BUSINESS
RECORDER
Thursday, 16th March, 2017

Fiscal Year 2018 current expenditure likely to receive boost

Anjum Ibrahim, ZAHEER ABBASI & SOHAIL SARFRAZ

Current expenditure is expected to receive a boost in election year's budget 2017-18 with a higher outlay on subsidies for the power sector to enable the poorly performing Gencos to minimise load shedding and a minimum of Rs 50 million is likely to be allocated to each PML-N parliamentarian for development work in their constituencies. Gencos with an operating capacity of less than 29 percent would be brought on board through massive subsidies to minimize load shedding.

The exact amount of subsidy would depend on the international price of oil however it would be at least double what has been earmarked for the current year at Rs 95.4 billion for Wapda/Pepco and Rs 22.6 billion for K-Electric. Subsidies to the power sector would thus amount to Rs 250 billion at least if the government is to achieve its commitment to have 2 hour load shedding per day in cities and double that in rural areas - a key commitment that if met would give the Sharif administration a decisive electoral victory in 2018.

Sources on condition of anonymity told *Business Recorder* that the government may opt to inject a subsidy of Rs 8-10 billion monthly to run the oil guzzler Gencos like Jamshoro to make full use of installed capacity. Budget in brief 2012-13, an election year, shows that higher spending on subsidies for the power sector dominated the current expenditure and accounted for Rs 250 billion under this account.

The PML-N has 126 parliamentarians, with 34 women and 6 minority seats. If only Rs 50 million is extended for development work in their constituencies then a total of Rs 8.3 billion additional funding would be required. Sources revealed to this newspaper that the Cabinet has already approved Prime Minister's Taraqiati Programme 2016-18 designed to undertake community based development schemes for various sectors. Funds from between Rs 2.5 million to Rs 30 million for each scheme would be disbursed on the request of the politicians of the ruling party. These schemes would be around Rs 7 billion each and reflect a traditional method to gain votes that is employed by the party in power during an election year.

Overall current expenditure is therefore likely to increase by 12 percent in election year, a conservative estimate, based on the fact that current expenditure rose by over 11 percent in the last election year 2012-13: from Rs 2631 billion for the previous fiscal year to Rs 2907 billion in the election year.

Allocation on current expenditure is therefore forecast to be between Rs 4310 to Rs 4350 billion for election year as opposed to Rs 3843 billion estimated in the budget for the ongoing fiscal year. The Dar a led Finance Ministry has on average increased salaries/pensions/others, under the head running of civil government, by on average 10 percent each year - a policy that has been fully supported by the entire Opposition. This would imply an increase of Rs 20 billion under this head next year. The UK Labour government negotiated a salary freeze during periods of high deficits terming it incomes policy. However the Sharif administration is unlikely to support this especially during an election year.

Informed sources however told *Business Recorder* that the increase in federal Public Sector Development Programme maybe higher by Rs 100-125 billion for to allow development schemes not only in the constituencies of the members of ruling party but also for mega projects supported by the Prime Minister.

Defence outlay is unlikely to be curtailed especially with the ongoing operation Raddul Fasaad and as in the past it is likely that the civilian government would allocate and release the amount requested by the defence forces. On average it has risen by around 10 percent and this no doubt would be allocated.

Federal Board of Revenue (FBR) has been unable to achieve the overambitious budgeted revenue collection target during the past two years and it is likely that this target would be just as ambitious in next year's budget and would be missed in election year as well. However informed sources reckon that the government is unlikely to impose higher taxes on productive sectors during an election year and would also resist the temptation to raise indirect taxes say on mobile sims and other consumer items but would most likely widen the gap between filer and non filer rates; however it is unlikely that the FBR would proactively proceed against those influentials who refuse to file returns.

The business community, one of the major supporters of the PML-N in the past has in recent years expressed annoyance at taxation measures and it is likely that yet another amnesty scheme will be announced, the third in less than five years, and taxes on the corporate sector reduced.

Thus with expenditure rising substantially during the election year and the revenue base narrow and heavily reliant on fuel taxes as well as on other indirect taxes borrowing will rise dramatically. And with programme lending (budget support) having significantly contracted after the end of the International Monetary Fund Programme in September 2016 - from Rs 324.6 billion in 2015-16 to 133.7 billion in the current year - it is highly likely that the Finance Minister would enhance his reliance on very short term commercial borrowing - at very high rates of return, and issuance of bonds/sukuk internationally again at rates well above the market rate if past precedence is anything to go by.

Whoever wins the next elections would therefore have to contend with high rate of debt service payments in the short term. Or from an allocation of 40 percent of current expenditure in 2016-17 it may well rise to 45 percent next year in real terms as opposed to what would be budgeted.

But the election year budget itself is unlikely to present these stark realities. Like in the past the Dar-led Finance Ministry would show a low deficit by overstating revenue and understating expenditure and borrowing at whatever cost - domestically and from abroad.

BUSINESS
RECORDER
Thursday, 16th March, 2017

Government to think FTA matters through: Dastgir

MUSHTAQ GHUMMAN

Commerce Minister Engineer Khurram Dastgir Khan said on Wednesday that Nawaz Sharif government will not sign any Free Trade Agreement (FTA) that does not safeguard the country's interests. He made these comments during a press conference convened to announce the notification of category B and category C commitments and launch of Pakistan's effective implementation of the WTO Trade Facilitation Agreement (TFA).

When Commerce Minister was asked about reasons for the poor performance of exports and delay in finalisation of Free Trade Agreements (FTAs) with Turkey and Thailand and second phase of FTA with China, he said that in the past FTAs were not negotiated properly but incumbent government will first protect country's interests and then sign the pact.

Commerce Minister acknowledged that Commerce Ministry is facing challenges in exports growth for the last three years but growth in export is also the responsibility of other stakeholders like Ministry of Finance, Ministry of Industries and Production, Ministry of Petroleum, Ministry of Water and Power and Federal Board of Revenue (FBR).

"Pakistan is still implementing FTA signed in the past. No agreement will be signed which may hurt Pakistan's interests. There is a delay in the finalisation of the second phase due to differences of opinion of the two countries. Pakistan will expand trade pact with China when imbalance in trade will be rectified. This year both countries will again hold negotiations on second phase. There is urgency due to CPEC but no change has been made in the pact so far," he added.

In reply to a question, Commerce Minister said that there would be no change in trade regime with India as Pakistan has serious security concerns on opening of Wagha border for Afghan trucks. Answering another question, Commerce Minister said that Pakistan-Afghanistan border management plan is being formulated and he is hopeful borders will reopen after the ongoing meeting on Afghanistan in London resolves all issues.

Commerce Minister further revealed that his Ministry is also in contact with all the concerned institutions urging them to reopen the border. "Commerce Ministry is of the view that border with Afghanistan should open for trade with heightened security and vetting. There should be a balance between facilitation and regulation," he added.

Khurram Dastgir said he met with a delegation of Pakistan Afghanistan Joint Chamber of Commerce and Industry (PAJCCI) on Tuesday and discussed ways to facilitate trade between the two countries.

"We have agreed to resume trade as soon as possible and conveyed to the visiting delegation that sense should also have prevailed on the other side of the border," he added. According to the Commerce Minister, Pakistan send draft of PTA to Afghanistan a couple of years ago which is still lying with Afghan National Security Advisor. He said the use of transit trade has declined which is evident from the fact that complaints this year are less compared to previous years. He said Pakistan Railways has been requested to review transport fares for goods destined for Afghanistan.

