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NA body for probe into export slide

ZAHEER ABBASI

National Assembly's Standing Committee on Finance has termed the $20 billion trade deficit during eight months of the current fiscal year as "scary" for the economy as well as balance of payment position (BoP), calling for a commission to establish the reasons of continuous decline in -s.

A meeting of the committee was held here on Thursday under the chairmanship of Qaiser Ahmed Sheikh to discuss the budgetary proposals in consultation with chambers of commerce for presenting to the government for incorporation in the budget 2017-18. Members of the committee pointed towards grave challenges and showed concerns on decline in exports and on rising trade deficit and debt.

Dr Nafeesa Shah stated that there was a need to set up a special committee or government should establish a commission to determine the causes of decline in exports because "$20 billion trade deficit was very scary".

She added the most alarming factor for Pakistan's economy was a declining trend of agriculture sector - a backbone of the country's economy. There was lots of news in recent months of Chinese investment to Pakistan, she said, asking: "we would like to know the details of Foreign Direct Investment (FDI) inflows as well as outflows during the tenure of the current government".

Asad Umar stated that tax system has made country's economy uncompetitive and without addressing this fundamental issue the economy can not be put on path of growth. He further stated that there was some increase in tax to GDP ratio during the last three years but it was primarily because of indirect taxes including withholding tax, whose share in the total taxes has increased to 87 percent while direct taxes share has decreased.

"We would like to hear from the FBR chairman as to what steps were taken during the last three years to reform the tax machinery," he stated. Asad Umar Abdul Rashid Godil pointed out that there was a revenue shortfall of Rs 180 billion up till now in the current fiscal year.

Chairman Federal Board of Revenue (FBR) Dr Irshad Ahmed reacted strongly to the allegation of corruption on the officials of FBR and stated that the Board is a collecting agency of taxes which were approved by the Parliament. He said the bashing of the institution was unfair due to few black sheep which also exist on the other side, referring to the taxpayers.

Chairman FBR said that there was an increase of 7 percent in revenue collection during the current fiscal year compared to the same period of last fiscal year, as revenue collection was Rs 1921 billion during last fiscal year while this year it is Rs 2054 billion against the annul target of Rs 3621 billion.

Representatives of Federation of Pakistan Chamber of Commerce Industry (FPCCI) complained about the pending volume of Rs180 billion and FBR contested its claim and stated that the amount was Rs 100 billion. The FBR chairman said that Rs 50 billion tax refunds were released during the current fiscal year against Rs 41 billion for the same period a year before.

The committee chairman said that non-repayment of refund was one of the biggest problems of the business community. Representatives of cotton and ginning industry stated that FBR was involved in corruption. Cotton ginners are being dispatched notices on a daily basis, they added.

The meeting was informed that the number of factories has decreased 900 from 1300 and cotton ginning industries are paying taxes to 20 departments. The committee decided to form a sub-committee on FBR-related issues.

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Raja and Awan held responsible for Nandipur delay

MUSHTAQ GHUMMAN

National Accountability Bureau (NAB) on Thursday held both the Ministry of Water and Power and Ministry of Law and Justice responsible for delay in 425MW Nandipur Power Project. However, the exact financial loss to the national exchequer has not been finalised so far due to non availability of required documents.

This was the crux of a briefing given by the NAB officials to a sub-committee of Senate Water and Power Committee headed by Senator Nauman Khattak. Senator Daud Khan Achakzai also attended the meeting. However, Senator Zaheer-ud-Din Awan, former Minister for Law and Justice, who was especially invited, did not attend the meeting. Secretary Water and Power, Younus Dagha led the team of his Ministry which included Joint Secretary Power (Finance), Zafar Abbas, Joint Secretary, (Transmission) and Joint Secretary (Water) Mehar Ali Shah.

The sub-committee held that Ministry of Law and Justice was responsible for Rs 113 billion financial loss to the economy due to delay in Nandipur Power Project where the file remained for four years. The subcommittee also decided to invite former Law Minister, Babar Awan and former Law Secretary to the next meeting to be held on March 20, 2017.

According to NAB official Zahir Shah, the then Minister for Water and Power (Raja Parvez Asharaf) and Law Minister Babar Awan were responsible for a delay in project implementation. It was confirmed that the issue was resolved during the tenure of Maula Bux Chandio as Law Minister and Syed Naveed Qamar as Water and Power Minister. NAB said that an audit on the delay in the project conducted by the Auditor General of Pakistan showed that the financial impact was Rs 36 billion whereas Nepra's report claims a loss of Rs 14 billion. Chairman sub-standing committee said that it looks that NAB went slow in its inquiry on the Nandipur power project.

The sub- committee discussed the reasons for the delay in the Nandipur power project and 969 MW Neelum Jehlum hydroelectric projects in detail. Secretary Ministry of Water and Power Younus Dagha said that both the projects were jinxed evident from their undue delay.

Dagha said that the Ministry of Water and Power is fighting with Nepra on recovery targets which maybe in prevalent in California (USA) but are not practicable in Pakistan. He plausibly argued that 100 per cent recovery is not possible in Pakistan and if tariff is based on 100 recovery then no one can avert the circular debt. Pakistan is facing issues of security and poverty, he pointed out.

Nepra assumed T&C (Transmission and Commercial) losses of 13.5 per cent against actual losses of 19 or 20 per cent. Different Discos got audit of losses from third party as per the instructions of Nepra which recommended 16.5 per cent. However, when Nepra was requested to allow benchmark losses of 16.5 percent Nepra did not entertain it which is precisely why Discos approached the courts. Dagha added that Nepra's tariff is deficient, another reason for the increase in circular debt.

Secretary Water and Power also complained that subsidy is not provided to power sector as per requirement.

"We are in constant contact with the Ministry of Finance for the last two years with respect to the release of subsidies; the government periodically announces relief for various types of consumers and we are then required to make the appropriate adjustments," Dagha added.

He suggested that subsidy should be budgeted appropriately as the Ministry has to protect low income groups, FATA and other less developed areas like Balochistan.

"If power sector performance is not up to the mark, required tariff is not allowed and subsidy is not budgeted properly, then no one can stop the rise in the circular debt," Dagha maintained.

He further stated that Rs 150

billion were added to circular debt due to low tariff given by Nepra and Rs 106 billion is to be paid by the Balochistan government.

The convener of the subcommittee maintained that subsidy should be arranged by the governments (federal and/or provincial) but Discos should not burdened for this purpose.

On a question by the convener of the subcommittee, Secretary Water and Power said that IPP Advisory Council had no value and accused it of providing fake figures of circular debt. He said that government had individual agreements with power producers and actual circular debt stood at Rs 393 billion.

