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Government-IPPs standoff likely to persist

MUSHTAQ GHUMMAN& SOHAIL SARFRAZ

The current standoff between the Independent Power Producers (IPPs) and the federal government on nonpayment of overdue amount is likely to continue till announcement of federal budget 2017-18 as Finance Ministry has stopped releasing subsidy for the power sector, well-informed sources told *Business Recorder*. IPPs are again meeting with a team of Private Power & Infrastructure Board (PPIB) led by its Managing Director, Shah Jahan Mirza on Wednesday who claims that he has no authority to make any commitment regarding payment sans Water and Power Ministry's approval.

An insider told*Business Recorder* that the IPPs are unlikely to approach international court of arbitration against non- payment of billions of rupees overdue by the CPPA-G and that the government will not pay any further amount to clear the stock of circular debt with the objective of containing fiscal deficit during 2016-17, adding that this situation will persist for a further few months.

PPIB had been requested to share its talking points with the IPP representatives so that they could prepare their response; however, PPIB did not share the agenda for tomorrow's meeting with the IPPs. Ministry of Water and Power recently raised a Rs 30 billion commercial loan from private banks in the name of CCPA-G for partial payment to the IPPs which served sovereign guarantee notices to the GoP for nonpayment of an overdue amount of Rs 52 billion. IPPs are paying sales tax of Rs 4 billion to Rs 4.5 billion to the Federal Board of Revenue (FBR) on annual basis.

Sales tax on furnace oil was increased from 17 per cent to 20 per cent from October 1, 2015. However, sales tax on output ie on sale of electricity remained at 17 per cent and no corresponding change was made. Lower output tax and higher input tax has resulted in accumulation of huge amounts of sales tax refundable amounts with FBR. This issue was discussed many times with concerned departments. However, no solution to the problem has come up till now.

According to sources, Hubco and Hubco Narowal sales tax refund which was Rs 458.45 million as per a return filed for September 2015 increased to Rs 3.8665 billion by January 2017, AES(Pakgen, Rs 724 million from Rs 50 million, AES(lalpir) Rs 957.64 million from zero, KEL, Rs 77.40 million from nill, AGL Power, Rs 36.80 million from Rs 3.41 million, Atlas Power Rs 366.6 million from Rs 17.39 million, Nishat Power Rs 290.36 million from Rs 103.3 million, Nishat Chunian Rs 475.45 million from Rs 75.53 million, Liberty Tech Rs 411.73 million from Rs 100.92 million. This implies that total sales tax refunds of RFO-fired IPPs as per their returns filed for January 2017 have increased to Rs 7.2068 billion from Rs 809.8 million. Likewise, sales tax issue of four IPPs ie Halmore, Orient, Saphire and Saif operating on High Speed Diesel (HSD), is as important as furnace oil-fired IPPs.

IPPs are not paying any income tax under the exemption available to the IPPs under the provisions of the Income Tax Ordinance 2001. Similarly, concessionary rate of 7.5 percent withholding tax is applicable on payment of dividend by the IPPs. As the IPPs are exempt from income tax, their income is not chargeable to tax. On the other hand, there is no exemption of sales tax to the IPPs. IPPs are claiming input tax but paying sales tax on supply of electricity. The net payment of sales tax comes to around Rs 4 billion to Rs 4.5 billion every year.

Referring to the existing sales tax collection procedure from IPPs, sources said that in case of generation, transmission, distribution and supply of electricity by IPPs, the responsibility to collect sales tax shall be of the person making the supply, and the value shall be the price of electricity including all charges, surcharges excluding the amount of late payment surcharge, rents, commissions and all duties and taxes whether local, Provincial or Federal.

The value of supply of electricity is considered for calculation of sales tax. Under the sales tax regime governing IPPs, the value of supply shall be the amount received by such IPP on account of Energy Purchase Price only and any amount in excess of Energy Purchase Price received on account of Capacity Purchase Price, Energy Price Premium, Excess Bonus, Supplemental Charges, etc, shall not be deemed as a component of the value of supply.

About return filing, the due date for the purpose of filing monthly sales tax return and for payment of sales tax shall be the 25th of the month following the month to which the sales tax invoice relates.

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Financial institutions:

Draft of framework on IT governance & risk management unveiled

RECORDER REPORT

The State Bank of Pakistan (SBP) Tuesday issued the draft of framework on it governance & risk management for Financial Institutions for comments/feedback from interested parties. According to SBP, the framework is based on international standards and recognised principles of international practice for technology governance and risk management and shall serve as SBP's baseline requirement for all Financial Institutions (FIs). It aims at providing enabling regulatory environment for managing risks associated with the use of technology.

The framework will apply to all FIs which includes commercial banks (public and private sector), Islamic banks, Development Finance Institutions (DFIs), and Microfinance Banks (MFBs). The framework is not "one-size-fits-all" and implementation of the same shall be risk-based and commensurate with size, nature and types of products and services and complexity of IT operations of the individual FIs.

The instructions are focused on enhancing the proactive and reactive environments in FIs to various facets and dimensions of the information technology, security, operations, audit and related domains and to create overall safe and secure technology operations in FIs which will benefit and enhance the confidence of all the stakeholders. The FIs are expected to assess and conduct a gap analysis between their current status and the guidelines and draw a time-bound action plan to address the gaps and comply with the guidelines.

The SBP has invited the interested parties, institutions or individuals, from banking sector, IT industry, academia and other stakeholders to review the proposed draft framework and provide comments/feedback, if any. The draft framework is open for comments/feedback from interested parties till March 31, 2017. The FIs will ensure compliance with this framework while introducing new products either all by themselves; or in the form of co-branding or in partnership with other entities. After implementation, the framework will apply to all FIs which includes commercial banks (public and private sector banks), Islamic banks, Development Finance Institutions (DFIs), and Microfinance Banks (MFBs).

As technology becomes an integral part of the business and operations of FIs, such technology usage and dependence, if not properly managed, may heighten technology risks.

With a vision to provide baseline technology governance and risk management principles to the financial institutions, SBP has developed the framework on 'Information Technology Governance & Risk Management in Financial Institutions' to keep abreast with the aggressive and widespread adoption of technology in the financial service industry and consequently strengthen existing regulatory framework for IT risk supervision. This framework shall be integrated with the financial institutions' overall enterprise risk management program. SBP expects FIs to have the knowledge and skills necessary to understand and effectively manage technology risks. These institutions are required to have an integrated approach to risk management to identify, measure, monitor and control risks.

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Regularisation of LPG business approved by CCI

HASSAN ABBAS

Federal Minister for Petroleum and Natural Resources Sh-ahid Khaqan Abbasi said on Tuesday that the Council of Common Interest (CCI) has approved regularisation of LPG business. The minister was speaking at the second international conference organised by Liquefied Petroleum Gas Distributors Association of Pakistan (LPGDAP) in collaboration with the South Asian Media Management Organisation.

Abbasi said despite de-regularisation of LPG business, the prices remained stable and record import of LPG was witnessed but after its regularization this business will grow further. He stressed on maintaining a balance between locally-produced and imported Liquefied Petroleum Gas (LPG) to boost the LPG industry. "Profit margin should be beneficial for all," he said.

This government has not awarded LPG quota to anyone but all previous governments dished out this quota to their favourite people. He said the government is planning to establish LPG mix plants in all the district headquarters of Balochistan, Khyber Pakhtunkhwa and Azad Kashmir. Due to policies of the present government, gas is available to industry in winter as well besides CNG and power sectors.

He said the gas supply in the country had improved and its record import of LPG was witnessed but after its regularization this business will grow further. He stressed on maintaining a balance between locally-produced and imported Liquefied Petroleum Gas (LPG) to boost the LPG industry. "Profit margin should be beneficial for all," he said.