Replying to a question regarding Iran Pakistan Gas pipeline, he said that issues of international banking for this project are still pending and as soon as this hurdle is crossed, work on this project will start. In a written brief on implementation of Trade Facilitation Agreement, at various WTO forums it had been pointed out by member countries that "red tape" in moving goods across borders poses a burden on importers and exporters particularly small and medium-sized enterprises. To address this, WTO Members concluded negotiations on a Trade Facilitation Agreement (TFA) in 2013 at Bali Ministerial Conference.

The TFA contains provisions for expediting the movement, release and clearance of

BUSINESS
RECORDER
Thursday, 16th March, 2017

goods. It also sets out measures for effective co-operation between customs and other appropriate authorities on trade facilitation and customs compliance issues. It further contains provisions for technical assistance and capacity building in this area. The Agreement will help improve transparency, increase possibilities to participate in global value chains, and reduce the scope for corruption.

OECD has suggested that implementation of the TFA would reduce trade costs by 14.5%. The Peterson Institute estimates that trade facilitation reforms will expand global trade by as much as $1 trillion annually. It is estimated that gains from the TFA will accrue mostly to developing countries. Developing countries like Pakistan will also be able to diversify their exports and enter new markets. The Agreement will also help developing countries attract more FDI, increase customs revenues and reduce the incidence of corruption through the availability of all information in a transparent manner. Beyond these quantifiable economic benefits, TFA will improve the systems and customs procedures.

Pakistan ratified the Trade Facilitation Agreement (TFA) in October 2015. The TFA has now come in to force since 22nd February 2017, after two-third members (110) of the WTO ratified the agreement. Commitments under TFA are categorised in three steps: (i) Category-A: already in place/immediately enforceable;(ii) Category-B to be notified immediately and implemented after a transition period and ; Category-C: commitments requiring technical assistance by donors. Pakistan has already notified its Cat-A commitments-measures that are implementable immediately. Ministry of Commerce and FBR after detailed deliberations have drafted Category Band C measures very carefully.

BUSINESS

RECORDER

Thursday, 16th March, 2017

Chinese premier warns US against 'trade war'

RECORDER REPORT

Chinese Premier Li Keqiang on Wednesday warned the United States against starting a trade war while expressing optimism that the world's two largest economies could keep relations steady despite Trump-era frictions. "We don't want to see any trade war breaking out between the two countries. That wouldn't make our trade fairer," Li told reporters at a press conference closing China's annual parliamentary session.

"No matter what bumps the China-US relationship may run into, we hope this relationship will continue to move forward in a positive direction." China and the United States are currently discussing arrangements for a summit between President Donald Trump and his counterpart Xi Jinping that could help ease tensions stoked by Trump's fiery election-campaign rhetoric.

Trump threatened to upend decades of multilateralism and raised fears of a trade war with China while on the campaign trail. After his election victory, he angered Beijing with a protocol-busting telephone conversation with the president of self-ruled Taiwan, which China claims as its own. Trump and Xi subsequently smoothed over the dispute last month in a phone call in which the US leader reiterated Washington's adherence to the "one China" policy that nominally endorses Beijing's claim to Taiwan.

In the wake of the Xi-Trump conversation, Li said he saw "bright prospects" for bilateral relations. "I believe whatever differences we have, we can still sit down and talk to each other and work together to find solutions," he said. Li's parliament-ending press conference is the only time each year that foreign journalists are allowed to put questions to a member of China's elite leadership inner circle, though they are pre-approved. Li is second only to Xi in the Communist Party hierarchy.

Fasten your seat belts Li cited a report which he said indicated that if a trade war occurred, "foreign-invested companies, in particular US firms, would bear the brunt of it". Li vowed that China would continue to act as a steady pillar of the global economy despite trimming its domestic economic growth forecast for this year. Delivering his government's annual report to the rubber-stamp National People's Congress 10 days earlier, Li cited a "more complicated and graver situation" facing the global and domestic economy this year.

He said the government growth target for 2017 was "around 6.5 percent, or higher if possible," a further deceleration after full-year growth last year came in at 6.7 percent, weakest since 1990. He said Wednesday that achieving the 2016 target "will not be easy", and warned that China faced a plethora of financial risks at home. China is trying to pivot from hyper-fast growth based on investment, heavily-polluting industries, and exports towards a steadier consumer-driven model.

But the transition is complicated by the slowing growth, a slumping currency, bloated industrial firms, capital flight abroad, and fears of a looming housing bubble and bad-loan crisis. Li said China would "continue to be a strong driving force in the face of a sluggish global economy recovery." But he added that Chinese policymakers need to "take very seriously the risks we are facing on the domestic front, especially in the financial sector."

"We need to fasten our seat belts and prevent any acute outburst of financial risks and we will also make sure that we prevent any regional and systemic risks," he said. Trump's Secretary of State Rex Tillerson will visit Japan, South Korea and China beginning later this week, with tensions soaring in the region. North Korea has caused alarm with its latest missile tests while US-South Korean military exercises have added to the discord. China also has strongly hit back against the US deployment in South Korea of an anti-missile defence system aimed at the North Korean threat but which China says weakens its own defences. Li issued a call for all sides to work toward defusing the situation, apparently speaking for China in saying "no one wants to have chaos at their doorstep."

BUSINESS
RECORDER
Thursday, 16th March, 2017

FBR decides to conduct national survey of retailers

RECORDER REPORT

The Federal Board of Revenue (FBR) has decided to conduct a national survey of retailers to collect information of all retail outlets across the country. According to the details of the retailers' survey issued by the FBR here on Wednesday, the FBR is planning to prepare a Digital Directory of the retail outlets across Pakistan for which a Geo Tagging and Mapping of the retailers would be carried out on national level.

In this regard, the board intends to prepare a Digital Directory of the retail outlets across Pakistan. For this purpose it intends to carry out GIS mapping of the retailers.

The Geo Tagging and Mapping information required from each marked entity will include (but not limited to) existing business data (wherever available) will be tagged and mapped along with the marking of the target routes/areas; additional information regarding category and classification within category of entity will be accurately captured for each entity marked on Google Maps and visual display of distribution network, FBR said.

The Geo Tagging and Mapping information would also include penetration analysis; mapping against decision logic forecasting; thematic mapping for business area mapping and Web and Mobile locators Maps with interactive driving directions. Proposals are invited from registered (Sales Tax/Income Tax) reputed Information Technology based firms for the aforementioned task. The proposal must reflect the relevant expertise and experience of the firm in conduct of similar assignments. Detailed TOR's may be obtained from the office of the FBR. The short listed firms will be informed accordingly by FBR. The EOI must be submitted within 15 days of the publication of the notice to the FBR, FBR added.

BUSINESS
RECORDER
Thursday, 16th March, 2017

THE RUPEE: Slight fall

RECORDER REPORT

The rupee slid slightly against the dollar on the money market on Wednesday in the process of trading, dealers said. The rupee shed one paisa against the dollar for buying and selling at Rs 104.85 and Rs 104.86 respectively, they said.

INTERBANK MARKET RATES: OPEN MARKET RATES: The rupee came down after losing 10 paisas in relation to the dollar for buying and selling at Rs 106.50 and Rs 106.70 respectively; however, it gained 20 paisas in terms of the euro for buying and selling at Rs 112.80 and Rs 114.30 respectively, they said.

