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Kashmir issue
PM urges world to play due role

ISLAMABAD: Prime Minister Muhammad Nawaz Sharif has called upon the international community to play its role for just resolution of the Kashmir issue according to the aspirations of Kashmiris.

In a solidarity message issued on Sunday, he said that the world community should play its role to stop human rights violations by the Indian forces in the Held Kashmir.

He said that brute force is being used against the innocent Kashmiris as they did not participate in the fake elections in Occupied Kashmir. He said the people of Occupied Kashmir have been deprived of their basic rights.

He said that Kashmir is for Kashmiris and a day will dawn when their due struggle will bear fruit.—NNI

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Gwadar coal-fired power plant

MD PP&IB challenges ministry's contention

ISLAMABAD: Managing Director Private Power & Infrastructure Board, Shah Jahan Mirza has challenged the Ministry of Water and Power's contention by revealing that Rs 59 billion 350 MW coal-fired power plant in Gwadar is not 'super critical', well informed sources told Business Recorder.

Ministry of Water and Power in its summary had misinformed the ECC, by claiming that the projects' technology is 'super critical'.

The Economic Coordination Committee (ECC) of the Cabinet approved the project in its meeting held on March 30, 2017 under the chairmanship of Finance Minister Senator Ishaq Dar.

The issue of Gwadar project came under discussion at a meeting of sub committee headed by Minister for Law and Justice, Zahid Hamid on March 29, 2017.

Minister for Law and Justice opened discussion by elaborating that the question raised in the ECC meeting was whether the project would be in compliance with applicable environmental laws, in the light of the clarification by Additional Secretary, Water and Power in the ECC meeting that the technology of the project was not super critical [as had been (incorrectly) mentioned in the summary]. It was pointed out in the Power Generation Policy, 2015 that all requirements of the Pakistan/Provincial/AJK/G.B Environmental Protection Agency (PEPA) Acts inter-alia, relating to environmental protection, environmental impact and social soundness assessment shall have to be met.

Managing Director, PPIB confirmed that the project technology was not super critical. However, he explained that this technology is not economical for units of capacity less than 350 MW. He argued that the question of technology would be decided at a later stage after completion of feasibility study, which would take into consideration demand, interconnection arrangements and despatch.

He stated that at present ECC approval was being sought for authorizing PPIB to proceed for award of the project to China Communication Construction Company in terms of Rule 5 of the Public Procurement Rules, 2004, to be processed as designated project under the Power Generation Policy, 2015.

Secretary, Water and Power Division confirmed that irrespective of the technology, the project would comply with applicable environmental laws, as required under the 2015 policy, adding that indeed, this requirement was being met by all the new power projects, including the coal projects.

Secretary, Climate Change Division stated that, according to information obtained by him from Government of Balochistan for purposes of preparing a reply to a question in the National Assembly, the project was still in preliminary stage, and Environmental Impact Assessment of the project had yet to be prepared/considered. Secretary Climate Change later confirmed that with reference to this meeting, a copy of the publication "EIA Guidance for Coal-Fired Power Plants in Pakistan" prepared under the National Impact Assessment Programme, had been provided to Secretary, Water and power Division and chief Secretary, Government of Balochistan for information and compliance].

Minister for Law and Justice informed the sub-committee that the Chief Secretary, Balochistan had met him earlier and had assured that all relevant provisions of the provincial environmental laws would be complied with while processing the project.

The sub-committee unanimously agreed that report may be submitted to the ECC that as per assurances of the sponsors/relevant stakeholders and requirement of the Power Generation Policy, 2015, the project would comply with all applicable environmental laws, irrespective of the technology adopted. However, one of the members of the committee, Secretary Finance, has not been taken on board due to his engagements in Dubai with the IMF during Article IV consultations.—MUSHTAQ GHUMMAN

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Protesters across US press Trump on tax returns

WASHINGTON: US President Donald Trump on Sunday hit back at nationwide protests calling for him to release his tax returns, questioning “who paid for” the “small” rallies.

“Someone should look into who paid for the small organized rallies yesterday. The election is over!” the president tweeted Sunday morning. That message came about an hour after an earlier tweet when he appeared to suggest the matter was a non-issue.

Trump has previously said Americans don’t care about his returns.

“I did what was almost an impossible thing to do for a Republican-easily won the Electoral College! Now Tax Returns are brought up again?” Trump tweeted.

His messages came after thousands of protesters gathered Saturday in cities across America to pressure Trump to release his tax returns, a move of transparency he has repeatedly rejected.

The demonstrations were timed to coincide with the traditional April 15 deadline for annual tax filings, a key date on the calendar for US households, and resulted in dozens of arrests.

For decades, US presidents and presidential candidates have released their returns voluntarily, although there is no legal obligation to do so.

US law requires only the publication of a financial statement that estimates assets, including debt and revenue, but does not give details on the amount of taxes paid.

Trump, a billionaire property tycoon, released a financial statement but has kept his tax returns private, both during the election campaign and since taking office in January.

He argues that he cannot release them because he is being audited. But tax officials have said he can in fact release them if he so wishes. Trump has on at least two previous occasions accused demonstrators of being paid to protest against him.

“Professional anarchists, thugs and paid protesters are proving the point of the millions of people who voted to MAKE AMERICA GREAT AGAIN!” he wrote on February 3 during protests against his executive order on immigration.-

Meanwhile, thousands of protesters gathered Saturday in cities across the United States to pressure President Donald Trump to release his tax returns, a move of transparency he has repeatedly refused.

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Protesters and political rivals have said he should make a fuller disclosure to remove any inkling of potential conflicts of interest between his business interests and his political decisions.

“Until he does, we’ll never know what he’s hiding or who his policies are designed to benefit,” said organizers of the “Tax March” demonstrations on its website.

“We need a president who works for all Americans — and a tax system that does, too,” it added.

At least 21 demonstrators were arrested after Trump

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opponents and supporters clashed at a march in Berkeley, California, US media said.

In Washington, several thousand protesters of all ages gathered in front of the Capitol building housing Congress, holding signs such as “What is he hiding?” and “Real men pay their taxes.”

A huge inflatable chicken with an orange-gold beak and a swirl of hair resembling Trump’s mane was displayed on the sidelines of the Washington protest, and at other venues. It was seen by some as the unofficial mascot for the protest — to suggest that the Republican president was afraid, or chicken, to publish his records.

“If he’s got nothing to hide, he should release his tax returns,” said protester Liz Turner, 31.

Asked what she suspected was in them, Turner replied: “Maybe something to do with Russia?”

Ellen Lodwick, 67, a retired corporate researcher from Maryland who has participated in anti-Trump demonstrations since his November 8 election, cast doubt on the president’s businesses.

“There are probably many illegal or questionable investments in things that could affect how he looks at government and legislation, because he’s too connected,” she said.

The protesters then marched along Pennsylvania Avenue towards the White House, shouting “shame” as they passed by the Trump International Hotel.

Trump again at Mar-a-Lago

In New York, thousands also marched, and demonstrations were held from Boston and Philadelphia on the East Coast to Seattle, San Francisco and Los Angeles out West, and cities and towns in between.

The Berkeley protests saw hundreds gather at a park, including Trump supporters who held a free speech rally, while opponents of the president’s policies shouted and chanted. Several fights broke out, according to the East Bay Times newspaper.

Activists waved signs reading: “No! Pussy-Grabbing! No! Patriarchy! No! Fascist USA! Drive out Trump-Pence regime!” and “Fascist scum your time is done.”

Trump has justified his refusal to publish tax returns by noting they are being audited. Federal tax authorities say that does not bar him from releasing the documents. Trump has repeatedly said he has used legal loopholes to minimize his tax burden. “Disclosing tax returns is the very lowest ethical bar for a president, and we are going to insist that he clear it,” Senator Ron Wyden, an Oregon Democrat, told the Washington crowd.

Trump was not in the capital during the demonstration; he is again spending the weekend at his Mar-a-Lago estate in Palm Beach, Florida, where several hundred “Tax March” protesters demonstrated outside Saturday.

“Pay your taxes!” several shouted One young girl held a small sign that read “Trump is a tax e-VADER” and showed an image of Darth Vader wearing a blond hairpiece.—AFP

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Ministry agrees not to divest GoP shareholding in K-E

MUSHTAQ GHUMMAN

ISLAMABAD: Ministry of Water and Power has reportedly agreed in principle not to divest GoP shareholding in K- Electric as per understanding with M/s Shanghai Electric Power (SEP) which has reportedly exerted its influence at the highest levels to get expeditious clearance of agreement with Abraaj Group.

A team of KE is seen in Ministry of Water and Power every day making efforts to expedite the approvals at the official level. They have held meetings from the Prime Minister level to Water and Power Ministry officials. However, the payment issues, new Power Purchase Agreement (PPA) and Gas Supply Agreement (GSA) with SSGC are key hindrances in finalization of the agreement.