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He said the gas supply in the country had improved and its load shedding was gradually reducing. He said the country used to import 1 million ton fertilizer but it was being exported now due to gas supply to fertilizer plants. He claimed the present government will add 10,000 MW of electricity to the national grid before the end of this year. The Pakistani consumers were getting petrol at lowest rates compared to other countries, he said. Chairman LPG Dealers Association Irfan Khokhar said that LPG industry was going well but intervention of Ogra in its prices had caused a serious blow to the industry. He claimed that the LPG industry had suffered a loss of 30 million so far.

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Bilateral exports:

SBP and CBI may sign arrangement soon

ZAHEER ABBASI

The State Bank of Pakistan (SBP) and Central Bank of Iran (CBI) are likely to sign a Banking and Payment Arrangement (PBA) soon to enable exporters of both the countries to settle their claims through the two state banks. Sources said that a summary for approval of the agreement was put up to a meeting of the Cabinet on February 17, 2017 by the Finance Division for its approval. The Cabinet is stated to have given the go ahead, but minutes of the meeting are awaited. This was disclosed to a meeting of the Senate Standing Committee on Finance held recently.

As soon as the approval of the Cabinet is received, the SBP will sign the arrangement with the Iranian bank. The SBP has been in co-ordination with the Central Bank of Iran to devise a trade settlement mechanism to restore and encourage trade between the two countries since the lifting of economic sanctions on Iran. Sanctions imposed by the United Nations Security Council (UNSC), the United States of America and the European Union (EU) had disrupted the trade volume between Pakistan and Iran, which squeezed to $319.1 million in fiscal year 2016 from $1,321 million in 2009.

The official brief on the mechanism of settlement of trade with Iran reveals that though economic sanctions on Iran have now been lifted, trade between the two countries has not been restored to its previous levels owing to non-availability of settlement mechanism, as no correspondent bank is willing to clear payments favouring an Iranian bank.

Currently, a proposal for a mechanism to settle bilateral trade transactions by entering into a bilateral Banking and Payment Arrangement is at an advanced stage of finalisation. As per the modus operandi under the proposed BPA: (i) Central Bank of Iran and State Bank of Pakistan will open a euro and/or Japanese yen (JYP) denominated account of each other in their books which will be used for settlement of permissible transactions between two countries; (ii) and grant one another a reciprocal credit facility of aggregate two-hundred and fifty million euros or equivalent in JPY in each respective special account. The said credit facility will only be used to settle (trade) transactions authorised under the proposed BPA.

The mechanism to settle bilateral trade transactions under the proposed BPA will be that: (i) the importer's commercial bank will credit the account of its central bank with the amount (euro or JPY) to be paid to exporter in other country; (ii) the central bank on receiving the amount from the importer's bank will instruct the corresponding central bank to debit its special account with the given amount for onward credit to the exporter through exporter's commercial bank; (iii) the outstanding balance of special account, at the end of each three month period, will be settled by the debtor's central bank in favour of the creditor's central bank in euro and/or JPY within one month after the end of respective period. On August 29, 2016, the Economic Co-ordination Committee of the Cabinet granted approval to the SBP for starting negotiations with BMJII on the proposed BPA.

Before signing BPA both the central banks will have to find a correspondent bank acceptable to both the central banks and which is willing to settle the periodic foreign exchange payments. In case of JPY, this correspondent relationship has already been established while in case of euro the same is in process. Subsequent to signing of BPA with Iran, the SBP will issue necessary instructions to inform the market about the BPA and the modus operandi for the banks to settle the transactions under BPA with Iran. The SBP will invite banks to become authorised institutions to conduct trade transactions under the BPA.

In 2015, the Central Bank of Iran had proposed that both central banks may open account of one another in respective local currencies to settle claims on bilateral trade transactions. However, the proposed mechanism could not be established due to issues of convertibility of both countries' currencies, non-availability of trade related facilities in local currencies and significant exposure to exchange rate risk in taking exposure in Iranian riyal.

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THE RUPEE: Firm trend

RECORDER REPORT

The rupee managed to hold overnight levels against the dollar on the money market on Tuesday in the process of trading, dealers said. The rupee stayed put against the dollar for buying and selling at Rs 104.84 and Rs 104.85 respectively, they said.

INTERBANK MARKET RATES: OPEN MARKET RATES: The rupee was unchanged in relation to the dollar for buying and selling at Rs 106.40 and Rs 106.60 respectively; however, it gained 10 paisas in terms of the euro for buying and selling at Rs 113.00 and Rs 114.50 respectively, they said.

In the second Asian trade, the dollar inched up against a basket of currencies as US Treasury yields extended their rise ahead of an expected interest rate rise by the Federal Reserve. The euro pulled back from one-month highs after dovish-sounding comments from European Central Bank officials tempered its recent surge.

With a rate increase already seen as a done deal, investor focus was on what kind of a message the Fed would deliver after its two-day meeting starting later on Tuesday. "The latest rise in Treasury yields is underpinning the dollar, but it is a wait-and-see mood that is mostly prevailing in the market ahead of the Fed's decision," said Shin Kadota, senior currency strategist at Barclays in Tokyo.

"Expectations for a hawkish dot plot was a factor that has pushed up the dollar recently, with hopes for the number of times the Fed could hike rates this year having increased to four from three." The "dot plot" is policymakers' rate projections and provides a view into their interest rate outlook. The euro was effectively flat at $1.0651. The common currency had climbed to a one-month high of $1.0714 on Monday, boosted after some members of the ECB's Governing Council discussed the possibility of higher interest rates at last week's policy meeting.

The dollar was trading against the Indian rupee at Rs 66.20, the greenback was at 4.4460 in terms of the Malaysian ringgit and the US currency was at 6.9174 versus the Chinese yuan. Inter bank buy/sell rates for the taka against the dollar on Tuesday: 79.53-79.55 (previous 79.52-79.52).

Open Bid	Rs. 106.40
Open Offer	Rs. 106.60

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

Bid Rate	Rs. 104.84
Offer Rate	Rs. 104.85

RUPEE IN LAHORE: The rupee failed to hold its strength as it depreciated against the US dollar in the local currency market on Tuesday.

According to currency dealers, the US dollar commenced trading on a positive note and kept on rising during the session. At the close, it rose to Rs 106.50 and Rs 106.85 on buying and selling sides, respectively, as compared to the overnight closing rates of Rs 106.30 and Rs 106.80 respectively, they added.

On the contrary, the national currency showed strength as it recovered its day earlier losses versus the pound sterling. The pound's buying and selling rates slid from the Monday's closing rates of Rs 129.00 and Rs 130.00 to Rs 128.60 and Rs 129.30 respectively, they said.

RUPEE IN ISLAMABAD AND RAWALPINDI: The value of rupee against the dollar remained unchanged at the open currency markets of Islamabad and Rawalpindi here on Tuesday. The dollar opened at Rs 107.50 (buying) and Rs 107.60 (selling). It closed at the same rates by the end of evening session. Pound Sterling opened at Rs 130 (buying) and Rs 131.50 (selling). It closed at the same rate.

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ICAP CFO moot:

'GDP growth mayhit 15 percent after CPEC'

RECORDER REPORT

Speakers at the ICAP CFO Conference were hopeful that Pakistan's GDP growth rate may go up to 15 percent once CPEC becomes fully operational. China-Pakistan Economic Corridor is a big game-changer for Pakistan and will help reduce unemployment, bringing prosperity and opportunities for various sectors. However, the key is that the government will have to bring more transparency in CPEC-related projects and issues. More information and a policy of openness will have to be adopted for financial experts.

