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Orders for yarn:

Particulars of buyers required for correct tax assessment: ATIR

RECORDER REPORT

Appellate Tribunal Inland Revenue, Lahore, has held if the taxpayer cannot give the particulars of the buyers, the assessing officer cannot assume that the sale of yarn has not been made to the manufacturers of textile sector. In its latest order (ITA No. 621/LB/2017), ATIR Lahore has further held that yarn being a raw material has no commercial use outside the textile sector; rather the only commercial use is power loom industry which mostly works as cottage industry which are manufacturers but are not required to be registered for the purpose of sales tax.

It was also held that since sales tax and income tax are administered by the same assessing officer; therefore, the FBR clarification issued in the context of sales tax would be applicable on income tax as well. The version of assessing officer that since particulars of the buyers have not been given therefore the yarn has been sold to the retailers is a grave misconception contrary to the market reality where there are no such retailers of yarn. Resultantly, the appeal is accepted and orders of the authorities are vacated, the order added.

The background facts are that the taxpayer was a commercial importer of yarn and had sold the same to the persons whose particulars were not provided being unregistered persons under the Sales Tax Act, 1990. On failure to provide the particulars of the buyers, the assessing officer held that the sales have been made to the retailers and the taxpayer was required to collect advance income tax under section 236H of Income Tax Ordinance, 2001. Whereas, contention of the taxpayer was that in spite of being unregistered, the buyers are manufacturers and the provisions of section 236H are not applicable where sales are made to the unregistered manufacturers as yarn has no commercial use outside the textile sector. On appeal, the Commissioner (Appeals) remanded the case back to the officer with the direction to verify the contention. On that, the taxpayer filed second appeal before the Appellate Tribunal Inland Revenue through his Counsel Shahid Jami Advocate.

The authorised representative (AR) stated that in the show cause notice as well as in the order, the officer has admitted that the appellant is a commercial importer of yarn and yarn is a raw material of textile industry and the viscose yarn imported by the appellant has no commercial use other than in the power loom industry which mostly works as cottage industry.

The AR further explained that earlier an issue was raised by the department on which FBR issued a clarification which is very relevant to decide the point in issue. The issue as mentioned in the clarification dated 12.12.2014 is availing of reduced rate of 2% under SRO 1125(I)/2011 on supplies of textile yarn made to unregistered person whose details remained unknown. As per clarification, Gujranwala Art Silk Merchants Association pleaded to the FBR that textile yarn has no use other than that in the textile sector.

The AR argued that principle laid down in the Sales Tax Clarification regarding yarn is squarely applicable on the income tax side as well as the yarn being a raw material has only commercial utility for the manufacturers of textile sector mostly belonging to the cottage industry. The AR explained that as evident from Annex-C of the monthly sales tax return, sale of yarn has been made to the registered manufacturer as well as to the unregistered person and by no stretch of imagination sales of yarn to them can be presumed as sales to the retailer for inability of the appellant to provide particulars of the buyers belonging to the cottage industry. The AR explained that concept of cottage industry is recognised in the taxing statute and has been defined in section 2(5AB) of the Sales Tax Act, 1990.

The AR further stated that Section 14(1)(a) of the Sales Tax Act, 1990 provides that manufacturer falling under the cottage industries are not required to be registered. The AR referred to a departmental precedent of Shakeel Impex wherein another assessing officer has accepted the identical contention that the taxpayer is importer of yarn and as yarn is consumed by the manufacturer of textile items therefore provision of section 236H pertaining sales to the retailers are not attracted and had filed the proceedings initiated under section 161. The AR pointed out that contrary to the aforesaid clarification of the FBR, the officer has not brought on record any evidence of even a single transaction of sales to the retailer or has mentioned any retailer existing in Gujranwala who is selling yarn as retailer to the general public for the purpose of consumption as envisaged in the definition of retailer contained in section 2(28) of the Sales Tax Act, 1990.

On the other hand, departmental representative (DR) supported the order of the authorities below with the findings recorded therein and pleaded that the FBR clarification is for the purpose of sales tax and is not applicable to the income tax issue.

The ATIR has examined the arguments of both the sides and the case record including the FBR's clarification as well as departmental precedent attached with the appeal papers. Appellate Tribunal Inland Revenue is convinced that the FBR's clarification was though in the context of sale of yarn to the unregistered persons whose particulars could not be provided yet, the same is squarely applicable in the income tax proceedings at hand. Here too the issue is that yarn is an industrial raw material and its only commercial use is by the manufacturer of textile sector for weaving of cloth. After consolidation of jurisdiction of sales tax and income tax with the same officer, there cannot be any rationale for not following the principle laid down by the FBR in the connected mater of income tax.

The issue pertains to availing the reduced rate of 2% under SRO 1125(I)/2011 dated 31.12.2011 on supplies of textile yarns made to unregistered persons whose details remained unknown. The issue has been examined. The association has pleaded that the textile yarn has no use other than that in the textile sector. This contention carries weight.

In view of this, the Board is of view that since generally textile yarns have no use other than that in the textile industry, it is not justified to make any demand on the strength of condition (vi) of SRO 1125(I)/2011, if the details of buyers have not been provided. Such demand is only justified if the department comes up with the evidence that the supply has been made to a person not operating in the five sectors of the said SRO. The RTO's advice is to take necessary action under the law, keeping in view the FBR clarification.

In the income tax proceedings, the same issue is involved that is covered in the clarification that there is sale of yarn to the unregistered person and the details of the unregistered buyers have not been provided. This is especially so in view of section 214(1) of the Income Tax Ordinance which states that all income tax authorities and other persons employed in the execution of the ordinance shall observe and follow the orders, instructions and directions issued by the Board. Similar stipulation is contained in section 72 of the Sales Tax Act, 1990.

In the light of foregoing discussion, the Appellate Tribunal Inland Revenue is convinced that the yarn being an industrial raw material is used by the manufacturer only whether belonging to organised textile sector or unorganized cottage industries which are not required to be registered but are manufacturers as per definition contained in section 2(5AB) of the Sales Tax Act, 1990 which is relevant for the point in issue for income tax as well. Whereas, the version of the assessing officer that since particulars of the buyers have not been given therefore the yarn has been sold to the retailers is a grave misconception contrary to the market reality where there are no such retailers of yarn. Resultantly, the appeal is accepted and orders of the authorities are vacated, the order added.

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$10 billion invested in oil E&P sector in four years: Khaqan

WASIM IQBAL

The ruling Pakistan Muslim League-Nawaz (PML-N) claimed that foreign and domestic companies have invested $10 billion in petroleum exploration & production (E&P) sector in four years. In a press conference here on Monday, Minister for Petroleum and Natural Resources Shahid Khaqan Abbasi said that it is encouraging for the economy of the country that an investment of $10 billion has been made when the investment dropped down 40 percent globally as a result of low oil prices.

Talking about the status of construction of a gas pipeline from Lahore to Karachi (north south), he said that the gas utility companies completed the first phase of pipeline and work on second phase is in progress. He said that Russia is financing the project and the government of Pakistan is providing land for the project. Russia will invest $2 billion in the project, the first phase of which is expected to conclude by December 2017. The 1,100 kilometre pipeline with a capacity of 12.4 billion cubic meter per annum will connect Karachi"s liquefied natural gas (LNG) terminals with those in Lahore.

The minister further said that 101 discoveries have been made during the last four years. He said as many as 83 wells of oil and gas discovered in Sindh and seven discoveries have been made both in Punjab and Khyber Pakhtunkhwa. In Balochistan, he said that the re-bidding process of awarding blocks has been initiated. He admitted that the federal government has to cancel licences issued against various blocks in Balochistan which could not start the exploration activities due to pure law and order situation.