The sources said Water and Power Ministry has already issued No Objection Certificate (NoC) to KE on not to tender any of GoP shares in KE against such public offer made by the purchaser i.e. Shanghai Electric Power Limited with respect to the current transaction; and has expressed inability to issue any facilitation letter for the transaction.

Confirmation is required to be issued on behalf of the GoP stating that the GoP will not tender any of the GoP shares against such public offer as it requires consideration/ approval of the Cabinet in pursuance of Supreme Court's decision which has withdrawn the powers of federal government from the Ministers and Secretaries", sources added.

The Supreme Court's decision is as follows "Neither a Secretary, nor a Minister and nor the Prime Minister are the Federal Government and the exercise, or purported exercise, of a statutory power exercisable by the Federal Government by any of them, especially, in relation to fiscal matters, is constitutionally invalid and a nullity in the eyes of the law. Similarly budgetary expenditure or discretionary governmental expenditure can only be authorized by the Federal Government i.e. the Cabinet, and not the Prime Minister on his own."

The other issue is multi-year tariff recently approved by the National Electric Power Regulatory Authority (Nepra). Abraaj Group and Shenghai Electric Power have already rejected new multi-year tariff and submitted a review petition. However, neither Nepra nor KE are ready to share details of the review petition.

Unconfirmed reports suggest that clearance of pact between Abraaj Group and M/s Shenghai Electric Power Company may take more time due to prevalent power supply situation in Karachi as any such move can be taken negatively especially when protests organized by Jamaat-e-Islami have already created issues for the company.

When contacted, KE spokesperson said that power supply to Karachi is as per routine: 61 percent of the city including industries is exempted from load shedding whereas the remaining areas are experiencing a maximum of 7.5 hours load shedding. This has been attained due to sustained investment in generation, transmission and distribution infrastructure and processes.

"Additional 16 feeders were exempted from load shedding a couple of days ago. The utility faced a temporary drop in gas pressure on April 13 which was duly and promptly resolved by concerned authorities," the spokesperson added.

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THE RUPEE
Rising trend

RECORDER REVIEW

KARACHI: The rupee managed to gain modestly against the dollar on the money market during the week, ended on April 15, 2017.

In the inter-bank market, the rupee traded in a narrow band for buying and selling at Rs 104.85 and Rs 104.87.

In the open market, the rupee stayed put in terms of the dollar for buying and selling at Rs 106.00 and Rs 106.20. The rupee also showed no change in relation to the euro for buying and selling at Rs 112.00 and Rs 113.50.

Some experts were of the view that strong supply of dollars helped rupee to go up versus the US currency.

Country's reserves in the first nine months of current fiscal year, remittances dropped 2.3 percent year on year.

INTER-BANK MARKET RATES: On Monday, the rupee was trading versus the dollar for buying and selling at Rs 104.85 and Rs 104.86. On Tuesday, the rupee shed one paisa versus the dollar for buying and selling at Rs 104.86 and Rs 104.87.

The national currency, however, lost 70 paisas versus the euro for buying and selling at Rs 112.20 and Rs 113.70. On Wednesday, the rupee stayed put versus the dollar for buying and selling at Rs 104.86 and Rs 104.87.

INTER-BANK MARKET RATES: The rupee shed one paisa versus the dollar for buying and selling at Rs 104.86 and Rs 104.87, they said.

OPEN MARKET RATES: On April 10, the rupee was down by five paisas in terms of the dollar for buying and selling at Rs 106.20 and Rs 106.40. The national currency, however, recovered 50 paisas versus the euro for buying and selling at Rs 111.50 and Rs 112.50. On April 11, the rupee, however, was higher by 10 paisas in terms of the dollar for buying and selling at Rs 106.10 and Rs 106.30.

On April 12, in line with the inter-bank, the rupee did not move any side in terms of the dollar for buying and selling at Rs 106.10 and Rs 106.30, they said. The rupee, however, gained 20 paisas versus the euro for buying and selling at Rs 112.00 and Rs 113.50, they said.

On April 13, the rupee picked up 10 paisas in relation to the dollar for buying and selling at Rs 106.00 and Rs 106.20. The national currency was down by 25 paisas in terms of the euro for buying and selling at Rs 112.25 and 113.75.

On April 14, the rupee did not move any side in terms of the dollar for buying and selling at Rs 106.00 and Rs 106.20.

The rupee, however, gained 25 paisas in relation to the euro for buying and selling at Rs 112.00 and Rs 113.50.

On April 15, the rupee stayed put in terms of the dollar for buying and selling at Rs 106.00 and Rs 106.20.

The rupee also showed no change in relation to the euro for buying and selling at Rs 112.00 and Rs 113.50.

OVERSEAS OUTLOOK FOR DOLLAR: In the first Asian trade, the dollar started the week at three-week highs against a currency basket on Monday, after a key US Federal Reserve official reinforced the central bank's commitment to continue raising interest rates.

The dollar index, which tracks the greenback against six major rival currencies, added 0.1 percent to 101.230 after rising as high as 101.340, reaching its highest levels since March 15.

The dollar was trading against the Indian rupee at Rs 64.423, the greenback was at 4.438 in terms of the

Malaysian ringgit and the US currency was at 6.907 versus the Chinese yuan. Inter bank buy/sell rates for the taka against the dollar on Monday: 79.75-79.75 (previous 79.72-79.72).

In the second Asian trade, the dollar fell against the yen, as concerns over tensions with North Korea and Syria weighed on US Treasury yields and offset expectations of US interest rate hikes.

"The market has become more cautious about Trump's policies, with attention to increased risks," said Harumi Taguchi, principal economist at IHS Markit in Tokyo. "The yen is easy to buy in such situations."

China and South Korea agreed on Monday to impose tougher sanctions on North Korea if it carries out nuclear or long-range missile tests, a senior official in Seoul said, as a US Navy strike group headed to the region in a show of force.

The dollar was trading against the Indian rupee at Rs 64.560, the greenback was at 4.433 versus the Malaysian ringgit and the US currency was at 6.902 in terms of the Chinese yuan.

Inter bank buy/sell rates for the taka against the dollar on Tuesday: 79.77-79.77 (previous 79.75-79.75).

In the third Asian trade, the yen hit five-month highs against the dollar, euro and sterling, as simmering geopolitical tensions checked risk appetite and put the safe-haven Japanese currency in favour.

Investors' flight-to-safety underpinned traditional safe-havens like the yen, Treasuries and gold, amid fresh concerns about the French presidential election and possible US military action against Syria and North Korea. The dollar was at 109.465 yen after going as low as 109.350, its weakest since Nov. 17.

The US currency had slid more than 1 percent the previous day from highs of 110.920, with the 110.00 threshold finally being breached after several close calls over the past few weeks.

The euro, which sank more than 1 percent overnight, extended losses and touched a five-month low of 116.020 yen. The common currency was on track to post its 13th straight session of losses versus the yen.

The dollar was trading against the Indian rupee at Rs 64.713, the greenback was at 4.428 in terms of the Malaysian ringgit and the US currency was at 6.894 versus the Chinese yuan. Inter bank buy/sell rates for the taka against the dollar on Wednesday: 79.78-79.78 (previous 79.77-79.77).

In the fourth Asian trade, the dollar slumped broadly, falling to a five-month low against the yen, after US President Donald Trump helped accelerate its recent decline by saying the currency was too strong.

The greenback took a heavy hit after Trump told the Wall Street Journal that the dollar "is getting too strong" and that he would prefer the Federal Reserve to keep interest rates low.

The comments were a fresh reminder of the president's protectionist trade rhetoric, which has been a source of concern for dollar bulls.

Trump's comments came at a time when some had begun to think that perhaps the president was not as supportive of a weak dollar as initially perceived," said Shin Kadota, senior strategist at Barclays in Tokyo. But he reiterated his view that a strong currency hurts US competitiveness, adding fresh downward pressure on the dollar.

In the final Asian trade, the dollar nursed losses, on track for a losing week as continuing tensions in North Korea underpinned the perceived safe-haven Japanese currency.

The dollar index, which tracks the US unit against a basket of six rival currencies, steadied at 100.590, slightly higher on the day but down 0.6 percent for the week. The dollar rose 0.8 percent against the South Korean won, which last stood at 1,138.5.

In another part of the world, the US military said on Thursday that it dropped "the mother of all bombs," the largest non-nuclear device it has ever unleashed in combat, on a network of caves and tunnels used by Islamic State in eastern Afghanistan. The dollar edged up 0.1 percent on the day to 109.15 yen, but was down 1.7 percent for the week.

According to Reuters, most of markets will be closed on Friday in New York, London and Asia. Markets will re-open on Monday, but some will be closed to observe Easter holiday.

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Political pedal on the gas

General elections are fast approaching, and you do not have to look at your calendars for that. A look at the newspapers will suffice. Political considerations have once again taken over economic ones. Not that they ever had the priority, but the pace of making politically motivated decisions, or even merely statements, has visibly increased. The ongoing, soon-to-be-over saga between Sindh and federal government, over the natural gas, is a true reflection.