Annual ICAP CFO Conference 2017, with the theme "Shaping the Future, Connecting the Dots - Learn, Leverage, Lead," was hosted by the Institute of Chartered Accountants of Pakistan today (Tuesday). The Regional General Manager of Marriot International, Hartmut Noack, said construction of new hotels and malls, a large variety of TV channels and cultural activities between Pakistan and China will increase once CPEC become operational. Discussing their observations and future prospects related to CPEC, speakers said that people may face language barriers, cultural differences, political inconsistency, regional instability, safety and security issues, infrastructure-accessibility.

They urged the authorities to address these challenges to unleash the full potential of this huge project. CPEC will bring large opportunities for Pakistan and living standard of the people of the country will improve significantly in the near future. Delivering his keynote presentation on "Global Trends - A Glimpse at the Big Shift," Founder and President Emeritus, World Future Society, Dr Jose Cordeiro, said upcoming 20 years will be era of technology and technology will fulfill all food, education, health and living standard requirements in future.

He said cancer, aging and other diseases will be cured through technology in future while cloning of human organs will also be ensured with the help of technology. Inclusion of technology in daily life in future will improve the living standard of people across the world. He said next 20 years is the era of changes and opportunists which was never happened in last two centuries.

Earlier, President, Institute of Chartered Accountants of Pakistan Nadeem Yousuf Adil, in his welcome address, said the annual ICAP CFO Conference is undoubtedly a day packed with extraordinary learning and networking experience for the entire finance fraternity.

He said it is an exciting opportunity for chartered accountants, finance professionals as well as the business community to acquire knowledge and updates of the happenings in the corporate world.

He said theme of the conference is a vital one considering the changing economic, financial and technological ground. With this comes our ability to shape the future to use it to our best advantage and become leaders of today and tomorrow. Nadeem Yousuf Adil informed that ICAP has established its offices in various cities of country to provide students of far flung areas with opportunity to become chartered accounts. In this connection CA Edhi scholarship program is also launched which benefits deserving students.

Vice President, Institute of Chartered Accountants of Pakistan, Khalilullah Shaikh said the ever-increasing shifts in economic, technological and financial landscapes are forcing business leaders and finance professionals to think differently and explore new frontiers. To use the novelty for their strategic advantage and to lead into the future, professionals have to continuously learn and leverage on their experiences, he added.

Mudassar Aqil, Sarfaraz A Rehman, Saad Kaliya, Bruce Garrett, Dr Zeeshan Ahmed, Abid Ganatra, Bilal Ahmad Khan, Asim Siddiqui, Amir Jamil Abbasi, Amir Waheed Ahmed, Helmut von Struve, Muhammad Hanif Idrees, Azfar Mir, Humayun Bashir, Merajuddin Ahmed, Brigadier (R) Syed Kausar Hussain Shah and Jo-Dee Walmslely also addressed the conference.

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'Country faced multibillion losses due to Wapda's incompetency'

ABDUL RASHEED AZAD

The country has faced multibillion rupee financial losses in the wake of incompetence of Water and Power Development Authority (WAPDA) over the past many years. This was stated by Federal Secretary of the Ministry of Water and Power, Younas Dhaga while briefing the subcommittee of the Public Accounts Committee (PAC) here on Tuesday, which met under the chairmanship of Sardar Ashiq Hussain Gopang.

"Frankly speaking I will fail to explain and defend the volume of misappropriations and irregularities in WAPDA even if I am granted another life," he said, adding this happened due to lack of accountability mechanism in the public sector organisations. Dhaga said, "In Rainee Canal Project Guddu, the entire transaction was not transparent and billions of rupees were misappropriated by the officials of the WAPDA in collaboration with the contractors."

The committee while reviewing the audit objections of the WAPDA was informed by the principal accounting officer (PAO) that in every segment of the Rainee Canal Project, Guddu, which was started in 2004-05, massive irregularities were committed, as a result the country faced financial losses of billions of rupees. Gopang asked the officials of the WAPDA why there was no check and balance in the aforementioned project, as national kitty faced loss of Rs 3.056 billion in only 1 project. The committee directed the secretary to conduct a viable inquiry into the matter pertaining to massive irregularities in Rainee Canal Project with fixing the responsibility and present the inquiry report before the panel.

The convenor of the committee said that after the report of the inquiry committee "We will decide to send the issue to National Accountability Bureau (NAB) or Federal Investigation Agency (FIA) to fix the responsible persons." The committee also directed the PAO to inquire into the matter of non-transparency in the award of a contract of Rs 2.44 billion by ignoring lowest bidder in Rainee Canal Project of the WAPDA. According to the audit report, a loss of Rs 2.34 billion was incurred to national kitty at Rainee Canal Project at Guddu as a result of extra expenditure due to non-inclusion of "risk and cost" clause in the contract. The contract was awarded to SH Haq Noor & Co in 2004-05 to complete the project in 2007, but the contractor failed to complete the work due to slow speed, and in 2007 the contractor died. Following which the WAPDA re-tendered the contract and completed the project at a cost of Rs 4.33 billion against original estimated cost of Rs 1.99 billion.

Dagha said that his ministry is not in a position to defend the irregularities pointed out in Rainee Canal Project by the audit officials and requested the convener committee to give him 2 months time for conducting an inquiry into the whole issue so that responsibility can be fixed. The panel accepted his request with directions to share the findings of the inquiry with the PAC Secretariat.

The participants were surprised to know that a grade-16 official of Karachi City District Government namely Shams-ul-Haq Siddiqui fraudulently availed deputation as director public relation (post of BPS-19) in Chief Resident Representative Karachi for a period of 3 years from 2006-09 and in Hyderabad Electric Supply Company (HESCO) for 6 months from February 18, 2009 to July 13, 2009 on fake documents and caused Rs 3 million loss to the national kitty.

The PAO informed the committee that the individual was arrested and jailed where after spending 1 year, he got bailed from the court and the case is still in the court. In another case of corruption, the committee was informed that a senior storekeeper of the HESCO misplaced material worth of Rs 8 million, but the HESCO instead of taking stern action against the person, adopted a unique method of recovery with fining him Rs 3,000 per month penalty. The committee was further informed that official Zaheer-ul-Islam went to the court against the HESCO decision. Replying to the above case, the PAO said that the recovery of Rs 8 million is not possible with current penalty if the official involved gets another life.

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Oil production grows by 11 percent YoY basis

RECORDER REPORT

Pakistan's oil production started the year on a sweet note, growing by 11 per cent year-on-year basis to reach 96,500bpd of oil in January 2017, compared with the average decline rate of 5.0pc in the last 12 months. This was due to additions from Nashpa and Mardan Khel fields which added around 7.0pc and 4.0pc, respectively, to January 2017's oil production. Further, improved flows from Adhi and Rajian fields cumulatively elevated production by 4.0pc.

However, gas production, in the absence of any major addition and natural depletion of existing fields, remained almost flat at around 4000mmcfd, causing disappoint to producers. During the outgoing month, Oil and Gas Development Company (OGDC), Pakistan Oilfields (POL) and Pakistan Petroleum (PPL) saw phenomenal growth in their oil levels, growing by 16pc, 20pc and 22pc, respectively, thanks to addition from Nashpa (OGDC and PPL hold 56pc and 26pc stakes) and Mardan Khel (POL and PPL hold 28pc stakes each, while OGDC holds 21pc). "We also saw improved flow from Kunnar Pasaki Deep (KPD) in which OGDC holds 100pc stake (added 1700bpd additional oil in January 2017)", Nabeel Khursheed, said an analyst at Topline Securities.

OGDC's gas production fell by 4.0pc year-on-year basis in January 2017, mainly on the back of lower flow from Qadirpur, Kadanwari and Bhit and Bhandra that cumulatively affected OGDC's gas production by 4.0pc during the period. POL's gas production grew by 11pc primarily due to 12mmcfd (POL's share) average gas addition from Mardankhel. On the other hand, improved flow from Kandhkot (76mmcfd) and additional flow from Shahdadpur and Mardankhel (cumulative flow of 43mmcfd) elevated the PPL's gas production by 10pc during January 2017.