The government has claimed a credit for inclusion of 5.2 trillion cubic feet gas in national gas pipeline during the PML-N tenure by drilling 68 discoveries, which would help the country overcome gas load-shedding in coming winters. Recently, he pointed out that oil and gas company PEL succeeded in discovering 765 barrel oil and 24 cubic feet gas in the Badin area. The Oil and Gas Development Company (OGDCL) also started drilling of three wells.

The minister for petroleum said that a total of 5.4 trillion cubic feet gas has been discovered since the PML-N came into power in 2013. Now, he said, the volume of discovered gas is much higher than that of gas consumption in the country. Responding to a question regarding unaccounted for natural gas (UFG), the minister said that primarily it is responsibility of provincial governments to stop gas theft; however, he said that the federal government kept the UFG of SNGPL to 10 percent and reduce the theft cases of SSGCL to 40 percent.

He further disclosed that the proposal to change gas distribution formula - to treat equally all the residential consumers across the country irrespective of gas produced in one province or the other - will be taken up again in the meeting of the Council of Common Interests (CCI). The meeting of CCI has been scheduled for July 31, he added. He said that the federal government has asked industry and commercial ventures to use LNG as an alternate fuel.

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Country fetched $2.4 billion FDI in fiscal year 2017

RIZWAN BHATTI

Pakistan attracted Foreign Direct Investment (FDI) amounting to $ 2.4 billion during last fiscal year (FY17), mainly from China. China topped the contributors to FDI as its investment accounted for about 50 percent. Major inflows were received from Netherlands, Turkey, France and UK during July-June of FY17. According to State Bank of Pakistan (SBP), FDI continued to show an upward trend and rose by some 4.6 percent during last fiscal year on the back of higher foreign investment from China.

The country fetched FDI amounting to $ 2.41 billion during July-June of FY17 compared to $ 2.305 billion in the same period of last fiscal year (FY16), depicting an increase of $ 105.6 million. During the period under review, FDI inflows were less than FY16, however lower outflow support posted some increase in the overall FDI. Net FDI inflows stood at $ 2.813 billion against the outflow of $ 403 million in FY17.

Economists said China"s total investment in Pakistan stood at $ 1.2340 billion, including $1.186 billion FDI and $48.4 billion Foreign Portfolio Investment (FPI) during FY17. Some construction projects that have received FDI from China in FY17 include the Havelian-Thaikot section of the Karakoram Highway, Sukkur-Multan section of the Peshawar-Karachi Motorway, and the Lahore Orange Line project, according to the Economic Affairs Division, Ministry of Finance.

In addition, net FDI from China rose marginally over last year, with investment mostly flowing into power and infrastructure projects. While the 40 percent stake sale of the Pakistan Stock Exchange to a Chinese-led consortium also netted foreign investment worth around $ 61 million in March 2017. During the period under review, Pakistan also repaid $ 500 million of SAFE China Deposits.

In addition to China, a significant amount of FDI also came from other countries through merger and acquisition transactions in food and electronics. Pakistan received FDI inflows from the Netherlands amounted to $ 463 million, Turkey $ 135.6 million, France $119 million, US $ 71 million and UK $69 million during Jul-June of FY17.

However, economists said that despite some increase in foreign investment, the FDI inflows were not sufficient to fully offset the widening in the current account gap. As a result, the country"s liquid foreign exchange reserves declined over $ 1.7 billion during FY17. According to SBP during the period under review, portfolio investment witnessed downward trend and declined by 66 percent. Portfolio investment stood negative $ 531 million in July-June of last fiscal year. Similarly, total foreign investment surged 9 percent to reach $ 2.157 billion end of FY17 compared to $1.977 billion end of FY16.

In addition, with $ 228.5 million inflows and $ 29.6 million outflows, overall FDI was stood at $ 199 million in June 2017 compared to $ 269 million in June 2016, showing a decline of 26 percent or $ 70 million.

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Peshawar mass transit project approved by Ecnec

ZAHEER ABBASI

The Executive Committee of National Economic Council (Ecnec) has approved Peshawar Sustainable Bus Rapid Transit Corridor at a downward revised cost of Rs 49 billion. A rationalised summary was submitted by the Ministry of Planning, Development and Reform to the Ecnec meeting presided over by Finance Minister Ishaq Dar on July 10, 2017. The project is being funded by Asian Development Bank (ADB) and provincial government jointly with major financing through an ADB loan.

The meeting was informed that a meeting of Central Development Working Party (CDWP) on 3rd May, 2017 recommended the project to Ecnec subject to rationalisation of scope and cost by a committee with members of federal and provincial governments. The cost of the project was rationalised from Rs 56.802 billion.

A reduction in cost was due to factors; (i) review of scope of construction packages - reduction is Rs 708.322 million; (ii) contingency cost was reduced from Rs 6,254.00 million (19% of construction cost) to Rs 1,375.405 million (5%);(iii) net reduction is Rs 4,878.60 million and provision of Rs 1,499.00 million for cost of interest during construction was excluded.

A number of escalators and elevators were reviewed as per actual provision at each station and cost adjusted accordingly, besides other miscellaneous items - reduction of cost by Rs 370.078 million. The project envisages construction of 25.8-km long a 2-lane dedicated signal-free Bus Rapid Transit (RBT) main Corridor which starts from Chamkani on GT Road through Pir Zakori Bridge, Peshawar Bus Terminal, Hashtangri, Hospital Road, Khyder Bazaar, Sochkarno Chowk and Shoba Chowk.

The scope of work will also include construction of underpasses, bus depot at Chamkani, fare collection/ ITS (Intelligent Transportation System), electrical and mechanical works, including provision of streetlights, generators, escalators, lifts, platform screen doors, miscellaneous and ancillary works/amenities for passenger convenience and road furniture and procurement of 450 articulated air conditioned buses with allied facilities.

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THE RUPEE: Little changes

RECORDER REPORT

The rupee moved marginally versus the dollar on Monday in the process of trading, dealers said. The rupee lost 10 paisas in relation to the dollar for buying and selling at Rs 106.90 and Rs 107.10 respectively, they said.The rupee was trading against the euro for buying at Rs 121.50 and Rs 122.50 respectively, dealers said.

OPEN MARKET RATES: INTER-BANK MARKET RATES: The rupee fluctuated slightly versus the dollar at Rs 105.39 and Rs 105.40 respectively, they said.

In the first Asian trade, the dollar huddled near a 10-month trough on Monday as upbeat Chinese news and the prospect of only gradual policy tightening in the United States sent investors piling into leveraged positions in higher yielding currencies and risky assets.

China's second-quarter gross domestic product handily topped forecasts with a rise of 6.9 percent on the year, while retail sale and industrial output were both strong.

The dollar was trading against the Indian rupee at Rs 64.353, the greenback was at 4.291 in terms of the Malaysian ringgit and the US currency was available at 6.769 versus the Chinese yuan.

Open Bid	Rs. 106.90
Open Offer	Rs. 107.10

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

Bid Rate	Rs. 105.39
Offer Rate	Rs. 105.40

RUPEE IN LAHORE: The Pakistani rupee failed to sustain as it registered reduction versus the US dollar and British pound in the local currency market on Monday.

According to the currency dealers, the dollar commenced trading on a positive note amidst short supply phenomenon in the market. Consequently, it went up to Rs 107.05 and Rs 107.20 on buying and selling side, respectively, as compared to the last closing trend of Rs 106.70 and Rs 107.20 respectively, they added.

Likewise, the local currency also followed the same suit against the pound sterling. The pound's buying and selling rates rose from Saturday's closing rates of Rs 138.30 and Rs 139.10 to Rs 138.37 and Rs 139.50 respectively, they said.