In the second third trade, the dollar wobbled in a narrow range, as investors waited anxiously to see what clues the US Federal Reserve would soon reveal on its monetary policy outlook.

With the futures market pricing in more than a 90 percent chance that it would raise interest rates, investors' main focus turned to what the Fed's statement on Wednesday will say about the pace of hikes this year. "With a rate increase already priced in, we will be watching to see whether the Fed gives any hints about changing its outlooks for inflation or growth," said Kumiko Ishikawa, FX market analyst at Sony Financial Holdings.

"There is a small chance the Fed will signal plans to raise rates four times instead of three this year, which would lift the dollar," she said. Against its Japanese counterpart, the greenback edged up 0.1 percent to 114.81, remaining shy of last week's peak of 115.51, which was its highest level since Jan. 19 as expectations built for the rate increase. The dollar was trading against the Indian rupee at Rs 65.505, the greenback was 4.447 in terms of the Malaysian ringgit and the US currency was at 6.914 versus the Chinese yuan.

Interbank buy/sell rates for the taka against the dollar on Wednesday: 79.54-79.55 (previous 79.53-79.54).

Open Bid	Rs. 106.50
Open Offer	Rs. 107.70

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

Bid Rate	Rs. 104.85
Offer Rate	Rs. 104.86

RUPEE IN LAHORE: The Pak rupee depreciated against the major currencies including the American dollar and British pound in the local currency market on Wednesday.

According to currency dealers, the dollar's demand and supply remained intact that kept the national currency under pressure for another day. At the close, it's buying and selling rates further rose from the overnight closing rates of Rs 106.70 and Rs 106.85 to Rs 106.70 and Rs 107.00 respectively, they added.

Likewise, the rupee also followed the same suit versus the pound sterling. The British currency was traded at Rs 129.20 and Rs 130.00 on buying and selling sides, respectively, as compared to the Tuesday's closing rates of Rs 128.60 and Rs 129.30 respectively, they said.

RUPEE IN ISLAMABAD AND RAWALPINDI: The rupee-dollar parity remains unchanged on the open currency markets of Islamabad and Rawalpindi here on Wednesday. The dollar opened at Rs 107.50 (buying) and Rs 107.60 (selling). It closed at the same rate. Pound Sterling opened at Rs 130 (buying) and Rs 131.50 (selling). It closed at the same rate.

BUSINESS
RECORDER
Thursday, 16th March, 2017

CPEC investments surge to $55 billion: Zubair

RECORDER REPORT

Investment under the China-Pakistan Economic Corridor in various projects, particularly infrastructure and the power sector, has surged to $55 billion, Sindh governor Mohammad Zubair said today (Wednesday). Addressing a seminar, "CPEC: Opportunities and Challenges," held by Express Media Group and Fast Marketing on Wednesday, at a hotel, The governor said that so far CPEC is the best economic project in the country's history as it is not limited to Pakistan's economy but is also the global economy.

He said that China has shown interest in investments in several sectors under CPEC. Therefore, investment is gradually increasing, reaching the $55 billion mark mainly in power, infrastructure and projects related to information technology. "After the CPEC agreement and ongoing development, some more foreign companies are planning to invest in Pakistan in different sectors." he added.

The federal government is also making all efforts to get maximum benefits from CPEC and a 35-member committee has been set up under the chairmanship of Mushahid Hussain to monitor progress on CPEC projects, he said. He said that most power projects of CPEC have been initiated in Sindh, but job opportunities will be created equally in all provinces. For many years, Balochistan was being ignored, he said, but after the CPEC agreement it has become the hub of major economic activities. A deep-sea port has already developed, while free economic and industrial zones are being established to create job opportunities,, he added.

Although Pakistan and China were close friends for many years, the volume of their mutual trade was on a very low level. CPEC will increase the bilateral trade as well, he said.

Chief Minister Murad Ali Shah said that the foundation of Pakistan-China relationship was laid four decades ago by former Prime Minister Zulfikar Ali Bhutto, who diverted foreign policy in favour of China. He said CPEC is not limited to Pakistan, but will connect 64 countries of the world. In order to get benefits from CPEC for Sindh, Pakistan signed three agreements for development of the Karachi Circular Railway, a power plant at Keti Bandar and an industrial zone in Dhabijee. A wind-power project has already started working, he added.

Murad said that the government of Sindh is also working on several power projects and a huge coal-based power project has been initiated with support from the private sector. The project has started in Thar, which is one of the world's seven largest coal reserves sites. The Sindh government's share in this project is 54 percent and 660 MW of electricity will be produced through this coal-based power plant likely to be complete in 2019, he added.

He said that the government is spending $350 million for supply of water to the coal-based power plants. Initially the Keti Bandar power plant will be operational on imported coal, but later coal will be brought from Thar, he added. He said that Sindh is the single province which has established a transmission company on provincial level and a 94-kilometre transmission line between Karachi and Nooriabad has been laid for supply of 100MW electricity. This project is likely to be inaugurated next month, he said.

The Sindh chief minister said that Sindh has an important role in the CPEC project, and it has restored the confidence of foreign investors, who are keen to invest in Karachi.

Addressing the seminar, Chinese Consul General Wang Yu said that the Chinese leadership spent four years in the planning and implementation of the CPEC project.

He said that most CPEC projects, including mega power plants, will be completed in 2017-2018 and hopefully these projects will help to overcome the energy crisis. Chinese Consul General said that so far about a hundred countries have shown interest in becoming part of the project and 40 countries have already signed agreements with China.

BUSINESS
RECORDER
Thursday, 16th March, 2017

Economy not mature to introduce single digit ST rate: Haroon

RECORDER REPORT

Haroon Akhtar Khan Special Assistant to the Prime Minister on Revenue has said that he is in favour of the low rate of sales tax, but our economy is not mature enough to introduce single digit sales tax rate. It is learnt that the issue of low rate of sales tax was discussed during the meeting on budget proposals (2017-18) between Federation of Pakistan Chamber of Commerce and Industry (FPCCI) Khyber Pakhtunkhwa and representatives of business community of tribal areas, small traders Peshawar and Chitral. FBR side was headed by Haroon Akhtar Khan and his team of tax managers was also present.

According to sources, the representatives of KPK FPCCI proposed that multiple layers of taxes are applicable on business community including federal, provincial and local taxes. There should be only two taxes ie sales tax/VAT and income tax. Sales tax rate be reduced from 17 to 7 percent in upcoming budget. Responding to this, Special Assistant to the Prime Minister on Revenue said that an extensive exercise was carried out on the issue of single digit sales tax. However, our economy is not mature to implement single digit sales tax rate.

Haroon Akhtar patently heard to the budget proposals of the business community and asked them to submit concrete budget proposals to the FBR which should be acceptable to the budget makers.

He assured the business community of KP that the viable budget proposals would be incorporated in the coming budget. The first issue was payment of sales tax refunds to the business community of KPK. Tax authorities assured the business community that the issue of admissible refunds would be resolved on top priority basis. The representatives of tribal areas proposed special package and concessions in payment of electricity bills. Special incentives in the form of lower rate of income tax and sales tax be extended to the business community of tribal areas. On the issue of electricity, the FBR advised the business community to take up the issue with the Minister for Water and Power. If roads of tribal areas are made part of the CPEC project, it would also be beneficial for the tribal areas, sources said.