The committee summoned representatives of IPPs to the next coming meeting to determine the facts of the case. Wazir said the committee would bring the situation to its logical end and determine who was presenting inaccurate circular debt data. He also directed the Power Ministry to present details of agreements with power companies. Ministry of Water and Power, however, opposed an 'eye ball to eye ball' meeting with the IPPs as the two have opposing views on different issues.

About energy mix in power generation, Dagha said that Ministry was working on it but it was not able to present details at present. He sought six months to submit details on the energy mix. He said that work on energy mix started in 2010 and an international consultant would provide input on the energy mix.

The subcommittee was also briefed that 91 per cent work on Neelum Jehlum hydropower project is complete and the first unit of 240 MW of 969 MW Neelum Jehlum hydropower project would be functional in February next year. Many questions were also raised about the project's delay and improper planning. The cost of civil works of the project has reached Rs 165 billion from the original budgeted Rs 90 billion.

The removal of Chief Executive Officers (CEOs) of Peshawar Electric Supply Company (Pesco) and Islamabad Electric Supply Company also came under discussion.

According to Secretary Water and Power, CEO Pesco has applied for a six-month leave whereas the CEO Iesco has been removed for conspiring against AMR meters project funded by the Asian Development Bank. He added that the GoP is being fined for delaying implementation of the project.

The committee also directed that use of local material and workforce be made mandatory in all power sector projects.

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Jul-February FDI up six percent YoY

RECORDER REPORT

Pakistan fetched Foreign Direct Investment (FDI) amounting to $1.3 billion, up 6 percent, during the first eight months of this fiscal year (FY17). Economists said FDI is presenting an improved picture because of low base of previous years and in absolute terms the volume of FDI in the country is very low.

"Although, the government is making efforts to remove major hurdles such as energy for economic development, however Pakistan still needs to develop investment-friendly and long-term economic policies to attract more foreign investment," they added.

According to State Bank of Pakistan (SBP), FDI posted an increase of 6 percent during July-Februaryof this fiscal year compared to the same period last fiscal year. FDI amounting to $ 1.285 billion arrived in first eight months of FY17 compared to $ 1.212 billion in the same period of FY16, depicting an increase of $ 72.5 million. During the period under review, FDI inflows stood at $ 1.587 billion against the outflow of $ 302.3 million.

Month-on-month basis, FDI declined by 20 percent or $ 32 million to $ 123 million in February 2017 compared with $ 155.2 million in February 2016.

The SBP revealed that during the period under review, portfolio investment witnessed a downward trend falling by 1.6 percent. Portfolio investment stood negative at $ 353.2 million in July-February of this fiscal year compared to the outflow of $ 347.6 million in the corresponding period of last fiscal year.

During the period under review, foreign public investment surged by 120 percent or $ 547 million to reach $ 1.003 billion.

Similarly, total foreign investment in Pakistan, comprising FDI, portfolio investment and foreign public investment, surged by 46 percent to $ 1.935 billion at the end of eight months of current fiscal year.

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Prime Minister unveils Gwadar's uplift package

RECORDER REPORT

Prime Minister Muhammad Nawaz Sharif on Thursday unveiled development package for Gwadar including a university, 300-bed hospital and desalination plant.

"Gwadar is soon going to experience a new dawn of development and will become the country's unique small district, having all basic amenities similar to big cities," he said in his address to a public gathering here in the coastal city.

The prime minister vowed to make Gwadar the 'Tiger of Pakistan' and said all roads to prosperity would lead from this city.

He said it was his mission to improve the living standard of the people of Gwadar.

He said the deprivation of people of Balochistan would now come to an end, adding Gwadar would bring a ray of hope for them.

The prime minister announced a state-of-the-art Gwadar University to equip the natives with contemporary education at their doorsteps.

He said 50 youth of Gwadar would be sent to China on government expenses to learn Chinese language, in view of their future contribution for China-Pakistan Economic Corridor (CPEC).

He directed the High Education Commission (HEC) to allocate seats for the students of Gwadar in the leading universities of country.

He said the government had already purchased a 500-acre land in Shahabi for the university and an amount of Rs one billion for the purpose would be allocated in upcoming budget.

He said with assistance of China, a 300-bed modern hospital would be set up in Gwadar.

Also, the deserving residents of Gwadar will be issued health cards and they will be eligible to get medical treatment at hospitals anywhere in the country, he added.

Nawaz Sharif said there was a dire shortage of clean drinking water in Gwadar and announced to set up a desalination plant on urgent basis. He said the plant would clean five million gallon water daily, which would be supplied to the houses.

The prime minister said that he took an aerial view of Gwadar that showed miserable condition of roads and streets.

He announced Rs one billion for infrastructure improvement of the city including sewerage system and link roads.

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THE RUPEE: No changes

RECORDER REPORT

The rupee managed to hold overnight levels against the dollar on the money market on Thursday in the process of trading, dealers said.

INTER-BANK MARKET RATES: The rupee stayed put against the dollar for buying and selling at Rs 104.85 and Rs 104.86 respectively, they said.

OPEN MARKET RATES: Similarly, on the open market, the rupee did not show any change in relation to the dollar for buying and selling at Rs 106.50 and Rs 106.70 respectively; however, it lost Rs 1.10 in terms of the euro for buying and selling at Rs 113.90 and Rs 115.40 respectively, they said.

In the fourth trade, the euro stood tall after Dutch election exit polls pointed to a comfortable win by the prime minister over his far-right rival, while the dollar wallowed at a one-month low after the Federal Reserve sounded less hawkish than anticipated on future rate rises.

The euro climbed to a five-week high of $1.0746 on Thursday, after surging 1.2 percent overnight.

The common currency was boosted as exit polls showed the Netherlands' centre-right Prime Minister Mark Rutte roundly saw off a challenge by anti-Islam, anti-EU Geert Wilders in an election on Wednesday, alleviating concerns towards Holland opting to leave the EU.

Besides, the US Federal Reserve raised interest rates on Wednesday for the second time in three months, a move spurred by steady economic growth, strong job gains and confidence that inflation is rising to the central bank's target.

The decision to lift the target overnight interest rate by 25 basis points to a range of 0.75 percent to 1.00 percent marked a convincing step in the Fed's effort to return monetary policy to a more normal footing.

The dollar was trading against the Indian rupee at Rs 65.370, the greenback was available at 4.435 in terms of the Malaysian ringgit and the US currency was at 6.891 versus the Chinese yuan.

Inter bank buy/sell rates for the taka against the dollar on Thursday: 79.56-79.57 (previous 79.54-79.55).

Open Bid	Rs. 106.50
Open Offer	Rs. 107.70

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

Bid Rate	Rs. 104.85
Offer Rate	Rs. 104.86

RUPEE IN LAHORE: The Pak rupee showed strength as it recovered its day earlier losses against the US dollar in the local currency market on Thursday.