That the Chief Minister Sindh threatened to take over Sui Southern Gas Company Limited (SSGC) and halt supply was a bit over the line. But in a strictly constitutional scenario, was not entirely wrong. Needless to say it came at the back of delay in gas supply to a certain power plant. Both sides have different stories to tell. But without missing the point, CM's outburst seems to have come out of political compulsion.

Sindh government has rightly pointed out the political abuse of gas moratorium by the ruling party in the centre. That said gas connections on political basis in Punjab were doled out more than a year ago. The realization only set in after hurdles in securing gas supply for one of its own projects, and as the general elections near.

The Sindh vs. federal episode should be expected to get over soon, as it seems more of a procedural matter. It is the decision taken by the Cabinet Committee on Energy that could have grave consequences going forward. It pertains to opening LNG for all consumer categories, subject to cabinet approval, despite relevant ministry's opposition to supply LNG to the highly inefficient captive power plants.

Experts have long argued with research based evidences, that supplying gas to captive power plants is the most inefficient use of the precious resource. But the priority right now seems to eradicate power load shedding at any cost, as the government finds itself behind schedule in completing few of the fast track projects. Still think that the government would actually listen to the Ministry for Planning's reservations; read the first sentence.

While LNG's role towards addressing gas shortage cannot be undermined, it should not be injudicious. All of it will eventually be added to the weighted average tariffs for both power and natural gas. Being an imported fuel, the balance of payment equation is also ever present. Government would do well to instead increase recovery of gas distribution companies through reduction in UFG losses, and focus more on more domestic exploration.

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Reforms in fiscal, external & energy sectors

IMF not highlighting serious challenges, claims Kardar

ZAHEER ABBASI

ISLAMABAD: Former Governor State Bank of Pakistan (SBP) Shahid Kardar has stated that it is 'intellectual dishonesty' on the part of the International Monetary Fund (IMF) for not highlighting serious challenges in the implementation of reforms of fiscal, external and energy sector.

Speaking on Aaj TV Programme "Paisa Bolta Hai" with Anjum Ibrahim, he maintained that whichever party comes to power after the 2018 general elections negotiations for a new IMF programme loan would commence. He said there were gradual and clear signals that the country was heading towards another crisis.

He acknowledged that there was ongoing debate on the credibility of the government statistics but added that the more fundamental question is whether any Pakistani government, in past or present, has taken any measures to increase GDP growth in agriculture (that would not make output heavily dependent on weather), services or industrial sector. Kardar said that Pakistan's economy is divided in two parts with one doing well because of protection provided by the government such as the auto sector while the other is struggling to compete in the international market.

He said that the cost of doing business is very high in Pakistan, which makes the country uncompetitive in the global market as compared to other regional countries. Providing details, he said travel of the same distance within Europe is cheaper than within Pakistan; and our input costs are higher than in other countries.

Kardar said that there are various factors for decline in exports, which include exchange rate, tax structure and nonpayment of GST refunds.

Kardar said that between 2012-17, Indian currency depreciated by 30 percent, Indonesian currency by 38 percent, Malaysian by 47 percent, Korean by 7 percent, pound sterling depreciated by 13 percent and Euro by 7 percent last year while Pakistani rupee appreciated by 1 percent.

Additionally the tax structure is burdening the productive sectors and with refunds piling up we simply cannot compete globally, he stated. Have you ever heard of a legal category of non-filers in the world or even in South Asia, he asked. Pakistan has such a legal category which sends the message to the filers that you have been very unwise, Kardar said,

Kardar further stated that if your focus is on revenue collection instead of setting the direction of the economy on the right track then issues will arise.

Tax structure is such that only those in the tax net are being burdened. He said that despite 18 Constitutional Amendment the size of the federal government is increasing and added that when in 1999 he was finance minister in Punjab, total number of departments were 22 and now they are 48.

As long as the regulatory framework is not reconsidered and change in thinking and transparency is not brought about and merit pursued, these issues would continue. "We have never tried to change the existing structure of the economy," he lamented.

He added facetiously, "I always say that Sardars have migrated to India and left Sikh in Pakistan".

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Land to be transferred to PQA

Winding up of Textile City begins amid Sindh govt's reservations

TAHIR AMIN

ISLAMABAD: The federal government has formally initiated winding up of Pakistan Textile City Limited (PTCL) and the land of the company along with all the liabilities will be transferred to Port Qasim Authority (PQA), it is learnt.

However, Sindh Chief Minister Syed Murad Ali Shah has stated that he will never allow the federal government to wind up the Textile City project from Port Qasim.

This project is the most important in terms of employment and Sindh's economy, he stated recently.

Pakistan Peoples Party Parliamentarians (PPPP) Senator Taj Haider told Business Recorder that the provincial government is the owner of the land as per the Constitution and it would raise objection if the land is transferred to the PQA.

Official sources said that as per requirement of the Securities & Exchange Commission of Pakistan (SECP), the winding up process, including audit, has been initiated.

According to the documents available with the Business Recorder, a committee under the chairmanship of Barrister Zafarullah Khan, Special Assistant to the Prime Minister on Law, was formed to furnish recommendations about the winding up of the company.

Subsequent to the Prime Minister's decision of winding up the company, a meeting of the said committee held under the chairmanship of Barrister Zafarullah Khan had decided that as per the PM's directives, the board of directors of the company must proceed with the voluntary winding up of the company in accordance with the procedure laid down in the company's articles of association.

The land of the company along with all the liabilities shall be, simultaneously, transferred to its original owner i.e. PQA. Moreover, Economic Coordination Committee of the Cabinet (ECC) has given approval for Rs12 million to be released under the head of immediate liabilities and the case is under process in the Finance Division.

The PTCL, a development project under Public Sector Development Programme, was aimed at creating an exclusive industrial zone that specialises in large-scale production of value added textile products, besides creating an estimated 80,000 jobs. The PTCL had an initial paid-up capital of Rs1,250m with 40 per cent shares of the federal government, 16 per cent shares of Sindh government, eight per cent each of PQA and National Bank of Pakistan, whereas 28 per cent of various financial institutions.

In 2007, the company acquired 1,250 acres of land on a 50-year lease from PQA for Rs993m. The entire equity amount was consumed in purchasing the land and the company had to follow a debt model for the development work.

For the purpose of development work, the company entered into an agreement with the NBP against the sovereign guarantee of the GoP and the land was mortgaged with the bank. The NBP financing are as: total credit limit, Rs3,165m; total utilised, Rs2,405m, (this includes Rs930m paid mark-up), net Rs1,475m; (most of which spent before 2013) and the accrued mark-up not yet paid amounted to Rs466m.

The development work carried out included levelling and grading of land (1,250 acres - Rs559m); water works package (Rs410m); priority road works (Rs148m); electrical works KESC - 5-km (Rs42m); Nespak-professional fees (Rs63m); others, Rs30m, thereby totalling the amount

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to Rs1,252m.

Despite repeated requests made to the concerned authorities, the project could not take off due to non-provision of basic infrastructure like gas, industrial water and electricity.

The company now owes a debt of Rs2.4 billion to NBP. On the daily basis, the payable mark-up is Rs700,000 approximately.

The company also needed approximately Rs12m for immediate short-term liabilities, including salaries of the skeleton staff with which the company has been working and which has not been paid since May 2016.

Due to non-payment of the first principal instalment, the company's accounts were blocked by the NBP on Aug 1, 2015 and remain so to-date.

In view of these challenges, the company in its board meeting held in January 2014 decided to sell off 200 acres of land to K-Electric for establishing a coal-fired power plant. However, the terms of lease of the company forbid sale of the land to a third party.

Therefore, a summary was submitted to the Prime Minister for approval of this decision. In response to this request, Finance Division instead conveyed the in-principal approval of Prime Minister for winding up of the company and transfer of the land to its original owner i.e. PQA, along with transfer of all its liabilities.

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Private sector growth claims

Anjum Ibrahim

The Sharif administration has been a huge supporter of private sector activity as the primary engine of growth for economy. The rationale: private sector operates more efficiently relative to the public sector as its overarching objective is to maximize profits.

The question is whether the Sharif administration third time around has been able to incentivize the private sector to grow at a faster pace than during the tenure of the previous administration. What is extremely disturbing is that data provided with respect to industrial growth by the Dar-led Finance Ministry for years during the tenure of the PPP-led coalition government is different from what was provided at the time. The following table shows differences in the industrial growth rate as indicated in the Economic Survey for 2012-13, when the PPP-led coalition government as well as Caretakers were in power, and the Surveys 2013-14 and 2015-16 when Dar held the finance portfolio.