RUPEE IN ISLAMABAD AND RAWALPINDI: The rupee remained firm against the dollar at the open currency markets of Islamabad and Rawalpindi here on Monday.

The dollar opened at Rs 106.40 (buying) and Rs 106.50 (selling) against same last rate. It closed at Rs 106.40 (buying) and Rs 10650 (selling).

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Shares, Modaraba certificates, dividends:

SECP asks companies to submit statements

RECORDER REPORT

The Securities and Exchange Commission of Pakistan (SECP) has directed companies to submit statements containing information about unclaimed or unpaid shares of companies, Modaraba certificates and dividends declared by companies/Modarabas during the last three years. In this connection, the SECP has issued direction No 16 of 2017 here on Monday to the corporate sector.

According to the SECP, the commission, pursuant to section 244 read with section 510 of the Companies Act 2017 (the ""Act""), directs all companies to submit a statement to the Commission through eServices portal (https://eservices.secp.gov.pk/eServices/) within thirty days of issue of this notification stating therein the number or amounts, as the case may be, which remain unclaimed or unpaid for a period of three years from the date it is due and payable as of 30th May, 2017 in respect of the followings:

Firstly, shares of a company or Modaraba certificates of a Modaraba have been issued. Secondly, dividend has been declared by a company or Modaraba. Thirdly, any other instrument or amount which remains unclaimed or unpaid, as may be specified. The companies are further directed to initiate the process of publishing the final notices, to the shareholder or the certificate holder or the owner, as the case may be, in the newspapers subsequent to the initial three months"" notices in accordance with the provision of subsection 1 of section 244 of the Act. The direction is being issued pursuant to the powers vested with the Commission under section 510 of the Act, the SECP added.

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Agricultural development:

World Bank to give Rs 39.2 billion loan to Punjab

NAVEED BUTT

The World Bank would give a Rs 39.2 billion loan to the Punjab government for ""Punjab Irrigated-Agriculture Productivity Improvement Project"" to improve irrigation technologies at the grassroot level for farmers. According to documents available with Business Recorder, the total cost of the project is Rs 67.5 billion including a Rs 39.2 billion (58.08%) loan from the World Bank, a Rs 2.6 billion (3.8%) contribution of Punjab government and Rs 25.7 billion (38.13%) farmers"" contributions.

The Executive Committee of National Economic Council (ECNEC) has approved the ""Punjab Irrigated-Agriculture Productivity Improvement Project"".

The total surface water allocation for Punjab as per Provincial Water Accord of 1991 is 55.94 Million Acre-Feet (MAF). However, Punjab is receiving about 50 MAF due to huge water losses in the distribution network comprising main/branch canals, distributaries, minors, and tertiary conveyance systems of about 59,000 watercourses that have been documented/estimated. In addition, a substantial amount of irrigation water (21 MAF) is also lost during its application due to uneven fields and poor farm designs. This deficiency is, however, compensated to a great extent by groundwater abstractions of almost 33 MAF, which is in reality over exploitation of this vital resource, as recharge to fresh groundwater areas is only 23 MAF. In a nutshell, about 53 MAF water remains available for use against 65 MAF of actual crop water requirements. As such, there exists a gap of nearly 12 MAF to meet irrigation requirements for present cropping intensity of 150 percent.

According to documents, the project envisages rehabilitation/ completion of improvement works on 6,000 canal irrigated watercourses, development/ rehabilitation of 4,000 irrigation schemes outside the canal commands and provision of 6,000 additional LASER Land Levelling units to the farmers / service providers to precisely level their fields and completion of installation of drip/sprinkler irrigation systems on 120,000 acres. These would further strengthen the ongoing efforts of upgrading the farm level water conveyance infrastructure and make the farmers well equipped with improved irrigation technologies together by creating an enabling environment for sustained technology transfer at the grassroots level for optimal and efficient management of available water resources as well as providing support for processing and marketing of the agricultural produce to get better returns.

The document further revealed that through implementation of the project, 40 per cent losses will be averted in irrigation channels. Accordingly, the cropping intensity will increase by 9 per cent and enhancement in crop yield will be 31 per cent.

The project would increase 50 per cent in crop yields, reduce input expenditures of farmers and enhance their income. The project would increase water application efficiency (10 per cent) and enhance crop yields by up to 20 per cent. The project would also reduce water losses through saving of 119 acre feet of water on new watercourses and 229 acre feet on additional watercourses.

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'Hydel generation should be top priority to overcome loadshedding'

KHALID ABBAS SAIF

Hydel generation should be our top priority to overcome loadshedding in addition to ensuring cheap electricity to meet our future needs, said Dr Tahir Masood, Chief Executive Berkeley Associate. He was addressing a seminar on a "Promotion of renewable energy resources in Pakistan". He said that the hydel power generation projects need huge capital and long period while on the contrary, the thermal units are being completed with less cost and shortest possible time period.

Comparing the hydel and thermal electricity, he said that hydel electricity is the safest, cheapest and environmental friendly but it has its own handicaps as during the winter season, its production is reduced to the minimum due to the low availability of water in storage dams. On the contrary, the thermal power houses only need one-month period for annual repair and maintenance to give continuous electricity during the remaining period of the year.

He also underlined the importance of multiple purpose storage dams which could store flood waters and save huge losses caused to the infrastructure every year particularly along the river belts.

He said that the total shortfall between supply and demand of electricity is 5,000MW which is being fulfilled by installing small and used generators who have minimum efficiency level. He further said that KP has the maximum potential to produce at least 25000MW of cheapest hydro electricity followed by Gilgit and Baltistan from where we could generate 21000MW electricity. Commenting on Kala Bagh Dam, he said it is not fair to put all important issues on the government who has its own political constraints. He said the business community and chambers from all over the country should pool their energies and pressurize government to start work on this project of national importance.

He said that present government has taken positive steps to overcome the loadshedding. He mentioned three LNG based projects including Balloki, Bhikkhi and Haweli Bahadar Shah and said that these projects have entirely changed the bench marks of mega energy projects. He told that these projects have been completed within shortest possible time and these are producing cheap electricity as compared to the other similar projects. Responding to a question, he said that at least 40% energy in other developed countries is being produced through coal while in Pakistan its ratio is only 1%, despite of the fact that we have huge coal reserves in Thar (Sindh).

He also mentioned the recently commissioned coal fired Sahiwal power project and said that it needs 8000 ton of imported coal per day for which it will require daily 60 to 70 dedicated coal trains. Earlier in his address of welcome Vice President Engineer Ahmed Hassan mentioned the untapped potential of approximately one lac mega watt of cheap and clean hydro electricity and said that previous governments committed criminal negligence and failed to exploit this potential to meet the energy needs of Pakistan.

He suggested that, if we want to develop economically and raise our living standards at least 50,000MW electricity should be added in the system during next 15 years with a primary focus on renewable energy sources. He suggested construction of Bhasha, Dasu and Bunji (16,000MW) dams on a fast track and he said that Basha must not be delayed any further as delay in Basha is costing the economy over $3 billion per annum. Senior Vice President Rana Sikander Azam offered vote of Thanks and assured that FCCI will continue to organize such informative seminars in future. Later, Rana Sikandar-e-Azam and Engineer Ahmed Hassan presented FCCI shield to Dr Tahir Masood.

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July-May period:

Textile machinery import falls to $515.63 millions

RECORDER REPORT

The country' import of textile machinery declined to $515.635 million during July-May 2017, lower by 23 percent, according to official figures. Fall in textile machinery import reached $96.388 million in July-May 2017 from $419.247 million in July-May 2016, Pakistan Bureau of Statistics said. In May 2017, import of textile machinery scaled back to $56.577 million from $44.167 million in May 2016, down by 26 percent or $12.41 million.