According to currency dealers, the US dollar commenced trading on a negative note and kept on declining throughout the trading session.

Consequently, it depreciated and ended at Rs 106.50 and Rs 106.90 on buying and selling sides, respectively, as compared to the overnight closing rates of Rs 106.70 and Rs 107.00 respectively, they added.

On the contrary, the local currency failed to keep upward trend as it depreciated versus the pound sterling.

The pound's buying and selling rates went up from Wednesday's closing rates of Rs 129.20 and Rs 130.00 to Rs 129.50 and Rs 130.50 respectively, they said.

RUPEE IN ISLAMABAD AND RAWALPINDI: The rupee gained strength against the dollar at the open currency markets of Islamabad and Rawalpindi here on Thursday.

The dollar opened at Rs 106 (buying) and Rs 106.50 (selling) against last rate of Rs 107.50 (buying) and Rs 107.60 (selling). It closed at the same rate of Rs 106 (buying) and Rs 106.50 (selling).

Pound Sterling opened at Rs 130 (buying) and Rs 131.50 (selling). It closed at the same rate.

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Dual taxation treaty:

Swiss team due next month to ink revised convention

RECORDER REPORT

A delegation of tax authorities from Switzerland is expected to come to Pakistan by mid-April to ink the revised convention on 'avoidance of double taxation' between Pakistan and Switzerland with particular focus on exchange of information regarding bank accounts.

The finance minister Ishaq Dar had already given a statement on the floor of National Assembly that Pakistan was going to sign an agreement with Switzerland on March 21 on exchange of information about bank accounts.

According to Dar, Federal Board of Revenue (FBR) held several meetings with the Swiss authorities and now they have invited Pakistan to sign the agreement, adding it will be new exchange of information which is globally acceptable, he added.

In a new development, Pakistani delegation would not visit Switzerland. However, a Swiss delegation is likely to visit Pakistan for exchange on the said convention in mid-April.

The new Article, upon formal signing of the ADTA will oblige the Swiss Authorities to exchange all requested information, including heretofore confidential bank account information. Information requested under new Article cannot be refused or declined on the mere pretext that the same is not of any use for their domestic taxation and is held by any other authority and not available with the tax authorities.

The Article 26 of the OECD model could help access bank accounts of citizens and their assets, but the information received or exchanged will be treated as secret and can only be disclosed to persons or authorities including courts and administrative bodies like tax department for assessment purposes.

The FBR wanted re-negotiate and upgrade treaty on Avoidance of Double Taxation with Switzerland to tax undeclared money held in the Swiss bank accounts by the Pakistani nationals. In the past, the Cabinet had given its approval for renegotiating Pakistan-Switzerland Avoidance of Double Taxation Agreement (DTA). The existing Pakistan-Switzerland DTA will be re-negotiated and upgraded in line with the latest trends in all important areas of international co-operation.

The proposed Article 26 (exchange of information) of the convention on Avoidance of Double Taxation, being renegotiated between Pakistan and Switzerland, would bound the Swiss tax authorities to exchange all requested information, including confidential bank account information of Pakistanis maintaining Swiss accounts.

Pakistan and Switzerland signed Convention on Avoidance of Double Taxation in 2005 which was enforced in 2008.

This agreement contained old version of Article 26 on Exchange of Information. In 2010, Switzerland agreed to adopt latest version of Article 26 of the OECD Model Tax Convection in its Agreements on Avoidance of Double Taxation with other countries. The Cabinet accorded approval to renegotiate Pakistan Switzerland Avoidance of Double Taxation Agreement. Accordingly, in August 2014, Convention on Avoidance of Double Taxation was renegotiated, highlight of which was replacement of archaic formulation of Article 26 with a new one reflecting internationally accepted standard on "Exchange of Information" backed by both OECD and UN.

Pakistan has already signed the Multilateral Convention on Tax Matters with Organisation for Economic Cooperation and Development (OECD) on September 14, 2016 which is going to be operationalised next year. Pakistan is the 104th member of the organisation. He said that 90 countries have agreed to operationalise it next year. He said these countries indicated on June 7, 2016 that those countries including Pakistan, whose system is compatible, are ready to start the spontaneous exchange of information. They decided to

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start operational system from next year.

After the operationalisation of this convention, it will be impossible to keep tax evaded money in these countries. Pakistan would take benefit from the exchange of information.

After this agreement Pakistan would become a member of a global forum on exchange of tax information of offshore accounts and investments.

This membership will enable Pakistan to receive and send information on tax data under automatic exchange as well as to fight tax fraud and evasion at the international level. This may help retrieve important bank accounts, dividends, and interest and asset ownership information from all signatories to the convention.

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Dar urges FBR to take steps for meeting current fiscal target

ISLAMABAD: Federal Minister for Finance, Revenue, Economic Affairs, Statistics and Privatisation, Senator Muhammad Ishaq Dar chaired a meeting on matters pertaining to the Federal Board of Revenue (FBR) here on Thursday.

Haroon Akhtar Khan, Special Assistant to Prime Minister on Revenue, provided an update to the minister on preparations for the upcoming budget for FY 2017-18. He said that pursuant to the minister's instructions, the exercise to obtain views of business and traders' community, chambers of commerce and industries, economic experts and other stakeholders was being actively undertaken. He said the FBR is making all out efforts to pursue the tax revenue targets for this fiscal year.

The finance minister urged the FBR to undertake all necessary efforts to meet the tax revenue target for the current fiscal year. He encouraged the FBR to ensure that all stakeholders are actively engaged and consulted in the preparation process for the budget. He said that effective measures against tax evasion and for promotion of tax culture would further strengthen revenue generation, which is vital for achieving higher, sustainable and inclusive economic growth in the country.

The meeting was also attended by senior officials of the FBR and the Ministry of Finance.—PR

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FBR to stop issuing notices to ginners

RECORDER REPORT

The chairman of the Federal Board of Revenue, Dr Muhammad Irshad, on Thursday instructed regional tax officers to stop the issuance of notices to ginners and freezing of their bank accounts forthwith. He gave the assurance that some concessions and facilities will be given to the ginning industry in the coming budget. All disputed matters and other obstacles will be removed through legislation in the National assembly.

A delegation of ginners headed by the chairman of the Pakistan Cotton Ginners Association, Dr Jeso Mal visited the FBR office and met Dr Muhammad Irshad and discussed the issues faced by the ginners.

Dr Irshad said that the government honours its regular taxpayers like ginners. He gave the assurance that the ginners' concerns will be removed. Dr Jeso Mal apprised him of ginners' grievances and said that issuances of current notices and freezing of bank accounts and unjust deductions have disturbed the ginners' community and affecting the business atmosphere in the country. He said that anti-business measures of the taxation department are hampering business activities.