INDUSTRIAL GROWTH RATE

	2008-09	09-10	10-11	11-12	12-13 (P)	13-14	14-15	15-16
Survey 12-13	-5.2	3.4	4.7	2.7	3.5	-	-	-
Survey 13-14	-5.2	3.4	4.7	2.5	1.4	5.8	-	-
Survey 15-16	-5.2	3.4	4.5	2.6	0.7	4.53	4.81	6.80

(P): Provisional.

The table must surely raise eyebrows by independent economists as well as multilaterals. Dar was sworn in as the country's Finance Minister at the end of the first week of June 2013 and hence had little, if any, input into the data compiled by the Pakistan Bureau of Statistics (PBS), under the administrative control of the Finance Minister, for 2012-13. The projected growth rate for industries was 3.5 percent which was subsequently slashed to 1.4 percent – no doubt considered necessary to substantiate Dar's claim that the economy's growth rate was the highest after he completed one year as the country's finance minister. However what is totally inexplicable and defies any logic is the fact that in 2015-16 the PBS further reduced the industrial growth for 2012-13, or two years later, to 0.7 percent. This kind of obviously manipulated data would surely give rise to subsequent governments revisiting some of the statistical claims made by Ishaq Dar (though economists maintain that if the next government simply rationalizes the data released by PBS with that of other government institutions and credible industrial sources Dar's data would be easily refuted).

Major components of industrial growth are large-scale manufacturing, small-scale manufacturing, construction, and electricity generation, distribution and gas distribution. The latter, i.e., electricity generation, distribution and gas distribution makes interesting reading as noted in the Economic Survey 2015-16: in 2008-09 it witnessed a negative growth of 12.1 percent however the next year the sub-sector grew by 16.7 percent and the following year (in 2010-11) it grew by 63.9 percent (while in Survey of 2011-12 the sector grew by 2.2 percent during that year) while in 2012-13 the sector as per Dar-led PBS declined by a whopping 26.4 percent. Surprisingly, the Survey for 2015-16 further notes that during the first year of the Sharif administration this sub-sector witnessed a negative 0.74 percent growth, followed by 11.98 percent the next year and 12.18 percent in 2015-16 (provisional estimates). In other words, the Sharif administration has been unable to beat the growth rate of 2010-11 for this sector or indeed reconcile its claims with those presented during the tenure of the PPP-led government.

With respect to Large Scale Manufacturing (LSM) growth rate the PPP led coalition government scored consistently higher than during the tenure of the incumbent government – though these rates were revised downward considerably during the Dar's four years. The growth rate in brackets is from Survey 2011-12 and data not in brackets is from the Survey 2015-16.

	2008-09	09-10	10-11	11-12	13-14	14-15	15-16
LSM	-6.4	0.4	1.7	1.1	8.29	8.22	8.21
	(12.1)	(12.3)	(12.1)	(11.9)			
Small scale	8.6	8.5	8.5	8.4	3.38	3.35	3.63
	(4.7)	(4.9)	(5.1)	(6.74)			

What is however interesting is the claim during the Dar years that LSM was much lower than calculated and small scale manufacturing (SSM) which is calculated at a provincial level and submitted to the PBS, higher than calculated during the PPP years. Further, during the current Sharif administration the claim is that LSM far outpaced small scale manufacturing – a claim that does not take account of the following observations made in the recently released State Bank of Pakistan (SBP) report: (i) LSM excluding sugar has a weightage of only 66.8 (though sugar is shown as having a weightage of only 3.5) giving a growth of 2.6 percent during the first six months of the current year; (ii) sectors that showed a growth notably automobiles, pharmaceuticals etc which are heavily regulated have reached capacity and are unlikely to be the engine of growth in future; and (iii) the cotton sector including textiles, the largest

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contributors to exports, with a weight of 21 in calculating LSM witnessed a growth of 0.04 in the first half of 2017 which accounts for the sustained decline in exports with refunds and overvalued rupee major given as the major reasons for this disturbing state of affairs.

The Finance Minister is on record several times claiming that the growth rate of the private sector has picked up due to the accommodative monetary policy that accounts for a rise in private sector credit. This claim has been challenged by the SBP report claiming that 111 billion rupees borrowed was to retire the debt. Thus the lower rate of borrowing for the private sector led to borrowing at the new rate to retire the higher rate at the time of loan procurement.

Dar has also consistently maintained that imports have risen mainly because of machinery imports which, so is his argument, would fuel the country's productive capacity. This again can be easily challenged. The SBP website reveals that imports for machinery group increased from 3.85 billion dollars in 2012 to 4.013 billion dollars in 2013. In 2016 imports under this head rose to 6.2 billion dollars (a rise of 62 percent from 2012) which indicated: (i) more than doubling of imports of power generating machinery from 488 million dollars in 2012 to 1.004 billion dollars in 2016, however multilaterals maintain that governance/performance of this sector remains poor, (ii) electrical machinery and apparatus imports rose from 483 million dollars in 2012 to 1.2 billion dollars in 2016 – items that include appliances which would not fuel LSM growth; (iii) an increase in imports of construction and mining machinery from 27.4 million dollars in 2012 to 84.7 million dollars in 2016, though mining activity remains more or less static while construction activity has been increasing, (iv) a decline in imports of agriculture machinery – from 136 million dollars in 2012 to 61 million dollars in 2016 or a decline of (negative) 55 percent laying bare the government claims of a focus on farm sector. All other sub-sectors of machinery group imports including office machinery (data processors), textile machinery, electrical machinery and appliances, telecom (mobile phones and other appliances) remain comparable to previous years.

The SBP report in a footnote acknowledges that "import payments for buses, trucks and other heavy vehicles (both CKDs and CBUs) rose by a sizeable 186.7 percent (244 million dollars) to 344.1 million dollars in the first half of the current fiscal year…..and contributed to 18.6 percent overall rise in our import bill." The report further stated that "To discourage import of 400 mainly consumer items the SBP vide circular no 2 of 2017 imposed a requirement of 100 percent cash margin". Total rise in growth of petroleum and products was 12.1 percent.

To conclude, one can only hope that these issues are raised in parliament and an autonomous and independent PBS must be a 2018 election promise, with the chief statistician appointed on merit and not by the Minister of Finance. This would only enable the next man/woman holding the finance portfolio to work with credible data and therefore take informed decisions.

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Budget to be announced on May 26

KHALEEQ KIANI

ISLAMABAD: The government has decided to announce the budget for financial year 2017-18 on May 26.

Talking to Dawn on Sunday, Finance Minister Ishaq Dar said the announcement of the budget had been pulled earlier because Ramazan was expected to begin on May 28, adding that preparations were being made accordingly.

Successive governments had been making commitments to announce the budget in May to provide reasonable time for parliamentary debate, but failed to do so. It will be the first time that the budget comes in the public domain before June.

In reply to a question about the rising circular debt and loadshedding at the start of summer, the finance minister said circular debt figures were being exaggerated by some quarters.

Dar says circular debt figures being exaggerated by some quarters

He said that under a mechanism finalised by various government stakeholders in consultations with international financial institutions like the World Bank and the International Monetary Fund, an amount of Rs320 billion was a normal phenomenon in the supply chain. “That is why we paid Rs50bn a few days ago when payables touched Rs370bn.”

Mr Dar said it was unfair to compare the Rs480bn circular debt he had cleared in 2013 soon after becoming the finance minister with normal payables and receivables at present, adding that the stakeholders — power plants and fuel suppliers — had their own credit limits and payment schedules ranging between 60 and 120 days.

“These are not all overdue payables” some people are referring to these days, he added.

Mr Dar said it was a tough decision for him to clear the entire amount in one go and bring down the debt to zero in 2013 with the support of all, otherwise the circular debt would have been Rs720bn or above by now.

He shrugged off the question whether the government would release more funds that could widen fiscal deficit during the current fiscal year in view of increasing loadshedding and problems being faced by the Pakistan State Oil. “Other ministries should also fulfil their responsibilities. This is their mismanagement,” he said without explaining whether he was referring to the water and power ministry or the petroleum and natural resources ministry or both.

The Minister for Petroleum and Natural Resources, Shahid Khaqan Abbasi, had last month alleged mismanagement by the water and power ministry, saying it had ordered oil imports without proportionate lifting of furnace oil by power plants, resulting in filling to capacity of furnace oil storages for up to 45 days coverage, lower capacity utilisation of refineries and consequent reduced supplies of transport fuels like petrol and diesel.

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Dumping remains a very real problem

NASIR JAMAL

The polyester staple fibre industry is in trouble because its gross margins continue to be under pressure owing to a variety of factors like cheaper and under-invoiced imports from China, and volatility in raw material prices.

With almost a third of the country's total annual installed capacity of around 800,000 tonnes already closed, the industry is struggling for its survival.

Indeed, the imposition of anti-dumping duty in the range of 2.8pc and 11.5pc on low-priced PSF imports from China, for five years, in February last year and rebounding global crude oil prices have helped manufacturers slightly improve their capacity utilisation and gross margins over the last one and a half years. Yet the future of the industry, according to a senior executive of Ibrahim Fibres, continues to depend on creation of a 'level playing' field for local producers.

