their loans, but if they are operated in a non-transparent manner, the damage would be irreparable.

The economy is definitely growing, but the exports are declining, while imports are ballooning and numbers of sick units are increasing. There have been few green field projects launched by the private sector. The productivity is declining and minimum wage is being regularly increased without linking wages to productivity.

The federal and provincial governments have abdicated their duty to provide quality education and health services to the people of Pakistan. Both these sectors are now at the mercy of the private sector, where provision of education and health facilities is linked to the amount one is prepared to spend. We have crowded out quality education and health service for the poor. We cannot simply live on by balancing our accounts by withholding refunds, increasing taxes and squeezing development. There is a dire need to put our house in order.

Finance minister Ishaq Dar has worked very hard to achieve macro-economic stability. However, his associates in the Federal Board of Revenue (FBR), ministries of water and power, industries and commerce have not lent him the necessary helping hand.

There are claims that the revenues of the FBR have increased by over Rs10,000 billion, which is true, but it is also true that the number of filers is still one million, meaning that only 0.5 percent of the population pays taxes.

To increase the tax base, the FBR should raid the offices and premises where manufacturers,

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traders and service providers pay no tax at all. In any large market in the big cities, only 20 percent of the retailers pay income tax. They operate from compounds and buildings worth millions of rupees, they drive luxury cars, and their children go to most expensive schools. Raids should first be conducted on non-compliant sectors and then on under filers.

There is no accountability of the bureaucracy. Every illegal trade and operation is conducted with the connivance of the bureaucracy. The government should make those tax officials accountable who fail to bring tax avoiders in their area into the tax net.

It is this lack of accountability that smuggling has penetrated our culture. The only remedy to curb smuggling is to conduct raids on shops and stocks. In order to avoid any uproar, the government should give the traders a period of three months to dispose off their smuggled goods.

After the expiry of that period, any good found without proper documentation should be confiscated and destroyed or exported. There is no large scale smuggling in India because the tax authorities are free to raid any shop and ask for import documents.

These measures are important for making the system sustainable and reap benefits of the China-Pakistan Economic Corridor (CPEC).

There is no doubt that CPEC is the best thing that happened in Pakistan because of its strategic location. The infrastructure projects linked with CPEC have created number of jobs for the low skilled labour. But the actual benefit of CPEC lays in the high value-added industries.

For that there is need for skilled labour. Some investors may dare to establish state of art industries but would back out if required skills were not available. In fact, skilled workforce is not available in the country even for the low value-added manufacturing sector. Our vocational training institutions are providing training in skills that are not required by even our current low value-added sector.

Government would have to make efforts to improve the training programmes if it wants industries to grow. It should also better the conditions for small and medium enterprises.

Private sector in this regard has to do its bidding as well.

The reason promising SMEs fade out after a successful run of 15-20 years in Pakistan is that the main sponsor of the company keeps a firm grip on its affairs and does not prepare future leadership to take over when he is incapacitated or dead.

There are exceptions in the shape of some formidable business groups in Pakistan. One thing common in all these groups is that these are being headed by the same person, who has managed the group for 45-70 years. It was fortunate that the heads of these groups been able to lead and provide vision for over four decades. The chances of the survival of these companies are higher.

These drawbacks are also impeding our growth and the government needs to build the capacity of businesses and hold the corrupt accountable to lead the country on the path of economic stability.

The writer is a staff member

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POLICY

Consumption measures

By Shahzada Irfan Ahmed

Poverty is not an absolute term and varies according to different circumstances and scenarios. The huge diversity along several dimensions within Pakistan implies there is no single explanation of poverty and thus importantly no valid single policy intervention to remove it.

There are different ways in which people have been poor, remain poor and will continue to be poor unless public policy and intelligent resources are focused upon poverty reduction taking into account its diversity.

Similarly, the resources and natural wealth of a geographical location do not necessarily have a positive effect on the locals. Instead, it has been observed that there is a pattern of “resource curse” as most

resource rich districts fall in the extreme poverty zones.

Natural gas reserves provide an excellent example in this regard. With 12.5 trillion cubic feet, Dera Bugti alone has had 46.7 per cent of the total gas reserves in Pakistan in 2012. Similarly, with 6.7 trillion cubic feet, Ghotki had more than a quarter of the total gas reserves and Dadu had almost nine per cent of the total gas reserves. Tharparkar had the largest coal reserves in the country. In complete contrast to their resource richness, Dera Bugti and Tharparker are in the Extreme Poverty Zone -1 and Ghotki and Dadu in the High Poverty Zone.