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FBR arm busts gang involved in money laundering

RECORDER REPORT

Customs Intelligence Directorate, an intelligence arm of Federal Board of Revenue (FBR), has busted a gang involved in millions of dollars money laundering and under-invoicing, well-informed sources told *Business Recorder*. Sources said here on Tuesday that the agency has apprehended culprits involved in gross under-invoicing on import of goods and illegal transfer of huge sums of foreign exchange to Singapore and China and cases are being framed under the provisions of the Customs Act, 1969 and Anti-Money Laundering Act, 2010.

The agency is also investigating aspect of connivance of the customs officers/officials involved in clearance goods on nominal/declared values. In this scam, money laundering of US $3 million has been unearthed. The trail of transfer of US $1.41 million to Singapore and China has been established and evidence of remaining US $1.6 million is being collected. The evasion of duty/taxes to the tune of Rs 100.012 million has been unearthed on total values of goods of Rs 307.346 million. Connivance of the customs officers/officials who had cleared the goods on nominal/declared values is also been investigated.

It is important to mention here that due to personal efforts and supervision of Director General Customs Intelligence and Investigation Shaukat Ali, the FBR's intelligence arm has been able to unearth a number of cases of money laundering. According to details, Karachi regional office of the Directorate General, Intelligence & Investigation - FBR has detected another case of gross under-invoicing in import of goods and illegal transfer of huge sums of foreign exchange to Singapore and China. As per details, M/s Sunder Trading Company, Lahore, now operating as M/s MMYZ, Karachi, imported 33 consignments of surveying equipment from Singapore and China. The same were cleared from MCC, Appraisement (West), MCC, Appraisement (East) and MCC, Preventive (KPAF).

On a tip off, two consignments imported by the same persons under the name of M/s MMYS, Karachi and at MCC, Appraisement (West), Karachi were blocked after having been cleared by the Collectorate's staff and thorough investigation was conducted into the transactions referred to. A raid on the business premises of the importer in Lahore was conducted after obtaining search warrants from the court of competent jurisdiction under section 162 of the Customs Act. 1969 and a lot of incriminating evidence was recovered therefrom. Two persons namely Shaukat Ali Naeem (father) and Faisal Shaukat (son) were also arrested who have since been taken to Karachi regional office after obtaining transit remand of the arrested persons up to 17th March, 2017. Cash of Rs 12.42 million was also recovered during the search, which is suspected to have been kept for payment in connection with illegal transfer to the foreign suppliers. The record seized during the raid has established transfer of US $1.41 million to Singapore and China through Dubai-based third parties - that is money changers. Total amount transferred illegally to Dubai and then to Singapore and China is US $3 million. Evidence in respect of the remaining US $1.6 million (approximately) is being collected. Money to the involved exchange companies had been provided through a Lahore-based money exchange company whose name has been kept secret for the moment.

Outcome of the investigation conducted so far by the Directorate General and the papers/evidence recovered as a result of the raid referred to above has established that and duty/taxes to the tune of Rs 100.012 million had been evaded on the consignments already cleared. Total value, on which duty/taxes had not been paid, works out to Rs 307.346 million. The criminals will be charged not only under the provisions of the Customs Act, 1969 but also the Anti-Money Laundering Act, 2010, sources added.

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Power data: Detrimental delays

BR Research

The provision of timely dissemination of data and reports is a practice that is much desired for industry assessment by market analysts and policymakers alike. However, as with the majority of sectors, the energy sector is no exception when it comes to significant delays in report publication and provision of statistics.

What use is a report that is published after almost a year about the state of the transmission network in Pakistan? Well, such was the case of the National Electric Regulatory and Power Authoritys (NEPRA) Visit Report of the National Transmission and Dispatch Company (NTDC).

The report lambasted NTDCs abysmal performance in upgradation and rehabilitation of the grid network in Pakistan. However, the report which was finalized by the end of 2015 went through an almost yearlong consultative process of the NTDC before it was made public.

This results in confusion being created for the media, market analysts, the private sector and the public because the Ministry of Water and Power (MoWP) can then conveniently state that things have improved in the year following the reports review period. One can argue that the regulator should increase pressure on institutions to complete their consultative process in a timelier manner.

But the last release of the State of Industry (SOI) Report 2015 saw MoWP stating the regulator should have finalised the annual report in consultation with ministry as it is a key stakeholder. The SOI was released almost nine months after year-end so how much more consultations were required?

Again, this year the release of the SOI is expected to be behind and the reason is the delay in data provision by the relevant institutions to NEPRA. The last resort that the regulator can use is show-cause notices and informed sources tell BR Research that it has been forced to play this hand.

Another disappointing practice that the MoWP has adopted is the withholding of generation data which used to be uploaded on a daily basis and was accessible to the public. But for more the last six months and interestingly right after the International Monetary Fund (IMF) program ended, this data is no longer available. Not just to the public which are deemed lesser mortals but ironically also to the Planning Commissions Energy Wing or NEPRA.

Then there is the issue of corroborating what the MoWP says with the relevant data. For example recently it has been stating that then performance and profitability of Generation Companies (GENCOs) and Distribution Companies (DISCOs) has improved. If that is the case there is all the more reason for the relevant data dissemination so the MoWP could be given a pat on the back for this remarkable feat.

Granted, that the pressure is on for the MoWP and at the end of the day it has the responsibility to deliver on the governments promise of revamping the power sector. But these practices of undesirable delays in data provision and withholding of information is not a healthy sign of promoting transparency. Neither do they allow other government departments such as the Planning Commission or NEPRA in carrying out their respective roles effectively.

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Cotton prices up on rise in demand

RECORDER REPORT

Rates picked up on the cotton market on Tuesday as some leading spinners showed interest in fresh deals, dealers said. The official spot rate was unchanged at Rs 6800, they said. In Punjab prices of phutti were unchanged at Rs 3750-3800, as per 40 kg, they said. In ready session, nearly 3000 bales of cotton sold at Rs 5975-7000, they said.

Cotton analyst, Naseem Usman said that despite dwindling cotton stock and rising rates, some needy mills and spinners made buying of fine quality. Recently, prices came down in China as it sold 27,200 tonnes of cotton at auction of state reserves.

Other brokers said that the ginners obliged mills and spinners as rates of cotton were matching with their psychological levels. The ginners have only 500,000 bales of cotton so they don't want to sell quality lint at present rates, considering future deals to be profitable in the coming days, they said.

The New York cotton futures were lower on Tuesday. The following deals reported: 800 bales from Rohri sold at Rs 5975, same figure from Fort Abbas at Rs 6800, 400 bales from Dharanwala at the same rate, 400 bales from Mohammadpur Dewan at Rs 6825 and 600 bales from Faqirwali finalised at Rs 6800-7000, they said.