"We have seen Dewan Salman Fibres shut down in 2009 and Pakistan Synthetic in 2015 owing to unfair competition from China. If the Chinese continued to dump their surplus production in Pakistan for another few years, the remaining factories will also be forced to close down," the executive said on condition of anonymity.

At present, the three players — Ibrahim Fibres, ICI and Rupali Polyester — are using less than three quarters of their operational capacity of 537,000 tonnes a year because of competition with Chinese imports.

According to a report by Pacra, a local credit rating agency, the industry's revenues dropped about 6pc to Rs44.16b and gross margins were -0.8pc at the end of June 2016 from Rs46.94b and -0.9pc a year ago, despite a 5pc increase in capacity utilisation to 73pc from 68pc. Lower crude prices are blamed for the drop in revenues.

With almost a third of the country's total annual installed capacity of around 800,000 tonnes already closed, the polyester staple fibre industry is struggling for survival

The share of local producers in the market grew by over 11pc to 400,000 tonnes in 2016 from 360,000 tonnes the previous year compared with a drop of more than a fifth in imported PSF sales. Historical data shows that the domestic PSF industry's earnings were as high as Rs64.91bn and gross profit margins 1.3pc in 2014, Rs57.11bn and 4.3pc in 2013 despite lower capacity utilisation of 68pc.

The local industry saw its prices fall from $1.8 per kilo in 2013 to $1.1 in 2016 with a commensurate decline in imported Chinese PSF from $1.5 a kilo to $0.9.

Domestic PSF producers also enjoy 7pc duty protection against imports in addition to anti-dumping duty imposed by the National Tariff Commission last year. But manufacturers contend that the impact of duty protection and anti-dumping duty is nullified because of under-invoicing and smuggling of PSF imports from China.

"Currently, the Chinese product is costs less than a dollar a kilo compared with the local PSF price of more than $1.25," a senior official of ICI, which has been acquired by the Younus Group, told Dawn. "China sells almost 80pc of its PSF at premium prices around the world and dumps the remaining in countries like Pakistan at less than the price of the raw materials used in manufacturing."

Ibrahim Fibres' executive said the industry had invested massive amounts of money in their PSF manufacturing facilities. "Our company had invested Rs22bn to complete our third plant in 2015 to expand capacity but we are unable to operate at our full operational capacity due to unfair foreign competition."

Compared with the world cotton and synthetic fibre mix of 25:75, the use of man-made fibres by Pakistan's textile industry remains 80:20. The textile manufacturers and exporters often blame the higher-than-world prices of locally produced synthetic fibres because of tariff protections to the manufacturers for its lower use by the textile industry.

"It is totally misleading to blame us for the low use of synthetic fibres by local textile producers. The demand for polyester staple fibre has been stagnant for several years because of massive import of PSF-based fabric and garments from countries like China and Thailand etc. Let me warn you today: if we are forced to shut shop the Chinese exporters will sharply increase their prices. We have seen this after the closure of

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Deewan Salman when China raised its prices by Rs20-30 a kilo to take advantage of shortages in the Pakistani market."

He said it was important to save the domestic industry to protect jobs. "We don't want a ban on imports, let me clarify. What we want is protection against unfair competition and practices to protect our investments as well as the 6,000 jobs associated with this industry."

Industry sources say 90pc of the PSF-based textile products made in Pakistan are used in the domestic market. Therefore, it is grossly unfair to suggest that the lower use of synthetic fibres by the local industry is hurting the country's textile exports.

"The protection to the local PSF industry doesn't hurt exporters. If you want to use imported synthetic fibres for exports you can use DTRE scheme. There's no restriction on that," the ICI official said. "If textile exports are declining it is because of other factors like outdated technology, inefficiencies, low value-addition, small size of factories, etc.

"Besides, the government's bias for imports rather than support for local manufacturing, inconsistent export policies, overvalued rupee, taxation, higher cost of doing business, etc have worsened the situation."

Ibrahim Fibres' executive said the domestic industry was internationally competitive in spite of being at a very large cost disadvantage because of higher energy prices, higher freight cost, increase in duty to 5pc from 3pc on import of raw material (PTA), underdeveloped upstream petrochemical industry, unskilled workforce, and poor infrastructure compared with the other regional players.

"But we need higher anti-dumping duties and tariff protection to compete with Chinese dumping. India has provided 10pc protection to its industry and Korea 8pc. Why can't we have higher protection?" he concluded.

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Preventing hydropower potential wastage

NASIR JAMAL

Hydroelectric power is considered to be the cheapest and cleanest form of energy. It remains the most commonly used resource for generating renewable energy worldwide.

However, Pakistan has failed miserably to harness this indigenous energy resource. Ever since its creation in 1958, the Water and Power Development Authority (Wapda) has added only 7,116MW of hydropower, or a little less than a third of the country's total nameplate power generation capacity, to the national grid in spite an estimated identified resource of more than 60,000MW.

Several factors like inter-provincial discord on mega water storage projects, corruption, lack of funding for hydropower projects, etc, have contributed to the slow progress on hydropower generation. Moreover, the policymakers' obsession with the controversial Kalabagh dam also created roadblocks in the way of hydropower development.

Almost all planned hydropower projects were put on the back burner once the focus of the country's decision-makers shifted, in the early 1990s, to thermal power generation based on imported oil in the private sector, owing to lack of funds, as a quick fix for electricity shortages, etc.

Consequently, according to the Nepra, the power sector watchdog, the energy market investments were caught up in confusion. Most hydropower projects either could not move beyond the early feasibility stage or faced cost overruns and time delays because of the change in focus. Ghazi Barotha is the only major hydropower project that has been completed in decades.

Nonetheless, the rising prices of thermal electricity appears to have returned the policymakers' focus on harnessing the country's hitherto untapped hydropower potential and increasing its share in the energy mix to keep down the average cost of power generation.

According to the plan, the government intends to add more than 16,000MW of hydropower — 10,997MW in the public sector and 5,347MW in the private sector — to the system by 2024. At present only 3pc of hydropower generation or 214MW is owned by private companies.

Since 1958, Wapda has added only 7,116MW of hydropower to the national grid in spite an estimated identified resource of more than 60,000MW

"Today's Pakistan is facing the twin problems of water and electricity scarcity. In case of electricity, we need more generation capacity at affordable prices. Part of the solution for these issues lies in the simultaneous development of new water storages and hydropower generation in the country," Muzammil Hussain, Wapda chairman, told this writer in an interview last week.

"We have wasted a lot of time. Out of 142maf water (available to us under the Indus Basin Treaty), we have a capacity to store only 15maf or 10pc. Another 30maf or 20pc, worth $15bn, is allowed to flow directly into the sea. As a consequence, we have become a water-stressed nation. Same is the case with hydropower as we have harnessed only a fraction of the potential resource (in more than 55 years) despite it being the cheapest and cleanest source of renewable energy."

Ever since he took over at Wapda in August last year, Mr Hussain has made arrangements to complete long-delayed water and power projects like Tarbela Extension IV, Neelum Jhelum Hydropower Plant (NJHPP), etc.

"I have convinced the government to build the water reservoir of the Diamar Bhasha project from our own resources. Wapda will spend Rs100bn a year for seven years to build the reservoir. The money would be raised through bank loans and a yearly grant from the federal government. It would then be easier to obtain funding for the power house after completing the water reservoir," the Wapda chairman said.

Similarly, he has arranged Rs10bn in federal money to complete the Kachhi Canal project up to Dera Bugti in Balochistan by December to irrigate 72,000 acres of land. "The project is facing cost overrun and time delays like most other water and hydropower schemes. We will need another Rs45bn to complete the canal network that will irrigate another 100,000 acres of land in Balochistan beyond Dera Bugti. But we can wait for that"

Talking about hydropower projects, he said Wapda will add more than 2,600MW of hydropower to the national grid by end of 2018 by completing the long delayed NJHPP, Tarbela

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Extension IV and Golen Gol. Another 8,070MW capacity will be brought on line between 2020 and 2024 by completing Bhasha, Tarbela Extension V and Dasu projects.

He said the projects like NJHPP, Tarbela Extension IV and Dasu had incurred cost overruns and time delays because most of them were launched in haste without going through proper procedures, achieving financial close, setting work timelines and acquiring land.

“For example, when I took over I discovered that Wapda was paying heavy fines to contractors of the Dasu project as its construction contract was awarded two years back without acquiring land. Within three months I got the survey of the area done and acquired 500 acres of land. Now, the contractors face penalties as they haven’t brought in the needed equipment at the site.