Sartaj Ahmed Khan of Chitral Chamber of Commerce (CCC) proposed the FBR that the Chitral should be granted special status for payment of duties and taxes keeping in view Chitral geographical location. Former VP of FPCCI Adnan Jalil and chairman FPCCI committee on trade, investment and foreign affairs requested that the banks in KP should increase financing to the business community of KP.

He also proposed that zero-rating facility should be extended to all export sectors and its should not be limited to five major sectors. At the same time, a very strong system of checks and monitoring be placed for zero-rated sectors. Adnan Jalil also talked about the difference between the bank rate and open market rate of rupee verses dollar. Zubair Tufail President FPCCI and Vice President Rashid Paracha also submitted new budget proposals for 2017-18, they added.

BUSINESS
RECORDER
Thursday, 16th March, 2017

Towel export slumps 6.38 percent

RECORDER REPORT

Pakistan's export of towels slumped to $439.497 million in July-January 2017, lower by 6.38 percent, official figures say. Decrease in towels export comes to the tune of $29.972 million in July-January 2017 from $469.469 million in July-January 2016, Pakistan Bureau of Statistics shows. Towels export volume plunged by 5.30 percent or 5585 metric tons to 99,725 metric tons in July-January 2017 from 105,310 metric tons in July-January 2016.

In January 2017, towels export declined by 1.36 percent or $0.873 million to $63.519 million from $64.392 million in January 2016. In term of quantity, towels export scaled down by 11 percent or 1620 metric tons to 13,520 metric tons in January 2017 from 15,140 metric tons in January 2016.

BUSINESS
RECORDER
Thursday, 16th March, 2017

Cotton prices steady on modest trade activity

RECORDER REPORT

Prices were steady on the cotton market on Wednesday in the process of modest trade activity, 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 2600 bales of cotton sold at Rs 6825-7100, they said. According to the market sources, trade activity lacked buying interest owing to short supply of quality cotton. The ginners, however, tried to raise asking prices due to limited stock of fine quality. The other major factor is higher yarn prices, because of higher rates, yarn is not in demand, they said.

Reuters adds: The New York cotton futures were higher on Tuesday on falling demand. The following deals reported: 200 bales from Mirpur Dewan, same figure from Shujabad at Rs 6825, 400 bales from Faqirwali at Rs 6900, 800 bales from Haroonabad at Rs 6950-7000 and 1000 bales from same station sold at Rs 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 14.03.2017	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	77.33	78.26	77.17	78.08	14:19 MAR 15	78.08	0.93	9929	77.15
Jul'17	78.27	79.22	78.21	798.09	14:19 MAR 15	798.09	0.90	3891	78.19
Oct'17	76.38	76.38	76.38	76.09	14:19 MAR 15	76.09	0.59	1	75.50

Crackdown on nil filers

BUSINESS

RECORDER

Thursday, 16th March, 2017

RECORDER REPORT

Member IR Operations, Federal Board of Revenue (FBR) Rehmatullah Wazir in an exclusive chat with *Business Recorder* confirmed that field formations have been given the go-ahead to launch a massive crackdown against 21,000 'nil' filers defined as those who paid significant income tax in 2014 and 2015 but filed nil returns in 2016. He added that FBR is expecting to generate 15 to 20 billion rupee revenue as a consequence of this exercise based on the income tax paid by them in the past two years. The nil filers include high income individuals such as industrialists and traders but not agriculturists who are constitutionally exempt from paying income tax to the FBR.

Macroeconomic data reveal that exports are down with an associated decline in productivity and, at the same time, many industrial units have recently relocated to Bangladesh. The reasons range from lower input costs, including electricity which is a major input for most manufacturing, infrastructure availability is better and of course with the least developed country status for Bangladesh it has trade benefits that are not available to units located in Pakistan. It is therefore quite possible that many of the nil filers have either folded their business entirely or relocated outside the country which implies they are legitimate nil filers in 2016 as opposed to paying over 15 to 20 billion rupees to the national kitty.

Additionally, one wonders as to whether the FBR is as focused on ferreting out the non-filers, estimated at least 3 million, who prefer to pay the non-filer rate as opposed to the filer rate because, as per many a high net worth individual, the harassment of legitimate taxpayers by the FBR staff is a major factor in opting not to file returns.

Wazir restated what has been the standard budgetary recommendation by the FBR as well as industrial and commercial sectors namely to bring the farm sector under the tax net. In recent years, provincial governments have imposed a tax on farm income; however, the amount collected is appallingly low, 1.9 billion rupees as per Wazir with a 5.7 percent sector growth rate, and therefore not reflective of the potential given the actual wealth of the absentee landlords.

In this context, it is relevant to note that more than a year-long negotiations between all the parties in parliament in 2009-10 focused on the challenging undertaking to unanimously and comprehensively amend the constitution resulting in the passage of the 18th Amendment. However, farm income tax was not supported by either of the two national parties - notably the PPP and the PML-N. Their reason: the bulk of the parliamentarians, national and provincial, were rich farmers. The MQM wrote a dissenting note at the time, however, it is relevant to note that the party's support base is urban and it had no stake in opposing the levy of farm income tax at the federal level.

However, significantly, Wazir did not dwell on the government's reluctance to tax the stock market, at present total tax collected from what has been repeatedly and proudly claimed as a buoyant market reflective of the success of the policies of the Dar-led Finance Ministry, is no more than 5 billion rupees per annum. In contrast, the Indian stock exchange generates over 100 billion rupees for the treasury and there is ample scope as well as need for the Pakistan government to begin to tax this sector. However, in the event that it opts to do so it would lose its leverage on the key stock market players which, critics maintain, is the main reason behind not taxing the market in an appropriate manner. Instead the government opted to raise the tax on SIMS as a source of revenue, a tax which is highly regressive as well as increase reliance on petroleum and products which accounts for higher input costs relative to international competitors.

BUSINESS
RECORDER
Thursday, 16th March, 2017

Offshore assets of Pakistani citizens: Foreign asset declaration and foreign asset tax:
Guidelines for proposed declaration – II

SYED SHABBAR ZAIDI

The Objective of Declar-ation and Taxation of Foreign Assets: There is an urgent economic and national need to promulgate legislation for declaration of undisclosed offshore assets of Pakistani citizens. This is an economic issue. The foremost reason for such declaration is the change in the international fiscal and banking regimes and paradigm about foreign ownership with respect to disclosure of assets and income. In the post 2001 world, after the start of 'War on Terror', international regulations including FATCA have tightened the noose around undisclosed transactions, income and assets. Furthermore, the government of Pakistan has rightly taken two actions in the form of OECD Multilateral Tax Treaty and Reformed Pakistan/Swiss Treaty.

In addition to the same, in the proposed Revised Companies Bill, 2016 there had been an introduction of 'Global Registry of Beneficial Ownership'. This is essentially an attempt to identify the foreign assets of shareholders of Pakistani companies. In my articles on that subject published last week, I have stated that this is not a corporate law issue. If foreign assets of Pakistani shareholders are to be identified and declared then corporate law is not an appropriate forum for that and if such information is required then a separate law should be introduced.

The third objective of declaration of foreign asset is a step towards documentation of assets of Pakistani citizens. At present two regimes are in practice. There is a heavy uncompliant prescription of a wealth statement where the entire global assets are theoretically required to be disclosed. However, there is an ambiguity and legal space to not declare and disclose various kinds and forms of assets identified above. The system should be designed where there is a proper way and transition for disclosure in future.