Import of mobile handsets reduced to $637.138 million in July-May 2017 from $687.252 million in July 2016, showing a fall of 7.29 percent or $50.114 million. Pakistan's import of cellular phones also went down to $64.762 million in May 2017 from $51.913 million in May 2016, depicting a slump of 25 percent or $12.849 million.

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Sluggish business was seen on cotton market

RECORDER REPORT

Sluggish business was seen on the cotton market on Monday in the process of trading, dealers said. The official spot rate was unchanged at Rs 6200, they said. In ready business, nearly 800 bales of cotton sold at Rs 6400, they said. Prices of seed cotton in Sindh were available at Rs 3000-3200 and in Punjab phutti rates were at R 2900-3300, they said.

According to the market sources, a kind of cautious buying was seen as most of the leading buyers kept on the sidelines due to monsoon rains. Cotton analyst, Naseem Usman said that buyers adopted wait-and-see mood owing to continued rains in the country. The following deals reported: 400 bales of cotton from Mirpurkhas sold at Rs 6400 and same number of bales from Tando Adam were finalised at the same rates, dealer added.

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 15.07.2017**	**Difference Ex-Karachi in Rupees**
37.324 Kgs Equivalent	6,200	135	**6,335**	**6,335**	NIL
40 Kgs	6,645	145	**6.790**	**6.790**	NIL

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Cotton rises nearly two percent

RECORDER REPORT

ICE cotton futures rose nearly 2 percent on Monday on fears of dry weather causing damage to cotton crops in Texas, major growing belt for the natural fibre. Cotton contracts for December settled up 1.18 cent, or 1.8 percent, at 67.76 cents per lb. It traded within a range of 66.6 and 68.23 cents a lb.

"One of the things that helped prices today was reports of weather related damage in Texas over the past two weeks, especially dry weather. It has caused more damage than what people had expected," said Gabriel Crivorot, analyst at Societe Generale in New York.

"This caused speculators to get back to the market and saw some buying." Speculators reduced a bullish stance in cotton for the eighth straight week, US Commodity Futures Trading Commission data showed on Friday. They reduced a bullish stance in cotton by 4,592 lots to 20,821 lots in the week to July 11, the data showed. That marked the smallest net long stance in the fibre in over a year.

Total futures market volume rose by 1,240 to 15,977 lots. Data showed total open interest gained 1,547 to 216,306 contracts in the previous session. Certificated cotton stocks deliverable as of July 14 totalled 62,690 480-lb bales, down from 66,825 in the previous session.

New York cotton

RECORDER REPORT

The fluctuations observed during the day:

	Current Session						Prior Day		
	Open	High	Low	Last	Time	Set	Chg	Vol	Set
Oct'17	67.53	68.65	67.06	68.57	14:45 Jul 17	68.57	1.39	18	67.18
Dec'17	66.75	68.23	66.60	67.76	14:45 Jul 17	67.76	1.18	10772	66.58
Mar'18	66.20	67.71	66.20	67.37	14:45 Jul 17	67.37	1.26	3194	66.11

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Continuation of GSP Plus status

RECORDER REPORT

It is very encouraging to know that Pakistan would continue to enjoy GSP Plus status in the UK market after Brexit. According to a news item in this newspaper on 15th July, 2017, British High Commissioner to Pakistan, Richard Crowder has informed Commerce Minister, Khurram Dastgir Khan that "as the UK leaves the EU, we want to maintain and strengthen the access to the UK markets for developing countries. For Pakistan, which benefits from zero tariffs on a two-thirds of all products when exporting to the UK, we aim to maintain these levels of access, and will continue to deliver improved support by helping to address constraints to trade." The UK's first priority is to deliver continuity in its trading arrangements on leaving the EU and it has pledged to improve access to the UK markets for world's poorest countries post-Brexit. Earlier, Khurram Dastgir in a letter to the UK Secretary of State for International Trade had expressed the hope that bilateral political and trade relations between Pakistan and the UK would continue to grow for mutual benefits of both countries. He had also added that "we understand that until a formal trade arrangement is reached between the UK and the EU, products of Pakistan origin shall continue to have duty-free access in the UK." According to him, this duty free access was of critical importance for Pakistan.

We feel that the assurance by the UK High Commissioner in Pakistan that the country's products would continue to enjoy preferential treatment in the UK market after Brexit is really heartening. There were some apprehensions in the market that Pakistan and some of the other developing countries could lose GSP plus status in the British market during the course of negotiations with the EU countries or in the post-Brexit period. It is very reassuring that such apprehensions have been removed through a letter and the Brexit would not make any difference on the present trade relations between the two countries. The UK, in fact, currently provides trade preferences to around 70 developing countries and does not seem to be contemplating any change in the present relationship with any country at the moment. While Pakistan has got the necessary assurance from British authorities, the country needs to be now little bit more concerned about the continuity of GSP plus status with other EU countries because the UK had always actively supported Pakistan in getting this status in the overall EU market. Some of the other EU countries could now voice concerns about our record on human rights, death penalty, etc., once the UK support is no more there. However, while the letter of the British High Commissioner could be seen as a positive development, this should not be enough to satisfy our policymakers. The question how long Pakistan will be able to depend on the generosity of other countries has no easy answer. In our view, it must learn to stand on its own feet, without crutches provided by others. Pakistan has been enjoying duty-free access of its products in the European Union since January, 2014 and such arrangements do not last forever. The country needs to export much more than at present for a sustainable balance of payments position and this could only be done by increasing the productive capacity of the country and ensuring competitiveness of our products in the international market. Unfortunately, however, the government is not taking adequate measures in this regard. SBP authorities tried to readjust the exchange rate according to market conditions a few days ago but they were shouted down.

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Pakistan’s international rankings

DR HAFIZ A PASHA

An assessment of the level and change of Pakistan in key international indices and measures is important for two reasons. First, it provides a, more or less, objective evaluation of the performance of the economic, social and governance indicators of the country is relation to other countries, especially in South Asia, at a similar stage of development. This helps to identify critical areas where there is need for greater focus and in prioritizing the reform agenda, both for the short and the long-term. Second, the various indices influence international perceptions of Pakistan especially of potential foreign investors.

This article covers four key international indices. These are provided on an annual basis by international institutions like the UN agencies, World Bank and World Economic Forum. The focus is identify the relative position of Pakistan and to study the change in the country's ranking during the last few years, from 2010 or 2012 to the latest year for which information is available. A comparison is made of Pakistan with three South Asian economies, viz., India, Bangladesh and Sri Lanka. Other Asian countries included in the analysis are Thailand, Indonesia, Turkey and Philippines.

The most commonly referred to index is the Human Development Index (HDI) prepared by the United Nations Development Program (UNDP) Dr Mahbub ul Haq played a major role in the development of this index. The HDI has three components, with equal weights, relating to health status of the population, the level of education and the per capita income of a country, adjusted for differences in purchasing power. The first ranking of the HDI was prepared in 1990. The latest ranking is of 2015 for 185 countries.

Unfortunately, Pakistan does very poorly in terms of human development. Out of the eight countries included in the analysis, Pakistan has the lowest ranking, at 147th. Turkey has the highest ranking at 71st followed by Sri Lanka at 73rd. Pakistan is also the lowest ranked country among all countries in the world with a medium level of human development.

The particularly worrying aspect is the poor performance with respect to other South Asian countries, Even Bangladesh has a better ranking of 139th while India is ranked 131st. Between 2010 and 2015, Pakistan's ranking has fallen by two places. The absolute value of the HDI has also shown little change. In fact, Pakistan ranks much higher in terms of per capita income than in the HDI.