“I also cancelled the contract of a foreign contractor that subcontracted its entire contract to another party against the rules. This is the first (foreign) contract scrapped by Wapda in the last 39 years. We have sent messages to other contractors to mend their ways and have arranged Rs144bn funding from domestic banks. Dasu is scheduled to produce 2,200MW of electricity in 2021 and another 2,200MW in 2024,” Mr Hussain said.

He said he was ensuring that that no future contract was awarded without financial close and a concrete timeline.

“Neelam Jhelum launched 14 years back was scheduled to be completed in four years at a cost of Rs84bn. But since financial close was not achieved and no timelines were decided, the project’s cost has escalated to over Rs500bn (making it one of the most expensive hydropower project in the world).

“Similarly, in case of Tarbela Extension IV, there was no coordinated schedule of work completion among the employer, consultant and contractor. Manufacturing of the main inlet valve (MIV) — a critical equipment to complete intake structure — was pending for two years. The issues have been addressed and Wapda timeline shows that the first 460MW unit would become operational by the end of this year while the remaining two during high water flow season in 2018. Systems have been developed at Wapda that will ensure that no project in future meets this fate,” the chairman claimed.

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Budget to be presented on May 26: Dar

Objection from abroad to Pak Army's role in census unacceptable

ISLAMABAD: Minister for Finance Muhammad Ishaq Dar on Sunday said that the federal budget for fiscal 2017-18 would be presented on May 26, 2017. He said that foreign objection to the role of Pakistan Army in the census exercise was unacceptable.

Ishaq Dar said that all-out efforts were being made to ensure transparency and credibility of the 6th population and housing census being held under the supervision of the Pakistan Army.

Addressing a press conference here with Chief Census Commissioner Asif Bajwa, he congratulated the census staff, army personnel, all the provincial chief ministers and the nation on the successful completion of the first phase of the census.

The minister said the first phase had been completed in 63 districts and the second one would start on April 25 and continue for a month. The information and data gathered through the extensive census exercise would be made public after its compilation that would take a couple of months further, he added.

The minister said in 1998, it was also the Pakistan Muslim League-Nawaz government that had conducted the population census under the leadership of Prime Minister Muhammad Nawaz Sharif and again the credit went to it for holding the 6th national census.

He said the current census was being held after 19 years which, otherwise, should have been conducted after every 10 years. The government had decided to conduct the census in 2016, but due to the Operation Zarb-e-Azb and reservations of the stakeholders, it was postponed.

Paying tributes to those martyred during the exercise, he said the government had announced compensation for their heirs. Ishaq Dar said during the first phase, around half of the country's population and families had been counted. He said around 172,000 staffers took part in the first phase and hopefully the second phase would also be completed successfully.

The minister said the prime minister had tasked his Special Assistant Khawaja Zaheer to help resolve the problems confronted by the Pakistan Bureau of Statistics during the exercise from time to time. To a question, he said the census in the Federally Administered Tribal Areas (Fata) would be held in the second phase as had been requested by the parliamentarians from the region.

Dar said around 75 percent internally displaced persons had returned to their homes as the government was extending full assistance to them, including transportation charges. Regarding the Awaran and Kech districts of Balochistan, he said census would also be carried out in those districts. He said all the expenses on the census exercise were being incurred under the set rules.

Owing to the country's security situation, army personnel's deployment was necessary for the smooth census operation, he added. To another question, the minister said six teams of international observers, who were monitoring the census, had expressed their satisfaction over its credibility and transparency. He said the nation should reject all the rumours about the transparency and credibility of the census.

He said he had received a letter from the Sindh chief minister expressing his reservations on the census which, however, had been addressed up to his satisfaction. The census results could not be changed according to anyone's desires, he added.

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Beyond earnings

By Ihtasham Ul Haque

The government's financial worries are rapidly worsening despite borrowing heavily from banks, including the State Bank of Pakistan (SBP). The issue is getting compounded due to the increasing fiscal deficit, which, some fear, may reach up to 4.3 percent (over Rs2 trillion) of the GDP by June 30 this year.

There is a growing consensus in the concerned quarters that year 2017-18 will bring growing financial difficulties for the present government, as the situation on both the internal and external fronts is turning serious and posing threats to the controversial economic stability the government says it achieved after four years of hard work.

Now, when the fiscal deficit has already reached 3.8 percent of the GDP in the first nine months of 2016-17 and trade deficit is surging to an all-time high at $23.385 billion, federal planners are reportedly failing to find remedies to escape what many believe as the crisis of a grave magnitude.

Following the 12th and the last review by the International Monitory Fund (IMF), it was agreed that the annual fiscal deficit target for 2016-17 will be Rs1,250 billion, equivalent to 3.8 percent of the projected GDP.

It was fixed at Rs557 billion for the first half of 2016-17. The actual outcome, according to the ministry of finance is almost Rs800 million. Therefore, the fiscal deficit has already been exceeded by Rs243 billion or over 0.7 percent of the GDP. However, after the recent Article IV Consultation, the IMF has projected the annual deficit at 4.1 percent of the GDP, only 0.3 percent of the GDP above the target.

This is presumably based on strong fiscal performance in the 2nd half of 2016-17. Indications are that in the third quarter, the fiscal deficit has increased further by another Rs400 billion. Bank borrowings have increased by Rs320 billion. Borrowings from the central bank have reached the record level of Rs914 billion. Non-banking borrowings and external borrowings have increased by almost Rs80 billion. Therefore, the total fiscal deficit in the first nine months of 2016-17 has already crossed Rs1,200 billion.

A new worrying development is the extraordinary jump in bank borrowing by public sector enterprises (PSEs) to Rs173 billion, as compared to only Rs12 billion last year by end March 2016. Bulk of the borrowing is said to have been given as guarantees by the Ministry of Finance. Effectively this should be treated as part of the fiscal deficit. As such, the fiscal deficit has already exceeded the annual target of Rs1,250 billion. It should have been Rs818 billion, according to the agreement with the IMF.

The way things are going, the annual deficit in 2016-17 is likely to reach Rs2 trillion, almost six percent of the GDP. In absolute terms, if this happens, it will be the largest annual fiscal deficit in the history of Pakistan. Public debt to GDP ratio, according to a broader definition, could reach 70 percent of the GDP, way above the limit of 60 percent imposed by the FR & DL Act of 2005.

The fundamental question is why the public finances have deteriorated so much this year. The following factors are contributing to the larger deficit:

- FBR, revenues have fallen short by over Rs180 billion in the first nine months.

- Federal non-tax receipts are below target by over Rs220 billion due to lower CSF inflows, smaller SBP profits and lower income from dividends. Also 4G auction is still to take place.

- The increase in salary bill and pensions of Rs57 billion was not budgeted for in 2016-17 Budget Estimates.

- The federal PSDF releases as of end – March 2017 are higher by 38 percent or Rs150 billion, in relation to last year.

Former finance minister Dr Hafiz A Pasha and central bank governor Ashraf Wathra are in full agreement that the rising fiscal deficit is a serious issue and should not go unnoticed.

For Dr Pasha, ballooning twin deficit was a key cause of alarm that warranted solicitous approach to manage things to work out a sustainable budget for the next financial year. "What irks me the most is that the solutions are very clear, but nobody is prepared to opt for them. The government needs to be congratulated for meeting its 3.8 percent fiscal target just in nine months instead of the whole financial year," he said satirically.

He said that fiscal deficit is increasing because of the government's recklessness. "It is regrettable that deficit financing - printing of currency notes – to the tune of Rs900 billion was made and it all happened after September 2016 when Pakistan ended its three years programme with IMF," the distinguished economist said.

The former finance minister said funds for hydro-electric projects used to be paid from the budget, which was no more the practice. For example, he said the previous Pakistan Peoples' Party (PPP) government paid Rs25 billion to the Khyber Pakhtunkhwa government on account of hydro-electric payments, but the Pakistan Muslim League-Nawaz (PML-N) government made Rs172 billion such payment out of the budget. "This may ultimately lead to 4.3 percent of fiscal deficit of the GDP in 2016-17."

Governor of the central bank of Pakistan Ashraf Mehmood Wathra conceded that fiscal deficit was estimated to be 4.1 percent of GDP against the target of 3.8 percent set for the current financial year. "No doubt there is a fiscal pressure despite the fact that the Federal Board of Revenue (FBR) has achieved 8/9 percent growth in revenues which is still to be improved."

So far, revenue collection was not all that bad and hopefully the FBR would manage adequate revenues by June this year, and eventually shortfall would range between Rs100 to Rs150 billion which is a usual phenomenon.

He said his bank was no more offering borrowing to the federal government and the recommended course of action was to curtail Public Sector Development Programme (PSDP) spending and other undue expenditure to ensure minimum fiscal deficit. "We stopped (lending) to the government about four months ago," the articulate Wathra said, and added he was sure that the government should be taking notice of the issue.

He too was critical of the increasing trade deficit and said the exports would have to be increased and imports cut to narrow down the growing trade gap. The issue of exporters' refunds needed to be resolved to help remove their liquidity crunch.