Besides, poverty has a direct link with the low quality of services provided by the civil servants, specially the senior bureaucracy, and the community-based models for social sector development are one of the best in context of countries like Pakistan.

These were some of the results of research studies shared at the Second International Research Conference -From Knowledge to Action– held by Pakistan Poverty Alleviation Fund (PPAF) in April this year. The aim of this conference was to help participating individuals and organisations learn from both successes and failures of poverty alleviation initiatives, while showcasing the work of PPAF and its partner organisations.

It was also an opportunity for participants to examine issues in both a comparative and a global context due to the presence of foreign delegates.

Poverty alleviation has always been on top of the agenda of the respective governments, at least in their policy documents. Different schemes and projects are also launched with a declared aim to target the poor and bring positive change in their lives. These can be in the form of direct subsidies, cash grants, asset transfers, skills development for livelihood and so on.

In this context, it is imperative that a periodical impact analysis of such initiatives is done and the improvement in the lives of the targeted communities as a result of these be worked out. If the results are not satisfactory, it becomes important for the evaluators to identify the impediments and ways to remove them.

The said conference tried to serve these purposes and bring findings of the specially commissioned surveys and research studies in the knowledge of the participants.

The conference titled “From Knowledge to Action” focussed on four main themes: geography and typology of poverty in Pakistan; results from the completion of the PPAF-III World Bank project; latest evidence from international and national poverty graduation approaches; and current/ongoing research that focuses specifically on women and girls.

PPAF is an independent and autonomous institution that invests funds received from international donors, especially the World Bank in social sector and infrastructural development projects, livelihood programmes etc through its partner institutions. These are the funds pledged by the bank to the government of Pakistan.

Since its formation in 2000, the foundation has received three financial disbursements from the World Bank for three consecutive five-year terms.

Samia Liaquat, group head at PPAF, shared at the event that the foundation had had a huge portfolio of microfinance loan reimbursements but now its focus had returned to the poor who fall under the 40 mark on the poverty score card. From now onwards, she says, they will leave the economically active portion of the population for conventional microfinance.

She said Pakistan Microfinance Investment Company (PMIC) had come into being for this purpose which is a major development.

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So, she says, PPAF will focus on the marginalised poor through asset transfers and livelihoods while PMIC will meet the needs of the better off. She shared that when PPAF started, there was no microfinance sector. At that time there were only 60,000 borrowers and four microfinance

institutions (MFIs). "Today there are 4 million borrowers and 60 institutions."

The lesson in this is that a major focus shall be on the poor who do not have the capacity to avail and benefit from microfinance options. Findings of a study titled "Geography of Poverty in Pakistan" were also received with great interest at the event. The study explained the pattern of prevalence of poverty on geographical grounds.

For example, it mentioned Muzaffargarh as an acute case of resource curse. "With nearly 8,000 gigawatts per hour, Muzaffargarh makes 20 per cent contribution to the total thermal power generation capacity in the country. The district had nearly half of the population poor in 2012-13 and hosted third largest population of the poor."

The study asserts natural resources do not seem to be the drivers of poverty reduction in many of the poorest districts. Partly, the absence of trickle down or trickle across effects is a function of ownership of these resources and the ways in which these resources are allocated for exploration and exploitation. There is hardly any trickledown effect for the locals.

On the other hand, it says, the situation is such because resource exploitation also requires skilled employment using advanced technologies, "which de facto exclude the local, poor, illiterate and semi-literate, under-educated population from these opportunities."

Another observation shared during the presentations was that sustained delivery of public services required an effective devolution and empowerment of local governments. It is a fact that districts farther from provincial capitals are poorer than the ones at a closer distance.

As we know, Punjab has more than half of the population of the country and Balochistan has more than half of the geographic area of the country. Provinces are thus too large administrative units to ensure the effective delivery of public goods and services to everyone and everywhere, it adds.

The geographical location also has a correlation with people's access to state machinery for redressal of their issues. It was observed that poor territories are often far from the main urban centres, thus not the favourite duty stations for the competent civil servants; and for this reason their issues are not properly taken care of.

As the zones of extreme and high poverty require talented administrators to run public affairs, there is a need to create an incentive structure to discourage the concentration of administrative talent within a few urban centres, the study suggests. It is imperative as poverty cannot be tackled without giving the poor easy access to quality service delivery.

With so many lessons and experiences shared at different forums, it is high time that poverty alleviation strategies be revised/modified at micro and macro level to help the poor break shackles of poverty.