Dr Jeso Mal said that all the leading economies are giving incentives to expedite economic activities in their respective countries, but in Pakistan those at the helm of affairs are doing the opposite, at a time when almost all businesses face a number of internal and external pressures.

The PCGA chairman said that actions like freezing of bank accounts and issuing notices to ginners had hampered economic activities.

He said that Dr Muhammad Irshad study the whole situation and stop FBR officials from using discouraging tactics. He said that if there is an urgent need for action against a particular ginning unit, FBR officials should be directed to take the PCGA on board.

The PCGA delegation called on a number of member of the National Assembly and Senate and submitted its proposals and recommendations to legislate about the affairs of the ginning industry.

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Tepid tone on cotton market

DR ZAFAR HASSAN

Barring some higher grades of leftover cottons, most of the remaining lint from the current crop (August 2016/July 2017) is of lower quality as we approach the tailend of the season. Traders said on Thursday that less than half a million bales (155 Kgs) of cotton remain unsold from the leftover crop which are continuously depleting.

Yarns and textile business is generally slow but some better sales are reported for the higher grades of material. Mostly, however, only minor enquiries are received for yarns and other textile goods.

In Sindh province, all the seed cotton (Kapas/Phutti) for the current season (2016/2017) has been sold out. In the Punjab seed cotton reportedly sold between Rs 3750 and Rs 3800 per 40 Kilogrammes.

In Sindh, lint cotton prices were said to have ranged from Rs 6400 to Rs 7000 per maund but sale of cotton was reportedly slow on Saturday. In the Punjab, cotton prices reportedly ranged from Rs 6500 to Rs 7000 per maund in a slow selling market. The Karachi Cotton Association (KCA) deemed it fit to fix the ex-gin price of grade three cotton lower at Rs 6750 per maund (37.32 Kgs) on Thursday having reduced it by Rs 50 per maund from the overnight rate.

Cotton consultant Naseem Usman reported that during his visit to District Thatta and Badin following the harvesting of wheat recently, shortage of water has resulted in lower cultivation of cotton for the incoming season (2017/2018). Therefore, growth of cotton will be impaired in Sindh due to shortage of water. In Sindh, cultivation of cotton is done in the following major areas viz Shujawal, Thatta, Gharo, district of Badin, Pangrio, Tando Bago, Jhudo, Nawakot, Jan Digri and surrounding areas.

Like Sindh, Naseem Usman sought the attention of the Agriculture Department and the Seed Corporation in Punjab to provide ample supply of water regularly and also arrange for the proper supply and distribution of seed to enable the farmers to grow high quality of cotton during the incoming season (August 2017/July 2018). Besides the supply of authenticated cottonseeds, the supply of proper kind of pesticide should also be ensured.

Ready cotton sales from Punjab constituted 200 bales from Bhakkar at Rs 6700 per maund and 400 bales from Khanewal at Rs 6800 per maund.

Correction: Please refer to the Cotton Analysis published on 10 March 2017. There was an oversight in the last line which should be properly read as follows: "Trade wars, isolationism and aggressive trade retaliation measures could shatter any existing trade agreements and understanding". The error is regretted.

On the global economic and financial front, the Trump election to the presidential seat in the United States was mostly projected to be gloomy, volatile and indeed fearful as riots broke out in several American Cities and an element of uncertainty and volatility appeared destined to shake up the American economic landscape widely. Equity markets were feared to topple and a considerable amount of economic anarchy would raise its head which would spread to all corners of the globe.

However, despite many fears arising out of political disturbances, battles, civil wars and public unrest in most corners of the world, the equity indices and even prices of many commodities maintained their levels and did not crash materially. Moreover, in some countries like the United State, Great Britain and Germany the economic growth also maintained respectable gains.

For instance, it has been reported that the Federal Reserve Bank in America increased its bench mark interest rate for the second time in three months and indicated that any further rise in interest rates would be on a gradual basis for the remainder of the year. Analysts have derived the impression of interest rate hikes by the Federal Reserve as signifying a solid growth in the U.S. economy meriting higher interest on some consumer items and certain type of business loans.

The American Federal Reserve is now reported to believe that after a penurious period of nearly eight long years following the Great Recession, a notable improvement in American economic growth no longer needs or necessitates continuation of low interest rates and has become fit enough to gradually manage with higher cost of money in its management of business.

The Associated Press has reported from Washington, D.C. that most officials from the Federal Reserve foresee that it will still raise interest rates three times this year. "The Central Bank outlook for the (American) economy changed little, with officials expecting economic growth of 2.1 percent in 2019. These forecasts are far below the 4 percent growth that President Donald Trump has said he can produce with his economic programme".

Be that as it may, equity values this week shot up to record high levels almost all around the world. The earlier employment report of the United States for the week ending last Friday clearly indicated that the world's number one economy is moving upwards and is presently riding on a strong growth track. Reports added that the U.S. cabinet created 235,000 new jobs in February 2017 which is much higher the presumed previously.

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Prices fall modestly in thin trade

RECORDER REPORT

After maintaining a stable trend for a long time, cotton prices fell modestly on Thursday in the process of thin trading activity, dealers said. The official spot rate was down by Rs 50 to Rs 6750, they said. In Punjab prices of seed cotton were unchanged at Rs 3750-3800, as per 40 kg, they said.

In ready session, nearly 1400 bales of cotton sold at Rs 6850-7000, they said.

Market sources said that both buyers and sellers adopted cautious attitude towards new deals after the Fed decision.

The US Federal Reserve raised interest rates for the second time in three months, a move spurred by steady economic growth, strong job gains and confidence that inflation is rising to the central bank's target.

The decision to lift the target overnight interest rate by 25 basis points to a range of 0.75 percent to 1.00 percent marked a convincing step in the Fed's effort to return monetary policy to a more normal footing.

The limited stock with ginners and shortage of quality cotton forced the mills and ginners to refrain from new deals, they said.

Cotton analyst, Naseem Usman said that few deals were finalised on prices, which were matching with the ginners' psychological levels.

In the meantime, he said that it was positive development that business of cotton-yarn in the local market is improving.

Furthermore, sowing for the new season has started in the lower Sindh and in Punjab, it will begin after some weeks, other experts said.

Reuters adds: The New York cotton futures were higher on Wednesday on falling demand.