In financial and commercial aspects, the asset base of businessmen is the first step for investment in the corporate and organised world. In Pakistan, fiscal and corporate regulations, especially after 1974 Nationalization, have been designed in a manner that 'asset base' of Pakistani citizens locally and internationally is segmented, segregated and unconsolidated. We love foreign investments but indirectly discourage corporatization, documentation and investment by Pakistani citizens. This is one of the foremost reasons of lack of long-term sustainable economic investment by Pakistanis in Pakistan in the post-nationalisation period. Investment in industries, like power sector, are essentially government guaranteed and government regulated sectors have a different dynamics. In summary, there has to be creation and disclosure of assets and wealth by 'individuals' and 'business groups' for sustainable economic development. This analogy can be summarised that if only 100 billion USD of assets, out of the total assets referred above, are disclosed in proper manner, even if not repatriated, then that would provide sustainable boost to long term industrial and capital market growth in Pakistan. As a Pakistani, it is my desire that this subject be taken in its proper economic and social context and the debate that has started after Panama Leaks leads to positive results.

In the context of Pakistan, it is my clear view that for sustainable economic development and improvement in fiscal regime, documentation and declaration of assets should precede declaration of income. Pakistan should immediately before the next budget introduce a 'Foreign Asset Declaration and Foreign Asset Tax Act' [FADFAT] the objectives of such legislation have been briefly touched upon in the foregoing paragraphs. This Act will introduce a proposal for a one time foreign tax, including a mechanism for acquisition of newly issued Government Foreign Currency Bonds and a yearly declaration, being an improved wealth statement. Many countries including India, Indonesia, Argentina, Turkey and others have already done this work. We are already late by over a year.

Broad outline of FADFAT

Broad outline of FADFAT is as under:

There will be three declarations:(a) A yearly declaration of foreign shareholdings to SECP by every substantial shareholder of a Pakistani company. This will replicate Section 452 of the Proposed Companies Bill, 2016. This will be filed by every Pakistani Citizen being a substantial shareholder in a

BUSINESS
RECORDER
Thursday, 16th March, 2017

Pakistani company;

(b) A yearly declaration to FBR of foreign assets. This will essentially be a replacement of a part of already prescribed wealth statement with respect to foreign assets. This will be filed by all Pakistani Citizens being Pakistan tax residents and the persons being non-residents who have availed or exercised one time declaration as referred to in (c) below. In the second case, the statement shall be filed for a period of five years following FADFAT; and

(c) A one-time foreign tax that will be mandatory for all Pakistani tax resident and voluntary for Pakistani citizens not being Pakistani tax resident. This statement shall be termed as Foreign Asset Tax Declaration [FATD].

FATD shall be composed of two primary segments being:

(a) Foreign assets disclosed on which Foreign Asset Tax (FAT) is paid;

(b) Foreign assets disclosed on which Foreign Asset Tax on which tax under this Act is not payable.

FATD shall deem to be correct for the purpose of this Act, however it shall empower FBR to verify on availability of 'definite information' the accuracy of FATD. It is important to note that the value of disclosed asset, may exceed the value on which FAT is paid. This represents the declarant's position with regard to non-taxable assets. The difference, if found unexplained, at any future date will make such asset subject to tax at the rate prescribed under the law plus penalty at the rate of 100 percent.

FATD shall be paid at the following rates:

(a) On liquid assets repatriated through banking channel within due date at the rate of 2 percent on the value of assets;

(b) On liquid assets, not repatriated, but utilised for the acquisition of newly issued Pakistan Government Foreign Currency Bonds at the rate of 3 percent on the value of assets;

(c) On other assets, other than bearer assets, retained abroad at the rate of 5 percent on the value of assets; and

(d) Bearer assets, if declared, at the full rate.

Valuation of assets for the purposes of FATD shall be made in the following manner:

(a) At the cost of asset to the declarant, converted at the rates applicable on the date of declaration;

(b) Where cost is not identifiable, the 'Net Market Value' of that asset. For the purposes of determination of 'Net Market Value' verifiable 'liabilities' shall be deducted from gross market value.

Interest in the foreign trust for the purposes of FATD shall be equal to:

(a) Value of underlying assets of trust, other than shares of Pakistani companies, at the cost of assets of the trust determined on current exchange rate; and

(b) Value of underlying assets of the trust, being the shares of Pakistani companies at the face value of shares.

The declaration of foreign assets as stated above shall be immune from any adverse inference/action under the following statutes:

(i) Income Tax Ordinance, 2001;

(ii) Companies Ordinance, 1984;

(iii) Foreign Exchange Act, 1947 and all its Regulations/Notifications; and

(iv) Anti-money Laundering Act; and

(v) The Benami Transactions (Prohibition) Act, 2016

FADFAT is to be introduced immediately and declaration is required to be filed by April 30, 2017. We are already late by one year. Further, all persons should be allowed to revise the return of income and wealth statements already filed with respect to Tax Year 2016.FADFAT is not to be applicable for persons holding public office.

Conclusion

Pakistan is at the crossroad of sustainable economic change. That road should lead to development, otherwise undesirable results will arise if status quo is maintained. Any incorrect decision or delay in taking appropriate steps will seriously affect the people and state of Pakistan. The proposal as made in the aforesaid article is to be examined in totally non-political economic sense. The proposal and guidelines as identified above, are based on domestic information, international experience and the developments in other countries. It is the duty of the policy makers to take appropriate and timely decisions for the future of our state and its people.

(Concluded)

DAWN
Thursday, 16th March, 2017

$200m World Bank loan for renewable energy project

AMIN AHMED

ISLAMABAD: The World Bank has initiated the process to approve a credit of $200 million for increasing the installed generation capacity of renewable energy and enhance its development in Pakistan.

The project, which will cost $300m, will also receive a loan of $100m from the Green Climate Fund.

Renewable energy generation in Pakistan falls far short of realising its potential despite the country's considerable resources.

The proposed project, to be implemented by Sindh Department of Energy in association with the Ministry of Water and Power and Water and Power Development Authority (Wapda), is being designed to demonstrate that solar photovoltaic (PV) technology can operate in conjunction with hydropower and wind-based power generation.

According to the project document, the major funding of $260m will be spent on a series of grid-connected sub-projects, all of which will add to the PV capacity, and may include investments in related infrastructure for evacuation or system dispatch.

The World Bank and the Asian Infrastructure Investment Bank (AIIB) are engaged with the expansion of Tarbela hydropower facility operated by Wapda. Tarbela has a current built capacity of 3478MW which will be increased to 6298MW under the Tarbela Additional Financing Project.

Land availability and evacuation constraints are two key barriers to the smooth execution of solar PV projects — both of which are available at the Tarbela site. This project would therefore seek to build at least 100MW of land-based, grid connected solar PV capacity.

The solar panels could be located on the south facing surface of the dam, other Wapda land at Tarbela, and alongside the extensive canal system already built from Tarbela to Ghazi Barotha hydroelectric plant.

The evacuation of solar power will be through the same transmission lines that are in operation for the hydroelectric plant.

The document states that Wapda has expressed an interest in owning and operating a blend of "green" hydro-plus-solar energy.

The second component of the project relates to Sindh solar PV demonstration power plant along wind corridor.