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Country expects GDP above 5pc in FY17: Dar

Extends felicitations to ADB president, fellow governors for contributing in economic development of Asia-pacific region

APP

YOKOHAMA - Finance Minister Ishaq Dar has said Gross Domestic Product (GDP) growth rate is expected to be above five percent during current fiscal year with inflation slashed to single digit around 4 percent - the lowest in 47 years.

While addressing the second business session of Asian Development Bank's (ADB) annual meeting, chaired by Japanese Deputy Prime Minister Taro Aso, Dar said that an effective resource mobilisation strategy helped in increasing tax collections by 60 percent over the last three fiscal years, a 20 percent average annual increase.

The government, as a result of these efforts, successfully brought down the fiscal deficit from 8.2 percent in FY 2013 to 4.6 percent in FY 2016 and projected at 4.1 percent for FY 2017, he added. Despite curtailing fiscal deficit, "we have not only maintained but also significantly increased allocation to the social safety net programme from Rs40 billion to Rs117 billion and national development spending from Rs625 billion in FY 2013 to Rs1600 billion in FY 2017," Dar added.

"Our focus, after achieving macroeconomic stability is now on realising sustainable, inclusive and higher growth and the country's target is to reach to GDP growth rate of 7 percent by FY 2019," he added. "Our economy continued to maintain its growth momentum above 4 percent for the 3rd year in a row with real GDP growing at 4.71 percent in FY 2016, the highest in eight years" he noted. "Pakistan's economy is on the rise and we are open for business offering attractive investment opportunities," he added.

Referring to ADB's 50th anniversary - an occasion to celebrate bank's achievements, the minister extended felicitations to the ADB president, fellow governors and bank management on their contributions towards economic development and poverty reduction in Asia-pacific region over the past 50 years.

Only in last two decades, Asia registered 7 percent growth rate, average per capita income increased from $1600 to $4980+ and based on income below $1.25 per day, poverty line fell from 54pc to 22pc, he added. It is commendable the way President Nakao and his team is pursuing reform agenda in the setting of medium-term review, Strategy 2020, he observed.

"We also appreciate ADF-OCR merger which has enhanced ADB's financial resources to provide greater support to developing member countries. 'Asia Miracle' + 'Rapid Asia progress' have found undoubtedly great contributor and partner in the shape of their family doctor ADB, he said.

The minister further said they are impressed with reforms and initiatives implemented under President Nakao's leadership and Pakistan looks forward to enhancing partnership with ADB and fellow member countries. ADB's initiatives for regional connectivity projects like CAREC are praiseworthy as "financial and economic integration as well as regional connectivity" is the future way forward for even better successes for Asia Pacific, he said.

Expressing gratitude to the government and people of Japan for warm reception and hospitality on the eve of 50th annual meeting of the Asian Development Bank, he congratulated President Takehito Nakao, ADB's management and staff, on organising a successful event in the beautiful host city of Yokohama.

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Pakistan, China likely to sign MoU on Diamer-Bhasha dam

Fawad Yousafzai

ISLAMABAD - Pakistan and China are likely to sign Memorandum of Understanding (MoU) for 4500 megawatt Diamer-Bhasha dam during the Belt and Road Forum scheduled to be held in China next week, it is learnt reliably here.

Pakistan will submit a list of important projects, of the long term plan, including Diamer-Bhasha Hydro power project in the Belt and Road Forum which will be held from May 14 to 15 in Beijing, official sources told The Nation here on Sunday. Prime Minister Nawaz Sharif, will participate in the Belt and Road Forum (BRF) for International Cooperation. Chinese President Xi Jinping will attend the opening ceremony and host the round table summit of the leaders.

Beside, PM Nawaz may also announce the incentive package for the investors in the coming BRF, the source said. The discloser was made during the progress review meeting on the projects being implemented under China-Pakistan Economic Corridor (CPEC). The meeting, presided over by Planning Minister Ahsan Iqbal, was attended by Chinese officials, different ministries and provincial departments. During the previous progress review meeting, Ahsan asked the expert group on energy to finalise the homework for the inclusion of Diamer-Bhasha dam in CPEC portfolio projects prior to June 2017.

It is pertinent to mention here that Pakistan and China in the sixth meeting of the Joint Cooperation Committee (JCC) of the CPEC, held in Beijing, decided to make water security a part of the China-Pakistan Economic Corridor (CPEC) framework.