THE FOLLOWING ARE THE KCA OFFICIAL SPOT RATES FOR 2016-17 FOR LOCAL DEALINGS IN PAK RUPEES FOR BASE GRADE 3 STAPLE LENGTH 1-1/16" MICRONAIRE VALUE BETWEEN 3.8 TO 4.9 NCL					
Rate For	**Ex-Gin Price**	**Upcountry Expenses**	**Spot Rate Ex-Karachi**	**Spot Rate Ex-Karachi As on 13.03.2017**	**Difference Ex-Karachi in Rupees**
37.324 Kgs Equivalent	6,800	135	**6,935**	**6,935**	NIL
40 Kgs	7,288	145	**7,433**	**7,433**	NIL

New York cotton

RECORDER REPORT

The fluctuations observed during the day:

	Current Session						Prior Day		
	Open	High	Low	Last	Time	Set	Chg	Vol	Set
May'17	76.92	77.34	76.80	77.15	14:20 MAR 14	77.15	0.28	10916	76.87
Jul'17	77.91	78.30	77.76	78.19	14: 20 MAR 14	78.19	0.33	6316	77.86
Oct'17	75.96	75.96	75.96	75.50	14: 20 MAR 14	75.50	0.21	-	75.29

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Offshore assets of Pakistani citizens: foreign asset declaration and foreign asset tax

Guidelines for proposed declaration – I

SYED SHABBAR ZAIDI

Since April 1, 2016, I have written seven articles in this paper on the subject of offshore assets of Pakistani citizens. These have been compiled in the book 'Panama Leaks-A Blessing in Disguise'. In March, 2017, the Finance Minister of Pakistan revealed on the floor of the house (National Assembly) that a substantial revision is underway on the matter of 'Exchange of Information' between Pakistan and Switzerland on taxation matters. During discussions, the Finance Minister also referred to and reiterated a figure of USD 200 billion as an estimated sum that Pakistani citizens hold in Swiss bank accounts. This amount is higher than the estimated sum in my book at USD 150 billion, in total, around the world including Swiss bank accounts.

Subsequent to publication of the article 'Offshore Assets - V - Solutions and Recommendations' on November 28, 2016, several positive steps have been taken up by the government, including issuance of draft SRO 101 of the Income Tax Rules, 2002, which relates to 'Common Reporting Standards' for banks in Pakistan on the information to be divulged by Pakistani banks to Federal Board of Revenue (FBR) under the OECD Model Tax Convention. Furthermore, a 'Prohibition of Benami Transaction' law has also been introduced. These developments reveal that, notwithstanding the political aspects of 'Panama Leaks', a blessing in disguise is emerging by way of correction in certain vital unchartered aspects of our national economy.

Kinds, forms and nature of foreign assets In the last seven to eight months since the revelation of Panama Leaks there have been substantial improvement in the public perception and information about the kinds, forms and nature of offshore assets of Pakistani citizens. The Institute of Chartered Accountants of Pakistan held three well attended seminars in Islamabad, Lahore and Karachi where this subject was widely discussed in a professional context. There has been a consensus amongst the professionals that this is purely a subject of Pakistan economics and the same should be handled in completely non-sentimental and non-political manner in the long-term interest of the state and the people of Pakistan.

In order to undertake the correction in an appropriate manner, it is essential to further dilate on the kinds, forms and nature of offshore assets of Pakistani citizens, as there can be many ways to classify such assets. I have tried to present this matter in simple way below:

Classification as to the owner being holder of public office or otherwise The first classification of offshore assets of Pakistani citizens can be made as to:

1. Foreign assets held by persons holding public office in Pakistan; and

2. Foreign assets held by persons not holding public office in Pakistan:

(a) Assets created out of taxed income and funds transferred offshore through legal system; and

(b) Assets created out of untaxed income where funds may not have been transferred from Pakistan through legally permissible means.

This classification is extremely important in the sense that, in the cases of assets held by persons not holding any public office, it is actually a business transaction. It is possible that such assets could have arisen/created out of funds on which due taxes have been paid and funds have been transferred through legal means. Within such assets, there could be cases, where taxes may not have been paid or the manner of transfer of funds from Pakistan may not be as per strict foreign exchange regulations of Pakistan. Nevertheless, there is no 'abuse of public office', in acquiring such assets. In my personal view, in case of assets held by persons not holding public office, a substantial portion has been kept outside Pakistan purely for economic and business reasons within the norms of prevalent legal system of Pakistan. Any regulation to be proposed should restrict itself to offshore assets of persons not holding public office.

Classification with reference to disclosure in Wealth Statement in the past The second classification relates to disclosure and non-disclosure of foreign assets held by a Pakistani tax resident in its wealth statement.

At this stage, the discussion is limited to 'disclosure in wealth statement' not the right of taxation by the government of Pakistan. In case of assets held abroad by a Pakistani citizen not disclosed in the wealth statement, a substantial sum represents the assets created out of the income that was not taxable in Pakistan. These cases invariably include Pakistani professionals and businessmen who worked abroad and earned money outside Pakistan, say in

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the Middle East and the West. Assets, mostly in the form of houses, were purchased out of such income. The person returns to Pakistan and in the subsequent period pays taxes due on income taxable in Pakistan. The only conceivable default or shortcoming, however, highly debatable in the legal context, is that such property is not disclosed in the wealth statement in the past years as required to be filed under the tax law of Pakistan. Notwithstanding any other aspect, Pakistan is one of the few countries that requires a wealth statement under the Income Tax Ordinance, 2001. There is no such requirement in the UK and the US, where we have the most refined taxation regimes in the world. To summarise, assets held abroad by tax resident of Pakistan, created out of income earned outside Pakistan, and are not disclosed in the wealth statement, may only be an academic default/shortcoming.

Classification as to the source of income

The third classification is as under:

1. Foreign assets, which are not disclosed in Pakistan, created out of income whose sources are not identifiable/explainable; and

2. Foreign assets, which are not disclosed in Pakistan, created out of identifiable/explainable income.

The first category in this classification is different, as in this case the person holding foreign assets cannot identify the sources from which such assets have been created. This may consequently lead to assertion that a portion of the same have been created out of untaxed funds transferred from Pakistan.

Classification of Undisclosed Assets in relation to time limitation The fourth classification is a derivative in the legal context; of assets identified in the third classification:

1. Foreign assets, not disclosed in Pakistan, created out of unexplained sources, not barred by law of limitation under the income tax laws;

2. Foreign assets held abroad, not disclosed in Pakistan, created out of unexplained sources, barred by law of limitation of Pakistan.

As per practical legal interpretation of Pakistani law, unexplained income/sources relating to a period over five (5) years is barred by limitation. Accordingly, the first category under this fourth classification will be those created in the past five years, others will be barred by limitation. The correct legal way to ascertain the accuracy of the aforesaid classification is to identify year of earning income or source from which such assets have been created. This may be an ideal situation but not a practical one. If someone proves that a house in London was purchased in 2005thenit will deem to arise out of income in 2005. If someone furnishes an explanation that the house now held in 2017 in London was purchased out of sale of house in 2005 (ie created from earnings in 2005) then same analogy should have been allowed to the person in the second scenario. This matter is subject to verification and onus of proof lies with the owner.

Classification as to form The fifth classification is in the nature of form. In this case, such assets can be identified as:

1. Foreign assets, not disclosed in Pakistan, held in liquid form as cash, bank accounts and bullion;

2. Foreign assets, not disclosed in Pakistan, held in non-liquid form such as immovable property, shares in foreign company etc.

Classification as to Bearer or Registered Assets The fifth classification can be further segregated into sixth classification as under:

1. Foreign assets, not disclosed in Pakistan held in the liquid form but identifiable to a person such as bank account etc; and

2. Foreign assets, not disclosed in Pakistan, held in bearer form such as cash, bullion, bearer ownership of foreign companies, etc. These assets are not identifiable to any person.

In this matter the current benami ownership law will also have to be taken into account. As under current law, there cannot be any benami assets.

Classification as to direct or indirect ownership The seventh and the last classification is a legal subject. In this case, a Pakistani person may be a settler, beneficiary, trustee or protector of a foreign trust holding Pakistani assets.

1. Foreign assets held 'directly' through a foreign trust where a Pakistani citizen is an identifiable beneficiary or a protector; and

2. Foreign assets held 'indirectly' through a foreign trust where a Pakistani citizen is an identifiable beneficiary or a protector.

Direct and indirect holding through trust refers to intermediary companies between the assets and the trust.

(To be continued)

DAWN
Wednesday, 15th March, 2017

Prime minister promises business-friendly policies

HABIB KHAN GHORI

KARACHI: Prime Minister Nawaz Sharif is addressing businessmen at Governor House on Tuesday. Chief Minister Murad Ali Shah and Governor Muhammad Zubair are also present.—APP

KARACHI: Prime Minister Nawaz Sharif said on Tuesday the government is devising policies that are in favour of the business community.