This sub-component of the project will finance one or more ground mounted solar PV power plants cumulatively sized at about 50MW. The power plants will be appropriately located on land near transmission evacuation infrastructure, and in Pakistan's best wind resource corridor.

The Sindh government will use appropriately established special purpose vehicles (SPVs) for the realisation of these investments.

In addition, this component will finance grid extension and enhancements to evacuate power to the nearest grid station.

At a maximum cost of about $1.5 per watt, the total cost of this component is estimated at about $75m.

If the realised costs for the project are lower, the savings will be either reallocated to enhance other project components or to increase the size of the demonstration plant itself.

A component of the project will finance grid-connected, distributed, solar PV systems for small publicly owned land parcels, public sector buildings including schools, hospitals, water pumping and purification stations and other office buildings in Karachi and Hyderabad.

The Sindh government would establish an appropriate SPV for the implementation of this component.

The solar PV system will compromise photovoltaic panels and the balance of plant. The system will be connected to the nearby grid under National Electric and Power Regulatory Authority's net-metering policy.

Another component of the project would finance off-grid solar PV technologies, especially suitable where loads are too small to justify large transmission and distribution expansion.

DAWN
Thursday, 16th March, 2017

Govt raises Rs284bn through treasury bills

THE NEWSPAPER'S STAFF REPORTER

KARACHI: The government raised Rs284 billion in an auction of market treasury bills on Wednesday.

It raised the money through three- and six-month treasury bills while rejecting all bids submitted for 12-month papers.

The amount raised was less than the target of Rs350bn, which reflects that the government has been raising the largest chunk of money by borrowing from the State Bank of Pakistan (SBP).

Another report by the SBP showed that government borrowing from the central bank in the first eight months of the current fiscal year rose to Rs1,015bn. In a shift of policy, the government has been borrowing mainly from the SBP as it has been retiring banks' debt.

The government raised Rs140bn for three months and Rs143bn for six months in the latest auction. Auction bids showed that banks were willing to park maximum liquidity in three-month papers. Bids worth Rs193bn were made for three-month treasury bills.

Another attraction was the benchmark six-month treasury bills, which attracted bids worth Rs168bn, reflecting the banks' preference for instruments of shorter tenors.

Bids for 12-month papers were worth just Rs20bn, but each of them was rejected.

The short-term investment reflects the market expectations about increasing inflation and, in turn, higher policy rate by the end of this fiscal year.

The government's tilt towards treasury bills against PIBs indicates that it relies on short-term borrowing from banks. This also reflects that the government wants banks to diversify their investment and enhance private-sector advances, which rose to Rs352bn in the first eight months of 2016-17 against Rs261bn a year ago.

DAWN
Thursday, 16th March, 2017

Cotton price steady amid selective buying

THE NEWSPAPER'S STAFF REPORTER

KARACHI: The cotton market on Wednesday gave steady posture amid selective buying and selling. Rapidly falling cotton stocks with ginners and shortage of quality cotton kept the market devoid of activity.

However, some deals were finalised on higher price offering from eager spinners who have to meet their immediate demand. The undertone remained steady and outlook positive.

The world cotton markets generally remained steady but lacked activity which was reckoned because of slow off-take of end products of textiles. However, it was encouraging that cotton yarn off-take on the domestic market was fairly brisk, brokers said.

Meanwhile, sowing of cotton for the new season has started in lower Sindh and it is being estimated that more area would be brought under cotton cultivation this season.

The Karachi Cotton Association's spot rates were firm at overnight level. Major deals on the ready counter were: 200 bales from Muhammad Pur Dewan at Rs6,825, 200 bales from Shujabad at Rs6,825, 400 bales from Faqirwali at Rs6,900, 800 bales from Haroonabad at Rs6,950 to 7,100 and 1,000 bales from Haroonabad at Rs7,000.

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
Thursday, 16th March, 2017

MARKETS

FOREX

Exchange Rates for Currency Notes (Rs)

	Interbank market*		Open market**	
	Buying	Selling	Buying	Selling
USA	104.60	104.80	106.50	106.70
UK	127.64	127.89	129.40	130.90
Euro	111.43	111.64	112.80	114.30
S.Arabia	27.89	27.94	28.30	28.50
UAE	28.45	28.50	29.00	29.20
Japan	0.9110	0.9127	0.9226	0.9426

*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 14

Three months	1.13733 %
Six months	1.43239 %

THE NEWS
Thursday, 16th March, 2017

State Bank sells treasury bills worth Rs278.4 billion

KARACHI: The State Bank of Pakistan (SBP) sold Rs278.4 billion worth of market treasury bills at an auction on Wednesday, while yields remained stable, the central bank reported.

The cut-off yield on three-month short term government papers was 5.9463 percent, unchanged from the previous auction, held on March 1. The central bank sold Rs138.8 billion treasury bills.

The SBP sold Rs139.6 billion of six-month short-dated government securities at 5.9896 percent, the same as the previous auction. However, the government rejected the bids for the one-year paper. The raised amount in treasury bills was lower than the target of Rs350 billion set by the ministry of finance for the said auction.

Analysts said the latest auction was an indication that market participants might be expecting interest rates to stay flat in the monetary policy statement to be announced this month. The SBP's monetary policy committee is expected to meet next week to unveil decision.

"Indicators and reports emanating from inflation, budget and current account deficits show the central bank is likely to keep policy rate unchanged at 5.75 percent," said an analyst. "Though, traders and investors are unnerved about inflation outlook, deteriorating balance of payments and high budget deficit turn them wary."

Many analysts predict the overall FY17 inflation to hover around four percent. The consumer price index (CPI) inflation rose 4.2 percent in February from 3.7 percent in the preceding month.

Government borrowing from the banking system is also expected to remain high due to the rising budget deficit. "With no IMF oversight and election motivated spending priorities, development outlays are likely to pick-up and subsidies are expected to rise, resulting in fiscal slippages," said another analyst.

"We see budget deficit to exceed five percent of gross domestic product (GDP) during FY17," the analyst added. The budget deficit has already reached 2.4 percent of the GDP in the first half of this fiscal year.

THE NEWS
Thursday, 16th March, 2017

Ministry asked to ensure uninterrupted fuel supplies

ISLAMABAD: The government directed the minister for petroleum and natural resources to ensure uninterrupted fuel supplies to Wapda, Hubco and Kapco to avoid power crisis in the country, a minister said on Wednesday.

Shahid Khaqan Abbasi, minister for petroleum and natural resources said ministry of water and power could not make timely payments to the Pakistan State Oil against supplies, which resulted in an inconsiderable accumulation of receivables against these entities.

Abbasi told the National Assembly that the petroleum ministry has been regularly following up the matter with the ministries of finance and water and power for the settlement of circular debt.

He said total receivables from 2013-17 amounted to Rs 272.3 billion. Minister said the government is providing gas connections to domestic consumers on merit basis. Currently, Pakistan is not importing liquefied natural gas (LNG) from Iran due to international sanctions.

He said consumers have to face shortage of gas due to its supply to factories and industries. He informed the lower house that presently around five million consumers are using LNG in the country.

On a question, the minister said Sui Northern Gas Pipelines laid long service line measuring one inch dia x 2,000 meters and 16 combing cases measuring one-inch dia x 3,908 meters and two-inch dia x 3,380 in Mardan during the fiscal year of 2015/16.