For development of hydroelectric projects on the North Indus River, particularly construction of the Diamer-Bhasha dam, the JCC constituted a group. The group has both the Pakistani and Chinese experts and they decide the feasibility of the inclusion of projects in the CPEC umbrella project. The Chinese experts along their Pakistani co-experts visited various site on North Indus River last month. The group is looking various aspect of the Bhasha dam project for inclusion in CPEC umbrella.

With a storage capacity of about 8 million-acre feet (MAF) and projected electricity generation of 4,500MW, Diamer-Bhasha to be constructed in Gilgit-Baltistan with an estimated cost of $14 billion. Regarding the security of the CPEC, the minister was briefed and it was informed that SSD has already started operation on the various CPEC related projects.

During the meeting, National Highway officials briefed the participant on progress over Western route and Multan-Sukkur motorway projects. While reviewing the progress on ongoing Gwadar projects, it was informed that four industrial unit will start production in 2018.

The minister said that the public welfare schemes in Gwadar would guarantee a bright future of CPEC. He instructed that projects in different sectors including education, health, water supply professional education and technical skills should be completed according to international standards. Ahsan said that the timely completion of ongoing projects in the energy sector is top priority of the government and it will not tolerate negligence of any kind. He further directed that besides power generation projects, transmission and distribution schemes would be implemented, so that the system can meet future needs.

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Gas cos striving to curb UFG losses: Ministry

APP

ISLAMABAD - Sui Northern Gas Company Limited (SNGPL) and Sui Southern Gas Company (SSGC) are making concerted efforts to bring down the UFG (unaccounted for gas) losses to ensure smooth supply of natural gas to consumers, official sources in the Ministry of Petroleum and Natural Resoruces said.

"Gas theft, law and order affected areas, minimum billing, leakages, measurement errors and shift of bulk sales to retail sector are among the major UFG contributing factors," they told APP. The government took drastic measures against gas theft and illegal connections across the country which was helping to bring down down the UFG losses gradually, they added.

In line with the international practices, the UFG was calculated with the difference between the metered gas volume injected into the transmission and distribution network - Point of Dispatch (POD) and the metered gas delivered to the end consumers at Consumer Meter Station (CMS) during a financial year.

The sources said the gas companies had detected around 133,106 gas theft cases in their respective operational areas during the last three years. From July 2013 to August 2016, the SNGPL identified 130,516 theft cases, involving 18,031 mmcf (million cubic feet) gas and Rs10,496 million in stolen money.

While, it identified gas theft of 22,819 mmcf by non-consumers and 34,154 mmcf in law and order affected areas of Khyber Pakhtunkhwa. The sources informed that the SSGCL had detected 1,265 theft cases, registered 118 FIRs (first information reports), charged 713 mmcf gas and recovered Rs613 million from the industrial pilferers. Whereas, they said, the company identified 1,335 cases, registered 91 FIRs against the domestic gas pilferers, who stolen 6,689 mmcf gas amounting to Rs11,992 million.

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FPCCI for implementation of Rs180b export package

INP

ISLAMABAD: FPCCI Regional Committee on Industries Chairman Atif Ikram Sheikh has said that the government has taken a number of steps to boost exports but the implementation of Rs180 billion export package announced in January is still awaited.

He said that the FPCCI supports economic vision of Prime Minister Nawaz Sharif. PM Nawaz and Finance Minister Ishaq Dar realise the importance of the business community in the national development therefore they are paying special attention to the issues being confronted by them, said FPCCI Regional Committee on Industries Chairman Atif Ikram Sheikh.

Businessmen hope that the prime minister would direct his economic managers to take solid steps in the budget to facilitate business community and resolve some of their outstanding issues, he added. Sheikh said that the government has achieved a lot during last three years and the country was heading towards a bright future as the challenges of extremism, terrorism and the chronic energy shortages have been addressed to a large extent.

He said the government is alive to the problems of business community including infrastructure, energy and tax related issues which are being resolved amicably. Difficult decisions on vital national matters were now being taken with consensus while huge Chinese investment in the energy sector and several new projects is encouraging.

The business leader mentioned the projects in solar, hydel, coal and nuclear, besides the three new power generation plants that would be run with LNG soon. He lauded the government for taking serious steps to cull energy shortages and supported decision of the government to expedite work on gas pipeline projects.

He said that the government has taken a number of steps to boost exports and strengthen external trade but the implementation of Rs180 billion export package announced in January is still awaited. The super tax should be abolished in the upcoming budget as it is discouraging foreign investment in the country, he demanded.