Talking to a group of businessmen at Governor House, the prime minister said global financial institutions and credit rating agencies have lauded Pakistan's economic performance.

He said that Pakistan is now perceived to be an investment-friendly country where global firms and institutions are keen to invest to capitalise on opportunities it offers, the prime minister added.

He said the government will provide investors with all facilities and protection. He termed the China-Pakistan Economic Corridor (CPEC) a game-changer, noting that its completion will strengthen the economy and generate employment.

The prime minister said that in 2013, the law and order situation was bad while the country faced multiple challenges, like terrorism, energy shortage and poor economic conditions. However, the government handled the challenges and put the economy on the track of progress.

The CPEC is a symbol of economic progress and the government will not tolerate any obstacle to the project, he noted.

The pace of economic growth in 2016 was 4.8 per cent, which was the highest in the last eight years, the prime minister said.

He stated that loadshedding will soon be eliminated as the government is working on low-priced and environment friendly energy projects.

The prime minister told the businessmen that he is aware of the problems confronting the city's business community. He said the federal government will extend full cooperation to the Sindh government in the implementation of mega projects in Karachi.

Earlier, business leaders informed the prime minister about their problems.

Before meeting businessmen, Mr Sharif met Sindh Governor Muhammad Zubair and Chief Minister Syed Murad Ali Shah.

They exchanged views on the overall law and order situation in the province. The prime minister assured them of full cooperation with regard to the ongoing operation against criminals and completion of mega projects.

DAWN
Wednesday, 15th March, 2017

NFC award likely to be extended again

KHALEEQ KIANI

ISLAMABAD: The government is likely to continue with the 7th National Finance Commission (NFC) award of 2009 for another year because of tough positions on resource sharing among the stakeholders and limited time available until the presentation of next year's budget.

The 7th NFC expired on June 30, 2015, and it has since been on repeated extensions through presidential extensions.

An official told Dawn that it appeared almost impossible to work out a fresh revenue-sharing formula among the Centre and provinces before federal and provincial budgets for 2017-18, expected to be announced in less than three months.

The federal government has already scheduled to hold meetings of the priorities committee on next year's budget in the first week of April to finalise expenditure details, including development projects. That leaves little room for a mammoth exercise of NFC consultations, he said.

In its last meeting in December 2016, the NFC led by Finance Minister Ishaq Dar agreed to convene the next meeting of the commission in the first week of January to have structural discussions and share recommendations for the next award. The meeting was not called since then.

A federal government official said the government did not even need to issue a fresh presidential order to extend the previous award because the existing order would remain in force till further orders.

Sindh's NFC member Senator Saleem Mandviwalla on Tuesday protested over the delay in the next NFC: "The federal government is responsible for the delay of NFC award. It is not interested in the issuance of new NFC award and is depriving the smaller provinces of their constitutional rights."

He said that it was the obligation of the federal government to issue a new NFC award after every five years, but it was not doing so.

Referring to a recent unanimous resolution passed by the Senate, Mr Mandviwalla said he was taking up the matter of delay in NFC award with the Senate chairman, who had already announced to play his role in this regard.

The resolution, also supported by the PML-N, required that the Senate should have the powers to extend the award for a year with one per cent increase in provincial share if the federal government failed to announce NFC award in the stipulated time.

A government official, however, said the resolution of the Senate was at best recommendatory in nature and was not binding. "The Constitution is very clear on NFC and there was a parliamentary process to make any amendment," he said.

The official said the finance minister had already triggered budgetary process for the next year and would also be holding pre-budget meetings with lending agencies in the coming days with consultations with the International Monetary Fund due later this month.

An official in the government of Khyber Pakhtunkhwa said the federal government had little incentive to announce fresh award when the provinces were offering cash surpluses.

He said the Centre's demand for setting aside about 7pc of divisible pool taxes for security, mainstreaming of tribal region and Azad Jammu and Kashmir (AJK) and Gilgit-Baltistan was an attempt to keep the provinces at bay for higher share in resources.

While the provinces have eyes on increased revenue share, the Centre has already made a pitch for jointly sharing the responsibility of war against terrorism, natural disasters and the needs of special areas like AJK, Gilgit-Baltistan and the Federally Administered Tribal Areas by setting aside 7pc resources of the consolidated fund before calculating net proceeds of the divisible pool for sharing with and among the provinces.

In initial meetings, the provinces indicated to seek increase in their share from existing 57.5pc in national taxes to finance additional responsibilities arising out of the devolution under the 18th constitutional amendment and security expenditure. At present, the Centre retains 42.5pc of the divisible pool and transfers 57.5pc to the provinces after deducting collection charges.

Of the provincial share, 82pc is distributed on the basis of

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population, 10.3pc on poverty or backwardness, 5pc on the revenue collection and 2.7pc on the inverse population density (area).

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Oil production grows 11pc to 96,600 bpd

THE NEWSPAPER'S STAFF REPORTER

KARACHI: Pakistan's oil production grew by 11 per cent year-on-year to reach 96,553 barrels per day (bpd) of oil in Jan 2017 due to additions from Nashpa and Mardan Khel fields which added around 7pc and 4pc, respectively to Jan 2017's oil production.

Furthermore, improved flows from Adhi and Rajian fields cumulatively elevated production by 4pc.

Gas production remained almost flat at around 4,000 mmcfd as absence of any major addition and natural depletion of existing fields continued to disappoint producers.

During the outgoing month, the Oil and Gas Development Company (OGDC), Pakistan Oilfields (POL) and Pakistan Petroleum (PPL) saw phenomenal growth in their oil levels, growing by 16pc, 20pc and 22pc, respectively thanks to addition from Nashpa (OGDC and PPL hold 56pc and 26pc stakes) and Mardan Khel (POL and PPL hold 28pc stakes each while OGDC holds 21pc).

Nabeel Khursheed at Top Line Securities said there was improved flow from Kunnar Pasaki Deep (KPD) in which OGDC holds 100pc stake (added 1700bpd additional oil in Jan 2017). KPD has yet to add around 4,000 bpd of oil, expected in couple of weeks.

He said OGDC's gas production fell 4pc YoY in Jan 2017, mainly on the back of lower flow from Qadirpur, Kadanwari and Bhit and Bhandra that cumulatively affected OGDC's gas production by 4pc during the period.

POL's gas production grew by 11pc YoY primarily due to 12mmcfd (POL's share) average gas addition from Mardankhel. On the other hand, improved flow from Kandhkot (76mmcfd) and additional flow from Shahdadpur and Mardankhel (cumulative flow of 43mmcfd) elevated the PPL's gas production by 10pc YoY during Jan 2017, he said.

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Cotton prices steady

THE NEWSPAPER'S STAFF REPORTER

KARACHI: The cotton market on Tuesday remained steady amid moderate trading. However, proceedings lacked buying enthusiasm owing to short supply of quality cotton.

While ginners kept asking for higher prices due to limited stocks, spinners were reluctant to pay more, brokers said.

Spinners were already facing difficulty in exports due to higher cotton yarn prices against their competitors on the world market and were entirely dependent on local sales, they added.

It is almost off-season because phutti (seed cotton) in Sindh has completely exhausted whereas slow and limited arrivals continue in Punjab which would not have much impact on cotton production, cotton analyst Naseem Usman said.

The ginners' body met on Tuesday with high officials of Federal Board of Revenue (FBR) over tax issues, but the meeting failed to produce any results and ginners were now seeking government intervention, brokers said.

The Karachi Cotton Association's spot rates were unchanged. Major deals on the ready counter were: 800 bales from Rohri at Rs5,975, 800 bales from Fort Abbas at Rs6,800, 400 bales from Dahranwala at Rs6,800, 400 bales from Muhammadpur Dewan at Rs6,825 and 600 bales from Faqirwali at Rs6,800 to Rs7,000.