Abbasi said the processing of long service line and combing cases has been carried out solely on the basis of maturity of applications as per turn/merit of each case according to the company's policy.

THE NEWS
Thursday, 16th March, 2017

Govt. proposes Rs700bln as PSDP allocation for FY18

ISLAMABAD: Finance ministry has proposed a meager around seven percent increase in the federal development spending for the next fiscal year of 2017/18 over the current year, bringing the total outlay to Rs700 billion, officials said on Wednesday.

A senior official confirmed that the finance ministry proposed the ministry of planning, development and reforms to allocate Rs700 billion under the public sector development programme (PSDP) for the fiscal year of 2017/18 as against Rs655 billion for 2016/17, up 6.87 percent.

The officials said the finance ministry gave an indicative budget ceiling (IBC) with an upward allocation of Rs45 billion for FY18. The incumbent Pakistan Muslim League-Nawaz government will unveil the last annual budget of its five-year tenure.

"Yes, we have given IBC on proposed PSDP for the next budget 2017/18," a ministry official told The News. The planning ministry didn't, however, consult this with its top officials, especially the minister Ahsan Iqbal, who was visiting along with Prime Minister Nawaz Sharif in various parts of the country and therefore was not available in the federal capital.

"The ministry of planning might send an official communication to the finance division, apprising them about the PSDP allocation that might create constraints for the development managers to execute projects falling under the $51 billion China-Pakistan Economic Corridor and other important development initiatives," said the official.

The government also intends to kick start work on a much-awaited Diamer Basha dam in the next fiscal year. Officials said after the completion of ongoing nuclear power plants at Chashma the government will be able to spare funds for the dam's construction.

Economists said it will be hard for the government to achieve the growth rates in the range of six to seven percent in the coming financial years without increasing public investments. "Inclusive growth requires bridging of infrastructure gap in all areas of the country," said an economist.

The government allocated Rs1,675 billion as development spending, including Rs800 billion under the federal PSDP and Rs875 billion for provincial development outlays, in the last budget of 2016/17.

In addition to Rs655 billion for ministries/executing agencies, the finance division had given an indicative ceiling of Rs145 billion for temporary displaces persons (TDPs) and other special programmes in FY17.

The government had made allocation of Rs25 billion for the gas infrastructure development fund, Rs20 billion for the Prime Minister's Youth Programme and Rs100 billion for a special development programme for the temporary displaces persons and security enhancement. It directed ministries/divisions to give a due priority to China-Pakistan Economic Corridor.

The summary of FY17 public sector development programme showed that the allocation of ministries/divisions stood at Rs239 billion, including Rs213 billion as rupee component and Rs25 billion as foreign aid.

Total Rs320 billion, including Rs198 billion as rupee component and Rs122 billion as foreign aid, was allocated for corporations, like National Highways Authority and Water and Power Development Authority.

Total Rs42 billion, including Rs41 billion as rupee component and one billion rupees as foreign aid, was earmarked for special areas development.

The government also allocated Rs20 billion as rupee component for development programme under sustainable development goals. It proposed an allocation of Rs28 billion for federal development programmes.

The government also earmarked seven billion rupees, including four billion rupees as rupee component and three billion rupees as foreign aid for Earthquake Reconstruction and Rehabilitation Authority.

THE NEWS
Thursday, 16th March, 2017

Govt seeks research-based proposals to frame SME policy

LAHORE: Government needs research-based recommendations to frame a national policy for the development of small and medium enterprise (SME) sector in Pakistan, a senior official said on Wednesday.

“We can never be able to comprehend the complex dimension of SMEs and create infrastructure necessary to meet the growing needs of business,” said Khizar Hayat Gondal, federal secretary of industries and production, addressing the inaugural session of the 2nd SME Conference (International).

Small and Medium Enterprises Development Authority (SMEDA), in collaboration with the University of Management and Technology (UMT), organised the conference. Gondal said SME development is on the prime agenda of the present government. The ministry is making efforts to serve as a bridge between the SME sector and the government, he added.

Sheikh Alauddin, Punjab minister for industries, trade and investment said there is a need to frame policies for the SME development to pave the way for economic revolution. “Policy reforms should be based on research, field studies, circumstantial evidence and innovations.” Alauddin said a best practice ecosystem to foster the establishment and growth of SMEs requires research-based policy measures. He urged the development agencies and government departments to play an instrumental role in materialising and translating the research outcomes into concrete projects. “SME-led economic growth cannot be achieved without developing synergies among all the stakeholders,” he added.

He hoped that this conference would prove to be a milestone in SME development as it brought together all the SME stakeholders at one platform. Minister Alauddin vowed cooperation of the Punjab government to bring SME sector of Pakistan at par with the developed nations.

Sher Ayub, chief executive officer of SMEDA said Pakistan has no option other than SME development to meet the challenge of unemployment and poverty. “But, the goal has been a dream just for having no accurate data and research,” he said. Ayub said the annual SME conference aims at to create a business related research in the higher education institutes.

Hassan Shoaib Murad, rector UMT said universities should increase researches for SME development. The SME sector constitutes 99 percent of economic establishments and contributes an estimated 40 percent of GDP, equivalent to exports.

Counsel General of Turkey Serdar Demiz said the economic progress achieved by Turkey was due to rapid development of SMEs. Demiz hoped that SMEDA’s move to take academia on board for catalysing SME sector through research would bring positive results in the country.

Rebecca Fox of the George Mason University, USA also termed the research a strong foundation for policy making. He said without close collaboration of researchers and enterprises no economy can grow on fast track.

The Nation on Web
The Nation
Thursday, 16th March, 2017

Budget for 2017-18 in the making: Dar

Our Staff Reporter

ISLAMABAD - Finance Minister Ishaq Dar said on Wednesday that preparations for next budget 2017-18 were underway, which would focus on attaining higher, sustainable and inclusive economic growth.

Talking to US Ambassador David Hale here, he expressed the confidence that the two countries would continue to work together for the promotion of bilateral relations.

He was accompanied by Ted Seager, Economic Counselor at the US Embassy on the occasion. The minister and ambassador discussed the current status of trade, investment and economic ties between Pakistan and the US.

The Ease of Doing Business Reforms underway in the country also came under discussion. The minister said that Pakistan and the US were longstanding friends, partners and strategic allies.

He conveyed to the ambassador that Pakistan was keen to further expand economic ties with the US to explore opportunities for generating jobs and realising the full economic potential of the bilateral relationship.

Citing World Bank's Doing Business 2017 Report, he said that Pakistan had moved up four places in terms of ease of doing business and was also one of the top 10 global improvers.

He further said that the reforms implemented for improving ease of doing business included facilitation in transferring property, cross-border trade and access to credit information.

"Implementation of these ease of doing reforms has resulted in an improved investment environment in the country," Dar said, and urged the US government to encourage more US investors to explore Pakistan as an investment destination.

He said that reputable international firms and investors from Europe and Asia were investing in Pakistan. The minister assured his full support to the US investors interested in pursuing investment opportunities in Pakistan.

Ambassador Hale said that the US Embassy would continue to encourage more US investors to take advantage of the attractive investment opportunities existing in Pakistan due to the success of the government's economic reforms agenda. He said that the US relationship with Pakistan was a strong, long-term and broad, with many shared interests.