He agreed that exports and home remittances were two main areas of concerns that required a collective approach to be adopted by both the exporters and the ministry of finance/central bank.

Wathra, nonetheless, did not believe that the future government would have to go back to the IMF for emergency lending as was being feared by experts and independent economists. Today, the situation, he claimed, was much better than what was four years ago, therefore, there was no need for alarm. "We do face challenges and the government is trying to tackle them," he added.

The word has it that Prime Minister Nawaz Sharif has for first time taken notice of the falling exports – courtesy some of his well-wishers - whose advice sometimes he takes seriously. It is perhaps in this backdrop that Younus Dagha, who earlier served as secretary water and power, was appointed secretary commerce to replace the incumbent Azmat Ranjha with a view to increase exports and restrict imports which have in fact doubled and are creating an unparalleled trade gap.

Usually people do talk about what they term overstated GDP growth rate, overstated foreign inflows, and overstated non-tax revenue. Particularly with respect to the auction for 3G license scheduled May-end this year budgeted to generate 75 billion rupees but now expected to generate Rs32 billion and the government's failure to clear export refunds.

As a matter of fact, the situation began to go soar when Mr Dar claimed to have achieved 4.6 fiscal deficit as opposed to 8.8 percent witnessed during the previous PPP government. This deficit, it is said, was shown higher which was 8.2 percent and not 8.8 percent of the GDP.

On the external front, the current government's failure in privatising the ailing public sector entities has also created problems. In the past three years, the government did not succeed to raise $2 billion by disinvesting various state sector units nor did the state accomplish the much needed restructuring.

Questions have piled up as to what happened to the privatisation of the 30 fast track public sector enterprises. Also, bigger corporations like Pakistan International Airlines, Pakistan Steel Mills, and Pakistan Railways continue to incur losses. Who should be held responsible for the failure of these state sector entities?

Why was the PML-N's minister for privatisation Muhammad Zubair Umar appointed as the governor of Sindh? Has he delivered on the privatisation front or was he rewarded for impatiently defending the government throughout his term as the federal minister on both print and electronic media.

The fact remains that the privatisation minister was an utter failure when it comes to finalising any transactions. His interest seems to have been only to appease the prime minister, who then felt obliged to appoint him as the governor, despite concerns expressed by many within the ruling party.

Going forward, political expediency would not help overcoming serious economic

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challenges. Reserves have already started facing pressure after the government made over $2 billion repayments. Home remittances have also become another worrying issue that seeks full attention of the Ministry of Finance and the central bank. There is need to formulise a way so as to receive most of these remittances through the official banking channels and not through the infamous hundi and hawala transactions during the remaining three months of 2016-17 and beyond.

“No doubt there is a

fiscal pressure despite the fact that the Federal Board of Revenue (FBR) has achieved 8/9

percent growth in

revenues which is still to be improved... We stopped (lending) to the government about four months ago.”

Ashraf Mehmood Wathra

SBP governor

“What irks me the most

is that the solutions are very clear, but nobody is prepared to opt for them. The government needs to be congratulated for meeting its

3.8 percent fiscal target just in nine months

instead of the whole

financial year.”

Dr Hafiz A Pasha

Former finance minister

The writer is a senior journalist based in Islamabad

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FOCUS

Shrinking remittances

By Zeeshan Haider

Last week, the government placed the remittances data for the three quarters of the current fiscal year before the National Assembly, showing a decline in one of the vital sources of foreign exchange, which if not handled properly could morph into a bigger problem.

According to the government figures, the overall foreign remittances shrunk to 14.1 billion dollars for July-March from 14.6 billion dollars in the corresponding period of the previous fiscal year, posting a decline of 2.3 percent.

The biggest decline in remittances came from Saudi Arabia, as money sent by Pakistanis working there fell by 6.2 percent.

According to federal minister Zahid Hamid, who put the figure before the parliament, an 11 percent decline was also registered in the demand for Pakistani workforce abroad and a large number of those employed especially in the Gulf States have returned home after losing their jobs.

He attributed the decline in remittances to falling oil prices in the international market, decrease in demand for foreign workforce in the oil-rich Gulf countries, and a decline in the wages of the labourers in these countries.

Foreign remittances along with exports and foreign investments are major sources of earnings for a country, particularly for a developing nation like Pakistan, which are used to build its foreign currency reserves.

But in Pakistan, successive governments have given scant attention to reinforce and strengthen these sources of earnings to build foreign reserves, and instead have relied heavily on borrowings, particularly from the international lenders to build these reserves to avoid repeated balance of payment crises.

Even if they borrowed money from outside to avert an imminent economic collapse, they subsequently failed to raise money from domestic sources to avoid such a situation in future.

It seems that the present government is also following in the footsteps of its predecessors.

Soon after coming into power, the government signed a bailout package of 6.7 billion dollars with the International Monitory Fund (IMF) and successfully averted a major economic crisis.

After this unavoidable step, the government was expected to rely less on borrowings, and was to take steps to raise money from its sources, but unfortunately that did not happen.

It is not just remittances which are showing a downward trend, exports are falling too. Despite announcement of a big financial package by the government, and foreign investment, the exports are not showing any encouraging signs. The government is heavily and solely relying on China-Pakistan Economic Corridor (CPEC)-related projects that it hopes would help avert an economic crisis.

The government cannot just shrug off its responsibilities. It would have to explore multiple ways to address the country's economic woes.

Foreign remittances have fallen not just because of declining oil prices. The financial crisis has forced the gulf countries to resort to extensive retrenchment of their workforce, and foreign workers are bearing the brunt of this action.

Nearly 39,000 Pakistanis have been deported from Saudi Arabia between October and February, according to the Saudi media.

Hundreds of thousands of workers from other countries like Philippines and India have also been sent packing, but the Pakistanis have been deported not just because of violation of local labour rules.

According to the Saudi media, a large number of Pakistani workers were also deported because of their alleged involvement in crime and terror-related incidents.

In February, the Saudi Gazette quoted chairman of the security committee of the Shoura Council Abdullah al-Sadoun calling for thorough scrutiny of Pakistanis before they were recruited for work in the gulf state.

He also asked for more close coordination with the concerned authorities in Pakistan in this regard.

The Pakistani workers, on the other hand, complained of exploitation at the hand of their Saudi employers. Many of them complained that they had not been paid their salaries for

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months, causing unease among them as well as their families.

Just last week, 130 Pakistanis were deported from Saudi Arabia for overstaying or working without valid permits. Some of them alleged that they had not been paid their salaries for over a year.

Official Saudi figures show more than 240,000 Pakistani workers were deported between 2012 and 2015. In total, there are close to one million Pakistanis working in Saudi Arabia mainly in its construction industry.

However, the overall construction slump in the Kingdom has resulted in a drastic reduction in the jobs mainly for the foreign workers.

Saudi Arabia is the biggest source of foreign remittances for Pakistan. According to a report of the State Bank of Pakistan issued last year, remittances from Saudi Arabia made up the lion's share of the over 18 billion dollars sent by expat Pakistanis from July to December.

Since the country has traditionally enjoyed special relations with Saudi Arabia, the government needs to use these ties to mitigate the plight of Pakistanis working there. It is unfortunate that expats in Saudi Arabia often complain that they do not get desired help from Pakistani diplomatic missions there.

According to the officials, the drop in foreign remittances was not just because of difficult economic situation in the host countries. They attribute the recent decline in the flow of remittances from the United Kingdom to the depreciation in the value of pound sterling.

The government needs to thoroughly look into the reasons behind the fall in this important source of foreign currency and explore remedial measures.

In view of the recent IMF statement warning upcoming challenges for the Pakistani economy, there is no room for complacency for the government. It needs to wake up and address these concerns; otherwise the economy of the country would slide back to the dire straits it was in few years ago.

So far, there are no indications that the government is serious to tackle these issues on urgent basis.

With rumours making rounds that there is a possibility of an early election in case of an adverse decision in the Panamagate scandal, the government seems more interested to take popular and populist decisions to secure its votes instead of taking bold decisions to fix the economic problems. For now, it seems, the economy has been put on a back burner.

The writer is a senior journalist based in Islamabad.

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KP CM seeks Chinese investment in energy infrastructure projects

INP

BEIJING - Khyber Pakhtunkhwa Chief Minister Pervez Khattak has highly praised President XI Jinping for his vision of regional connectivity through his initiative of One Belt One Road (R & B).

Talking to newsmen on his arrival here, he hoped Pakistan, especially his province, would be major beneficiary of the initiative. He thanked the Chinese leadership for attaching high importance to China-Pakistan Economic Corridor (CPEC) that is a major and pilot project of R&B.

He said he was looking forward to sign agreements with Chinese authorities on some major projects in the province. “The projects include generation of 1200 MW hydel power and a fast train to link Peshawar with Charsadda, Mardan, Swabi and Nowshera while the third project is of construction of a road to connect Chakdara with Gilgit via Chitral,” he added.