There world cotton markets gave mixed trend, with New York cotton recovering and China and Indian markets closing easy.

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

DAWN

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MARKETS

FOREX

Exchange Rates for Currency Notes (Rs)

	Interbank market*		Open market**	
	Buying	Selling	Buying	Selling
USA	104.60	104.80	106.40	106.60
UK	127.64	127.89	128.80	130.30
Euro	111.43	111.64	113.00	114.50
S.Arabia	27.89	27.94	28.30	28.50
UAE	28.51	28.56	29.00	29.20
Japan	0.9110	0.9127	0.9184	0.9384

*forex.com.pk **ECAP

KIBOR

Karachi Interbank offered rates

	Bid	Offer
Three months	5.83	6.08
Six months	5.87	6.12
One year	5.91	6.41

LIBOR

Special US dollar bonds for Mar 13

Three months	1.13122 %
Six months	1.43211 %

THE NEWS
Wednesday, 15th March, 2017

IFC to invest $100 million in new hydropower project

KARACHI: International Finance Corporation (IFC), a member of the World Bank Group, is investing $100 million in the landmark 720MW Karot run-of-river hydropower project in Pakistan to help overcome severe power shortage and spur growth, a statement said on Tuesday.

IFC's support for the $1.7 billion project on the River Jhelum, which has now reached its financial close, marks the IFC's first project finance engagement with China Three Gorges Corporation (CTGC), one of the world's largest renewable power companies.

In 2015, IFC acquired a 15 percent stake in China Three Gorges South Asia Investment Limited, CTGC's renewable energy platform company in Pakistan, to help develop a series of renewable energy projects in Pakistan that are expected to provide electricity to more than 11 million people.

Pakistan has been suffering from a severe power deficit, resulting in load-shedding of over six hours/day on an average, hampering the country's economic growth and development.

The Karot plant, which should be operational in five years, is expected to generate 2,970 gigawatt-hours of net energy annually, providing affordable, clean power to around three million residential customers, the statement added.

"Improving access to electricity in Pakistan is a priority for the IFC and the World Bank Group, and we are pleased to see the Karot project advance," said Bernard Sheahan, IFC global director for Infrastructure and Natural Resources.

"Our priority has been to support the sponsor and the company in the project's development by strengthening their environmental, social and corporate governance capabilities, to ensure power is delivered sustainably," he added.

Pakistan represents IFC's second-largest engagement in the Middle East and North Africa Region, with over $5.6 billion in cumulative investments committed to-date.

IFC is supporting a number of hydropower plants in the Jhelum-Poonch Watershed, totalling some 2,750MW. This has been complemented by the advisory work supporting river basin management and biodiversity risk mitigation.

Karot is IFC's largest hydroelectric power project to-date and represents IFC's first major collaboration with the China Export Import Bank, China Development Bank, and Silk Road Fund.

IFC was able to bring its considerable Pakistan experience and global project finance expertise to help finalise the deal. The project is a major contribution to the joint World Bank Group Transformational Energy Initiative and Joint Implementation Plan in Pakistan, which aims at mobilising $10 billion in new generation investments to address Pakistan's acute power shortage and improve sector sustainability.

According to project's official information, Karot hydropower project is the fourth of the five cascade hydropower stations planned on River Jhelum in Pakistan, its upstream is the Azad Pattan HPP, and its downstream is the Mangla HPP.

The project is a single power generation task hydropower complex, with reservoir storage of 164.50 million m3. Its installed capacity is 720MW (4×180MW). The is designed exclusively for power generation under Build Own Operate Transfer (BOOT) basis with a concession period of 30 years.

It has an asphalt core rock-fill dam of 95.5 m height, a separate spillway, intake structure, 3 diversion tunnels, 4 power tunnels and a surface power house. IFC, a member of the World Bank Group, is the largest global development institution focused on the private sector in emerging markets.

Working with 2,000 businesses worldwide, IFC uses six decades of experience to create opportunity where it is needed the most. In FY16, the long-term investments in developing countries rose to nearly $19 billion, leveraging our capital, expertise and influence to help the private sector end extreme poverty and boost shared prosperity.

THE NEWS
Wednesday, 15th March, 2017

Deal in sight to break Govt-IPPs payments deadlock

LAHORE: The deadlock between the federal government and Independent Power Producers (IPPs) over the payment of outstanding dues is likely to break shortly, an official source said on Tuesday.

After discussing this lingering issues in a meeting on Monday, both parties will meet today (Wednesday) as the government has once again invited management of IPPs to positively find a solution to this problem.

“The government has taken this initiative to resolve the issue and the Independent Power Producers Advisory Council (IPPAC) has agreed to stop running advertisement campaign over non-payment of dues,” a source at Private Power Infrastructure Board (PPIB) told The News.

He added the last IPPs-PPIB meeting that held on Monday ended on an optimistic note and it is expected the issue will be resolved soon. “Both sides are hopeful about reaching at an agreement today (Wednesday),” the source said. He further said the agenda of next meeting includes: ensuring compliance with PPA, past due receivables, tax issues, LNG supply to power producers, and dispute resolutions.

“Following the PPA payment methodology of ‘First in First Out’ (FIFO) is a must from now on. Also, if Central Power Purchasing Agency (CPPA) has a dispute to an invoice of IPP, it needs to follow the process of issuing an Invoice Dispute Notice (IDN) as per PPA and cannot hold amounts without IDN. If CPPA/NTDC has a claim against an IPP, it needs to issue an invoice as per the PPA and cannot just set aside funds unilaterally,” the source said quoting the postulates of IPPs.

Divulging further details, the source said that IPPs are of the view that rejection of guarantee calls on frivolous (and legally wrong) grounds implies mal-intention, so this needs to be rectified, while regarding receivables of past dues, timelines to retire all past due amounts need to be put in place.

“The agenda about tax issues is that general sales tax (GST) on fuel versus electricity needs to be equalized,” the sources added. The IPPs, according to the source, also said the issues apply to residual furnace oil (RFO) for over a year and ongoing, and to high speed diesel (HSD) for three months in 2016. “This must be done no later than the end of March 2017 and other refunds relating to other tax matters must also be cleared by June 2017”, the IPPs said in the agenda.

They also stressed on the government that it needs to decide if it supports Federal Board of Revenue’s (FBR) position in GST apportionment. “If it does, it needs to confirm that if Supreme Court rules in favor of the FBR then IPPs will pay only what they receive from NTDC on this account, both for underlying amount as well as any interest/penalty,” the source cited the IPPs as saying.

Furthermore, the IPPs, according to the source, added they will not take any exposure on amount or timing. “If the government does not agree with the FBR, then it needs to direct the board to withdraw its appeal from SC and/or clarify the policy in upcoming Financing Bill,” the IPPs stated.

THE NEWS
Wednesday, 15th March, 2017

Pakistan, China likely to sign accord to protect intellectual property rights

ISLAMABAD: Pakistan and China are expected to sign an agreement to enhance cooperation in the field of intellectual property rights (IPRs) in order to protect trademarks, patents and copyrights in the two neighbouring countries, a top official said on Tuesday.

Shahid Rashid, chairman of Intellectual Property Organisation (IPO) said a five-member delegation of State Intellectual Property Office (SIPO) of China would be visiting Islamabad on March 21-22.

“It is expected that a memorandum of understanding will also be signed between IPO-Pakistan and SIPO-China during the visit to enhance cooperation for the promotion of IPRs in both the countries,” Rashid told journalists at a news conference. He reiterated IPO-Pakistan’s commitment to comply with all the international obligations pertaining to intellectual property rights.