The worst performance by Pakistan among the three components of HDI is in education. For example, the mean years of schooling of the population is only 5.1 years in 2015, as compared to 8.2 years in India and as high as 10.9 years in Sri Lanka. Clearly, Pakistan needs to invest more on education, especially at the secondary and higher levels.

The next index of importance is the Global Competitiveness Index (GCI) of the World Economic Forum, which has twelve pillars of performance ranging from market size, infrastructure and institutions to technological readiness and innovation. The latest ranking is of 2016-17 for 139 countries. Here again, Pakistan has the worst ranking at 122nd, among the eight countries included in the analysis. The highest ranking among these countries is of Thailand at 34th, followed by India at 39th. There is apparently a close correlation between a country's GCI ranking and the performance of its exports.

Pakistan's ranking in the GCI has improved somewhat from 124th in 2012-13. The areas of relative weakness of the country are in health and education, labor and goods market efficiency and technological readiness. Interestingly, Pakistan performs relative better in terms of market size, innovation and in business sophistication. The World Economic Forum in its assessment of the competitiveness of Pakistan has ranked in descending order the following negative factors: corruption, crime and theft, tax rates and government instability.

This takes us the next very widely used index, that is, the Corruption Perceptions Index (CPI) of the Transparency International. As highlighted recently by the Federal Minister for Planning and Development, there has been an extraordinary improvement in Pakistan's ranking in recent years. It has gone up from 139th in 2012 to 116th in 2016, out of 174 countries. However, other countries in the sample of eight countries generally do better. India has a ranking of 79th, Turkey of 75th and Indonesia of 90th.The only country in the sample which performs poorly in relation to Pakistan is Bangladesh, with a ranking of 145th in 2016. Another index, which is potentially of interest particularly to potential investors, is the Ease of Doing Business Index (EBI) of the World Bank. In this index there has been a substantial worsening in Pakistan's ranking from 105th in 2012 to 144th in 2016, out of 190 countries. Consequently, it has now the second worst ranking among the eight countries, only better than Bangladesh. Thailand is ranked 46th. Turkey stands at 69th and India at 130th.

The critical areas identified by the EBI which require improvement in the Pakistani context are of getting electricity, trading across borders, registering property and paying taxes. The country does well in protecting minority investors, getting credit by an investor and resolving insolvency in the event of failure. On the whole, Pakistan will have to do much better in facilitating business, especially the setting up of new projects by investors. Given the big deterioration in Pakistan's relative position internationally with regard to ease of doing business there is need for establishing an independent Commission, with possibly the Federal Board of Investment as the Secretariat. This Commission should be charged with the task of identifying ways of eliminating 'red tape' and facilitating transactions, especially through use of information technology, with different Governmental and public sector agencies.

The broad conclusion from analysis of the above four more popular international rankings is that Pakistan generally performs poorly. Also, in terms of change from 2010 to 2015, the results are mixed in character. If the country is to attract more investment from diverse sources, a systematic effort will have to be launched by focusing on areas where the country does poorly currently in these rankings.

(The writer is Professor Emeritus and former Federal Minister)

DAWN
Tuesday, 18th July, 2017

Dar urged to maintain cash subsidy on exports

Mubarak Zeb Khan

ISLAMABAD: Commerce and textile ministries have urged the Ministry of Finance to allow the continuation of an unconditional cash subsidy on exports in 2017-18 under the prime minister's Rs180 billion support package.

"We have approached the finance ministry several times for a policy change," an official source in the commerce ministry told Dawn on Monday.

The prime minister announced on Jan 11 a subsidy package of Rs180bn to boost exports.

The package promised the unconditional cash subsidy in the first six months (January-June). Exporters agreed to avail the same subsidy by achieving an incremental increase of 10 per cent in export proceeds in 2017-18.

Pakistan's overall exports fell 1.63pc to $20.45bn in 2016-17 from $20.78bn in the preceding year.

Data shows that results of the premier's export package in the first six months do not support the continuation of the unconditional cash subsidy in the current fiscal year.

In January-June, export proceeds stood at $10.54bn against $10.48bn over the corresponding period a year ago. This means no tangible growth took place in exports in the second half of 2016-17.

According to the official source, the finance ministry has so far released Rs4.5bn against claims submitted by exporters under the support package. Total submitted claims were of more than Rs15bn, the official said, adding that the remaining amount would be released soon.

The finance ministry expects to receive claims in the range of Rs30bn and Rs35bn for the first six months of the package. The total amount of subsidy projected for the first six months was Rs60bn. The government projected Rs120bn in the cash subsidy for 2017-18.

The official source said exporters are not willing to honour their commitment about claiming the subsidy in the case of an incremental increase in export proceeds. "We are trying to convince the finance minister to change his policy and continue the package on the pattern of the first six months."

According to the official, no final decision has been taken so far in this regard.

Under the package, the government offered a 7pc rebate in the shape of cash support on the exports of all types of garments and 6pc on those of home textiles. The rate of cash support is 5pc for fabric exports and 4pc for yarn and grey fabric exports.

For non-textile sectors, the package offered cash support of 7pc on the exports of finished leather goods, including garments, and 5pc on those of finished leather.

It offered cash support of 7pc on the exports of sports goods, 5pc on cutlery and surgical instruments and 6pc on carpets.

Customs duty and sales tax on the import of raw cotton have been abolished. The duty on manmade fibre imports has been waived. A 10pc sales tax on textile machinery imports has also been done away with.

DAWN
Tuesday, 18th July, 2017

New gas discovery to boost domestic, industrial supplies: Abbasi

Khaleeq Kiani

The government says there would be no gas loadshedding in the coming winter following the induction of imported LNG in the system.—File photo

ISLAMABAD: The government on Monday announced three new hydrocarbon finds in Sindh with a total estimated flow of about 52 million cubic feet per day (mmcfd) and further claimed credit for achieving 101 discoveries in four years of its tenure.

Sharing details at a press conference, Minister for Petroleum and Natural Resources Shahid Khaqan Abbasi said Petroleum Exploration Limited (PEL), a private firm, made the gas condensate discovery in Badin-IV North exploration licence at Zainab-1 well in Tando Mohammad Khan district of Sindh province.

The well was spudded on June 3, 2017 and drilled to the depth of 2,700 metres. A successful Drill Stem Test (DST) was carried out which flowed at a rate of 24mmcfd of gas and 765 barrels of condensate per day through 56/64” choke size.

The minister praised the company for consistent exploration efforts despite initial failures.

The block in Sindh was granted to PEL in January 2006. It is spread over areas of Badin, Hyderabad, Sujawal, Tando Allahyar and Tando Mohammad Khan districts. Two earlier wells at the block went dry but even then the company continued its efforts and was rewarded with the first discovery in the block, the minister added.

The Oil and Gas Development Company Limited (OGDCL) made a gas discovery in Thal exploration licence at Bhambhra-1 well of Sukkur district in Sindh. The well was spudded on April 26, 2017 and drilled to the depth of 4,023 meters. Drill stem tests were carried out in basal sands of Lower Goru which flowed at a rate of 5.73mmcfd of gas through 32/64” choke size. The total expected gas production from this well will be approximately 15mmcfd, the minister said.

Fresh connections for housing colonies approved

He said the Thal exploration licence was granted to OGDCL in February 2006 for Ghotki, Sukkur and Khairpur district of Sindh. This is the third discovery in the same block.

United Energy Pakistan (UEP) of China had also secured a discovery at Ali Well-II in Matiari, Sindh about a week ago. The well produced 13mmcfd, the minister said.

No more gas loadshedding: The minister said a lot of improvement has already been achieved regarding gas shortages with the induction of imported liquefied natural gas (LNG) in the system that would be further ramped up over the next few months.