The following deals reported: 600 bales from Lodhran at Rs 6850, 400 bales from Haroonabad at Rs 6900 and same figure from Liaquatpur 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 15.03.2017	Difference Ex-Karachi in Rupees
37.324 Kgs Equivalent	6,750	135	**6,885**	**6,935**	-50
40 Kgs	7,234	145	**7,379**	**7,433**	-54

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	**78.08**	**78.89**	**78.00**	**78.17**	**14:19 MAR 15**	**78.17**	**0.09**	**11527**	**78.08**
Jul'17	**79.08**	**79.80**	**79.00**	**79.12**	**14:19 MAR 15**	**79.12**	**0.03**	**5028**	**79.09**
Oct'17	**-**	**76.10**	**76.10**	**76.10**	**14:19 MAR 15**	**76.10**	**0.01**	**1**	**76.09**

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Money laundering: SBP's sane advice

RECORDER REPORT

Briefing the media after a meeting with the heads of all banks on 13th March, 2017, SBP Governor, Ashraf Mehmood Wathra, disclosed that he had discussed a number of issues with bankers today but the prime and dominating subject was money laundering on which several decisions had been made. Tracing the challenge, he said that there was a substantial demand for money laundering and illicit financial services in Pakistan due to its black market economy and challenging security environment. As the high-ups in Islamabad were under a great deal of pressure due to terrorism, corruption and money laundering in different segments of economy, banks were advised to improve their capacity for control of the menace, especially by training their staff here and abroad in this respect. Referring to the decisions, the governor asked banks to "implement an in-house system to detect differences between the values declared in the documents and prevailing market prices." In this connection, banks must put in place subjective and objective controls to identify trade transactions of related parties and design policies and procedures to address the overall risks of trade-based money laundering. They were also advised to ensure that their transaction monitoring processes and systems were robust to flag suspicious transactions. The governor assured bankers that SBP would support and guide any exercises by banks to achieve this objective. Some trade transactions have the elements of under-invoicing and over-invoicing which facilitate transfer of value across borders and primary responsibility to detect this lies with the Customs Department. However, since documents are negotiated and L/Cs settled through banks, banks need to enhance their capacity to process and monitor foreign trade transactions with extreme care and diligence. Illegal forex operators may also have accounts with the banks through which they might be conducting illegal remittance business. Banks should monitor such transactions to enhance their customer diligence process to avoid such relationships. The governor also briefed the media about the rumours of unnecessary foreign travel of bankers. The practice was not widespread and Wathra gave the banks 90 days to submit their foreign travel policies.

So much emphasis on curbing money laundering through banks is understandable and has a certain background. Such a practice was not a big issue so far it was not related to organised crime and terrorist outfits but after certain facts about the unholy relationship came to the fore, the patience of international community is increasingly wearing thin, with the possibility of imposing sanctions on countries that are not serious in tackling the issue. Unfortunately, Pakistan is among the top countries deemed to be notorious for indulging in such a practice. A US State Department report released in the first week of this month was the latest accusation hurled at the country in which Altaf Khanani Group was labelled a money laundering organisation having close links with crime and terrorism. In order to mollify such a bad impression, the government was under tremendous pressure to act decisively and State Bank's latest advice to bankers seems to be a part of this broad-based effort.

However, whether the decisions taken at the bankers' meeting would yield the desired results is a moot question. In our view, the decisions may not be totally in vain but would have a negligible impact on the magnitude of over-invoicing/under-invoicing and money laundering. The governor has urged upon banks to train their staff for the purpose but bankers are neither well equipped to detect such crimes nor have they been recruited to fulfil such a function. Also, it is a full time job to keep a close watch on prices of thousands of products in the domestic and foreign markets and Customs Department, as mentioned by the governor, is more suited to the purpose. A better alternative could be proper adjustment of the rupee rate which could reduce the incentive for over-invoicing/under-invoicing to a certain extent. Another problem is the wide network of money changers in the country to facilitate money laundering. If the banks could somehow be discouraged or even totally prohibited from this practice, hundi/hawala and other informal channels could be easily used to meet the demand for money laundering. Money, in fact, is so fungible that, whatever the obstacles, it can easily cross the borders and reach the targets. A long-term solution to the problem is possible if security situation in the country is improved, the size of the undocumented economy is reduced, tax evasion is weeded out from the system, crime is curbed all over the globe, stability in exchange rate is ensured and confidence is restored in the policies of various governments. Anyhow, it is better for the government and the SBP to demonstrate to the outside world that the country is at least trying its level best to control the menace to the best of its abilities.

DAWN
Friday, 17th March, 2017

Rs6bn approved for PSO to avoid default

KHALEEQ KIANI

ISLAMABAD: The Ministry of Finance on Thursday approved payment of Rs6 billion (about $60 million) to the country's largest fuel supplier as an urgent case to avoid an international default next week against fuel supplies.

Simultaneously, the Ministry of Petroleum and Natural Resources and the oil industry decided to put on hold future fuel oil import orders until the Ministry of Water and Power submits a firm plan for payment and draw down of record stocks built over the past few weeks.

Informed sources said the Rs6bn payment ordered by the finance ministry would take a couple of days to pass through various bureaucratic process at the Establishment Division and Accountant General Office. The couple of letters of credit (LCs) for oil imports are due for payment on March 27-28 while the Pakistan State Oil (PSO) had already overexposed itself to even enhanced credit lines.

Mainly because of non-payments by the power sector, the receivables of the PSO had gone beyond Rs270bn. These include about Rs231bn outstanding against the power sector led by public sector generation companies of Rs140bn, Rs61bn of Hubco and Rs22bn of Kot Addu Power Company. Another Rs24bn is due against Pakistan International Airlines and the federal government and Rs13 billion against Sui Southern Gas company on account of liquefied natural gas (LNG) supplies.

It was in this background that a delegation of Oil Companies' Advisory Committee (OCAC) had consultations with the petroleum ministry where it was decided to put on hold import orders at the risk and cost of the water and power ministry.

The sources said the power ministry had been told to submit a comprehensive and firm demand plan for furnace oil, gas and LNG so that the supplies of these fuels could be adjusted.

The sources said at least two leading refineries had informed the government that they would need to go on shutdown their operations because the PSO was not uplifting furnace oil and as a consequence the production of other petroleum products like jet fuel, petrol and diesel would be affected.

The PSO expressed its inability to be of any help saying its furnace oil depots were not only full to the brim but its tankers were also standing on roads because of lower consumption by the power plants.

As if that was not enough, around 14-15 ships carrying furnace oil and other products were standing in the open sea for anchoring, causing $20,000-25,000 per day demurrage charges per ship to PSO.

On the other hand, the sources said, the power sector had shut-down about 3,500MW of furnace oil based power plants to secure savings on fuel costs amid lower demand from consumers as well as loadshedding being parked in low revenue yielding consumer sectors.

DAWN
Friday, 17th March, 2017

Reserves increase by $122m

THE NEWSPAPER'S STAFF REPORTER

KARACHI: Pakistan’s total liquid foreign exchange reserves amounted to $22.2 billion on March 10, up $122.2 million or 0.5 per cent from a week ago, the State Bank of Pakistan (SBP) said on Thursday.