Dar chairs FWO meeting

Meanwhile Dar also chaired a meeting at the Ministry of Finance on matters related to the Frontier Works Organization (FWO). FWO DG Lt General Muhammad Afzal briefed the finance minister on the ongoing projects of FWO. He apprised him about the financial matters pertaining to FWO. The DG also informed the minister regarding FWO's ongoing and completed projects in foreign countries. The minister appreciated the efforts and performance of FWO.

He said that FWO was playing a positive role as an ambassador for Pakistan through its successful execution of projects in foreign countries. He assured the support of Finance Division, Economic Affairs Division and Revenue Division to FWO for successful completion of its projects. Dar, on the occasion, also encouraged FWO to continue its focus on the successful implementation of projects in the best interests of the country.

The meeting was attended by senior officials of the Ministry of Finance and FWO.

The Nation on Web
The Nation
Thursday, 16th March, 2017

Zero loadshedding planned for less loss incurring urban areas

Govt seeks separate lists of urban, rural feeders

Fawad Yousafzai

Islamabad - The government initially plans zero loadshedding for the less loss incurring urban areas, and in this connection has directed the distribution companies (Discos) to provide to it the segregation of urban and rural feeders within one week, it was learnt here on Wednesday.

The government has given seven days to the Discos to evolve a strategy for accelerating recoveries, reduce losses and start zero loadshedding in urban areas.

The directives were issued by the Federal Secretary of Water and Power Yunus Dagha in a meeting with Discos on the issue of collections.

In the meeting, officials of Discos briefed the secretary on the situation pertaining to losses and collections by the companies.

"In order to streamline the recoveries and reduce the line losses, the secretary further directed the Hyderabad Electric Supply Company and Sukkur Electric Supply Company to increase the number of meter readers/field staff and make fresh recruitments for the purpose," the source added.

SEPCO and HESCO are the worst performing Discos, as a standing committee was recently informed that in Sukkur Electric Power Company (SEPCO) area, out of 0.7 million connections, 0.3 million were illegal.

The secretary water and power further asked the SEPCO and HESCO to reduce the line losses and control the cases of theft.

"They should install meters at each and every consumer's office or home. To ensure that meters are not removed, the company should take a photograph of the consumer along with his or her ID card," the secretary directed.

"New meter readers should be appointed and trained, and in case a meter reader/field staff is involved in corruption he should be removed and be replaced with a new one," the secretary directed.

"If you have 10 meter readers in an area, hire three more," the secretary directed.

He also demanded complete detail of the feeders along with the distribution line within one week.

Beside the secretary also gave instructions to segregate the urban areas from rural ones.

"There are some landlords in the rural areas who are not ready to pay their bills or are involved in electricity theft," the secretary said, and added, "Since rural and urban areas, sometimes, share the same feeder; therefore the losses/ arrears in rural areas also affect the connected urban areas. People of urban areas suffer due to losses in rural areas. Therefore, segregation between urban and rural areas is necessary to start zero loadshedding in the urban areas with no or little losses."

The secretary was informed by the officials that recoveries were improving. "However in some areas they are facing tough resistance from the influential consumers," he added.

"In one such case, our SDO in Qambar area of Sindh went for the recovery of dues of Rs16.5 million from a community of 400 houses. However in return our SDO was get arrested by the influential people of the area and then we had to bail him out," SEPCO official informed.

The Nation on Web
The Nation
Thursday, 16th March, 2017

Need to make most of CPEC stressed

Our Staff Reporter

Lahore : We need to take full advantage of China-Pakistan Economic Corridor (CPEC). We cannot reap full fruit of this game changer unless and until strategy for both opportunities and challenges, posed by this mega project, is not evolved.

This was an upshot of the speeches delivered by various experts at a discussion on “CPEC Challenges and Opportunities” here at the Lahore Chamber of Commerce & Industry.

CEO, Gallup Pakistan Dr. Aijaz Shafi Gilani, the LCCI President Abdul Basit, Senior Vice President Amjad Ali Jawa, Vice President Muhammad Nasir Hameed Khan, Malik Tahir Javed, Mujib-ur-Rehman Shami, Hafiz Ullah Khan Niazi, Syed Mahmood Ghaznavi, Raja Adeel Ashfaq, Maqsood Butt, Mian M Nawaz, M Anwar and given their point of view.

Chief Executive Officer of Gallup Pakistan Dr. Aijaz Shafi Gilani said that China Pakistan Economic Corridor (CPEC) should be beneficial for all by all means. For that purpose, pros and cons should be monitored and handled carefully.

He said that some circles have reservations about this project and one of them is that Pakistan’s relations with western world be isolated. This aspect required special focus of the policy makers as Pakistan cannot afford below the level relations with those countries that have remained significant for us for aid and trade. He said that in 2008, Pakistan trade with China was 11 percent of its total trade with China that has risen to 29 percent in 2015. He said that not only Pakistan should continue market diversification but trade with China should also be balanced.

The LCCI President Abdul Basit said that China Pakistan Economic Corridor is being proved a game changer in true sense of words as it is gaining the attention of entire world. He said that it would bring a revolution in physical infrastructure, energy and human resources. He said that CPEC would also help Pakistan in technological advancement and with a great infrastructure it would improve connectivity system.

Abdul Basit said that local manufacturers should be encouraged to invest in China-Pakistan Economic Corridor (CPEC) Projects. He said that said that projects like CPEC had the capacity to stimulate the local economy by increasing the demand for locally-manufactured goods. Such increase in demand will not only allow full utilization of the existing manufacturing potential, but will also encourage the manufacturers to increase their capacity. It will generate much needed employment opportunities, and will also contribute a sizeable amount of revenue to the national exchequer.

The Nation on Web
The Nation
Thursday, 16th March, 2017

Circular debt in petroleum reaches Rs272.3m: Khaqan

Our Staff Reporter

ISLAMABAD - The circular debt in petroleum sector has reached Rs272.3 million. Minister for Petroleum and Natural Resources Shahid Khaqan Abbasi told National Assembly on Wednesday.

He said that receivable from power sector had soared to Rs231 million. “PIA has to pay Rs15 million, whereas the arrears in LNG and SNGPL are around Rs41 million.

He said government had instructed Ministry of Petroleum and Natural Resources to ensure uninterrupted supplies to WAPDA, HUBCO and KAPCO to avoid power crisis in the country.

However, Ministry of Water and Power could not make timely payments to PSO against supplies which resulted in considerable accumulation of receivables against these entities.

Abbasi said the gap between demand and supply of petroleum products was widening fast. “The consumption of POL products during 2015-16 was around 24 million tons, while the local production of POL during the same year was around 11.7 million tons against the installed capacity of 18.79 million tons,” the minister said in his reply.

He said demand for POL products by 2023-24 was projected to be around 29 million tons- therefore, there was need to set up more oil refineries in the country for which necessary steps are being taken.

Answering another question, he said thirty seven exploration wells had been drilled during the last three years in Khyber Pakhtunkhwa and Balochistan.

He said 333 mmscfd gas and 18259 bbls of oil had been injected in the system during the last three years.

Abbasi said the present raw gas production was around 4,000 MMCFD whereas constrained demand of gas was over 6,000 MMCFD.

“There are about 3500 CNG stations in the country, and out of these over 2300 are located in Punjab, which do not have sufficient gas production to meet even the demand of its domestic gas consumers,” the minister explained

He said in order to meet the demand for gas in Punjab, about 600 MMCFD of RLNG was being imported and supplied to various consumers including the CNG stations.