The government has already resumed new gas connections to commercial consumers after a long time, he said.

“We have conveyed our approval to gas companies for new connections for housing schemes and they are in the process of finalising modalities for implementation,” he added.

Giving details, the minister said 68 discoveries out of total 101 have added proven reserves of about 5.4 trillion cubic feet (TCF) of gas while the results of the remaining 33 wells were yet to be confirmed.

During the same period, the country is estimated to have consumed about 5.2 TCF gas which meant more than 100 per cent replacement had been made for the resource consumed, he added.

Of all the 101 discoveries, Mr Abbasi said 87 were in Sindh and seven each in Khyber Pakhtunkhwa and Punjab.

Investment in exploration and production sector had declined by 40pc globally while we have been able to attract more of it, he said.

Pakistan has attracted about $10 billion worth of foreign investment in the exploration and development sector over the last four years which was also a record despite historically low global oil and gas prices, he added.

DAWN
Tuesday, 18th July, 2017

Listless trading on cotton market

The Newspaper's Staff Reporter

KARACHI: Listless trading witnessed on the cotton market on Monday as phutti arrivals into ginneries came to a standstill owing to recent spell of heavy rains across the country. Brokers said ginners were also reluctant to buy phutti these days fearing presence of high moisture content in it which compromises the quality of lint.

Sindh variety of phutti's price came down to Rs3,000-3,050 per 40kg and its Punjab counterpart to Rs2,900-3,300/40kg from the earlier rate little over Rs3,300/40kg.

Brokers said it is yet to be measured the damage, if any, was caused to the crop by the recent rains.

The world's leading markets, however, reported to have remained steady amid steady buying. The prices of polyester fibre were quoted higher on strong demand, brokers added.

The Karachi Cotton Association (KCA) kept its spot rates steady at weekend level. The trading activity was extremely slow and following deals were reported to have changed hands on the ready counter: 400 bales, Mirpurkhas, at Rs6,400 and 400 bales, Tando Adam, at Rs6400.

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	**6,200**	**135**	**6,335**
40 Kgs	**6,645**	**145**	**6,790**

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MARKETS

FOREX

Exchange Rates for Currency Notes (Rs)

	Interbank market*		Open market**	
	Buying	Selling	Buying	Selling
USA	105.30	105.50	106.90	107.10
UK	137.93	138.19	135.50	139.50
Euro	120.70	120.93	121.50	125.50
S.Arabia	28.08	28.13	28.30	28.55
UAE	28.67	28.72	28.95	29.20
Japan	0.9350	0.9368	0.9380	0.9580

*forex.com.pk **ECAP

KIBOR

Karachi Interbank offered rates

	Bid	Offer
Three months	5.89	6.14
Six months	5.90	6.15
One year	5.96	6.46

LIBOR

Special US dollar bonds for July 15

Three months	1.30361 %
Six months	1.45600 %

THE NEWS
Tuesday, 18th July, 2017

FBR to settle refund claims in two days

ISLAMABAD: Federal Board of Revenue (FBR) will clear refund claims of up to one million rupees against 6,853 refund pay orders (RPOs) issued by April 30 within the next two days, sources told APP on Monday.

The next part of the refund commitment would be fulfilled by making payments against RPOs with amount more than Rs1 million by August 14. Finance Minister Ishaq Dar, in the budget speech for 2017/18 fiscal year, announced that taxpayers' long outstanding demand for payment of refunds would soon be addressed and the sales tax refunds against refund payment orders issued up to April 30 would be paid in two stages.

Our correspondent adds: Minister Dar visited FBR late last week to attend a ceremony regarding payment of sales tax refunds. "For the first time refund payments were made by direct electronic transfer to claimants' bank accounts through State Bank in November 2016," he said in a statement. "The payments made in the ceremony will also be transferred in the same manner to the claimants' accounts in the next two working days."

Finance minister said this measure is aimed at enhancing transparency and facilitation and reducing contact between tax collectors and the taxpayers. Minister welcomed the new Chairman FBR Tariq Mahmood Pasha and hoped that the new Chairman and his team will strive to overcome the challenges and make all-out efforts to achieve the target for the new financial year and simultaneously accord due priority to facilitation of taxpayers.

"The government is conscious of the problems being faced by the taxpayers and taking a number of steps to resolve these problems," he said. "The ceremony is part of such measures and through this first part of the commitment made in the budget speech is being fulfilled." Finance minister, in the concluding part of the ceremony, pressed the button of FBR's computerised system to remit the bank advice to the State Bank for transfer of the involved amount.

THE NEWS
Tuesday, 18th July, 2017

Cotton sowing in Punjab up 18pc for FY18

ISLAMABAD: Cotton crop cultivation witnessed around 18 percent increase in Punjab during the current sowing season of 2017-18 over the same period a year earlier, an industry official said.

It, however, decreased six percent in Sindh, said an official in the ministry of textile industry. During the current sowing season, cotton crop has been cultivated over 2.743 million hectares in Punjab, 18 percent higher as compared to the same period last year.

Cotton sowing in Sindh fell six percent to 0.598 million hectares of land, he added. Meanwhile, the official said final figures of the cotton cultivation across the crop growing areas in the country would be compiled by the end of the current month, which would depict the overall production in the country.

He further said over all cotton crop-sowing witnessed 12 percent increase during the current sowing season over the last year. The official said crop cultivation has been completed more than 88.2 percent area against the target set for 2017/18. Government set a target to produce 14.4 million cotton bales by cultivating crop over an area of 3.11 million hectares.

The Punjab was tasked to cultivate the crop over an area of 2.4 million hectares, whereas Sindh cultivation target was fixed at 0.65 million hectares, he added. The increasing trend in cotton cultivation was the result of a series of steps taken by the federal and provincial governments, including provision of subsidies on fertilisers, pesticides and electricity.

In order to enhance the crop cultivation and enhancing productivity, textile ministry, in collaboration with other stakeholders, organized a series of training programmes for farmers and held field seminars for creating awareness among the farmers, said the official.

THE NEWS
Tuesday, 18th July, 2017

In coal-focused Pakistan, a wind power breeze is blowing

ISLAMABAD: Pakistan is beginning to reap the benefits of Chinese investment in renewable energy infrastructure, with the opening of the first wind power project constructed as part of the huge China-Pakistan Economic Corridor, aimed at overhauling the country's transport and energy systems.

The nearly 50 megawatt wind farm is located on over 680 acres (275 hectares) of land in Jhimpir, near the shores of the picturesque Keenjhar Lake, around two hours' drive from the city of Karachi.

Jhimpir is part of the so-called "Gharo-Jhimpir wind corridor" in Sindh province, a 180 km (110 mile) stretch of coastal land that the Pakistan Meteorological Department says has the potential to produce 11,000 MW of electricity through wind power.

The corridor is home to Pakistan's earliest wind project, which began in 2009 with just a few turbines and was upgraded to an installed capacity of 56 MW by 2012. The new wind farm, which opened last month, has been developed by Sachal Energy Development, with financing from the Industrial and Commercial Bank of China.

Pakistan and China have signed around $57 billion of energy and infrastructure projects under the China-Pakistan Economic Corridor (CPEC). Most of this investment is going towards coal-fired power plants, fuelled both by imported coal and by coal mines in Pakistan's Thar Desert.

The CPEC projects aim to boost energy production in Pakistan to reduce shortages that lead to regular power outages. The country can produce as much as 23,000 MW of power, but experts say that there is a shortfall of as much as 5,000 MW during periods of peak demand – and demand is increasing by the day given the rapidly growing population.

CPEC energy projects are expected to add around 17,000 MW to the national grid in the next few years through what are being called "early harvest" projects to overcome the energy crisis.