Khattak further said an industrial park would be built in Swabi under the CPEC. The CM is on visit to China these days, along with a delegation, to participate in Beijing Road Show to bring investment in the province.

The Khyber Pakhtunkhwa government would hold a two-day road show in Beijing from April 16, and bring hundreds of new schemes for different sectors.

Industrial estates, energy, railway tracks, roads, industrial park, cement factories, tourism, agriculture and other sectors would be the part and parcel of the CPEC.

Khattak was accompanied by KP Ministers Muhammad Atif Khan and Shahram Tarakai, Khyber Pakhtunkhwa Investment Board Chairman Faisal Saleem Rehman, Senator Shibli Faraz and other officials.

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3582.8 MW electricity added to national grid since 2013

APP

ISLAMABAD - The government, as part of its efforts to increase power generation in the country, has added 3582.8 MWs of electricity to the National Grid since 2013.

The quantum of electricity added between March 23 2013 and March 13, 2017 was 3582.80 MW, a data issued by Water and Power Division revealed on Sunday.

As per details, during year 2013, the authorities added 423.30 MW to the national grid, 1421 MW during 2014, 720 MW during 2015, 920 MW during 2016 and 99 MW have been added during 2017 so far.

Moreover, with regard to reduction in loadshedding timings as compared to what these were in 2012, the data reveals that during 2012, the duration of loadshedding in urban parts was 12 hours and rural parts 13 hours and seven hours loadshedding for mix and independent industries. But now in 2017 this has come down to only three hours in urban, four hours in rural while zero loadshedding is being observed in mix and independent industries.

Similarly, during 2013, the duration of loadshedding in urban areas was 13 hours, 14 hours in rural, mix industries eight hours and six hours in independent hours while it was gradually reduced during 2014 to eight hours loadshedding in urban, nine hours in rural and six hours each in mix and independent industries.

The year 2015 witnessed further reduction in loadshedding with urban parts facing six hours of loadshedding, rural eight hours, three hours in mix industry and only one hour in independent industry.

During year 2016, the duration of loadshedding for urban was six (6) hours, rural eight hours and one hour each for mix and independent industries.

Moreover, a comparison showing percentage of reduction in load-shedding during 2017 as compared to 2012, it was revealed that 75 per cent reduction had been witnessed in urban parts, 70 percent in rural while 100 percent reduction in mix and independent industries.

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Govt. asked to reform SBP, PSEs

NNI

ISLAMABAD - The Pakistan Economy Watch (PEW) on Sunday said the government should provide autonomy to the State Bank of Pakistan (SBP) and install professional management in the bleeding Public Sector Enterprises (PSEs) to guarantee economic revival.

“PSEs have not been reformed despite the promises made by the top officials of the incumbent government while the SBP’s sole focus is to ensure provision of cheap loan to the government in violation of rules which took toll on economy,” it said.

The central bank continues to cheat masses about various issues including agricultural loans on which ninety percent are distributed in one province, said PEW President Dr Murtaza Mughal.

He said that SBP triggered inflation and crowded out private sector which contributed to unemployment as record number of businesses were closed.

Dr. Murtaza Mughal said that another institution tool little interest in regulating corporate sector and served the purpose of influential stock brokers and insurance mafia. He said that the tax net was intentionally shrunk while PSEs were ruthlessly used to please party workers resulting in colossal losses to the public exchequer.

PSEs will only swing to profit if run on professional basis by competent management, he remarked adding that those who damaged Pakistan Railways should be held accountable.

He said that Pakistan can only attract investment and gain confidence of business community if it initiates meaningful reforms in SBP and PSEs.

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Pakistan economy flourishes against all odds

Sharjeel Hussain

Pakistan's economic position has improved sharply since it came close to default in 2013 and the present government has been facing major issues right from the beginning of their tenure, they still aren't quitting.

The economy was mired in persistent energy deficiencies, declining development expenditures, rising inflation and meager foreign exchange reserves. As a result the country's economic potential was on the decline and investor confidence was badly shaken.

But as the matters are now being tackled in a much more professional way, the economic situation has started getting better.

Pakistani economy has made progress in the last three years. On the contrary, a number of advanced economies were still dealing with legacy of international economic crisis.

This is an important signal given the changing global landscape, where economic dynamism has gradually been shifting from advanced to emerging market economies.

The steps taken to overcome the energy shortages in the country, to eliminate extremism, stabilise the economy and initiatives regarding provision of education and health related social safety nets.

The government has acquired strong economic fundamentals and is now in a position to focus on further aligning its policies to meet the Sustainable Development Goals of the United Nations.

Prudent fiscal and effective monetary policies, coupled with regular monitoring of prices both at federal and provincial level, along with decline in international commodities and fuel prices, has helped in containing inflation.

Pakistan has made significant progress in regaining macroeconomic stability over the past four years under the present government. Pakistan has achieved macroeconomic stability: the fiscal deficit has shrunk from 8 percent to below 5 percent, international reserves have tripled to over $18b, and the rate of growth has increased by a full percentage point to 4.7 percent.

Pakistan has made impressive economic gains in the last three years characterised by macroeconomic stability, fiscal discipline, sustained growth rate and record breaking performance of its stock market.

The achievements in the war against terrorism are equally laudable but that came at a cost. Pakistan being terror-hit is bearing losses, damages for being frontline ally in the international campaign on terror. The success of Operation Zarb-e-Azab and continuation of it in shape of Operation Raddul Fassad is bringing peace and stability in the terror-hit country but at the same time putting the strains to reach the real potential Pakistan economy has to grow.

The present government, after coming to power, took bold decisions that resulted in increasing GDP growth, and tax revenue and economy is projected to be on a steady uphill path due to the initiatives taken by the government.

Pakistan is eyeing 5.7 percent economic growth in the next fiscal year, after a robust performance in the outgoing year ending June 30, helped by lower global oil prices, investment in China-sponsored investment and improvement in energy supplies.

The South Asia's second-largest economy is expected to grow 4.7 percent this year despite a sluggish cotton output which is the backbone of country's exports. Textile exports make up more than 50 percent of the country's total exports. The International Monetary Fund has forecast 4.5 growth for the current fiscal year.

Agriculture sector is expected to grow 3.5 percent; manufacturing sector, 7.7 percent and Services sector, 5.7 percent. Pakistan is also currently seeing growth in various sectors like cement, steel, pharmaceutical, automobile and electronics.

The authorities' reform efforts continue to strengthen macroeconomic stability, public finances, foreign exchange reserve buffers, and expanded protection of the most vulnerable under the Benazir Income Support Program.

The CPEC initiative has begun to bring tangible benefits to Pakistan's economy, which is likely to have a positive demonstration effect for persuading other countries in the region, India included, to consider adopting a more open attitude about the initiative. The UK and other countries have expressed an interest in increasing

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investment and being a partner of the CPEC. With efforts in stepping up industrialisation along the CPEC, Pakistan is doing what India and other emerging economies frequently talk about, integrating itself into the global industrial chain.

The reforms, including cutting costly subsidies, privatising some loss-making state companies and building up foreign reserves, has strengthened Pakistan's economy and set it on a path to higher growth.

The overall economic environment is conducive backed by an accommodative monetary policy as policy rate at 5.75 percent is the lowest in last few decades. Inflation during March, 2017 slightly increased to 4.9 percent compared to 3.9 percent y-o-y. During July-March FY 2017 it stood at 4.01 percent compared to last year's 2.64 percent reflecting higher domestic demand and increase in global commodity prices.

Uptick in credit expansion to private sector has increased to Rs. 393 billion during July-March 2017. There has been a surge in import of machinery of over 42 percent and raw materials pointing to robust industrial activities and build up of future productive capacity of the economy.

The budget deficit, which stood at 8.2 percent of GDP in FY 2013, has been brought down to 4.6 percent in FY 2016. During current FY 2017 it is now projected to be 4.1% of GDP.

In March, 2017, FBR recorded a growth of 16.1 % in revenue collection as it collected Rs 345 billion against a collection of Rs 297 billion in the corresponding month of the last year. Thus, total collection by FBR in first nine months of the current financial year is Rs 2258 billion which is unprecedented in FBR history.

At present, the foreign exchange reserves are hovering around $ 22 billion, which are expected to reach over $ 23 billion by end June 2017. Growth, though volatile and low in some periods, has been quite pro-poor in Pakistan.

As Pakistan continues its march from being a frontier economy to becoming an emerging market, 2017 may be the best year in the country's 70-year-long history. From increase in foreign investment, creation of Export-Import Bank to likely changes in the auto industry, here's what we predict will happen to Pakistan's economy this year.

One can hope that journey towards further progress would continue as Pakistan can maintain high growth rates in the coming years with continuation of current policies. The implementation of necessary economic reforms in the country should continue with determination as it would play a vital role in achieving higher, sustainable and inclusive economic growth.