The SBP’s reserves increased $99m to $17.2bn. It received $200m under the Coalition Support Fund and paid $97m on account of external debt servicing and other official payments during the week.

Net foreign exchange reserves held by commercial banks amounted to $5bn on March 10, up 0.5pc from the preceding week.

DAWN
Friday, 17th March, 2017

Cotton trading slows

THE NEWSPAPER'S STAFF REPORTER

KARACHI: The cotton market on Thursday witnessed slow trading owing to dwindling stocks in the country and shortage of quality cotton. The undertone was easy and outlook uncertain.

Spinners kept looking for quality cotton but mostly failed due to limited stocks with ginners. Only small-lot deals were reported to have changed hands.

According to reports, global cotton prices came under renewed pressure and so did cotton prices. Chinese and India cotton markets closed easy, but the New York market made fresh gains.

Meanwhile, ginners fear that the next crop could also be short if the government did not come up with a cotton policy and protected cotton-growing areas which are shifting to sugar cane. Already two successive cotton crops have miserably failed and were short by up to 30 to 35 per cent and this trend continues the country could soon become cotton importing within next couple of years, they warned.

The Karachi Cotton Association's spot rates were cut by Rs50 to Rs6,750 per maund (around 37 kilograms). Major deals on the ready counter were: 600 bales from Lodhran at Rs6,850, 400 bales from Haroonabad at Rs6,900 and 400 bales from Liaquatpur 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	6,750	135	6,885
40 Kgs	7,234	145	7,379

DAWN

Friday, 17th March, 2017

MARKETS

FOREX

Exchange Rates for Currency Notes (Rs)

	Interbank market*		Open market**	
	Buying	Selling	Buying	Selling
USA	104.45	104.65	106.50	106.70
UK	128.12	128.37	130.25	131.75
Euro	112.00	112.22	113.90	115.40
S.Arabia	27.85	27.90	28.30	28.50
UAE	28.44	28.49	29.00	29.20
Japan	0.9210	0.9228	0.9305	0.9505

*forex.com.pk **ECAP

KIBOR

Karachi Interbank offered rates

	Bid	Offer
Three months	5.83	6.08
Six months	5.88	6.13
One year	5.92	6.42

LIBOR

Special US dollar bonds for Mar 15

Three months	1.14817 %
Six months	1.43822 %

THE NEWS
Friday, 17th March, 2017

FDI up 6pc to $1.284bln in July-February

Erum Zaidi

KARACHI: Pakistan's foreign direct investment (FDI) inflows rose 6 percent to $1.284 billion in eight months of current fiscal year of 2016/17, with major inflows going to food, construction, and electronics sectors, data released by State Bank of Pakistan showed on Thursday.

The country drew $1.211 billion in FDI in the corresponding period of last fiscal year. Almost half of the total FDI inflows were received from Netherlands followed by China, Turkey, and France. However, inflows from other countries remained unimpressive.

The inflows from Holland came from a Dutch firm, which invested $467.8 million in the country during July-February FY17 against $24.4 million in July-February FY16.

Overall investments, totaling $130.6 million arrived from Turkey in July-February FY17 against $16.3 million in July-February FY16. However, the foreign investment from China dropped to $264.8 million in July-February FY17 from $529.3 million a year ago.

The SBP figures revealed that an investment of $468.6 million went into the food sector during July-February FY17, compared with an outflow of $35.4 million in the corresponding period of last fiscal year.

The construction sector attracted $155.7 million in the FDI in eight months against $34.7 million last year, while net flows to the electronics businesses increased to $142.6 million from $31.3 million a year earlier.

An analyst said the FDI inflows continued to maintain a moderate pace marked by some improvement in multinationals' confidence in the country's economy. "Moreover, these flows were shaped by an acquisition activity seen in the food business," he added.

He further said the country seems to have received some remaining inflows against the acquisition of 51 percent shares in Engro foods by Netherlands-based Company --this transaction was finalised in December last year.

However, the decline in FDI inflows was noticeable in power sector—where they dropped to $257.6 million from $532.8 million a year ago.

Moreover, the foreign investment inflows in oil and gas exploration sector also witnessed a fall of $93.2 million, compared to $205.9 million recorded last year.

Many economists believe the fundamentals of the FDI are expected to be positive but may depend on improvement in varying cost of doing business, good institutional governance, inflation and country risk.

"There is a dire need to attract inflows into the manufacturing sector, rather than energy sector, which is concessional," said Dr Salman Shah, former finance minister.

Analysts expect increase in portfolio investments once the MSCI include Pakistan in its emerging market index in May 2017.

Portfolio investment at the equity market witnessed an outflow of $353.2 million in July-February FY17, compared with the outflow of 347.6 million in July-February FY16.

THE NEWS
Friday, 17th March, 2017

OICCI proposes reduction in corporate tax, GST rates

KARACHI: The Overseas Chamber of Commerce and Industry (OICCI) has recommended reduction in corporate income tax rate and general sales tax to accelerate economic growth and inflows of foreign direct investment (FDI) in the country.

In its budget proposals for the fiscal year 2017/18, the OICCI suggested that the corporate income tax should be reduced to 25 percent from 30 percent. Similarly, GST should be reduced to 13 percent from the prevailing 17 percent in line with the rates in other Asian countries.

In a statement issued on Thursday, OICCI, the body representing foreign and multinational companies in Pakistan, also suggested to abolish super tax in the tax year 2018.

Commenting on the OICCI taxation proposals, OICCI president Khalid Mansoor said, “OICCI’s comprehensive proposals are balanced and aimed at providing a level-playing field to investors, enhance the documentation of the economy, besides recommending certain structural and procedural changes to improve the overall taxation framework in the country.”

The OICCI recommends that the government factor-in tax policies, which lead to long-term investment plans, and suitably protected, to ensure at least 10-year phasing out period so that local and foreign investors could base their plans on the policies, which are predictable and consistent over a reasonable time.

The OICCI also recommends targets given by the FBR hierarchy to the Large Taxpayers Units (LTUs), should be realistic on research-based growth projections in different business sectors.

Similarly, growth in tax collections, over and above the projected economic growth, should be fully quantified by estimating the contribution from broadening the tax base and bringing new taxpayers into the tax net.

For this purpose, the OICCI recommends formation of a research and analysis wing at the Federal Board of Revenue (FBR) resourced with high caliber professionals and experts to provide sector-based economic and taxation projections.

The Tax Reform Commission 2016 report should be judicially and transparently implemented with periodical monitoring of overall impact on improved tax administration, tax payee’s morale and motivation, besides substantially increasing the number of tax filers, revenue collection and tax-to-GDP ratio, it suggested.