Most of these are coal-powered plants, such as the 1,320 MW Sahiwal plant in Punjab, which was inaugurated this month. But CPEC also includes some renewable energy projects. The Quaid-e-Azam solar park in Bahawalpur, in southern Punjab, is due to generate 1,000 MW, while a further 250 MW will come from the wind corridor in Sindh.

Zeeshan Ashfaq, a research analyst who works for the World Wind Energy Association, told the Thomson Reuters Foundation in an interview that Pakistan's grid currently has more wind power capacity than solar power capacity. "Today we only have 400MW of grid-connected solar energy from Quaid-e-Azam solar park, whereas we have 640MW of grid-connected wind energy already in Jhimpir," including previously installed wind projects, Ashfaq said.

The Gharo-Jhimpir wind corridor, mapped in 2013 by the US National Renewable Energy Laboratory, contains vast stretches of saline land, unsuitable for agriculture and dotted only with a few bushes.

"Thirteen projects are already operational here and others are in the pipeline. By the end of this year, an additional 200MW of energy will be added to the grid," Ashfaq said. In June, the International Finance Corporation (IFC), a member of the World Bank Group, announced that it will provide $66 million, and mobilise a further $172 million, to help build three 50MW wind power projects in the Gharo-Jhimpir wind corridor.

Triconboston Consulting Corporation, part of a Pakistani textile group that entered the renewable energy market in 2015, will operate the plants, which the IFC says will collectively form Pakistan's largest wind farm.

The World Bank has now started mapping Pakistan's entire wind potential, looking at wind corridors in Punjab as well. "With global pricing coming down, the market for renewables is kicking off. There is a lot of interest from investors," explained Shabana Khawar, the IFC's principal country officer in Pakistan.

Khawar said the IFC is the largest private-sector investor in power in Pakistan and is focusing on hydro, wind and solar projects. She estimates that there are more than 2,000MW of mid- to large-scale wind and hydro projects in the pipeline.

The wind projects include feed-in tariffs, which make them attractive to investors by guaranteeing payments for the electricity produced. In March, the National Electric Power Regulatory Authority (NEPRA) set the benchmark tariff at 6.7 US cents per unit of power produced.

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Amjad Awan, chief executive officer of the government's Alternative Energy Development Board, said that because wind power production depends on the strength of the wind at any time, it is important to create an energy mix, such as of wind and solar power or wind and natural gas.

"We are entertaining hybrid arrangements and will be able to manage intermittence soon," Awan said. "In Pakistan we have more than sufficient solar and wind potential to transform into energy. And with a 20 percent decrease in prices since 2014 the notion that wind energy is costly is a myth."

Ashfaq, of the World Wind Energy Association, said that "in some countries solar and wind energy is now cheaper than fossil fuels. We too can leapfrog and move towards decarbonising our energy sector."

"It took seven years for Pakistan to commission its first big wind project in 2012 after introducing its renewable energy policy back in 2006. Now the market is gaining momentum," he said.

However, Ashfaq is concerned that the government's focus remains largely on expansion of fossil fuel power, which is helping drive climate change and worsening extreme weather in Pakistan, including more droughts and floods.

"The government's focus has shifted to coal power and liquefied natural gas (LNG) based generation. The world is moving towards renewables but (Pakistan is) finding solutions in dirty fossil fuel generation," he said.

Although Pakistan used to rely on oil-powered generation, Jamil Masud, an energy consultant who works for Hagler Bailly Pakistan, a consultancy group, said that coal is cheap at the moment, and new plants can be put up quickly with a predictable output.

Pakistan's first power plant fueled by domestic coal will become operational by June 2019, and once its second phase is completed in mid-2020 it will generate 1,300MW. It has been fast-tracked due to financing available under the CPEC.

THE NEWS
Tuesday, 18th July, 2017

FBR forays new team to meet mammoth tax target for 2017/18

ISLAMABAD: The Federal Board of Revenue's (FBR) top management brought in a major team reshuffling at its key Inland Revenue Service (IRS) arm with the revenue body facing an arduous task of meeting the ambitious tax collection target of Rs4.013 trillion during the current fiscal year.

In a first but major jolt after the newly-appointed Chairman FBR Tariq Pasha assumed the charge, tax machinery made transfer and postings of 18 officers of IRS in BS 20 to 22. Pasha appointed Khawaja Tanveer Ahmed as Member IR (grade 21 officer) after replacing Rehmatullah Wazir from the position. Wazir, who has been posted as Member Taxpayer Audit, is retiring in March 2018.

Ahmed and Wazir were considered as potential candidates for the slot of Chairman FBR before the appointment of Tariq Pasha. Pasha, after analysing situation on ground, made his first move and appointed Ahmed who, for all practical purposes, will be responsible to look after the field formations across the country for revenue collection on daily basis on account of three major heads, including income, withholding and sales taxes and federal excise duty. Only customs duty does not fall under his domain. Member IR operation is considered as the most influential and powerful position after the Chairman FBR.

Special Assistant to Prime Minister on Revenue Haroon Akhtar Khan has already played a major role in establishing new team in the FBR as the top guns in the government know a fact that it would be quite hard for them to achieve the highly challenging target during the current fiscal year amid an intensely-charged political environment in the country.

The challenges are so acute that the FBR's newly placed management will have to fill in posts in Lahore, Gujranawala and many other places as well as make permanent appointment for Peshawar and Multan where chief commissioners will soon be retiring.

Senior FBR officials, talking with The News, argued that they transferred top 18 chief commissioners who failed to achieve the tax collection target for the fiscal year, ended June 30, 2017.

Many insiders did not buy this argument, saying Large Taxpayer Unit Islamabad had witnessed a major revenue shortfall but its chief commissioner was not transferred in this latest wave of transfer and postings.

"In reality, the FBR had miserably failed in achieving its downward revised target of Rs3,521 billion for FY17 as so far its collection stood at Rs3,372 billion despite getting advances in the last quarter of the previous fiscal year," a source said. "So, all should be punished for this revenue shortfall, including those who are at the helm of affairs."

Sources said the new team placed in men of their choices at different places and it is their discretion to build their own team keeping in view the 'comfort zone'. "But FBR would have to gather all its strength to achieve the new target by wringing fresh Rs700 to 750 billion in a year when political upheaval is expected to remain high in all the coming weeks and months ahead," said a well-placed source.

THE NEWS
Tuesday, 18th July, 2017

FDI increases 4.6 percent to $2.410 billion in FY17

KARACHI: Pakistan drew $2.410 billion in foreign direct investment (FDI) during last fiscal year of 2016/17 , up 4.6 percent from a year earlier, the central bank's data showed on Monday.

However, FDI inflows fell to $198.9 million in the month of June, compared with $269 million in the corresponding period of FY16.

FDI into Pakistan grew at faster pace in five years in FY17 as Chinese firms continued to invest in electricity generation and construction sectors largely under the $57 billion worth China-Pakistan Economic Corridor (CPEC) initiative.

Chinese investments accounted for nearly half of the total foreign direct investment received by the country in FY17. Net FDI from China increased 11.47 percent to $1.185 billion during last year.

Apart from China, Netherlands, Turkey, and France emerged as major contributors to FDI, with their investments mostly flowing into food, construction and electronics' manufacturing sectors.

A country-wise break up on foreign investment revealed that FDI flows from Netherlands surged to $463.4 million, compared with $29.9 million in the previous year.

Investments from Turkey rose to $135.6 million against $16.8 million in FY16. Moreover, cross-border acquisitions made Pakistan a favoured FDI destination last year.

The food sector attracted $493 million worth of investment flows in FY17, compared with an outflow of $56 million from the country following an acquisition deal in a Pakistani food processing company by a Dutch conglomerate.