IPO chairman said the country’s first-ever national IP strategy is at the final stage of consultation with the stakeholders. Two sessions have already been held in Islamabad and Karachi and the final seminar is being held in Lahore on March 20. The strategy will be presented to the cabinet for approval.

“As a result of improved IP management and attention to enforcement, Pakistan has been removed from the US priority watch list in 2016,” he added. “This development augurs well for trade and commerce as it precludes any adverse action due to any laxity in the IP management.”

Rashid said IPO-Pakistan has also finalised geographical protection bill after due consultation. “This bill is likely to be enacted in the tenure of current parliament.” He said the IPO will celebrate ‘World IP day’ on April 26.

IPO has so far registered 123,000 trademarks, 25,311 patents and 32,000 copyrights. It came into being in 2005 through a presidential ordinance. In December 2012, the IPO Act was enacted.

The organisation will start one-window operation from March 31 to facilitate businesses. It will start one-window services in Karachi to resolve IPR-related matters. All the three registries, including trademark, patent and copyright have already been housed at the central location.

“We will continue to facilitate public for IP-related services at the international level,” Rashid said. He said since its inception IPO-Pakistan took a number of initiatives. All national IP laws relating to patent, copyrights and trademarks have been updated. IP tribunals in Lahore, Karachi and Islamabad were established for effective and efficient adjudication of IP disputes. IPO has also signed memorandum of understandings with the Federal Board of Revenue and law enforcement agencies for effective IPR enforcement and coordination.

Rashid said the organisation is, however, running without service rules. Till July last, the IPO was running under the administrative control of the cabinet division. The ministry of commerce has moved a summary to the Prime Minister to get control of IPO. The service rules have finally been sent to the establishment division. It is expected to be finalised soon, he added. “Around 50 percent posts are still vacant because we don’t have service rules.” IPO has proposed 50 percent rise in its fees of registering trademark, patent and copyrights.

THE NEWS
Wednesday, 15th March, 2017

LNG import may touch 1,200mmcfd by July

ISLAMABAD: Import of Liquefied Natural Gas (LNG) is likely to double by July 2017 from its current volume of 600 million cubic feet per day (mmcfd), official sources said.

"Currently, Pakistan is importing 600mmcfd RLNG, which is added to the transmission network, and hopefully a matching quantity will add in the current supply by July 2017," the sources told APP.

Currently, they said, there was a huge gap between demand and supply (domestic production) of gas, and added, "therefore, reliance on imported gas is likely to increase in future unless new major gas discoveries are made."

They informed that the government took several measures to reduce reliance on imported gas.

Elaborating the steps, the sources said Petroleum Policy 2012 was being implemented in letter and spirit, offering attractive terms and conditions to investors. They said as many as 46 new blocks had been awarded under the new policy, while the clearance process had been initiated for the award of another 32 exploration blocks to oil and gas exploration and production companies through a transparent bidding process.

Answering a question, the sources said producer gas price had been increased from 31 percent to 68 percent for different zones to encourage investment in the oil and gas sector. For new exploration efforts in old blocks, they said, supplemental agreements had been signed for conversion to the 2012 Petroleum Policy price.

The government introduced the bonanza of $1/MMBTU for the first three discoveries in offshore areas, and allowed E&P companies to sell 10 percent of gas production to any buyer.

THE NEWS
Wednesday, 15th March, 2017

Cotton sowing in Punjab after April 15

By our correspondent

LAHORE: The government of Punjab has ordered to refrain from cotton sowing before April 15 and complete it up to May 15 to protect the crop from an attack of pink bollworm, which might lead to low yield, it was claimed on Tuesday.

Ihsanul Haq, chairman, Cotton Ginners Forum, said Punjab government imposed the ban on cotton sowing prior to 15th April under Section 144 to save the cotton crop from pink bollworm. “Provincial government’s decision may reduce the cotton area, and result in shortfall in per acre cotton production, which will impact the national economy,” he added.

Haq said the pink bollworm moths attacked only cotton flowers; so it was better that Punjab government allowed cotton sowing from March 25 so as the flowers were open by May 10 when the temperature remains high enough to kill the emerging pink bollworm adults. “Therefore, the cotton crop will be safer and overall national cotton production will not be impacted,” he added.

The Nation on Web
The Nation
Wednesday, 15th March, 2017

Iranian envoy for enhanced trade with Pakistan

Our Staff Reporter

LAHORE - Iranian Consul General Mohammad Hossein Bani Assadi has said the business community in the two countries will have to increase interaction to share their experiences in the larger interest of the people of the two nations, through sector-wise trade delegations and single country exhibitions from the platform of Chambers of Commerce of the two countries.

He said that such steps would benefit bilateral trade relations of Pakistan with Iran, since countries share border, rich resources, culture and religion. He said that through Iran, Pakistan could initiate trade with Central Asian States via land route, forming an important region for Global Economics due to CPEC and One Belt One Road. Lahore, as premier chamber, will be leading the trade with Iran and ECO counties and delegations are being formed to visit neighbouring countries, Abdul Basit said.

The Iranian consul was informed that the State Bank of Pakistan governor had assured during his recent visit to LCCI that Pak-Iran banking channels would be reconnected sooner than expected.

The Consul General said that Iranian Airlines would start operations with initially two flights per week, one from Lahore and one from Karachi, to Tehran in near future. He added that Iran has completed its part of fibre optic cable, which only needs connection with Pakistan to improve the telecommunication structure between the two countries.

The president said that letters would be written to the prime minister and the Ministry of Communication that the communication gap should be bridged “if we want to cement mutual trade relations”. He said that both sides needed to conduct market research to strengthen trade relations between the two countries. Priority should be given to each other for import of goods rather than buying from distant countries.

Former LCCI President Syed Mohsin Raza Bukhari laid stress on collaboration in SMEs and mega projects like onshore and offshore oil and gas exploration activities, hydel and coal based energy projects, paper and board, sugar, cement, chemicals, transport and communication, construction of roads in Pakistan, scientific and educational cooperation, handicrafts, artificial jewellery, carpets, fancy furniture, etc. He said that Pakistan was basically an agricultural country bestowed with a variety of seasons and agro-based products, but due to a lack of post-harvest technologies a lot of agriculture produce was wasted. Hence, technology from Iran can help Pakistan’s agro-based food processing and dairy industry to improve. Pakistan is one of the leading countries and known around the globe for its textile potential and products, that still needs to be properly introduced in Iranian business houses. Such efforts can also prove vital to equalise our trade balance.

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Germany will help Pakistan boost bilateral trade

Our Staff Reporter

FAISALABAD - German Ambassador Ina Lepel has said that Germany being a major trade partner of Pakistan in the European market will continue to extend its diplomatic and political support to help explore more avenues for bilateral business.

Addressing a meeting at the Pakistan Textile Exporters Association here on Tuesday, she said that Germany was one of the important trade partners of Pakistan and several German companies were working in different trade fields in Pakistan. Both countries have potential to increase the trade volume and “we must carve out ways and means to exploit the available potential”. She termed GSP plus a key driver for promoting bilateral trade and said that with duty free access to EU, Pak-German trade volume had reached 2.24 billion dollar last year with positive growth of 16%. In the first half of current fiscal year, growth in bilateral trade has been witnessed at 6%.

Ina Lepel said that Germany was looking at ways to help Pakistani business community to fully avail the opportunity. However, she cautioned that GSP plus preferences should not be taken for granted as Pakistan had to ensure compliance with 27 international conventions. In order to further strengthen business institutions, Pakistan-German Chamber of Commerce and Industry has been established, which would further improve bilateral trade and economic relations, she said. Germany was currently focusing on renewable energy and energy efficiency in Pakistan including consultancy for individual enterprises on energy conservation in their production processes. GIZ is working in different sectors of economy to enhance the productivity and the working conditions to further improve the quality and quantity of exportable surplus from Pakistan, she said.