Other key recommendations of the OICCI included rationalisation of minimum tax regime for large value, but low margin businesses such as oil marketing companies; revamping and massive simplification of withholding tax regime from the current 55 rates to only five rates; incentives for new investments in manufacturing and employment generating ventures to be made part of every budget; reintroduction of group taxation relief; and clearance of pending income / sales tax refunds within a month.

The OICCI demanded that Workers Welfare Fund (WWF) and Workers Profit Participation Fund (WPPF) jurisdiction and tax deductibility should be clarified, especially after the promulgation of similar legislations in the provinces.

“Coordination between the federal and provincial legislations should be improved, as foreign investors have invested in Pakistan and not in any particular province and; therefore, should not suffer from the inter-governmental issues / conflicts,” the OICCI added.

THE NEWS
Friday, 17th March, 2017

World Bank approves $450mln credit for socioeconomic progress

KARACHI: The World Bank approved $450 million credit for Pakistan to increase financial outreach, improve social safety net and promote tourism in the country, a statement said on Thursday.

The credit was financed from the International Development Association, the World Bank Group's grant and low-interest arm and approved for the measures to help the poorest and most vulnerable people in the country.

The initiatives include expanding banking services and financial access, strengthening the social safety net to improve the quality of coverage to those who need it most, as well as promoting tourism for growth in Punjab through encouraging private sector development to provide more opportunities.

"Pakistan has made significant progress in the implementation of economic reforms," Illango Patchamuthu, World Bank's country director for Pakistan in the statement. "However, despite the substantial progress in the initial reform programs and recent developments in the financial sector there remains an important unfinished reforms agenda, as financial access and inclusion remain particularly low."

Of the total credit, $300 million is the finance for growth development policy to support the government's efforts in promoting a more inclusive and transparent financial sector. The program aims to raise financial access throughout the country to 50 percent of adults, including 25 percent women by 2020.

Similarly, in the next three years, it aims to boost private sector credit access to small and medium enterprises to 15 percent from seven percent in 2015. Around 100 million adults in Pakistan don't have access to formal and regulated financial services. This number represents around five percent of the world's unbanked population.

The $100 million worth of national social protection program for results will assist the government to strengthen the national social safety net systems for the poor to enhance their human capital and promote beneficiary families' access to complementary social and productive services.

It will support the Benazir Income Support Program to update the National Socio-Economic Registry - the national platform to objectively identify the poor for cash transfers and other social programs, and incentivise improvements in the service delivery systems. Besides protecting the poorest against falling into destitution and invest in their children's education, it will facilitate in finding pathways towards their enhanced welfare and economic self-sufficiency.

The remaining $50 million was allocated for the Punjab tourism for growth project to strengthen institutions, increase private sector participation and improve infrastructure to support the tourism sector in the province.

It will enable the private sector to lead the development of the tourism market and ensures that public institutions help facilitate these processes, while fulfilling their respective mandates.

The project will also help improve service quality, provide better skills development opportunities, foster stronger governance and give residents a more prominent say in local development plans with a special focus on providing more jobs for women, added the statement.

THE NEWS
Friday, 17th March, 2017

Cotton falls

Karachi

Slow trading was witnessed at the Karachi Cotton Exchange on Thursday, while spot rates decreased Rs50/maund.

The spot rates declined to Rs6,750/maund (37.324kg) and Rs7,234/40kg. Ex-Karachi rates also fell to Rs6,885/maund and Rs7,379/40kg after an addition of Rs135 and Rs145 as upcountry expenses, respectively.

An analyst said the spot rates decreased, as slow activity prevailed in the market. However, prices were higher across the world. “Since very little stocks were available with the ginners, prices are likely to remain at this level. There is not going to be any major variation,” he added.

“Spot rates might again increase, as small factories still needed local cotton.” KCE recorded domestic transactions of around 1,500 bales in between Rs6,850/maund to Rs7,000/maund. Transactions were recorded from Lodhran, Haroonabad and Liaquatpur.

The Nation on Web
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Friday, 17th March, 2017

Dar tells FBR to meet revenue target

Our Staff Reporter

ISLAMABAD - Federal Minister for Finance Ishaq Dar on Thursday directed the Federal Board of Revenue (FBR) to undertake all necessary efforts to meet the tax revenue target for the current fiscal year.

He made these remarks at a meeting on matters pertaining to the Federal Board of Revenue (FBR). He encouraged FBR to ensure that all stakeholders are actively engaged and consulted in the preparation process for the budget. He said that effective measures against tax evasion and for promotion of tax culture would further strengthen revenue generation which is vital for achieving higher, sustainable and inclusive economic growth in the country.

Haroon Akhtar Khan, Special Assistant to Prime Minister on Revenue, provided an update to the Minister on preparations for the upcoming budget for FY 2017-18. He said that pursuant to the Minister’s instructions, the exercise to obtain views of business and traders’ community, chambers of commerce and industries, economic experts and other stakeholders was being actively undertaken. He said that FBR was making all out efforts to pursue the tax revenue targets for this fiscal year.

Meanwhile, the National Assembly’s Standing Committee on Finance and Revenue showed concern over massive shortfall in tax collection during first eight months of the ongoing financial year. The committee members noted that the government could not achieve the tax collection target during ongoing financial year.

Committee member Asad Umar said that tax collection shortfall had reached Rs180 billion during July-February period of the year 2016-17. Another member of the committee, Abdul Rashid Godil, said the finance minister did not come to the meeting to explain the reason for the tax collection shortfall.

FBR Chairman Dr Irshad told the committee that FBR had collected Rs2046 billion so far in the current financial year, which is 7 percent higher than the collection for the same period last year. He said the government had set a Rs3621 billion tax collection target for the current fiscal year. The committee also considered the outcome of the export package announced by the government in the light of FBR policies.

The chairman of the FBR informed the committee that the FBR was supporting the exporters in this regard. However, the committee strongly recommended that income tax and sales tax refunds should be released to the concerned on a priority basis for improvement in export volume in the country. Qaiser Ahmed Sheikh, chairman of the committee, informed the members that business community was facing problems due to delay for release of refunds by the FBR.

The committee was informed by the chairman of the FBR about the implementation status on the recommendation of the Standing Committee regarding reduction in differential of income tax between commercial and industrial importers. He said that FBR was waiting for the comments from the Federation of Pakistan Chambers of Commerce and Industries in this regard.

Zubair F Tufail, President of FPCCI, was also present at the meeting. He informed the committee that FPCCI had already forwarded a letter to the FBR for supporting the proposals already recommended by the committee. The committee once again directed the chairman of FBR to implement the unanimous decision/recommendation of the committee at the earliest.