Similarly, purchase of a privately held home appliance company by a Turkish firm boosted foreign inflows into the country. The electronics sector fetched $143 million in FDI in FY17 from $33.7 million a year ago.

According to Economic Affairs Division, Ministry of Finance, the Chinese companies put money into various infrastructure projects in FY17 that included Havelian-Thakot section of the Karakoram Highway, Sukkur-Multan section of the Peshawar-Karachi Motorway, and the Lahore Orange Line project.

Analysts said prospects of the FDI look brightened on the back of acceleration in CPEC-related projects, improved availability and growth supporting reforms. Foreign investors are comfortable with the country's growth trajectory.

However, as the International Monetary Fund warned in its latest report, some risks to foreign investments remain there. "Low growth in advanced countries and in emerging countries along with greater uncertainty around world trade could weaken exports, FDI and workers' remittances," the IMF said in its staff report published last week following its Article IV consultations with the Pakistani authorities.

The Fund expects FDI flows to increase to $3.6 billion in FY18. Analysts predicted Pakistan would register a moderate growth in FDI during the current fiscal year. They agreed that net FDI, including from China and other countries, should increase further from its present level to ease pressure on foreign exchange reserves and external payments.

The State Bank of Pakistan's data showed that portfolio investment saw a decrease of 66 percent in FY17 due to $530.9 million outflow from the local bourse.

Total foreign investment surged 9.1 percent to $2.157 billion in the last year, mainly supported by the 40 percent stake sale of Pakistan Stock Exchange to a Chinese-led consortium.

THE NEWS
Tuesday, 18th July, 2017

CPEC means Pakistan's entry into global supply chain: Ahsan Iqbal

Islamabad: The Higher Education Commission (HEC) and China Association of Higher Education (CAHE) jointly organised the first Pakistan-China Forum entitled 'Challenges of Equitable Access and Quality in Higher Education' at Air University on Monday.

Federal Minister for Planning, Development and Reforms Ahsan Iqbal was the chief guest on the occasion. Executive Director Higher Education Commission Dr. Arshad Ali, Consultant (CPEC) HEC Lt. General (r) Muhammad Asghar, CAHE delegates, and a large number of academicians were also present.

Speaking on the occasion, Ahsan Iqbal appreciated the role of Higher Education Commission in building CPEC University Alliance and CPEC Consortium of Business Schools. 'These efforts will help building collaborative linkages and intellectual connectivity which symbolise the spirit of CPEC,' he stated. He maintained that the government is fully supportive of HEC in capacity building of existing higher education institutions to prepare suitable human resource for CPEC and promote cultural harmony between the two countries. 'CPEC means Pakistan's entry into the global supply chain,' he emphasised.

In his address, Dr. Arshad Ali thanked the Government's commitment for promotion of higher education in the country which, he said, is not only a goal but also a pre-requisite for a knowledge-based economy. He also shared various initiatives of HEC with regard to HEC Vision 2025.

Earlier in his welcome address, Vice Chancellor, Air University Faaiz Amir and Muhammad Asghar shed light on theme of Forum. The Forum focused on three areas including national role and contribution in improving quality of higher education, ensuring quality with large scale increase in access, and balancing quality of higher education in diverse regions.

The Forum was also addressed by Diaomei Wang, leader of the Chinese delegation.

THE NEWS
Tuesday, 18th July, 2017

Cotton steadies

Karachi

Dull trading was witnessed at the Karachi Cotton Exchange on Monday, while spot rates remained unchanged.

The spot rates stood firm at Rs6,200/maund (37.324kg) and Rs6,645/40kg. Ex-Karachi rates also remained unchanged at Rs6,335/maund and Rs6,790/40kg after an addition of Rs135 an{C}d Rs145 as upcountry expenses, respectively. Naseem Usman, chairman of the Karachi Cotton Brokers Association, said that trade remained slow because of rain in the country.

“Monsoon rains have been recorded from several cotton growing areas of Sindh and Punjab, which will delay the arrivals in the factories and a shortfall in trade is also expected,” he added. KCE recorded only two transactions of 800 bales, 400 each from Mirpurkhas and Tando Adam, Sindh at a price of Rs6,400/maund.

The Nation on Web
The Nation
Tuesday, 18th July, 2017

Cotton sowing in Punjab up by 18pc

APP

ISLAMABAD - Cotton crop cultivation during the current sowing season (2017-18) has witnessed about 18pc increase in Punjab as compared the sowing of same period of last year. However, it decreased by 6 percent in Sindh during the period under review, according to a top official in the Ministry of Textile Industry. During the current sowing season, cotton crop has been cultivated over 2.743m hectares in Punjab which is 18pchigher as compared the same period of last year. However, cotton sowing in the Sindh during the period under review decreased by 6 percent as the crop has been cultivated over 0.5m hectares of land, he added.

The Nation on Web
The Nation
Tuesday, 18th July, 2017

Zero gas loadshedding in upcoming winter: Abbasi

101 oil and gas discoveries made during past four years

Fawad Yousafzai

ISLAMABAD - While announcing three new oil and gas discoveries, Federal Minister for Petroleum and Natural Resources Shahid Khaqan Abbasi has said that number of discoveries made during past four years of the incumbent government have reached to 101.

However, the minister acknowledged that so far the government has failed to make any new discovery in the mineral-rich Balochistan province. Addressing a press conference on Monday, he said that all the new discoveries have been made in Sindh by three different E&P companies. He said the discoveries made by PEL, OGDCL and United Energy Pakistan will produce around 52.5 mmcfd gas and 765 bpd oil.

Replying a query, the minister said that there would be zero gas loadshedding in the next winter season, however there could be 'local problem' of low pressure in certain localities, which was being removed. Giving the detail about the new discoveries, Abbasi said PEL made a discovery of 24 mmcfd gas and 765 barrels of oil in Badin-IV North Exploration License at Zainab-I. This is the first discovery by PEL as the two well drilled earlier went dry, he added.

Similarly, OGDCL has made gas discovery in Thal exploration licence at Bhambhra-I in Sukkur district of Sindh. OGDCL has discovered 15 mmcfd gas in the well. While few days back United Energy Pakistan discovered 13.5 mmcfd gas in Mirpurkhas, he informed. “During the tenure of the present government we have consumed 5.2 trillion cubic feet (TCF) gas but we also added 5.4 TCF reserves. It means we have replaced more than 100 percent gas reserves consumed,” he claimed. He said that the figure of 5.4 TCF is based on the evaluation of 68 discoveries, while potential of remaining 33 finds were under evaluation.

Abbasi said that out of 101 discoveries 87 were made in Sindh and 7 each were made in Punjab and Khyber Pakhtunkhwa. He said that during the present government tenure over Rs1100 billion foreign investments had poured in the country's petroleum sector. Replying to another question regarding the reason for making no discovery in Balochistan, the minister said it is matter of concern but step are being taken to improve the situation.

Exploration activities were being affected in some areas of Balochistan due to certain reasons, and the ministry had cancelled the leases of the companies in Balochistan and are inviting new biddings from the E&P companies to undertake fresh robust exploration activities in the province. Besides, he said that the government companies are being mobilised to undertake the exploration in Balochistan.

Replying another question regarding the gas theft, he said SNGPL and SSGCL have curtailed the unaccounted for gas (UFG) percentage to some extent and their efforts were continuing to overcome it completely. To another query, the minister said that earlier there were delays in the north-south pipeline but the bottleneck has been removed and now it will be executed smoothly. The pipeline is being constructed on BOT basis and the government of Pakistan will only acquire the land for the project, he added. The cost of the land is only Rs8 billion and it will be funded through GIDC, he added.