The committee was considering the budgetary proposals in consultation with stakeholders for upcoming budget 2017-18. The proposals from FPCCI and various chambers of commerce and industry were discussed in detail. The committee ordered constitution of a four-member sub-committee for further deliberations with stakeholders to finalise the budgetary proposals. The sub-committee will present its report to the main committee within 30 days for submission to the Ministry of Finance and Revenue.

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Jamshoro Power Project

Govt, ADB to finalise contract by Sept

Fawad Yousafzai

ISLAMABAD - Both the government of Pakistan and the Asian Development Bank (ADB) have agreed to finalise the award of contract for the Jamshoro Power Generation Project (JPGP) by September, it is learnt reliably.

Secretary for Water and Power Yunus Dagha asked the ADB to finalise the process of award of contract by August however it was agreed later to complete the process in September. The decision was made at a meeting between the Ministry of Water and Power and the ADB team. The meeting reviewed the progress on different ongoing ADB-funded power projects and the overall performance of NTDC and DISCOs in improving the energy system.

Discussing the progress on Jamshoro Power Generation Project (JPGP), it was mutually agreed to complete the process of award of contracts as soon as possible. The ADB officials showed concern at the slow pace of work on JPGP. However, the secretary for water and power said that issues pertaining to acquisition of land and coal suppliers were expected to finalise by mid-April. The Asian Development Bank has already approved $900 million for the Jamshoro project and would disburse it when all formalities are completed.

Meanwhile, a press statement issued here stated that the water and power secretary briefed the ADB officials about the measures been taken by the ministry to increase the role of NTDC/DISCOs in ongoing projects. The ministry is concerned about increasing the capacity of NTDC/DISCOs on management, procurement and financial sides for which the ministry has been working for six months. The ADB team shared that 81% of contracts had been awarded under distribution to various DISCOs. With this momentum, ADB portfolio in distribution sector is $567 million out of which 59% has already been disbursed.

In transmission sector, ADB is financing multiple projects amounting to $344 million of which 91% contracts have been awarded and 54% amounts have been disbursed. The ADB team showed satisfaction at pace of work and improved capacity. Three distribution and transmission line projects are very important for meeting the target set by the government to address power shortage by mid-2018. The ministry informed the ADB, “We will leave no stone unturned to reform NTDC on operational lines, including planning, designing and implementation areas.” On the other hand, the ministry is looking for professionals, both from Pakistan and abroad, to engage them in executing this task on market based fair compensation packages. On the consumer side, the ministry is working to facilitate the customers, trace and correct wrong billing or over billing, mobile metering to ensure more transparent and fair distribution of electricity.

The secretary informed the ADB delegation that performance of the distribution companies had improved a lot over last two years. This is evident from the additional cash flows worth Rs116 billion due to better distribution and lower line losses. The ADB delegation appreciated the improvement in power sector and also showed satisfaction at the pace of the projects and distribution companies. The ADB delegation showed its interest in enhancing the level of cooperation beyond the existing level.

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100pc recovery vital to controlling power sector debt: Ministry

Fawad Yousafzai

ISLAMABAD - The deficient tariff determination of the National Electric Power Regulatory Authority (NEPRA) and arrears against the provinces/regions are the main cause of circular debt and it is difficult to control the power sector's debt unless 100 percent recovery is made, says the Ministry of Water and Power.

The Nepra's determination of tariff is deficient which does not meet the cost of generation and that in turn was contributing to increasing circular debt, said Water and Power Secretary Yunus Dagha while briefing the Senate Subcommittee on Water and Power. The meeting was chaired by Senator Nauman Wazir.

While coming hard on Nepra, Dagha said that so far due to the regulatory body's deficient tariff, Rs150 billion have been added to the country's power circular debt. The Nepra wants to bill the power consumers on the line of California-like system, which is impossible in Pakistan, he added. Had the Nepra given factual and efficient tariff, there would have been no issue of circular debt, he added.

Besides, Nepra deficient tariff, he said that unless the 100 percent recovery from power consumers is made, the government shall not be able to fully get control over circular debt issue. He also said that non-payment of dues by the Balochistan government; Federally Administered Tribal Areas (FATA) and Azad Jammu and Kashmir (AJ&J) were also one of the reasons in increasing circular debt. Regarding power arrears, he said that Balochistan has to pay Rs106 billion, AJK Rs75 billion and FATA has to pay Rs29 billion to the federal government.

The Water and Power secretary said that the Ministry of Water and Power on his part has been making and made strong efforts to streamline the system, controlling leakages from the system and proper utilisation of resources and saved Rs116 billion. He further said that for the first time in country's history the distribution companies' losses have been brought down to 17.9 percent from earlier 20 percent.

The committee also expressed serious concern over the government's failure in implementation of the 'energy mix planning' project that was with the Planning Commission for the last four years. The official of the ministry replied that the project is under process and in next six months it will be finalised.

Regarding Nandipur Power Plant, the committee observed that it seems that the ministry of law and justice (during the previous government) was responsible for delay in completion of the Plant, its cost overrun and inability to generate power from it with full capacity.

The project file remained unattended with the ministry of law and justice for almost four years, but after the Supreme Court's directive it was moved for further action. The committee said that for the loss of around Rs113 billion in Nandipur power plants, the then law minister and law secretary was responsible.

Nauman Wazir termed four-year delay in completion of Nandipur power plant as 'criminal' which increased the cost of the project. The committee also called Senator Babar Awan and the then law secretary in the next meeting of the committee to be held on March 20. It should be asked from them that why they toll four long years on giving legal advice on the project, senator Wazir said.

The committee chairman said that the Independent Power Producers Advisory Council (IPPAC) claim that the circular debt is Rs414 billion, the secretary termed their claim as untrue and said it is around Rs393 billion. The advertisements appeared in national dailies by the IPPs was bringing a bad name for the country. The project director of 969 megawatts Neelum-Jhelum Hydropower Project informed that 91 percent work on the project has been completed.

One unit, 240MWs of power of the NJHP will start generating in February 2018. Due to delay, the civil work of Rs90 billion has been increased to Rs165 billion.

The Nation on Web
The Nation
Friday, 17th March, 2017

Foreign reserves stand at $22.2b

Staff Reporter

KARACHI - The total liquid foreign reserves held by the country stood at $22,274 million on March 10, 2017. The weekly break-up of the foreign reserves position released on Thursday showed that foreign reserves held by the State Bank of Pakistan (SBP) stood at $17,238.3m, net foreign reserves held by commercial banks are $5,035.7 million, so total liquid foreign reserves reached at $22,274.0m. During the week ending March 10, 2017, the SBP's reserves increased by $99m to $17,238 million. During the week, SBP received $200m under Coalition Support Fund and made payments of $97 million on account of external debt servicing and other official payments.